European Commission

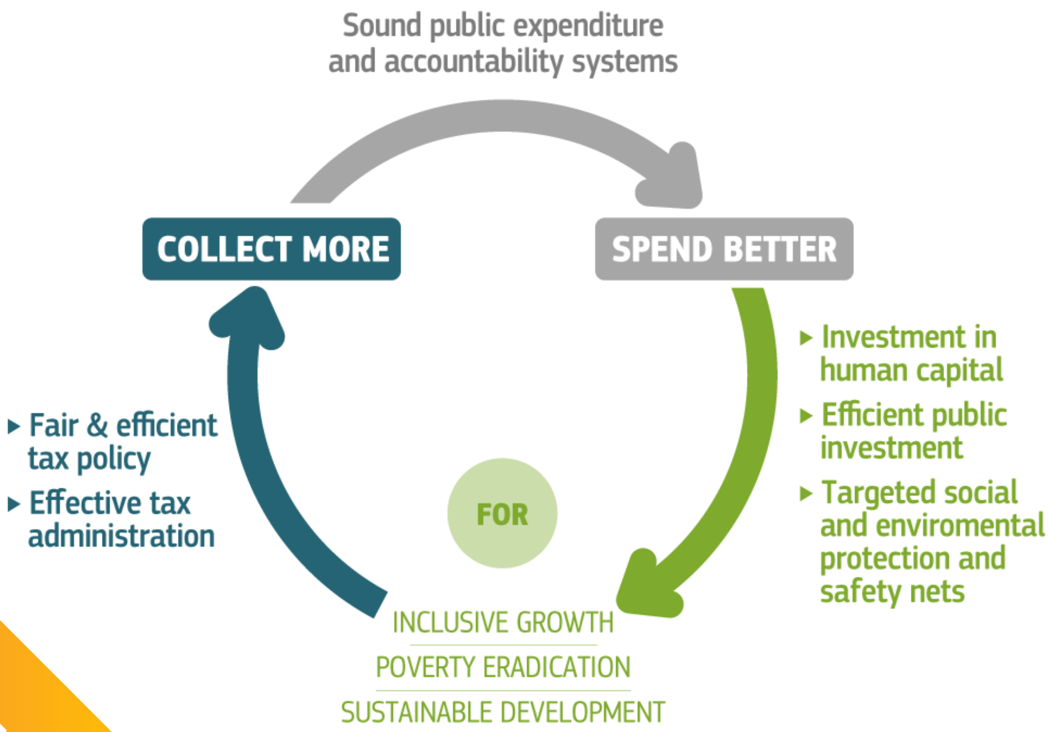
Evaluation of the European Union External Action

Thematic Evaluation

# Evaluation of EU Collect More Spend Better (2015-2020)

## Volume II – Main Annexes

*June 2023*

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International Partnerships

Prepared by:

ADE
Evidence for better policy

Rue de Clairvaux 40, Box 101 - 1348 Louvain-la-Neuve (Belgium)

ade@ade.be - www.ade.eu

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**Contact information:**

European Commission
Directorate-General for International Partnerships (DG INTPA)
Directorate D - Sustainable Development Policy and Coordination
Unit D.4 - Performance, Results and Evaluation; Internal Communication, Knowledge Management and Collaborative Methods
Email: INTPA-EVALUATIONS@ec.europa.eu
B-1049 Brussels, Belgium

**EU International Partnerships:**
https://ec.europa.eu/international-partnerships/our-impact/monitoring-and-evaluation_en

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## Evaluation of EU Collect More Spend Better (2015-2020)

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

# Annex 1 – Mapping of EU support to CMSB

# MAPPING OF EU SUPPORT TO CMSB

## 1.1 Methodological Approach

### *1.1.1 Presentation of the data used for the CMSB inventory*

The mapping of EU support to CMSB (2015-2020) has been mainly built on two complementary EC databases: the EC Common Relex Information System (CRIS) and the Budget Support database. The CRIS extract at contract level holds exhaustive data on all the aid modalities used for EU CMSB support in all regions between 2015 and 2020: budget support, complementary measures, technical assistance and capacity building projects, and partnerships with international organisations. The Budget Support database focuses on budget support financial flows during the period 2015-2020. It provides detailed information on the fixed and variable tranches of budget support programmes deployed in all regions, including the list of and amounts linked to the variable tranche indicators. It does not include detailed information on the complementary measures mobilised. The list of BS decisions is however not exhaustive since it does not include decision numbers smaller than 25021. The mapping of EU CMSB support also draws on the data provided by the DRM database of the Addis Tax Initiative.

### *1.1.2 Data treatment and classification*

*Methodology for the CRIS extraction*

Firstly, we exported from CRIS all SRPC, SRBC and SDG-C decisions since 2015. As per the terms of reference, we considered all budget supports except for the support provided by the DG ECFIN, i.e. 2 programmes of macro-financial assistance to Bosnia Herzegovina in 2014 and to Moldova in 2017. Secondly, we defined the scope of the CMSB inventory based on CRS codes. We extracted all the lines that fell under the CRS codes listed below or under the codes for budget support (A01: SRBC or SDG-C and A02: SRPC).

**Table 1: The list of CRS codes included in the scope of the CMSB inventory**

| CRS sector code | Description |
|---|---|
| 15 111 | Public Finance Management |
| 15 113 | Anti-corruption organisations and institutions |
| 15 114 | Domestic Revenue Mobilisation |
| 15 125 | Public Procurement |
| 15 142 | Macro-economic Policy |
| 51 010 | General Budget Support |
| 60 010 | Action relating to debt |

Three more SRPCs were included after cross-referencing the CRIS extraction with the Budget Support database and reviewing the description of the programme. They were from the CRS codes 15 110 (Public sector policy and administrative management), 16 020 (Employment creation) and 43 010 (Multisector aid).

Thirdly, we classified all the selected programmes between financial flows, complementary measures, Technical Assistance/Capacity Building (projects) and Partnerships with IOs.

Fourthly, we classified the SRPCs' financial flows, all the complementary measures, the projects and the partnerships in sectors or as ‘Not relevant’ if not relevant to CMSB. To do so, we used first the CRS codes (e.g. Anti-corruption) and then we reviewed line by line the description of the programme.

The programmes were classified in one of four CMSB sectors and when it was possible in sub-sectors and sub-sub-sectors.

**Table 2: List of CMSB sectors considered in the ADE classification**

| Sector | Sub-sector | Sub-sub-sector |
|---|---|---|
| Revenue | Extractive Industries | |
| | Fiscal Decentralisation | |
| | Revenue administration | Customs |
| | | Information systems |
| | Tax governance | |
| | Tax policy | Fiscal expenditure |
| | Tax performance | Revenue outturn |
| Global Public Finance | Accounting and reporting | |
| | Anti-corruption | |
| | External Scrutiny and Audit | Accountability |
| | Fiscal Statistics | |
| | Macroeconomic Policy | |
| | Support to PFM reform | |
| | PFM Assessment tools | TADAT |
| | | PEFA |
| | Training | |
| | Transparency of Public Finances | CSO |
| Spending | Budget execution | Cash management |
| | Fiscal decentralisation | |
| | Gender | |
| | Internal Audit and Control | |
| | PFM Assessment tools | PEFA |
| | Policy-based fiscal strategy and budgeting | |
| | Public investment management | |
| | Public procurement | |
| Debt | Arrears | |
| | Debt management | |

Through this classification, we identified programmes that directly targeted priorities raised by the CMSB working staff document. For all of these programmes, the title of the decision targets PFM or DRM and all of their VTIs are focused on CMSB.

The funding deemed 'Not relevant' was not included in the scope of the CMSB inventory. The SRBCs' and SDG-Cs' financial flows were included in the scope of the evaluation because they provided a significant support to PFM reforms even if the impact on CMSB was less clear.

Additionally, we extracted contracts funded by European Commission from the DRM database resulting of the Addis Tax Initiative (ATI).[1] We proceeded as follows: we identified contracts already in our database and contracts not in our database. We added the latters to the CRIS extractions.

We also identified countries' population from the World Population Prospects of 2019 made by the United Nations Population Division. The World Bank data provided additional information on income groups by country and on resource rich countries. The list of fragile countries was drawn from the OECD's list of fragile countries.

Finally, we classified all countries into 12 regions: Central and South Asia, South East Asia, Southern Neighborhood (Middle East and North Africa), West and Central Africa, Eastern and Southern Africa,

[1] https://www.addistaxinitiative.net/drm-

Eastern Neighborhood (Caucasus), Western Balkans (Accession countries), Latin America, Pacific, Caribbean countries, Overseas Countries and Territories and Others (regional or international labels).

### *Methodology for the Budget Support database*

The analysis of the budget support database was done at the level of fixed tranches and variable tranche indicators. We used this database to focus on certain aspects of the CMSB inventory, such as the 'core CMSB'.

Firstly, we identified the tranches and indicators included in the scope of the CMSB inventory. We selected all the fixed tranches as they may affect CMSB issues through the general conditions. We classified the variable tranche indicators based on the pre-existing sectoral classification. To do so, we selected the CRS codes 15 111, 15 112, 15 113 and 51 010; we also selected relevant codes in the Level 3, Level 4 Sectors and 'Public debt, Public investment, Procurement' indicators.

Secondly, we classified each variable tranche indicator in sectors and sub-sectors, and when possible in sub-sub-sectors, based on the description of the indicator. We also classified the pre-conditions if they were relevant to CMSB. All the indicators that were not relevant to CMSB were not included in the analysis.

Thirdly, we classified all the countries into 11 regions: Central and South Asia, South East Asia, Southern Neighborhood (Middle East and North Africa), West and Central Africa, Eastern and Southern Africa, Eastern Neighborhood (Caucasus), Western Balkans (Accession countries), Latin America, Pacific, Caribbean countries and Overseas Countries and Territories.

With the classification, we identified three levels of proximity between the tranches of the Budget Support databases and CMSB topics.

Firstly, the VTIs that directly targeted CMSB issues were at the heart of the CMSB inventory. These were the indicators that were classified as such in the CMSB sectors and sub-sectors. The rest of the VTIs did not address CMSB and were not included in any of the three levels of proximity with CMSB. Moreover, the FTs of 12 SRPCs specifically dedicated to PFM support were also included in this first level.

Secondly, similarly to the CRIS analysis, the fixed tranches of the SRBCs and SDG-Cs were indirectly related to CMSB and were therefore part of the second level of budget support.

Thirdly, the fixed tranches of other SRPCs (SRPCs that were not related to CMSB) had a tenuous relation with CMSB through the general conditions. They were included in the third level of proximity with CMSB.

It is important to note that there were some mistakes in the Budget Support database, such as tranches categorised in wrong CRS codes or SRPCs classified in A01 (general budget support). The Budget Support database is not fully exhaustive over the period 2015-2016, e.g., some SDG-C disbursed in 2015 and 2016 are missing because the decision dates to before 2015.

## *1.1.3 Cross-reference of the CRIS extraction and the Budget Support database to build the CMSB inventory*

We defined the scope of the CMSB inventory in CRIS as the sum of:

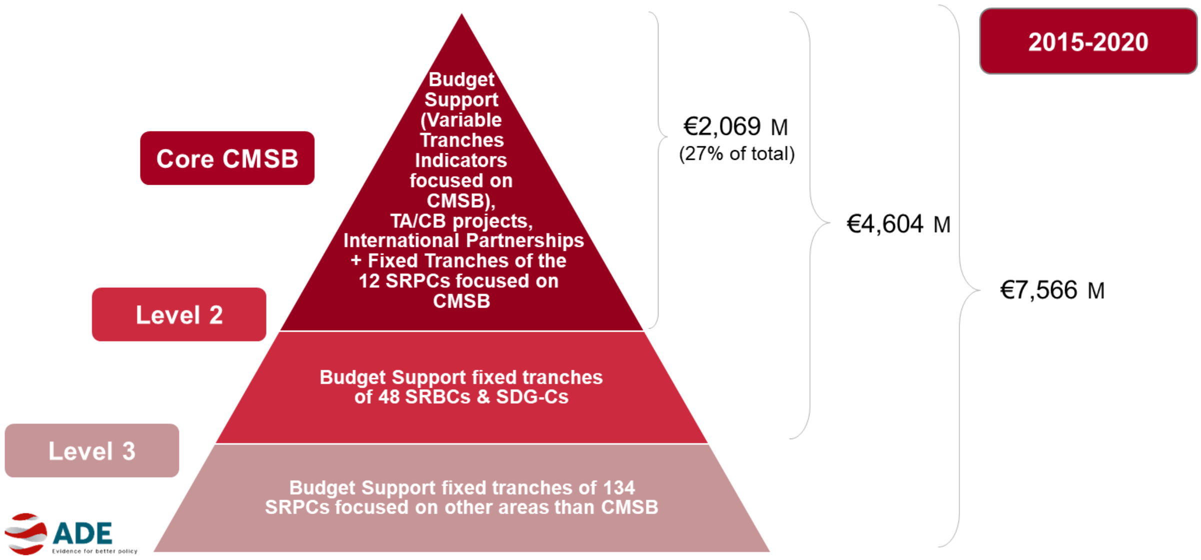
the SRPCs related to CMSB,

- the complementary measures, the projects (TA and CB) and the partnerships with international organisations related to CMSB,
- all the SRBCs and the SDG-Cs.

To provide a detailed picture of how the EU has supported the CMSB agenda, EU actions have been analysed on three different levels: level 1, level 2 and level 3, as represented in the pyramid below.

- Level 1 is defined as the core of CMSB support. It encompasses all the amounts linked to VTIs in CMSB areas (source: Budget Support database)[2], fixed tranches included in 12 SRPCs specifically dedicated to PFM support (source : Budget Support database)[3] and the BS complementary measures, as well as TA/CB projects targeting CMSB [4] and partnerships with international organisations (IOs) both at national and international levels that targeted CMSB (source: CRIS) [5].
- Level 2 includes the fixed tranches of the SRBCs and SDG-Cs which, like all BS programmes, contribute to CMSB through the general conditions for eligibility and disbursement. Fixed tranches of SRPCs devoted to PFM/DRM were not included.
- Level 3 includes the fixed tranches of all other SRPCs, which have a more tenuous relation with CMSB.

**Figure 1: The three layers of the EU's support to CMSB**




Note: EU core CMSB funding includes EU disbursed amounts through performance indicators and FTs of BS related to CMSB and EU contracted amounts through complementary measures, projects and international partnerships related to CMSB

Source: European Commission Budget Support Database (2015-2019) for BS, and Common RELEX Informative Systems (CRIS) for BS Complementary measures (CM), for Technical Assistance / Capacity Building (TA/CB) projects, and for partnerships with International Organisations (IOs)

[2] We classified the variable tranche indicators (VTIs) based on the pre-existing sectoral classification of the BS database. To do so, we selected the CRS codes 15 111 (PFM), 15 112 (anti-corruption), 15 113 (DRM) and 51 010 (GBS) (see Annex 2 for the detailed list of sectors included).

[3] See the list of the 12 SRPCs below in section 3.1.2

[4] Projects included for instance technical assistance supporting the implementation of PFM reforms at country level; technical assistance mobilized to support the design, implementation and evaluation of specific budget support operations; the financing of workshops; the financing of fiscal assessment studies (e.g. PEFA, TADAT); transversal capacity strengthening as well as specific support deployed to support either revenue mobilisation or spending management.

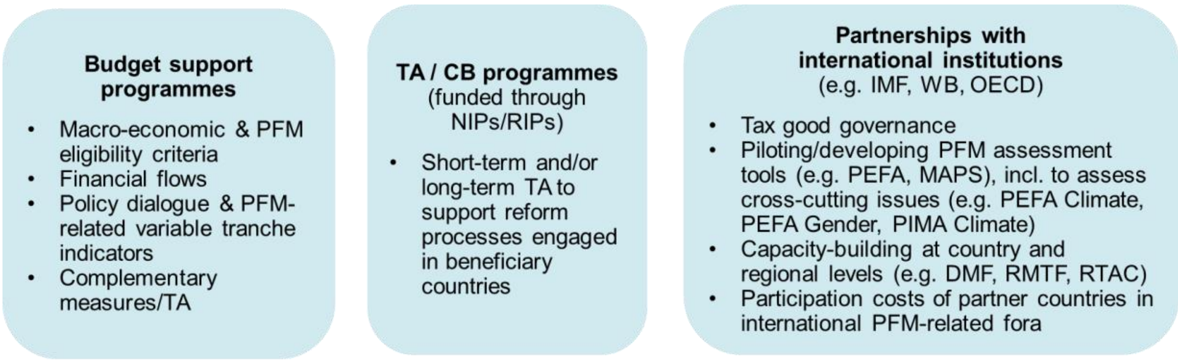
[5] Using the CRS codes 15 111, 15 112, 15 113, 15125, 15142

## 1.2 Presentation of the modalities used and of the main beneficiary countries

Overall, the EU has contracted over EUR 70.5 billion between 2015 and 2020 (through DG INTPA and NEAR). Slightly above 10% of this total focused on issues raised by the Collect More Spend Better staff working document (EUR 7.5 billion over 2015-2020).

The EU has used three modalities to support the CMSB agenda between 2015 and 2020: budget support, TA/CB programmes and partnerships with international organisations.

**Figure 2: EU aid modalities used**




CB: capacity building ; TA: technical assistance

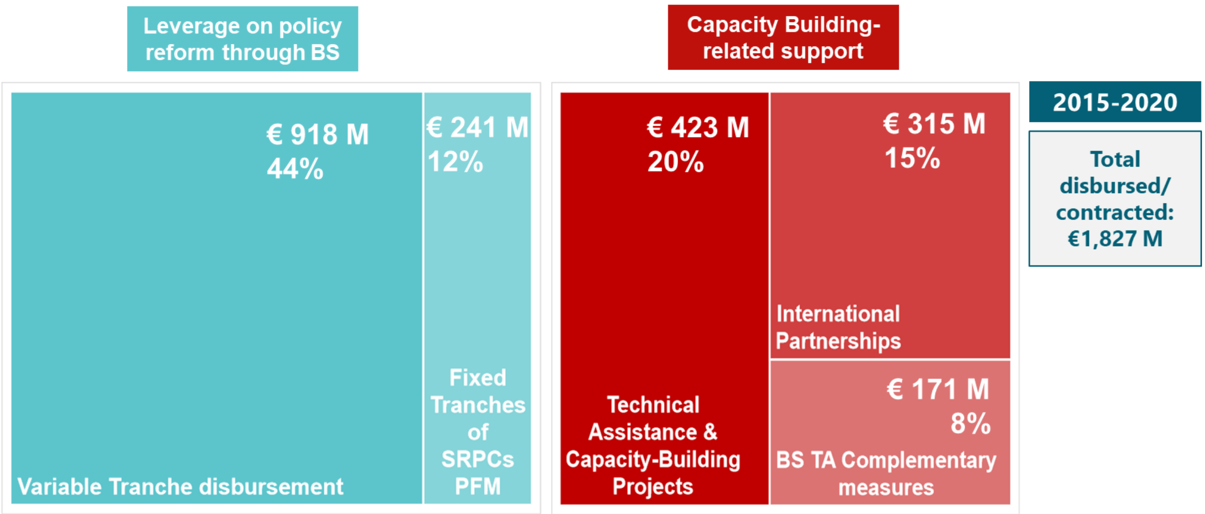
To provide a detailed picture of how the EU has supported the CMSB agenda, EU actions have been analysed on three different levels: level 1, level 2 and level 3, as represented in the pyramid below.

Most of the EUR 7.5 billion dealing with CMSB issues between 2015 and 2020 were contracted through Budget Support (mainly SRBCs or SDG-Cs). Overall, TA/CB projects implemented at country level represented less than 10% of the total contracted amount while approximately 4% of the EUR 7.5 billion were conracted through partnerships with international organisations.

## 1.3 Core CMSB support

Of the EUR 7.5 billion disbursed between 2015 and 2020 that were directly or indirectly related to CMSB, EUR 2.069 billion (27%) directly addressed priorities raised in the CMSB working staff document through VTIs, FTs of SRPCs specifically dedicated to PFM support, complementary measures, technical assistance or support to international initiatives.

**Figure 3: Distribution of core CMSB funding disbursed through VTIs and contracted through complementary measures, projects and international partnerships between 2015 and 2020 (in EUR million)**




Note : Concerning Budget Support Complementary measures, TA was almost equally mobilised through SRPCs and SRBC/SDG-Cs
Note : BS amounts do not correspond to a specific activity

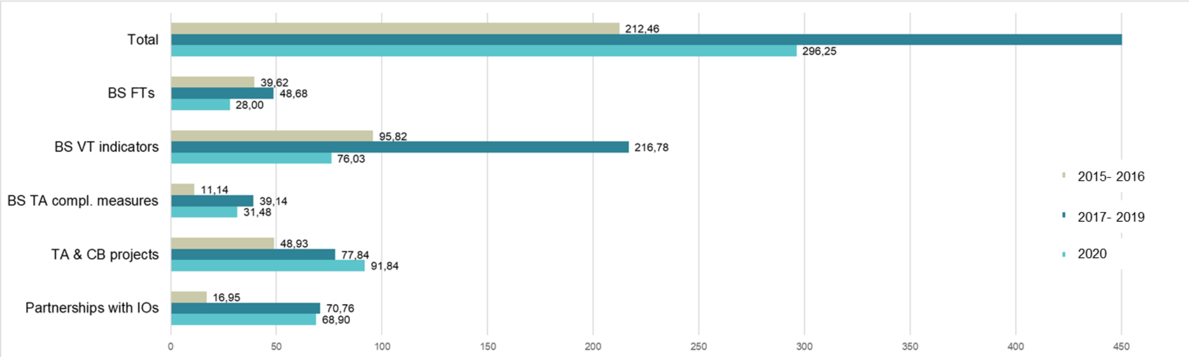
Source: EC BS database and CRIS

Budget Support, through the VTIs explicitly targeting CMSB, has been the most used aid modality to support CMSB (44%) and the FTs of the 12 SRPCs dedicated to PFM support (12%), followed by technical assistance and capacity building (20%) and partnerships with international organisations (15%). Complementary measures dedicated to PFM/DRM of SRPCs, SRBCs and SDG-Cs account for 8% of the core CMSB.

As shown by Figure below , the EU's annual average funding to CMSB has more than doubled after 2017 compared to 2015 and 2016. There was a sharp increase in all components: i) flows disbursed for the amounts linked to VTIs and FTs targeting CMSB[6], ii) flows contracted through budget support complementary measures, as well as through technical assistance and capacity building projects and iii) flows contracted to support international initiatives related to CMSB between 2015-2016 and 2017-2019. In 2020, massive CMSB funding was contracted to respond to the COVID-19 crisis, with the double of the yearly amounts contracted during the period 2017-2019. Amounts were doubled to tripled for all components except for the flows disbursed for the amounts linked to VTIs targeting CMSB.

[6] Data for programmes signed before 2013 was not available in the Budget Support database even if disbursements were made after 2014. Therefore, the results presented in this mapping may underestimate the amount allocated and disbursed in support to CMSB in the beginning of the period.

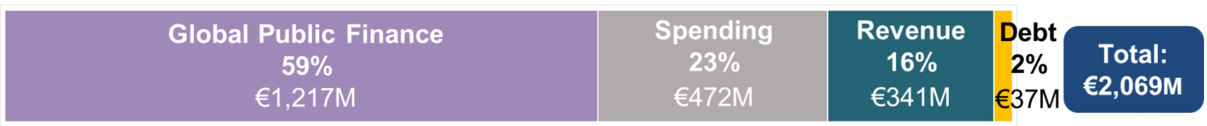
**Figure 4: Evolution of Core CMSB funding committed to VTIs and contracted through complementary measures, projects and partnerships (annual average in EUR million)**




Source: EC BS database and CRIS

Most of the EU's core CMSB support disbursed between 2015 and 2020 targeted both the 'Collect More' and the 'Spend Better' aspects of the CMSB working staff document, denoted as 'Global Public Finance' below. This label includes transversal interventions affecting several dimensions of Public Finance System as for example interventions that aimed to enhance transparency or limit corruption. The focus on 'Global Public Finance' was mostly driven by projects and complementary measures, many of which affected various aspects and transversal issues of CMSB at the same time. Spending was the second focus of core CMSB support (23%), followed by Revenue (16%). Debt was barely represented in the CMSB support, with only 2% of total contracts.

**Figure 5: Thematic distribution of amounts disbursed through CMSB VTIs and contracted through complementary measures, projects and partnerships (in EUR million)**




Note: the Fixed Tranches of the 12 Sector Reform Performance Contracts (SRPCs) dedicated to PFM (amounting EUR 241M) were included in Global Public Finance

Source: EC BS database and CRIS

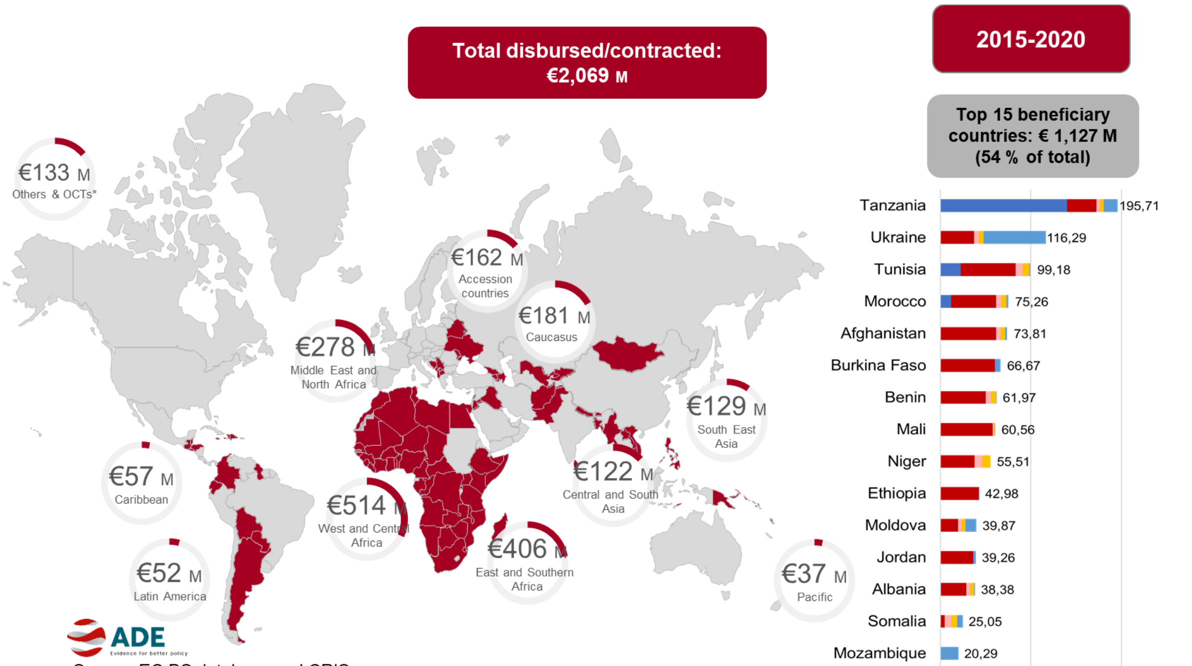
Africa received by far the largest amount of core CMSB funding, in particular Western and Central African countries with over EUR 300 million disbursed through variable tranche indicators related to the CMSB approach. Beneficiaries from the Eastern and Southern Neighbouhoods (ENI-East and ENI-South) and to a lesser extent candidate beneficiaries from the Western Balkans (Instrument for Pre-Accession Assistance II) have also benefited of significant support to implement the CMSB approach, channelled notably through VTIs, particularly among the ENP-S countries. Asian and Latin American countries, however, received significantly less core CMSB funding.

The top 5 beneficiary countries of core CMSB funding are Tanzania, , followed by Ukraine, Tunisia, Morocco and Afghanistan. Tanzania received a the highest share of FTs related to a SRPC dedicated to PFM support (Tanzania Economic and Governance Fiscal Programme), amounting EUR 140 million. Ukraine benefited from a very large share of technical assistance and capacity building projects[7].

[7] Cf. section 3.1.2 for more details on the capacity building intervention in Ukraine.

Afghanistan, Tunisia and Morocco received the largest amounts of support through variable tranche indicators (over 50 million).

**Figure 6: Mapping of EU core CMSB funding contracted/disbursed between 2015 and 2020 (in EUR million)**



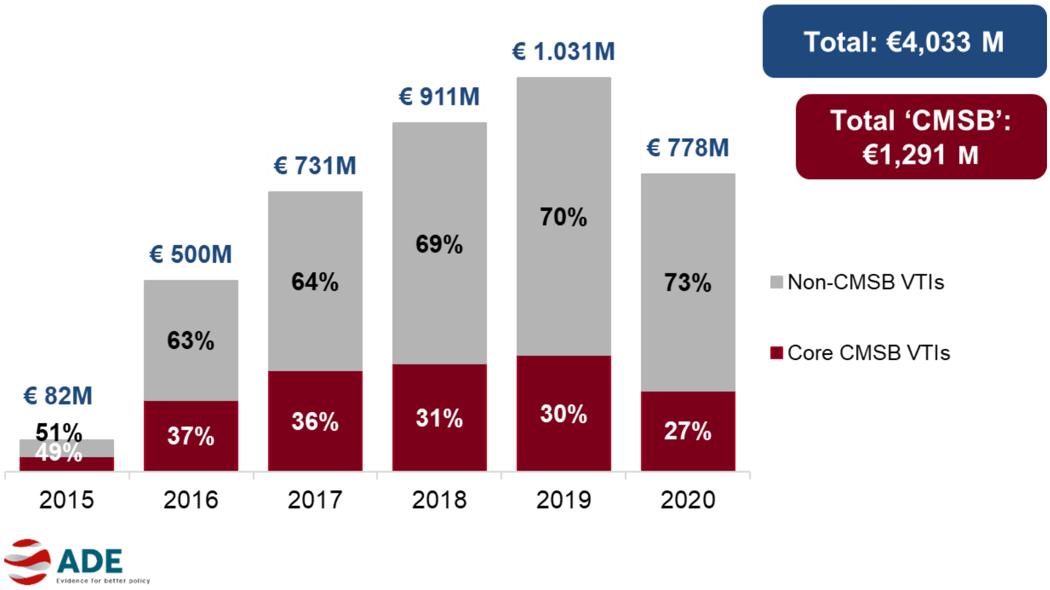

Source: EC BS database and CRIS

* € 125M to Others (regions/continents that do not fit in the regional classification) and € 8M to Overseas Countries and Territories (OCTs) such as the Greenland

## *1.3.1 The use of variable tranche indicators to support the CMSB agenda*

Of core CMSB funding, 44% (approximately EUR 918 million) corresponded to the amounts disbursed under variable tranche indicators (VTIs) directly targeting CMSB topics. This amount represents 33% of the total amounts allocated to VTIs throughout all BS programmes between 2015 and 2020. The total amount disbursed linked to VTIs focused on core CMSB has risen steadily since 2015, although the VTI disbursement rate dropped from 84% in 2015-2016 to 70% in 2017-2019 and 36% in 2020, and the share of core CMSB VTIs in all VTIs has fallen by half since 2015 (from 49% of total executed VTIs to 27% in 2020). CMSB was a priority in the design of VTIs in BS programmes in Africa and to a lesser extent in BS programmes in Asia. The share of CMSB VTIs in the total funds allocated to VTIs was, however, much smaller for countries in the Eastern and Southern Neighbourhoods and for the Western Balkans. CMSB was not a priority for VTIs of BS programmes in Latin America, the Pacific and overseas territories.

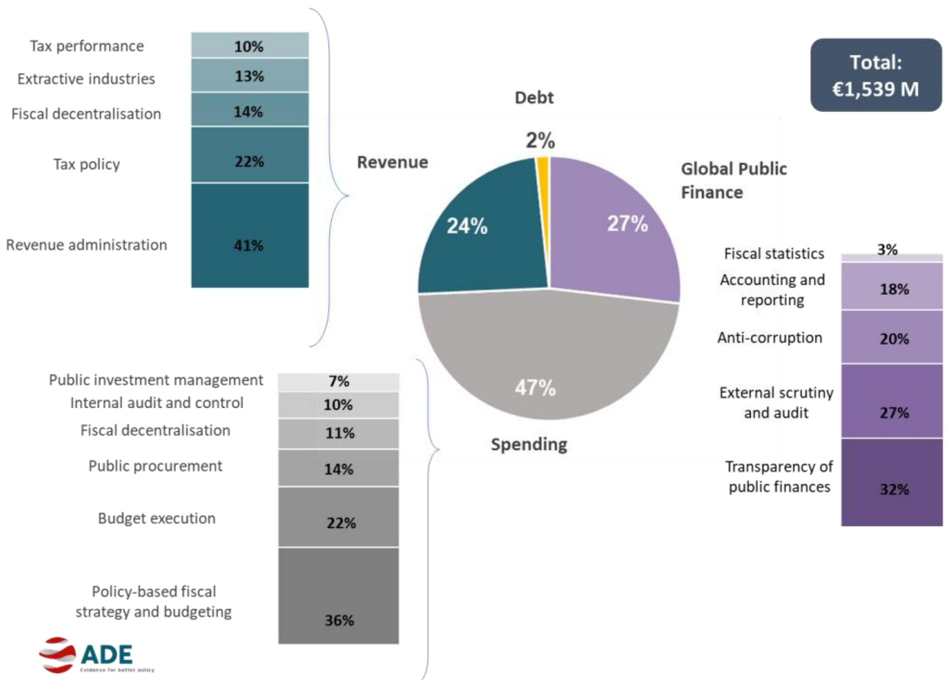
**Figure 7: Share of core CMSB VTIs in the total amount allocated VTIs between 2015 and 2020 (in EUR million)**




Source: EC BS database

"Spending" was the main focus of the VTIs that targeted CMSB (47% of commitments) (see figure below). 24% of the funds allocated to core CMSB through VTIs targeted "Revenue". The execution rate was higher for spending than for revenue. Debt was not a major focus of the VTIs.

**Figure 8: Distribution of core CMSB VTIs between sectors and sub-sectors (commitments, in EUR million)**

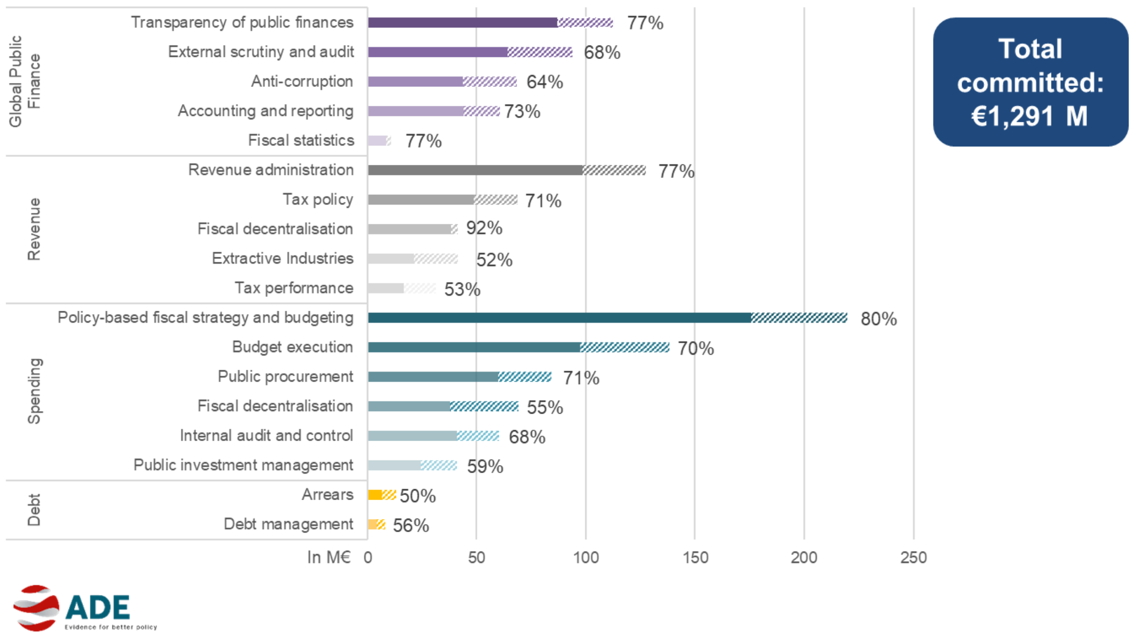



Source: EC BS database

In the "Spending" area, the EU put emphasis on policy-based fiscal strategy and budgeting and on budget execution (including revenue outturn). Regarding "Revenue", there was a clear focus on revenue administration and on tax policy (including fiscal expenditure). Execution rates were higher for policy-based budgeting (80%) and revenue administration (77%) than for budget execution (70%)

and tax policy (71%). More transversal VTIs addressing Global Public Finance mostly focused on transparency of public finances (with an execution rate of 77%) and on external scrutiny and audit of public finances (with an execution rate of 68%). Anti-corruption was also a key issue targeted by the indicators, but the execution rate was lower (64%). Accross the CMSB areas, fiscal statistics, debt management and arrears were the topics VTIs focused on the less.

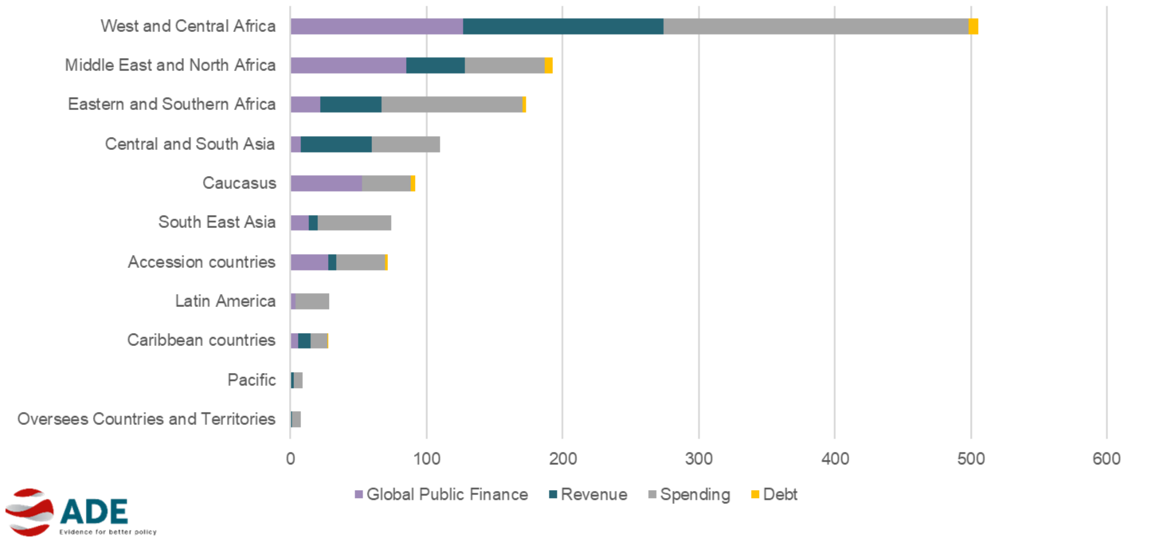
**Figure 9: Funds allocated to core CMSB by sector through VTIs (in EUR million)**




Source: EC BS database

A large share of the variable tranches in Latin America, in Asia and in Africa targeted the spending aspect of CMSB first and foremost. The share of VTIs dedicated to revenue-related reforms (24%) was much smaller. In absolute terms, West and Central African countries is the region having benefited the most from “revenue” support. In relative terms, the two regions where “revenue” funding represented above 30% of the CMSB portfolio were the Caribbean and Central and South Asia.

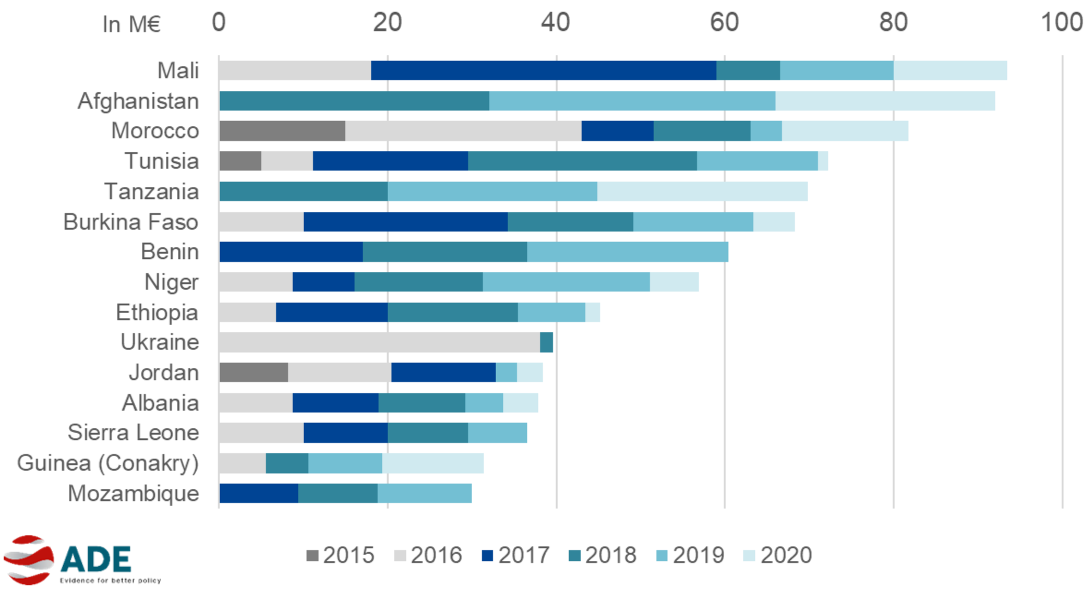
**Figure 10: Funds allocated to core CMSB VTIs by region and by sector (in EUR million)**




Source: EC BS database

Mali and Tunisia had the largest amount of VTIs related to PFM/DRM/Debt. Budget support programmes to Western African countries showed overall a significant number of VTIs focusing on the CMSB agenda. Other countries such as Afghanistan and Tanzania started receiving budget support recently (from 2018), with large amounts conditioned to VTIs related to CMSB.

**Figure 11: Top 15 beneficiary countries of core CMSB support allocated through VTIs 2015 -2020 (in EUR million)**

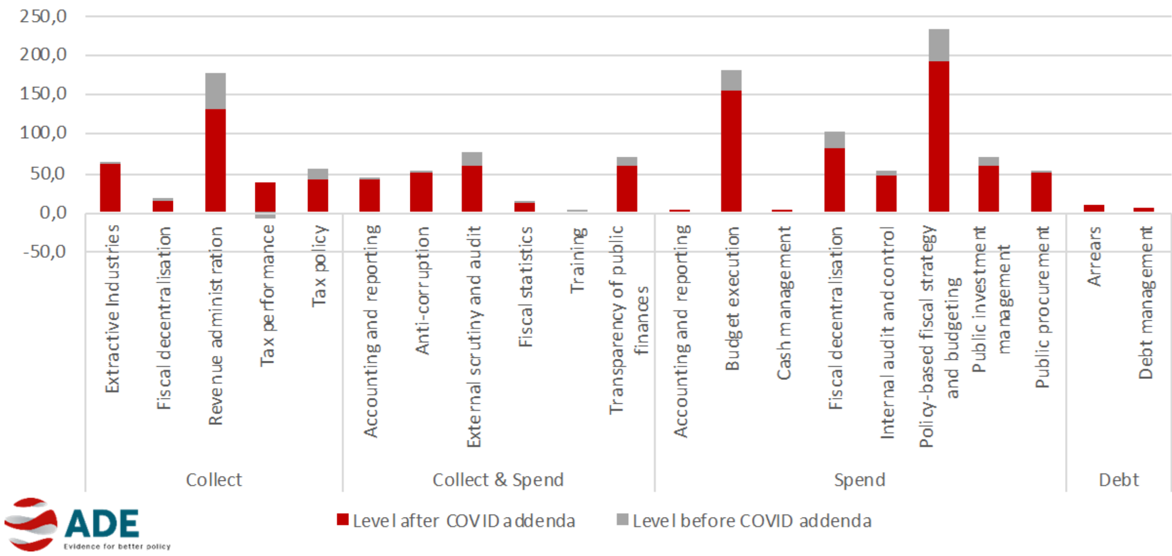



Source: EC BS database and CRIS

Adaptations to COVID-19 mostly took the form of: frontloading BS disbursements planned in 2020 or in subsequent years earlier in 2020, changing a variable tranche into a fixed tranche, neutralizing variable tranche indicators made irrelevant and/or no longer monitorable due to the pandemic, approval of top-ups on existing programmes, modification of performance indicators/targets, extension of the duration of programmes, and/or design of dedicated SRBCs to support partner countries in coping with the negative effects of the pandemic.

Moreover, these adaptations to COVID-19 led to a change in the sector distribution of EU commitments made under the performance indicators related to CMSB. After COVID-19, the latter decreased especially in the areas of revenue administration, policy-based budgeting, budget execution, and fiscal decentralization.

**Figure 12: EU commitments made under core CMSB VTIs before (in gray) and after COVID-19 (in red) by sector and sub-sector (2018-2020, in EUR million)**




## 1.3.2 Core CMSB support through fixed tranches in SRPCs specifically dedicated to PFM

The fixed tranches of the 12 SRPCs that focused on CMSB between 2015 and 2020 totaled EUR 254 million, i.e. 12% of the level 1 CMSB support. These SRPCs entirely focused on CMSB were all falling under the CRS code 'Public finance management' (15 111) and all of their VTIs focused on CMSB. The EU planned to disburse EUR 255 million between 2015 and 2020 as fixed tranches of which EUR 246 million were disbursed[8]. The Economic and Fiscal Governance SRPC in Tanzania stands out due to the magnitude of the operation (EUR 140 million committed through fixed tranches).

Within the 12 SRPCs, there was always an envelope foreseen for complementary measures. On average, the share of the envelope of complementary measures was around 14% of the total budget of the operation. However, it varied widely across programmes. In Albania and Tanzania, the share of the envelope was smaller than 5% while in Timor-Leste it was worth 40% of the total budget.

On average, the fixed tranches of the 12 SRPCs represented 44% of the BS allocated amounts while the variable tranches represented 56%. There is also a wide variety across countries: the fixed tranches represented only 10% of the total budget support in Albania compared to 70% in Tanzania.

[8] The disbursement data for the last 30 million euros (the 2019 fixed tranche of the Economic and Fiscal Governance Programme in Tanzania) was not available in the 2014-2019 budget support database.

**Table 3: SRPC programmes[9] focused on CMSB-related issues**

| Decision number | Decision Title | Country | Planned year start and end | Total amount Decision (in EUR M) | BS amount planned (in EUR M) | CM amount planned (in EUR M) | FT amount planned (in EUR M) | VT amount planned (in EUR M) | Total amount disbursed (as of 2020) (in EUR M) | FT amount disbursed (as of 2020) (in EUR M) | VT amount disbursed (as of 2020) (in EUR M) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **37957** | Partnership to improve service delivery through strengthened Public Finance Management and Oversight (PFMO) | **Timor-Leste** | 2017-2021 | 30 | 17 | 12 | 7.5 | 9.5 | 9.9 | 4.5 | 5.4 |
| **37958** | EU support to Public Financial Management Reform Program - Stage 3 | **Cambodia** | 2016-2019 | 30 | 21 | 8.5 | 10.5 | 10.5 | 19.7 | 10.5 | 9.2 |
| **38229** | Public Finance Policy Reform Programme in Armenia | **Armenia** | 2017-2021 | 10 | 8 | 1.9 | 3.3 | 4.7 | 7.8 | 3.3 | 4.5 |
| **38717** | IPA 2016 Annual Action Programme - objective 1 | **Albania** | 2018-2020 | 10 | 9.6 | 0.4 | 1 | 8.6 | 6.8 | 1 | 5.8 |
| **38939** | Tanzania Economic and Fiscal Governance Programme | **Tanzania** | 2016-2019 | 205 | 200 | 3.7 | 140 | 60 | 172.1 | 140 | 32.1 |
| **39229** | Supporting the PFM Reform Programme in Jamaica (11th EDF EU-Jamaica) | **Jamaica** | 2019-2021 | 3.7 | 3 | 0.7 | 1 | 2 | 2.9 | 1.3 | 1.7 |
| **39315** | Programme in Support of DR Public Administration and Finance Reform and Domestic Revenue Mobilization | **Dominican Republic** | 2019-2021 | 14.8 | 12.8 | 1.7 | 5.1 | 7.6 | 9.1 | 5.1 | 4 |
| **40445** | Programme d'appui à la réforme fiscale, l'inclusion financière et le développement de l'économie sociale et solidaire | **Tunisia** | 2018-2020 | 70 | 62.6 | 7 | 22.6 | 40 | 62.6 | 48.1 | 14.5 |
| **40507** | Action Programme for Kosovo* for the year 2017 -Objective I – Part II | **Kosovo** | 2018-2020 | 25 | 21.5 | 3.2 | 6.5 | 15 | 16.5 | 6.5 | 10 |
| **40874** | EU Support to the Public Financial Management Reform Programme - Stage III(2) | **Cambodia** | 2020-2021 | 22 | 14 | 7.9 | 9 | 5 | 7 | 7 | 0 |
| **41229** | Programme Hakama II pour le renforcement de la gouvernance publique | **Morocco** | 2019-2022 | 62 | 50 | 9.6 | 12 | 38 | 12 | 12 | 0 |
| **41658** | Public Accountability and Service Delivery | **Kenya** | 2020-2022 | 26 | 23.5 | 2 | 14.7 | 8.8 | 7 | 7 | 0 |

[9] The fixed tranche of the BS Support to Public Finance Policy Reforms in Moldova was not included in the total because it was disbursed in 2014 (outside the scope of this evaluation). However, the 2015-2019 VTIs of this programme were included in the core CMSB. -

### *1.3.3 Core CMSB support through capacity building*

Most core CMSB capacity building support was provided through dedicated technical assistance and capacity building projects implemented in the partner countries. BS complementary measures have not been widely used in West and Central Africa to accompany the SRBCs and SDG-Cs implemented to support the CMSB agenda. SRPC complementary measures were widely used in South East Asia.

**Table 4: CMSB capacity building 2015-2020**

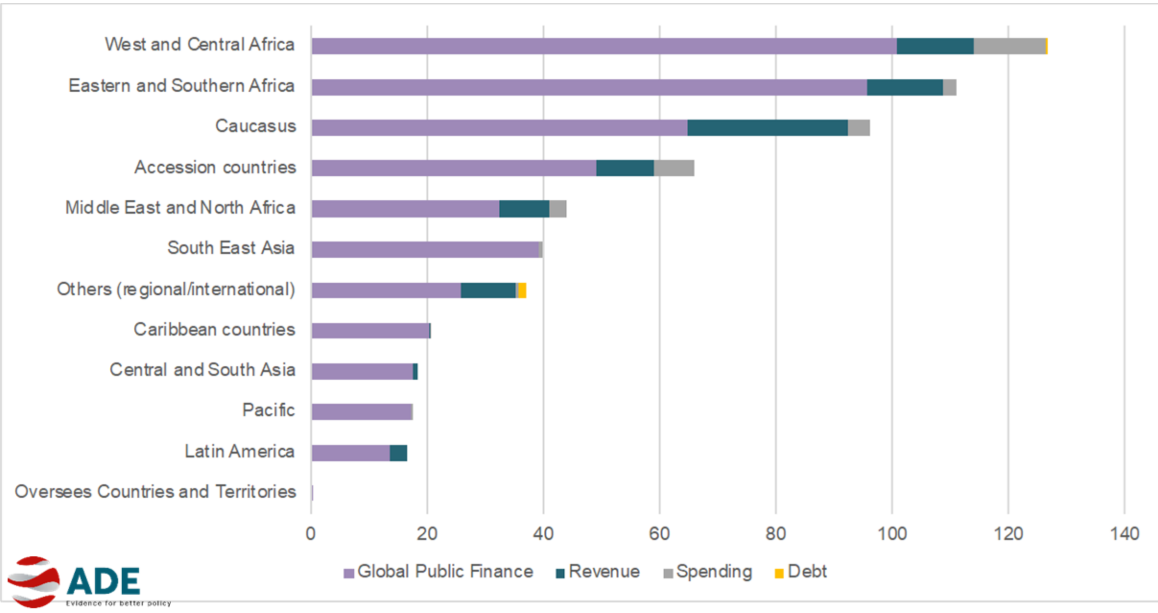
| Type of contract | Amounts (in EUR million) |
|---|---|
| SRBC & SDG-C Complementary measures CMSB | 90,3 |
| SRPC Complementary measures CMSB | 75,7 |
| TA-CB projects | 404,8 |
| IO | 315,1 |
| **Total** | **885,8** |

Source: ADE, based on EC CRIS Database

A large majority of projects worldwide were classified in "Global Public Finance" as they provided support to both PFM and DRM reforms. The main priorities of the projects that focused on Global Public Finance were to support PFM reforms as a whole, to fight against corruption, and to improve the transparency of public finances and audit practices.

DRM was less targeted by capacity building support with the exception of the Eastern Neighbourhood countries, where projects dedicated to revenue mobilisation accounted for just under a third of the amounts contracted through TA/CM/IO.

**Figure 13: Amount of complementary measures and TA/CB contracted by sector for each region between 2015 and 2020 (in EUR million)**

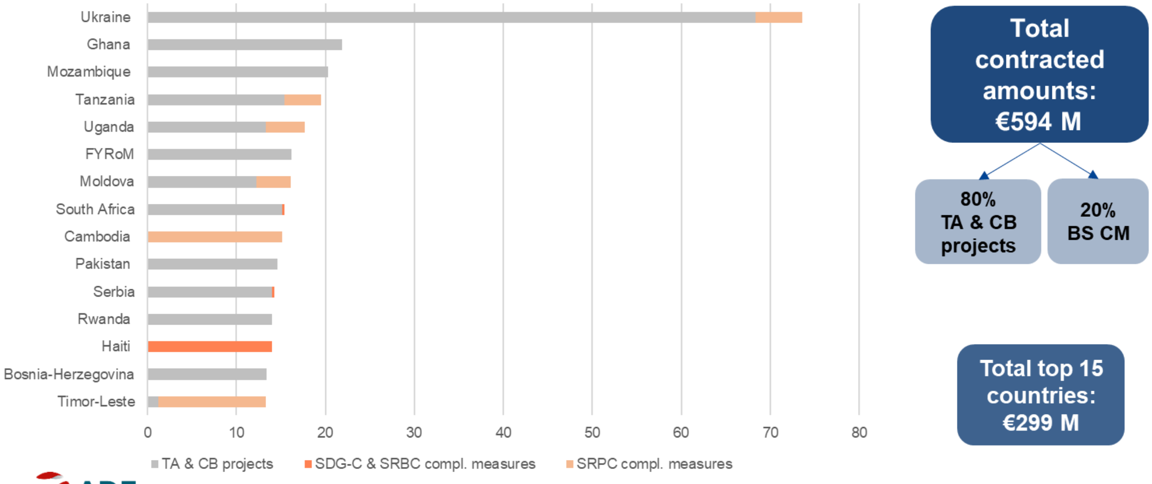



Source: CRIS

The main recipient of capacity building CMSB support was Ukraine. The situation of Ukraine stands out: it received most of its CB support through three Special Measure programmes following the orange revolution in 2014. Between 2017 and 2020, it benefitted from EUR 41.7 million through capacity building in support to PFM (EUR 36.4 million under the 2017 Special Measure II[10] and EUR 5.3 million under the 2016 Special Measure to PAR). It also received EUR 14.5 million under the Special Measure 2016 for Anti-Corruption and EUR 14.5 million under a classic Annual Action Programme contract in 2020.

The main beneficiaries of CMSB complementary measures and projects after Ukraine were African countries such as Ghana, Mozambique and Tanzania. Cambodia received capacity building CMSB support through SRPC complementary measures only, while Haiti received capacity building CMSB support through the complementary measures of the SRBC and SDG-C only.

**Figure 14: Top 15 countries receiving CMSB support from complementary measures, technical assistance and capacity building programmes between 2015 and 2020 (in EUR million)**




Source: CRIS

Note: Only the top 15 beneficiary countries are mentioned in the figure

EC TA/CB projects were implemented through various channels, including primarily beneficiary country central governments, but also a wide range of other international actors such as third country government and international organisations (IMF, IBRD).

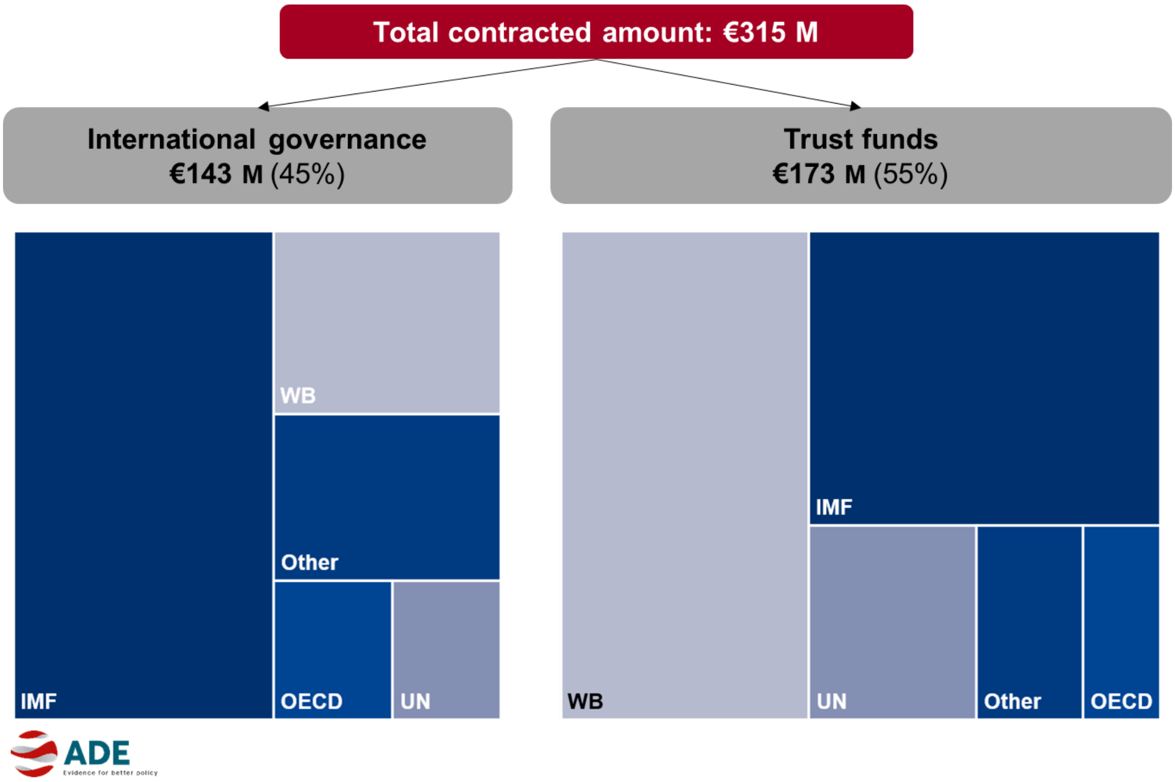
### *1.3.4 Core CMSB support through partnerships with international organisations*

According to CRIS data, support provided by the EU to the CMSB agenda through partnerships with international organizations amounted to EUR 315 million during 2015-2020. This covers contributions to both international initiatives aiming to improve international governance (approximately EUR 145 million) and trust funds to reinforce PFM/DRM at national level (EUR 173 million) in countries such as Iraq, Nigeria, Burkina Faso, Afghanistan, Mongolia and Laos.

Among the support to international governance, over half of the total amount was allocated to the IMF (53%). The WB International Bank for Reconstruction and Development was also an important partner (18%), while the OECD (7%) and the UN (6%) benefited from support for specific initiatives.

10 In total, the EU contracted EUR 40 million under the Special Measure 2017 II. Within the programme, 3.6 million were contracted as part of the implementation of the EU-funded Trust Fund with the World bank "Support to Implementation of Public Administration Reform (PAR) and Public Financial Management (PFM) Strategies in Ukraine Activities".

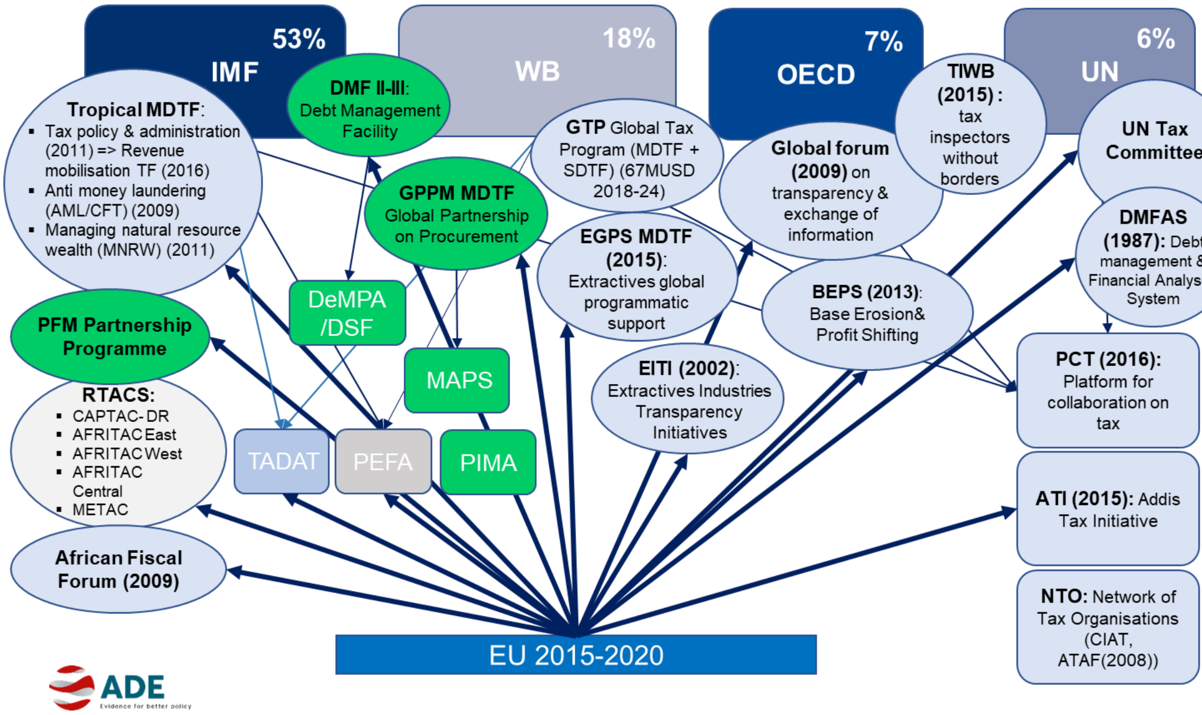
**Figure 15: EU support through partnerships with international organisations (2015-2020)**




Source: CRIS

As shown in the figure below, EU supported a great variety of international initiatives and bodies a without obvious coherence. It mainly reflects the continuous expansion of the international ecosystem dealing with public finance issues.

**Figure 16: EU support to international organisations at international level**



## 1.4 Levels 2 & 3 of CMSB support

Beyond the core support to the CMSB agenda, fixed tranches of Budget Support programmes must also be considered as they also played an important role in supporting the CMSB agenda. A distinction has been introduced between Fixed tranches of SRBCs and SDG-Cs and fixed tranches of the SRPCs to reflect the greater emphasis on PFM in the SRBCs and SDG-Cs programmes (included in Level 1 of CMSB support).

Level 2 therefore includes the fixed tranches of the 63 SRBCs and SDG-Cs disbursed between 2015 and 2020.

Level 3 covers the rest of the fixed tranches of all remaining SRPCs: 168 programmes that focused on sectors such as agriculture, education, energy or nutrition.

### *1.4.1 Level 2 CMSB support*

Level 2 CMSB support totaled EUR 2.562 billion between 2015 and 2020. A large majority of the fixed tranches included was disbursed through SRBCs (85% - EUR 2.19 billion) for only 15% under SDG-Cs (EUR 351 million).

The main beneficiary of level 2 CMSB support were West and Central African countries with EUR 1.5 billion received between 2015 and 2020 (51%), followed by Central and South East Asia (7%), the Southern Neighbourhood countries (16%) and Eastern and Southern Africa (11%). Burkina Faso, Ukraine and Afghanistan were the three main beneficiary countries with EUR 253.7 million, EUR 250 million and EUR 210 million, respectively.

### *1.4.2. Level 3 CMSB support*

Level 3 CMSB support incudes all the fixed tranches of the SRPCs targeting other areas than spending, revenue and debt. The total disbursements reached EUR 3.13 billion between 2015 and 2020. They were mainly directed at Africa, the Southern Neighbourhood and Overseas Countries and Territories. The main benefitting countries were Morocco, Tunisia, Rwanda, Ethiopia, Niger, Bangladesh, Greenland, and Myanmar (47% of total disbursements). The amount disbursed through SRPCs targeting other areas than CMSB increased from EUR 118 million in 2015 to EUR 489 million in 2017, before dropping to EUR 335 million in 2019 and rocketing to EUR 1.20 billion in 2020.

## Appendix : BS DB & CRIS – Summary table of disbursed/contracted amounts between 2015 and 2020 per country

| List of countries BS DB | List of countries CRIS | VTIs (BS DB) | Projects (CRIS) | CM (CRIS) | IO (CRIS) | FTs (BS DS) | Sous-total core CMSB (L1)2 |
|---|---|---|---|---|---|---|---|
| | **ACP Countries** | | 1,1 | 0,0 | 9,3 | | **10,4** |
| **Afghanistan** | **Afghanistan** | 61,5 | 2,1 | 5,1 | 8,0 | **0,0** | **76,7** |
| | **Africa, regional** | | 0,7 | 0,0 | 21,5 | | **22,2** |
| **Albania** | **Albania** | 27,8 | 1,1 | 4,2 | 0,0 | **1,0** | **34,2** |
| | **Algeria** | | 10,0 | 0,0 | 0,0 | | **10,0** |
| **Niger** | **Niger** | 37,8 | 0,0 | 8,9 | 0,0 | **0,0** | **46,6** |
| **Anguilla** | **Anguilla** | 0,5 | 0,3 | 0,0 | 0,0 | **0,0** | **0,7** |
| | **Antigua And Barbuda** | | 2,3 | 0,0 | 0,0 | | **2,3** |
| **Armenia** | **Armenia** | 4,5 | 0,2 | 1,2 | 0,0 | **2,5** | **8,3** |
| | **Asia** | | 0,0 | 0,0 | 15,0 | | **15,0** |
| | **Azerbaïjan** | | 0,1 | 0,0 | 0,0 | | **0,1** |
| **Mali** | **Mali** | 58,1 | 0,1 | 1,2 | 0,0 | **0,0** | **59,4** |
| **Barbados** | | 0,0 | | | | **0,0** | **0,0** |
| | **Belarus** | | 0,3 | 0,0 | 0,0 | | **0,3** |
| | **Belize** | | 1,1 | 0,0 | 0,0 | | **1,1** |
| **Benin** | **Benin** | 50,2 | 0,1 | 5,8 | 0,0 | **0,0** | **56,2** |
| **Bhutan** | **Bhutan** | 5,0 | 0,2 | 3,0 | 0,0 | **0,0** | **8,2** |
| **Bolivia** | **Bolivia** | 15,1 | 1,7 | 0,0 | 0,1 | **0,0** | **16,9** |
| **Senegal** | **Senegal** | 5,5 | 1,4 | 2,9 | 0,0 | **0,0** | **9,9** |
| | **Bosnia-Herzegovina** | | 13,4 | 0,0 | 0,0 | | **13,4** |
| **Burkina Faso** | **Burkina Faso** | 60,2 | 6,5 | 0,0 | 10,0 | **0,0** | **76,7** |
| **Georgia** | **Georgia** | 19,5 | 2,9 | 1,7 | 0,3 | **0,0** | **24,3** |

| List of countries BS DB | List of countries CRIS | VTIs (BS DB) | Projects (CRIS) | CM (CRIS) | IO (CRIS) | FTs (BS DS) | Sous-total core CMSB (L1)2 |
|---|---|---|---|---|---|---|---|
| **Cameroon** | **Cameroon** | 8,0 | 2,6 | 0,0 | 0,0 | **0,0** | **10,6** |
| **Cape Verde** | **Cape Verde** | 3,5 | 0,0 | 2,8 | 0,0 | **0,0** | **6,3** |
| | **Caribbean, regional** | | 0,0 | 0,0 | 7,0 | | **7,0** |
| **Central African Republic** | **Central African Rep.** | 21,7 | 0,0 | 4,9 | 0,0 | **0,0** | **26,6** |
| | **Central America Region** | | 0,0 | 0,0 | 3,0 | | **3,0** |
| | **Central Asia Region** | | 0,0 | 0,0 | 5,4 | | **5,4** |
| **Chad** | **Chad** | 4,5 | 1,6 | 7,5 | 0,0 | **0,0** | **13,7** |
| **Colombia** | **Colombia** | 0,0 | 3,3 | 0,0 | 0,0 | **0,0** | **3,3** |
| **Cook Islands** | | 0,0 | | | | **0,0** | **0,0** |
| | **Comoros** | | 3,0 | 0,0 | 0,0 | | **3,0** |
| | **Congo** | | 0,4 | 0,0 | 0,0 | | **0,4** |
| | **Democratic Republic of the Congo** | | 0,3 | 0,0 | 0,0 | | **0,3** |
| | **Developing countries, unspecified** | | 1,2 | 0,0 | 14,4 | | **15,6** |
| **Dominica** | | 2,1 | | | | **0,0** | **2,1** |
| **Dominican Republic** | **Dominican Republic** | 4,0 | 1,2 | 1,5 | 0,0 | **5,1** | **11,8** |
| **Bangladesh** | **Bangladesh** | 7,5 | 3,9 | 0,0 | 0,0 | **0,0** | **11,4** |
| | **Egypt** | | 2,0 | 0,0 | 1,3 | | **3,3** |
| **El Salvador** | **El Salvador** | 0,8 | 3,0 | 0,0 | 0,0 | **0,0** | **3,8** |
| **Ethiopia** | **Ethiopia** | 42,7 | 0,3 | 0,0 | 0,0 | **0,0** | **43,0** |
| **Falkland Islands** | | 0,0 | | | | **0,0** | **0,0** |
| **Fiji** | **Fiji** | 0,0 | 1,2 | 0,0 | 2,3 | **0,0** | **3,4** |
| **French Polynesia** | | 0,0 | | | | **0,0** | **0,0** |
| | **Former Yugoslav Republic of Macedonia** | | 16,2 | 0,0 | 0,0 | | **16,2** |
| | **Gabon** | | 0,1 | 0,0 | 0,0 | | **0,1** |
| **Ghana** | **Ghana** | 2,8 | 21,8 | 0,0 | 0,0 | **0,0** | **24,6** |

| List of countries BS DB | List of countries CRIS | VTIs (BS DB) | Projects (CRIS) | CM (CRIS) | IO (CRIS) | FTs (BS DS) | Sous-total core CMSB (L1)2 |
|---|---|---|---|---|---|---|---|
| **Nepal** | **Nepal** | 26,0 | 0,6 | 0,0 | 0,0 | **0,0** | **26,6** |
| **Cambodia** | **Cambodia** | 11,7 | 0,1 | 15,1 | 0,0 | **17,5** | **44,3** |
| **Greenland** | | 6,2 | | | | **0,0** | **6,2** |
| **Grenada** | | 0,0 | | | | **0,0** | **0,0** |
| | **Guatemala** | | 0,8 | 0,0 | 5,0 | | **5,8** |
| **Gambia, The** | **Gambia** | 6,0 | 0,0 | 4,9 | 0,0 | **0,0** | **10,9** |
| **Guinea-Bissau** | **Guinea-Bissau** | 0,8 | 0,4 | 2,5 | 0,0 | **0,0** | **3,6** |
| **Guyana** | **Guyana** | 3,4 | 0,3 | 0,0 | 0,0 | **0,0** | **3,7** |
| **Haiti** | **Haiti** | 9,0 | 0,1 | 13,9 | 0,0 | **0,0** | **23,0** |
| **Honduras** | **Honduras** | 0,0 | 5,3 | 0,0 | 3,7 | **0,0** | **9,0** |
| **Somalia** | **Somalia** | 4,8 | 6,1 | 7,1 | 21,0 | **0,0** | **39,0** |
| **Mozambique** | **Mozambique** | 0,0 | 20,3 | 0,0 | 17,3 | **0,0** | **37,5** |
| **South Africa** | **South Africa** | 0,0 | 15,1 | 0,3 | 0,0 | **0,0** | **15,4** |
| **Jamaica** | **Jamaica** | 5,0 | 0,5 | 0,6 | 0,0 | **1,0** | **7,0** |
| **Jordan** | **Jordan** | 36,6 | 2,7 | 0,0 | 0,0 | **0,0** | **39,3** |
| **Kenya** | **Kenya** | 0,0 | 1,7 | 0,0 | 0,0 | **7,0** | **8,7** |
| **Kiribati** | | 0,0 | | | | **0,0** | **0,0** |
| **Serbia** | **Serbia** | 18,4 | 14,0 | 0,2 | 0,0 | **0,0** | **32,7** |
| **Ivory Coast** | **Ivory Coast** | 18,0 | 0,0 | 5,2 | 0,0 | **0,0** | **23,2** |
| **Guinea (Conakry)** | **Guinea** | 14,3 | 0,0 | 5,7 | 0,0 | **0,0** | **20,0** |
| **Uganda** | **Uganda** | 1,0 | 13,3 | 4,4 | 0,0 | **0,0** | **18,7** |
| **Liberia** | **Liberia** | 9,7 | 3,3 | 0,4 | 0,0 | **0,0** | **13,4** |
| | **Libya** | | 1,5 | 0,0 | 7,5 | | **9,0** |
| **Madagascar** | **Madagascar** | 7,0 | 0,5 | 0,0 | 0,0 | **0,0** | **7,5** |
| | **MADCT Unallocated** | | 0,5 | 0,0 | 0,0 | | **0,5** |
| **Kosovo** | **Kosovo** | 10,4 | 2,8 | 3,6 | 4,2 | **6,5** | **27,6** |

| List of countries BS DB | List of countries CRIS | VTIs (BS DB) | Projects (CRIS) | CM (CRIS) | IO (CRIS) | FTs (BS DS) | Sous-total core CMSB (L1)2 |
|---|---|---|---|---|---|---|---|
| | **Maldives** | | 0,2 | 0,0 | 0,0 | | **0,2** |
| **Vietnam** | **Viet Nam** | 0,0 | 1,6 | 0,0 | 0,0 | **0,0** | **1,6** |
| **Marshall Islands** | | 0,0 | | | | **0,0** | **0,0** |
| **Mauritania** | **Mauritania** | 3,3 | 4,0 | 0,0 | 0,0 | **0,0** | **7,3** |
| **Mauritius** | **Mauritius** | 0,0 | 0,1 | 0,0 | 20,0 | **0,0** | **20,1** |
| | **Mediterranean Region** | | 3,5 | 0,0 | 0,0 | | **3,5** |
| | **Middle East, regional** | | 0,0 | 0,0 | 2,0 | | **2,0** |
| | **Miscellaneous Countries** | | 11,2 | 0,0 | 28,0 | | **39,2** |
| **Moldova** | **Moldova** | 19,8 | 12,3 | 3,9 | 0,0 | **0,0** | **36,0** |
| **Kyrgyz Republic** | **Kyrgyz Republic** | 15,4 | 0,0 | 3,0 | 0,0 | **0,0** | **18,4** |
| **Montenegro** | **Montenegro** | 1,3 | 1,3 | 0,0 | 0,0 | **0,0** | **2,6** |
| **Montserrat** | | 1,2 | | | | **0,0** | **1,2** |
| **Morocco** | **Morocco** | 49,5 | 2,2 | 5,8 | 0,0 | **12,0** | **69,5** |
| **North Macedonia** | | 0,0 | | | | **0,0** | **0,0** |
| **Myanmar** | | 1,8 | | | | **0,0** | **1,8** |
| **Timor-Leste** | **Timor-Leste** | 5,4 | 1,3 | 12,1 | 1,0 | **4,5** | **24,2** |
| **Mongolia** | **Mongolia** | 0,0 | 0,0 | 7,6 | 4,8 | **0,0** | **12,4** |
| **New Caledonia** | **New Caledonia** | 0,0 | 0,1 | 0,0 | 0,0 | **0,0** | **0,1** |
| **Lao PDR** | **Laos** | 3,0 | 0,3 | 0,0 | 4,9 | **0,0** | **8,2** |
| | **Nigeria** | | 1,2 | 0,0 | 13,0 | | **14,2** |
| | **Iraq** | | 0,2 | 0,0 | 19,4 | | **19,6** |
| | **Oceania, regional** | | 0,0 | 0,0 | 0,3 | | **0,3** |
| | **Pakistan** | | 14,7 | 0,0 | 0,0 | | **14,7** |
| | **Pan-African region** | | 22,4 | 0,0 | 0,0 | | **22,4** |
| **Sao Tome and Principe** | **Sao Tome and Principe** | 1,0 | 0,4 | 0,0 | 0,0 | **0,0** | **1,4** |
| **Paraguay** | **Paraguay** | 8,0 | 0,7 | 0,0 | 0,0 | **0,0** | **8,7** |

| List of countries BS DB | List of countries CRIS | VTIs (BS DB) | Projects (CRIS) | CM (CRIS) | IO (CRIS) | FTs (BS DS) | Sous-total core CMSB (L1)2 |
|---|---|---|---|---|---|---|---|
| **Peru** | **Peru** | 0,0 | 0,4 | 0,0 | 0,0 | **0,0** | **0,4** |
| | **Malawi** | | 9,9 | 0,0 | 2,6 | | **12,5** |
| **Pitcairn** | | 0,0 | | | | **0,0** | **0,0** |
| | **Region IPA instrument** | | 9,0 | 0,0 | 26,6 | | **35,6** |
| **Rwanda** | **Rwanda** | 9,3 | 14,0 | 0,0 | 0,0 | **0,0** | **23,3** |
| **Saba** | | 0,0 | | | | **0,0** | **0,0** |
| **Saint Helena** | | 0,0 | | | | **0,0** | **0,0** |
| **Saint Kitts and Nevis** | | 0,0 | | | | **0,0** | **0,0** |
| **Saint Pierre and Miquelon** | | 0,0 | | | | **0,0** | **0,0** |
| **Samoa** | | 1,1 | | | | **0,0** | **1,1** |
| **Ecuador** | **Ecuador** | 0,0 | 0,3 | 0,0 | 0,0 | **0,0** | **0,3** |
| | **Yemen** | | 0,0 | 0,0 | 8,8 | | **8,8** |
| **Namibia** | | 0,0 | | | | **0,0** | **0,0** |
| | **Seychelles** | | 0,4 | 0,0 | 0,0 | | **0,4** |
| **Sierra Leone** | | 24,8 | | | | **0,0** | **24,8** |
| **Sint Eustatius** | | 0,0 | | | | **0,0** | **0,0** |
| | **Solomon Islands** | | 1,0 | 0,0 | 6,0 | | **7,0** |
| | **Angola** | | 0,1 | 0,0 | 4,7 | | **4,8** |
| **Botswana** | | 0,0 | | | | **0,0** | **0,0** |
| | **South of Sahara, regional** | | 0,1 | 0,0 | 0,0 | | **0,1** |
| | **Sri Lanka** | | 0,1 | 0,0 | 0,0 | | **0,1** |
| | **Swaziland** | | 0,3 | 0,0 | 0,0 | | **0,3** |
| | **Tajikistan** | | 0,0 | 0,0 | 0,0 | | **0,0** |
| **Tanzania** | **Tanzania** | 32,1 | 15,4 | 4,1 | 0,0 | **140,0** | **191,6** |
| | **Indonesia** | | 0,0 | 0,0 | 3,0 | | **3,0** |

| List of countries BS DB | List of countries CRIS | VTIs (BS DB) | Projects (CRIS) | CM (CRIS) | IO (CRIS) | FTs (BS DS) | Sous-total core CMSB (L1)2 |
|---|---|---|---|---|---|---|---|
| **Togo** | **Togo** | 12,0 | 3,9 | 7,0 | 0,3 | **0,0** | **23,2** |
| **Tonga** | | 0,0 | | | | **0,0** | **0,0** |
| | **Trinidad And Tobago** | | 0,3 | 0,0 | 0,0 | | **0,3** |
| **Tunisia** | **Tunisia** | 60,4 | 0,6 | 7,8 | 0,0 | **44,6** | **113,4** |
| **Turks and Caicos Islands** | | 0,0 | | | | **0,0** | **0,0** |
| **Tuvalu** | | 0,0 | | | | **0,0** | **0,0** |
| | **Lebanon** | | 2,5 | 0,0 | 0,0 | | **2,5** |
| **Ukraine** | **Ukraine** | 37,4 | 68,3 | 5,3 | 3,6 | **0,0** | **114,6** |
| **Uzbekistan** | **Uzbekistan** | 0,0 | 0,7 | 0,0 | 0,0 | **0,0** | **0,7** |
| **Vanuatu** | | 0,0 | | | | **0,0** | **0,0** |
| | **Papua New Guinea** | | 2,1 | 0,0 | 0,0 | | **2,1** |
| **Wallis and Futuna** | | 0,0 | | | | **0,0** | **0,0** |
| | **West Africa Region** | | 4,7 | 0,0 | 5,0 | | **9,7** |
| | **West Bank And Gaza Strip** | | 5,2 | 0,0 | 2,0 | | **7,2** |
| | **Western Africa, regional** | | 0,0 | 0,0 | 3,1 | | **3,1** |
| | **Philippines** | | 0,0 | 0,0 | 0,0 | | **0,0** |
| | **Zambia** | | 8,7 | 0,0 | 0,0 | | **8,7** |
| | **Zimbabwe** | | 0,0 | 0,0 | 0,0 | | **0,0** |
| **Total** | | **918,0** | **423,2** | **171,2** | **315,1** | **241,7** | **2.069,1** |

# Annex 2 – Case Study Notes

# CASE STUDY NOTE – BANGLADESH

## Table of Contents



THE PURPOSE OF THIS NOTE IS TO INFORM THE EVALUATION OF THE EU'S SUPPORT TO THE "COLLECT MORE, SPEND BETTER" APPROACH. IT IS NOT DESIGNED TO BE AN ASSESSMENT OF THE SUPPORT PROVIDED IN THE PARTNER COUNTRY/BENEFICIARY.

## List of acronyms

| | |
|---|---|
| ADB | Asian Development Bank |
| BACS | Budget and Accounting Classification System |
| BETF | Bank-Executed Trust Fund |
| BS | Budget Support |
| CIT | Corporate Income Tax |
| CMSB | Collect More Spend Better |
| CMSME | Cottage, Micro, Small and Medium Enterprises |
| CPIA | Country Policy and Institutional Assessment |
| DANIDA | Danish International Development Agency |
| DLI | Disbursement-Linked Indicator |
| DRM | Domestic Revenue Mobilisation |
| DSA | Debt Sustainability Analysis |
| EC | European Commission |
| EU | European Union |
| EU MS | European Union Member State |
| EUD | European Union Delegation |
| FDI | Foreign Direct Investment |
| FOC | Finance Oversight Committee |
| FY | Fiscal Year |
| FYP | Five-Year Plan |
| GDP | Gross Domestic Product |
| GoB | Government of Bangladesh |
| GRB | Gender Responsive Budgeting |
| iBAS++ | Integrated Budget and Accounting System |
| IFMIS | International Financial Management Information System |
| ILO | International Labor Organisation |
| IMF | International Monetary Fund |
| IPCC | Intergovernmental Panel on Climate Change |
| IPEG | Independent Performance Evaluation Guideline |
| JICA | Japan International Cooperation Agency |
| LCG | Local Consultative Group |
| MDTF | Multi-Donor Trust Fund |
| MoF | Ministry of Finance |
| MTDS | Medium-Term Debt Strategy |
| MTRS | Medium-Term Revenue Strategy |

| | |
|---|---|
| NBR | National Board Revenue |
| NGO | Non-Governmental Organisation |
| NPL | Non-Performing Loan |
| NSC | National Serving Certificate |
| OCAG | Office of the Comptroller and Auditor General |
| PEFA | Public Expenditure Framework Assessment |
| PER | Public Expenditure Review |
| PFM | Public Finance Management |
| PforR | Programme-for-Results |
| PIM | Public Investment Management |
| PIT | Personal Income Tax |
| SARTTAC | South Asia Regional Training and Technical Assistance Center |
| SOE | State-Owned Enterprise |
| SPEMP | Support to the Public Expenditure Management Programme |
| SPFMS | Programme to Enable Service Delivery |
| SRPC | Sector Reform Performance Contract |
| TA | Technical Assistance |
| TAC | Technical Advisory Committee |
| TSA | Treasury Single Account |
| TVET | Technical and Vocation Education Training |
| US | United States |
| USAID | United States Development Agency |
| USD | United State Dollar |
| VAT | Value-Added Tax |
| WB | World Bank |

# 1. Introduction and choice of Bangladesh as a case study

## *1.1 Scope and objectives of this case study*

This country note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission to the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability (see portfolio in Annex 1), during the period 2015-2020/21.

The analysis builds on a desk review, including the analyses of documents (e.g., EC strategy-level documents, national PFM strategies/plans, international studies, EC intervention documents) and of statistical data (e.g., key macro-economic and social indicators, budgetary data, PEFA scores, Open Budget Index data, CPIA). Complementary interviews were also organized, during which the team could collect the views of EUD staff involved in public finance.

Bangladesh was selected as case study one of the two case study countries located in South East Asia. The bulk of the EU support has been provided under a multi-phased multi-donor trust fund (MDTF) managed by the World Bank (WB), with high-level regular dialogue. One of the objectives of this case study is to have a closer look at the added value for EU to channel its funds through a MDTF.

Through its support, the EU aimed to address several challenges related to the CMSB agenda (see 2.4), including:

- Increased tax collection and revenue governance, notably through institutional strengthening of the National Board of Revenue;
- Improved fiscal forecasting and resource allocation consistent with Government priorities;
- Improved budget execution and Integrated Financial Management Information System (IFMIS), including change management;
- Improved State Owned Enterprises (SOEs) governance;
- Improved debt management;
- Improved domestic accountability and transparency, including parliamentary oversight and scrutiny of public expenditures.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. This set covers the analysis of relevance, internal and external coherence, efficiency, effectiveness and impact of the EU support provided to the CMSB agenda.

## *1.2 Limitations*

Given the wideness of the topics under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support implemented in public finance in Bangladesh. It aims at identifying key strengths and weaknesses of EU interventions deployed in public finance in Bangladesh so as to draw lessons from the EU's experience in Bangladesh to guide recommendations to strengthen the EU's role in the areas related to the CMSB agenda.

# 2. National context and EU interventions supporting the CMSB agenda

## *2.1 General context and main policy documents*

Since its independence from Pakistan in 1971, Bangladesh has pursued a long-standing development policy in order to be promoted to the status of lower-middle income country. This goal was reached in 2019 and the new national plan ''Vision 2041'' aims at joining the upper-middle income's group, 70 years after the national independence. Over the last decades, the country has notably witnessed significant achievements in reducing poverty (from 44% of the population below the poverty line in 1991 to 14% in 2016) and in raising living standards. Bangladesh is one of the most densely populated areas of the world and its population is young (the national median age was 27.6 years in 2020). As its population has almost tripled since the independence, Bangladesh has needed to invest on national infrastructures and public services to be able to meet qualitatively and quantitatively with overwhelmingly increasing social and economic demands.

Since the foundation of its parliamentary regime, Bangladesh has had difficulties to consolidate a sustainable democratic culture. The challenges were more acute since 2009, when the Awami League and its leader, the current Prime Minister, Sheikh Hasina won the elections. According to NGOs reports[1], the country is gradually sliding towards authoritarianism, while political opponents (Bangladesh National Party members and Islamic activists) and journalists are increasingly persecuted in Bangladesh and abroad. In parallel, the country is suffering from widespread corruption and was ranked 147th out of 180 by Transparency International in 2021.

Bangladesh's stability has also been hampered by external factors and crises. It is located in one of the most vulnerable areas regarding global warming. Floods and typhoons are the main threats in the region, and according to the second World Bank Groundswell report around 13 million inhabitants would be displaced due to rising waters until 2050. According to NGO reports, the economic cost of environmental disaster is already visible and is likely to increase[2]. According to Intergovernmental Panel on Climate Change (IPCC) reports, Bangladesh would lose between 2 and 9% of annual GDP between the mid and end of the century. Moreover, the Rohingya crisis in Burma resulted in the arrival of one million refugees. These populations were generally living in extremely deprived situation and in urgent need for humanitarian aid. Therefore, their settlement has represented a major challenge for the political authorities and social services of the country, already under great constraint due to raising domestic demand.

In this context, PFM reforms are considered as a key stone in Bangladesh's development policy. In 1971, Bangladeshi PFM was a legacy of the colonial structures from the British rule on the Indian subcontinent. Since then, its PFM system has never stopped evolving and several PFM reforms plan were implemented. However, it has remained globally unsuited to the needs of Bangladeshi economy. As the country passed through notable development initiatives in recent decades, it brought additional challenges to the government to maintain fiscal discipline in the public sector. Even if Bangladesh had considerably improved its PFM standards, a PEFA evaluation conducted in 2016 highlights that its overall performance remains one of the lowest in Asia. Notably, Bangladesh has one of the lowest revenue performance in the world, and the lowest in South Asia, with a tax-to-GDP ratio at 9%. The main explanatory factors are the narrowness of its tax base, the widespread use of exemptions, and administrative inefficiencies. According to PEFA 2016, the other main weaknesses identified were ''the control environment and tax reconciliation, as well as inefficiencies resulting from the fragmentation of the recurrent and development budgets''[3].

Bangladesh has drafted and implemented several strategic documents related to PFM to cope with identified challenges, and to plan the resizing of fiscal services, following the exponential demographic growth. The national development plan, **''Vision 2021''**, is dedicated to the accession to the status of lower-middle income country. The successive **7th and 8th Five Year Plans** (FYP) (2016-2020 / 2021-2025) are devoted to defining the implementation of the needed reforms in the short to middle-term, as detailed in Vision 2021. They do not detail PFM-related reforms. The **PFM Reform Strategy** (2016-2021) and its **Action Plan** (2018-2023) are the two key documents identifying reforms and the roadmap to be implemented in Bangladesh to improve PFM performance. The Plan was produced through a consultative process led by the Finance Division (FD) of Ministry of Finance (MoF), involving other PFM

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1 Freedom House, Bangladesh country report, 2021
2 The Climate Reality Project, How the Climate Crisis is impacting Bangladesh, 2021
3 PEFA Assessment Report, Bangladesh, 2016

institutions like Planning Commission, Cabinet Division, Controller General of Accounts (CGA), the Office of the Comptroller and Auditor General (OCAG), National Board of Revenue (NBR), Financial Oversight Committees (FoCs) of the National Parliament, Institute of Public Finance (IPF), etc. and development partners (EU, UK, CANADA, JICA, ADB and WB). The PFM Action Plan provides the implementation road map for some priority actions with institutional responsibilities among 13 thematic reform components, and results indicators to monitor the implementation process. The PFM Action Plan also elaborates on the governance structure for reforms and the change management approach through a specific component devoted to these non-technical issues. It lists 14 reform priorities (13 thematic and 1 on change management), namely: Revenue and Expenditure forecasting (i), Domestic Resource Mobilization (ii), Debt Management (iii), Planning and Budget Preparation (iv), Public Investment Management (v), Public Sector Performance Management (vi), iBAS++/BACs implementation (vii), Pension Management (viii), SoE Governance (ix), Financial Reporting (x), Strengthening Internal Security and Oversight (xi), Strengthening Parliamentary Oversight & Security of Public Expenditures (xii), Procurement (xiii), PFM Reform Leadership and Coordination & Monitoring (xiv).

## *2.2 Recent economic evolutions*

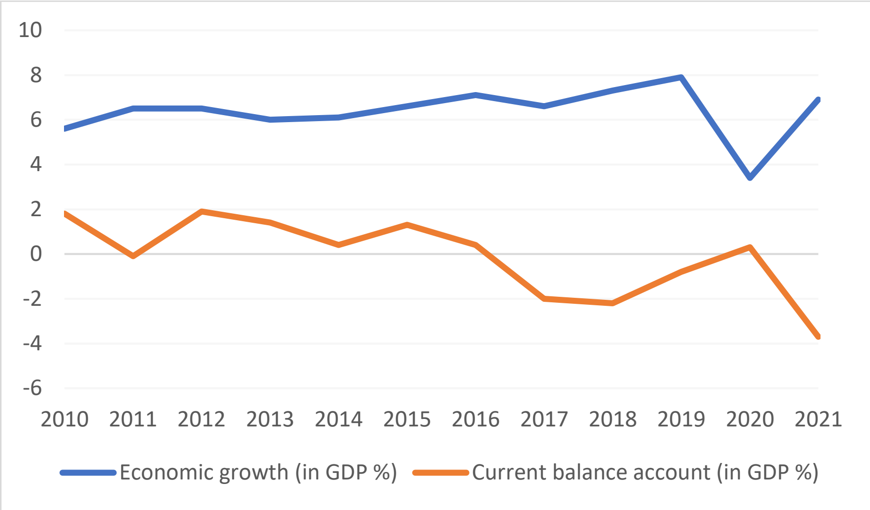
Over the last decade, Bangladesh has benefited from impressive economic figures. According to official GDP figures, GDP growth was sustained and annually over 6.5% from 2015 to 2019[4]. It was still positive during the COVID-19 crisis, despite a significant slowdown. Moreover, its public debt remained relatively low (amounting 39.9% of GDP in 2021), thanks to a strict budgetary policy. IMF reports assessed in 2021 the risk of public debt distress as very low, since most of it was detained by domestic actors and was denominated in local currency. While Bangladesh tax revenue was among the lowest in the area, its budget expenditure was also limited. Bangladesh economy has been mainly based on agriculture (78% of the arable land was devoted to rice production in 2021, raising Bangladesh among the world's leading countries in the sector), textile industry (representing 80% of its exports) and services, mainly in microfinance and information technology sectors. Bangladesh exports have been principally directed to the EU, the US and China, and suffered from a lack of diversity and recipients (71% of its overall exports were directed to 10 countries, among which 7 are EU MS). Bangladesh's sources of importation were mainly India and China. Its current balance has been in deficit for decades. However, the situation was compensated by international aid and remittances from the diaspora, working in particular in India, Pakistan, Malaysia and the Gulf countries.

Bangladesh was hit by the COVID-19 crisis through two main channels of transmission, namely plummeting of remittances and exports of ready-made garments to European countries. The pandemic has revealed several country weaknesses, including its dependency on the funding from Bangladeshi workers settled abroad, the lack of diversification of its exports, and its weak banking sector. The Government of Bangladesh implemented several fiscal and monetary measures to mitigate the immediate impacts of the pandemic, resulting in a 6% of GDP deficit during FY2020. However, given the well-being of the economy of Bangladesh before COVID-19 and its low fiscal deficit, the country is likely to make a quick economic recovery in the following years (the IMF GDP growth forecast was 6.6% in FY22 and 7.1% in FY23)[5]. Nonetheless, international development partners have been increasingly asking for more incentives and political willingness to address key bottlenecks of the macroeconomic policy, in order to consolidate and improve economic performance on the long-term.

[4] https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=BD-1W

[5] IMF, Article IV Consultation Bangladesh, 2021

**Figure 1: Key macro-economic trends – 2010-2021**




Source : World Bank data[6]

## *2.3 Main other actors supporting the CMSB agenda in Bangladesh*

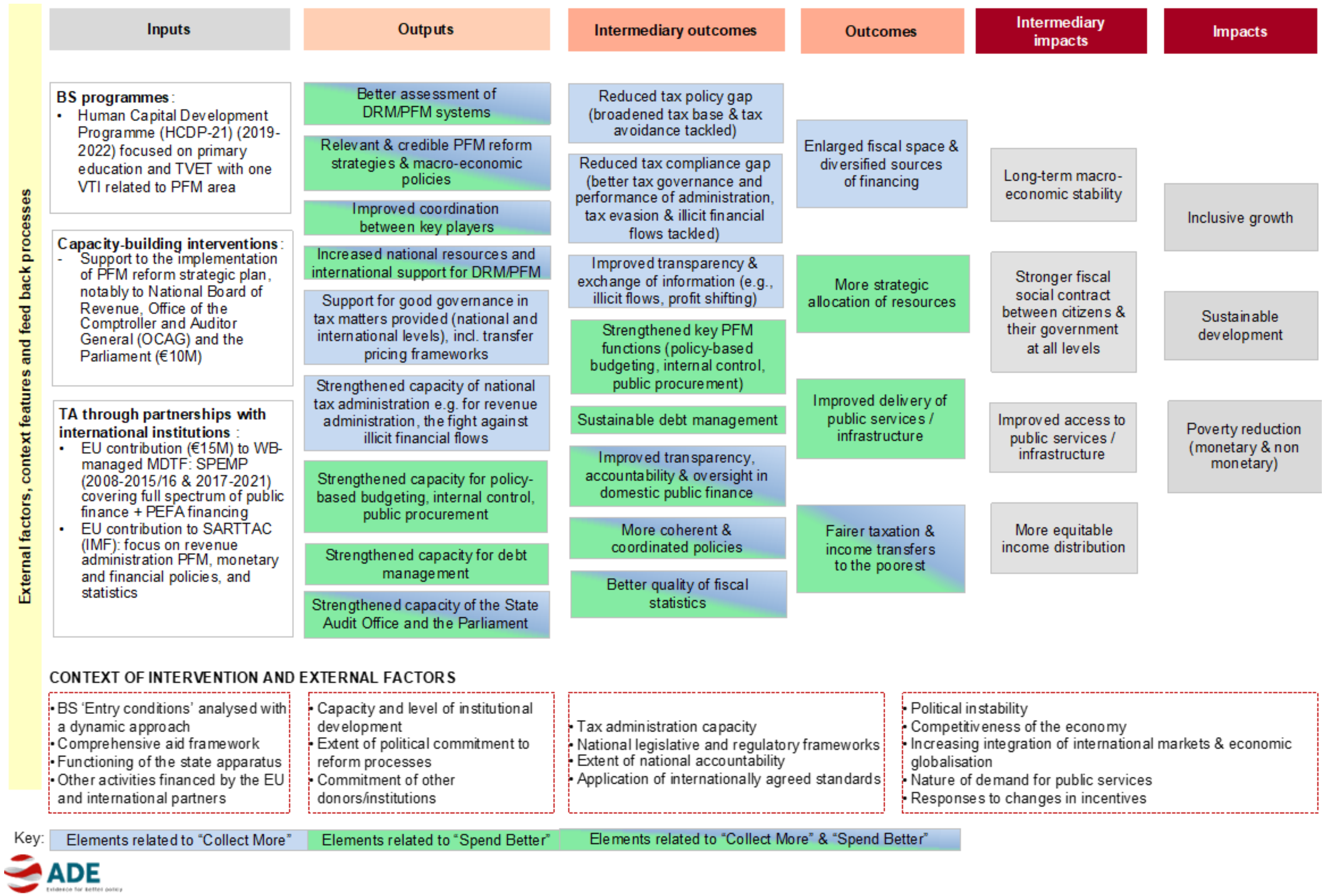
Apart from the EU, other International Organizations are involved in Bangladesh regarding PFM reforms, including:

- The **World Bank (WB)** has managed two successive phases of a Multi-Donor Trust Fund (MDTF): ''Strengthening Public Expenditure Management Program'' (SPEMP) amounting USD 98 million. The first phase was financed by Canada, Denmark (DANIDA), the Netherlands, the United Kingdom and the EU. The Netherlands and DANIDA discontinued support to the second phase. The EU and Canada agreed to continue their support to the Trust Fund until June 2023. Since 2019, the World Bank also supported the GoB's PFM reform programme "Strengthen Public Financial Management Program to Enable Service Delivery" (SPFMS) with an IDA Program-for-Results (PforR) operation of USD 100 million. Counterpart funding equaled USD 70 million. The program has supported the Finance Division (FD) in implementing 8 out of the 14 components of the PFM Action Plan, i.e.,: macro-fiscal forecasting, debt management, budget preparation and execution, integrated financial management information system (IFMIS), governance of SOEs, pensions management, financial reporting, and PFM reforms coordination and monitoring. Moreover, the WB co-financed projects (USD 115 million) supporting the implementation of domestic resource mobilization/VAT and public procurement components of the PFM Action Plan.
- The **International Finance Corporation (IFC)** has supported the customs national single window programme.
- The **Asian Development Bank** (ADB) implemented PFM-related TAs at regional scale, a programme called ''Strengthening Governance Management Project'' (2011-2018) amounting USD 17.5M, and an emergency assistance (USD 100M) following the COVID-19 crisis in 2020.
  The **International Monetary Fund** (IMF) has delivered capacity-building on various PFM, DRM and macro-economic areas through SARTTAC.
- The **Japan International Cooperation Agency** (JICA) supported a USD 5 Million Public Investment Management programme.
- The **United States Agency for International Development (USAID)** provided TA which included support to the NBR on tax collection.

[6] https://donnees.banquemondiale.org/indicateur/BN.CAB.XOKA.GD.ZS?locations=BD (current account data 2010-2021) https://donnees.banquemondiale.org/indicateur/NY.GDP.MKTP.KD.ZG?locations=BD (GDP growth data 2010-2021)

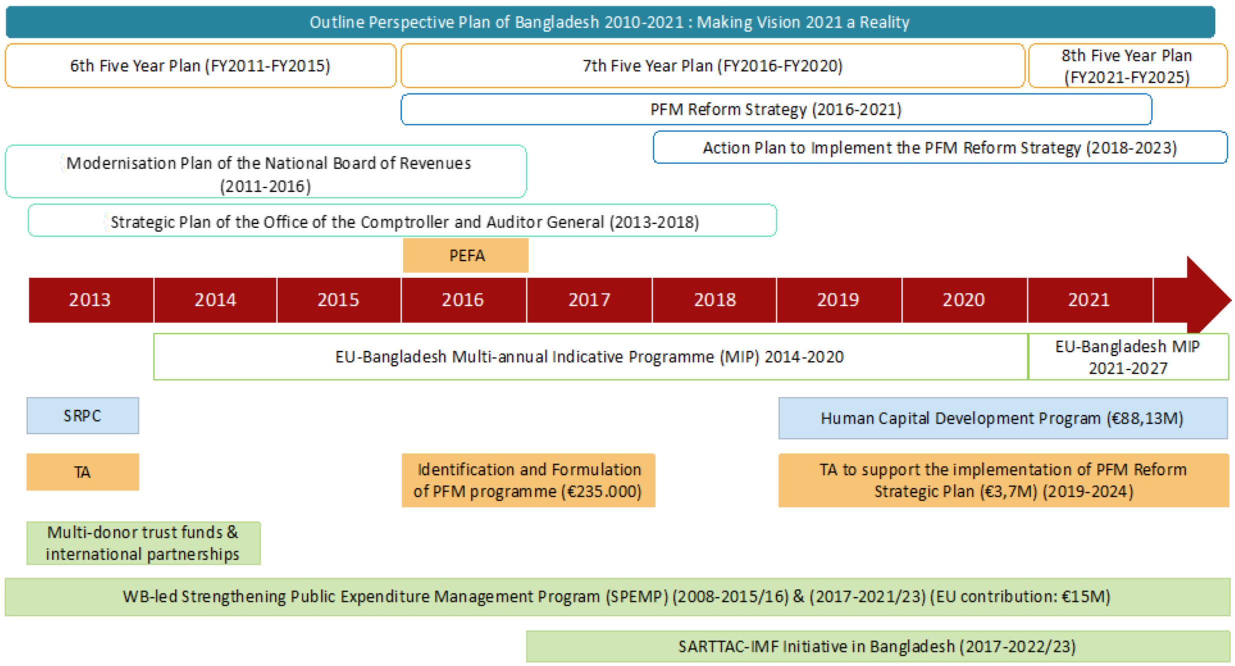
## 2.4 Intervention logic of EU support to the CMSB agenda in Bangladesh

The following diagram presents the hierarchy of objectives pursued by the European Commission through its support to the CMSB agenda. It aims to highlight the chain of intended changes, going from the EC inputs deployed to support public finance to the intended impacts.



## *2.5 Timeline of the EU's support to the « Collect More, Spend Better » agenda (2014-2021) related to the context in Bangladesh*

**Timeline of the « Collect More, Spend Better » approach and context in Bangladesh**




BS amounts as disbursed end 2021. Other amounts are contracted amounts as per CRIS (extracted data in March 2021)

# 3. Answers to the Evaluation Questions

## *3.1 Relevance*

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**EU support to public finance in Bangladesh encompassed the full spectrum of the CMSB agenda (JC1.1).** During the period 2009-2023, the EU contributed financially (€15M) to two successive phases of a multi-donor trust fund (MDTF) managed by the WB. During the period 2009-2016, the MDTF largely funded the direct implementation of PFM reforms by the GoB. Three discrete projects were financed: a) Deepening Medium Term Budgeting and Strengthening Financial Accountability project (DMTBF, also referred to as (SPEMP-A); b) Strengthening the Office of the Comptroller and Auditor General Project (SPEMP-B); and c) Strengthening Parliamentary Oversight project (SPEMP-C). These projects aimed to strengthen i) the basic mechanisms for budget management and accountability, with a particular focus on the performance aspect of the MTBF and the establishment of a comprehensive government accounting and financial management system; ii) the capacity of the Office of the Comptroller and Auditor General to audit the effectiveness of the PFM system in order to advise the Parliament and the public on budgetary issues; and iii) the capacity of the Parliament, particularly through the Public Accounts Committee (PAC) and other key committees, and of the public, through support to civil society groups, to review PFM activities and strengthen the demand for improvement. In light of the capacity challenges faced by the GoB to implement a comprehensive PFM reform agenda, development partners and the World Bank decided in December 2016 to give the WB more control over the management of technical assistance in transferring the MDTF to a Bank-Executed Trust Fund (BETF). The programme then focused on three main objectives: a) support immediate advisory and technical assistance needs of the Finance Division related to the roll-out of the integrated budget and accounting system (iBAS++) and the implementation of the budget and accounting classification system (BACS); (b) support the GoB in finalizing a PFM Action Plan and related Change Management for the implementation of the PFM Strategy; and (c) supplement implementation of the PFM Action Plan with high quality advice, technical assistance, and knowledge exchange.

In 2019, the EU also signed a TA intervention (€10M) to support the implementation of the PFM Reform Strategy[7]. It has aimed to reinforce the institutional capacities of the National Board of Revenue (NBR), the Office of the Comptroller and Auditor General (OCAG), and the Parliament's finance oversight committees (FOCs). For NBR, activities have focused on integrity (internal control), revenue risk management, and organization and planning. Support for OCAG has covered audit planning and methodology, as well as professional development and capacity building. Support to the financial oversight committees focused on professional development and information technology.

Moreover, the EU aimed to improve PFM in primary education and TVET through a dedicated SRPC signed in December 2018 (the Human Capital Development Programme for Bangladesh 2021 (HCDP 2021)). One performance indicator aimed to strengthen fiduciary systems and the budget.

Finally, Bangladesh benefited from regional TA through SARTTAC, implemented by the IMF. The support, designed globally at regional level for six countries, aimed to focus on a wide range of areas covering revenue administration and PFM, monetary and financial policies, and statistics.

Limited institutional and human absorption capacity constituted a challenge to support the design and implementation of complex reforms (JC1.2). The reform agenda supported by the first phase of the MDTF was over-ambitious and not sufficiently prioritized and sequenced. Moreover, coordination between the Planning Commission, the Ministry of Finance and the involved line Ministries was a weakness throughout project implementation. Government resources were also insufficient to maintain the momentum for reform after the closure of the first phase of the MDTF. The design of the GoB's PFM

[7] In 2022, this contract was extended in its duration (until June 2024). The budget was also increased for an amount of EUR 4,990,510. In 2022, the total amount contracted was EUR 8,693,310. Under this contract, the EU also engaged a think tank, the Centre for policy Dialogue (CPD), for a two-year-long research-outreach project entitled "Towards a People-Centric Public Financial Management in Bangladesh". The following activities are envisaged: technical (research) studies to explore more efficient means for revenue collection; grassroots level social audits to assess the effectiveness of PFM; preparation of a "Citizen's Budget to reflect the expectations of the grassroots regarding public finance, etc**. This contract is not part of the activities under review since it is outside of the temporal scope of the evaluation.**

reform Programme - Strengthen Public Financial Management Program to Enable Service Delivery (SPFMS) - built on the lessons of the first phase of the MDTF. The SPFMS programme focused on selected components of the PFM Action Plan directly led by the Finance Division. Iterative consultations on disbursement-linked indicators with the Government allowed a more active questioning of commitments and stronger realism of reform goals. The PFM reform activities proposed a clearer sequence of activities and a strong focus on training activities under "change management" activities, absorption capacity remained a challenge. In particular, staff numbers have been too low and the staff rotation system in place undermined a structural build-up of knowledge and expertise.

**EU CMSB interventions aimed to promote digitalisation (JC1.5).** One of the key objectives of the MDTF - also supported by the WB PforR - was to bring improvements to the integrated budget and accounting system (iBAS++), a centralised and internet-based Government finance management information system (FMIS). The EU TA programme also supported enhanced digitalization in the area of DRM, with support to the NBR for the development and implementation of an e-return filing system.

The EU analysed gender and environment issues when designing EU CMSB interventions. The latter were not expected to directly impact on the environment or on gender equality (JC1.5). The design of the interventions clearly recognized that the vulnerability of the country to climate change represented a growing fiscal risk. It built on GoB's efforts to establish a climate-responsive PFM system. The budgeting exercise under the medium-term budget framework progressively became more climate inclusive. In 2014, the GoB adopted a Climate Fiscal Framework, which provides a road map to link national climate strategies with the resource allocation system. The Bangladesh Climate Financing for Sustainable Development: Budget Report 2018-19 was rolled out, covering all 20 line ministries that have programs and projects of significant climate relevance. In 2018, the GoB also published a Citizen's Climate Budget. Bangladesh has employed gender responsive budgeting (GRB) in budget preparation with a gender budgeting statement, budget circular with guidelines to ministries, performance indicators, some monitoring systems and an annual report. Under SARTTAC, a seminar on gender responsive budgeting was organised in 2019. Under SPFMS, the WB has promoted women's participation in the PFM Action Plan governance structure. Finally, SPFMS has had indirect positive effects to report on promoting gender equality and climate change. It actively supported the introduction of BACS, which allows for tagging gender equality and climate related expenditure.

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**EU CMSB support has been designed in full alignment with national priorities and aimed to tackle key PFM priorities (JC2.2).** It has supported the GoB in implementing reform priorities as outlined in the PFM Reform Strategy (2016-2021) and subsequent Action Plan. For instance, the 5-year TA signed in 2019 has aimed to strengthen the capacity of NBR, OCAG and the National Parliament to implement reform priorities in the areas of DRM and domestic accountability as identified within the PFM Reform Strategy 2016-2021 and subsequent Action Plan. The PFM Reform Strategy was supportive of the 7th Five Year Plan goals, notably its key area on public sector capacity, which focuses on public investment management, medium-term budgetary frameworks, transparency in budget execution, and audit systems. Moreover, SARTTAC capacity development activities in Bangladesh have been closely linked with policy challenges and surveillance priorities including low tax revenues, insufficient public investment in infrastructure, monetary policy modernization, and a weak banking sector.

EU financial contribution to the WB managed MDTF supported the GoB in designing and implementing a more sequenced approach to public finance (JC2.2). To overcome the capacity constraints faced during the first phase of the MDTF, the second phase of the MDTF adopted a more prioritized approach to PFM and increased focus on capacity building. It aimed to provide complementary support to the implementation of part of the GoB's PFM reforms in order to implement the PFM Action Plan (8 out of 14 components). The ultimate aim has been to ensure that PFM improvements enable more and better public service delivery in social sectors. The second phase of the MDTF also supported "change management" activities, such as support to the Institute for Public Finance (IPF) as a training hub within the GoB.

**The EU decided to rely on experienced international partners to implement its support to public finance (JC2.3).** At design stage, the World Bank was recognized as a highly experienced and qualified implementing partner to execute the MDTF, as it has executed similar PFM reform related trust funds world-wide. The World Bank's comparative advantage included the ability to i) mobilize suitable international expertise; ii) facilitate knowledge exchanges between Bangladesh authorities and counterparts in other countries considered exemplary and relevant in specific PFM areas; and iii) foster dialogue and effective coordination among Bangladeshi institutions to implement PFM reforms.

**Complementarities within the EU portfolio remained under-exploited (JC2.3).** The EU has supported education (primary education and TVET) and social protection through BS. Whilst there has been explicit recognition that these BS interventions would directly and indirectly benefit PFM reform, their connection with PFM/DRM interventions has not been strong enough. Besides, EC staff reported some overlap between bilateral/multilateral support and support provided by RTACs.

## *3.3 Effectiveness – Analysis of outputs and intermediary outcomes*

*Contribution of EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**Development partners, including the EU, closely followed the progressive deepening of PFM reform processes (JC3.1 & JC3.2).** In Bangladesh, the initial impetus for PFM reform dates back to 1989. PFM reforms have followed a gradualist approach in three successive phases (2007-2012, 2012-2016 and 2016-2021), from basic technical issues such as budget classification to more advanced reforms, e.g., the introduction of the medium-term budget framework (MTBF). The design of the PFM Reform Strategy (2016-2021) reflected international diagnoses and analyses, notably the 2016 PEFA funded under the first phase of the MDTF, the 2015 WB Public Expenditure Review (PER) Update, and the 2013 Public Investment Management (PIM) Roadmap. The strategy included a stronger pillar for tax mobilization as of 2016, which reflected the growing political interest in PFM reforms to mobilise taxes. A new PEFA was launched in October 2021, with support from the WB administered MDTF and ADB. It will include modules on gender and climate change. It will be used to update the ongoing PFM Action Plan and inform the country's future PFM reform program. Support provided by partners, notably under the first phase of the MDTF, attempted to move across many PFM fronts simultaneously, which proved challenging in an environment of limited capacities. The second phase of the MDTF played a crucial role in supporting the implementation of the PFM Action Plan (2018-2023). It provided funding and a platform for reform dialogue when the reform environment was not very favorable. The PFM Action Plan identifies priority reform activities and sub-activities with institutional responsibilities among 13 thematic reform components, and results indicators to monitor the implementation process. The last component of the PFM Action Plan is devoted to PFM Reform Leadership and Coordination & Monitoring. Sub-activities are indicative to allow for sufficient flexibility for course-correction in reform implementation. Its cost exceeds USD 350 million for 2018-2023. It has been mostly financed by development partners.

The broad political and institutional environment severely limited progress on PFM reforms, especially in the early period (JC3.2). Until 2016, the demand for, and leadership of, PFM reforms has remained focused on relatively few people and received relatively little attention from the political or public interest. The broader public administration environment was also not conducive to reforms. This significantly constrained the ability to incentivize improved PFM practices. Outputs delivered through process reforms hence fell into disuse as concomitant institutional reforms did not come by in the absence of strong political support. Additional explanatory factors include the challenge of implementing complex reforms with a limited human capacity (see EQ1) and the nature of entrenched incrementalism in budgets, which made it difficult to get any real change.

Ownership of the PFM reform agenda gradually increased over time, notably with the development of the PFM Reform Strategy and endorsement of the PFM Action Plan (JC3.2). The PFM Action Plan (2018-2021) was developed under the leadership of the Finance Division (FD) by a cross institutional team from the MoF, OCAG, the Planning Commission, Cabinet Division, the National Board of Revenue, etc. A long consultative process took place with a broad range of stakeholders. The establishment of the governance structure of the PFM Action Plan also empowered the FD as leading institution for PFM reform. During this period, management within the FD also remained relatively stable, which consolidated increased ownership. The GoB also approved non-annual development programme (non-ADP) funding (USD 70 million) for the same 8 components of the PFM Action Plan as the WB PforR.

Partners, including the EU, advocated for a Change Management approach in the PFM reform process, aiming to ensure stronger ownership and sustainability of reforms (JC3.1 & JC3.2). The complex political and operating environment made it essential to well understand actors and institutions, their incentives and motivations, to be able to sustain reform initiatives. Support provided under the MDTF has had strong focus on the technical aspects of the reform. Still, the second phase of the programme adopted a stronger political economy and change management lens. As such, the PFM Action Plan describes the governance structure for reforms and the change management approach.

The EU, through its contribution to the MDTF, has helped to strengthen State Owned Enterprise (SOE) corporate governance (JC3.3). The 2016 PFM Reform Strategy included for the first time reform in the area of SOE oversight and reporting, reflecting the importance of SOEs in terms of fiscal risks and potential fiscal impact. The ultimate objective is to ensure transparency, accountability, fiscal sustainability and improved service delivery. Key progress included i) the finalization of a SOE Financial Monitoring Template to enable effective oversight of the financial performance of SOEs; and ii) the approval in 2021 of the SOE Independent Performance Evaluation Guideline (IPEG). The policy and procedures to monitor debt and contingent liabilities of SOEs were still pending stakeholders' consultations in 2021.

EU's contribution to stronger accountability mechanisms remained limited and constrained by the absence of improvements by the country in this area (JC3.4). Overall, the scores of governance indicators for Bangladesh remained below South Asian regional averages. The score for external audit at D+ is one of the lowest in the last three PEFA reports and has shown no improvements. Institutional accountability mechanisms have remained weak, including OCAG. The latter has had weak capacity and a legal framework that does not provide for autonomy in budget and staff recruitment. Technical assistance was provided under the second MDTF to improve timeliness and disclosure of audit reports. An international consultant worked to better align the templates of the OCAG with IPSAS cash-based financial reporting requirements. The EU also started to provide TA i) to strengthen the institutional capacity of OCAG and improve the systems and procedures in use to deliver audit services, and ii) to strengthen the capacity of the Parliament. In both cases, the TA team was mobilised in 2021, with no tangible outputs so far.

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

**EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

The EU supported small steps forward in tax policy. There is a general consensus on the under-performance of the GoB in Domestic Revenue Mobilization (JC4.1 and JC4.4). Bangladesh presented a low tax to GDP ratio, around 9% during the period 2012-2021. This is one of the lowest ratios in the region. Whilst Bangladesh's standard Value Added Tax (VAT) rate of 15% has been in line with that of other countries, VAT revenue productivity has been low. Similarly, the corporate income tax (CIT) and personal income tax (PIT) productivities have been lower than that of peer countries. In tax policy, key challenges included the overreliance on indirect taxes, narrow tax base resulting from tax exemptions and generous tax holidays, poor coverage on income taxes, and low collection rates for other tax sources. The 2012 VAT and Supplementary Duty Act, implemented in 2019, has not yielded expected revenues due to multiple VAT rates that exacerbated revenue leakage and rendered tax collection more difficult. The MDTF supported the development of a taxation strategy to strengthen revenue collection. The Medium-term Revenue Strategy (MTRS), which is part of the PFM Action Plan, was initially expected to be completed in Q3 2019. However, its drafting progressed only in 2021, due to capacity weaknesses and coordination challenges across different wings of the NBR. A DRM Reforms Mapping (2010-2020) was completed and technical analyses on tax expenditure have been initiated. COVID-19 constrained stakeholders consultations and led to re-sequence the drafting of the MTRS. Capacity weaknesses and coordination challenges across NBR's different wings also constrained the preparation of the MTRS.

**EU CMSB interventions supported tax administration, which has remained weak in many areas (JC4.2).** The enforcement capabilities of the tax administration in Bangladesh have been lagging in comparison to good international practices[8]. In 2020, the EU started a TA to the National Board of Revenue (NBR), which is the primary authority for the collection of taxes and duties. Established in 1972, the NBR is part of the Ministry of Finance's Internal Resources Division. It is organized with separate structures, known as wings, for each revenue type: customs, VAT and income tax. The lack of an integrated organisational structure between the respective wings within the NBR and the duplication of physical structures based on separate tax types has had a negative impact on the cost of collection. Considering the slow start in implementation of the EU TA, few outputs were delivered so far. A new e-return filing system for natural person tax submissions - supplementing the paper-based return filing system - has been launched in October 2021 to improve collection within personal income tax. This created the foundation to enable an analysis of returns data in electronic format. The EU TA also worked in the area of risk management and litigation management. Under SARTTAC, officials from the tax policy area and revenue administrations of Bangladesh attended a conference on corporate taxation policy, legislation, and administration in New Delhi early 2020 following the introduction of the 2012 VAT Act mid-2019.

*Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

The EU supported progressive improvements on policy-based budgeting, reflecting the importance of political acceptance of economic projections in the Bangladeshi context (JC5.1). Under the second phase of the MDTF, the EU accompanied the Finance Division in deepening earlier work on the strengthening of a macroeconomic model and database to improve the forecasts that inform the preparation of the budget and medium-term expenditure framework. Priorities under the 2016 PFM reform strategy included the finalization of the macroeconomic data, the strengthening of the Finance Division institutional capabilities to develop different fiscal scenarios, and the production of a fiscal risk matrix in the medium-term to monitor and evaluate the revenue performance against revenue targets. In 2021, the macroeconomic wing was working informally with the WB model, pending official approval. It was the third attempt since 2009 to introduce a model for macroeconomic & fiscal projections. Indeed, the macroeconomic modelling reform involves cultural changes that take time, from a politically guided forecasting process to a knowledge-based one. Furthermore, under SARTTAC, mid-level officers followed in 2019 a training program for participants in the Fiscal Economics and Economics Management Course

[8] Source : TADAT, 2017.

offered by Bangladesh's Institute of Public Finance to develop a better understanding of the role of fiscal institutions and the relationship between macroeconomic forecasting and fiscal policy.

The EU, through its contribution to the MDTF, has contributed to enhance budget credibility and to faster budget release and execution (JC5.2). The MDTF (SPEMP) and SPFMS contributed to build capacity of the Budget Management Committees (BMCs) in pilot ministries to enhance budget credibility and strengthen the linkages between the national strategies and the budget. In the early period, delay in budget releases was often cited as one of the biggest bottlenecks to smooth and efficient service delivery. In 2021, the WB reported improvements in the functioning of the BMCs in line ministries and reduction of the time taken for the release of budget from departments to frontline service delivery units from three months to within one month of the start of the fiscal year. This contributed to increased sectoral spending and service delivery. Moreover, Budget and Accounting Classification System (BACS) was established for the budget and the in-year budget reports. The national budget for FY2020/21 was prepared using newly developed iBAS++ modules and the BACS. The financial reports of FY2020/21 were also prepared using the BACS. In-year budget execution reports for most entities were published on the website of the Finance Division. The support also contributed to improved iBAS++ information technology security and functioning. But progress towards ISO certification for iBAS++ has not materialised as scheduled in the work plan.

**The EU, through its contribution to the MDTF, accompanied some progress in debt management (JC5.5).** In line with the PFM Action Plan, the GoB aimed to improve the quality of the Medium-Term Debt Strategy (MTDS), with a debt bulletin and a Debt Sustainability Analysis (DSA) model. It received technical support from the WB administered Trust Fund (SPEMP) and the PforR programme (SPFMS), as well as from the IMF. Public debt data recording and management in Bangladesh has been immensely fragmented among various debt offices, with no single database in which all public debt data are incorporated. A draft debt bulletin has been prepared and published on the website of the Finance Division. Its preparation revealed that there was no system to record and update comprehensive data on contingent liabilities. Work on the DSA model has been delayed.

## *3.4 Effectiveness and sustainability – Contribution to outcomes and impacts*

*Improved long-term financing and Public Sector Management (EQ6)*

**EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**Overall, the macroeconomic framework remained quite solid, but the management of fiscal risks needed improvements (JC6.1).** In 2020, Bangladesh continued to be assessed at low risk of external and overall debt distress, with the GoB borrowing mostly through National Saving Certificates (NSCs) and having very little external debt. Ongoing work on the revision of the Medium-Term Debt management Strategy (MTDS), supported by SPFMS, should consider the implications of possible reduction in concessional financing with the forthcoming graduation from LDC status and increased need for issuance of market-based government securities as a result of ongoing NSC reforms. The Bank of Bangladesh kept flexibility in exchange rate to ensure adequate level of reserve coverage (6-7 months of imports) and make systems resilient to external shocks. The high level of non-performing loans (NPLs), especially in state owned commercial banks, remained an issue. It requires reforms such as adoption of risk-based supervision, improving independence of the Bank of Bangladesh, enhancing legal system in line with best international practice, and strengthening corporate governance. Reforms to improve investment climate are also crucial for attracting FDI.

**Low tax collection levels led to insufficient public revenues to support the national development agenda (JC6.3).** With a tax-to-GDP ratio remaining below 10 percent, tax revenue remained insufficient to improve public infrastructure needed to sustain strong growth and make progress towards the SDGs. Bangladesh's share of public expenditures (between 12,7% and 15,4% of GDP in FY2009-10 and FY2018-199) remained among the lowest in the world and was consistent with a low revenue-to-GDP ratio. Total health spending was below the average of comparators. Public spending on education remained inadequately financed. In 2022, the IMF advised Bangladesh to spend more on health, education, and social safety nets and boost investment in infrastructure[10]. It also underlined the need to finance climate adaptive expenditure. Moreover, it recommended to expand well-targeted social spending to help protect the poor and build broader consensus for tax reforms.

The outbreak of COVID-19 caused slowdown in the implementation of all PFM reform activities. From what a desk study can tell, there is no evidence of EU CMSB support helping to steer DRM/PFM systems towards an effective COVID-19 response (JC6.5). The IMF noted the prompt and decisive policy response of the GoB to the pandemic, which facilitated a faster recovery. The banking sector played a crucial role in channeling the stimulus packages. The bulk of COVID-19 stimulus support was designed in the form of an interest subsidy for working capital loans and loans to Cottage, Micro, Small and Medium Enterprises (CMSMEs) at subsidized interest rates. During the pandemic, the authorities scaled up social protection spending to mitigate the economic fallout for the most vulnerable. Spending on social safety net programs as a share of GDP reached 2.9% in FY2020 and 3.2% in FY2021. Existing programs that were expanded include cash allowance to widows and the old age people, food security and affordable home constructions. The low level of revenue implied to restrain public expenditure on other important developmental objectives.

*Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

[9] Source : WB, PER Social Protection, 2021
[10] Source : IMF, Article IV consultations, 2022.

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

Bangladesh reached impressive economic figures, but growth needs to be more inclusive to meet the country's development goals (JC7.1). Over last decade, economic growth was robust and constantly around 6-7% of GDP. This performance contributed to the enrichment of the country, but should be tempered by the strong demographic growth, as population almost tripled since the national independence in 1971. Despite its impressive economic development, Bangladesh's growth was still hampered by bottlenecks, that the GoB did not achieve to address, such as its weak banking sector, its poorly diversified exports and an insufficiently attractive business environment. Moreover, the country was stroke hard by the COVID-19 crisis. The two main drivers of the Bangladeshi economy were affected, namely remittances from the diaspora and exports of ready-made garments. However, signs of recovery were already witnessed in 2020.

**Revenues were insufficient to achieve developmental and social targets in a fiscally sustainable way (JC7.2).** In 2022, the IMF recommended a "multipronged revenue strategy to rationalize tax expenditure and modernize revenue administration, and fiscal policy framework reforms to strengthen investment management and fiscal risks assessment are needed to scale up social, developmental, and climate-related spending"[11]. Moreover, the country is poorly ranked in terms of transparency and fight against corruption (147th out of 180 by Transparency International in 2021). No significant improvement was witnessed on this dimension over the period evaluated.

Bangladesh has adopted a proactive policy to improve its education system, supported by international donors, including the EU (JC7.3 & JC7.5). Its gross primary school enrollment rate has constantly increased over the last decades and is significantly higher than in peer countries (amounting 120% in 2020). With a young population (the median age was around 27 years old in 2021), improving students' skills was a priority to improve economic development. International donors put emphasis on this area. The EU started a BS in 2019 (HCDP 21) targeting a better quality, relevance and efficiency of primary education and Technical Vocation Education and Training (TVET). The programme identified that the Bangladeshi system has performed well in terms of school attendance, but that its ability to equip children with valuable skills and competencies still needed to be improved. It is too soon to assess the contribution of this specific EU support on education system in Bangladesh.

The GoB has substantively invested to upgrade its infrastructure (transport, electricity, water, etc.), but still lacked further efforts to cope with its over-lasting demographic growth (JC7.3). For instance, the country has the most densified road structure in Asia, but significant investments were needed to better adapt it to the traffic needs and to the importance of the fluvial network. In parallel, water and energy supplies were undersized compared to the population's needs.

Thanks to steady economic growth, poverty declined but a large part of the population was still living in extreme poverty in 2022 (JC7.4). While 49% of the population was living in poverty in 2000, this rate plummeted to nearly 25% in 2020. However, this figure means that 20 million of individuals were still living in poverty in 2020, maintaining Bangladesh as one of the poorest countries in Asia. Moreover, the population has been more and more vulnerable to external shocks such as natural disasters related to climate change and the COVID-19 crisis, which threatens the sustainability of recent progresses.

[11] Source : IMF, Article IV Consultations, 2022

## *3.5 3Cs: External coherence, coordination & complementarity*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**The EU coordinated with other donors, especially through the MDTF managed by the WB (JC8.1 & JC8.2).** The EU, Canada, Denmark, the Netherlands and the UK financed the first phase (starting in 2008) of the MDTF. The second phase (starting in 2017) was financed by the EU, Canada and the UK. The Technical Advisory Committee (TAC) has been an MDTF-platform where adequate coordination has taken place on PFM reforms between the WB, MDTF-DPs and the GoB. This is where the main policy dialogue on public finance took place. The EU has been active in the TAC. However, key actors in PFM, such as ADB, the IMF and JICA, were not part of TAC meetings . Moreover, the TAC did not meet on a regular basis over the period evaluated, which temporally hampered coordination between its members. Before COVID-19, meetings took place approximately twice a year.

From what a desk review can reveal, other EU CSMB interventions (TA and BS) have been designed in complementarity with other donors support (JC8.1). Several international partners, such as ADB, IMF and WB, were involved in PFM/DRM support in Bangladesh, especially in tax collection which was identified as a clear weakness in Bangladesh. The EU TA dedicated to support the NBR was specifically designed to target the Income Tax wing of the institution considering that other partners focused on other parts of the DRM reform. Concerning the HCDP-21 BS, the EU was part of a Local Consultative Group (LCG) with the GoB, other donors and NGOs and a Task Force with the WB, ADB and ILO (specifically dedicated to TVET and skills development) to better coordinate with these actors the implementation of its support in Bangladesh.

**There has been poor coordination between the EU bilateral portfolio and the support provided through SARTTAC (JC8.3).** Whilst the EUD in Dhaka was overall satisfied about the technical quality of the support provided by SARTTAC, it deplored the lack of involvement of the EU in the implementation of SARTTAC financed activities and asked for more coordination with other CMSB interventions implemented by the EU.

## *3.6 Efficiency of EU CMSB support in the country*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**The start of the TA to NBR, OCAG and the Parliament experienced significant delays (JC9.1).** The identification of the programme was spread over 2 years. Furthermore, the start of the intervention was delayed by 1.5 year to September 2020, following the signature of an addendum.

**BS disbursements under the HCDP-21 were made on track**, as per the revised schedule of disbursements (in Q2 in 2020 & 2021) detailed in an addendum to the contract signed in May 2021 (JC9.1). INTPA HQ considered that the target of the performance indicator on 'Strengthened fiduciary system and budget' was partially met, which resulted in a partial disbursement of the variable tranche. Moreover, following the COVID-19 crisis, it was decided to neutralize the indicators of the variable tranche of the second disbursement. One single fixed tranche, amounting the sum of the initially intended second fixed and variable tranches, was disbursed to help the GoB coping with the consequences of the pandemic.

**Efficiency in implementation of the MDTF improved over time (JC9.1).** Between 2011 and 2016, the bulk of available MDTF funds (USD 80M) were consumed. It was agreed to use unutilised funds (USD 19M) to continue support to the PFM reform process and to extend the duration of the MDTF until end 2021. The MDTF became a fully Bank Executed Trust Fund (BETF) as of 2017 due to capacity constraints in the management and implementation of a comprehensive reform agenda. Whilst the efficiency of the implementation framework of the MDTFT improved during the second phase, implementation delays continued, due to staff rotation and COVID-19.

Overall EUD staff showed satisfaction with in-house human resources made available – both in number and in relation to their skills – to accompany the implementation of the CMSB agenda (JC9.2). This includes adequate capacity to conduct policy dialogue on PFM and DRM issues. Still, external technical expertise has been needed to conduct sector analyses, programme design and monitoring. The EUD experienced difficulties in onboarding effectively support from external experts. The latter, mobilised for short-term missions, had an insufficient understanding of the country context and also showed insufficient commitment to their mission.

**The EU - and other DPs - were present in the PFM retreats organised within the framework of the MDTF (JC9.4).** The overall visibility of the MDTF has decreased with COVID-19 since fewer physical events were organized in Bangladesh. Besides, the logo of the EU is visible on the main physical outputs financed by the MDTF, such as the PFM Action Plan and its Progress Reports.

# 4. Main lessons: contribution to key outcomes and good practices

Bangladesh is a country with a long running history in PFM/DRM reforms, but progress achieved so far has been disappointing, notably due to the slow-going political and institutional environment and the limited human absorption capacity. Reforms were process-oriented and changes mostly incremental, seeking to achieve outputs rather than improved outcomes and impact, particularly in the early period.

Within this context, international partners, including the EU, put stronger emphasis on change management to ensure that changes in practices would become institutionalized. The EU has been a long-standing partner of Bangladesh PFM reforms, along with a multiplicity of experienced international partners. Most of its support consisted in contributing to two successive phases of a multi-donor trust fund managed by the WB, which supported successive PFM strategies. The second phase of the MDTF included both financial incentives to support underlying reform activities and TA to support the reform processes. The pricing of disbursement-linked indicators aimed to provide strong incentives and build up momentum for reforms. The second phase of the MDTF also proposed a clearer sequence of activities and a strong focus on training activities to favor system strengthening.

**The MDTF has helped to strengthen the governance of State Owned Enterprise.** The 2016 PFM Reform Strategy included for the first time reform in the area of SOE oversight and reporting, reflecting the importance of SOEs in terms of fiscal risks and potential fiscal impact. Key progress included i) the finalization of a SOE Financial Monitoring Template to enable effective oversight of the financial performance of SOEs; and ii) the approval in 2021 of the SOE Independent Performance Evaluation Guideline (IPEG).

Support provided by international partners, including the EU, could not reverse the under-performance of the GoB in Domestic Revenue Mobilization. The tax to GDP ratio, at around 9% during the period under review, remained one of the lowest in the region. Small steps forward were supported by the MDTF in tax policy, e.g., progress in the formulation of a taxation strategy to strengthen revenue collection. Enforcement capabilities of the tax administration have also been lagging in comparison to good international practices. In 2020, the EU started a 5-year TA to the National Board of Revenue (NBR). It is too early to observe outputs and results, especially as the intervention started late.

**The MDTF supported progress in budget preparation and execution.** It supported the introduction of a macroeconomic model to improve macroeconomic and fiscal forecasts for the preparation of the budget and medium-term expenditure framework. It was the third attempt since 2009 to introduce such a model, illustrating the time needed for cultural changes. In 2021, the model was still pending official approval. Moreover, under the second phase of the MDTF, improvements in the functioning of Budget Management Committees enabled a reduction of the time taken for the release of budget from departments to frontline service delivery units from three months to within one month of the start of the fiscal year.

Overall, the country presented PFM bottlenecks which affected the efficient allocation, availability and use of resources for social service delivery. With a population that has almost tripled since the independence of the country, Bangladesh needed to invest on national infrastructure and public services to be able to meet with overwhelmingly increasing social and economic demands. But public revenues remained insufficient to adequately support the national development agenda.

## Annex 1: Inventory of EU support to the CMSB agenda in Bangladesh

The data below reflects a CRIS data extraction made in March 2021, unless otherwise specified.

**Table 1: Core CMSB contracted or disbursed amounts (in €M)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| VTI | - | - | - | - | - | 2.5 | 2.5 |
| CM | - | - | - | - | 0.003 | - | 0.003 |
| TA | - | 0.2 | | - | - | 3.7 | 3.9 |
| IO (MDTF) | - | - | 15 | - | - | - | 15 |
| Total | - | 0.2 | 15 | - | 0.003 | 6.2 | 21.4 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed | Total Amount disbursed (until 2021) |
|---|---|---|---|---|---|---|---|---|
| SRPC | 39656/40643 | Human Capital Development Programme for Bangladesh 2021 (HCDP 21) - MA part 1 | 2019 | 2024 | 111 | 106 | 217 | 88 |
| SRPC | 40701/43345 | Support to National Security Strategy reforms in Bangladesh | 2020 | 2024 | 119 | 128 | 247 | 136 |

Note : BS amounts updated with EUD support to reflect commitments and disbursements as of end 2021.

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

Human Capital Development Programme for Bangladesh 2021 (HCDP 21) - MA part 1

| Year | Indicators for Variable Tranche 1 | Type of Indicators[12] | CMSB sectors | Amount allocated (€M) | Amount disbursed (€M) |
|---|---|---|---|---|---|
| 2020 | Strengthened fiduciary system and budget: Updating of fiduciary system | Process | Budget execution | 5.00 | 2.50 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[13] | CMSB sectors | Amount allocate d (€M) | Amount disbursed (€M) |
|---|---|---|---|---|---|
| 2021 | Strengthened fiduciary system and budget: Internal audit unit/cell established at DPE and adequately staff | Proces s | Internal audit and control | 5.00 | 5.00 |

| Year | Indicators for Variable Tranche 3 | Type of Indicators [14] | CMSB sectors | Amount allocate d (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2022 | Strengthened fiduciary system and budget: 85% utilization of the original approved cumulative annual budget for Year I and Year 2 | Output | Budget execution | 5.50 | 2.5 |

12 Input, output, process, outcome, impact
13 Input, output, process, outcome, impact
14 Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 4 | Type of Indicators[15] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2023 | Strengthened fiduciary system and budget: iBAS++ rolled out in (90) % of all DDUs and 80% of the approved number of eligible contracts in DPE processed through w-GP | Output | Budget execution | 6.00 | n/a |

3) BS complementary measures (technical assistance, studies, …)

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 39757 | 410292 | ::Dummy Contract:: Payment against invoice (</= EUR2.500,00) for workshop on PFM Reform organized by the EU-Del/BGD/OPS | 2019 | Closed | 2.500 € |

4) Other EC interventions

### *Capacity-building / technical assistance projects supporting CMSB*

| Decision number | CRIS contract number | Programme title / content | Financial Year | Contract Status | Total Amount contracted |
|---|---|---|---|---|---|
| 39756 | 374448 | Identification and Formulation of PFM programme for Bangladesh | 2016 | Closed | 195.803 € |

[15] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 39918 | 417214[16] | Technical Assistance to support the implementation of the PFM Reform Strategic Plan in Bangladesh | 2020 | Ongoing | 3.702.800 €[17] |

Multi-Donor Trust Fund

| Decision number | CRIS contract number | Programme title / content | Financial Year | Contract Status | Total Amount contracted |
|---|---|---|---|---|---|
| Not available | 161050 | Strengthening Public Expenditure Management Programme (SPEMP) | 2009 | Ongoing | 15.000.000 € |

SARTTAC – IMF Initiative funded by the EU

| Decision number | CRIS contract number | Programme title / content | Financial Year | Contract Status | Total Amount contracted |
|---|---|---|---|---|---|
| Not available | 376624 | SARTTAC-IMF Initiative in Bangladesh | n/a | Ongoing | n/a (no info at country level) |

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[16] In 2022, this contract was extended in its duration (until June 2024). The budget was also increased for an amount of EUR 4,990,510. Under this contract, the EU also engaged a think tank, the Centre for policy Dialogue (CPD), for a two-year-long research-outreach project entitled “Towards a People-Centric Public Financial Management in Bangladesh”. The following activities are envisaged: technical (research) studies to explore more efficient means for revenue collection; grassroots level social audits to assess the effectiveness of PFM; preparation of a “Citizen’s Budget to reflect the expectations of the grassroots regarding public finance, etc**. This contract is not part of the activities under review since it is outside of the temporal scope of the evaluation.**

[17] In 2022, the total amount contracted was EUR 8,693,310.

# CASE STUDY NOTE – CAMBODIA

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## List of acronyms

| | |
|---|---|
| ACU | Anti-corruption Unit |
| ADB | Asian Development Bank |
| AFD | Agence française de développement |
| BS | Budget Support |
| BSP | Budget Strategic Plan |
| BSRS | Budget System Reform Strategy |
| CAP | Consolidated Action Plan (PFM reform) |
| CIT | Corporate Income Tax |
| CGT | Capital Gain Tax |
| CM | Complementary Measures |
| CMSB | Collect More Spend Better |
| CSO | Civil Society Organisations |
| DFAT | Australian Department of Foreign Affairs and Trade |
| DFID | Department for International Development |
| DMFAS | Debt Management and Financial Analysis System |
| DP | Development Partner |
| DPC | Development Partners Committee |
| D/M | District/Municipality |
| DRM | Domestic Revenue Mobilisation |
| FACT | Fiscal Analysis Capacity Training |
| FDI | Foreign Direct Investment |
| FMIS | Financial Management Information System |
| FWC | Framework Contract |
| GDIA | General Department of Internal Audit |
| GDNT | General Department of National Treasury |
| GDT | General Department of Taxation |
| GDP | Gross Domestic Product |
| GDPP | General Department of Public Procurement |
| GNP | Gross National Product |
| GRB | Gender Responsive Budgeting |
| GSC | General Secretariat Committee |
| IDA | International Development Association |
| IFAPER | Integrated Fiduciary Assessment and Public Expenditure Review |
| IMF | International Monetary Fund |

| | |
|---|---|
| INTOSAI | International Organisation of Supreme Audit Institutions |
| IPSAS | International Public Sector Accounting Standards |
| LDC | Least Developed Country |
| LM | Line ministries |
| LOLF | Loi Organique Relative Aux Lois De Finances |
| MEF | Ministry of Economy and Finance |
| MDTF | Multi-donor Trust Fund |
| MFA | Macro-financial assistance |
| MoEYS | Ministry of Education, Youth and Sport |
| MTBF | Medium-Term Budget Framework |
| MTEF | Medium-term expenditure framework |
| MTFF | Medium-Term Fiscal Framework |
| NA | National Assembly |
| NAA | National Audit Authority |
| NCAC | National Council of Anti-corruption |
| NIS | National Institute of Statistics |
| NSDP | National Sustainable Development Plan |
| NTR | Non-Tax Revenue |
| OBI | Open Budget Index |
| OBS | Open Budget Survey |
| OECD | Organisation for Economic Co-operation and Development |
| PAT | Partnership for Accountability and Transparency |
| PB | Programme Budgeting |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PFMRP | Public Finance Management Reform Programme |
| PFM TWG | Public Financial Management Technical Working Group |
| PFMR | Public Financial Management Reform Working Group |
| PER | Public Expenditure Review |
| PIC | Parliament Institute for Cambodia |
| PIM | Public investment management |
| PIMA | Public Investment Management Assessment |
| PIP | Public investment programme |
| PIT | Personal income tax |
| RGC | Royal Government of Cambodia |
| RMF | Risk Management Framework |

| | |
|---|---|
| RS | Rectangular Strategy |
| RTAC | Regional Technical Assistance Centres |
| SCDP | Strategic Capacity Development Plan |
| SIDA | Swedish International Development Cooperation Agency |
| SNDD | Sub National Democratic Development |
| SP | Social Protection |
| SRPC | Sector Reform Performance Contract |
| TA | Technical Assistance |
| TADAT | Tax administration Diagnostic Assessment Tool |
| TIC | Transparency International Cambodia |
| TSA | Treasury Single Account |
| TWG | Technical Working Group |
| QSDS | Quality of Public Service Delivery Survey |
| UNCTAD | United Nations Conference for Trade and Development |
| VAT | Value-Added Tax |
| VNR | Voluntary National Review |
| VTI | Variable Tranche Indicator |
| WB | World Bank |

# 1. Introduction and choice of Cambodia as a case study

## 2.1 Scope and objectives of this case study

This country report is part of the evaluation of EU support under the CMSB agenda over the 2015-2020 period. It follows a documentary review of the main support provided by the EU in this area, covering both Domestic Resource Mobilisation (DRM) and Budget Management (programming and execution), as well as transparency and accountability (see portfolio in Annex 1). A 5-day mission took place from 4-8 July, 2022 which made it possible to meet many actors involved in this support and/or beneficiaries of it (see list of institutions in Appendix 2).

The main reasons for having chosen Cambodia are:

- A favourable context for tax and public finance reforms over the last 15 years;
- The implementation of SRPC, specifically dedicated to PFM reforms (Stage 3 2016-2019 and Stage III (2) 2020-2021), contributing directly to the implementation of the PFM reform programme (CAP3);
- Significant complementary measures for capacity building, including a delegation agreement with SIDA for the Partnership for Accountability and Transparency in Cambodia (Phase I 2016-2019; Phase II 2020-2022)
- A contribution to the WB Multi-donor Trust Fund for Public Finance Management and service delivery (2019-2023)
- The extensive scope of the support provided, which covers information systems, transparency, programme-based budgeting, audit, Domestic Revenue Mobilisation, Public Procurement and Statistics.
- This report focuses on analysing the relevance, coherence, efficiency and effectiveness of the support provided in these sectors.

## 2.2 Limitations

Given the limited duration of the mission and the breadth of the topics covered, the report does not claim to give an exhaustive view of all measures that have been implemented in these sectors, nor to provide a general assessment of EU interventions related to PFM in Cambodia. The goal of the case study is to learn lessons from the experience of the EU in these different areas, by analysing the main strengths and weaknesses of EU support to PFM in the country through the evaluation matrix used for this appraisal.

# 2. National context and EU interventions that support the CMSB agenda

## 2.3 General context and main policy documents related to CMSB

National Policy framework

Since 2004, the national development strategy has been pursued within the framework of the Rectangular Strategies (RS). Both RS III (2013-2018) and RS IV (2019-23), together with the NSDP 2014-2018 & 2019-2023 that operationalise the RS, take integrated governance reform as their central dimension, with a growing attention to PFM Governance reform becoming the core of the strategy for the RS IV. Governance reforms focus on 1) Institutional reform and capacity building; 2) Enhancement of accountability and integrity in the public administration; 3) Strengthening of work efficiency; and 4) Strengthening of private sector governance. Public Finance Management reforms are seen as an important means for achieving the overall development objectives, mainly by ensuring 1) effective revenue collection to meet increasing spending needs while ensuring long-term macroeconomic stability; 2) effective and efficient annual budget allocation to meet the RGC's policy priorities. Accountability and the fight against corruption are also key targets to which PFM reforms could contribute (although this is not clearly stated in the RS).

Launched in 2005 by the RGC, the PFM reform programme (PFMRP) has been structured around four sequenced platforms :

- Platform 1 (budget credibility): aims to develop a credible budget and deliver predictable resources, with a focus on resource management (DRM, cash management, revenue forecasts and macro-fiscal modelling). Reached in 2009.
- Platform 2 (financial accountability): mainly devoted to the implementation of the Financial Management Information System (FMIS). Phase 1 implemented in 2013-2017.
- Platform 3 (budget-policy linkage): seeks to strengthen the linkage between national policy priorities and budget planning. This led to the establishment of a programme-based budgeting. Started in 2016.
- Platform 4 (broader accountability): obtained through the implementation of a performance-based budgeting, or more precisely performance-informed budgeting. It is currently in the launch phase.

The whole process has taken longer than expected to implement. Over the period under review, the PFM reforms were conducted through the Coordinated Action Plan (CAP 3 (2016-2020) extended to 2022 (CAP3+2)) implemented by the GSC for PFM coordinating PFMRP implementation throughout the MEF.[1] CAP 2017-2020 is costed at USD 40.2 M. The most expensive part of it relates to the implementation of the Financial Management Information System (FMIS) for an estimated cost of USD 18 M.

In parallel, a medium-term Revenue Mobilisation Strategy was adopted for 2019-2023 (succeeding to the RMS 2014-2018) with the aim of modernising tax and non-tax revenue administration and policy. This was to be achieved by developing new tax policies and increasing voluntary compliance by enhancing operational efficiency and the quality of the service to taxpayers, as well as strengthening law enforcement and institutional development.

Strategies have also been developed for the Budget System reform (BSRS 2018-2025) as well as for Debt Management (strategy approved in 2015 and revised in 2019).

PFM Legal framework

The legal framework was strengthened in recent years and continued to be improved, most recently with:

- The new Public Finance System law, currently under discussion before final approval: the law enshrines the principle of results-based budgeting and is inspired by the LOLF in France.
- The law on Public Procurement, currently being revised as part of the Public Procurement System Reform Strategy 2019 - 2025 notably to strengthen the role of Ministry of Economy and Finance as a regulator and auditor of procurement, while making the procurement implementing institution responsible and accountable for procurement procedures
- The Anti-Corruption Law of 2010 has been amended and is now considered satisfactory.

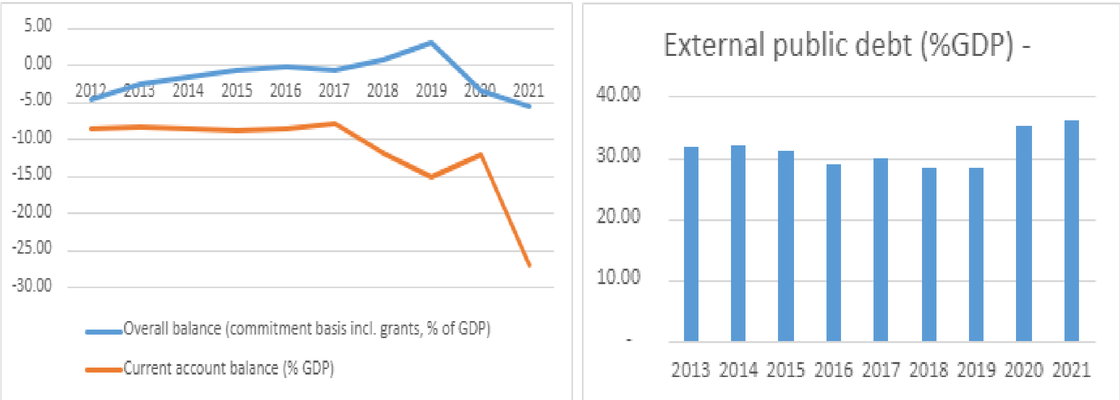
[1] General Steering Committee (GSC) for PFM reports back to the PFM Reform Steering Committee (PFMSC) chaired by the Minister. Working Groups are established in all ministries and chaired by Directors General/Secretaries General.

## 2.4 Recent economic evolution

Cambodia has been experiencing stable, high rates of growth (around 7%) for many years. This growth has mainly been driven by exports, notably garments, footwear and tourism services, drawing in considerable FDI.

Over the 2015-2019 period, the country's macroeconomic balances improved significantly, allowing the government to consolidate its financial buffers. The overall public balance (including grants) reached a surplus of nearly 3% in 2019 (compared to -0.6% in 2015). According to the IMF (Art IV report 2021), by end 2019, the government had accrued deposits assets of around 20 percent of GDP. Until 2019, the external public debt has fallen slightly as a percentage of GDP, dropping below 30%.  However, from 2020 onwards, an upward curve began, reaching 36% in 2021..

**Figure 1: Macroeconomic balances (as a percentage of GDP)**




*Source: IMF database; Staff report Art. IV, December 2021*

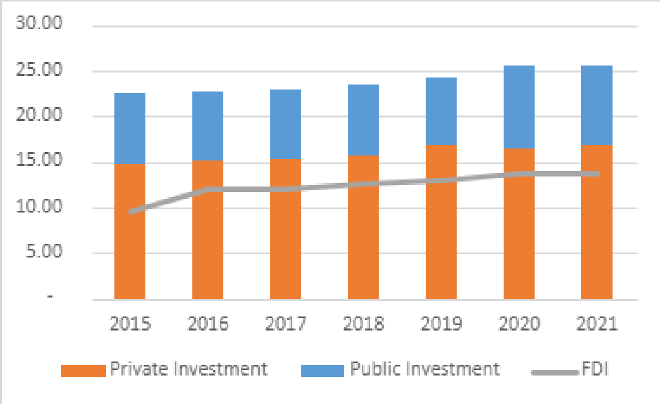
The current account deficit remained substantial but stable until 2017. However, starting in 2018 it deteriorated significantly, mainly driven by a strong increase in imports (around 20% in 2018 and 2019). However, substantial financial inflows have more than offset foreign exchange needs, with the central bank seeing its reserves increase in 2021 to nearly 9.4 months of prospective imports. In 2014, coverage was just over 3 months.

The Cambodian economy has suffered from COVID-19 through 1) a collapse in external demand in 2020; 2) the community spread of the virus in 2021 leading to tight restrictions on movement and gatherings. According to recent IMF estimates, growth has contracted by -3.1% in 2020 and slightly recovered in 2021 to 2.2%.

Measures to support households and firms (increased healthcare spending; new system of cash transfers to vulnerable households; loans and guarantees; tax breaks; and wage subsidies for workers whose contracts had been suspended and retraining) have been adopted by the government. Public finances have been under stress but remain under control overall. According to recent IMF data, the public deficit plunged to 3.5% in 2020 and to over 5.5% in 2021. External debt has increased as a percentage of GDP (with GDP itself falling in 2020) to 36% without its sustainability being questioned.

The investment dynamic remained sustained throughout the period (essentially driven by the private sector and foreign investment).

**Figure 2: Investment rates (as a percentage of GDP)**




*Source: IMF WEO*

The Cambodian economy is nevertheless facing some vulnerabilities (growth is concentrated in relatively few industries, associated with rapid credit growth (especially in construction and property), an increase in household debt, bank portfolios concentrated in real estate, and persistent current account deficits), and remains exposed to the risks of external shocks (such as a decline in external demand or foreign investment flows).

According to UN criteria, in 2021 Cambodia met all the criteria (income, human resources and economic and environmental vulnerability) to be graduated from Least Developing Country. This will have major implications for fiscal policy, as grants and concessional borrowing will be reduced.

During the period under review, there were also significant changes at the political level: in 2017, the opposition party was dissolved, leaving the National Assembly and the Senate in the hands of a single ruling party. This explains the worsening of political risk measured by the RMF, which on a scale of 4 rose from 2.88 in 2017 to 3.06 in 2020. The risk of corruption is also considered very high, scoring 4 between 2016-2018 and 3.75 in 2019-2020.

## 2.5 The main actors supporting the CMSB agenda in Cambodia

In addition to the EU, several DPs are actively supporting PFM reforms, mainly the WB, SIDA, DFAT (Australia), IMF, AFD and the ADB. A Multi-donor Trust Fund was set up in the past (PFM-TF). This is managed by the WB and brings together the EU, SIDA and AusAID; this was instrumental in setting up phase 1 of the FMIS in 2013-2017 (10MUSD approximately). A new World Bank Multi-donor Trust (MDTF) fund on Public Finance Management was established in 2019 to complement the existing technical assistance directly provided by the EU and SIDA, and with the aim of building the government's capabilities by providing advisory services, analytical reports (Public Expenditure Track Survey, Quality of Public Service Delivery Survey (QSDS), Public Expenditure Review…), knowledge exchange and knowledge dissemination as well as change management. Currently the MDTF is supported only by the EU and DFAT.

DPs are members of the PFM-Technical Working Group (PFM-TWG) which meets bi-annually under the leadership of the MEF. A DP-specific working group for PFM co-chaired by the EU and the ADB and bringing together the WB, DFAT, AFD, IMF, JICA, SIDA, UNICEF, UNDP, UNCDF and USAID, meets on a monthly basis while the PFM Trust Fund contributors (Australia, EU and the WB) meet informally twice a month to specifically plan and review PFM-TF activities that support the PFMRP and formally by the means of Partnership Council meetings convened upon request of one of the parties.

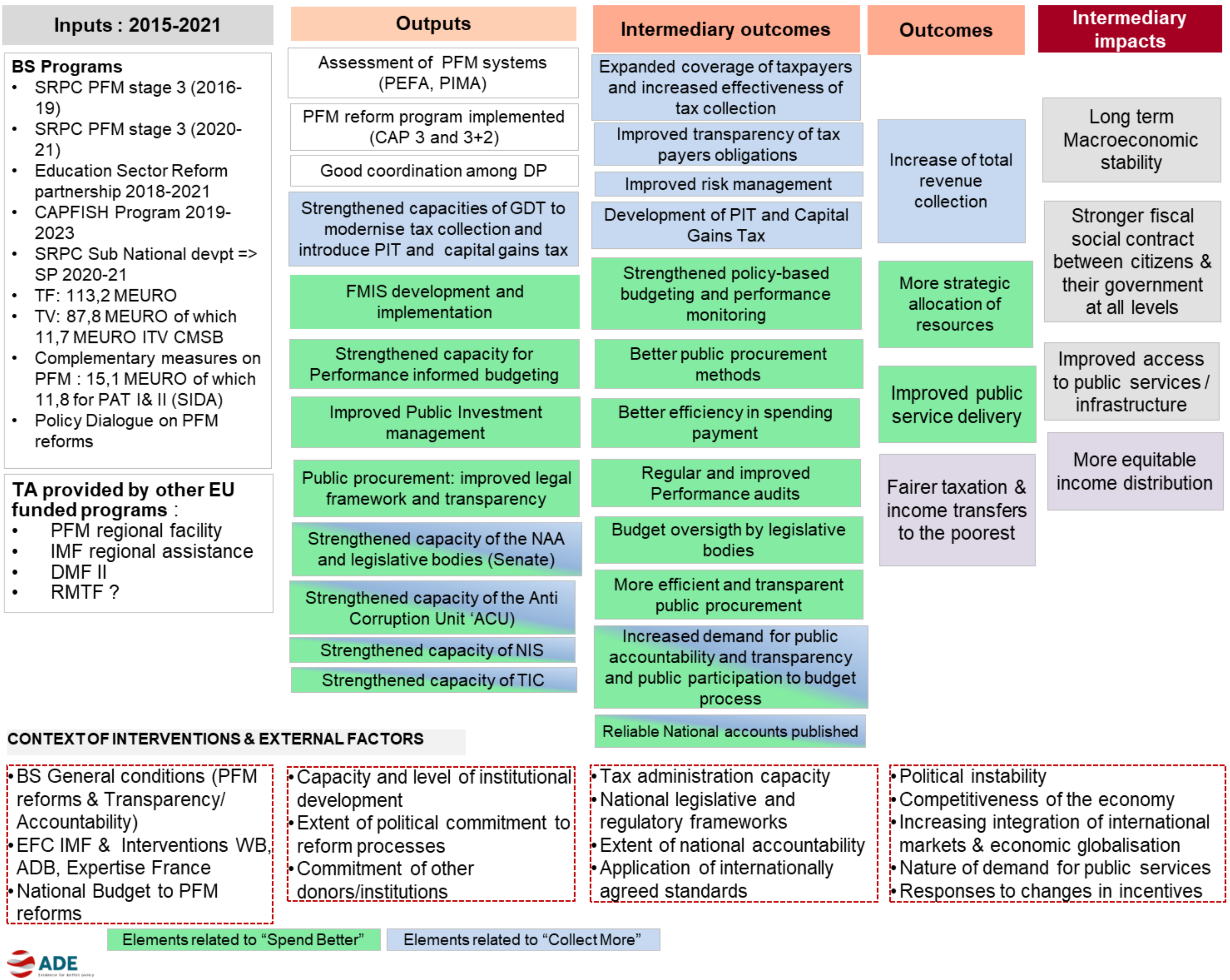
The intervention logic of CMSB support in Cambodia

The following diagram presents the intervention logic implemented by the EU in all its forms of support to the CMSB agenda. It aims to highlight the chain of changes based on the allocated inputs. Through the SRPC PFM programme and its main components (incentives for implementing reforms through VTIs, financial transfers to the Treasury account funding the budget entity in charge of implementing the CAP, substantial complementary technical support and policy dialogue), the EU has aimed to strengthen the PFM system in a broad and comprehensive way, both through support for government-led reforms aimed primarily at the executive and administration, but also by ensuring that external oversight bodies are strengthened, the role of the legislature is enhanced, and there is more public and civil society participation.

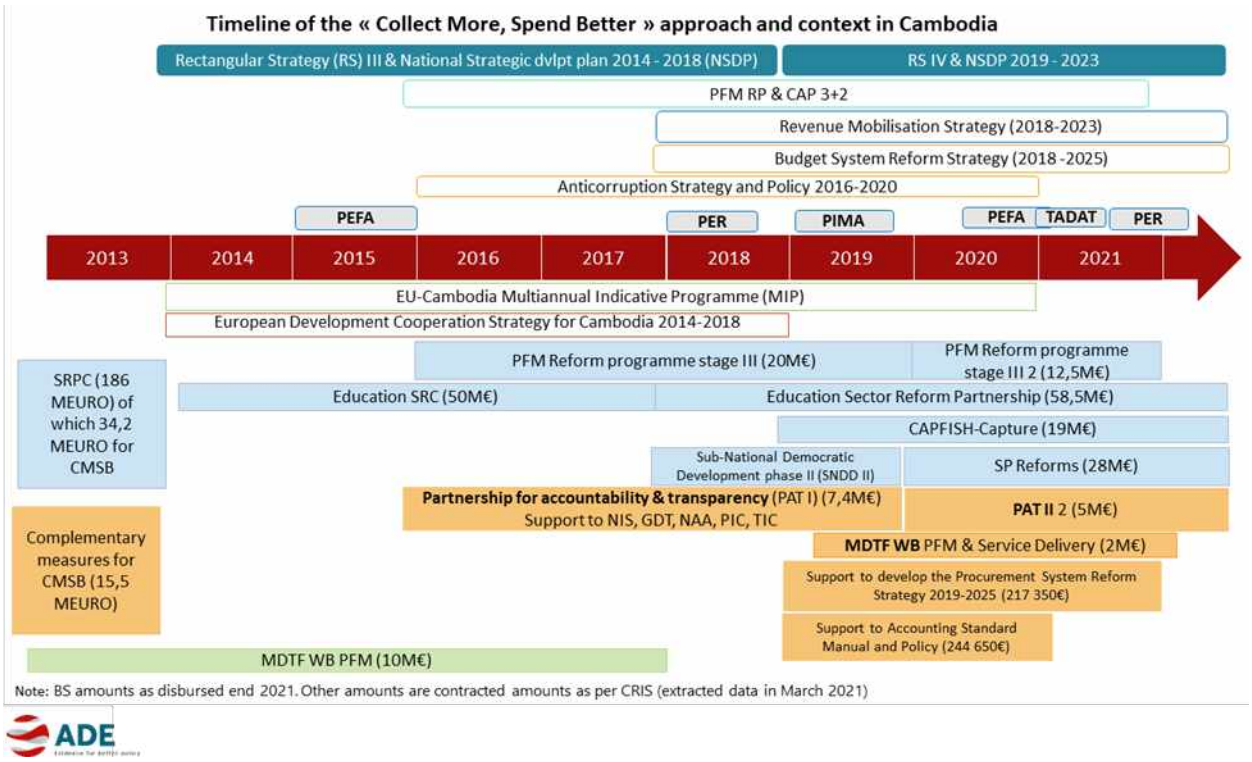
Based on this logic of intervention, the main issues explored by this case study are:

1) The instrumental role played by the EU in the implementation of MEF-led action plans (CAP3 and 3+2) and through this, in the implementation of the FMIS system and in building the capacities of the administration to move to programme-based budgeting and performance-informed budgeting (including the sectors where the EU implements SPRC – education, fisheries) and to improve public service delivery.
2) The contribution of the EU to one of the main achievements of the PFM reform, i.e. the sharp increase in DRM at least until the COVID-19 crisis hit, and the extent to which it was accompanied by fairer income distribution and stronger fiscal contract.
3) The role of the EU in the strengthening of external control and legislative oversight as well as of the participation of the public and civil society in the context of a single ruling party.
4) The contribution of support provided to NIS for better PFM management.
5) The support to fiscal decentralization and PFM at local level as well as other key components of Public Finance Management such as Public Investment Management and Public Procurement.

**Figure 3: Intervention Logic of EU support to PFM**



## *2.6 Timeline of the "Collect More, Spend Better" approach and context in Cambodia*




# 3. Answers to the Evaluation Questions

## *3.1 Relevance*

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

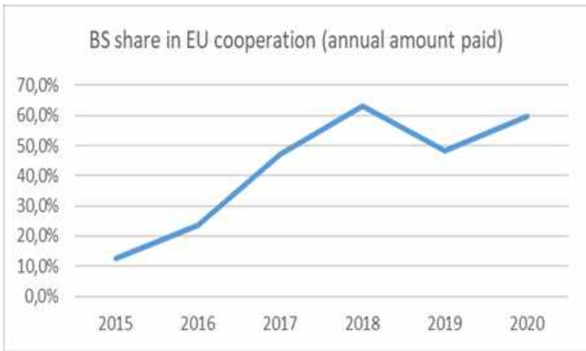
JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

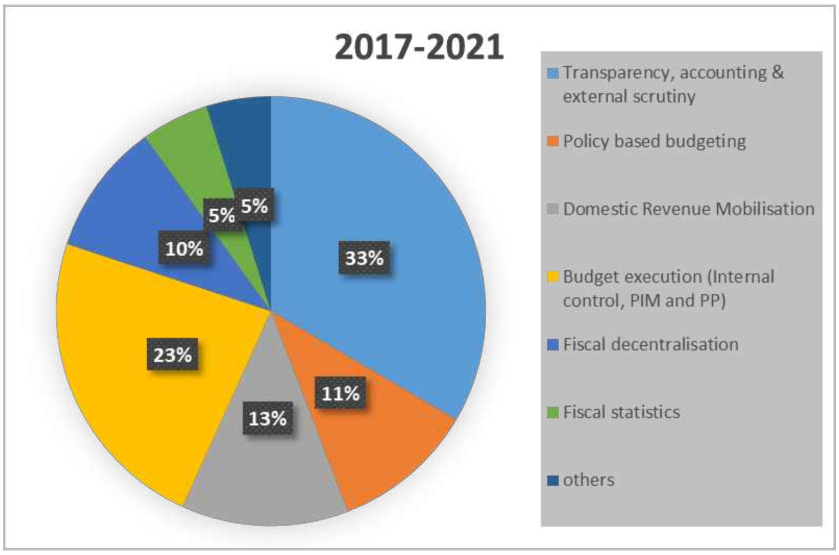
JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**Reinforcing DRM and PFM has been a key objective of EU cooperation during 2015-2020 (JC1.1)**. The EU has assumed a leadership role in supporting the government-driven PFM reform (PFMRP) since 2015 through a mix of intervention modalities mainly driven by Budget Support programmes. The growing importance of BS in EU cooperation since 2015 has put the focus on the functioning of the PFM system. EU approach to support PFM reforms has considerably evolved compared to the previous period: from relying mainly on the EU contribution to the previous WB-led MDTF (of 10M€), EU support to PFM reform has been reconfigured with the implementation of a first SRPC dedicated to PFM (2016-2019) followed by a second phase (2020-2021) amounting to a total of 34€ for financial transfers (14,5M€ as FT and 20,5M€ as VT) and including an envelope of 17 M€ for complementary measures.




Through the SRPC, the EU has been able to address various challenges posed by the CMSB agenda, namely enlarging fiscal space, improving policy-based budgeting, budget execution, accounting and reporting, as well as reinforcing external scrutiny and budget transparency. From 2017-2021, the focus has been first on transparency, accounting and external scrutiny (33% of the VTI dedicated to this area while 80% of the CM were allocated to the Partnership on Accountability and Transparency to strengthen national capacities within the NIS, the NAA, the Senate and civil society). In addition, the PFM SRPC has covered the PFM system widely: VTIs have been targeted to budget execution, DRM, and policy-based budgeting, accompanied in some cases by technical support (to the GDT, the GDPP or through the MDTF). On top of that, the amounts disbursed through the tranches (32,24 M€) have been fully reallocated to the financing of the PFM reform.[2]

**Figure 5: Main areas covered by Variable Tranche Indicators (VTI) of SRPC PFM Stage 3 I &II – in % of amounts committed**




2 The national PFM RP is implemented by the government as a specific budget entity of the MEF funded by the national budget. The amounts from the SPRC PFM transferred to the Treasury account are reallocated to this budget entity, approximately 60% of which is financed by the EU BS, and the rest by resources coming from the national budget. According to the 2021 PFM RP progress report, from 2004 to 2021, the total budget of the PFMRP amounted to 87.2 MUSD.

Moreover, reforms in the field of policy-based budgeting have been addressed in priority sectors such as education and fisheries, or social protection through other SPRCs that have been implemented.

**The approach that was followed from 2015 onwards clearly addressed the needs expressed by the national partners (JC1.2)** namely 1) funds to cover the costs of the reform; 2) leverage to adopt some measures; 3) TA to transfer expertise and share technical solutions. The choice to move to a SRPC in PFM was justified in view of the favourable context in place; it was based on an in-depth assessment and sound knowledge of the PFM system as regular analyses were carried out during the period using international diagnostic tools (PEFA 2015 & 2021, PER 2018 & 2022, PIMA 2019, TADAT 2021) even if some were not made public (TADAT).

The EU has increasingly adopted a demand-driven approach to develop its reform support program which has fitted well into the context of strengthened national strategic framework and growing willingness and capacities within the administration to develop and implement the reform agenda, particularly at the level of the MEF. By funding the budget entity in charge of implementing the CAP, the EU left the government in the driving seat and built a strong partnership. The priorities of the PFM RP and related action plan (CAP3 2016-2020 + CAP3+2) were mainly fixed by the government and based on the four-platform approach (FMIS development and rollout, reinforcement of the Public Procurement system, increased linkage between strategic planning and budgeting, DRM), but were discussed with the EU as well as monitored on a regular basis (annual PFM reports are produced and discussed). The approach followed by the PAT I & II has favoured partnerships and cooperation between peers for exchanging and sharing experiences, something that was appreciated by the Cambodian partners. The EU funded WB MDTF also adopted a more demand-driven approach providing support in response to requests/needs expressed by the authorities.

Aiming to support the whole PFM reform process, the design of the SRPC PFM I&II was relevant with a proportion of FT to VT (initially 40-60%, reversed after the COVID-19 crisis to 60-40%) regarded as adequate in view of the expected outputs (ensuring funding while at the same time providing enough incentives). The VTI have covered a wide spectrum of the PFM system even if concentrated on the MEF and the NAA and have sought a balance between quick wins and more sensitive issues where progress is more difficult. The indicators related to transparency in public finance were very useful to push the reforms. The government would have appreciated more indicators, particularly to cover the non-tax component, but staying within the limit of 8 indicators (by introducing one or another sub-indicator) was considered important for maintaining the effectiveness of the programme. As reflected by the final report of the SRC-PFM, some of the VT indicators nevertheless proved to be less relevant, due to a poor appreciation of the reform process and the time needed to achieve some of them (mainly fiscal decentralisation, implementation of programme-based budgeting and more recently, the new PFS law). Other indicators may not have been the most effective for bringing about direct changes, but they must also be seen in the specific context of each reform, which in some areas remains challenging. Quick wins indicators may be useful to start the dialogue and gradually develop larger ambitions (as for example in the area of Public Procurement).

In the SRPCS supporting the implementation of sector policies in priority sectors (education and fisheries), the use of VTI to ensure budget allocation/execution in line with policy priorities was not convincing: sectoral ministries were not in a position to influence the MEF, and considered that they had no control on those indicators. In the case of Cap-Fish Programme, the budget allocated to the Fisheries Administration (FiA) is negotiated between the Ministry of Finance and the Ministry of Agriculture, Forestry and Fisheries and FiA, that does not participate in the budget conferences, is not in a position to secure the amount that should be allocated in order to attain the VT indicator. It should also be noted that due to the Covid crisis, the budget to MAAF was drastically reduced, which impacted on the FiA allocation. As regards the SRPC Education, the Ministry of Education failed to convince the MoF to increase its budget, despite arguing with the need to ensure the attainment of TV indicators. EU programmes in support of DRM/PFM reforms have been very flexible in adapting to changing contexts and needs (extension of the SRC-PFM stage 3 and of FWC Supports to GDPP and to the subnational budget system; adaptation of BS programmes in the context of the COVID-19 crisis, reorientation of the SRC SNDD in view of the difficulties encountered in the implementation of decentralisation reforms).

**The Cambodian PFM reform process is aligned to international standards (JC1.4)** including the shift towards programme-based budgeting and performance-based budgeting. The French model is used to conduct reforms in this area and French experts are accompanying the RGC in this process notably for the drafting of the new Public Finance System Law.

EU support to PFM did not give specific attention to the implementation of international regulations. The GDT works on compliance with international agreements related to taxation, especially on Double Taxation Agreement and the exchange of information (supported by the OECD Global forum).

**Gender issues related to PFM were addressed through the delegation agreement with SIDA (JC1.5)** mainly by initiating specific analyses in areas of statistics and DRM, courses on gender statistics and gender budgeting, a gender report on the Cambodian national budget as well as a survey on gender and corruption. Gender issues are also taken into consideration by the SRC-Education (consultation with CSOs/women's organisation on MoEYS budget allocation) and by the SP-SPRC and complementary programmes

There are still challenges to integrate gender policies into fiscal planning (some GRB were discussed but this still needs to be reviewed and endorsed by the MEF).

The issue of climate and its inclusion in public finances is gradually gaining in importance. A PIMA integrating this aspect with the inclusion of the Climate Change Module is planned for Q4 of 2022. The reform of the Public Procurement should also integrate a green dimension and lay the foundations for sustainable procurement. The lack of experience in that field and difficulty to find the adequate technical expertise did not allow any progress to be made in this area.

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

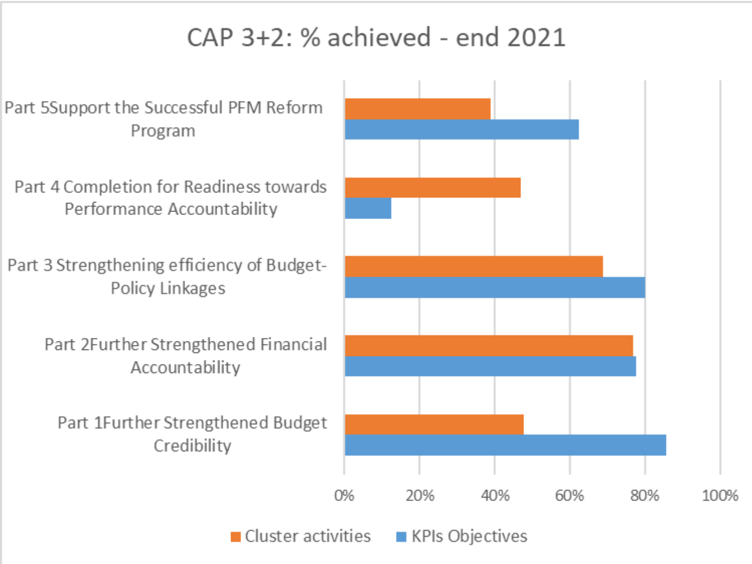
JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**It is not evident that the rationale behind the EU interventions in the PFM domain in Cambodia, namely in the formulation of the SRPC PFM, have been inspired by the holistic and articulated approach suggested by the CMSB initiative. There is nevertheless a coherence in EU supports to DRM/PFM which provides a comprehensive system wide-approach including elements from both sides of the CMSB equation (taxation, procurement, MTBF/MTEF, budget transparency and accountability, internal and external audits, corruption, decentralisation,**

**public investment, FMIS). (JC2.2).** The PAT aimed to provide complementary support to PFMRP to primarily address weaknesses identified outside the MEF and to mitigate risks identified in the SRC-PFM, including the risk of corruption undermining PFMRP efforts. The VTI focused more on the technical aspects of the various components of the reform (budgeting, reporting, internal control until 2019, DRM, decentralisation, external audit) while the PAT put a strong focus on public accountability from the supply and demand sides. The mix of conditionalities and TA to MEF (including GSC, GD Budget, GD Taxation), National Audit Authority, National Institute of Statistics, Parliamentary Institute of Cambodia and Civil Society Organisations (CSO) (Transparency International Cambodia and NGO Forum) was particularly efficient in contributing to creating an enabling environment for, and more inclusion in, the reform process (see table in annex 3).

By providing almost 60% of the funding for CAP3+2, the EU is helping to implement the whole reform programme[3] addressing the comprehensive PFM system even if its five components have not all progressed at the same pace: while the first three have achieved a large part of their objectives, the implementation of the last two has been partial, mainly because of the longer than expected time for drafting and discussing the new law on the Public Finance System (part 4) and for developing and adopting the Strategic Capacity development Plan 2021-2025 and difficulties in organising training during COVID-19 (part 5).




On top of that, short term TA (through FWC) has been mobilised to improve PFM monitoring and to prepare strategies such as the Public Procurement System Reform Strategy and a Budget System Reform Strategy, both areas considered as priorities for EU support. Feedback on this support is less positive. The fact that these strategies were implemented somewhat in isolation from the rest may have limited their ability to meet needs.

The MDTF component that supports PFM and service delivery performance through the government's public sector reform programmes is quite complementary, providing technical assistance to the government for the preparation of the Stage 4/Platform 4(CAP4) of the PFMRP and supporting the advancement of critical reforms (leadership and innovation programme; further strengthening budgeting and planning in line ministries) which are more challenging.

**Three other SRPCs were implemented during the period in the education, fisheries and decentralisation sectors (reoriented towards support to social protection) but with limited**

[3] The CAP3 is structured around five parts: 1) Part 1: Further strengthen budget credibility: revenue mobilisation; debt management; cash management and accounting; budget execution; 2) Part 2: Further strengthen financial accountability: implementation of chart of accounts and budget classification; implementation of new business processes and budget execution; implementation of new accounting, recording, and reporting systems; improve internal control systems; enhance budget transparency; 3) Part 3: Budget-policy linkages: strengthen and expand implementation of programme budgeting; budget integration (Budget Strategic Plans, Capital/Recurrent budgets); budget entity framework and accountability rules; policy development and medium term budget planning (MTFF, sector financial policies, MTEF); develop and reform internal control and audit functions, and external audit (NAA); fiscal decentralization; 4) Part 4: Readiness for next platform: develop framework for performance-based budgeting, management and audit; develop and implement a capacity development plan; 5) Part 5: Support to successful and sustainable implementation of PFMRP: improve reform management and coordination; capacity development and incentive measures; capacity building for PFMRP Platform 3 implementation.

**synergies with the SRPC PFM (JC2.3).** The education and fisheries programmes have included indicators related to sector financing and budgeting which may be an interesting approach to address sectoral issues of PFM reforms and more specifically the links between the line ministries and the MEF. The intention was essentially to highlight these issues without confronting them head on. The experience shows that it remains a tricky issue; in the two sectors, ministries were not able to improve budget allocations and considered they had no control over the indicators which ultimately penalise them. .

The complexity of the decentralisation process, linked particularly to lack of progress in the process of transferring functions to the sub national level (and related resources and budgets) and the lack of additional development funding for D/Ms including priority public infrastructure and social services, prevented progress on the SNDD II, especially its fiscal decentralisation component. In the area of social protection, the SRPC allocated with only one Fixed Tranche, followed by VT to reflect the high conditionality element intended for this SPRC aimed to contribute to enlarge fiscal space in support to Government's response measures to Covid-19 via Social Protection (both, social assistance and social security) and support Cambodia advance in its structural Social Protection policy reforms. Cambodia was one of the countries selected to participate in the EU-funded "Improving synergies between PFM & SP" multi-country programme implemented by the ILO, UNICEF and OXFAM. This project supported the ministries in charge of social protection (MoSVY in particular) in the implementation of programme-based and performance-based budgeting, but without being integrated or linked to the mainstream PFM programme.

**The main area where linkages could have been established between the CMSB agenda and EU external policies is that of EU trade policy and assistance (JC2.4).** The EU contributed to the MDTF for trade-related assistance between IDA and EU set up in 2013 (11.650 MEURO). To our knowledge, no gateway has been established in this area regarding either public policy, funding or expenditure management issues.

## *3.3 Effectiveness – Analysis of outputs and intermediate outcomes*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**Well before the CMSB agenda was formulated, the RGC followed its own reforms programme, based on sequential platforms, on the basis of ownership and strong leadership in conducting**

**reforms (JC3.1).** From the findings of the PFM diagnostic and analytical studies, it can be concluded that the PFM reforms are contributing to the development of a coherent PFM system, following a sequential "platform approach", with a relevant and coherent set of key objectives in each phase that links revenues, the financial management system, budget programming and execution and accountability.

The reform process is well advanced, although the pace of reforms has been slower than initially planned, leading to the initially planned phases being extended, including because of COVID-19 in 2020 and 2021.

**The EU did not participate in the initial design of the PFM reform in Cambodia, although it has been supporting the PFM reform through the MDTF since a long time. The reforms were initially designed by the government with the support of some external partners (WB, ADB and DFID) (JC3.2),** and adopted an approach based on sequenced and prioritised platforms, reflecting the evolution of the PFM system. The EU contribution to the strategic framework has been more indirect and has promoted and supported PFM-related analytical work. While the EU has not contributed to defining the architecture of the reforms, it has supported the amendments to the PFM law and provided technical support for the formulation of strategies on specific components (see the Procurement System Reform Strategy (2019-2025) and the Subnational Budget System Reform Strategy (2019-2025). The EU also contributed to the PEFA 2021 by mobilising experts; and through its participation to the WB MDTF, to analytical work (notably new PER conducted on education in 2018, and in 2022, on macro, health, irrigation and water).

The implementation of the SRPC PFM has given a much more prominent role to the EU in supporting the PFMRP (Stage 3), especially for the implementation of Platform 3, which focuses on the improvement and consolidation of policy-based budgeting as well as on the development of FMIS (second phase). Financial transfers to the Treasury coupled with variable tranche (VT) indicators have provided resources to cover both the high costs of the reform (especially driven by the cost of FMIS[4] development and implementation) and incentives to improve medium-term expenditure planning and budgeting and develop a results-oriented budget. As expressed by the Cambodian authorities, the EU played a key third-party role in leveraging the implementation of the reforms and pushing them forward. Concretely, EU support has been instrumental in helping to overcome internal resistance to reforms.

**The Cambodia macroeconomic and financial data system is still very weak, despite the improvements made over the last years to which the EU has partly contributed by supporting the National Institute of Statistics (NIS) (JC3.3).** Support was provided through the PAT (SIDA) and delivered by Statistics of Sweden (a long-term consultant worked from 2015 until 2020). There have been some delays in the updating of the national accounts, that are required for the construction of reliable medium-term macro-scenarios. The last year published in the NIS website is 2018. However, some progress has been made, which is not yet visible through updated published accounts. The national accounts have been rebased to 2014, and new time series until 2021 have been calculated. Their publication it is waiting for the authorization of the MoF. The NA should be significantly improved over the next few months (rebased, quarterly estimated and disaggregated to provincial levels).

The EU played a key role in supporting the installation of the FMIS through the funding of the PFMRP and VTs of the two successive SRPCs and establishing some milestones for the development of the FMIS, namely the operationalisation of FMIS (Phase 1) across MEF and provincial treasuries, the drafting of a

[4] 38.33% of the total budget of the PFM RP was used for FMIS goods and system development, 21.79% for TA services, 21.85% for training/workshops, 1.55% for operations, and 16.58% for incentives. The cost of the FMIS is estimated to be 8.8 MUSD for the first phase (2013-2017) mainly funded through the MDTF 2013-2017, 17.3 MUSD for the second, and 23.4 MUSF for the third phase.

blueprint for FMIS Phase 2, the setting up of the Government Financial Statements compliance with IPSAS-Cash, the procurement of equipment and licenses for FMIS Phase 2. In the SRPC 2020-2022, the EU supported the installation of FMIS in line ministries and capital and provincial Economy and Finance departments, as well as supporting the procurement of new FMIS modules for budget preparation and procurement and contract management.

The roll-out of the FMIS to the whole administration represents a key milestone in the advancement of the PFM reform. The setting up of a Financial Management System has been one of the PFM reform priorities of the RGC, aware of the catalytical role of the FMIS in the advancement of the FM reforms. In 2020, the implementation of FMIS Phase 2 was rolled out to all line ministries and provincial finance departments. The linkage of FMIS with other government systems (Education Financial Management, payroll, tax and customs) has also progressed.

**The EU has addressed the issues of transparency, accountability and corruption in Cambodia in a systematic and comprehensive manner, through its PFM budget support contract. In concrete, it has contributed to the reinforcement of the institutions that are tackling corruption, although the impact on the reduction or control of corruption still needs to be seen (JC3.4).** The key role of the EU in the domains underlined by the Cambodian interlocutors reflects well its competitive advantage compared to other development partners. In fact, a central purpose of the SRPC PFM and VTI was to improve transparency in areas such as procurement, transparency of fiscal transfers to sub-national administrations, budget transparency through the regular publication of financial reports and external scrutiny and more generally, through a well-functioning FMIS. In parallel, the partnership established with SIDA/Sweden and funded through the complementary measures of the SRPC PFM has adopted a holistic approach to strengthening public accountability and transparency, by supporting key anti-corruption authorities, such as the National Audit Authority and the Parliament. This has been complemented with support to civil society and national bodies such as the GDT and the NIS. Advising and training were incorporated into the TA for the beneficiary institutions. SIDA support was provided through experience sharing and peer-to-peer learning between Cambodian and Swedish institutions. Although the effectiveness of the various forms of support provided to the different partners is considered quite satisfactory, there was limited added value of having all of them under a common umbrella.

Main progress achieved so far may be summarised as follows.

The capacities of **the National Audit Authority (NAA)** have been reinforced both at strategic level (formulation of the strategic plan 2017-2021, better understanding of its role, ICT policy elaborated) and technical level (performance-based auditing manual and training materials developed, training received on audit and reporting, ICT equipment delivered). The number of performance audits has slowly increased from 3 in 2016 to 5 annually in 2020-2022 (COVID has affected the work) and is still limited by numerous challenges as the lack of budget and human resources, difficulties to conduct audits in line ministries and the implementation of performance-based auditing.

As regards **parliamentary oversight**, the capacities of the Parliamentary Budget Office to assist the legislative bodies in budget and economic analysis, has been strengthened by the Parliamentary Institute of Cambodia (PIC), with SIDA support. Nevertheless, technical capacities of the Senate (and of the National Assembly too) are still lagging behind while in the meantime, those of government bodies have significantly increased during the reform process. This led to a growing imbalance in this area between the legislative and executive bodies and makes difficult for the Parliament to follow the path of reforms (as the implementation of the performance informed budgeting) and to play its oversight role.

As regards **budget transparency and the fight against corruption**, Transparency International Cambodia (TIC) which received massive support from the EU through the PAT (more than 3.5M€ in 2015-

2019), has been very active in promoting the participation of civil society in the budgetary process while promoting stronger oversight of the budget by both the Parliament and NAA. As a member of the Budget Working Group, TIC has produced analytical work on budgetary issues (such as the recent key inputs formulated on the Draft of New Law on Public Finance System) and has mobilised citizens, in particular youth, to make demands for social accountability, transparency, integrity and against corruption. In this area, TIC has developed a complaints mechanism, but which has so far been little used, apparently due to the different interpretation of competencies between ACU and TIC.

While the **participation of civil society in dialogue** structures with the Cambodian Government has remained rather limited, in 2016 the government accepted including representatives from CSO in the PFM-TWG (lead by the EU) to discuss the implementation of the PFM reform. The EU has continuously encouraged and sustained its policy dialogue on budget transparency with a range of actors including the National Assembly and civil society. It has contributed to improving relations between MEF and CSOs and to initiating a dialogue between government and civil society which has for example permitted the discussion of the conclusions of the OBI and PEFA reports and the strengthening of budget transparency.

OBI scores show mixed evidence over the period under analysis. Budget transparency, mainly related with the publication of budget documents in an accessible manner, has improved significantly, although the score of 2021 remains rather low as regards international benchmarks. The score on the budget oversight by the legislature improved remarkable until 2017, but deteriorated afterwards. Finally, public participation, according to OBI, practically does not exist.

| Open Budget Index (max 100) | 2012 | 2015 | 2017 | 2019 | 2021 |
|---|---|---|---|---|---|
| Transparency | 15 | 8 | 20 | 32 | 33 |
| Public participation | 0 | 8 | 4 | 6 | 0 |
| Budget oversigth by legislature | 39 | 43 | 55 | 50 | 41 |

*Source: OBI*

*Contribution of EU CMSB support to generating revenue and reducing revenue gaps (EQ4)*

**EQ4: To what extent have the expected outputs of EU CMSB support related to “collect more” contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

SIDA TA provided direct support to the General Department of Taxes, with the main purpose of assisting the Directorate in the implementation of the Domestic Revenue Mobilisation Strategy. This support was organised in three components: 1) expanded coverage of taxpayers and increased effectiveness of tax collection in the cash sector; 2) improved transparency of taxpayers’ obligations, liabilities and rights through improved taxpayers’ services; and 3) development of a Personal Income Tax.

**The tax policy is mainly followed by the IMF in the context of Art. IV oversight missions, where monetary and fiscal policies are discussed with the government. The EU was engaged on CAP3 formulation and implementation. EU has led consultations and chaired the meetings to discuss DRM Strategy 2019-2023, which included discussions on tax policy amendments. More recently, in 2021 and 2022, tax policy has been a key subject of policy dialogue between**

**EU and the government of Cambodia, particularly on the introduction of a capital gains tax and of personal income tax. (JC4.1).**

Revenue mobilisation is a priority of the PFMRP-Stage 3. Consequently, a Domestic Revenue Mobilisation (DRM) strategy for 2019-2023 was approved by the RGC in 2019. It covers a second generation of reforms in this domain, aimed at reinforcing the tax administration, while addressing some lingering weaknesses in the tax revenue base. The tax policy is primarily oriented to developing the composition of taxes and to tackling the issue of tax expenditure that focuses on activities with higher social and growth impact. In this context, the strategy foresees the introduction of new taxes, such as the Personal Income Tax, a capital gains tax and an e-commerce tax. Furthermore, the RGC intends to increase the efficiency of the tax system, while maintaining a role for investment incentives to support growth and diversification. In the DRM strategy, tax exemptions are addressed for each type of tax (VAT, profits, customs) and they are often linked to equity concerns. Nevertheless, the approach is not based on a holistic view capturing all the different dimensions and estimating missing revenues.

Supported by the PAT, a Personal Income Tax (PIT) feasibility study was presented to the GDT in March 2018 and an extensive study followed in March 2019, when the preparation for PIT legislation started. However, in line with the Revenue Mobilisation Strategy II, MEF decided that PIT should be separated into two parts where the Capital Gains Tax (CGT) would be launched in 2020 and the introduction of a PIT would be studied further and not introduced before 2024. The Cambodian tax system is still in the process of being developed. According to the SIDA TA final report, the initial objective was to introduce a Personal Income Tax (PIT) with simple rules, that would be easy for the GDT to implement and for taxpayers to understand and comply with. Besides broadening the tax base, the PIT was designed to increase the progressivity of the tax system and have potential positive effects on social welfare.

**The contribution of the EU was more focused on the reform of the tax administration and was essentially provided by SIDA through a partnership between Swedish Tax Agency and the GDT (JC4.2).**

**According to SIDA's reports, some outputs were achieved**: i) an online Chat Service of the GDT's Call Centre was opened (the number of taxpayers that contact the Centre has progressively increased, as well as the taxpayers' satisfaction with the answers received and the attitude of the officials); ii) the GDT's website is more informative and accessible to taxpayers; iii) A General Risk Overview has been conducted as part of a Compliance Risk Management system aimed at increasing the effectiveness of tax collection; iv) A Baseline study regarding taxpayers' perceptions and knowledge of the tax system and the tax administration has also been conducted. The survey showed that the perception of the performance of the GDT and its branches had recently improved, but also that taxpayers knowledge about taxes and the tax process was poor.

These outputs may have contributed to improvements in the transparency of taxpayer obligations and liabilities (PI-13) and the effectiveness of measures for taxpayer registration and tax assessment (PI-14) as measured by the last PEFA 2021 (PI-13 from C+ to B and PI-14 from D+ to C+).

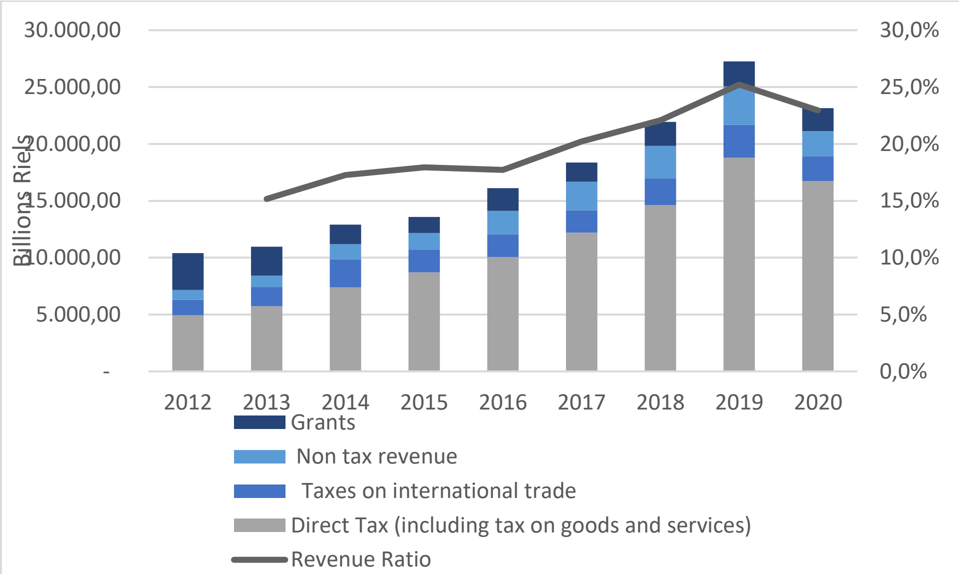
**Previously, there had not been a coherent policy to deal with non-tax revenue despite its importance for total government revenue (10%) (JC4.3).** To ensure the modernisation of the NTR system, an NTR Blueprint (for 2021-2030) is being prepared to be submitted to the government. It has been prepared in the context of the Multi-donor Trust Fund. Its intended purpose is to improve NTR collection, underpinned by an efficient and streamlined NTR system, including a regulatory and policy regime.

**The effects of the reforms are manifested in the increase in the domestic resources/GDP ratio, from 18% in 2015 to 25% in 2019 (down to 20% in 2021 in the aftermath of COVID-19). It is not easy to identify the contribution of EU CMSB support to such an achievement**

**(JC4.4)** which is due to numerous factors and to the implementation of a coherent and comprehensive DRM strategy including the strengthening of tax governance, and notably the adoption of the e-government tools.

The SRPC PFM has not included specific VTI on DRM measures. The only indicator related to DRM was an outcome indicator targeting a steady increase in revenue (an annual increase of at least 0.5% of GDP). Even if targets were largely underestimated as Cambodia is usually very conservative in forecasting revenues, this indicator was useful to acknowledge the importance of DRM in the reform process.

**Figure 6: Domestic Revenue Mobilisation (Billions of riels and revenue ratio)**




Source: IMF, Art IV Staff reports

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better **policy-based budgeting**, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved **budget control and execution** across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved **Public Procurement Management** and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved **Public Investment Management,** addressing its core weaknesses across the project cycle

**The EU has contributed to tate the implementation of the programme-based budgeting and more recently the performance-informed budgeting (JC5.1). The IMF has also been a major interlocutor of the government in the field of policy-based budgeting, in line with the government's macro-fiscal strategy both in terms of advice and in terms of TA.** The IMF has entrusted TA with improving fiscal reporting, fiscal management and budgeting. Nevertheless, EU support can be considered as complementary, but very helpful in the development of macro-fiscal tools. Concretely, IMF has been providing capacity building in several macro-fiscal areas, in particular, the improvement of the macroeconomic and revenue models and the development of a MTFF. The MTEF is yet to be fully integrated into the budget process by setting expenditure ceilings for key sectors. In 2020, work started on the preparation of a Medium-Term Fiscal Framework (MTFF) and a Medium-Term Budget Framework (MTBF). The MTFF is based on the fiscal rules established by the government and provides the basis for setting budget ceilings for the budget units.

The adoption of programme budgeting is still in the consolidation phase, and at this point it is too early to assess the full potential of using the above-mentioned tools to guide the allocation of budgetary resources by sectors. The SRPC PFM has been instrumental in supporting the RGC in developing programme budgeting through the FMIS implementation, tools developed under the PFMRP and training.[5] Moreover, some variable tranche (VT) indicators were established to incentivise and support the government in improving the medium-term expenditure planning and budgeting, to develop a results-oriented budget, and to improve the quality of statistics in the domain of national accounts. However, the MTBF indicator[6] could not be achieved due to several external factors.

However, the MTBF/MTFF is in the process of being implemented with the technical support of the IMF[7] and is about to be framed by the new Public Finance System Law that will enter into force in 2023. In fact, this law will consolidate the MTBF and the MTFF, as well as Programme Budgeting.

**The credibility of the budget and budget execution, and in particular expenditure control, has improved significantly with the operationalisation of the FMIS, supported by the EU (JC5.2).** All the phases of the spending process (authorisation, commitment, verification, payment authorisation, payment and accounting) are now completely automated. The system is prepared to adjust payment authorisations based on cash inflows, which in turn depend on revenue collection. The new system has improved the overall operational efficiency of budget execution (reduction of processing times, faster payments, and fewer errors due to human intervention).

As reflected by the last PEFA (see main scores in annex 3), the PFM system has been strengthened in several areas and there has been an improvement in budget credibility and aggregate fiscal discipline, the comprehensiveness, transparency and strategic allocation of resources, and to some extent the efficiency in the use of resources, which nevertheless remains a major challenge.

**Table 1: Main strengths and weaknesses of the PFM system based on PEFA 2021**

| | Main strengths | Main weaknesses |
|---|---|---|
| Aggregate fiscal discipline | • Control over spending<br>• Performance in Revenues<br>• Debt management<br>• Effective internal control on non-salary expenditures | • Lack of proper definition for arrears<br>• Lack of an effective expenditure monitoring process<br>• Revenue arrears<br>• Monitoring of PES<br>• PIM still in early stage<br>• Weak asset management |

[5] Details on trainings to be added

[6] Increased result orientation in the budget: Development of Medium-Term Budget Framework (**MTBF**) and amendment of the Public Finance System Law: The Medium-Term Budget Framework 2020-2022 is prepared and approved by the Royal Government of Cambodia. Targets foreseen to 2020 and 2021,

[7] IMF, Staff Report Art. IV Consultation, December 2021. According to this report, the MEF has been supported by a resident MTBF advisor

| | | |
|---|---|---|
| | | • Instability in in year reporting |
| Strategic allocation of resources | • Orderly and participatory approach to budget formulation<br>• Reliable and timely information provided on transfers to C/S | • Lack of comprehensiveness of the budget documentation<br>• PIM<br>• MTFF<br>• Fiscal risks not monitored adequately<br>• Frequent in-year reallocations facilitated by power given to the MEF |
| Efficiency in use of resources for service delivery | • High level of predictability in funds available to LM and agencies<br>• Timely and orderly reviews by the legislature | • Lack of performance monitoring and transparency of procurement<br>• Expenditure arrears<br>• Performance monitoring<br>• Deficiencies in internal control systems |

**The Public Procurement system remains weak according to the last PEFA assessment, but some progress could be expected in the future, partly due to the support provided by the EU (JC5.3).** PEFA indicator 24 on procurement still scored only D+ in 2021, with procurement monitoring and methods and public access to procurement information obtaining a D while procurement complaints management was awarded the top score (A). The dimension on monitoring was scored D because the General Department of Public Procurement (GDPP) maintains records on the procurement process but it has no means to verify their reliability. The D score of the procurement methods is explained by the fact that the total value of awarded contracts was less than 60%. The score A given to the complains dimension faced reserves from the EU, considering the lack of independence of the GDPP.

A Public Procurement System Strategy 2019-2025 was approved in May 2019, aimed at accelerating the procurement decentralisation of budget units and at clarifying the GDPP's role as a regulation and oversight entity. It intends to increase transparency, accountability and greater competitiveness by setting up an e-procurement system and becoming aligned with the FMIS. It foresees the introduction of procurement plans into the budget.

The EU has been actively supporting GDPP through technical assistance under the complementary measures, policy dialogue and the adoption of VT indicators under SRPC PFM 1:

- VT targeted improved transparency of Public Procurement through the publication, on the GDPP website, of annual procurement plans by the line ministries, as well as the publication of information on public tenders and contract awards. In SRPC PFM 2, the indicators focused on the approval of Guidelines for procurement plans to be attached to annual budget proposal (VT2019) and procurement statistics of domestically-funded projects to be published on the GDPP website (VT2020 and 2021). All the indicators were achieved until 2019 but have not had much impact on the functioning of the system until now. Some improvements were registered recently in terms of procurement transparency which seems to have improved with the publication of bidding opportunities. but there are some categories of information that are still opaque, such as procurement plans and contract awards.
- Under the EU BS complementary measures, support was provided to revise the procurement law and to improve planning and monitoring systems. Advice on the development of a system of annual procurement plans and on strengthening the statistical and reporting capacity was provided to the GDPP. However, the effectiveness of the TA was reduced by the fact that it was provided remotely, due to the COVID-19 restrictions. ). The updating of the procurement legislation is ongoing, although

the COVID-19 crisis delayed its discussion and approval. The procurement plans were adopted and are now part of the budget proposal submitted by the budget units to the Ministry of Finance. New innovations are being discussed for consideration in the amended law, such as sustainable or green procurement as well as a monitoring system.

The outcomes of EU actions in this area remain limited up to now but the reform is underway fostering procurement decentralization and increasing transparency. In view of the significant weaknesses of the system, progress will take time.

**EU support to public investment management (PIM) is indirect, as it is made through the Multi-donor Trust Fund (MDTF) managed by the WB (JC5.4).** Specific outputs were produced, such as a manual to provide guidance on the PIM framework implementation. Recent initiatives show the government's commitment to improving the weaknesses of PIM, as the adoption of a Public Investment Management Strategy (PIMSRS) for 2019-2025. An Action Plan was approved by the PFM Reform Steering Committee in March 2020 (see the government's PFMRP 2020 Annual report). The strategy aims to establish a PIM system, covering all administration levels and sources of financing and defining the principles and criteria to be used in project selection, the roles and responsibilities of line ministries and project sponsors, the linkage between investment plans and budget, and operational procedures including reporting.; Dialogue continues through the MDTF with the aim of achieving formal implementation of the framework in 2023 Meanwhile, through EU support and policy dialogue the Government of Cambodia has committed to perform a Public Investment Management Assessment in October 2022 and to include the climate change module as well. The Government also committed to further revise legislation following the PIMA assessment.

**The EU monitors the evolution of public debt in the context of its assessment of macroeconomic stability for eligibility purposes but does not intervene in this domain. (JC5.5).** A Public Debt Management Strategy for the period 2019-2023 was adopted in 2019 with ADB support, aiming at aligning debt management with MTEF priorities, including assessing and managing risks from PPPs. The government's policy is to avoid non-concessional external borrowing and domestic bank financing. A ceiling of 4% of GDP on guarantees is currently set by the Debt Management Strategy. A contingency fund was established in 2016 to cover PPP-related risks.

## *3.4 Effectiveness and sustainability – Contribution to outcomes and impacts*

**EQ6: To what extent have the intended outcomes materialised in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the COVID-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**The financing needs of the economy have increased remarkably between 2015 and 2020 as reflected in the current account increasing deficit as regards the GDP (JC6.1).** The economy has been largely financed by foreign direct investment and in a smaller measure, but increasing in scale, by medium-term and long-term loans. The capital and financial accounts have been largely positive and, according to the IFM projections, are expected to continue that way over the medium term.

**Public-private partnerships have gained importance as a financing source for development projects**. In 2020, they represented 15% of GDP. Given the potential risk incurred by this financing modality, the RGC took some steps to develop a risk framework for PPPs, including a risk assessment mechanism supported by legislation and institutional arrangements.

The long-term scenario elaborated by the IMF on fiscal space and corroborated by the government admit that even though the DRM has increased massively, the public development budget will remain dependent on external concessional financing. External debt will remain dominant, but domestic debt will increase its share of the total debt due to the decline of concessional external credit and the increase in domestic debt based on government bonds.

The Resources Mobilisation Strategy implemented over the period 2014-2018 provided significant revenue gains, mostly through improved tax administration, as public domestic debt remains negligible in the total debt.

The available financing options point to a strategy of revenue mobilisation by broadening the tax base and the development of a sovereign bond mechanism. For the first time, the government intends to issue local-currency government bonds, while building up the domestic securities market in terms of issuance, registration and trading.

**The government intends to increase efficiency in the allocation of budget resources through the implementation of performance-informed budgeting (JC6.2).** Important steps have been taken, but there are still some fundamental tools that need to be developed and consolidated, like a Medium-Term Fiscal framework (MTFF) and a Medium-Term Expenditure Framework (MTEF). Sector-strategic plans also need to be developed, following the example of Health and Education.

The PER published in 2018 highlighted the significant increase of spending for the social sectors, namely education (where spending almost doubled), health, labour, and social affairs, enabled by rising revenues and fiscal space while also pointing out the decline of spending for the economic sectors, namely public work, water resources, and rural development. It underlined the difficulties to improve the performance of public services even in sectors which have received increasing budgets (such as in the education). The PER concluded that "While the quantity of spending was improved with rising fiscal space, quality of spending – value for money remained a daunting challenge. To realize the development dividends of its additional investment Cambodia needs to focus on the quality of spending". It also stressed the need to improve accountability and capacity at the sectoral level**.**

**Levels of public services and infrastructure have improved progressively, but service delivery remains a major challenge, with much room for improvements (JC 6.3).**

The Voluntary National Review[8] mentions an increased coverage of medical facilities together with an improved social health protection system, accompanied by measures to improve the financing of the

[8] Kingdom of Cambodia (2019), Cambodia's Voluntary National Review 2019.

sector. According to the Voluntary National Review, the government is committed to the expansion of the Health Equity Fund, which is reflected in the health budget being significantly increased. The Cambodian Health Equity Fund provided access to free healthcare to around 16.3% of the population who are categorised as poor. The government has established a number of funds to ensure financing of social services related to health, namely the National Security Fund for Civil servants, the National Social Security Fund, the National Fund for Veterans and the People with Disabilities Fund.

**Recently, the health infrastructure has improved substantially**. The number of health centres increased from 1105 centres in 2014 to 1205 in 2018, and the number of hospitals from 97 to 123. There also greater availability of private clinics and pharmacies. However, major shortcomings in the provision of health services remain.

**The Cambodian tax system is still in the process of development, based on the Revenue Mobilisation Strategy 2018-2023. The principle of social equity is an integral part of this strategy (JC6.4)** and considers reducing the tax burden for low-income taxpayers. However, the practical application of this principle in the different types of taxes seems contradictory. VAT has not been applied to basic products, being considered as a tax expenditure. There is the intention to review VAT exemptions, which will reduce the progressivity of this tax. This could however be offset by taxing capital gains. As regards property tax, the purpose is to increase the coverage and update the values of properties, which will contribute to higher equity in the overall tax system.

**The EU responded to the COVID-19 crisis in Cambodia in a decisive and flexible way, which was facilitated by the fact that there were three budget support contracts in place in 2020 (PFM, Education and Fisheries) (JC6.5).** The variable tranches were converted into a fixed tranche, which created fiscal space to address the additional budgetary needs. The additional funds targeted specific actions to support poorer households. In addition, in the context of a new EU budget support programme, an emergency cash transfer programmes was launched based on the ID Poor database

Cambodia was particularly affected by the economic impact of the COVID-19 crisis, and was one of the worst affected countries in the East Asia region but able to respond to the crisis thanks in part to the consolidation of its PFM system. Its GDP fell 10 % from its pre-pandemic average growth rate (-3% in 2020 against an average of 7.2% over the last years). The government used the fiscal policy as a key tool to address the economic and social impact of COVID-19. It increased the health budget, introduced wage subsidies and training for workers in the garment and tourism sectors, granted tax relief and facilitated guarantees and loans. These measures were accompanied by the creation of a social assistance package of cash transfers and work programmes targeting the most vulnerable families. Following the COVID-19 crisis, the RGC has extended its social assistance programme massively, launching an emergency cash scheme for household holding an ID Poor card which delivered cash transfers to more than 3 million people, providing monthly cash grants to poor and vulnerable individuals that are registered in the government's IDPoor database. According to the IMF 2021 Article IV report, resources devoted to the cash transfer program amounted to 1.2% of GDP in 2020 and in 2021. The Covid-19 cash transfer programme is now expected to phase out and government social assistance programme be systematised into a long-term routinary programme referred to as “family package” combining existing social assistance schemes (for pregnant women and children below 2yo, scholarships, disability allowance) and new ones (revision of elderly support programme) with access to services, following a “cash+” approach . The EU has been contributing to the development of the social assistance programmes and the Family Package through the EU-funded “Improving synergies between SP and PFM” programme, and “Advancing Social Protection in Cambodia” programme (complementary measure to the SP BSRPC) both implemented by the ILO, UNICEF and OXFAM. These programmes also focus on the development of social security policies for both the formal and informal sector and to the strengthening of the governance mechanism of social protection (institutional capacity strengthening for policy-making and M&E, communication and outreach, engagement with civil society).

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

**The current international economic situation makes it difficult to draw up reliable long-term predictions for the country's macroeconomic evolution and its effects on economic and financial stability (JC7.1).** The economic effects of the ongoing Ukrainian conflict have compounded the effects of the COVID-19 pandemic, that have still not been absorbed. Global growth projections anticipate an important slowdown of the world economy, caused by a mix of factors such as the disruption of value chains and the increased fragmentation of the world economic system, together with rising inflation fuelled by increasing prices of energy and food.

Cambodia is entering the current crisis with a solid financial position in terms of public debt and with a very strong external position, but with great vulnerability in relation to its productive structure, which concentrates heavily on a few low value-added products together with tourism.

**The participation of citizens in the state revenue is increasing progressively, in line with the increasing availability of public services (JC7.2).** The MEF has a strategy of promoting voluntary compliance in the payment of taxes, which can be contrasted by the perception of high bureaucratic corruption, and in the context of a patronage political system. It is therefore difficult to anticipate the results of such an approach.

**A positive indication of the overall improvement in the welfare of the Cambodian population is the country's graduation, in 2021, from Least Developed Country (LDC), according to UN criteria (JC7.3).** The graduation is based on three thresholds (GNP per capital, development of human assets, and economic vulnerability). Cambodia passed two thresholds: GNP (above $1230 per capita) and Human assets (102 against the minimum threshold of 66). Its economic vulnerability remains high. It is worth noting that in 2015 Cambodia had already been graduated to a lower-middle-income country according to the WB criteria.

**More specifically, some key indicators show improvements in the outcomes of the education system**. According to the Voluntary National Review 2019, the completion rates in primary and secondary schooling have increased from 2015 to 2018, to 80.6% and 64.1%, respectively. Adult literacy increased from 80.5% in 2015 to 82.5% in 2018. The WB's PER highlights that net enrolment rates in primary schooling are at levels similar to those of developed countries.

**Gender parity in the education system is reported to have been achieved**, as demonstrated by the gender parity index of gross enrolment rates at both lower secondary education and upper secondary education that increased from 1.1. in 2015 to 1.2 in 2018.

**The Voluntary National Review (VNR) reports an improvement in the health status of the population** related to an increased coverage of medical facilities, together with the health protection system. The WB's Public Expenditure Review also reports notable improvements in the health sector, as demonstrated by the continuous decline in maternal and infant mortality, following a long-term tendency. The mortality rate of the under-fives has decreased from 31.6% in 2015 to 26.6% in 2019. The disease incidence indicators present mixed results: the incidence of HIV and tuberculosis has improved, but that of malaria has worsened over the period 2015-2018.

**According to the WB, Cambodia has made significant strides in combatting poverty in connection to economic growth (JC7.4).** In 2017, the Gini coefficient was 0.29, the lowest in the region. Since 1995 and until the COVID-19 crisis, GDP had increased at an average growth rate of 7.7%, which translated into a rapid increase of the GDP per capita from US$232 in 1995 to US$1621 in 2019. The poverty rate fell from 47.8% in 2007 to 13.5% in 2014.

The fight against poverty and inequality is substantiated in a set of policies, of which it is worthwhile mentioning the following: access to land through the issuing of land titles, access to housing through the National Programme for Affordable Housing Development, access to free healthcare for the poor through the Cambodian Health Equity Fund. However, no assessment has been made so far on the results of these policies.

## *3.5 The Three Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**Coherence of support to DRM & PFM is good, due to a notably strong coordination among DPs involved (JC8.1).** Coordination takes place under the PFM DPC meetings, that brings together the EU, WB, DFAT, ADB, SIDA, AFD, JICA as well as the IMF, AFD and UNICEF and co-chaired by the EU and the WB. It allows for a regular exchange of information, the development of common positions to be discussed with the government (such as joint comments on annual progress reports of the PFMRP-Stage 3), as well as the coordination of technical support and in general, ensuring that there are no conflicts between DPs.

Whereas under the previous MDTF (2013-2017), visibility and access to information related to areas of work were hard to obtain, the new MDTF set up in 2019, that brings together the WB, DFAT (which mainly intervenes on PFM through the MDTF) and the EU operates with a highly participatory decision-making and monitoring process, contributes to strengthen coordination between the DPs, as well as informing the EU on complementary reforms supported by the WB, e.g. on the Public Administration Reform.

**Within European countries**, coordination has been intensified through joint programmes, in PFM (EU/Sweden) . EU intervention is also coordinated through the Joint European Development Cooperation Strategy (JES) for Cambodia 2021-2027. Priority 1 of the JES Priority is "strengthen democratic accountability, integrity and effectiveness of Cambodia's public institutions, systems and services at all levels ('supply side of governance'), with particular focus on major governance reform programmes, including corruption". Under Priority 1, the European partners agreed to support the Public Financial Management (PFM) Reform Program to enhance fiscal discipline, raise efficiency and transparency on budgeting and accountability, increase domestic resource mobilisation, improve allocation of financial resources for a better-quality service delivery, citizen's participation and Parliamentary oversight.

Sida has been a key partner in supporting the PFM reform agenda and it will likely remain so in the future to foster an enabling environment for civil society in Cambodia ('demand side of governance') and support further transparency and accountability. The EU plans to launch twinning programmes in the future will give an opportunity to involve further EU MS in the PFM reform process.

**The relationship with the IMF**, which has provided significant technical support in the field of Tax modernisation, PFM agenda, treasury management, MTBF, macro fiscal framework, as well as in statistics, public investment management and green approach, is positive and gives rise to many exchanges of views (such as recently on the Public Finance System Law). Information is usually shared (not the case for the TADAT conducted by the IMF in 2021 as the authorities did not give the permission to share this document) and common positions are sought under the PFM DPC. The EU and the IMF don't implement joint technical assistance. The RMTF has carried out a scoping mission in 2018 but this was not followed by a larger TA.

Coordination between DPs and the government is also very effective under the PFM-TWG led by the MEF and the EU/ADB which allows for dialogue on PFM policies, progress reviews based on Joint Monitoring Indicators drawn from CAP and coordination of DP supports. The TWG meets twice a year and involves three members of the CSOs as observers (PIC, Global Forum). Annual progress reports of implementing the PFM Reform Programme provide a comprehensive view of the status of the PFM system and the implementation of the reforms, and include Development Partners' comments on specific issues (such as in 2021, the preliminary results of the FMIS review and of the Public Expenditure Review). Comments on the PFM report and responses to those comments are systematically made.

**The use of delegated cooperation and MDTF has strengthened EU action and the synergies with other interventions; some drawbacks were observed in the past in terms of access to information and capacity to influence but have been significantly improved with the new MDTF (JC8.2).** For delivering capacity-building support (of 15.5MEURO) in the period under review, the EU has relied first on a delegated cooperation with SIDA (PAT I and PAT II (12 MEURO)) and secondly on the MDTF managed by the WB with an initial contribution of 2M€ which should be increased to 3.5M€ in 2022) . Overall the results of the delegated cooperation are positive. Whether with SIDA or the MDTF, the collaboration works well; the EU is closely involved in the decisions taken and well informed.

The main benefits for the EU of having delegated the management and the implementation of technical support may be summarised as :

- Being able to benefit from existing partnerships between international and national bodies (such as with Statistics Sweden or with the Swedish National Audit Office) and to easily access external expertise;
- To gain credibility with the government by partnering with people who are recognised for their expertise in the field (such as the PFM expert of the WB);
- To delegate the management and implementation of activities to a third party which is much better equipped to do it in a timely way and to mobilise the right expertise. With the resources available within the EUD (see EQ9), this would not have been possible.

There has been an improvement in recent years regarding the access to information and the role of the EU in the MDTF management. Difficulties accessing information related to previous MDTF's areas of work and being active in the decision-making process were highlighted by the 2015 and 2016 EAMR reports, which also mentioned the vagueness of the Agreement's provisions "which is ultimately subject to WB understanding".

**There was no evidence of specific links established with technical support provided by the IMF through international partnerships funded by the EU such as the RMTF, the PFM PP or the DMF (JC 8.3).** The EU has received some of the reports produced by the Fiscal Affair Department (such as the PIMA technical report 2019; TADAT 2021; as well as FMI review) as other donors and has used it to feed its policy dialogue.

## *3.6 Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**Overall, the EU CMSB support has been implemented on schedule and has been largely capable of adapting to changing contexts (JC9.1).**

Flexibility of BS: SRCs have shown a lot of flexibility (two amendments modifying a few targets, top-up of 22M agreed to extend the SRC-PFM until 2021 due to good results, waivers to adapt SRC to the COVID-19 crisis in 2020). As mentioned in the SRC-PFM final report, flexibility helped build trust and reliability by adjusting to changing circumstances.

Timeliness of TA/CM: technical support was mobilised within the planned timeframe. The SIDA Delegation Agreement (2016-2019) started in line with the financial part of the BS. Implementation difficulties were encountered regarding some components due to the inherent weaknesses of the organisations involved (NIS and NAA mainly).

Technical and political dialogue implementation: following the signature of the SR PFM in June 2016, policy dialogue has deepened significantly on the PFM CAP3, and more specifically on the 2019-2025 DRM strategy, the rollout of the FMIS and programme-based budgeting, as well as on budget transparency. In parallel with existing multilateral dialogue structures (see above), several bilateral meetings between the Delegation (HoD) and the Minister of Economy and Finance (and with the Prime Minister at some point) took place each year. Monthly meetings were held between EU project managers and the PFM GSC. The Delegation has also been included in internal meetings/seminars/events to discuss key PFM weaknesses and develop reform implementation plans.

**EC human resources and guidance tools were sufficient to follow up the CMSB interventions and programmes but not enough to take a more active role in terms of technical advices and orientation (JC 9.2).** The number of EU staff in charge of BS interventions is 6 among which 2 are in charge of the PFM/CMSB support in the EUD (currently 2people are involved but this is equivalent to 1.5 FT as they are also in charge of other areas). It is too limited to properly manage all the funds and supports allocated, as well as to coordinate with other DPs and the government and to conduct high technical policy dialogue. Guidance from HQ and the regional PFM helpdesk were judged to be good quality and were greatly appreciated, but were minimal regarding the high level of technical competences required to engage in policy dialogue with the national partners.

Consequently, the EUD is able to oversee the programme in order to ensure that objectives are met, and it is in a position to influence or guide the authorities on CMSB reform process, but this process takes time, is politically delicate and can be bets appreciated over medium-term horizons.

**The SRPC PFM Stage 3 (phase I & II) is very well understood and managed by the national authorities through the GSC PFM RP and by the Minister of Finance (JC9.3).**

**The EU is visible and is recognised as one of the main contributors to the PFM reform process (JC 9.4)** both through the funding of the PFM RP and as the main contributing partners to the PAT I & II and to the MDTF. The EU is regularly invited to intervene in official meetings or workshops on PFM issues and on the reform process. Several much-appreciated events were organised under the PAT with the aim of sharing experiences among partners.

## 4. Main lessons: contribution to key outcomes and good practices

The Cambodian approach to the PFM reforms represents a good example of sequencing reform actions, taking into account reform priorities, considering the institutional, financial and technical capacities of the government. The approach focuses initially on the establishment of the core PFM functions before moving to more complex and advanced phases, more oriented to improving efficiency and effectiveness. The four-platform reform strategy represents a good practice in the design and implementation of a PFM reform strategy that could be considered in possible developments of the Collect More Spend Better initiative.

In this context, EU support for public finance reform in Cambodia covered a significant number of areas, on both sides of CMSB, in addition to cross-cutting areas such as corruption and external control and budget oversight. Considering that the total amount invested by the EU in this domain was around 50 M Euro over five years, it is important to think about the effectiveness of this strategy. EU support across several PFM domains needs to take into account the limited available human resources in the EUD and the dispersion that this implies in terms of policy dialogue, especially in areas where the space is very limited or is already occupied by other partners with more comparative weight in those domains (for example, the IMF in the macro-fiscal area and the WB in the field of public investment). In Cambodia, the division of labour seems to have worked rather well thanks to a good coordination and relationships among DPs. The participation of the EU to the second WB MDTF may also have helped to develop information exchange and consultation and to make useful links with other reform such as the Public Administration reform.

Some indicators and respective targets are defined on the assumption that reforms will be carried out at a certain pace within a foreseeable time horizon. Reality shows that such assumptions are often too optimistic, which in practice translates into a reduction in the value of planned disbursements, without the government being fully responsible for delays, which are often caused by external factors. Institutional reforms can take longer than envisaged, and often depend on the complex political relations prevalent in the country, as well as on technical constraints in a context of human resources with limited skills. Pilot projects need to be undertaken before rolling schemes out to the whole of the administration, and this takes time.

Some Variable Tranche Indicators were intended to ensure adequate funding for the sectors supported by EU budget support contracts, such as education and fisheries. These indicators were not achieved due to other priorities in the overall budget allocation. Moreover, during the Covid crisis, the total expenditure was reduced which affected the allocations to those sectors.   in their goal, due to the budget allocation mechanism in Cambodia. First of all, it is arguable that these indicators are reform-related. Secondly, fixing a budget allocation target *a priori* might lead to an inefficient use of resources, because there is no guarantee that the amount prescribed by the indicator corresponds to the actual needs dictated by the annual action plan of the recipient of the funds and in a context where there is no operational MTEF. This is even more arguable in the case of capital expenditure, particularly if the financial investment plan is not known in advance. In addition, it can introduce an element of rigidity in the inter-sector allocation of budgetary resources, thereby compromising the overall allocative efficiency of public resources.

The EU's added value lies on the one hand, in its ability to raise significant funds to finance the reform and, on the other, in the mix of support (incentives and technical support) that it can deploy by mobilising high-quality external expertise. On the other hand, it is itself in little position to take part directly in technical and strategic orientations and to influence the conduct of reforms. This is especially true in a country where the political dimension is complex and leaves little room for manoeuvre.

Key intermediary outcomes form EU support may be highlighted:

- The contribution to the development and set up of the FMIS system which is a costly reform (estimated to nearly 50MUSD for the three phases) but instrumental for the functioning of the whole PFM system.
- The growing demand and supply for transparency and accountability even if the political dimension remains a strong constraint in that area.

Some areas are more difficult to address, such as the PIM and PP, in which the EU has limited technical capacities to provide solutions in the South East Asia region.

## Annex 1: Inventory of the EU support to the CMSB agenda in Cambodia

**Table 2: CORE CMSB disbursed/contracted amounts (in M€)**

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | TOT 2016-2021 |
|---|---|---|---|---|---|---|---|
| FT SRPC PFM | 6 | 1,5 | 1,5 | 1,5 | 7 | 2 | 19,5 |
| VTI SRPC PFM | - | 3,17 | 3,25 | 2,82 | 0 | 3,5 | 12,74 |
| Other VTI related to CMSB | | | - | 2 | | | 2 |
| CM | 7 | - | 0,5 | 7 | 0,5 | 0,5 | 15,5 |
| TA | 0,1 | - | - | - | - | | 0,1 |
| IO | - | - | - | - | - | | 0 |
| Total | 13,1 | 4,67 | 5,25 | 13,32 | 7,5 | 6,0 | 49,84 |

+ EU contribution to the MDTF 2013-2017: 10,3MEUR

1. EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche[9] | Amount Variable Tranche[10] | Total Amount committed | Total Amount disbursed (until 2021) |
|---|---|---|---|---|---|---|---|---|
| SRPC | 37958 | EU support to Public Financial Management Reform Programme - Stage 3 | 2016 | 2019 | 10.5M | 10.5M | 21M | 19.69M |

[9] Committed
[10] Committed

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SRPC (with >=1 VTI related to CMSB) | 39902 | EU-Cambodia Education Sector Reform Partnership 2018-2021 | 2018 | 2021 | 53.7M | 34.3M | 88M | 58.75M |
| SRPC | 40874 | EU Support to the Public Financial Management Reform Programme - Stage III (2) | 2020 | 2021 | 9M | 5M | 14M | 7M |
| SRPC (with >=1 VTI related to CMSB | 41594 | Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture) | 2019 | 2023 | 15M | 20M | 35M | 12.5M |
| SRPC (with >=1 VTI related to CMSB) | 38831a | Support to Sub-National Democratic Development phase II (SNDD II) | 2016 | 2020 | NA | NA | 7M | 7M |
| SRPC (level 3 CMSB) | 38831b | EU Support to Social Protection Reforms | 2020 | 2022 | 10M | 18M | 28M | 10M |

2. Variable Tranches (VT) Indicators related to CMSB for each BS intervention

EU support to Public Financial Management Reform Programme - Stage 3 (1)

| Year | Indicators for Variable Tranche 1 | Type of Indicators[11] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2017 | Improved quality of national statistics: National Accounts 2015 are published in November 2016 | Output | Fiscal statistics | 0,35 | 0,35 |

[11] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2017 | Improved financial management information system: FMIS Phase 1 is fully operational across MEF and provincial treasuries and Blue print for FMIS Phase 2 has been completed | Process | Accounting and reporting | 0,53 | 0,53 |
| 2017 | Enhanced adequacy and transparency of fiscal transfers to Sub-National Administrations (SNAs): Conditional Grants are transferred to DMs for implementation of the transferred functions in environment, education, health and rural development sectors. | Process | Fiscal decentralisati on | 0,35 | - |
| 2017 | Enhanced budget transparency: Monthly financial reports (TOFE and Government Finance Statistics –GFS-) are published no later than three months after the reporting periods end<br>Annual Audit Report on RGC's consolidated financial execution is published no later than 3 months after the availability of Audit Report approved by RGC | Output | Transparency of public finances | 0,53 | 0,53 |
| 2017 | Increased result orientation in the budget: Develop a pilot performance monitoring mechanism for budget programmes | Process | Policy-based fiscal strategy and budgeting | 0,35 | 0,35 |
| 2017 | Internal Audit effectiveness strengthening: The Internal Audit manual is approved Internal audit units cover at least 80% of line ministries representing at least 50% of government recurrent expenditures, including the MoEYS | Process | Transparency of public finances | 0,35 | 0,35 |
| 2017 | Domestic revenue mobilisation strengthening: An annual increase of total current revenue collection of at least 0,5 percentage point of Gross Domestic Product (GDP) | Outcome | Internal audit and control | 0,53 | 0,53 |
| 2017 | Public procurement increased transparency: The annual procurement plans of line ministries, as well as all procurement opportunities and awards are published on the General Department of Public Procurement (GDPP) website | Output | Public procurement | 0,53 | 0,53 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2018 | Improved quality of national statistics: National Accounts 2016 are published in October 2017 | Output | Fiscal statistics | 0,35 | 0,35 |
| 2018 | Improved financial management information system: (i) The FMIS produces IPSAS-Cash compliant Government Financial Statements 2016; (ii) Necessary equipment and licenses for FMIS Phase 2 procured | Process | Accounting and reporting | 0,53 | 0,26 |
| 2018 | Enhanced adequacy and transparency of fiscal transfers to Sub-National Administrations (SNAs): At least 10% of DM revenues raised through own sources | Outcome | Fiscal decentralisation | 0,35 | 0,35 |
| 2018 | Enhanced budget transparency: The Mid-Year budget Review is published on the MEF website later than 3 months after the reporting period ends | Output | Transparency of public finances | 0,53 | 0,53 |
| 2018 | Increased result orientation in the budget: Implement the pilot performance monitoring mechanism in selected PB ministries, including the MoEYS | Process | Transparency of public finances | 0,35 | 0,35 |
| 2018 | Internal Audit effectiveness strengthening: A peer review is conducted by GDIA in internal audit units of line ministries representing at least 50% of government expenditures, including the MoEYS | Process | Internal audit and control | 0,35 | 0,35 |
| 2018 | Domestic revenue mobilisation strengthening: An annual increase of total current revenue collection of at least 0,5 percentage point of Gross Domestic Product (GDP) | Outcome | Revenue administration | 0,53 | 0,53 |
| 2018 | Public procurement increased transparency: The annual procurement review report is published on the GDPP website | Output | Public procurement | 0,53 | 0,53 |

| Year | Indicators for Variable Tranche 3 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Improved quality of national statistics: National Accounts 2017 are published in September 2018 | Output | Fiscal statistics | 0,35 | 0,35 |
| 2019 | Improved financial management information system: System is installed in accordance with FMIS Phase 2 Bleu print and project implementation schedule | Output | Accounting and reporting | 0,53 | 0,53 |
| 2019 | Enhanced adequacy and transparency of fiscal transfers to Sub-National Administrations (SNAs): At least US$3 million are disbursed through Sub National Investment Fund (SNIF) for local development projects | Output | Fiscal decentralisati on | 0,35 | - |
| 2019 | Enhanced budget transparency: End Year report is published when available after the reporting period ends. NAA has submitted three performance audit reports to the Parliament | Output | Transparency of public finances | 0,53 | 0,53 |
| 2019 | Increased result orientation in the budget: The programme budgeting pilot is reviewed and recommendations made for PB roll-out | Process | Transparency of public finances | 0,35 | - |
| 2019 | Internal Audit effectiveness strengthening: (i) At least 75% of audit plan engagements are completed<br>(ii) There is clear evidence of effective and timely follow-up of IA findings by management | Process | Internal audit and control | 0,35 | 0,35 |
| 2019 | Domestic revenue mobilisation strengthening: An annual increase of total current revenue collection of at least 0,5 percentage point of Gross Domestic Product (GDP) | Outcome | Tax policy | 0,53 | 0,53 |
| 2019 | Public procurement increased transparency: A database of Public Procurement is established at GDPP and procurement statistics developed and published on the GDPP website | Process | Public procurement | 0,53 | 0,53 |

EU-Cambodia Education Sector Reform Partnership 2018-2021[12]

| Year | Indicators for Variable Tranche 1 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2018 | Pro-Poor School Infra-structure Development: Minimum 60% of Budget for Chapter 21 (new construction) and Chapter 61 (sub Account 61052, maintenance/repair) under MoEYS management allocated for basic education infrastructure development in FY 2018 | Input | Budget execution | 10 | 6 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Early Childhood Education: Strategic Expansion of Early Childhood Education (ECE): In accordance with the CPS sub-decree the number of community pre-schools meeting minimum standards and receiving government funding for operational budget and teacher salaries is 600 or more. | Output | Policy-based fiscal strategy and budgeting | 2,00 | 2,00 |
| 2019 | Sustainable Capacity Development for D&D Implementation: Approval of Interministerial regulations between MoEYS, MoI, MoEF and MoCS for target DOE covering transfer of financial functions, personnel and state assets to the target District Administration before start of school year 2018/19 | Process | Fiscal decentralisatio n | 1,00 | - |

[12] 2020: see waiver COVID; VT converted into FT.

| Year | Indicators for Variable Tranche 3 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | School Improvement Fund (SIF): Strengthen Implementation of School Improvement Fund (SIF): Total government funding released for SIF is compliant with the legislation and higher than the 2017-18 baseline. | Input | Policy-based fiscal strategy and budgeting | 1,00 | - |
| 2020 | Strengthen Implementation of School Improvement Fund (SIF): Increased allocation in FY 2020 (Target % increase to be defined based also on ESP 2019-23) and improved timeliness of School Improvement Fund (SIF) in FY 2019 | Input | Budget execution | 1,00 | - |
| 2020 | Sustainable Capacity Development for D&D Implementation: MoYES Capacity Development Master Plan 2019-23 approved with increased governmental financing of the activities over the plan period, reaching 50% coverage by 2023. | Process | Budget execution | 0,50 | - |
| 2020 | Pro-Poor School Infrastructure Development: MoEYS conducts an analytical assessment of the long-term building repair and renovation costs. The findings of the analysis are to provide an estimation of the recurrent budget requirements needed to repair the current (and emerging) infrastructure assets. (Chapter 61) | Process | Public investment management | 0,50 | - |

| Year | Indicators for Variable Tranche 4 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | Improved teacher qualification and competency: the CPD Budget incorporated in the school budget | Output | Policy-based fiscal strategy and budgeting | 0,10 | n/a |

| | | | | | |
|---|---|---|---|---|---|
| 2021 | School Improvement Fund (SIF): Strengthen Implementation of School Improvement Fund (SIF): Total government funding released for SOF is compliant with the legislation and at least equal to the 2020 baseline. | Input | Budget execution | 1,00 | n/a |
| 2021 | School Improvement Fund (SIF): Strengthen Implementation of School Improvement Fund (SIF): TAn additional allocation of 5.5 M USD is made available for a top up to the SOF and paid to all schools in the country for the school year 2020-2021 based on the allocation formula and relevant guidelines for schools prepared by the MoEYS | Input | Budget execution | 4,00 | n/a |
| 2021 | Strengthen Implementation of School Improvement Fund (SIF): Increased allocation in FY 2020 (Target % increase to be defined based also on ESP 2019-23) and improved timeliness of School Improvement Fund (SIF) in FY 2020 | Input | Policy-based fiscal strategy and budgeting | 1,00 | - |

EU Support to the Public Financial Management Reform Programme - Stage III (2)[13]

| Year | Indicators for Variable Tranche 1 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | 1. Strengthened capacity of officials working in Public Finance Management: Number of officials attending technical courses: | Output | Training | 0,50 | - |
| 2020 | 2.1.1. Improved financial management information system (FMIS): FMIS is installed in line ministries and capital and provincial department of Economy and Finance | Output | Revenue administration | 0,50 | - |
| 2020 | 2.2.1. Improved financial management information system (FMIS): FMIS new modules on budget preparation, and procurement and contract management are procured. | Output | Revenue administration | 0,50 | - |

13 2020: see Waiver COVID: VT converted into FT

| | | | | | |
|---|---|---|---|---|---|
| 2020 | 3.1. Enhanced adequacy and transparency of fiscal transfers to Sub-National Administrations (SNAs): Guidelines on the Sub National Investment Facility (SNIF) annual Performance assessment developed and approved | Process | Fiscal decentralisation | 0,50 | - |
| 2020 | 4.1. Strengthening capacity and Transparency of the National Audit Authority (NAA): Performance Audits: Performance audit guidelines approved | Process | External scrutiny and audit | 0,50 | - |
| 2020 | 5.1. Increased result orientation in the budget: Development of Medium-Term Budget Framework (MTBF) and amendment of the Law on Public Finance System: The Medium-Term Budget Framework 2020-2022 is prepared and approved by the Royal Government of Cambodia | Process | Policy-based fiscal strategy and budgeting | 0,75 | - |
| 2020 | 6.1. Improved Public Investment Management (PIM): Sub-Decree on the overall guiding principles of the Public Investment Management to strengthen project selection, pre-appraisal and appraisal procedures is approved | Process | Public investment management | 0,75 | - |
| 2020 | 7. Domestic revenue mobilisation strengthening: Annual increase of total current revenue collection as percentage of GDP | Outcome | Revenue administration | 0,50 | - |
| 2020 | 8.1. Public procurement increased transparency and best value for money: Guidelines on procurement plan attached with annual budget proposal are approved | Process | Public procurement | 0,50 | - |

| Year | Indicators for Variable Tranche 2 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | 1. Strengthened capacity of officials working in Public Finance Management: The Strategic Capacity Development Plan 2021-2025 is approved in quarter one of 2021 | Output | Training | 0,50 | n/a |

| | | | | | |
|---|---|---|---|---|---|
| 2021 | 2.1.2. Improved financial management information system (FMIS): FMIS is installed in line ministries and capital and provincial department of Economy and Finance | Output | Revenue administration | 0,50 | n/a |
| 2021 | 2.2.2. Improved financial management information system (FMIS): FMIS new modules on budget preparation, and procurement and contract management arc piloted in the Ministry of Economy and Finance | Output | Revenue administration | 0,50 | n/a |
| 2021 | 3.2. Enhanced adequacy and transparency of fiscal transfers to Sub-National Administrations (SNAs): Programme budgeting implemented in 12 Provincial administration | Output | Fiscal decentralisation | 0,50 | n/a |
| 2021 | 4.2. Strengthening capacity and Transparency of the National Audit Authority (NAA): Performance Audits: Training Programme and training materials for performance audit are developed | Process | External scrutiny and audit | 0,50 | n/a |
| 2021 | 5.2. Increased result orientation in the budget: Development of Medium-Term Budget Framework (MTBF) and amendment of the Law on Public Finance System: Draft Law on Public Finance System is submitted to Council of Ministers | Process | Policy-based fiscal strategy and budgeting | 0,75 | n/a |
| 2021 | 6.2. Improved Public Investment Management (PIM): Sub Decree on Standard Operating Procedures for Public Private Partnerships is approved - Final Draft of the Sub Decree on Standard Operating Procedures for Domestically Financed Public Investment is circulated among Line Ministries for consultation - Final Draft of the Sub Decree on Standard Operating Procedures for Public Investment of Sub National Administration is circulated among Provinces for consultation - | Process | Public investment management | 0,75 | n/a |
| 2021 | 7. Domestic revenue mobilisation strengthening: Average duration for VAT refund at GDT level is 35 working days | Outcome | Revenue administration | 0,50 | n/a |
| 2021 | 8.2. Public procurement increased transparency and best value for money: Procurement Statistics of domestically funded projects are prepared and published on the website of General Department of Public Procurement | Process | Public procurement | 0,50 | n/a |

Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture)

| Year | Indicators for Variable Tranche 1, 2, & 4 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | VTI1- Strengthening of institutional capacity: Increase of RGC budget to the fisheries sector: The 25 Provincial ASDPs are developed and approved by MAFF | Output | Policy-based fiscal strategy and budgeting | 0,50 | 0,50 |
| 2021 | VTI2 - Strengthening of institutional capacity: Increase of RGC budget to the fisheries sector: RGC budget to the Fisheries programme has increased by at least 32% for FY 2021 compared to 2019 | Input | Policy-based fiscal strategy and budgeting | 0,50 | 0 |
| 2022 | VTI3- Strengthening of institutional capacity: Increase of RGC budget to the fisheries sector: Fisheries Cantonments' budget represent (tbd) % of the whole budget of the Fisheries programme | Input | Policy-based fiscal strategy and budgeting | 0,50 | n/a |
| 2023 | VTI4- Strengthening of institutional capacity: Increase of RGC budget to the fisheries sector: RGC budget to the Fisheries programme has increased by at least 75% for FY 2023 compared to 2019 | Input | Policy-based fiscal strategy and budgeting | 0,50 | n/a |

Support to Sub-National Democratic Development phase II (SNDD II) **(**See Addendum end-2020 changing for a SRC-EU support to social protection reforms: Limited links with CMSB agenda and No VTI related to CMSB (DRM/PFM))

| Year | Indicators for Variable Tranche 1 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2018 | Development component of DM Fund increased to improve responding to people's needs | Output | Fiscal decentralisation | 0,68 | - |
| 2018 | The DM Fund Development Component is used to provide priority public infrastructure and social services to citizens | Process | Fiscal decentralisation | 0,45 | - |

| Year | Indicators for Variable Tranche 2 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Development component of DM Fund increased to improve responding to people's needs | Output | Fiscal decentralisation | 0,68 | - |
| 2019 | The DM Fund Development Component is used to provide priority public infrastructure and social services to citizens | Process | Fiscal decentralisation | 0,45 | - |

| Year | Indicators for Variable Tranche 3 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | Development component of DM Fund increased to improve responding to people's needs | Output | Fiscal decentralisation | 0,68 | - |
| 2020 | The DM Fund Development Component is used to provide priority public infrastructure and social services to citizens | Process | Fiscal decentralisation | 0,45 | - |

3. BS complementary measures (technical assistance, studies, …)

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract Status | Total Amount contracted |
|---|---|---|---|---|---|
| 37958 | 376318 | Partnership for accountability and transparency in Cambodia | 2016 | Closed | 7.000.000 € |
| 37958 | 376318 | Partnership for accountability and transparency in Cambodia | 2019 | Closed | 415.000 € |

| | | | | | |
|---|---|---|---|---|---|
| 37958 | 394801 | Assessment of Budget Support Eligibility Criteria 2017 and 2018 | 2018 | Closed | 90.300 € |
| 37958 | 394801 | Assessment of Budget Support Eligibility Criteria 2017 and 2018 | 2019 | Closed | 21.640 € |
| 37958 | 395343 | Support to develop the Procurement System Reform Strategy 2019-2025 | 2018 | Closed | 217.350 € |
| 37958 | 395343 | Support to develop the Procurement System Reform Strategy 2019-2025 | 2019 | Closed | 78.515 € |
| 37958 | 399089 | Support to develop the Subnational Budget System Reform Strategy 2019-2025 and Sub-National Programme Budgeting M&E guideline | 2018 | Closed | 187.800 € |
| 37958 | 399089 | Support to develop the Subnational Budget System Reform Strategy 2019-2025 and Sub-National Programme Budgeting M&E guideline | 2019 | Closed | 85.500 € |
| 37958 | 406558 | Support to PFM monitoring and PEFA assessment | 2019 | Ongoing | 285.030 € |
| 37958 | 406559 | Analysis of coherence between the Budget Strategic Plans and Programme budget documents | 2019 | Closed | 287.700 € |
| 40874 | 407648 | Multi-donor Trust Fund for Public Finance Management and service delivery | 2019 | Ongoing | 1.520.000 € |
| 40874 | 407648 | Multi-donor Trust Fund for Public Finance Management and service delivery | 2019 | Ongoing | 240.000 € |
| 37958 | 407832 | Support to develop a Public Sector Accounting Standard Manual and Policy; and Property Market Risk Monitoring Framework | 2019 | Closed | 244.650 € |
| 40874 | 411356 | Partnership for Accountability and Transparency Phase 2 | 2019 | Ongoing | 3.800.000 € |

| | | | | | |
|---|---|---|---|---|---|
| 40874 | 411356 | Partnership for Accountability and Transparency Phase 2 | 2019 | Ongoing | 600.000 € |

4. Other EC interventions

Capacity-building / technical assistance projects supporting CMSB

| Decision number | CRIS contract number | Programme title / content | Financial Year | Contract Status | Total Amount contracted |
|---|---|---|---|---|---|
| 37512 | 374364 | Assessment of Budget Support Eligibility criteria 2016 and 2017 | 2016 | Closed | 79.290€ |

## Annex 2: List of institutions met

| Institution type | Institution / Minister | Service | Position |
|---|---|---|---|
| EU | EU Delegation | | |
| National authorities and institutions | Ministry of Economy and Finance | | Secretary General |
| | | General Secretariat of PFM Reform Steering Committee | Secretary of State, Secretary General |
| | | General Department of Policy | |
| | | Department of Macroeconomics and Fiscal Policy | |
| | | Department of Statistics and Economic Analysis | |
| | | Department of Economic Integration and ASEAN | |
| | | General Department of Taxation (GDT) | Director, Department of Law, Tax Policy and International Tax Cooperation + 10-15 officials |
| | | General Department of State Property and Non-tax Revenue (GDSPNTR) | Deputy Director General |
| | | General Department of Budget (GDB) | Director General and Directors of Department of General Affairs, Department of Budget Formulation, Department of Financial Affairs, Department of Investment |
| | | General Department of International Cooperation and Debt Management (GDICDM) | Director General |
| | | General Department of National Treasury (GDNT) | Director General of GDNT, accompanied by other two DDGs and 4 officials from Department of Budget Revenues, Department of Budget Expenditures, Department of Accounting, |

| | | | |
|---|---|---|---|
| | | | Department of Cash and Debt Management. |
| | | General Department of Public Procurement (GDPP) | DDG |
| | | FMIS Management working group (FIMWG) | |
| | Ministry of Education, Youth and Sport (MoEYS) | | General Director of Administration & Finance |
| | Fisheries Administration (FiA) | | Deputy Director General |
| | National Assembly | Second Commission on Economy, Banking & Auditing | Chairman |
| | | Commission on HR, Reception of Complaints & Investigation | Members |
| | National Institute of Statistic (NIS) | | DDG and Departements' directors |
| | Senate | | Secretary General of the Senate |
| | National Audit Authority (NAA) | | Secretary General, Deputy Secretary General, accompanied by 6 Directors and two officials |
| Civil society: | Transparency International Cambodia (TIC) | | Executive Director |
| | NGO Forum | | Executive Director |

# Annex 3: Table 3: EU interventions in support to CMSB 2015-2021

| | Financial transfers | VTI | PAT I 2016-2019 | PAT II (2020-2022) | Short term TA | MDTF 2019-2021 |
|---|---|---|---|---|---|---|
| **GSC(PFMRP)** | | | | | Support to PFM monitoring and PEFA Assessment 2018 | Cross cutting Public Sector Reform<br>Support to CAP4 for PFMRP<br>Support to finalise PEFA<br>Change management strategy & leadership and management |
| **MEF - GSC PFM RP** | Implementation of the PFM RP | FMIS development and implementation (2017, 2018, 2019, 2020, 2021)<br>Financial reporting (2017,2018, 2019)<br>Increased result orientation in the budget (2017,2018,2019,2020, 2021) | | | | *Previous MDTF(-> Nov 2017)*<br>Implementation of the FMIS and of the revenue mobilisation strategy<br>Support to Non Tax revenue Management Reform |
| **Sectoral budgeting** | | Education (2018, 2019, 2020)<br>School Improvment Fund (SIF) (2020, 2021)<br>Fisheries (2020, 2021, 2022, 2023) | | | | Enhanced Service Delivery |
| **GDT (MEF)** | | Domestic Revenue strenghtening (2017, 2018, 2019, 2020, 2021) | Supported by Swedish Tax Authority (STA) focused on increasing the effectiveness of tax collection, improving taxpayer's obligation and rigths, development of a PIT regime | Supported by STA : Risk management and Cash sector; Taxpayers service; PIT and CapitalGains Tax; compliance of taxpayers | | |
| **GDPP (MEF)** | | Public procurement increased transparency (2017, 2018, 2019, 2020, 2021) | | | Support to GDPP 2018 | |
| **GDIA (MEF)** | | Internal Audit Effectiveness strengthening (2017, 2018, 209) | | | | |
| **Public Investment** | | Improved Public Investment Management (2020, 2021) | | | | Technical Support on PIM |
| **National Accounting Council** | | | | | Support Public Sector accounting Manual & policy 2018 | |
| **SNAs** | | Fiscal transfers to SNAs (2017, 2018, 2019, 2020, 2021) | | | Support to the Sub-National budget system 2018-2019 | Support improvement of Subnational PFM system: Study on intergovernmental fiscal architecture |
| **NIS** | | National account published 2015, 2016, 2017 | Supported by Statistics Sweden: (including national accounts, population census) | Supported by Statistics Sweden: NA, Statistical methods, Communication & IT, Management | | |
| **NAA** | | Annual Audit Report published (2017)<br>Performance audit reports (2019)<br>Strengthening capacity and tranparency of the NAA (2020,2021) | Financial assistance to NAA to support a functioning IT environment and development of a new strategic plan | | | |
| **Parliamentary Institute of Cambodia / Parliamentary Budget Committees** | | | Cooperation with PIC for enhancing parliamentarians' capacities and to prepare for the set-up of a Parliamenrary Budget Office | PIC: Financial assistance and ST TA from Swedish Parliamentary Research Services : draft legislation in relation to budgeting and financial matters; Oversigth function | | |
| **CSO** | | | Financial assistance provided to TIC | Financial assistance to TIC: increased public accountability and transparency through demand-driven advocacy and dialogue | | |

**Table 3. PEFA Scores**

| Performance Indicators | 2011 | 2015 | 2021 |
|---|---|---|---|
| I. Credibility of the Budget | | | |
| 1. Aggregate expenditure out-turn compared to original approved budget | B | A | A |
| 2. Composition of expenditure out-turn compared to original approved budget | D | D+ | B+ |
| 3. Aggregate revenue out-turn compared to original approved budget | A | A | D |
| 4. Stock and monitoring of expenditure payment arrears | C+ | D+ | D+ |
| II. Comprehensiveness and Transparency | | | |
| 6. Comprehensiveness of information included in budget documentation | B | C | B |
| 7. Extent of unreported government operations | C | C | B |
| 8. Transparency of inter-governmental fiscal relations | C+ | B | B |
| 9. Oversight of aggregate fiscal risk from other public sector entities. | C+ | C+ | C+ |
| 10. Public access to key fiscal information | C | D | B |
| IV. Predictability and Control in Budget Execution | | | |
| 16. Predictability in the availability of funds for commitment of expenditures | C+ | C+ | C+ |
| 17. Recording and management of cash balances, debt and guarantees | C+ | C+ | C+ |
| 18. Effectiveness of payroll controls | D+ | D+ | D+ |
| 19. Transparency, competition and complaints mechanisms in procurement | C | D+ | D+ |
| 20. Effectiveness of internal controls for non-salary expenditure | C | C | C |
| 21. Effectiveness of internal audit | D+ | C | C |

# CASE STUDY NOTE – CAMEROON

## Table of Contents

## Liste des acronymes

| | |
|---|---|
| AB | Appui Budgétaire |
| ABS | Appui Budgétaire Sectoriel |
| AFD | Agence Française de Développement |
| APD | Aide Publique au Développement |
| APE | Accord de Partenariat Economique |
| AT | Assistance Technique |
| AVD | Analyse de la Viabilité de la Dette |
| BAD | Banque Africaine de Développement |
| BP | Budget Programme |
| BSG | Budgétisation Sensible au Genre |
| CAMCIS | Cameroon Customs Information System |
| CBF | Cameroon Business Forum |
| CdC | Chambre des Comptes |
| CDMT | Cadre de Dépenses à Moyen Terme |
| CEMAC | Communauté Economique et Monétaire de l'Afrique Centrale |
| CH | Cadre Harmonisé |
| CIEP | Comité Interministériel d'Evaluation des Programmes |
| CMSB | Collect More, Spend Better |
| CONSUPE | Contrôle Supérieur de l'Etat |
| COPIL | Comité de Pilotage |
| CRADEC | Centre Régional Africain pour le Développement Endogène et Communautaire |
| CRADEC | Centre Régional Africain pour le Développement Endogène et Communautaire |
| CRS-DR | Contrat de Réforme Sectorielle – Développement rural |
| CTBG | Code de transparence et de bonne gouvernance |
| CTD | Collectivités Territoriales Décentralisées |
| DGD | Direction Générale des Douanes |
| DGI | Direction Générale des Impôts |
| DOB | Débat d'Orientation Budgétaire |
| DREF | Division de la Réforme Budgétaire |
| DSCE | Document de la Stratégie pour la Croissance et l'Emploi |
| DTS | Droits de Tirage Spéciaux |
| ENAM | Ecole Nationale de la Magistrature |
| FEC | Facilité Elargie de Crédit |
| FED | Fonds Européen de Développement |

| | |
|---|---|
| FFI | Flux Financiers Iillicites |
| FMI | Fonds Monétaire International |
| GFP | Gestion des Finances Publiques |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit (Agence de coopération internationale allemande pour le développement) |
| INS | Institut Nationale de la Statistique |
| ITF | Indicateur de Tranche Fixe |
| ITV | Indicateur de Tranche Variable |
| MINADER | Ministère de l'Agriculture et du Développement Rural |
| MINATD | Ministère de l'Administration du Territoriale et de la Décentralisation |
| MINEPAT | Ministère de l'Economie de la Planification et de l'Aménagement du Territoire |
| MINEPIA | Ministère de l'Elevage, des Pêches et des Industries Animales |
| MINFI | Ministère de l'Economie et des Finances |
| MINFOF | Ministère des Forêts et de la Faune |
| MRN | Mobilisation des Ressources Nationales |
| NBE | Nomenclature du Budget de l'Etat |
| OCDE | Organisation de Coopération et de Développement Economique |
| ODD | Objectifs de Développement Durable |
| ON | Ordonnateur National |
| OSC | Organisation de la Société Ccivile |
| PARFIP | Programme d'Appui à la Réforme des Finances Publiques |
| PDFP | Plateforme de Dialogue sur les Finances Publiques |
| PEFA | Public Expenditure and Financial Accountability (Dépenses publiques et responsabilité financière) |
| PGRGFP | Plan Global de Réformes de la Gestion des Finances Publiques |
| PIB | Produit Intérieur Brut |
| PIMA | Public Investment and Management Assessment |
| PIN | Programme Indicatif National |
| PLANOSCAM | Plateforme Nationale des Organisations de la Société Civile Camerounaise |
| PMA | Pays les Moins Avancés |
| PPBS(E) | Planification, Programmation, Budgétisation, Suivi (-Evaluation) |
| PPTE | Pays Pauvres Très Endettés |
| PSRF | Programme de Sécurisation des Recettes Forestières |
| PTF | Partenaires Techniques et Financiers |
| ROSFIP | Renforcement des Capacités de la Société Civile dans les Finances Publiques |
| RSE | Responsabilité Environnementale et Sociale |
| SND | Stratégie Nationale de Développement |

| | |
|---|---|
| TADAT | Tax administration Diagnostic Assessment Tool |
| TF | Tranche Fixe |
| TV | Tranche Variable |
| UE | Union Européenne |
| UEMOA | Union Economique et Monétaire Ouest Africaine |

# 1. Introduction et choix du Cameroun comme étude de cas

## 1.1 Couverture et objectifs de cette étude

Ce rapport pays s'inscrit dans le cadre de l'évaluation des appuis de l'Union européenne (UE) à l'agenda *Collect More Spend Better (*CMSB) sur la période 2015-2021. Précédé d'une revue documentaire des principaux appuis fournis par l'UE dans ce domaine couvrant la mobilisation des ressources nationales (MRN), la gestion budgétaire (programmation et exécution) ainsi que la transparence et la redevabilité (voir portefeuille en annexe 1), il fait suite à une mission d'une semaine réalisée entre le 10 et le 17 juin 2022 qui a permis de rencontrer les principaux acteurs impliqués et/ou bénéficiaires de ces appuis (voir liste en annexe 2).

Le choix du Cameroun parmi les douze études de cas pays retenus pour cette évaluation a été fait pour plusieurs raisons. En premier lieu, le Cameroun est un pays paradoxal qui, tout en possédant un territoire riche en matières premières et une économie diversifiée, présente une croissance somme toute modeste au regard de son potentiel ainsi que des indicateurs de développement social souvent proches de ceux des pays les moins avancés. En second lieu, ce pays à revenu intermédiaire (tranche basse) illustre des tensions structurelles entre les bases du *Collect More Spend Better* et les bases de l'économie politique. Côté *Collect*, la mobilisation des recettes intérieures est sans rapport avec le potentiel fiscal en raison d'une assiette contenue et d'une politique fiscale qui cherche à ménager en particulier les intérêts des catégories sociales ou groupes dominants, en même temps qu'elle vise à contenir de possibles contestations par un niveau de subventionnement élevé des biens de première nécessité. Sur la période récente, on peut également noter une tension entre la volonté réformatrice de l'administration fiscale dans certains domaines et la défense d'un statu quo au plus haut niveau de l'Etat. Côté *Spend,* les progrès en faveur d'une dépense plus efficace sont largement entravés par le non-respect des fondamentaux, en particulier au niveau de l'exécution et du contrôle de la dépense publique. Dans ce contexte, et c'est la troisième justification de ce choix, le Cameroun a dû faire face ces dernières années à de multiples défis : crise régionale qui l'a conduit à entrer une nouvelle fois depuis bien longtemps sous-programme avec le Fonds Monétaire International (FMI) et à recourir à une aide budgétaire importante d'autres partenaires au développement ; obligation d'alignement sur les nouvelles directives de la CEMAC ; crises sécuritaires ; crise sanitaire. Du point de vue de l'UE, l'appui apporté dans la période 2015-2021 s'est inscrit dans un triple défi : réussir le basculement d'un soutien fondé sur l'approche projets à une intervention assise en majorité sur l'appui budgétaire (AB) ; monter en puissance sur le dialogue de politique et la coordination des interventions des bailleurs ; obtenir des résultats tangibles dans les principaux domaines investis (pilotage de la stratégie nationale de gestion des finances publiques-GFP, budgétisation axée sur les politiques publiques, contrôle externe et transparence).

Le rapport se focalise sur l'analyse de la pertinence, de la cohérence, de l'efficacité et de l'efficience des appuis fournis dans ces différents domaines. Compte-tenu du périmètre des appuis de l'UE sur la période 2015-2021, les domaines principalement étudiés sont le pilotage des réformes de GFP, la programmation budgétaire, le suivi et l'analyse des dépenses publiques, la mobilisation des recettes fiscales et parafiscales, le contrôle budgétaire interne et, enfin, le contrôle externe à travers ses segments juridictionnel, parlementaire et citoyen

## 1.2 Limitations

La mission a eu une durée très réduite : 5 jours pour la mission de terrain et 5 jours pour la recherche et l'analyse documentaire, l'organisation de la mission et la rédaction du rapport. Réaliser une synthèse pertinente de plusieurs milliers de pages et d'une vingtaine d'entretiens relatifs à une intervention au périmètre très large dans cette contrainte de temps, relève de la gageure. Une autre contrainte a été la rotation des personnels – tant à la DUE qu'au sein des entités bénéficiaires – qui tendait à limiter les informations relatives aux appuis du début de la période sous revue. Dans ces conditions, le présent rapport ne prétend ni donner une vision exhaustive de tout ce qui a été mis en œuvre dans ces domaines ni proposer une revue approfondie de chacun des domaines d'intervention de l'UE au Cameroun en matière de GFP. L'idée ici est de souligner les forces mais aussi les points d'attention qui ressortent de la coopération entre l'UE et le Cameroun et de tirer certaines leçons utiles pour la formulation des appuis à venir au Cameroun ou ailleurs.

# 2. Contexte et interventions de l'UE en appui à l'agenda CMSB

## *2.1 Contexte général et principaux documents politiques*

Le Cameroun est un **pays à revenu intermédiaire de la tranche inférieure** peuplé d'un peu plus de 25 millions d'habitant (2019). Bénéficiant d'importantes ressources naturelles (pétrole, essences de bois précieux, cultures agricoles d'exportation : café, coton, cacao), il peut s'appuyer sur une économie assez diversifiée mais qui demeure précisément très dépendante de productions non transformées. Le pays fournit à lui seul plus de 40% du PIB de la CEMAC et il se distingue par une faible dépendance à l'APD, celle-ci représentant moins de 3% du PIB). La **croissance économique** est restée **peu inclusive** ; ainsi, la proportion de la population se situant en deçà du seuil national de pauvreté est estimée plus ou moins stable (autour de 40%) depuis quinze ans[1]. Les indicateurs sociaux sont à un niveau très bas et parfois inférieurs au niveau des années 1980.

Le **contexte politique** est marqué par une réélection en 2018 à la présidence de la République, du président sortant, Paul Bya, arrivé au pouvoir en novembre 1982. Le parti présidentiel domine l'Assemblée nationale (84% des sièges), les conseils municipaux (87 % des sièges) et les régions (9 régions sur 10). Le Cameroun, pays traditionnellement stable, fait face depuis plusieurs années à des problèmes de sécurité liés d'une part aux attaques du groupe terroriste Boko Haram dans l'extrême nord du pays (depuis 2015), d'autre part aux affrontements entre les forces gouvernementales et des groupes séparatistes dans les deux régions anglophones du Nord-Ouest et du Sud-Ouest (depuis 2017). Ces évènements, alliés à la crise centrafricaine survenue depuis début 2021, ont conduit à une explosion du nombre de déplacés internes (plus de 500 000) et ont fait un nombre significatif de victimes parmi la population civile (environ 400) et les forces de l'ordre (plus de 200). Les problèmes de **gouvernance financière** ont depuis plusieurs décennies représenté un goulot d'étranglement pour une mise en œuvre efficace des politiques publiques et donc pour l'atteinte des objectifs de développement des stratégies nationales. La persistance de la corruption[2] ainsi que la lenteur et la complexité des procédures administratives contribuent, entre autres, à un climat des affaires peu favorable[3]. Au-delà des points évoqués ci-dessus, la période actuelle se caractérise par un climat politique de « fin de règne » où différents acteurs se positionnent dans la perspective d'un changement à terme à la tête de l'Etat en même temps que prédominent les forces d'inertie sur le court terme et donc une appétence générale plutôt réduite aux réformes. Cette situation interpelle les partenaires au développement qui doivent faire preuve de subtilité dans leur plaidoyer en faveur des réformes structurelles et rester en particulier prudents quant au rythme de celles-ci.

Depuis 2010, les politiques publiques se sont inscrites dans une stratégie décennale de développement (*Document de Stratégie pour la Croissance et l'Emploi **– DSCE 2010-2020***) élaborée et mise en œuvre sous le pilotage du Ministère de l'Economie, de la Planification et de l'Aménagement du Territoire (MINEPAT). Le bilan du DSCE s'est révélé très mitigé. La croissance, assez soutenue jusqu'en 2015, a été largement tirée par de grands projets d'investissements financés par la dette (principalement auprès de la Chine) avant de s'essouffler durant la seconde moitié de la décennie. Elle n'a pas été plus inclusive que dans la décennie antérieure. Quant à la dynamique de réformes, elle a été plutôt de faible ampleur pendant une bonne partie de la décennie. Un nouveau document de planification – *Stratégie Nationale*

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1 L'incidence de la pauvreté a légèrement baissé entre 2007 (39,9%) et 2014 (37,5%) et, depuis 2014, aucune enquête sur les ménages n'a permis de disposer de données détaillées plus actuelles.

2 Le Cameroun est classé 144e sur 180 pays dans l'Indice de perception de la corruption 2021 établi par *Transparency International.*

3 Le Cameroun occupait la 167e place sur 190 pays dans le classement Doing Business de 2019.

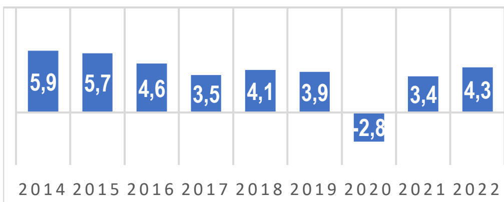
*de Développement 2020-2030 (ou **SND30**)* – sert de cadre de référence aux politiques et programmes pour la décennie en cours. Le MINEPAT en assure toujours le pilotage. A la différence du DSCE, la gouvernance économique et financière y figure bien comme un levier au sein de l'un des quatre piliers de la stratégie.

S'agissant du cadre de gestion des finances publiques, quatre plans de réforme successifs ont été établis et mis en œuvre depuis 2010 (cf. annexe 3). Jusqu'en 2015, ces plans ont été centrés sur la transposition des textes communautaires dans le droit national et le développement des bases de la budgétisation par programme telles que définies dans les directives de la CEMAC. Le plan couvrant la période 2016-2018 conservait un périmètre assez restreint mais la période a été caractérisée par quatre faits majeurs : (i) l'engagement d'un nouveau diagnostic PEFA (*Public Expenditure Financial Accountability*), avec le concours de l'UE, et de diagnostics complémentaires du système fiscal (TADAT) et de la gestion de l'investissement public (PIMA), (ii) la redynamisation des instances de pilotage, des cadres de concertation et des groupes de travail, (iii) l'adoption des textes de transposition du nouveau cadre harmonisé des finances publiques de la CEMAC à travers les deux lois portant respectivement sur le code de transparence et de bonne gouvernance et sur le régime financier de l'Etat[4] ; et (iv) le constat d'avancées significatives dans le domaine de la fiscalité (systèmes d'information), du budget programme, de la gestion des investissements publics (cadrage des procédures de maturation des projets) et de la gestion des marchés publics. En 2019, un nouveau plan de réforme a été établi : le Plan Global de Réforme de la Gestion des Finances Publiques (PGRGFP). Bâti pour résoudre les insuffisances relevées par l'évaluation PEFA 2017 et couvrant initialement la période 2019-2021, le PGRGFP a été actualisé en 2021 et prolongé pour les années 2022-2023 compte-tenu de l'impact de la crise sanitaire et des retards enregistrés dans plusieurs chantiers structurants.

## 2.2 Evolutions économiques récentes

Tirée par la réalisation de grands projets, la croissance de l'économie camerounaise a été globalement plus soutenue sur la période 2010-2019 (+4,5% en moyenne annuelle) qu'au cours de la décennie précédente (+3%). Elle est restée néanmoins en-deçà de la cible fixée par le DSCE (5,5% par an) et très loin des niveaux nécessaires pour permettre au Cameroun d'atteindre le statut de pays « émergent ». La structure globale du PIB n'a pas évolué comme prévu : les parts respectives des secteurs primaire et secondaire ont ainsi connu un net fléchissement. Le taux d'inflation, maîtrisé autour de 2% en moyenne par an sur la période 2010-2019, est remonté à 2,4% en 2020 et 2,5% en 2021 et il devrait dépasser la norme communautaire (3%) en 2022.

Croissance du PIB à prix constants, estimations pour 2021, 2022 :




En raison d'un niveau modeste de recettes fiscales et de dépenses publiques en forte croissance depuis le début des années 2010, le déficit global de l'Etat (dons exclus) a atteint des niveaux élevés au milieu de la décennie (plus de 6% du PIB en 2016 et encore 5,2% en 2017) pour évoluer autour de 3% depuis 2018 (3,3% en 2020 et 3,4% en 2021).

Les comptes extérieurs indiquent une situation déficitaire de la balance commerciale pendant pratiquement toute la période 2010-2021 alors que celle-ci était excédentaire dans les années 2000. Ce déficit a été alimenté par une hausse importante des importations tant au niveau des biens de grande consommation que des biens en capital utilisés dans le cadre des grands projets d'investissement de l'Etat tandis que les exportations pétrolières ont connu une baisse progressive. La balance courante est également déficitaire.

[4] Loi n°2018/011 du 11 juillet 2018 portant code de transparence et de bonne gouvernance dans la gestion des finances publiques au Cameroun et loi n°2018/012 du 11 juillet 2018 portant régime financier de l'État et autres entités publiques.

S'agissant de l'endettement public, celui-ci s'est accru depuis le début des années 2010. Ainsi, le ratio Dette/PIB est passé de 18% en 2014 à 32% en 2016 pour atteindre 47,9% fin 2020. Cette progression de l'endettement est imputable à plusieurs facteurs : accroissement des prêts projets des bailleurs traditionnels pour soutenir les efforts d'investissement public, endettement non concessionnel auprès des banques commerciales étrangères (notamment chinoises), nouveaux prêts débloqués dans le cadre de la FEC et d'autres appuis budgétaires, nouvelles conventions de dette intérieure et accroissement des émissions d'eurobonds. Le Cameroun est passé d'un risque modéré à un risque élevé de surendettement extérieur mais sa dette reste viable (profil général de la dette en voie d'amélioration).

## 2.3 Principaux acteurs appuyant l'agenda CMSB au Cameroun

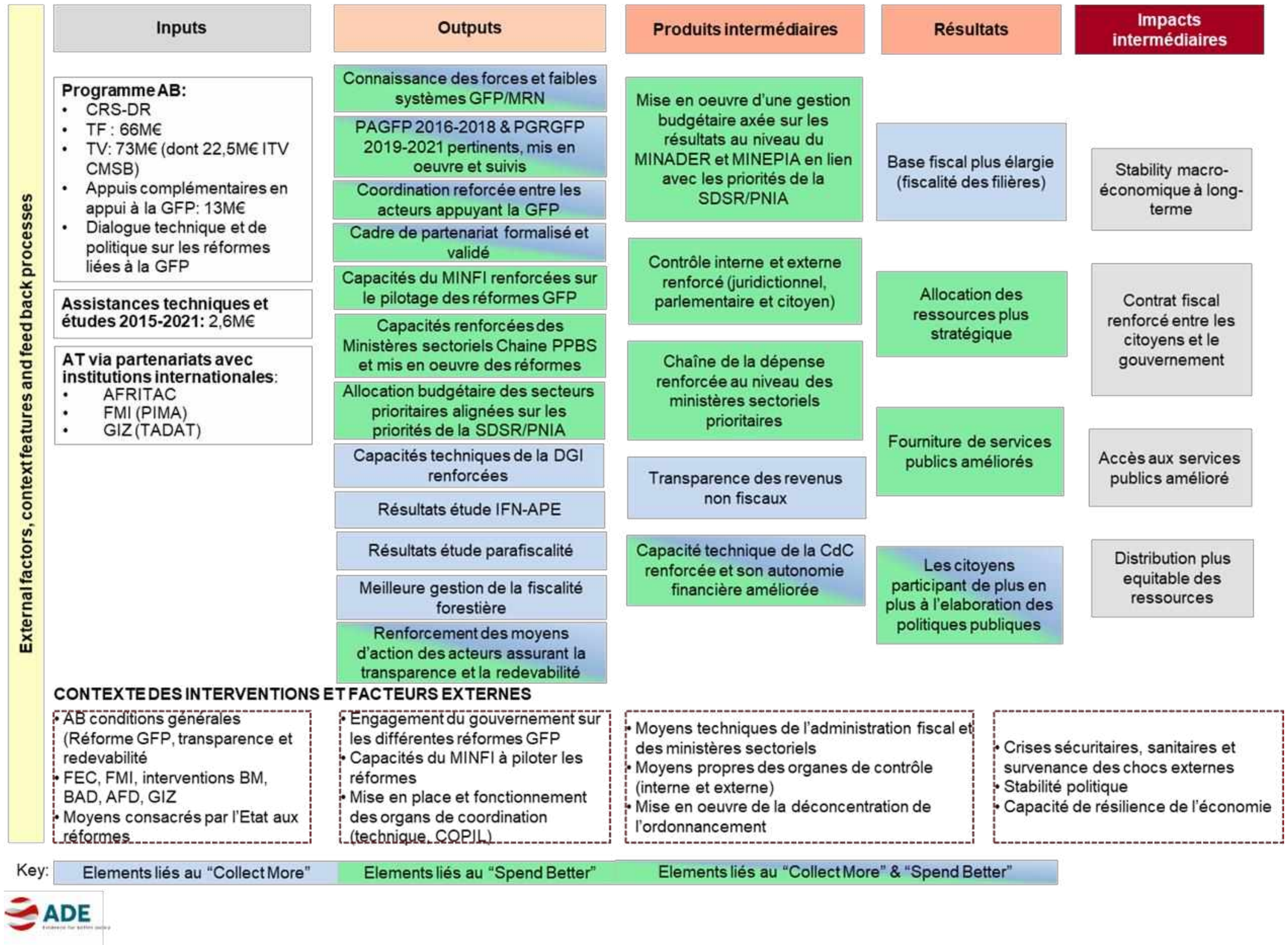
Dans un contexte où la soutenabilité du cadre macroéconomique national et régional était mise en cause avec une réduction drastique des réserves de change, le Cameroun, qui n'avait plus été sous programme avec le FMI depuis 2009, s'est engagé dans un programme économique et financier soutenu par le FMI (*Facilité Elargie de Crédit* d'environ 660 MUSD accordée en juin 2017). Le programme, qui couvrait initialement la période 2017-2019 a été prolongé jusqu'en septembre 2020. Un nouvel accord de 689,5 MUSD au titre de la FEC et du mécanisme élargi de crédit a été signé en juillet 2021.

La préparation puis la conclusion du programme économique et financier 2017-2019 entre le Cameroun et le FMI a été un facteur déterminant pour la concrétisation dès 2017 de nouveaux appuis budgétaires en soutien aux réformes structurelles de la part de la Banque mondiale, de la Banque africaine de développement (BAD), de l'Agence française de développement (AFD) et de l'UE. Ces partenaires couplent désormais leurs appuis budgétaires avec des appuis complémentaires sous la forme de projets de renforcement de capacités. L'Allemagne apporte également un soutien significatif au secteur de la GFP mais uniquement en recourant à une approche projet. L'annexe 4 reprend les principaux appuis – budgétaires ou projets – liés aux réformes de GFP.

## 2.4 Logique d'intervention des appuis CMSB dans le pays

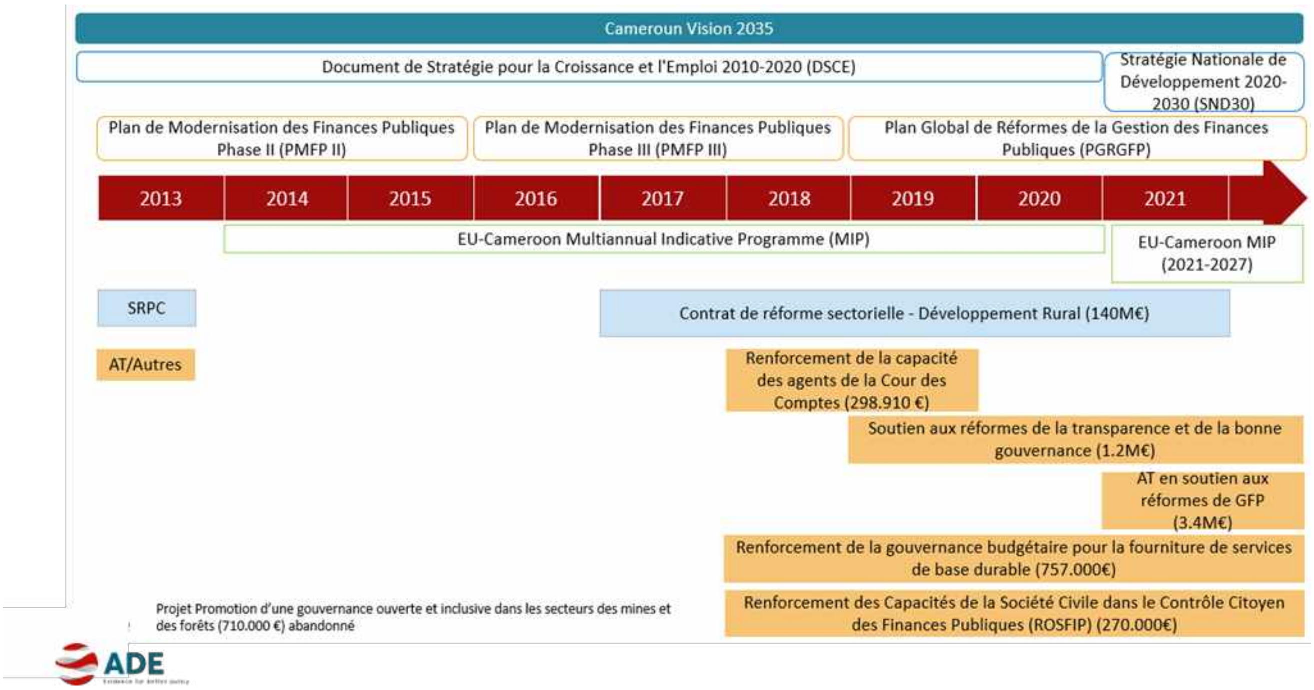
Au début de la période, l'appui de l'UE à la GFP reposait sur le volet Finances publiques du PARFIP mis en œuvre de juin 2012 à décembre 2015. Ce dernier illustrait une approche globale à travers ses trois composantes qui portaient à la fois sur le *Collect More* (composante Recettes avec un appui à la DGI), sur le *Spend Better* (composante Dépenses avec l'appui à la mise en œuvre du nouveau cadre budgétaire) et la dimension transversale de contrôle (composante Contrôle citoyen et contrôle externe). A partir de 2017, l'UE a changé de modalité d'appui en privilégiant l'appui budgétaire tout en démontrant une volonté de continuité dans les thématiques d'intervention avec des volets d'appui respectifs au pilotage et à l'amélioration de la dépense publique, au pôle fiscalité et au dispositif de contrôle interne et externe. En fin de période, l'UE a confirmé le choix de l'appui budgétaire comme levier d'appui aux réformes. C'est ainsi que le Contrat de Réforme Sectorielle pour le Développement Rural (CRS-DR) lancé en 2017 pour trois ans a été étendu pour deux années additionnelles. L'UE a également cherché à soutenir plus fortement la réforme de l'architecture des contrôles des FP et à promouvoir des mesures de réforme fiscale plus ciblées via les indicateurs de tranche variable (ITV) utilisés dans le cadre de la prolongation de l'aide budgétaire sectorielle sur les années 2020-2021.

Le schéma suivant présente la logique d'intervention poursuivie par l'UE à travers ses différents appuis à l'agenda CMSB.



External factors, context features and feed back processes
Inputs
Outputs
Produits intermédiaires
Résultats
Impacts intermédiaires
Programme AB:
CRS-DR
TF : 66M€
TV: 73M€ (dont 22,5M€ ITV CMSB)
Appuis complémentaires en appui à la GFP: 13M€
Dialogue technique et de politique sur les réformes liées à la GFP
Assistances techniques et études 2015-2021: 2,6M€
AT via partenariats avec institutions internationales:
AFRITAC
FMI (PIMA)
GIZ (TADAT)
Connaissance des forces et faibles systèmes GFP/MRN
PAGFP 2016-2018 & PGRGFP 2019-2021 pertinents, mis en oeuvre et suivis
Coordination reforcée entre les acteurs appuyant la GFP
Cadre de partenariat formalisé et validé
Capacités du MINFI renforcées sur le pilotage des réformes GFP
Capacités renforcées des Ministères sectoriels Chaine PPBS et mis en oeuvre des réformes
Allocation budgétaire des secteurs prioritaires alignées sur les priorités de la SDSR/PNIA
Capacités techniques de la DGI renforcées
Résultats étude IFN-APE
Résultats étude parafiscalité
Meilleure gestion de la fiscalité forestière
Renforcement des moyens d'action des acteurs assurant la transparence et la redevabilité
Mise en oeuvre d'une gestion budgétaire axée sur les résultats au niveau du MINADER et MINEPIA en lien avec les priorités de la SDSR/PNIA
Contrôle interne et externe renforcé (juridictionnel, parlementaire et citoyen)
Chaîne de la dépense renforcée au niveau des ministères sectoriels prioritaires
Transparence des revenus non fiscaux
Capacité technique de la CdC renforcée et son autonomie financière améliorée
Base fiscal plus élargie (fiscalité des filières)
Allocation des ressources plus stratégique
Fourniture de services publics améliorés
Les citoyens participant de plus en plus à l'elaboration des politiques publiques
Stability macro-économique à long-terme
Contrat fiscal renforcé entre les citoyens et le gouvernement
Accès aux services publics amélioré
Distribution plus equitable des ressources
CONTEXTE DES INTERVENTIONS ET FACTEURS EXTERNES
AB conditions générales (Réforme GFP, transparence et redevabilité
FEC, FMI, interventions BM, BAD, AFD, GIZ
Moyens consacrés par l'Etat aux réformes
Engagement du gouvernement sur les différentes réformes GFP
Capacités du MINFI à piloter les réformes
Mise en place et fonctionnement des organs de coordination (technique, COPIL)
Moyens techniques de l'administration fiscal et des ministères sectoriels
Moyens propres des organes de contrôle (interne et externe)
Mise en oeuvre de la déconcentration de l'ordonnancement
Crises sécuritaires, sanitaires et survenance des chocs externes
Stabilité politique
Capacité de résilience de l'économie
Key:
Elements liés au "Collect More"
Elements liés au "Spend Better"
Elements liés au "Collect More" & "Spend Better"
ADE

## 2.5 Ligne du temps des appuis de l'UE 2014-2021 en lien avec le contexte




# 3. Réponse aux Questions d'Evaluation

## 3.1 Pertinence

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**Le renforcement de la GFP est clairement une priorité affirmée par l'UE au Cameroun (JC1.1)**. La GFP constitue en effet l'un des deux domaines de concentration du PIN 11e FED avec une enveloppe initiale de 70 M€. Avec le passage en 2017 de l'approche projet à une intervention fondée sur un appui budgétaire sectoriel complété par des mesures complémentaires, la mesure d'une enveloppe GFP perd de sa pertinence. Au terme du PIN 2014-2020, l'appui budgétaire sectoriel aura finalement totalisé 152 M€ (54% du total) dont 140 M€ d'appui budgétaire versé au Trésor et 13 M€ de mesures complémentaires. La variété des activités mises en œuvre ainsi que l'amplitude des thématiques couvertes par le dialogue de politique témoignent d'une approche plutôt holistique telle que promue dans le document CMSB. L'accent sur la transparence, le contrôle et la redevabilité est très marqué avec, entre autres, un appui plus que décennal apporté à la Chambre des Comptes (Cour Suprême). Les volets dépenses et fiscalité sont plus volatiles dans leurs points d'application.

**Le choix de l'appui budgétaire comme levier principal de coopération** a été engagé en 2017 avec une certaine dose d'incertitude avant d'être confirmé pour une seconde phase en 2020 et 2021 **(JC1.2).** Le contrat de réforme sectorielle pour le développement rural (CRS-DR) a ainsi été mis en œuvre pendant cinq ans en adéquation avec les lignes directrices de l'UE en matière d'AB et avec des ciblages plus précis des ITV liés à la GFP en fin de période. Toutefois, l'articulation entre les mesures complémentaires et les objectifs définis pour le CRS-DR aurait pu être meilleure. Cette première expérience d'AB avec l'UE depuis de longues années a largement contribué à la redynamisation des cadres d'échanges et de pilotage aussi bien au niveau des politiques publiques du secteur rural que des réformes de GFP. La contribution visible de l'UE à la relance des processus de planification et de pilotage des réformes a été reconnue par tous, ce qui a contribué à renforcer la position de l'UE (chef de file des PTF) dans le dialogue de politiques.

**L'alignement de l'appui de l'UE aux normes internationales (JC1.3)** se lit à travers les soutiens apportés respectivement (i) à l'opérationnalisation du nouvel agenda régional de réformes de la GFP (CHFP de la CEMAC) inspiré des meilleures pratiques internationales, (ii) à la promotion de l'AB en lien avec les priorités de la Déclaration de Paris dans ce domaine, (iii) à l'utilisation de référentiels internationaux d'évaluation financés ou non par elle (PEFA et TADAT surtout), (iv) aux initiatives sur la transparence fiscale et la lutte contre les flux financiers illicites, et (v) à l'alignement des méthodes de travail de la Chambre des Comptes sur les normes INTOSAI.

**Les questions transversales (JC1.4)** n'ont pas donné lieu en tant que telles à une direction affirmée de la part de l'UE s'agissant de ses appuis en matière de GFP. Pour le genre, deux activités portées par les OSC dans le secteur du développement rural émergent : la budgétisation sensible au genre et la prise en compte de la dimension genre dans la chaîne PPBS. La dimension digitalisation est présente à travers le financement du système intégré de gestion des ressources humaines SIGIPES II et, dans une moindre mesure, à travers un renforcement tardif et limité en équipements informatiques de la Direction Générale des Impôts (DGI) et de la Chambre des comptes. Un renforcement des bases de données des ministères en charge de l'agriculture, de l'élevage et de la forêt a été également ciblé. La question environnementale, s'agissant des appuis GFP, est présente dans des activités de sensibilisation et de mobilisation des OSC autour de la responsabilité environnementale et sociale (RSE) dans les projets miniers ainsi que dans les réflexions actuelles avec l'AT aux réformes GFP sur les pistes relatives à une fiscalité verte au Cameroun.

## *3.2 Cohérence interne des appuis de l'UE à l'agenda CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**L'UE n'a pas formulé une stratégie intégrée d'appui à l'agenda CMSB au Cameroun (JC2.2).** L'approche globale de la GFP au sens large a été clairement assurée au niveau du dialogue de politiques.

Celui-ci s'est effectué en particulier dans le cadre de la Plateforme de dialogue sur les finances publiques mais aussi des échanges entre la DUE, le MINFI et le MINEPAT pour assurer le suivi des conditions générales d'éligibilité et de décaissement du CRS-DR. Le caractère inclusif de l'approche s'est renforcé avec l'adoption du PGRGFP, au périmètre plus large que celui des plans qui l'ont précédé. Le suivi par l'UE des conditions générales portant sur le cadrage macroéconomique et la soutenabilité, la GFP et la transparence a été largement aligné sur les résultats des missions de suivi réalisés dans le cadre de la mise en œuvre des deux Facilités Elargies de Crédit successives du FMI. Dans certains cas, l'action de l'UE a impacté les repères de suivi, comme l'a illustré la publication de l'audit sur les fonds Covid – activité majeure portée par l'UE au sein de la Chambre des Comptes – retenue comme une condition de déblocage de tranche de la 2e FEC accordée dans le contexte de crise sanitaire.

Pour l'appui budgétaire, on peut établir une distinction entre la première phase du CRS-DR (2017-2019) dans laquelle la dimension GFP sectorielle a été limitée (un seul Indicateur de Tranche Variable) et la seconde phase (2020-2021) qui a donné lieu à des ITV relatifs à la GFP plus nombreux et couvrant différents volets : chaîne PPBS, y compris gestion des projets d'investissement public ; politique de subvention (filière cacao et café) ; mobilisation accrue de recettes fiscales (filières bois) ; assainissement financier des entreprises publiques (filière coton). Dans cette seconde phase, il s'agissait de cibler des points stratégiques de réformes du secteur rural en fonction de leur impact potentiel sur les deux aspects recettes et dépenses budgétaires.

Quant aux appuis institutionnels directs de l'UE, ils ont conduit – sur la période 2015-2021 et dans la continuité des appuis antérieurs (PARFIP sur 2012-2015 et PAGT sur 2007-2011) – à un périmètre d'intervention associant un volet Dépenses, un volet Recettes et un volet Contrôle. Toutefois, les liens entre ces différents volets n'ont pas été vraiment mis en évidence. En réalité, les points d'application effectifs de l'appui institutionnel relatif à la GFP ont représenté un mix entre trois lignes directrices : (i) l'affirmation d'une logique de continuité et de consolidation de l'existant pour ce qui concerne les soutiens au pilotage des stratégies GFP et le renforcement du contrôle externe ; (ii) l'exploration de nouveaux points d'application pour la fiscalité, avec un focus sur la politique fiscale assorti de résultats mitigés ; et (iii) une adaptation des appuis aux demandes du gouvernement (par exemple dans les domaines de la programmation budgétaire et du contrôle de l'exécution budgétaire).

L'appui à la Chambre des Comptes est celui dans lequel on trouve le plus de cohérence interne. Une démarche à la fois globale et de montée en gamme progressive a été utilisée dans un contexte de forte résistance à un contrôle externe pleinement indépendant. L'UE a apporté des réponses dans l'ensemble adaptés aux multiples besoins de la structure (cf. CJ3.4). La dimension globale de l'approche et la cohérence interne ne sont pas aussi visibles en ce qui concerne les composantes Recettes et Dépenses de l'appui de l'UE sur la période 2015-2021. Plusieurs facteurs l'expliquent, dont la fin du PARFIP et le passage d'une approche projet à une approche budgétaire, les difficultés de l'appui dans le domaine de la fiscalité à trouver ses marques ou encore des appuis pertinents mais assez ponctuels mais aussi en raison d'un manque de réceptivité de l'administration concernée qui ploie sous des appuis venants de toute part (autres PTF) - au moins jusqu'à une période récente - aux structures nationales impliquées dans la chaîne de la dépense.

**La complémentarité se joue sur un nombre d'appuis de l'UE somme toute assez limité (JC 2.3)** par rapport à d'autres pays d'intervention (ex : programme unique d'aide budgétaire) et avec des niveaux de ressources – certes sur dons - bien moindres que d'autres PTF. Les thématiques, modalités de soutien (ITV, contrats d'AT, conventions de subvention, …) et bénéficiaires ciblés (services de l'administration, sociétés publiques, OSC) conduisent à une diversité d'actions qui ne présentent pas de doublons mais pas non plus nécessairement d'articulations entre elles. Des blocs assez homogènes d'activités complémentaires (comme, par exemple, au niveau du volet contrôle externe) côtoient des segments plus isolés sans une vision d'ensemble (comme, par exemple, pour les premières années du volet fiscal).

De manière générale, **les appuis au CMSB n'ont pas été conduits sur la période 2015-2021 en lien avec d'autres politiques externes de l'UE (JC2.4).** On peut néanmoins souligner le lien qui existe entre les indicateurs du CRS-DR relatifs au renforcement de la transparence dans le domaine des recettes fiscales forestières, le Programme d'amélioration de la gouvernance en milieu forestier

(PAMFOR) et l'Accord de partenariat volontaire (APV) *Forest Law Enforcement, Governance and Trade (FLEGT)*, ratifié en 2011 par le Cameroun et l'UE pour lutter contre l'exploitation illégale et le commerce illicite des produits forestiers camerounais.

## *3.3 Efficacité – Analyse des outputs et des produits intermédiaires*

*Contribution des appuis CMSB de l'UE à des politiques de réformes GFP cohérentes et coordonnées, au renforcement de la qualité des statistiques et à l'amélioration de la transparence, de la redevabilité et du contrôle des finances publiques (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

Le passage d'un appui aux réformes de la GFP basé sur les projets en début de période à une mise en œuvre de cet appui focalisé sur une aide budgétaire sectorielle non ciblée traduit clairement un **renouveau de l'approche analytique dans la conduite des interventions de l'UE (JC3.1).** Cette nouvelle démarche s'est notamment traduite par la place accordée aux analyses globales de situation de la GFP : d'abord en soutenant la réalisation de l'étude PEFA 2017 ; ensuite en préparant le CRS-DR puis en assurant le suivi des conditions générales pour le décaissement des tranches annuelles de l'appui budgétaire sectoriel ; enfin, en finançant plusieurs études susceptibles de donner un éclairage stratégique sur certains thèmes (études sur la fiscalité, analyse de la chaîne PPBS dans deux ministères-clés,…). De même, la redynamisation des instances de pilotage dans le cadre du PGRGFP ainsi que l'établissement d'un cadre de concertation entre les « big five » (PTF pratiquant l'appui budgétaire) ont participé d'un engagement plus fort de la Délégation sur l'ensemble des questions de réformes structurelles.

**Les appuis de l'UE ont eu un rôle déterminant dans la conception du programme de réformes de GFP (JC3.2).** Le lancement du CRS-DR – avec ses exigences de suivi au niveau des réformes de GFP – ainsi que le soutien à la réalisation du PEFA ont été des leviers puissants pour relancer la dynamique de réformes. Le dialogue de politique insufflé par l'UE, chef de file des PTF dans ce secteur, a largement contribué à relancer le cadre de pilotage du plan d'action en vigueur (PAGFP 2016-2018), qui était en déshérence depuis 2012. De fait, le pilotage des réformes a connu une nette amélioration en 2018 et cette dynamique de dialogue sur les réformes n'a cessé depuis, hormis une interruption en 2020 au plus de fort la crise sanitaire. Celle-ci a un impact positif sur la coordination des activités de réforme et la redevabilité de chaque institution. Outre son rôle dans le dialogue de politique, l'UE a fourni une expertise perlée adaptée pour soutenir la Division de la Réforme Budgétaire (DREF) dans les travaux d'élaboration (puis de pilotage) du PGRGFP 2019-2021 mais aussi dans le suivi spécifique de la mise en œuvre des directives CEMAC et de monitoring de l'appui budgétaire.

**L'appui aux systèmes d'information n'a pas été une priorité transversale de l'UE clairement mise en évidence (JC3.3).** Toutefois, elle a fourni des appuis - d'ampleur très variable – sur plusieurs systèmes d'information. L'appui de loin le plus important a été le développement du système intégré de gestion des ressources humaines SIGIPES II, pour la gestion de plus de 400.000 fonctionnaires actifs et pensionnés. Celui-ci s'est avéré être un échec puisque sa mise en place n'a pas été achevée en raison de la défaillance du prestataire et aussi d'une forte résistance au changement dans un domaine critique de gestion des dépenses. Des appuis de moindre importance ont été réalisés ou sont en cours auprès de la Chambre des Comptes (intranet, logiciel de greffe, requalification du réseau, …), de la Direction générale des impôts (équipements d'appui pour la digitalisation, base de données forestières, outil de simulation d'impact fiscal) et des ministères de l'agriculture et de l'élevage (banque des données des projets opérationnels des ministères de l'agriculture et de l'élevage, de la base de données forestières. D'autres interventions (appuis à l'élaboration des CDMT ou au reporting des projets) ont permis d'identifier les facteurs de blocage et de responsabiliser les acteurs au regard de leur obligation de rendre compte.

**Les questions de transparence et de redevabilité ont été et restent au cœur de la stratégie d'intervention de l'UE (JC3.4).** Elles sont d'abord reflétées dans le cadre du dialogue de politique et abordées largement dans les échanges qui précèdent chaque décaissement annuel de l'appui budgétaire. Au titre des avancées, on peut noter la publication de l'évaluation PEFA 2017, les progrès considérables dans la mise à disposition de l'information budgétaire sur le site du MINFI ou encore la codification des produits, délais et responsabilités attendus dans le cadre de la transparence budgétaire permise grâce à deux décrets – sur le calendrier de préparation budgétaire et sur le calendrier des publications statistiques des FP - conçus avec une assistance technique fournie par l'UE.

Le renforcement des capacités de la Chambre des Comptes a conduit à des avancées décisives mais encore largement perfectibles de l'institution : succession de formations et coachings des magistrats, vérificateurs et greffiers ; premier plan stratégique de l'institution pour la période 2019-2023 positionnant la CdC sur les nouvelles missions définies par le cadre juridique de la GFP de 2018 ; projet de Code des juridictions financières ; programmes de contrôle pour 2020 et 2021 reposant sur des principes jusqu'à présent non appliqués – tels que celui de la sanction des fautes de gestion des ordonnateurs et contrôleurs ; mise en œuvre des premières procédures juridictionnelles pour faute de gestion ; audit de grande envergure et suivant les normes INTOSAI sur les fonds Covid. D'autres actions sont en devenir, tels que la mise en œuvre de chantiers informatiques et le lancement d'une première évaluation de politique publique (EPP). Des contraintes diverses limitent toutefois encore les effets de cet appui : déficit de leadership de l'institution ; capacité d'encadrement technique réduite ; faible valorisation des travaux des auditeurs ; circulation interne réduite de l'information ; maintien dans le paysage institutionnel du CONSUPE ; dépendance des décisions d'allocation budgétaire du Président de la Cour Suprême ; etc.

Au niveau du contrôle parlementaire, les résultats tangibles ne sont pas visibles pour des activités qui n'ont démarré qu'en 2020 et qui s'exécutent à un rythme assez lent et avec une proactivité faible des deux Commissions des Finances et du Budget (Assemblée nationale et Sénat). Quant aux appuis aux OSC, ils conduisent à des actions utiles (budget citoyen alternatif, plateforme de dialogue de la société civile sur les finances publiques, études et sensibilisation, …) mais dont l'impact réel est difficile à apprécier.

*Contribution des appuis CMSB de l'UE pour la mobilisation des recettes domestiques et la réduction des gaps (EQ4)*

| **EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?** |
|---|
| JC4.1 EU CMSB support has contributed to improved tax policy |
| JC4.2 EU CMSB support has contributed to improved tax administration |
| JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR) |
| JC4.4 EU CMSB support has contributed to revenue effort |

Une étude sur l'impact fiscal net (IFN) lié à l'Accord de Partenariat Economique (APE) financée par l'UE a permis de développer un outil de simulation, d'évaluer le coût des pertes de recettes douanières générées par l'APE sur l'ensemble de la période de démantèlement et de proposer des mesures de réformes pour combler le "gap fiscal" sur 2022-2029, à savoir la régulation des dépenses fiscales, le renforcement du contrôle des grandes entreprises et du contrôle des prix de transferts, l'amélioration de l'encadrement fiscal du secteur foncier / immobilier, et l'augmentation des recettes publiques issues de la filière bois. Les résultats de l'étude ont été fortement contestés par la partie nationale. Ainsi, le **bilan des appuis de l'UE en termes d'appui aux politiques fiscales sur la période 2015-2020, qui se résume essentiellement à l'étude mentionnée et à une seconde étude peu convaincante sur la parafiscalité (cf. CJ4.3), apparaît donc très mince (JC4.1)**.

Récemment, de nouvelles activités ont été engagées dans le cadre du volet fiscalité de l'AT aux réformes de GFP sur la base d'une démarche portée par un groupe de travail technique interministériel mis en place en 2021 et qui se veut globale puisqu'elle couvre à la fois l'actualisation des simulations de l'impact fiscal net lié à l'APE, les réformes de politique fiscale et l'administration de l'impôt et la transition digitale. Cette approche plus ouverte convient à la DGI mais elle a pour l'instant donné peu de résultats tangibles. La DGI reste critique vis-à-vis des appuis de l'UE pour des raisons ayant trait à la fois à la qualité des livrables produits et au désaccord sur la nature des appuis (intérêt limité pour l'AT) et les thèmes couverts (focus de la DGI mis sur l'administration fiscale versus focus DUE sur la politique fiscale). Cette absence de consensus renvoie à un problème de choix des leviers pour renforcer la mobilisation des recettes domestiques et de réticence gouvernementale à réviser le système de taxation actuelle.

Globalement, les interventions de l'UE en matière de fiscalité depuis 2015 n'ont pas ciblé la thématique de l'administration fiscale (JC4.2). Une des raisons invoquées est que d'autres PTF (KfW, BAD notamment) ont investi ce créneau. La récente relance du volet fiscalité (cf. CJ4.1) dans le cadre d'un contrat d'AT aux réformes GFP offre de nouvelles perspectives mais l'appui semble avancer lentement. Il est à noter qu'une enveloppe (de 600.000€), issue d'un recyclage des tranches d'AB non décaissées du CRS-DR, a été réservée par l'UE pour soutenir la digitalisation des process, première des priorités de la DGI. Cet appui est néanmoins très réduit par rapport aux autres contributeurs et marginal au regard des besoins de mise à l'échelle définis par l'administration fiscale.

**Les résultats liés aux appuis dans le domaine de la gestion des recettes non fiscales sont difficiles à quantifier (JC4.3).** L'UE a financé une étude portant sur la parafiscalité dont le rapport provisoire a été très critiqué, le diagnostic n'apportant pas réellement d'éléments nouveaux et les propositions de pistes de modernisation du système parafiscal et de taxation affectée n'étant pas au niveau des attentes (le rapport final n'a jamais été reçu). Par ailleurs, l'UE est intervenue sur la fiscalité des filières à travers deux ITV du CRS-DR (tranches 2020 et 2021). Le premier ITV portait sur l'augmentation de la mobilisation et de la transparence dans la collecte des taxes affectées au secteur du cacao dans le cadre d'une réforme majeure qui a conduit à passer d'un dispositif étatique de redevance peu transparent et pénalisant à un système fondé sur une cotisation volontaire obligatoire des producteurs et géré par l'interprofession. Une étude de traçabilité (*PETS*) va permettre de vérifier la solidité et l'équité du dispositif. Le second ITV portant sur l'augmentation de la mobilisation et de la transparence des taxes affectées dans le secteur du bois a conduit à la mise sur pied d'une base de données forestières et à la publication de données très utiles pour la DGI, en particulier pour repérer les entreprises ne s'acquittant pas de la Redevance Forestière Annuelle.

Enfin, on notera que, dans le cadre de l'appui de l'UE aux OSC piloté par le CRADEC, un accent particulier a été mis sur la réduction des flux financiers illicites (FFI) liés notamment à l'évasion fiscale et à l'optimisation fiscale. Ces activités ne disposent cependant pas d'une grande visibilité et ne sont en outre pas connues au niveau de l'administration fiscale.

La quantification des effets de la contribution de l'UE sur la mobilisation des recettes fiscales – a priori assez réduits à ce stade - n'apparaît guère possible (JC4.4). Les études réalisées (impact de l'APE et parafiscalité) n'ont pas eu de suites opérationnelles et les effets liés à l'appui apporté en matière de fiscalité des filières sont à ce stade difficiles à évaluer[5]. De manière générale, les autorités politiques ont témoigné d'un faible engouement pour déployer une réforme fiscale d'ampleur. Même au niveau des exonérations fiscales, l'un des chevaux de bataille du FMI, et malgré les engagements pris, la tendance à la hausse des exonérations fiscales s'est maintenue avec un montant de dépenses fiscales chiffré à 116 milliards FCFA en 2020 (près de 3 % du PIB). Globalement, l'évolution des recettes non pétrolières mobilisées par l'Etat sur la période 2015-2020 n'indique pas une tendance de fond : augmentation timide en 2016 (+1,7%), progression soutenue en 2017 (+10,8%) et 2018 (+8,4%) ; quasi-stabilité en 2019 (+0,3%) ; régression significative en 2020 (-4,8%) sous les effets de la crise sanitaire.

La mobilisation des recettes domestiques reste faible. Selon l'OCDE, entre 2010 et 2019, les recettes fiscales rapportées au PIB ont augmenté de 2,1 points de pourcentage au Cameroun contre une augmentation de 1,8 point pour la moyenne des 30 pays africains renseignés. Toutefois, le ratio pour le Cameroun (14,2% en 2019) reste à l'arrivée encore inférieur à cette moyenne (16,6% en 2019). Suivant les données du FMI, les recettes fiscales représentaient respectivement 12,3% (recettes hors pétrole) et 2,5% du PIB (recettes pétrolières) en 2019. Pour ces deux dernières années, les estimations sont de 11,4% et 1,8% du PIB en 2020 et de 12,0% et 2,4% du PIB en 2021. Paradoxalement, le Cameroun figure parmi les dix pays du continent où la pression fiscale sur les entreprises est la plus élevée. En effet, les 400 plus grandes entreprises du pays contribuent à 76% des recettes totales intérieures. En réalité, les options de politique fiscale préconisées portent d'une part sur l'élargissement de l'assiette fiscale - y compris à travers la formalisation d'une grande partie de l'économie et l'élargissement des sources de taxation, notamment le foncier – et d'autre part sur l'amélioration des capacités de collecte, en s'appuyant notamment sur une administration fiscale plus efficace et soutenue par une informatisation généralisée.

*Contribution des appuis CMSB de l'UE au renforcement des fonctions clé de la GFP et à l'amélioration de l'efficacité et de l'efficience des dépenses ainsi qu'à la gestion durable de la dette (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

[5] En revanche, le manque à gagner par l'Etat a lui été estimé en 2020 à environ 20 milliards FCFA (cf. rapport sur l'ITV portant sur le bois).

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

Sur l'ensemble de la période, les appuis de l'UE ont permis des avancées importantes en termes de budgétisation basée sur les politiques (JC5.1). A leur actif, on peut lister les résultats suivants : (i) élaboration de plusieurs stratégies à périmètre ministériel ; (ii) opérationnalisation du Comité Interministériel chargé de l'examen des programmes (CIEP) ; décret fixant le calendrier budgétaire de l'Etat ; textes relatifs à la refonte de la nomenclature budgétaire de l'Etat ; outils et processus pour accompagner l'élaboration des CDMT des ministères de l'agriculture et de l'élevage ; rationalisation du portefeuille de projets, opérationnalisation de la banque de données et circuit de reporting concernant les projets et les EP/EPA pour ces mêmes ministères ; participation des OSC au processus de préparation budgétaire au niveau du débat d'orientation budgétaire et des conférences élargies de programmation budgétaire et de la performance associée) ; établissement d'un Budget citoyen alternatif ; conduite de travaux préparatoires pour introduire une budgétisation sensible au genre.

Sur les premières années de la période étudiée, l'UE n'a pas ciblé le suivi et le contrôle de l'exécution du budget de l'Etat comme thématique d'intervention (JC5.2) excepté un appui assez ponctuel apporté en 2015 à la mise en place du contrôle de gestion (nomination de contrôleurs de gestion, guide méthodologique et plan d'opérationnalisation). Depuis 2020, l'UE finance une assistance technique qui a déjà conduit à fixer le cadre (décret et plan d'action) pour le déploiement du contrôle interne budgétaire (CIB) et du contrôle financier rénové. Les activités sont en cours pour mettre en place des dispositifs de CIB au sein du MINFI et de quatre ministères pilotes. Il est trop tôt pour parler de résultats mais cet appui devrait à terme avoir plusieurs effets positifs : réduction des délais de traitement des dépenses ; orientation du contrôle financier sur les dépenses à fort impact budgétaire ; et positionnement du contrôleur financier sur une mission de conseil. Le renforcement de l'efficacité de la dépense publique et de la transparence de l'information financière fait par ailleurs l'objet d'échanges réguliers dans le cadre du suivi des conditions générales des décaissements du CRS-DR avec des focus sur certaines questions spécifiques comme, par exemple, la politique de subvention des produits pétroliers. Il faut également prendre en compte les appuis transitant par les OSC qui, à travers leurs activités d'études, d'information et de sensibilisation, interrogent également différents pans de l'exécution budgétaire : étude et échanges sur les FFI ; cadre de supervision de suivi et de redevabilité (CSSR) de la mise en œuvre des ODD dans des communes pilotes ; évaluation de la participation communautaire dans la gestion publique des collectivités territoriales décentralisées ; étude sur les marchés publics sous l'angle de la satisfaction des droits sociaux ; etc.

Dans le cadre du suivi des conditions générales des décaissements du CRS-DR, le dialogue régulier sur les politiques mises en œuvre pour renforcer l'efficacité de la dépense publique et améliorer la transparence de la GFP (cf. CJ3.4) a eu un effet important, notamment en termes de transparence de l'information financière.

**Aucun appui de l'UE n'a été recensé dans le domaine de la gestion des marchés publics sur la période 2015-2021 (JC 5.3).** D'autres PTF, notamment la Banque Mondiale, ont soutenu ou soutiennent ce volet de la GFP. Le système national s'appuie sur un nouveau Code des marchés publics (2018) et le chantier de la digitalisation des passations des marchés publics est largement engagé avec la plateforme *Cameroon On Line E-procurement System (Coleps)* mise en place avec l'appui de la Corée du Sud.

Aucun appui de l'UE n'a également été recensé pour améliorer la gestion des investissements publics au niveau central (MINEPAT ou MINFI) (JC5.4). En revanche, dans le cadre de l'appui à la chaîne PPBS du MINADER et du MINEPIA, la gestion des projets d'investissement public a été un focus important du

« volet GFP » du CRS-DR car elle représentait un réel enjeu au vu notamment de la forte fragmentation des centres de responsabilités et de la multiplicité des projets, surtout au sein du MINADER. Pour ces deux ministères, le renforcement de la gestion des investissements publics a été indéniable avec des acquis à quatre niveaux : (i) rationalisation du portefeuille de projets à inscrire dans les CDMT et dans le budget ; (ii) opérationnalisation de la banque de données des projets ; (iii) centralisation effective de l'ensemble des rapports d'activités et rapports financiers des projets et EPA/EP ; (iv) réalisation de revues annuelles des portefeuilles des projets et EPA/EP. Ces acquis ne pourraient pas tous s'avérer durables au vu des difficultés que rencontre actuellement le MINADER à mobiliser les ressources nécessaires pour la tenue des revues. Quant au niveau central, des avancées - soutenues par d'autres PTF– sont observées : évaluation PIMA ; adoption d'un décret relatif au processus de maturation des projets d'investissement public et mise en oeuvre des premières mesures y relatives (système de visa de maturité, guide, mise en place d'un comité national chargé de l'examen des dossiers de maturité des projets d'investissement public) ; opérationnalisation d'un Comité national de suivi de l'exécution physico-financière du budget d'investissement public.

**Aucun appui de l'UE n'a été recensé en termes de renforcement de capacités de gestion de la dette publique (JC5.5).** Toutefois, un ITV de la tranche 2020 fait référence à la problématique d'endettement, ciblant la régularisation des dettes croisées entre l'Etat et la SODECOTON avec l'assainissement de la situation financière de cette dernière en ligne de mire. De manière générale, le système de gestion de la dette s'est renforcé ces dernières années (établissement de stratégies triennales d'endettement public et de gestion de la dette publique, annexées aux lois de finances ; Analyses de Viabilité de la Dette (AVD) annuelles ; notes de conjoncture mensuelle de la dette publique produites par la Caisse Autonome d'Amortissement ; activité de surveillance de l'endettement assurée par le Comité National de la Dette Publique (CNDP).

## 3.4 Efficacité et durabilité – Contribution aux résultats et impacts

*Renforcement durable de la gestion financière et publique (EQ6)*

**EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

L'appui budgétaire de l'UE s'est inscrit dans un contexte général de réformes structurelles soutenues d'une part par la réponse des autorités camerounaises à la crise régionale (chute des prix des produits pétroliers) et d'autre part par l'appui financier des bailleurs de fonds via des appuis budgétaires au

Trésor public. En 2017, cinq AB ont ainsi été accordés portant sur un montant total d'engagements de l'ordre de 1 750 M€ (300 M€ pour la France, 602 M€ pour le FMI, 407 M€ pour la Banque Mondiale, 351 M€ pour la BAD et 90 M€ pour l'UE). Ces apports ont été suivis de nouveaux flux d'AB en 2020-2021. Outre l'AB, une autre source de diversification des financements est venue du lancement d'Eurobonds sur les marchés internationaux, d'abord en 2015 (450 mds émis à un taux d'intérêt de 9,5% par an) puis en 2021 (refinancement du 1er Eurobond à un taux de 5,95%) **(JC6.1)**.

La période sous revue a conduit à des avancées très importantes en termes de planification et d'exécution du budget en lien avec les priorités gouvernementales (JC6.2) sous l'effet d'un volontarisme affiché des deux ministères centraux (MINEPAT et MINFI) et avec l'appui coordonné des principaux PTF. La préparation du budget s'inscrit désormais dans un cadre de programmation pluriannuelle et arrimé à une structure de programmes et à des cadres logiques de programmes qui se sont largement bonifiés ces dernières années. Des stratégies sectorielles sont désormais disponibles pour la plupart des ministères et l'élaboration de la SND30 a été l'occasion de renforcer l'articulation entre le budget et les priorités de la stratégie nationale de développement, désormais calées sur les ODD. Les responsabilités et les étapes de la préparation du budget ont été précisées (décret) et les orientations économiques et budgétaires à moyen terme font désormais l'objet d'un débat d'orientation budgétaire au Parlement. Les formations et accompagnements techniques reçus ont permis de disposer de CDMT relativement homogènes et de meilleure qualité. La participation introduite depuis peu des OSC au processus de préparation budgétaire constitue un levier additionnel pour tendre vers un bon alignement des budgets aux priorités des politiques de développement. L'amélioration des systèmes d'information (PROMIS) et la mise à disposition du public des documents budgétaires (site internet de la DGB) ont également largement contribué à l'ancrage d'une budgétisation axée sur les politiques publiques. Au niveau de l'exécution en revanche, l'adaptation des pratiques aux exigences de l'exécution d'un budget de programmes est encore limitée, les protocoles de gestion étant inexistants ou peu appliqués.

La problématique de réduction des inégalités, exprimée par l'ODD 10, passe par une mobilisation accrue de recettes fiscales et la mise en place de politiques qui, par le biais de la fiscalité et/ou des dépenses publiques, améliorent la situation des plus pauvres et atténuent les inégalités de revenus, de patrimoines et d'accès aux services publics. A cet égard, **aucun appui de l'UE lié spécifiquement à la GFP n'a précisément ciblé sur cette problématique (JC6.3)**. Quoiqu'il en soit, certaines réformes soutenues dans le cadre du CRS-DR, comme l'opérationnalisation du « Guichet Producteurs » du FODECC sont susceptibles d'avoir un impact important sur les revenus de nombreux ménages agricoles. De manière générale, les données disponibles ne traduisent pas au Cameroun une réduction des inégalités entre les différentes catégories de population (cf. infra). Elles témoignent aussi du fait que le facteur spatial, pénalisant les zones rurales, demeure une variable importante de l'exclusion qu'il s'agisse des revenus, de l'accès aux services de base ou des actifs de production. Ainsi, la dernière revue des dépenses publiques du Cameroun a montré que la répartition régionale du budget de la santé ne tenait pas compte des besoins des populations, de leur statut socioéconomique, du fardeau de la maladie ou du contexte sécuritaire.

Les autorités ont élaboré un plan de riposte sanitaire et socio-économique afin de faire face à la crise Covid-19 et maintenir une politique macroéconomique orientée vers la stabilité dans un contexte de forte baisse des recettes **(JC6.4).** L'UE a soutenu ce dernier par un décaissement anticipé de tranches d'appui budgétaire et la réintégration de fonds non déboursés en 2018 sur une tranche variable, contribuant à atténuer un peu les tensions de trésorerie camerounaise. En outre les cibles des indicateurs de la TV 2020 ont été décalées à fin octobre 2020. La LFR 2020 a conduit à une baisse du budget de 11% et a consacré également la création d'un Fonds Covid sous forme d'un compte d'affection spéciale alimenté, entre autres, par une contribution de l'UE (2 mds FCFA), de l'AFD (6,5 mds) et de la Banque Mondiale (22 mds). Le contexte politique et le niveau élevé de dépenses sécuritaires dans le budget (397 mds en 2020 et encore 349 mds en 2022) incitent pour l'instant plus au conservatisme budgétaire qu'à une logique de réorientation des priorités de dépenses publiques.

Peu de données permettent d'établir un lien entre les appuis liés à la GFP, en particulier ceux conduisant à accroître les recettes, et une amélioration du niveau d'infrastructures et de services publics (JC6.5). Pour ce qui concerne le CRS-DR dans sa globalité, on peut estimer que les réformes soutenues en particulier en matière d'accès aux intrants et services agro-pastoraux ou de politique de désenclavement des bassins de production agricole ont contribué à un meilleur accès à certaines infrastructures ou services dans les zones rurales du pays.

*Amélioration des facteurs de croissance de long terme (EQ7)*

| **EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?** |
|---|
| JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met |
| JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced |
| JC7.3. Access to public services/public infrastructure has improved significantly |
| JC7.4 Inequality in income distribution has been reduced |
| JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support |

La stabilité et la viabilité budgétaire et extérieure du pays était fortement questionnée au début de la période de référence. L'appui de l'UE s'est inscrit, comme les autres appuis budgétaires (FMI, BM, BAD, AFD), dans le cadre du programme économique et financier soutenu depuis 2017 par deux FEC successives. Le programme repose sur l'assainissement budgétaire, la maîtrise de la dette publique, une mobilisation accrue des recettes fiscales et l'adoption de réformes structurelles porteuses d'un environnement favorable au secteur privé et d'une croissance plus forte et plus inclusive. Tout en veillant à protéger les dépenses sociales et les dispositifs de protection sociale, les réformes ont été engagées à un rythme relativement soutenu**. Si les acquis sont indéniables, plusieurs facteurs de déstabilisation avec un impact évident sur les dépenses publiques et leur financement ont convergé à partir du milieu de la période sous étude (JC7.1)** : crise anglophone (depuis septembre 2017), intensification des attaques du groupe terroriste Boko Haram (à partir de décembre 2020), crise sanitaire (à partir du 2e trimestre 2020), organisation de la 33e CAN (au 1er trimestre 2021) dont le coût, financé sur fonds propres et emprunts bancaires, a été estimé à plus de 700 milliards de FCFA. Toutefois, la résilience de l'économie camerounaise aux effets internes et externes de la pandémie mondiale du Covid-19 a été soulignée.

**Le rapport décennal DGI Cameroun 2010-2020 évoque un civisme fiscal renforcé (JC7.2)** qui serait le résultat de plusieurs actions liées au renforcement du dialogue avec le secteur privé (via le Cameroon Business Forum et le dialogue avec les groupements socioprofessionnels) ou à une communication plus large (site web de la DGI, centres d'appels téléphoniques). Le développement des services en ligne pour la télédéclaration et le télépaiement est clairement un levier majeur pour faciliter les démarches des contribuables mais il est à ce stade encore assez loin d'avoir atteint son niveau critique. Selon une enquête de 2018 auprès d'un échantillon de contribuables de Yaoundé et de Douala, les niveaux de satisfaction des contribuables varient en fonction du centre d'impôt de rattachement et leur perception du système fiscal qui influence leur comportement ainsi que leurs échanges avec l'administration fiscale. Le maintien d'un indice élevé de perception de la corruption au Cameroun ne constitue évidemment pas un facteur favorable à une montée en puissance du civisme fiscal.

**L'accès aux services publics (JC7.3)** s'analyse essentiellement au regard des appuis de l'UE dans le cadre du 11e FED qui ont été principalement dirigés en faveur de la gouvernance et du secteur du développement rural. Les points d'application de l'aide budgétaire – à travers les ITV – ont concerné pour l'essentiel des mesures de réformes institutionnelles pour le renforcement de capacités des ministères (chaîne PPBS, politique semencière, …) et l'accompagnement de certains sous-secteurs (intrants agricoles, santé animale, …) ou filières (cacao, café, coton, bois) jugés essentiels. Les « services publics » soutenus concernent des catégories d'opérateurs et non l'ensemble de la population. Tout au plus peut-on faire référence aux ITV du CRS-DR (monitoring des routes rurales et le linéaire de routes communales réhabilitées) liés à l'objectif de désenclavement des bassins de production. Les travaux de désenclavement programmés peuvent ici avoir un impact sur les populations des communes concernées.

Pour l'éducation, on note que le ratio des dépenses publiques pour l'éducation, qui a oscillé entre 2,7% et 3,2% entre 2015 et 2019, n'a pas connu d'amélioration par rapport aux années 90 et demeure nettement inférieur à la moyenne des pays à revenu intermédiaire tranche inférieure (3,8%). La dynamique observée dans les admissions de l'enseignement secondaire entre 2011 et 2016 est retombée et la part de l'enseignement technique et professionnel a baissé entre 2014 et 2017. La crise anglophone explique en partie les reculs constatés. S'agissant de la santé, les efforts réalisés pour améliorer la capacité de réponse du système ont permis des succès notamment sur la mortalité maternelle (406 décès maternels pour 100 000 naissances vivantes en 2018 contre 782 en 2011) ou sur la prévalence du VIH/SIDA (passée de 4,3% à 2,7% chez les adultes de 15-49 ans). L'insécurité alimentaire et nutritionnelle aiguë et chronique demeure élevée (22,2%) dans les zones touchées par les conflits et les chocs climatiques. Globalement, des inégalités d'accès aux services publics marquées demeurent en fonction des milieux socio-professionnels, des régions et du genre.

**L'évolution de l'inégalité des revenus (JC7.4)** est une dimension difficile à appréhender d'autant plus qu'aucune donnée n'a été produite depuis 2014 (les résultats de la 5$^{e}$ édition de l'enquête camerounaise auprès des ménages – ECAM5 lancée en 2021 ne sont pas disponibles). Selon les ECAM précédentes, les inégalités de revenus entre les ménages ont baissé entre 2001 et 2007 mais ont au contraire augmenté entre 2007 et 2014 (+13% selon l'indice de Gini et +25% selon l'indice de Theil). Quant à la réduction des inégalités par la fiscalité, notamment en luttant contre l'évasion fiscale et en imposant les revenus fonciers, celle-ci est très peu mise en avant dans la politique fiscale actuelle. Les classes privilégiées, détenteurs de la plupart des actifs fonciers, pèsent pour un maintien du statu quo.

Les réformes portées sur la période et soutenues par l'UE sont clairement mises en œuvre à un rythme plus lent que prévu, comme l'atteste le bilan du PGRGFP. Au-delà des contraintes techniques et/ou de capacités, elles rencontrent d'importantes résistances dès lors qu'elles tendent à remettre en place les situations acquises en termes de politique fiscale ou de gestion de la dépense publique. Le contexte sanitaire, économique et politique du début de cette décennie ne constitue par ailleurs pas un élément favorable. **Les changements ne pourront donc être que très progressifs, résultant de compromis négociés notamment dans le cadre du dialogue sur les politiques (JC7.5).**

## 3.5 3Cs: Cohérence externe, coordination & complémentarité (EQ8)

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**L'appui de l'UE a été mis en œuvre de façon concertée avec les principaux PTF impliqués en soutien de la GFP (JC8.1).** Plus généralement, les appuis des principaux bailleurs de fonds ont été cohérents, alignés et surtout complémentaires et ce particulièrement à partir de 2017. Ceci a été possible grâce (i) à l'obligation affirmée d'alignement des PTF aux mesures inscrites dans le PGRGFP, cadre unique de référence, (ii) à l'association formelle des PTF à la préparation et au suivi du PGRGFP et aux échanges soutenus entre les PTF et la Division des Réformes Financières qui permettent de valoriser le travail des techniciens et participent ainsi d'une dynamique vertueuse, (iii) à la qualité des mécanismes d'échanges permanents entre les PTF, surtout entre les "big5", (iv) à l'effort des AT engagés dans le cadre des appuis complémentaires en appui au pilotage.

La formulation d'interventions des différents partenaires s'est dans l'ensemble réalisée en bonne synergie et complémentarité entre chacune d'elles. Côté recettes, l'UE a choisi d'intervenir sur les politiques fiscales, les autres PTF (surtout BM, BAD, KfW et GIZ) ciblant le renforcement de l'administration fiscale et la dématérialisation. Côté dépenses, les interventions des bailleurs ont couvert les principaux maillons de la chaîne de la dépense publique. L'UE, en coordination avec d'autres bailleurs comme l'AFD et la GIZ, s'est concentrée sur les aspects de contrôle (juridictionnel surtout, mais aussi parlementaire et administratif), de déconcentration financière de l'ordonnancement et de renforcement des fonctions de pilotage des réformes.

La DUE a été très active pour renforcer la coordination des « big 5 ». Elle s'est mobilisée pour l'adoption de plaidoyers communs (ex : sur l'établissement et la publication de l'audit des dépenses Covid par la Chambre des Comptes). La qualité de son leadership est saluée par les PTF. Une innovation récente - introduite avec le nouveau programme triennal FMI lancé en juillet 2021 - est la consultation de l'ensemble des PTF (big 5) sur leurs programmes respectifs d'AB et leurs matrices d'indicateurs en cours de formulation. D'autres leviers sont à l'étude pour renforcer plus encore cette coordination, comme la mobilisation d'une AT dédiée simultanément à la coordination des PTF, à la plateforme et au plan de réformes de la GFP ; spécialisation plus marquée des PTF se concentrant sur deux ou trois domaines de la GFP en tenant compte des positionnements « historiques » (ex : BM sur la gestion de la dette, UE sur le contrôle externe, …).

Au niveau régional, les activités de renforcement des capacités soutenues par Afritac Centre, portant surtout sur l'administration des recettes, la politique fiscale, la gestion de la dette et des dépenses ainsi que les statistiques financières, ont été complémentaires aux appuis GFP de l'UE (JC8.2). Le projet régional PACIE 1, utilisant les ressources du Pôle de Dakar (PNUD/France), a permis, en amont de la mise en œuvre du nouveau cadre de GFP, de favoriser une compréhension générale des directives CEMAC sur la GFP.

Le Cameroun bénéficie de l'appui de différentes initiatives internationales financées par l'UE mais sans lien spécifique avec les autres interventions de l'UE (JC8.3). Dans le cadre du partenariat entre la Commission Européenne et le FMI autour de l'organisation annuelle du Forum sur les finances publiques (*African Fiscal Forum*), l'UE a appuyé la tenue de la 5$^{e}$ édition de ce forum à Yaoundé (février 2017). Les retombés de cet évènement sont difficiles à mettre en évidence. S'agissant du Forum mondial, le Cameroun a été évalué comme adhérant largement à la norme sur l'échange de renseignements à des fins fiscales sur demande (EOIR). En outre, ayant signé (2017) la Convention multilatérale pour la mise en œuvre des mesures relatives aux conventions fiscales pour prévenir l'érosion de la base d'imposition et le transfert de bénéfices, le Cameroun a pu bénéficier d'un programme d'appui pour la mise en œuvre du paquet BEPS (Cadre inclusif sur l'érosion de la base d'imposition et le transfert de bénéfices). Au niveau régional, le Cameroun fait partie du Groupe d'Action contre le blanchiment d'Argent en Afrique centrale (GABAC), organisme de la CEMAC qui a pour mandat de coordonner, dynamiser et évaluer les actions entreprises au sein des Etats dans le cadre de la lutte contre le blanchiment d'argent et le financement du terrorisme.

## 3.6 Efficience des appuis de l'UE à l'agenda CMSB dans le pays (EQ9)

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

Concernant les délais de mise en œuvre, les activités de suivi de l'appui budgétaire (CRS-DR) et les procédures de décaissement se sont déroulées de manière générale suivant le planning prévu (JC9.1). L'existence d'un seul appui budgétaire et la limitation des décaissements à des versements annuels uniques en fin d'exercice budgétaire ont évidemment facilité les choses. Pour les appuis complémentaires, des avenants assez nombreux ont été signés pour rallonger la durée des prestations en raison de retards importants constatés dans l'exécution ou, certaines fois, de l'adjonction d'activités additionnelles. Une montée en gamme très lente est constatée par ailleurs pour les volets Fiscalité et Contrôle parlementaire de la nouvelle assistance technique GFP débutée en 2020.

Concernant la flexibilité de l'UE, les perceptions diffèrent selon les entités bénéficiaires : plutôt positive au niveau de la Division de la Réforme Budgétaire ou de la Chambre des Comptes, assez critique à la DGI qui reproche à l'UE de s'être montrée rigide dans ses positions concernant les points d'application et les modalités de son appui (assistance technique sur la politique fiscale) alors que la DGI n'était pas preneuse d'AT et exprimait des besoins centrés sur le renforcement de l'administration fiscale avec un focus majeur sur la digitalisation. L'UE a, dans le cas d'espèce, été perçue comme le PTF le plus rigide et le moins aligné aux priorités du plan stratégique de la DGI tout en étant le plus petit contributeur en termes d'appuis financiers.

Sur un plan général, des difficultés de mise en œuvre des engagements pris par les différents bailleurs continuent à être rencontrées en raison de lourdeurs des procédures administratives internes, des mécanismes de mise en œuvre des conventions, ou encore d'une concertation initiale insuffisante sur les objectifs et modalités de mise en œuvre des interventions. Sur ce dernier point et s'agissant de l'UE, une illustration récente est donnée par le dernier contrat portant recrutement de six experts en appui à la GFP.

Les RH au sein de la DUE ont connu beaucoup d'instabilité en début de période puis à nouveau en 2019 et 2020 avec une évolution en dents de scies, entraînant souvent des grandes difficultés pour l'équipe à atteindre ses objectifs (JC9.2). Cette situation a pu notamment, à certains moments, induire des analyses moins approfondies des dossiers relevant du domaine de l'appui budgétaire.

Hormis certains appuis dont l'appropriation est rendue délicate par l'absence d'un consensus initial entre l'UE et les SMO du PGRGFP concernés, un bon niveau d'appropriation des interventions a été constaté (JC9.3). Celui-ci a été possible grâce à la redynamisation du cadre de dialogue sur le suivi de la performance des réformes de GFP, à la tenue des obligations de reporting, au développement de chantiers de réforme incitant à des collaborations inter-services et à la périodicité rapprochée des réunions des PTF soutenant la GFP. Parmi les facteurs d'appropriation des réformes et des interventions soutenues par l'UE, il convient aussi de souligner une meilleure intégration de la société civile dans le processus : le PLANOSCAM (Plateforme Nationale des Organisations de la Société Civile Camerounaise) est membre du comité de pilotage de la plateforme de dialogue sur les FP et la société civile est considérée par le PGRGFP 2019-2021 comme une structure de mise en œuvre (SMO) du plan de réformes au même titre que les ministères.

**Les actions de communication et de visibilité de l'UE ont été plutôt tardives (JC9.4).** La communication sur son appui budgétaire a été surtout mise en évidence à partir de fin 2019 avec une couverture soutenue de l'engagement de la seconde phase du CRS-DR (2020-2021) puis, ultérieurement, du décaissement avancé de la tranche fixe de l'appui budgétaire dans le cadre de la réponse Team Europe à la crise COVID-19. Ce n'est qu'en 2020 qu'un plan de communication et visibilité de l'appui budgétaire a été arrêté et une campagne de communication organisée. Une visibilité particulière de l'UE ressort (i) de l'accompagnement de la réalisation du PEFA puis de la préparation et du suivi du PGRGFP ; (ii) de la position de chef de file dans le cadre du dialogue Gouvernement-PTF ; et (iii) de la réalisation de l'audit sur les fonds Covid et du plaidoyer réalisé pour en assurer sa diffusion publique.

# 4. Main lessons: contribution to key outcomes and good practices

***Sur les conditions de succès du passage d'une logique d'appui-projets à une logique d'appui budgétaire** :* Le changement radical des modalités d'appui de l'UE à partir de 2017 s'est avéré une réussite grâce aux facteurs favorables : (i) le lancement simultané d'un programme économique et financier, venu rassurer sur les intentions du gouvernement camerounais en termes de soutenabilité de ses politiques économiques et les conditions de suivi des engagements pris ; (ii) une volonté appuyée du Ministre des Finances et de quelques directeurs généraux, sur les pôles fiscaux et budgétaires, favorables au changement ; (iii) la réactivation des cadres de dialogue et des dispositifs de pilotage des réformes de GFP, réalisée à la faveur d'une évaluation PEFA ; et (iv) la présence du cadre normatif régional (directives de la CEMAC de 2011).

***Sur la perception et les résultats de l'appui budgétaire européen** :* Plus de quinze ans après la Déclaration de Paris, l'appui budgétaire démontre qu'il constitue un levier vertueux de la coopération à divers égards, (responsabilité mutuelle, utilisation des systèmes nationaux, limitation des coûts de transaction, etc.). Les programmes d'AB de l'UE et des autres bailleurs du « Big5 » ont largement contribué à la réactivation du dialogue de politiques, permis la focalisation de la concertation autour des réformes-clés et encouragé un approfondissement des échanges et de la division du travail entre les principaux PTF. Ces effets positifs peuvent s'avérer contrariés lorsqu'en dépit du dialogue de politiques, les allocations budgétaires des ministères prioritaires ciblées n'évoluent pas dans le sens souhaité. Du fait de la dilution des ressources liée à une AB sectorielle non ciblée, une communication soutenue est indispensable dans ce cas pour bien valoriser les apports de l'UE. Dans le cas d'un pays relativement indépendant de l'APD comme le Cameroun, un engagement visible et quotidien de la DUE dans le dialogue de politique est d'autant plus important que ses décaissements annuels pèsent peu dans les recettes budgétaires. Les difficultés à soutenir les revues du secteur rural en 2022 montrent que la pérennité des acquis reste une question prégnante qu'il s'agisse d'appui budgétaire ou d'appui-projet.

Sur la cohérence et la coordination des apports des PTF :

- Les « big 5 » témoignent au Cameroun de pratiques globalement pertinentes dans ce domaine. En particulier, la récente initiative consistant à soumettre aux autres partenaires, pour avis, leur programme budgétaire et indicateurs en préalable de leur signature est une bonne pratique.
- D'autres initiatives sont également à encourager comme une concentration plus poussée de chaque PTF sur un nombre de domaines plus restreint, surtout lorsqu'il s'agit d'appuis projets. C'est a priori un gage d'efficacité et de limitation des coûts de transaction accrues. Cela peut conduire aussi à simplifier le tableau des appuis et permettre de relier chaque volet du plan de réformes GFP à un PTF leader. On peut de ce point de vue opposer les résultats respectifs de l'UE au niveau des volets fiscalité d'une part, et contrôle externe d'autre part.

***Sur la flexibilité dans le choix des domaines d'appuis et dans le séquençage des réformes :*** Une bonne compréhension et prise en compte de l'économie politique - au Cameroun comme ailleurs - est au cœur d'une coopération efficace. Cette analyse fine des contextes, des rapports de forces et des jeux d'acteurs, est essentielle pour appréhender les réformes susceptibles de « passer » et de conduire à des « quick wins », celles qui exigent une « stratégie des petits pas » et celles qui, aussi essentielles qu'elles paraissent, sont vouées à l'échec. Sur la base de cette typologie, on peut classer l'appui au pilotage des réformes dans le premier groupe, l'appui à la Chambre des comptes dans le second, et l'appui à la fiscalité forestière dans le dernier.

## Annexe 1: Inventaire des appuis de l'UE à l'agenda CMSB au Cameroun

**Table 1: CORE CMSB Contracted or disbursed amount (in M€)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| VTI | - | - | - | - | 3 | 5 | 8 |
| CM | - | - | - | - | - | - | - |
| TA | - | 0.1 | 0.1 | 2.4 | - | - | 2.6 |
| IO | - | - | - | - | - | - | - |
| Total | - | 0.1 | 0.1 | 2.4 | 3 | 5 | 10.6 |

1) Appuis Budgétaires UE (AB) alloués au Cameroun sur la période 2015-2021

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed (M€) | Total Amount disbursed (M€) |
|---|---|---|---|---|---|---|---|---|
| SRPC | 40031 | Contrat de réforme sectorielle -Développement Rural | 2017 | 2021 | 67 | 73 | 140 | 111 |

2) Indicateurs de Tranche Variable (ITV) en lien avec l'agenda CMSB par contrat

**Contrat de réforme sectorielle -Développement Rural**

| Year | Indicators for Variable Tranche 2 | Type of Indicators[6] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Niveau de mise en œuvre du budget programme dans le secteur du développement | Process | Policy-based fiscal strategy and budgeting | 3,00 | 3,00 |

| Year | Indicators for Variable Tranche 3 | Type of Indicators[7] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | Amélioration de la transparence et de la gestion publique : Amélioration de la qualité de la dépense publique dans le secteur rural : décision ministérielle de rationalisation du panorama de projets du MINADER et transmission des rapports opérationnels et financiers | Process | Public investment management | 2,00 | 2,00 |
| 2020 | Amélioration de la transparence et de la gestion publique : Amélioration de la redevabilité mutuelle dans la gouvernance des entreprises publiques du secteur rural : le cas de la SODECOTON : Signature de convention de régularisation de dettes croisées Etat/SODECOTON et paiement du crédit TVA | Process | Arrears | 2,00 | - |
| 2020 | Amélioration de la transparence et de la gestion publique : Amélioration de la mobilisation et de la transparence dans la mobilisation des taxes affectées au secteur du cacao-café : document stratégique pour le fonds semencier et manuel d'opérationnalisation | Process | Accounting and reporting | 2,00 | 1,00 |

6 Input, output, process, outcome, impact
7 Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| | d'une guiche de financement de producteurs et operateurs de la filière cacao. | | | | |
| 2020 | Amélioration de la transparence et de la gestion publique : Amélioration de la mobilisation et de la transparence des taxes affectées dans le secteur du bois : construction d'une base de données et rapport sur la qualité de ces données | Process | Revenue administration | 2,00 | 2,00 |

| **Year** | **Indicators for Variable Tranche 4** | **Type of Indicators**[8] | **CMSB sectors** | **Amount allocated (€ M)** | **Amount disbursed (€ M)** |
|---|---|---|---|---|---|
| 2021 | Amélioration de l'efficacité de l'action publiques dans le secteur rural : Désenclavement des bassins de production agro-pastoraux : programmation des projets priorisés | Output | Policy-based fiscal strategy and budgeting | 2,00 | n/a |
| 2021 | Amélioration de la transparence et de la gestion publique : Amélioration de la qualité de la dépense publique dans le secteur rural : rationalisation du panorama de projets du MINADER effective (clôture et restructuration) et transmission des rapports opérationnels et financiers | Process | Public investment management | 2,00 | n/a |
| 2021 | Amélioration de la transparence et de la gestion publique : Amélioration de la redevabilité mutuelle dans la gouvernance des entreprises publiques du secteur rural : le cas de la SODECOTON : Paiement des missions de service public et validation par la SODECTON d'une stratégie de financement du plan de redressement | Process | Transparency of public finances | 2,00 | n/a |
| 2021 | Amélioration de la transparence et de la gestion publique : Amélioration de la mobilisation et de la | Process | Revenue administration | 2,00 | n/a |

8 Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| | transparence dans la mobilisation des taxes affectées au secteur du cacao-café : création et opérationnalisation de l'outil de financement unique, contractualisation des allocations du fonds cacao, et validation des résultats d'une enquête de suivi des dépenses publiques. | | | | |
| 2021 | Amélioration de la transparence et de la gestion publique : Amélioration de la mobilisation et de la transparence des taxes affectées dans le secteur du bois : actualisation de la base de données et rapport sur la qualité de ces données | Process | Revenue administration | 1,50 | n/a |
| 2021 | Amélioration de la transparence et de la gestion publique : Amélioration de la mobilisation et de la transparence des taxes affectées dans le secteur du bois : Amélioration de la légalité de la gestion des forêts par l'institutionnalisation de la certification légale de gestion forestière et de la chaîne de contrôle imposées à tous les produits bois exportés | Process | Tax performance | 2,00 | n/a |

3) Autres interventions de l'UE

**Capacity-building / technical assistance projects supporting CMSB**

| Decision number | CRIS contract number | Programme title / content | Financial Year | Contract status | Total Amount Contracted |
|---|---|---|---|---|---|
| 37981 | 380310 | African Fiscal Forum 2017 | 2016 | Closed | 126.246 € |
| 39934 | 387979 | Avenant au contrat 2016/378512/1 pour Modification de l'étape 2 et augmentation budgétaire sur TCF II du 11ème FED | 2017 | Closed | 55.170 € |

| | | | | | |
|---|---|---|---|---|---|
| 39934 | 393043 | Renforcement des capacités des agents de la Chambre des Comptes du Cameroun | 2018 | Closed | 298.910 € |
| 39934 | 395330 | Etude sur la parafiscalité au Cameroun | 2018 | Ongoing | 128.388 € |
| 39934 | 399171 | Etude de modélisation, d'évaluation et d'atténuation de l'impact fiscal net lié à l'Accord de Partenariat Economique | 2018 | Closed | 244.900 € |
| 39661 | 403048 | Promotion of open and inclusive governance in the mining and forestry sector through access and utilization of fiscal data (a) | 2018 | Closed | 720.000 € |
| 39661 | 403694 | Renforcement de la gouvernance budgétaire pour la fourniture des services de base durable dans le respect de la préservation de l'environnement | 2018 | Ongoing | 491.351 € |
| 40919 | 403711 | Budget complémentaire au contrat 403-694 : renforcement de la gouvernance budgétaire pour la fourniture des services de base durable dans le respect de la préservation de l'environnement | 2018 | Closed | 265.649 € |
| 39661 | 403759 | Renforcement des capacités de la société civile dans le contrôle citoyen des finances publiques (ROSFIP) | 2018 | Ongoing | 270.000 € |

(a) Ce contrat signé avec un prestataire britannique n’a finalement pas été mis en œuvre (suite au Brexit).

## Annexe 2: Institutions rencontrées

| Type d'institution | Institution / Ministère | Service |
|---|---|---|
| UE | UE Delegation | |
| | CAON (Cellule d'Appui à l'Ordonnateur National du FED) | |
| Autorités et institutions nationales | MINFI (Ministère des Finances) | DG Budget |
| | | DG Impôts |
| | | DG Trésor |
| | MINEPAT (Ministère de l'Economie, de la Planification et de l'Aménagement du Territoire) | |
| | MINADER (Ministère de l'Agriculture et du Développement Rural) | CAPPA (Cellule des Analyses Prospectives et des Politiques Agricoles) |
| | MINEPIA (Ministère de l'Elevage, des Pêches et Industries Animales) | DEPCS (Direction des études, de la planification, de la coopération et des Statistiques) |
| | Chambre du Commerce | |
| | FODECC (Fonds de Développement des Fillières Cacao et Café) | |
| | ROSFIP | |
| | CRADEC (Centre Régional Africain pour le Développement Endogène et Communautaire) | |
| Autres donateurs | FMI | |
| | World Bank | |

## Annexe 3: Plans de réforme GFP au Cameroun depuis 2010

Quatre plans de modernisation des finances publiques ont été mis en œuvre depuis 2010 :

| Différents plans de réforme | Date d'élaboration | Période couverte | Objectif visé et champs couverts |
|---|---|---|---|
| Plan de modernisation des Finances Publiques (PMFP) | Déc. 2009 | 2010-2012 | Intervenu à la suite de la première évaluation PEFA (2007) et de l'adoption de la loi portant régime financier de l'Etat de 2007, il vise à mettre en œuvre la nouvelle loi et, plus globalement, à pallier les insuffisances constatées par le PEFA. |
| Plan de modernisation des | Déc. 2012 | 2013-2015 | Il est le premier plan qui introduit des actions destinées à transposer dans l'ordre juridique |

| | | | |
|---|---|---|---|
| Finances Publiques revu | | | interne les directives du cadre harmonisé de gestion adoptées par la CEMAC en 2011. |
| Plan d'action de la Réforme pour la période triennale 2016-2018 | 2017 | 2016-2018 | Il découle d'une circulaire du Premier Ministre du 27/09/2016 fixant les orientations de la Réforme des finances Publiques pour la période considérée. D'un périmètre plus étroit que les précédents, il est centré sur la consolidation de la gestion budgétaire par programme mise en place en 2013 ainsi que sur le parachèvement du processus de transposition des directives CEMAC. |
| Plan Global de Réformes de la Gestion des finances Publiques (PGRGFP) | Déc. 2018 | 2019-2021 ->2023 | Il a été bâti globalement à partir des constats et recommandations du PEFA de 2017. Compte-tenu des impacts de la crise sanitaire liée au Covid-19, le plan a été évalué et actualisé pour une nouvelle période de deux ans (2022-2023). |

Le plan de réforme en vigueur - Plan Global de Réforme de la Gestion des Finances Publiques (PGRGFP) – a été construit en grande partie à partir des constats de l'évaluation PEFA 2017. Il a pour objectif global de « doter le Cameroun d'un système de GFP transparent, performant, conforme aux standards internationaux, respectueux des prérogatives et attributions légales et réglementaires des institutions et administrations, ainsi que celles des autres acteurs de la GFP, et mettant résolument les finances publiques au service du développement du pays et du bien-être des citoyens ». Ambitieux de par son périmètre et ses résultats attendus, le PGRGFP vise la modernisation de l'ensemble du système de GFP en couvrant tous les pans des réformes des finances publiques. Il est également l'outil pour mettre en œuvre les principales dispositions du nouveau cadre légal traduisant la transposition des directives de la CEMAC liées à la GFP. Le PGRGFP a défini 26 objectifs spécifiques pour la période, regroupés selon les cinq axes stratégiques suivants : (1) Renforcement des capacités de préparation du budget et amélioration de la budgétisation par programme ; (2) Renforcement du civisme fiscal et des capacités de mobilisation des ressources budgétaires ; (3) Renforcement des capacités de contrôle et de maîtrise de l'exécution des budgets ; (4) Développement des audits et vérifications internes et des contrôles externes ; (5) Mise en place et renforcement des fonctions d'appui à la GFP.

Le bilan du PGRGFP 2019-2021 a fait état de retards dans la réalisation de certains chantiers structurants et pointé un grand nombre de résultats du PGRGFP non atteints, en partie en raison de l'impact de la crise sanitaire sur l'exécution des mesures de réforme. Tout en conservant les mêmes axes d'intervention et le même cadre de performance, le plan a été actualisé en 2021 et prolongé pour les années 2022-2023. Ce plan actualisé 286 résultats à atteindre durant la période 2022 – 2023 structurés autour de 27 objectifs déclinés en 61 actions et 130 activités.

Le cadre institutionnel du PGRGFP repose sur trois instances principales :

- Le *Comité de pilotage des réformes (COPIL)*, organe de concertation entre les responsables des Services de Mise en Œuvre élargi aux représentants d'opérateurs économiques et de partenaires sociaux (présidence assurée par le ministre en charge des finances ; réunions deux fois par an) ;
- La *Plateforme de dialogue sur les finances publiques,* instance de concertation visant une approche harmonisée des réformes dans le domaine des finances publiques. Il regroupe des représentants des autorités camerounaises, des partenaires techniques et financiers, réunis auprès d'un Comité multipartenaires, ainsi que les représentants de la Société civile et du secteur privé (présidence assurée par le Ministre des Finances, réunions deux fois par an) ;
- Le *Sous-Comité de suivi du PGRGFP* (au sein du COPIL), instance en charge de suivre les activités programmées dans le plan et d'en rendre compte (production trimestrielle du bilan de mise en œuvre) ; il est constitué des représentants des structures de mise en œuvre des réformes des finances publiques et présidé par le Directeur Général du Budget ;

- La *Division de la Réforme Budgétaire (DREF)*, au sein de la Direction Générale du Budget, assure le pilotage opérationnel du PGRGFP.

## Annexe 4: Principales interventions des PTF dans le domaine de la GFP

| Partenaires | Nature des appuis | Domaines de réformes des FP ciblés |
|---|---|---|
| Banque Mondiale | **Appui budgétaire :** Opération d'appui aux politiques de développement pour la consolidation budgétaire et la croissance inclusive.<br>Montant total : 263 milliards de FCFA<br>Période : 2017, 2018, 2019 | • Mobilisation des recettes Evaluation des dépenses fiscales et leur résorption progressive.<br>• Marchés publics : l'efficacité du système de passation des marchés pour une exécution du budget efficace.<br>• Maîtrise de la masse salariale ;<br>• Gestion des entreprises publiques. |
| | **Appui projet** : Projet d'Amélioration de l'Efficacité de la Dépense Publique et du Système Statistique (PEPS)<br>Montant total : 15 milliards de FCFA<br>Période : 2017, 2018, 2019 | • Consolidation de la réforme des budgets programmes dans des secteurs sélectionnés ;<br>• Implémentation du SIGIPES II ;<br>• Gestion des EP et des entreprises publiques ;<br>• Amélioration de la qualité de l'investissement public dans des secteurs sélectionnés ;<br>• Amélioration de l'efficacité du système de passation de marchés publics et renforcement des capacités pour une meilleure prestation de services ;<br>• Renforcer l'utilisation des statistiques pour l'élaboration des politiques. |
| Banque Africaine de Développement | **Appui budgétaire :** Programme d'Appui à la Compétitivité et à la Croissance Economique (PACCE)<br>Montant total : 378 milliards de FCFA.<br>Période : 2017, 2018, 2019 | • Pilotage de la réforme des finances publiques<br>• Gestion des investissements publics<br>• Marchés publics |
| | **Appui projet :** Projet d'appui au renforcement de la GFP (Pargefip)<br>Montant total : 14,7 MUC (fin. FAD : 13,7 MUC).<br>Période : 2020-2023 | • Renforcement des capacités de mobilisation des ressources budgétaires (élargissement de l'assiette fiscale ;<br>• Renforcement du cadre de GFP |
| Union Européenne | **Appui budgétaire** : Contrat de réforme sectoriel développement rural<br>Période : 3 ans (2017, 2018, 2019, 2020, 2021)<br>Montant total : 91,2 milliards de FCFA.<br>(Prolongé avec la phase 2 du CRS-DR) | • Amélioration de l'efficacité de l'action publique dans le secteur rural<br>• Augmentation du niveau d'inclusivité dans les cadres de concertation de filières prioritaires agropastorales<br>• Amélioration de la transparence et de la gestion publique |
| | Appuis complémentaires<br>Chaîne PPBS, Contrôle (Parlementaire, Juridictionnel et Administratif), Soutien OSC<br>Montant total 8,5 milliards de FCFA | • Volet GFP de l'AT en soutien aux réformes du secteur rural (chaîne PPBS, politique de subvention des filières, ...)<br>• AT en soutien aux réformes de la GFP : appuis à la Chambre des comptes, aux deux assemblées parlementaires ; développement du contrôle budgétaire interne<br>• Appui à la Chambre des comptes du Cameroun- fourniture d'équipement IT<br>• Appuis aux OSC de contrôle citoyen |

| | | |
|---|---|---|
| France (AFD)[9] | **<u>Appui budgétaire</u>** : Appui Budgétaire sectoriel 3e C2D<br><u>Période</u> : 2017-2019<br><u>Montant total</u> : 40,4 milliards de FCFA | • Renforcement de l'efficacité de la gestion publique en soutenant des politiques publiques dans les secteurs de la santé, de l'éducation de base et de l'appui au secteur privé. |
| | **<u>Appui budgétaire</u>** : Prêt de soutien budgétaire<br><u>Période</u> : 2017, 2018, 2019<br><u>Montant total</u> : 198 milliards de FCFA. | • Gouvernance des entreprises et des établissements publics, |
| | **<u>Appui projet</u>** : Projet d'appui à la gouvernance financière (PAGFI)<br><u>Période</u> : 2018-2019<br><u>Montant total</u> : 250 millions de FCFA | • Renforcement du pilotage unifié de la réforme des finances publiques<br>• Appui technique ciblé aux groupes de travail en charge de la réforme budgétaire et comptable<br>• Renforcement des capacités des administrations de Ministères sectoriels cibles et des acteurs du système de redevabilité financière. |
| | **<u>Appui projet</u>** : Projet d'appui à la gouvernance financière (PAGFI)<br><u>Période</u> : 2017-2019<br><u>Montant total</u> : 250 millions de FCFA | • Renforcement du pilotage unifié de la réforme des finances publiques<br>• Appui technique ciblé aux groupes de travail en charge de la réforme budgétaire et comptable<br>• Renforcement des capacités des administrations de Ministères sectoriels cibles et des acteurs du système de redevabilité financière. |
| | **<u>Appui projet</u>** : Projet d'appui à la gouvernance financière II (PAGFI 2)<br><u>Période</u> : 2019-2022<br><u>Montant total</u> : 2,7 milliards de FCFA | • Renforcement des capacités de contrôle et de maîtrise de l'exécution du budget (gestion de trésorerie et amélioration de l'information comptable et budgétaire) |
| Coopération Allemande (GIZ-KFW) | **<u>Appui projet</u>** : Projet d'appui à la Modernisation des Finances publiques (PAMFIP) – phase 2 et 3<br><u>Période</u> : 2017-2023<br><u>Montant total</u> : 20,4 milliards de FCFA | • Chaine PPBS<br>• Pilotage par la performance<br>• Mobilisation des recettes<br>• Budgétisation sensible au genre<br>• Gestion budgétaire axée sur le développement<br>• Gestion des recettes fiscales<br>• Interactions communes et services déconcentrés de l'Etat |

Le soutien du FMI (deux FEC depuis 2017) est mentionné en section 2 de la note. Le FMI intervient également en s'appuyant sur les missions d'assistance technique réalisées par le siège (Département des Finances Publiques) et le Centre Afritac Centre[10].

[9] Ne sont pas inclus les programmes d'appuis budgétaires sectoriels C2D 2020-2022 (103,4 M€), l'appui budgétaire pour accompagner la mise en œuvre du programme de riposte au COVID (10 M€) ou encore le volet pilotage des projets du 3e C2D (10,34 M€)

[10] Ce dernier structure ses appuis autour des six domaines suivants : administration des recettes, gestion des finances publiques, analyses et prévisions macroéconomiques et budgétaires, statistiques macroéconomiques, gestion de la dette publique, régulation et supervision bancaire. Sur l'année fiscale 2020 par exemple, 37 personnes-semaines ont été mobilisées sur des missions d'Afritac au Cameroun.

# CASE STUDY NOTE – DOMINICAN REPUBLIC

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## List of acronyms

| | |
|---|---|
| BS | Budget Support |
| BEPS | Base Erosion and Profit Shifting |
| CMSB | Collect More, Spend Better |
| DeMPA | Debt Management Performance Assessment |
| DR | Dominican Republic |
| DRM | Domestic Revenue Mobilization |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FMIS | Financial Management Information System |
| GDP | Gross Domestic Product |
| HQs | Headquarters |
| IADB | Inter-American Development Bank |
| MAPS | Methodology for Assessing a Procurement System |
| MoF | Ministry of Finance (Ministerio de Hacienda) |
| NDS | National Development Strategy (END in Spanish) |
| NTR | Non-Tax Revenue |
| OECD | Organization for Economic Co-operation and Development |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| SIGEF | Sistema de Gestion Financiera |
| TA | Technical Assistance |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| VTI | Variable Tranche Indicator |

# 1. Introduction and choice of the Dominican Republic as a case study

## *1.1. Scope and objectives of this case study*

This country note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission in the Dominican Republic (DR) to the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability during the period 2015-2020/21 (see portfolio in Annex 1).

The analysis builds on a desk review and a 5-day mission in Santo Domingo carried out between 27 June and 01 July 2022. Desk work included the analysis of documents (e.g., EC strategy-level documents, national PFM strategies/plans, international studies, EC intervention documents) and of statistical data (e.g., key macro-economic and social indicators, budgetary data, PEFA scores, Open Budget Index data, CPIA). During field work, the team could collect the views of EUD staff, representatives of the Government of the Dominican Republic as well as of key beneficiary institutions, other partners involved in public finance and civil society actors (see list in Annex 2).

The Dominican Republic was selected as a case study because a Sector Reform and Performance Contract dedicated to public administration and finance reform and domestic revenue mobilization was signed end 2018. This budget support has been accompanied by a technical assistance to support the design, implementation and coordination of the PFM reform process. Moreover, dedicated attention was put on public procurement – which was not often the case in the other countries examined. The Dominican Republic is also the only country part of Latin America and the Caribbean – and the only Spanish-speaking – out of the 12 countries under review.

Through its support, the EU aimed to address several challenges related to the CMSB agenda (see 2.4), including in particular:

- Enhanced government capacities for the design, coordination, implementation and monitoring of PFM reforms;
- Increased tax collection;
- Application of multiannual budgeting in central government entities;
- Strengthened government purchasing and procurement systems, incl. increased women participation in public procurement tendering and green public procurement;
- Strengthened capacities to improve transparency by an increase of control actions regarding base erosion and profit shifting by multinational enterprises.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. This set covers the relevance, internal and external coherence, efficiency, effectiveness and impact of the EU support provided to the CMSB agenda.

## *1.2. Limitations*

Given the limited duration of the field mission and the wideness of the topics under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support to public finance in the Dominican Republic. It aims at identifying key strengths and weaknesses of EU interventions deployed in public finance in the Dominican Republic so as to draw lessons from the EU's experience in the country, and to formulate recommendations to strengthen the EU's role in the areas related to the CMSB agenda.

# 2. National context and EU interventions supporting the CMSB agenda

## *2.1. General context and main policy documents*

The Dominican Republic has had a robust and stable democracy since 1978, with by and large peaceful elections and transitions of power. It is a representative democracy that operates under the principles of Rule of Law and separation of powers. The Rule of Law is, however, confronted with the need to strengthen law enforcement institutions in the face of organized crime.

The Public Finance Management reform strategy anchors on the National Development Strategy 2030 (NDS, END in Spanish), which was adopted as a Law in 2012. This strategy is operationally and financially supported by the Medium Term National Public Sector Plan 2017-2020. This Plan, prepared by the Ministry of Economy, Planning and Development (MEPyD), defines priorities and allocation of resources needed for programmes and projects envisaged in the NDS. It allocated 9.940 million DOP (approximately 165 million EUR) for PFM reform for the period 2018-2020.

The Public Finance Management reform is built on the two pillars of the CMSB agenda: i) consolidating the domestic revenues system (public administration and revenue administration reforms) to collect more efficiently, with the objective of reducing tax evasion; and ii) better quality spending.

A PFM reform action plan was approved in March 2020 for the next three years (2020-2022) to strengthen the prevailing weaknesses identified in the PEFA 2016 assessment. It follows on from the NDS 2030 and was put together after an extensive participatory process which included detailed consultations with officials from 15 different entities from four key PFM institutions: MoF, the Ministry of Economy, Planning and Development (MEPyD), the Office of the Comptroller General (CGR), and the Court of Auditors of the Dominican Republic (CCRD).The new government endorsed the PFM Reform Action Plan in September 2020 and all 15 beneficiary entities agreed to continue implementation. With the change in government administration (August 2020), there has also been a decisive political stand to bring forward, and pursue, judicially emblematic cases of corruption in the public sector.

The Ministry of Finance (MoF) is the leading actor in the PFM reform. Among its key departments involved in PFM: General Directorate of Budget; General Directorate of Public Procurement; Treasury Office; General Directorate of Public Credit; Directorate of Integrated Financial Management (DAFI); General Directorate of Government Accounting; General Directorate of Analysis and Fiscal Policy; General Directorate of National Cadaster; General Directorate of National Properties; General Directorate for Policy and Tax Legislation.

MEPyD is the leading entity responsible for planning and public investment, and thus monitoring and evaluating plans, programmes and projects of the public sector. There are three levels of follow-up: the Annual Monitoring Report of the implementation of NDS goals and the Medium Term National Public Sector Plan outcomes; the system of national planning management; and finally, the national monitoring and evaluation system.

The Office of the Comptroller General and the Court of Auditors of the Dominican Republic are the regulatory bodies for internal and externa control, respectively.

## *2.2. Recent economic evolutions*

The Dominican Republic is one of the fastest-growing economies in the Latin America & Caribbean region amid rising income, macroeconomic stability and improved social outcomes. The economy expanded by an average of 6 percent during 2015-19[1], driven primarily by capital accumulation and total factor productivity growth. However, although there is evidence that inequality is being reduced to some extent, disparities in access to economic opportunities and public services remain deep. The pandemic significantly impacted the DR's economy, causing a sharp contraction in the second quarter of 2020 across critical sectors such as tourism, construction, and mining. The GDP contracted by 6.7% in 2020[2]. The economy recovered strongly in 2021, with GDP rebounding by 12.3 percent[3], supported by a solid policy response to COVID-19, including fiscal, macroprudential and supervisory policies, and monetary easing.

Public debt has remained sustainable, though slightly on the rise before the pandemic, from 38.5 percent of GDP in 2015 to 43.4 percent of GDP in 2019[4]. The increase in 2020 debt levels largely reflects the impact of the COVID crisis and the authorities' decision to pre-finance the 2021 deficit. While the effective policy response to the pandemic has increased the fiscal deficit, the IFIs are sanguine that the country is still able to raise funds in international markets (in January 2021, so in the midst of the pandemic, the treasury was able to issue bonds worth US$ 2.5 billion at historically low yields to finance the 2021 budget), and that FDIs can continue to finance the current account balance and strengthen international reserves, as long as a commitment to medium-term fiscal sustainability is articulated more clearly to the population and international investors.

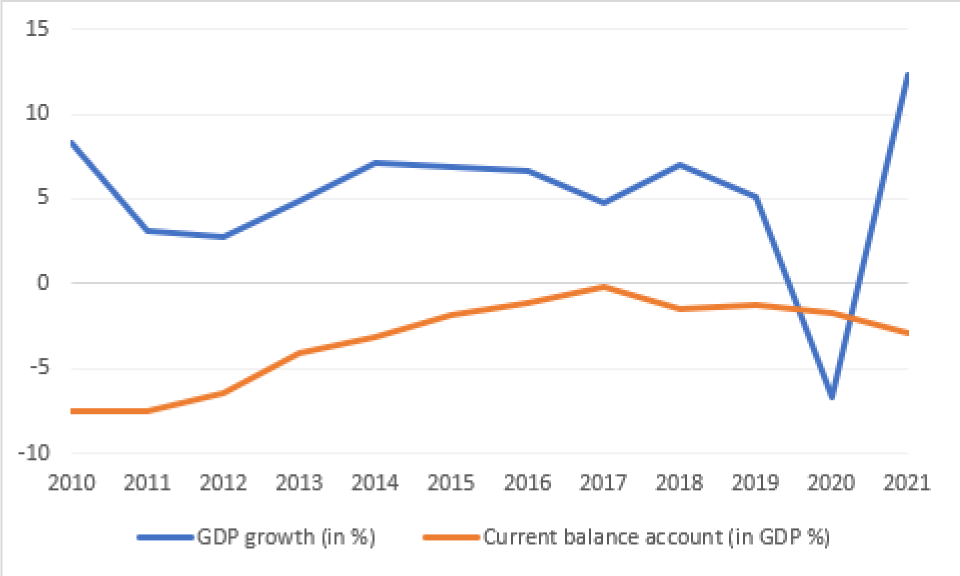
While the impact of Covid-19 has not hit the country as severely as initially feared, structural challenges remain to be addressed, in particular:

- a largely uncompetitive economy, relying mostly on primary exports and free economic zones for manufacturing development;
- a restricted skills base in the population, with weak capacity to jumpstart the creation of formal jobs and the modern sectors of the economy (digital services, high-quality transformation of primary products, etc.);
- social outcomes that are still not at par with the level of GDP;
- a narrow-based and regressive tax system which makes the DR very vulnerable to external shocks; and
- an exposure to climate change on which policy has not yet focused the attention it requires.

Studies[5] note that inadequate coordination among public agencies is the key factor that undermines the effectiveness and efficiency of service delivery and reinforces the monopolistic structure of important economic sectors. The country is taking steps to attend to these concerns. It created *Supérate*, a new permanent social safety net program that will improve targeting through a better beneficiary registry and contain enhanced provisions for insertion into formal labour markets. Overall, the Medium Term National Public Sector Plan 2021-2024 was precisely formulated to better coordinate public entities around the government's development priorities, and to broaden the toolbox used to better integrate multiannual planning and public investment.

1 Source: IMF, World Economic Outlook database
2 Source: IMF, Article IV Consultation, July 2021 & IMF, World Economic Outlook database
3 Source : https://www.worldbank.org/en/country/dominicanrepublic/overview, updated on 13 April 2022
4 Source: IMF, World Economic Outlook database
5 See World Bank, Public Expenditure Review, 2021

**Figure 1 : Key macroeconomic trends in Dominican Republic since 2010**




*Source: World Bank*[6]

## 2.3. *Main actors supporting the CMSB agenda in Dominican Republic*

During the period 2015-2021, the Inter-American Development Bank (IADB) has been the key player in public finance. The recent and current IADB's loan portfolio in the country comprises the following:

- Programme for the Improvement of Efficiency of Tax Administration and Public Expenditure Management ($50M) implemented during the period 2017-2023.
- Programme to Strengthen Public Policy and Fiscal Management to Address the Health and Economic Crisis Caused by COVID-19 in the Dominican Republic (DR-L1144; $250M, with AFD co-financing €200M, and an EU grant co-financing €8M), first operation in the programmatic series of support for policy reforms (budget support), disbursed and closed in 2020.
- Emergency Program for Macroeconomic and Fiscal Sustainability (DR-L1145; $250M), disbursed and closed in 2020, a budget support operation covering multiple sectors beyond PFM/DRM.
- Programme to Improve the Efficiency of Tax Administration and Public Expenditure Management in the Dominican Republic (DR-L1117; $50M), investment project currently under execution.
- Programme to Strengthen the Management of the Civil Service of the Dominican Republic (DR-L1142; $30M), an investment project that has just obtained legislative ratification.
- Programme to Support the Transparency and Integrity Agenda of the Dominican Republic (DR-L1150; $60M), investment project under consideration by the Legislative Branch.

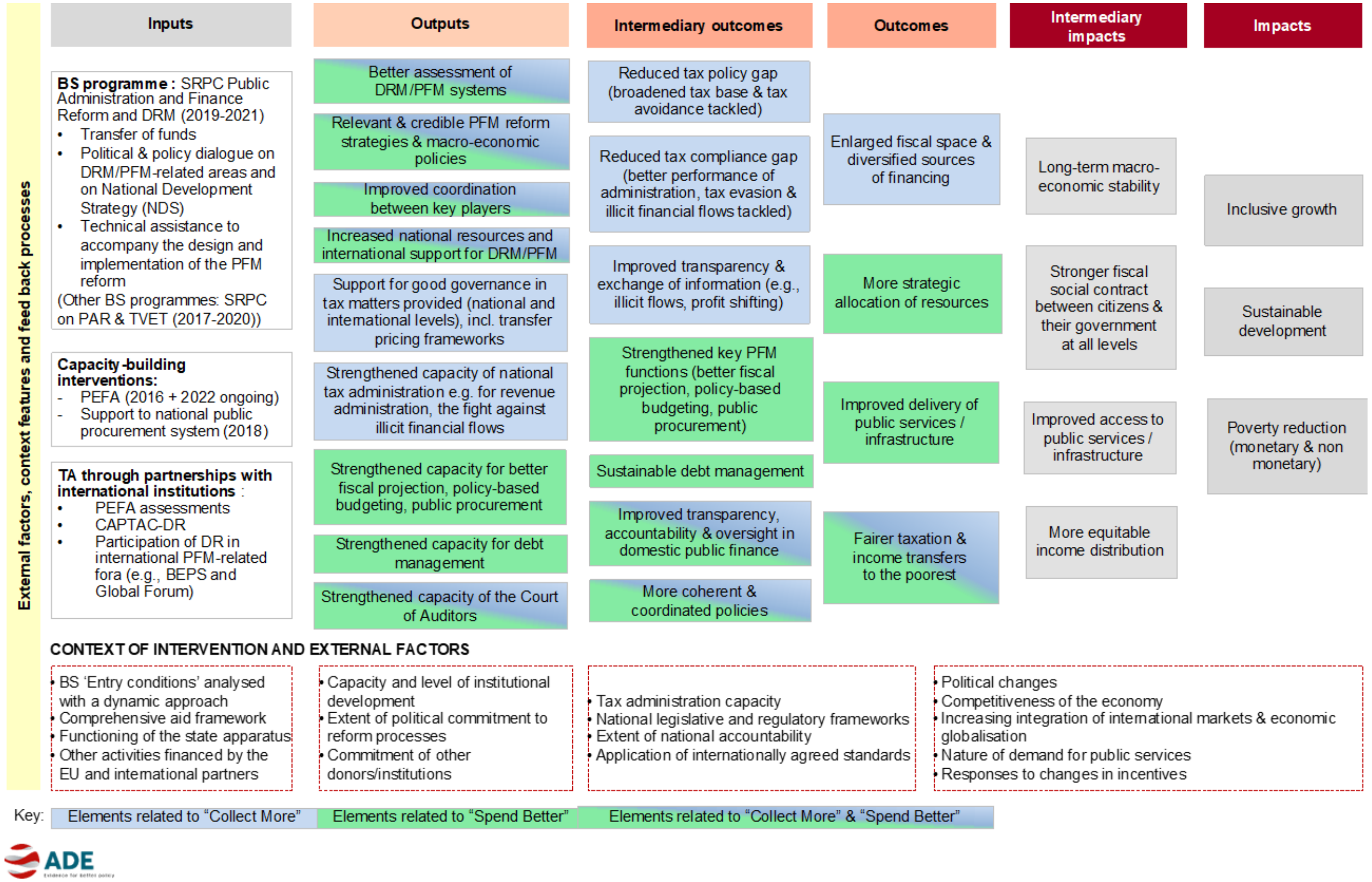
The MoF also received punctual support from the Central American Regional Technical Assistance Centre, Panama and the Dominican Republic (CAPTAC-DR) managed by the IMF and co-financed by the EU, e.g., on macroeconomic and tax forecasts, implementation of the Single Treasury Account, management of fiscal risks.

The WB conducted several sector studies (e.g., Public Expenditure Review and Tax system review in 2021).

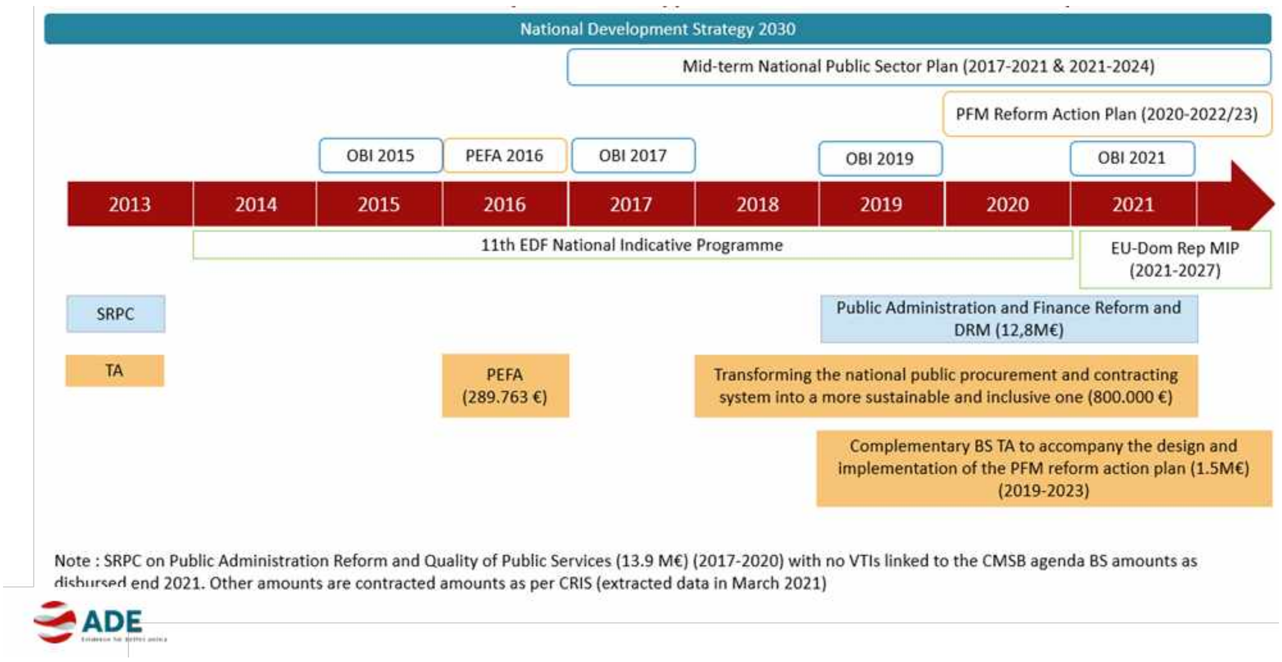
[6] https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=DO (GDP growth) / https://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS?locations=DO (current balance account)

## *2.4. Intervention logic of EC support to the CMSB agenda in the Dominican Republic*

The following diagram presents the hierarchy of objectives pursued by the European Commission through its support to CMSB agenda. It aims to highlight the chain of intended changes, going from the EC inputs deployed to support public finance to the intended impacts.



## 2.5. *Timeline of the EU's support to the « Collect More, Spend Better » agenda (2014-2021) related to the context in the Dominican Republic*




# 3. Answers to the Evaluation Questions

## 3.1. *Relevance*

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

PFM reform is a long-running effort in the Dominican Republic, which started in the early 2000s. The European Commission dedicated increased attention over time to the CMSB agenda (JC1.1 and JC1.4). It financed the conduct of a PEFA assessment in 2016. A contract for capacity-building in the area of public procurement was then signed in 2018. A sector reform and performance contract (SRPC) in support of public administration and finance reform and domestic revenue mobilization was also signed in December 2018, following financing to a trust fund managed by the World Bank. This SRPC intended to give new impetus to Dominican PFM reform processes by putting together in one single integrated PFM plan all public finance reform initiatives. The SRPC also included complementary technical assistance to accompany the design, implementation, coordination and monitoring of the PFM reform action plan. EC On the “collect” strand, the SRPC has correctly targeted the need to widen the tax base, and to fight against compliance, including aggressive tax planning by international investors, which can cause base erosion and profit shifting. The focus on the “collect” strand reflected a request from EC headquarters. On the “spend” strand, the focus on procurement and program budgeting in the performance indicators responds to key EU objectives pursued in the CMSB agenda. Areas that were possibly even more critical and urgent, such as debt management, fiscal risk (notably in the electricity sector), natural disaster risk management, and internal and external controls were rather left in the shadow at design stage. In particular, both internal and external controls presented critical weaknesses throughout the period that were not sufficiently tackled by the SRPC. Finally, the Commission also deployed three other SRPCs during the period under review, covering public administration reform, TVET and the prevention of gender-based violence. Whilst the general eligibility conditions clearly relate to the CMSB agenda, no dedicated performance indicator or complementary support were designed to tackle public finance.

The SRPC on PFM and DRM has been prepared in close interaction with national authorities and international partners (JC1.2). Its design also reflected growing social demand for transparency. The intervention is fully aligned to the PFM reform strategy of the Ministry of Finance. This strategy, which largely draws on the 2016 PEFA assessment, anchors on the National Development Strategy 2030 (NDS). The NDS is supported by the Medium Term National Public Sector Plan (2017-2020 & 2021-2024) which defines priorities and allocation of resources needed for programmes and projects envisaged in the NDS. Several performance indicators of the SRPC invest many of the key areas of the NDS. At the time of the design of the SRPC, the PFM system in the DR was already quite sophisticated and well advanced in terms of alignment with international standards. Moreover, national institutional capacities were already relatively strong.

National ownership at the level of the various General Directorates of the Ministry of Finance involved in the PFM reform has been strong (JC1.2). The EU financed TA which has accompanied the PFM reform process has played a key role in designing and coordinating the implementation of this process. It will keep a punctual presence from September 2022 until the end of 2023. The extent to which national leadership on the PFM reform process – and coherence of the PFM action plan over the medium-term - will be maintained over time remains an open question.

Gender equity has been adequately tackled in EU interventions, whilst digitalisation and environment were more taken into account during implementation than during design (JC1.4). The gender dimension of procurement has pride of place in the performance indicators of the SRPC, with an indicator measuring the amount of public procurement contracted to women and women-led SMEs. Technology and innovation received due attention during implementation of the SRPC: e.g., electronic system set-up for public procurement (transactional portal); access to an on-line campus to train both public and private actors on public procurement. Within the frame of the SRPC, a diagnostic was realized to support the design of a green procurement public policy. In addition, a PEFA Gender and a PEFA Climate, with EU support for the first and IADB support for the latter, were ongoing mid-2022; their findings are expected for the end of 2022.

## 3.2. (Internal) coherence of EU actions related to CMSB

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

EU CMSB support reflected a shared vision of priorities with DR's PFM and national development startegies, in particular the national development strategy (NDS 2030) (JC2.2) (see EQ1 above).

In an upper middle-income country with very limited aid dependency, the interplay of opportunities, incentives and risks is very different from what it would be in a low-income country with few options to access external financing. Still, the EU has played a driving role with EU TA (BS complementary measures) in contributing to the coherent framing and implementation of the PFM reform action plan 2020-2022 and (JC2.2). The approval of the PFM Reform Action Plan (2020-22) by the MoF enabled the country to meet one of the eligibility criteria to request 2020 BS disbursements. However, during the design stage of the SRPC on PFM&DRM, the integration of the TA component was left very broadly defined in the financing agreement, with an overall coordination and follow-up role on the BS performance indicators, and other indicative expected results in a wide array of areas (coordination of PFM policy, legal and regulatory reforms; support to the PFM reform monitoring framework; improvement of tax arrears payment; fight against corruption and transparency; support to oversight bodies). The design of the TA took shape whilst starting work on defining the PFM Reform Action Plan. Moreover, the EU has played a key role in supporting the reinforcement of national public procurement processes with a mix of aid modalities: dedicated 3-year capacity-building followed by the SRPC on PFM&DRM (two performance indicators and TA as part of the BS complementary measures).

Key reform areas have been repeatedly delayed in the DR, including during the entire period under review, notably on multi-annual fiscal planning and above all on tax reform (JC2.2). Part, but not all of these delays, are on the back of the pandemic, but even before COVID-19, any "perfect" sequencing was very difficult from a political economy perspective. National authorities have rather invested the "spend" strand of the CMSB agenda, i.e., the quality and implementation of public spending.

The degree of coherence with other EU interventions, in particular other EU SRPCs (on TVET and public administration reform implemented during 2017-2020, and on prevention of gender-based violence which started in 2021) has not come out strongly (JC2.3). When it comes to the assessment of the general conditions for BS, there is an obvious effect of mutual reinforcement and more comprehensive outreach arising from the coexistence of several EU BS interventions, which is not unique to the DR. These other SRPCs have not made use of PFM-related performance indicators, and TA in these programs has not touched on PFM issues. Furthermore, CAPTAC-DR provided punctual support in selected technical areas (e.g., fiscal reporting and debt - see also EQ8). There was no clear articulation or duplication with the EU support provided at country level, but initial briefings with the EU were organized at each mission and the stakeholders were kept regularly abreast of the implementation of CAPTAC-DR support.

### 3.3. Effectiveness – Analysis of outputs and intermediary outcomes

*Contribution of EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

In the Dominican Republic, a country with a long-running engagement in PFM reform and solid technical capabilities, the most substantial value added of the EU CMSB support has not been in setting the agenda, but in providing a coherent, comprehensive, and actionable design structure and monitoring framework for the national PFM reform priorities, which enabled the MoF to follow up efficiently on the many strands of PFM and DRM reform (JC3.1 & JC3.2). While the EU advocacy for the PEFA tool may have contributed to shaping the analytical approach – and indeed, the National Development Strategy uses selected PEFA indicators to track progress on the PFM/DRM dimension – the key value added of the EU CMSB support has been the help of the EU TA team in the finalization, validation and monitoring of an ambitious Action Plan on PFM reform, comprised of about 90 workstreams over the period 2020 to 2023.

While BS has been used by the Dominican government to top up the budget allocations of the institutions that were involved in the implementation of specific conditions, it did not shape the strategic priorities, which had been defined long before the CMSB support, and were based on the key areas of weakness pinpointed in the 2016 PEFA. In the country, the ambition to benchmark itself against international standards is growing, with a repeat PEFA and a PEFA Gender (ongoing mid-2022) with EU funding, and a PEFA Climate (also ongoing mid-2022) with IADB financing. Also, MAPS and TADAT were undertaken in previous years, without EU support, though they have not been made public, and a DeMPA is being planned (JC3.1).

In addition to the Action Plan, the EU TA team helped establish a coherent and comprehensive design structure and monitoring framework, enabling the MoF to follow up on the many strands of PFM and DRM reform. This was seen as substantial value added, given that in the Dominican system MoF departments used to enjoy large autonomy, and to suffer from a lack of institutional channels of interaction.

BS performance indicators have been useful commitment devices, but have not in themselves shaped the priorities – they have rather followed them, the only one explicitly advocated by the EU being the one on international tax cooperation. However, the importance of BS in the eyes of the counterpart has been that the entities involved in the performance indicators have all received matching budgetary allocations that have helped them contract with targeted technical assistance, and make speedy progress on the commitments taken (JC3.2).

Considering together BS performance indicators, BS allocations to the national budget, and TA expertise, the work the EU has supported has spanned a large number of areas, from the procurement portal, the inventory of state assets, treatment of cash advances, the consolidation of accounts in the national Financial Management Information System (FMIS, SIGEF in Spanish), and indeed support in clearing some legacy accounting situations, an updated macro fiscal-model, which the IADB also supported, and for the forecast of short-term volatility (JC3.2 and JC3.3).

The system of internal and external controls is possibly the least advanced area in the Dominican PFM system (JC3.4). The EU engagement on these issues has not reached the same depth as in other domains, although the EU did help develop basic standards of the first and second degree internal control system, and is supporting the Court of Auditors in formulating key building blocks, including a risk-based audit plan and an audit follow-up system.

Work on financial management information systems has been 'historically' considered the centerpiece of IADB programming in the country since 2002 (JC3.3), and revenue management too has been less prominent in the EU CMSB support, given the division of labor with the IADB.

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

| **EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?** |
|---|
| JC4.1 EU CMSB support has contributed to improved tax policy |
| JC4.2 EU CMSB support has contributed to improved tax administration |
| JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR) |
| JC4.4 EU CMSB support has contributed to revenue effort |

EU CMSB support did not benefit the revenue side as much as the expenditure side, due to the division of labour with the IADB, which had started in 2017 a programme including revenue collection. The EU TA has intervened in revenue only to a limited extent, with a view to avoiding duplication with the IABD program, which in itself reduced the Dominican demand for EU technical support on the "Collect More" side of the equation.

The EU TA provided support to the BEPS implementation, where the DR is lagging in a few key actions (JC4.1). The targets of the performance indicators related to international tax cooperation, of a purely institutional nature and already agreed with the IADB in the context of another program, were met in 2020 and 2021, and the units newly created have been working on updating the regulatory framework.

The main thrust of EU leverage was through the BS performance indicators related to revenue outturn, including an output indicator linked to an increase in tax revenue collection, and an input indicator linked to an increase in the number of control actions over large taxpayers (JC4.2). Both conditions were satisfied in the first year, then neutralized on the NAO's request, in order to take into account the adverse effects of the pandemic.

In the long term, the DR has been mostly a low performer in revenue collection, compared to other countries in the region, and the share of revenue on GDP has been weaker than in most countries with a similar level of revenue (an average of 12% of GDP during the period 2012-2019, far short of the NDS 2030 goals) (JC4.4). Without entering all the details, suffice it to say that tax reforms in the 1990s and 2000s in the Dominican Republic amounted, in general terms, to a reduction in tax revenue, and for many years tax revenue as a proportion of GDP has remained largely stagnant.

Given the fact that revenue-related BS performance indicators were mostly neutralized, it is hard to substantiate a long-term impact of the EU CMSB support on reversing a long-running, disappointing trend in revenue generation and reducing revenue gaps. The more so as the socio-political environment has not been conducive to the ambitious tax reform that was in the initial program of the incoming Dominican administration. This has also curtailed the level of tax policy dialogue with the EU, and development partners.

*Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

EU CMSB support did contribute to a considerable extent to improvements on the expenditure side. Two of the disbursement conditions of the SRPC on PFM&DRM – the number of entities of the Government (Central Government, decentralized entities and social security entities) included in the Multiannual Budget and the preparation of budgets based on physical and financial results – supported better policy-based budgeting (JC5.1). Even more importantly, the TA team has accompanied authorities to better articulate planning and budgeting in the framework of the preparation of the National Multiannual Public Sector Plan (2021-2024), an area where the DR also received international technical assistance from IMF and IADB (JC5.1 and 5.4). From 3 strategic programs that the country had in 2019, it went to 12, each with a conceptual framework, a logical framework, and an explanatory framework. Strategic programs are results-oriented, and not only output-oriented as was already the case. Additionally, the EU CMSB support helped fund the preparation of an evaluation framework for institutional performance.

An appreciated added value of the EU TA engagement has been the ongoing facilitation of the dialogue between the Planning and the Finance Ministry in developing a public management monitoring system, and in strengthening the linkages between the definition of planning objectives and programmatic results in the budget. Even if there is not yet full accountability of the budget to the programmatic results, due to persisting differences between the planning nomenclature and the budget classification, progress on the objectives and/or outputs is now reported in the annual budget of about 92% of all the central government institutions. Of these, about ten have started the process of full harmonization of their multi-annual budgets with their strategic objectives, as they result from the National Multiannual Public Sector Plan.

Procurement is another area where EU CMSB support has been most influential, with a previous TA intervention expressly devoted to procurement, two performance indicators in the ongoing SRPC on PFM&DRM, and the additional BS-funded allocation to the Procurement Department (JC5.3). Thanks to EU CMSB engagement, the National Public Procurement and Contracting System has been strengthened at the national level in various ways, notably with the generalization of online procurement for all central government institutions (the "Portal Transaccional") and the refurbishment of the vendor registry. The two performance indicators were considered decisive in securing actual implementation of provisions that had long been in the law, but had not been applied. A new procurement bill has been tabled in Parliament, and if adopted, would be a milestone in the reform process.

Meaningful individual actions have been funded thanks to EU CMSB support to improve public investment management, such as support to the preparation of a planning manual and an institutional performance plan, and debt management, with an ongoing consultancy on improving the debt statistical system (JC5.4 and JC5.5).

Finally, while budget control has been less prominent in the CMSB support, despite being a key area of weakness in the 2016 PEFA, the EU-funded TA has decisively contributed to the incorporation of fiscal risks in the reports that accompany the presentation of the Budget to the National Congress (JC5.2). In particular, experts have supported the Government in the identification and estimation of risks associated with variations in macroeconomic assumptions, risks from the pension system, disaster risks, risks from Public-Private Partnerships and Public Enterprises, from court rulings against the state, and local government debt.

## *3.4. Effectiveness and sustainability – Contribution to outcomes and impacts*

*Improved long-term financing and Public Sector Management (EQ6)*

**EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

With the exception of a banking crisis in 2012 to 2014, the Dominican Republic has enjoyed a great deal of macroeconomic stability in recent years, with a steady flow of Foreign Direct Investments more than covering the current account deficit. By and large, the country has benefited from the confidence of financial markets (JC6.1). In this context, budgetary policy has shown remarkable continuity, and the incoming administration (2020) has not altered it to a very visible extent, except in their emphasis on fight against corruption (JC6.2). External support provided by development partners has been a limited share of revenue (barely 0.02% of GDP in 2020), and has been implemented in a broadly conducive environment. It would hence be hard to point to clear evidence that EU CMSB support, or any other grant assistance for that matter, has been a game-changer for authorities that have been, and are, very open to external support. Rather, EU CMSB support has helped consolidate the PFM reform agenda through the preparation of a PFM reform action plan and improved monitoring arrangements, and has facilitated access to external and regional expertise, thereby strengthening the 'bricks and mortar' of PFM and DRM.

However, quality of public expenditure in the social sectors remains a challenge, and outcomes in areas like health and education, and even more seriously water and sanitation, remain more disappointing than in most Caribbean or Latin American peers at a similar level of income per capita (JC6.3). In fact, quality of public expenditure is currently the priority of the DR Government. The COVID-19 crisis response was timely and effective on most accounts. It may well trigger a rebalancing of fiscal priorities, which would prioritize the prompt vaccination campaign, maintain strong spending in health, and concentrate investment on high-impact projects -including low-cost housing, relying further on public-private partnerships. The only touch point where the EC SRPC on PFM&DRM is relevant here is the budget formulation based on financing and physical information, which is an essential underpinning to making the budget a more credible tool of policy (JC6.5).

The tax reform agenda did not move forward during the period and was all but stalled mid-2021 (JC6.4 and JC6.5). In a context of generally moderate fiscal pressure, domestic revenue mobilization has not become any more progressive, due – among many other factors – to income tax exemption for corporations established in special economic zones (SEZs), a low threshold for personal income taxation, and public transfers to the electricity company, which work as a transfer from the lower to the higher income strata. In a sense, the DR had continued to trade off improved equity in DRM with an expansion of social programs that the strong, export-oriented growth has allowed to fund over the last decade. The new administration had the ambition to overhaul the tax system, but the pandemic has changed the socio-political environment, and the ambition has been shelved, at least until mid-2021.

*Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

In general terms, changes observed in the long-term drivers for inclusive growth have been positive in the country (JC7.1). Growth rate, current account deficit, foreign direct investment, and net acquisition of non-financial assets by the Government have been stable. The Gini Index has consistently and visibly decreased in the DR since 2006, from 52 to less than 40 in 2020 (latest available estimate from the World Bank Poverty and Inequality Platform), which is a pleasantly uncommon outcome in a Latin American context, and a signal to the relatively inclusive nature of Dominican economic growth (JC7.4).

The EU CMSB-supported work on enhancing the transparency of public procurement has the potential to help sway the negative public perception of the Government, but very substantial gaps remained mid-2021 in the Parliament's capacity to effectively hold the Government accountable (JC7.2). The EU CMSB support in consolidating the reform agenda through the preparation of a Plan of Action, in fostering procurement reform and in strengthening the national investment cycle can only be conducive to an ever-improving quality of public services, but specific EU CMSB features cannot be clearly mapped to the changes observed (JC7.3 & JC7.5).

What can be stated a little more reliably is that all the EU BS programs taken together have contributed to address key building blocks of strong and inclusive growth (JC7.5), with emerging elements of 'green growth' in more recent years, such as the emphasis on sustainable procurement. So, the EU had previously worked on education and TVET; a BS program on public administration reform was implemented between 2017 and 2020, with a strong focus on performance management and performance assessment; and an innovative touch point on women-owned enterprises that the new BS on gender is building upon. This said, none of the changes in the overarching growth drivers are likely to have been linked to specific determining factors related to measures implemented with EU CMSB support, not least because such support in the DR is a recent experience (2019, preceded by a 2018 TA on procurement, and contribution to an earlier World Bank Trust Fund), while some of the changes mentioned above had already been afoot for a long time.

## *3.5. 3Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

Given the ownership and leadership traditionally shown by the Dominican Ministry of Finance in matters of PFM/DRM reform, and the political impulse the new administration (2020) has provided to the agenda, donor coordination needs are limited (JC8.1). Also, the PFM/DRM donor community is small, with the EU and the IADB being the most important partners. In the technical implementation of the different actions, no duplication has been observed in practice, given that the technical coordinator of both the current EU SRPC on PFM&DRM and past IADB program on PFM is the same MoF official.

Some low-hanging fruits, however, would be available if partner coordination tightened up a little. Such processes have never been formalized, lately because of the remote working modalities during the pandemic. The IADB did not consult with the EU during the design of its recent portfolio (2020/21), even if the Ministry of Finance – and the informal interactions between key experts – has ensured that no duplication has taken place in practice. There is an inter-institutional committee on EU budget support which meets once a year, which does not include other partners like the IADB, who are using similar instruments.

Another significant partner in DRM/PFM has been the IMF CAPTAC, whose areas of support are not conterminous to the EC BS accompanying TA's, although some work on fiscal reporting and debt is common (JC8.2). Notably, CAPTAC has sponsored the drafting of ToRs for a technical assistance on debt statistics that the EU BS funds are financing. CAPTAC inputs have been much more punctual than the comprehensive approach the EU has implemented, and no special need for coordination has been identified.

Finally, the EU has not played an especially active role in promoting the DR's participation in international tax or PFM governance initiatives and developing the country's negotiating capacity in this space, beyond supporting through a BS performance indicator the establishment of two specialized units on international tax cooperation in the Ministry of Finance. The institutional arrangement resulted in a set of new normative regulations – as an example, the Regulatory Decree 256-21 that adjusts transfer pricing. It should be noted that the DR was already very active in reaching out to regional peers, and to the Africa Tax Administration Framework (ATAF), due to the latter's recognised role in conveying the concerns of developing countries in matters of international tax cooperation (JC8.3).

## *3.6. Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

BS planned disbursements (€12,8M) were made in full during 2019, 2020 and 2021 (JC9.1). The first fixed tranche was disbursed during the second semester (September 2019) instead of the first as planned. The two variable tranches were disbursed on schedule or slightly ahead of time (August 2020 and December 2021), notably to adapt to COVID-19. The TA team was on the ground seven months after the signature of the financing agreement, in July 2019, hence in advance of the BS disbursements. Stakeholders did not mention any particular concern over the timeliness of EU support.

The SRPC on PFM&DRM showed flexibility to adapt to changing contexts, i.e., COVID-19 and change in administration on August 16, 2020 (JC9.1). Work was slowed down, but with the exception of two key indicators on revenue mobilization, the pandemic did not affect the Dominican capacity to honour the commitments taken to the EU. These two indicators were neutralized, which was made possible by a provision in the FA. BS payments were also frontloaded in 2020 to respond to COVID-19. Work on the PFM Reform Action Plan and of the related EU TA was also slowed down. The objectives of the PFM reform action plan were revised twice (during the period Dec. 2020 – March 2021 and the period Dec. 2021 – March 2022) and the PFM Reform Action Plan extended until 2023. The TA contract was first extended by 6 months, until June 2022, and then until 31/03/2023 to finalise all planned activities and adapt to the new calendar of the PFM Reform Action Plan.

BS - including through the complementary TA - has provided the EUD with a unique opportunity to discuss CMSB-related policy issues (JC9.1). Within the frame of the PFM&DRM SRPC, dialogue has taken place at various levels : i) high-level political dialogue during the yearly inter-institutional BS committee where progress made on both general and specific conditions for BS disbursement, and also broader PFM-DRM reform issues, are discussed with officials from the MoF, the other beneficiary administrations, and the EUD; ii) technical policy dialogue during the Steering Committee, organised once or twice a year, to discuss envisaged policy initiatives and progress made on the PFM Reform Action Plan; and iii) regular technical meetings between the MoF, TA Team and EUD on the implementation of the PFM Reform Action Plan and other issues. The EUD has not had numerous interactions with the various DGs involved in the PFM reform process and other beneficiaries.

Ownership of the PFM reform by the national authorities has been high (JC9.3 – see also EQ1). The MoF and other entities involved in PFM reform actively took part in the design of the SRPC on PFM&DRM. The EC BS complementary support has been entirely devoted, by request of the Dominican authorities, to the implementation of the PFM Reform Action Plan. The Planning Directorate of MoF has monitored the PFM-RAP 2020-2022. All 15 participating entities report progress in the implementation of activities programmed for the year on a quarterly basis. A quarterly report has been produced - with the support of the EU TA - since December 2020. National counterparts expressed some concern on the level of substantiating information provided by the 15 beneficiary institutions. The contribution of the EC TA has been instrumental in strengthening national ownership of the PFM reform process and in ensuring proper monitoring of the PFM Reform Action Plan, to the extent that continued national leadership once the TA will phase out remains an open question.

Several communications and visibility events hosted by the MoF were organised end 2020 and during the first semester of 2021 to highlight progress in the PFM Reform Action Plan (JC9.4). The EU was represented by the Head of the Delegation. These events have been highlighted by the MoF as a record of the contribution of the EU to the strengthening of PFM in the Dominican Republic.

## 4. Main lessons: contribution to key outcomes and good practices

**The Dominican Republic is a country with a long-running engagement in PFM/DRM reform, relatively sophisticated technical capabilities in the Ministry of Finance**, and limited donor coordination needs, given the country's ownership and indeed growing appetite and pride in benchmarking itself against international good practice (PEFA, MAPS, TADAT, planned DeMPA). There is hardly any other country where PEFA scores are among the targets of the National Development Strategy.

**In this context, the most substantial value added of the EU CMSB support has not been in helping set the agenda, but in providing a coherent, comprehensive, and actionable action plan and monitoring framework for the implementation of PFM and DRM reform priorities**. The PFM reform action plan and monitoring arrangements enabled the MoF to gain a better grasp of the interconnexions between the different workstreams, and to follow up efficiently on the many reform strands. Most interview partners on the Dominican side have greeted, not only the competence and experience of the long-term TA experts, and their adaptability to the difficult operating conditions of the pandemic, but the thoroughness of the facilitating approach taken by the EU in implementing its technical support.

**Another point worthy of mention is the appreciation expressed for the catalytic nature of the EU CMSB support, which has shown a very interesting cost-effective profile**. While the DR is far from being an aid-dependent country, and the share of external grant resources in the public revenue is minimal, limited financial and technical inputs from the EU have been able to implant revamped managerial processes, and technical standards, that the beneficiary Directorates-General are confident they will be able to continue implementing.

**A factor in this catalytic effect has been the Dominican decision to use the fungible BS resources to fund the very institutions that were responsible for delivering the results enshrined in the BS performance indicators. This has avoided principal-agent problems that are frequent in other countries benefiting from EU BS** and has also smoothed out the steady flow of high-quality international expertise, who would have not necessarily been attracted to consulting assignments managed with national procurement processes. Individual BS tranches did not have a very pronounced incentive effect, except in the procurement space, but the BS support as a whole provided the reform process with resources that might not have been obtained otherwise. In the 'budget support package', the component that the counterpart appreciated most was the technical assistance, but they also found merit in the process of identifying strategic result areas to include in the BS disbursement framework as key priorities for progress.

**On this point, one challenge, which is going to become ever more serious, has been the difficulty to find suitable international profiles for short-term missions having the sophisticated expertise required, and the cultural and linguistic affinities that smooth out their integration in a short time frame**. Yet, in the Dominican perspective, high-quality short-term inputs continue being critical to leave behind manuals, tools and written standards that help formalize knowledge sharing and handover within the civil service.

**A further factor that should not be downplayed, though less easy to substantiate, has been the receptiveness of some of the Dominican counterparts**. Not all of the 15 pilot institutions have proceeded at the same pace. However, in a few cases, notably on procurement, budget and investment planning, the counterpart officials have been willing and able to seize the opportunities provided by the full range of instruments the EU has deployed (BS tranches, long-term technical facilitation, short-term narrowly focused expertise), in order to roll out their reform agenda. These working relationships and human capital built can be an asset in the development of any upcoming EU BS intervention. One lesson learned is **that the EU 'budget support package' (funding, complementary support, policy dialogue) does not necessarily function in an integrated and synergistic way in the absence of a shrewd and committed national counterpart**. The 'package' may be a necessary condition but is not a sufficient one for success.

**Among the areas where the EU CMSB support has been most influential in the DR, one would like to highlight procurement**, where the EU had started working prior to the EU BS package under review. The EU has been able to build on this earlier experience to fully use the window of opportunity opened by the new administration, with its emphasis on the fight against corruption, and by the renewed leadership in the relevant department. Also, procurement is likely the only area where the BS performance indicators had a distinct incentive effect in implementing provisions that were already in legal texts but had not yet been applied.

**Although hardly any high-level political visit of the EU, or the EU member states, has taken place in the DR in the last few years, and the remote working modalities have hampered**

**regular contacts between the Delegation and the Dominican counterparts**, the elevated quality of the technical support provided has enabled the EU to secure leverage, notwithstanding an amount of resources that cannot be compared with the IADB. Policy dialogue has been carried out to a great extent by the EU TA team, on a daily basis, with an integrity and open-mindedness that the beneficiaries have expressly acknowledged. Although the EU Delegation's visible involvement has mainly resulted in a few public events with a certain degree of formality, the EUD team notes they have had regular meetings with the MoF Minister, the Vice Minister of Treasury and the MoF coordination team. Interactions with other beneficiary institutions have been occasional at most. Additionally, monthly stocktaking meetings, of a rather technical nature but often with the participation of the Vice Minister (himself a person with a strong specialist background), have been held virtually or in person. These meetings have frequently offered an opportunity to follow up on the overall implementation of PFM reforms, and to impulse some key decisions for the advancement of the reform agenda.

## Annex 1: Inventory of EU support to the CMSB agenda in Dominican Republic

**Table 1: CORE CMSB Contracted or disbursed amount (in M€)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| VTI | - | - | - | - | - | 4 | 4 |
| CM | - | - | - | - | 1,5 | - | 1,5 |
| TA | - | 0,3 | - | 0,9 | - | - | 1,2 |
| IO | - | - | - | - | - | - | - |
| Total | - | 0.3 | - | 0.9 | 1.5 | 4 | 6,7 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed | Total Amount disbursed |
|---|---|---|---|---|---|---|---|---|
| SRPC (not CMSB) | 37786 | Programme in Support of Public Administration Reform and Quality of Public Services | 2017 | 2021 | 3.5 | 10.4 | 13.9 | 12.71 |
| SRPC (not CMSB) | 39312 | Programme to support technical and vocational education training (TVET) in Dominican Republic | 2017 | 2020 | 1 | 10 | 11 | 10.96 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SRPC (CMSB) | 39315 | Programme in Support of DR Public Administration and Finance Reform and Domestic Revenue Mobilization | 2019 | 2021 | 5.1 | 7.7 | 12.8 | 9.12 |
| SRPC (not CMSB) | 41940 | Coordinacion en la prevencion de la violencia de género en linea con los Objetivos de Desarrollo Sostcnihie (ODS) en la Republica Dominicana (C-PREV) | 2021 | 2023 | 1.5 | 2 | 3.5 | 1.5 |

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

Programme in Support of DR Public Administration Reform and Finance Reform and Domestic Revenue Mobilization

| Year | Indicators for Variable Tranche 1 | Type of Indicators[7] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | Annual increase with respect to the total amount of tax collection in the previous fiscal year | Outcome | Tax performance | 0,80 | 0,80 |
| 2020 | Increase in the number of control actions to large taxpayers | Output | Revenue administration | 0,80 | 0,80 |

[7] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2020 | Number of entities of the Government (Central Government, decentralized entities and social security entities) included in the Multiannual Budget | Input | Transparency of public finances | 0,60 | 0,60 |
| 2020 | Percentage of Government's entities formulating programmes based on financing and physical information in the fiscal year | Output | Policy-based fiscal strategy and budgeting | 0,60 | 0,60 |
| 2020 | Percentage of women awarded with contracts on public procurement tendering | Output | Public procurement | 0,40 | 0,40 |
| 2020 | Number of public entities registered on the Public Procurement Transactional Portal | Output | Public procurement | 0,40 | 0,40 |
| 2020 | Increased capacity of DG1I to confront base erosion and profit shifting practices in the Dominican Republic | Input | Revenue administration | 0,40 | 0,40 |

| **Year** | **Indicators for Variable Tranche 2** | **Type of Indicators[8]** | **CMSB sectors** | **Amount allocated (€ M)** | **Amount disbursed (€ M)** |
|---|---|---|---|---|---|
| 2021 | Annual increase with respect to the total amount of tax collection in the previous fiscal year | Output | Tax performance | 0,74 | neutralised (COVID-19) |
| 2021 | Increase in the number of control actions to large taxpayers | Input | Revenue administration | 0,74 | neutralised (COVID-19) |
| 2021 | Number of entities of the Government (Central Government, decentralized entities and social security entities) included in the Multiannual Budget | Input | Transparency of public finances | 0,55 | 0,92 |

[8] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2021 | Percentage of Government's entities formulating programmes based on financing and physical information in the fiscal year | Output | Policy-based fiscal strategy and budgeting | 0,55 | 0,92 |
| 2021 | Percentage of women awarded with contracts on public procurement tendering | Output | Public procurement | 0,37 | 0,61 |
| 2021 | Number of public entities registered on the Public Procurement Transactional Portal | Output | Public procurement | 0,37 | 0,61 |
| 2021 | Increased capacity of DG1I to confront base erosion and profit shifting practices in the Dominican Republic | Input | Revenue administration | 0,37 | 0,61 |

Note: the weight of the performance indicators was changed during implementation to take into account the impact of the COVID-19 on public finance. The initial amounts envisaged for 2021 were disbursed in full despite the neutralization of two indicators.

3) BS complementary measures (technical assistance, studies, …)

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract Status | Total Amount contracted |
|---|---|---|---|---|---|
| 39315 | 408344 | Asistencia Técnica al Programa de Apoyo a la Reforma de la Administración y de las Finanzas Públicas y la Movilización de Recursos Internos en República Dominicana | 2019 | Ongoing | 1.544.000 |

4) Capacity-building / technical assistance projects supporting CMSB

| Decision number | CRIS contract number | Programme title / content | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 38723 | 399358 | Contribuyendo a transformar el sistema nacional de compras y contrataciones públicas. más sostenible e inclusivo | 2018 | Ongoing | 800.000 € |
| 38723 | 373631 | Evaluacion PEFA 2016 Republica Dominicana | 2016 | Closed | 289.763 € |

## Annex 2: List of institutions met

| Institution type | Institution / Minister | Service |
|---|---|---|
| EU | EU Delegation | |
| EU | TA team of PROGEF | |
| National authorities and institutions | Ministry of Finance | DG Budget |
| National authorities and institutions | Ministry of Finance | DG for Government Accounting |
| National authorities and institutions | Ministry of Finance | DG for Internal Taxes - International Taxation Department & Audit Sub-Directorate |
| National authorities and institutions | Ministry of Finance | DG for Public Credit |
| National authorities and institutions | Ministry of Finance | DG for Public Procurement |
| National authorities and institutions | Ministry of Finance | DG for Tax Policy and Legislation |
| National authorities and institutions | Ministry of Finance | Management Directorate of SIGEF |
| National authorities and institutions | Ministry of Economic Planning and Development: | DG for Economic and Social Development |
| National authorities and institutions | Ministry of Economic Planning and Development: | DG of Public Investment |
| National authorities and institutions | Ministry of Economic Planning and Development: | Department for Plan Formulation |
| National authorities and institutions | Ministry of Economic Planning and Development: | Department for Public/Private Project Evaluation |
| National authorities and institutions | Office of the Comptroller General of the Republic | |
| National authorities and institutions | Court of Auditors | |
| National authorities and institutions | Congress of the Republic | |
| National authorities and institutions | Senate | |
| Other donors: | Inter-American Development Bank | |
| Civil society: | Participación Ciudadana | |

# CASE STUDY NOTE – GEORGIA

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## List of acronyms

| | |
|---|---|
| AA | Association Agreement |
| ADB | Asian Development Bank |
| BFC | Budget and Finance Committee |
| BRI | Belt Road Initiative |
| BS | Budget Support |
| CHU | Central Harmonization Unit |
| CMSB | Collect More Spend Better |
| CPIA | Country Policy and Institutional Assessment |
| DCFTA | Deep and Comprehensive Free Trade Agreement |
| DRM | Domestic Revenue Mobilisation |
| EC | European Commission |
| EGFA | Economic Governance and Financial Accountability |
| ENPARD | European Neighborhood Programme for Agriculture and Rural Development |
| ePFMS | e-Public Finance Management System |
| EU | European Union |
| EU MS | European Union Member State |
| EUD | European Union Delegation |
| FA | Financing Agreement |
| FDI | Foreign Direct Investment |
| FMC | Financial Management and Control |
| FTE | Fiscal Transparency Evaluation |
| GDP | Gross Domestic Product |
| GGI | Good Governance Initiative |
| GiZ | Gesellschaft für Internationale Zusammenarbeit |
| GoG | Government of Georgia |
| GRS | Georgia Revenue Service |
| IMF | International Monetary Fund |
| IPSAS | International Public Sector and Accounting Standards |
| MFA | Macro Financial Assistance |
| MoF | Ministry of Finance |
| NCTS | New Computerized Transit System |
| OBI | Open Budget Index |
| OECD | Organisation of Economic Cooperation and Development |
| PAR | Public Administration Reform |
| PFM | Public Finance Management |

| | |
|---|---|
| PFMRS | Public Finance Management Reform Strategy |
| PFPR | Public Finance Policy Reform |
| PIMA | Public Investment Management Reform |
| SAO | State Audit Office |
| SIGMA | Support for Improvement in Governance and Management |
| SME | Small and Medium Enterprises |
| SOE | State-Owned Enterprise |
| SPA | State Procurement Agency |
| SRPC | Sector Reform Performance Contract |
| TA | Technical Assistance |
| TADAT | Tax Administration Diagnosis Assessment Tool |
| USAID | United State Agency for International Development |
| USD | United State Dollar |
| WB | World Bank |
| WB TF | World Bank Trust Fund |

# 1. Introduction and choice of Georgia as a case study

## 1.1 Scope and objectives of this case study

This country note is part of the evaluation of the EU's support to the Collect More, Spend Better (CMSB) agenda over the period 2015-2020. The scope of under review covers the support provided by the European Commission to the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability (see portfolio in Annex 1), during the period 2015-2020/21.

The analysis builds on a desk review and a 5-day mission in Tbilisi carried out between May 16 and 20 2022. Desk work included the analysis of documents (e.g., EC strategy-level documents, national PFM strategies/plans, international studies, EC intervention documents) and of statistical data (e.g., key macro-economic and social indicators, budgetary data, PEFA scores, Open Budget Index data, CPIA). During field work, the team could collect the views of EUD staff, representatives of the Government of Georgia as well as of key beneficiary institutions and other partners involved in public finance (see list in Annex 2).

Georgia was selected as a case study for several reasons. Georgia's development over the last decade is considered as a success story, with far-reaching reforms implemented in the area of governance. Georgia is one of two countries part of the EU's enlargement policy out of the 12 countries under review. It recently applied for EU membership following Russia's invasion of Ukraine early 2022. The EU has been a leading partner of Georgia in public finance. Since 2014, Georgia benefited from two consecutive SRPCs dedicated to PFM. Other SRPCs partially dedicated to PFM were also implemented. The country also benefited from significant institutional strengthening through several twinning contracts, technical assistance interventions and trust funds.

Through its support, the EU has aimed to address several challenges related to the CMSB agenda (see 2.4), including:

- Enhanced government capacities for the implementation and monitoring of PFM reforms;
- Enhanced fiscal governance ;
- Improved performance of taxpayer services and revenue administration;
- Application of medium-term budgeting in central and local government entities;
- Enhanced public internal financial control;
- Reinforced capacity for public investment management;
- More competitive and transparent public procurement system in line with EU and international practices;
- Strengthened independence and capacity of external audit;
- Strengthened budgetary oversight by the Parliament & civil society.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. This set covers the relevance, internal and external coherence, efficiency, effectiveness and impact of the EU support provided to the CMSB agenda.

## 1.2 Limitations

Given the limited duration of the field mission and the wideness of the topics under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support to public finance in Georgia. It aims at identifying key strengths and weaknesses of EU interventions deployed in public finance in Georgia so as to draw lessons from the EU's experience in the country, and to formulate recommendations to strengthen the EU's role in the areas related to the CMSB agenda.

# 2. National context and EU interventions supporting the CMSB agenda

## *2.1 General context and main policy documents*

Georgia's geopolitical and economic situation has been strongly bounded to its fluctuating relation with Russia. While the area has been under Russian then Soviet sovereignty for two centuries, Georgia became independent in 1991, following the end of the Union of Soviet Socialist Republics. Since the Rose Revolution in 2003, the country has decided to turn towards a significant strengthening of its political and economic relations with European countries and the United States, shown by its repeated wish to join the North Atlantic Treaty Organization and the EU. This positioning has been intensified since 2008 and the war against local independentist militias in Abkhazia and South Ossetia backed by Russia, resulting in the loss of control of about 10% of the Georgian territory. The conflict has not been yet officially resolved and keeps hampering the political stability of the country. A Stability and Association Agreement was signed with the EU in 2014. Following Russia's invasion of Ukraine, Georgia submitted its application to accede to the EU on 3 March 2022. Candidate status will be granted only once Georgia addresses some key priorities. Recently, the renewed tensions between Russia and Western countries have been considered as an opportunity to increase cooperation between Georgia and the European continent.

Therefore, the Georgian political scene has been rhythmed by this specific context. Over the period evaluated, the political situation has evolved in a contrasted way. While the Georgian Dream party, led by Bidzina Ivanishvili, has led the national Parliament from 2012, its hegemony has been put into question by the opposition since 2019, resulting in several institutional crises and political instability. Following contested legislative elections in 2020, the opposition parties refused to sit in the Parliament during several months. The main political forces finally adopted a political agreement, backed by the EU's mediation, to solve the crisis in April 2021. However, the main opposition party withdrew from it after few months and contributed to worsen the political climate in Georgia.

Despite those political destabilizing events, Georgia's development is considered by most of the international stakeholders as a success story, due to significant improvements in governance, economic and social dimensions. Since its independence, Georgia notably achieved to reach the middle-income status, to reduce dramatically extreme poverty, especially in peripheral areas thanks to the implementation of efficient social policies. Significant reforms were launched in the public service after the Rose revolution. In 2018, constitutional amendments strengthened the dominance of the Parliament over the executive power and the overall accountability and transparency of Georgian institutions.

Georgian authorities consider PFM reforms as a key area of improvement to achieve the development goals of the country and legitimate its candidacy to the EU. The Public Financial Management Reform Strategy (PFMRS) (2014-2017 & 2018-2021) has guided PFM reforms. As it is usually the case, its main purpose is to achieve sound financial management by improving PFM systems that ensure (1) fiscal discipline, (2) operational efficiency, and (3) effective allocation of Georgia's public resources. The PFMRS brought together all the responsible agencies for PFM, e.g., State Audit Office, State Procurement Agency and Parliament. It draws on their respective strategies and action plans. It also encompasses the strategic areas that fall under the responsibility of the Ministry of Finance: budget preparation, public investment, budget execution, accounting and reporting, public internal financial control and internal audit, as well as taxation and revenue. Given the degree of decentralization in Georgia, attention is also given to areas of concern relating to municipalities. Whilst systems are common to both central and local governments in many areas, areas such as budget formulation and oversight require specific attention in the context of local government.

Several national institutions are involved in PFM-related reform drafting and implementation, namely:

- The **Ministry of Finance** (MoF), which is the key national stakeholder planning and implementing PFM/DRM measures. Its action is split through several divisions. The Budget Division is responsible for drafting the annual budget and related legislative acts and monitoring the budget execution process. The Division of Macroeconomic Analysis and Fiscal Policy Planning is responsible for macroeconomic forecasts related to budget revenues and provides the government with fiscal policy recommendations. The Tax Policy Division is responsible for the daily tax policy governance. The Central Harmonization Unit (CHU) is responsible for assessing and coordinating internal audits and monitoring the performance of other units.

- The **State Procurement Agency** (SPA), which is the centralized institution managing all public procurements in Georgia.
- The **State Audit Office** (SAO), which is performing external audits, State financial and economic control.
- The **Georgia Revenue Service** (GRS), which centralizes and administrates tax and custom collection. GRS is the agency operating under the Ministry of Finance.
- The **Parliament of Georgia**, and especially its Budget Office (an entity in the administration), which conducts macro-fiscal analysis and reviews the budget, and its Budget and Finance Committee (BFC), involved in budget formulation, execution and scrutiny.

The **PFM Coordination Council**, which is composed of the head members of the MoF Departments, the SPA, the SAO and the BFC and meets on a quarterly basis to coordinate and monitor the implementation of PFM reforms. It also publishes quarterly reports on the progress of PFM reforms.

## *2.2 Recent economic evolutions*

Georgia has witnessed impressive economic figures over the period evaluated, much better than in peer countries located in the area. While Georgia was exposed to regional shocks and still dependent on the economic well-being of its key trading partners, it has achieved to sustain macroeconomic stability and a strong economic growth, especially in 2014, when it withstood well a regional shock due to lower hydrocarbon resources' prices. To mitigate the longer-term side effects of this crisis, the country has managed to reduce its fiscal deficit by ensuring price stability and increasing tax collection until 2017-2018. Structural reforms were also adopted to remove macroeconomic bottlenecks. Georgian growth has mainly been based on agricultural and mineral resources exports, tourism, remittances and its strategic geographic position as a transit point for hydrocarbon resources from the Caspian Sea to Turkey and EU MS. Moreover, Georgia has benefited from the improvement of its business environment and the Deep and Comprehensive Free Trade Agreement (DCFTA) signed with the EU in 2014, which contributed to increase Foreign Direct Investment (FDI) in the country.

Before the COVID-19 crisis, Georgia kept its public debt sustainable by adopting a countercyclical fiscal policy stance: it did not exceed 40% of GDP[1]. Furthermore, the country has successfully pursued a policy aiming at fighting against the high rate of dollarization of the economy. The share of the national currency, the lari, significantly increased, but improvements were still needed.

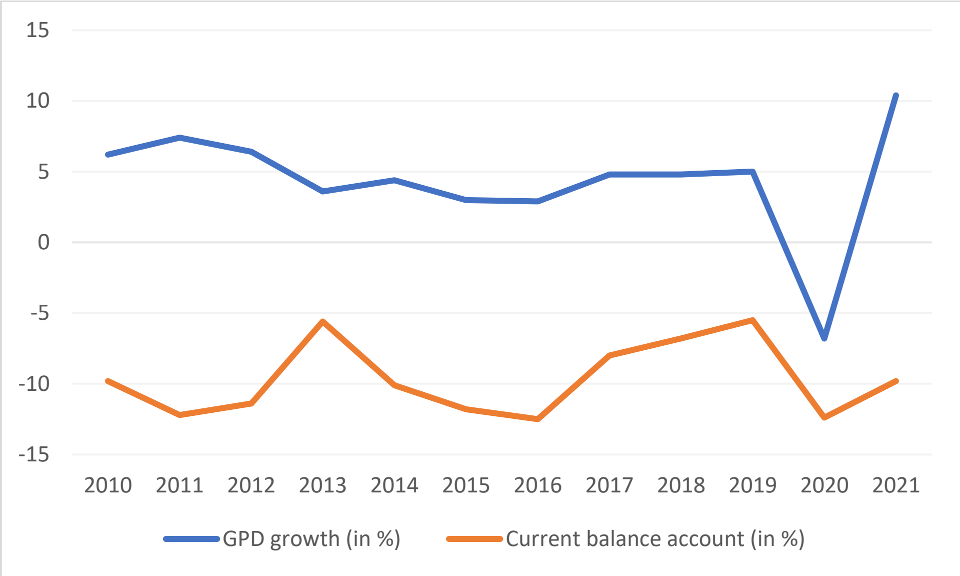
Several structural weaknesses have still hampered the Georgian economy, as reported by international stakeholders over the period evaluated, namely its poor infrastructure, its limited production base, and the misfunctioning of its labor market. Indeed, Georgian population has been aging and shrinking due to low fertility and migration. Skilled workers often leave the country, creating a mismatch between offer and demand in job market and keeping most of labor resources in low-productivity and low-skills jobs. Moreover, the economic growth was not inclusive enough. If poverty significantly decreased over last decade (from 37% of the population in 2010 to 21% in 2020[2]), around one out of five Georgians was still poor and faced substantial barriers to employment before COVID-19.

The COVID-19 crisis stroke Georgia hard, especially concerning economic growth, employment, poverty rates and household incomes. The government implemented significant measures to support the most vulnerable households and businesses, reducing the immediate negative effects of the crisis. These economic measures also sharply increased the fiscal deficit and public debt, which respectively raised

1 https://fr.countryeconomy.com/gouvernement/dette/georgie
2 https://donnees.banquemondiale.org/indicator/SI.POV.NAHC?locations=GE

to 9,2% and 60%[3] of GDP in 2020. National fight against the economic consequences of the sanitary crisis was also strongly supported by external assistance, mainly from the IMF and the EU. Georgia also benefited from a strong rebound in remittances, growth and tourism revenues, which significantly supported economy recovery.

**Figure 1: Key macroeconomic trends in Georgia since 2010**




Source: World Bank data[4]

## *2.3 Main other actors supporting the CMSB agenda in Georgia*

Apart from the EU, several international stakeholders are involved in Georgia regarding DRM/PFM reforms, such as:

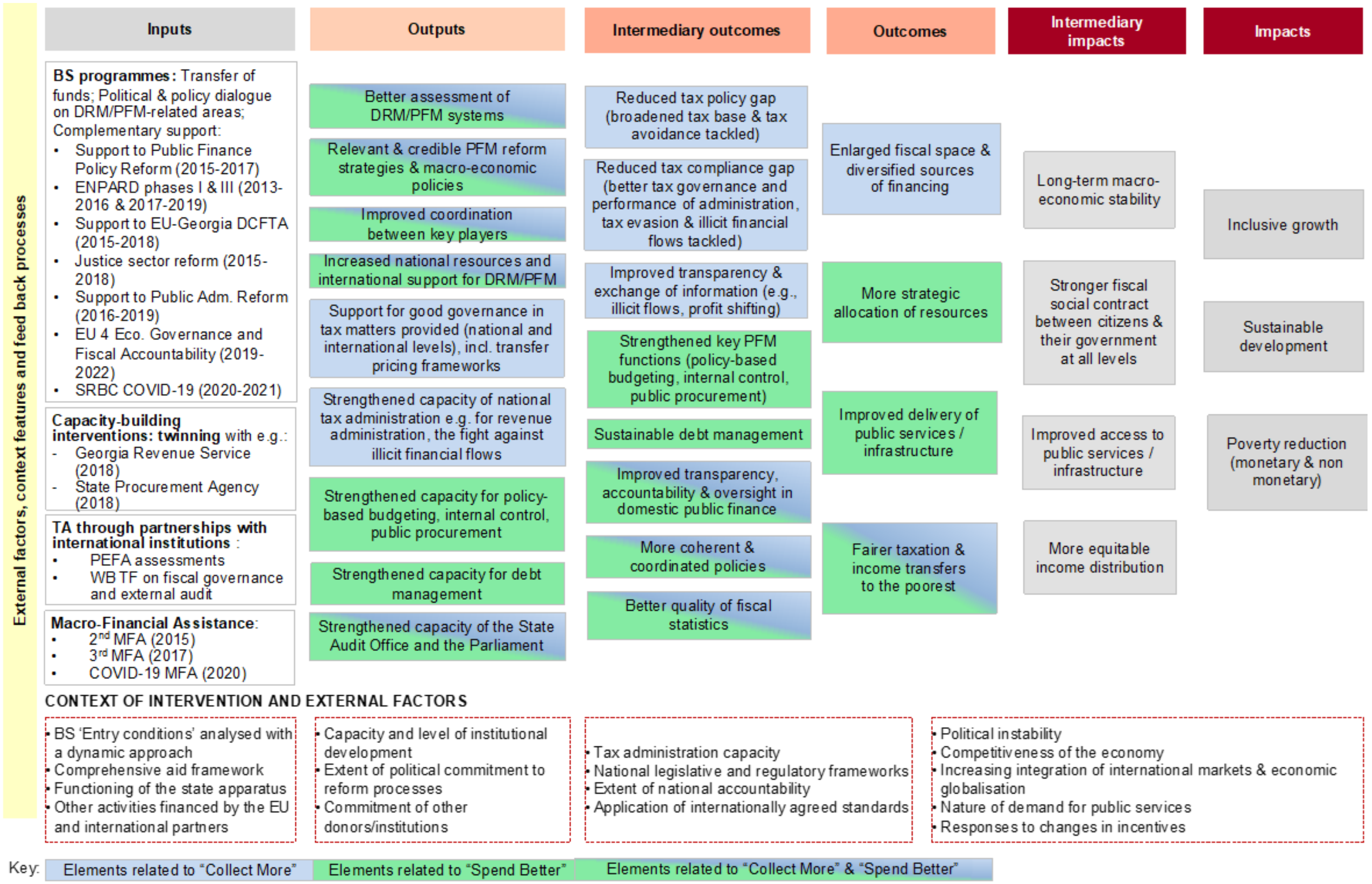
- The World Bank (**WB**), especially by providing Georgia several technical assistance interventions targeting external audit, PFM reform implementation support and macro-fiscal management. The majority of its support was implemented in cooperation with the EU, namely the funding of several PEFA assessments, and the contribution to a WB-led MDTF through EGFA. It also implemented a ''Private Sector Competitiveness Development Policy Operation (DPO)'', amounting 50M USD in 2017-18.
- The International Monetary Fund (**IMF**), which was mainly present in Georgia throughout an Extended Fund Facility (484M USD disbursed from 2017 to 2021). Its purpose was to target fiscal consolidation, and financial sector and structural reforms. It also provided Georgia with a TADAT Performance Assessment in 2016.
- The Asian Development Bank (**ADB**), which provided Georgia with TA on debt management and sustainability and enhancement of the national business environment.
- The United State Agency for International Development (**USAID**), which is mainly focused on good governance reforms support, and provided a 17M USD Good Governance Initiative (GGI) programme over the period 2015-2022 to support transparency, accountability and effectiveness of Georgian institutions.
- The Deutsche Gesellschaft für Internationale Zusammenarbeit (**GIZ**), which is involved in Georgia in several fields such as environment, the economic development and governance reforms. It notably implemented a TA both in Georgia and Armenia related to PFM reforms in 2017-2020, amounting 5,75M EUR. It also took part to a twinning in the SAO.

[3] IMF, Article IV Consultations, 2021

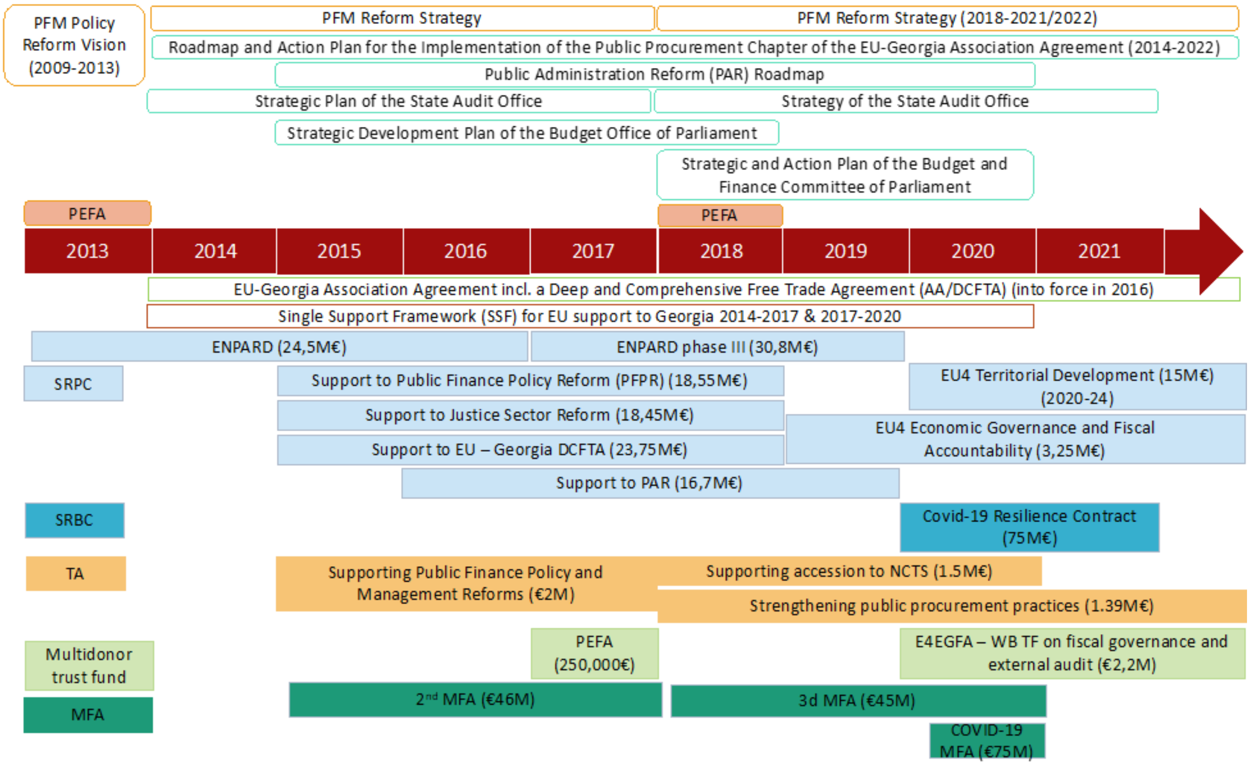
[4] https://donnees.banquemondiale.org/indicateur/NY.GDP.MKTP.KD.ZG?locations=GE (GDP growth)
https://donnees.banquemondiale.org/indicateur/BN.CAB.XOKA.GD.ZS?locations=GE (Current account balance 2010-2020)
https://tradingeconomics.com/georgia/current-account-to-gdp (Current account balance 2021)

## 2.4 Intervention logic of EC support to the CMSB agenda in Georgia

The following diagram presents the hierarchy of objectives pursued by the European Commission through its support to CMSB agenda. It aims to highlight the chain of intended changes, going from the EC inputs deployed to support public finance to the intended impacts.



## 2.5 Timeline of the EU's support to the « Collect More, Spend Better » agenda (2014-2021) related to the context in Georgia




BS and MFA amounts refer to disbursed amounts end 2021. Other amounts are contracted amounts as per CRIS (extracted data in March 2021)

# 3. Answers to the Evaluation Questions

## 3.1 Relevance

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**The EU provided massive support to public finance in Georgia, covering the full spectrum of the CMSB agenda (JC1.1).** Building on previous budget support experience[5], the EU implemented during the period under review two SRPCs (Support to Public Finance Policy Reform (PFPR) (2015-2017) and EU 4 Economic Governance and Fiscal Accountability (EGFA) (2019-2022)) specifically dedicated to public finance, both accompanied by complementary support delivered through TA, twinning and a World Bank Trust Fund (WB TF). These interventions have mostly covered the spending strand of the CMSB agenda and transversal issues, with performance indicators and complementary support focused on: fiscal governance, including medium-term budgeting and public internal financial control; independence and capacity of external audit; and Parliamentary budgetary oversight. Under EGFA, already initiated reforms were deepened (e.g., accompaniment of the implementation of International Public Sector Accounting Standards (IPSAS) through the WB TF) and new public finance areas were tackled, with performance indicators and complementary support aiming to enhance the performance of the revenue administration, to integrate SOEs in government's financial statements and to improve public investment management. Debt management has been tackled through international partnerships, i.e., the Debt Management Facility. It was also examined during the analysis of the public policy and PFM eligibility criteria of BS. The EU also designed various SRPCs (ENPARD 1 (top-up in 2016), Justice sector reform (2015-2018), DCFTA & SMEs (2015-2018); PAR (2016-2019); ENPARD 3 (2018-2021)), with performance indicators covering the spending strand of the agenda, i.e., budget preparation and execution, and/or public procurement. Georgia also benefited from a COVID-19 Resilience contract in 2020/21, with performance indicators covering external audit and anti-corruption[6]. Prior to EGFA, DRM was already an EU priority, with twinning contracts supporting e.g., the accession of Georgia to the conventions on transit area and launching of the new computerised transit system (NCTS) and the Georgia Revenue Service (GRS). The country also benefited from wide ranging support under the Revenue Mobilisation Trust Fund (RMTF). Finally, public procurement received due attention through a twinning contract with the State Procurement Agency, the structural reform criteria for the 2nd and 3d DG ECFIN macro-financial assistance (MFA) and the various SRPCs deployed during the period.

**EU CMSB support aimed to address identified PFM gaps and needs, with a view to elevate Georgian standards up to EU standards (JC1.2).** The design of the interventions reflected a good understanding of the strengths and weaknesses of Georgian PFM systems. Georgian counterparts have been extensively involved in framing the objectives and defining the activities of the interventions. For instance, the twinning contract to the Georgian State Procurement Agency (SPA) aimed to enhance its institutional, human and technical capacities to facilitate the approximation of the Georgian public procurement legislation with the relevant Union acquis and to introduce EU and international best practices within this framework.

**Overall, the design of EU CMSB interventions has not given strong attention to either gender or environmental issues (JC1.5).** This reflects the fact that these issues are not mainstreamed in the PFM reform strategy (2018-2021). Still, the design of EGFA built on a detailed assessment of cross-cutting issues (gender, rights-based approach and environment and climate change) recorded in a dedicated template. EGFA was expected to indirectly address environmental issues through i) adequate policy planning and PFM systems and capacities that are required for increased compliance with obligations under environmental conventions to which Georgia is a party and further approximation with EU's overall environmental policies and legislation; and ii) more efficient revenue mobilization (introduction of a "polluter-pay" principle in the DRM system) and budgetary spending that should increase the fiscal space to finance climate change-related interventions. The financing agreement also foresees that "complementary measures will include gender mainstreaming in the budgetary process".

**Digitalization received more attention in the design of EU CMSB interventions (JC1.5).** This echoes the importance given to the public financial management integration system (PFMS) in the PFM

[5] There were two prior EU SRPCs dedicated to public finance; the first one started in 2007.

[6] i) audit by the SAO of the COVID-19 Anti-Crisis Economic Plan and ii) participation of Georgia in the pilot phase of the 5th round of monitoring under the OECD/Anti-Corruption Network (Istanbul Anti-Corruption Action Plan).

reform strategy (2018-2021). In order to strengthen the fiscal governance framework, EGFA planned support to the consolidation of public fiscal data in Government Finance Statistics (GFS) format compliant with IPSAS. It also aimed to enhance the technical capacity of the SAO through integration of financial, compliance, performance and IT audit methodologies in the Audit Management Software; improved government reporting, statistics and data analysis; and IT security procedures and software.

## 3.2 (Internal) coherence of EU actions related to CMSB

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**Georgia's policy framework has remained oriented strictly towards closer EU links, political association and economic integration (JC2.4).** It is enshrined in the Association Agreement/Deep and Comprehensive Free Trade Area (AA/DCFTA) - signed in 2014 & entered into force in July 2016 - which aims at facilitating Georgia's economic integration into the EU market. The DCFTA is a reference framework for reforms, encouraging the modernisation of Georgia, through the approximation process, across many areas, including public finance. EU CMSB support has been designed in close alignment to national PFM strategies and plans (e.g., reform plans of the Ministry of Finance, the State Procurement Agency and the State Audit Office) as well as Georgia's Association Agreement commitments. The EU also designed a dedicated SRPC "Support to EU-Georgia DCFTA and SMEs" (2015-2018) to assist the Georgian Government in the implementation process of the DCFTA. It foresaw support to institutional and regulatory reforms in trade and private sector development, with particular focus on strengthening the capacities of Georgian SMEs to adjust to a new regulatory environment. During 2014-2018, SME and DCFTA institutions - supported by this intervention - improved their capacity to better serve the business sector in Georgia.

**EU CMSB support reflected a coherent package, with internal synergies (JC2.2).** The EU relied on a mix of aid modalities appropriately used to tackle in an articulated manner the full spectrum of the CMSB agenda (see JC1.1 above). Complementarity between the BS benchmarks of the two SRPCs dedicated to PFM and their complementary support has been strong. The design of the complementary TA under the SRPC PFPR aimed to facilitate the authorities' implementation of the SRPC, with envisaged technical support to strengthen the institutional capacity of the MoF, SAO and the Budget Office of the Budget and Finance Committee of the Parliament. During implementation, TA activities were linked to the achievement of the BS reform benchmarks (e.g., support to the MoF to draft a study of the current status, and main medium and long-term perspectives for Georgia to approximate EU Fiscal Governance and support for implementing an effective SAO's communications strategy). Similarly, some of the envisaged areas of support (fiscal governance on budgetary frameworks & external audit) under EGFA were both supported though performance indicators and the EC-WB TF "Partnership on Europe and Central Asia". The EU decided to rely on the World Bank as implementing partner due to its organizational, human and management capacities, and its solid experience of financial sector reform in Georgia.

**Coherence between the SRPCs dedicated to PFM and the macro-financial assistance of DG ECFIN has been strong (JC2.3).** The policy benchmarks of the 2015-2017 and 2018-2020 MFA programmes were closely linked to the two SRPCs dedicated to PFM (PFPR and EU4EGFA). Both the 2015-2017 MFA and PFPR programmes aimed to strengthen the operational independence of the State Audit Office. Both the 2018-2020 MFA and EGFA programmes worked on the reinforcement of public investment management and of public procurement capacity within the MoF.

## 3.3 Effectiveness – Analysis of outputs and intermediary outcomes

*Contribution of EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**The Georgian PFM reform agenda has been grounded in international assessments and fortified by the Association Agreement (JC3.1).** Since 2013, international partners conducted several diagnostics that guided the GoG in designing and implementing the successive phases of PFM reforms (2007-2009, 2009-2013, 2014-2017 and 2018-2021). As such, the 2018-2021/2022 PFM strategy captures most of the weaknesses identified by PEFA assessments (2008, 2013, 2018)[7], the IMF's Fiscal Transparency Evaluation (FTE) and 2018 Public Investment Management Assessment (PIMA) report, the Open Budget Index, the Tax Administration Diagnostic Assessment Tool (TADAT)[8] and the requirements established by EU Budget Directives. A joint WB-EU team implemented the 2008 PEFA assessment; the EU funded the 2018 PEFA assessment through a WB-led trust fund. The 2018-2021 PFM strategy was extended till 2022 to make sure that the new PFM strategy would draw on the ongoing 2021 PEFA self-assessment. With the signature of the Association Agreement with the EU in 2014, the Georgian authorities also undertook obligations in the fields of taxation, trade facilitation, public internal financial management and control and the enforcement of intellectual property rights. Similarly, the revised Association Agenda for the period 2017-2020 includes PFM priorities for developing Public Internal Financial Control and External Audit in accordance with international standards and EU good practice, legal approximation of public procurement legislation to EU public procurement acquis, and development of Georgia's tax system and administration, based on EU and international standards.

7 The MoF decided to conduct assessments at subnational level in 2017. The 2018 PEFA Municipality Synthesis Report – prepared by the WB - summarizes the assessments of 15 municipalities.

8 TADAT assessments released in 2016 and 2020.

**EU CMSB support has been instrumental in supporting Georgian partners in deepening PFM reforms over time (JC3.2).** EU support under PFPR (2015-2017) and EGFA (2019-2022) - and previous BS on PFM - provided a continuum progressively deepening already initiated reforms, e.g., progressive expansion of programme-based budgeting, piloted since 2009, introduced at central and local levels - respectively since 2012 and 2013 - and progressively rolled out in line ministries. The 2018-2021/2022 PFM strategy – supported by EGFA – focused on second-generation reforms, e.g. the implementation of IPSAS based on an accrual method of accounting and the Financial Management and Control (FMC). More generally, reform milestones have covered the areas of i) management and result orientation of budget and of public investment, ii) International Public Sector Accounting Standards (IPSAS)-oriented accounting and cash management reforms, iii) tax and customs harmonization with the EU acquis, iv) macro-fiscal planning v) public internal financial control and vi) supervision of the private sector financial accounting and reporting. Moreover, the adoption of the PFM reform strategy in 2018 was a prerequisite to apply for sector budget support from the EU in various sectors.

**Transparency is a success story of GoG's PFM reform process, that was supported by the EU (JC3.4)**. Georgia's OBI survey score on transparency constantly increased from 66 to 87 out of 100 between 2015 and 2021. The country is in the first position out of 120 countries in 2021. Since 2015, the MoF has regularly been making publicly available a Citizen's Guide to the State Budget, which better informs citizens and media on budget planning and priorities. This reflects EU-Georgia policy dialogue and the incentive effect of the performance indicators under the SRPC PFPR that requested each year the publication of the Citizens Guide Budget by end-December.

**EU CMSB support also devoted considerable attention to the oversight function of the Parliament and public participation in the budget making process, with timid results so far (JC3.4).** Under the SRPC PFPR, the EU supported improvements regarding hearing of audit findings and follow up of audit recommendations issued by Parliament. Whilst the performance indicators (e.g., conduct, on a quarterly basis, by the Budget and Finance Committee of the Parliament of hearings focused on the SAO audit report and on government annual report on the state budget execution which are open to public and to the media) were all met, these areas still presented weaknesses end 2020. Performance indicators (under the SRPC PFPR) also supported the establishment of the Budget Office of the Parliament and the conduct of its activities (e.g., publication of an assessment of compliance of the government's performance in the implementation of Georgia's fiscal rules under the SRPC EGFA). According to the Open Budget Survey, Georgia has a public participation score of 44 in 2021, almost similar to its 2015 score (46). Georgia's OBI survey score on budget oversight is 74 in 2021, similar to the one of 2017.

**External audit benefitted from significant EU CMSB support, with positive effects (JC3.4).** It was already an area of significant strength, with recognised high-quality work by the SAO (B+ in 2012 and 2018 PEFA scores). The SAO benefited from significant EU CMSB support: technical assistance and several performance indicators under the 2 SPRPCs on PFM, that were met in most cases. The support proved useful to strengthen the capacity of the SAO (e.g., manuals on revenue audit, methodologies on financial and compliance audits). Mid-2022, the SAO still did not have explicit mandate to audit tax revenues though the draft amendments to the SAO law address the issue of revenue (performance indicator unmet under EGFA). Under the COVID-19 Resilience contract, the EU also requested the SAO to include a performance audit and a compliance audit of different components of the Anti-Crisis Economic Plan in its annual audit plan for 2021 and to take part to the pilot phase of the 5th round of monitoring under the OECD/Anti-Corruption Network (Istanbul Anti-Corruption Action Plan).

**Georgia, already well advanced in terms of information technology, made some progress during the period, with EU CMSB support (JC3.3).** It has developed its own fully integrated electronic system (ePFMS) for Budgeting, Treasury and other related areas. The GoG committed in 2009 to implement the International Public Sector Accounting Standards based on an accrual method of accounting (IPSAS Accrual). A phased implementation to full transition to IPSAS by 2020 was envisaged. Under the complementary measures of the SRPC PFPR, TA was provided to the Treasury of MoF to introduce a more efficient and transparent public accounting and reporting system and upgrade the quality of financial statements to comply with IPSAS. End 2019, 26 IPSAS standards (out of 40) defining the accounting rules to be applied by public entities were translated into Georgian and reflected in the Georgian legislation.

**EGFA promoted an increased quality of the budget documentation and better reporting on fiscal risks (JC3.3).** Performance indicators under EGFA promoted the provision of additional information in the budget documentation, i.e., analysis of main macro-fiscal differences and SOEs related risks. The main macro-fiscal differences between the published 2020-2023 Basic Data and Directions (BDD) document and the published 2019-2022 BDD document calculated in 2019 were below 10% in most cases. This shows that medium-term forecasting - developed by MoF, in close collaboration with the IMF - was credible. Another performance indicator under EGFA contributed to increase the quality and coverage of the Fiscal Risk Statement (FSR). The FSR 2019-2023, part of the 2020 Budget, covers macroeconomic risks, SOEs, Public and Private Partnership projects (PPPs) and natural disaster risks. More generally, the IMF supported the SOE governance reform.

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

**EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

**In the area of tax policy, the EU supported Georgia towards its fulfilment of the requirements of the Association Agreement/Deep and Comprehensive Free Trade Area (JC4.1).** For instance, a twinning contract supported the accession of Georgia to the conventions on transit area and launching of the New Computerised Transit System (NCTS) to facilitate connectivity with existing EU customs systems. In September 2019, the Parliament adopted a new customs code, that was in line with the EU customs legislation. Work to develop and introduce an IT system fulfilling the NCTS requirements could not be finalised during the duration of the intervention with the Georgian decision to postpone the acquisition of a new IT system. Within the frame of the harmonization with the EU acquis, Georgia also harmonised the primary VAT legislation in 2019 and made changes to the tax code.

**Since 2016, the Georgian government implemented major reforms in tax administration. The latter were supported by several partners, including the EU (JC4.2).** Reforms focused on "strengthening management and governance arrangements, including the establishment of a compliance risk management function, and modernization of core processes, most notably, taxpayer services and taxpayer registration"[9]. They have been supported by several development partners, including the EU. A performance indicator under EGFA aimed to improve the operation of the VAT refund system, that was identified as a weakness by the 2016 TADAT. The target was partially met in 2021. A new process was put in place for the handling of VAT refunds, which reflects good international practice, but automatic payment of refunds was yet to be implemented and no interest was paid on delayed refunds. The establishment of the platform for automatic VAT refunds was also part of the progress to be made for harmonization with the EU acquis. The EU also financed extensive capacity-building through the Revenue Mobilization Thematic Fund (RMTF) covering a wide range of issues from tax administration organization, compliance risk management, and tax administration core business functions (e.g., quality of the taxpayer registration and management of VAT refunds).

[9] Source : IMF, Georgia : TADAT Performance Assessment Report, 2021

**Tax revenue performance has been quite satisfactory, with an average of 24% during the period 2016-2019 (JC4.4).** The ratio fell at 21,8% in 2020 with COVID-19. Prudent fiscal measures, more effective collection over time and a favorable external environment are the key explanatory factors. The international community, heavily involved in strengthening the capacity of the tax administration, also positively contributed. Disentangling the EU's contribution remains very difficult.

*Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

**Fiscal planning has been strengthened over time, with significant EU support through BS (JC5.1).** Georgia introduced a Medium-Term Budget Framework (MTBF) in 2004, based on four-year fiscal projections and expenditure plans. Multi-year expenditure forecasts have been non-binding, but revisions in expenditure plans became substantially smaller over time. Since the approval of the Budget Code in 2009, sector ministries have to submit medium term action plans (MTAPs) as part of their budget submissions to the MoF. These plans add non-financial information to the budget document. They include indicators of performance, which guarantee the link of budget to policies. All policy priorities are costed. Performance indicators under several BS (SPFPR, PAR & EGFA) and complementary TA under SPFPR supported the progressive roll out of programme budgeting, with e.g., the development of guidelines for medium-term planning; the development of medium-term strategies and action plans in line ministries, with costed strategies included in the Basic Data and Directions (BDD) and the annual budget law; and the inclusion of non-financial performance information in the information provided by budgetary programmes. The targets of the performance indicators were systematically met since 2015. Still, mid-2022, BDDs only gathered information for the main programmes, implying that sector strategies were not fully integrated into BDDs. Improvements were also needed on the indicators, which were process indicators not measuring qualitative outcomes. Hence, the practical implementation of programme budgeting was not sufficiently conducive to achieving programme/policy objectives.

**The area of Financial Management and Control (FMC) and internal audit, which benefited from support from several development partners, including the EU, continued to present shortcomings (JC5.2).** Through several performance indicators (targets met), the SPFPR BS accompanied the development of internal control systems in line with FMC Rules and Procedures in line ministries and the completion of financial and/or compliance by internal audit units. Whilst reforms and capacity building progressed, this is an area that continued to present shortcomings, as identified by the gap analysis of financial management and control systems conducted by the OECD-SIGMA early 2020. Future support is foreseen under the performance indicators of EGFA, e.g., for the set-up of a quality assurance process with the internal audit function.

**Public Investment Management (PIM) was one of the PFM areas that continued to present significant challenges (JC5.4).** The MoF approved PIM Guidelines and Methodology in 2016, with support of the World Bank. Support to PIM has not been a major focus of the EU. Still, under EGFA, the EU supported improvements in governance and accountability in PIM through a performance indicator (inclusion in the state budget documentation of the projections of costs of new investment projects that have undergone economic analysis according to national guidelines) whose target was met in 2020 and 2021. The PIMA (2018) and the IMF (2021) stressed the crucial need to strengthen the public investment management framework, which did not cover all the projects, and to better integrate off-budget investments into the budget process.

**The EU contributed to strengthen the capacity of the institutions in charge of public procurement (JC5.3).** The work of the Georgian State Procurement Agency (SPA) has been centred on the Road Map towards EU approximation and harmonisation with EU Directives. The SPA benefited from a 2-year twinning contract. After the 5-year delay in starting the intervention, qualitative support was provided during 2019 and 2020 to reinforce the capacities of the SPA in order to facilitate the approximation of the Georgian public procurement legislation with the relevant Union acquis and to introduce EU and international best practices. Besides, a major amendment to the public procurement law was made in 2020 to establish an independent and impartial dispute resolution body, as committed under the Association Agreement. This also corresponded to one of the structural reform criteria of the 2018-2020 MFA programme.

**Since 2015, the country had gradually improved its debt-management capacity and processes, with support from the Debt Management Facility, to which the EU contributed financially (JC5.5).** Support under the Debt Management Facility started with an initial Debt Management Performance Assessment (DeMPA) in 2013, followed by a reform plan and several WB/IMF support missions for domestic debt market development. Staff from the government's Debt Management Office - including managers - attended several DMF training programs that aimed to build analytical capacity, particularly with respect to conducting debt sustainability analyses, analyzing the debt portfolio, and formulating debt management strategies. The follow-up DeMPA in 2020 showed significant progress: e.g., on debt transparency with the publication of debt statistics; the annual conduct of Debt Sustainability Analyses; the development and publication of a debt management strategy in 2019, which was updated in 2021 to reflect new policies in response to COVID-19; and the adoption of reforms to strengthen the domestic securities market.

## 3.4 Effectiveness and sustainability – Contribution to outcomes and impacts

*Improved long-term financing and Public Sector Management (EQ6)*

**EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**In recent years, Georgia enjoyed macroeconomic and financial stability and enhanced resilience to shocks (JC6.1).** Key reasons include the strong policy frameworks (including a fiscal rule, an inflation-targeting regime, and robust financial sector regulation and supervision) put in place by the country and the implementation of continued reforms, supported by the EU within the frame of the AA. The EU has been the largest development partner of Georgia. It has been the only international partner providing meaningful amounts of grants. Still, the added value of EU CMSB interventions rather lied in the technical support provided and in the policy dialogue linked to performance indicators. The strengthening of control over fiscal risks remained an essential issue. Under EGFA, the EU supported progress in disclosing SOE fiscal risks (performance indicator met). At the end of period under review, the IMF was accompanying the authorities to advance efforts to manage and mitigate fiscal risks through SOE reform.

**The sound fiscal position of the country laid the ground for a proactive fiscal response to the COVID-19 pandemic (JC6.5).** The government provided substantial support (3.8 % of GDP in 2020) to vulnerable households and businesses, contributing to a sharp rise in the fiscal deficit and public debt, to 9.2 and 60 % of GDP respectively. Sizeable external assistance helped meet expanded financing needs. The EU stood up to support the GoG in its response to the pandemic, notably with a dedicated COVID-19 Resilience contract and an exceptional MFA. The IMF pointed to the need for additional fiscal policy space to meet the authorities' medium-term objectives. In 2021, Georgia has had ambitious capital spending plans to address development needs, including infrastructure, spending pressures (including for education, pension, and health outlays), and fiscal risks.

**The legal and institutional framework at the state level has ensured a certain coherence and consistency level between policy priorities and budgetary allocations (JC6.2).** The BDD policy objectives have progressively been reflected in the annual budget law, which has also been gradually developed in the direction of programme budgeting. EU CMSB support (performance indicators and TA) accompanied Georgia's progress on medium-term expenditure framework and programme budgeting. Increasing the quality and consistency between the programming and financial parts of the budget is however a long-term effort. Further progress was needed in terms of fiscal strategy (e.g., estimates of budgetary impact of policy changes, more timely reporting on fiscal outcomes, etc.). Improvements were still required in terms of reporting and monitoring. Sector policies and priorities needed to be better structured and integrated into a more coherent, comprehensive and comprehensible government policy.

**GoG invested to improve its infrastructures but did not articulate a sufficiently clear vision to guide infrastructure development (JC6.3).** An OECD report[10] indicates that Georgia's existing infrastructure varies in quality, with relatively high-quality electricity infrastructure, mainly based on hydropower, and lower-quality transport and water infrastructure. Improving connectivity to foreign markets has been a priority to boost Georgia's productivity. Transport projects have aimed to create new corridors connecting Georgia to neighboring countries. With an annual investment of USD 110 per capita between 2007 and 2016, Georgia invested relatively more than peer countries in transport. However,

[10] OECD, Sustainable Infrastructure for Low-Carbon Development in Central Asia and the Caucasus : Hotspot Analysis and Needs Assessment, 2020

Georgia 2020 did not articulate a sufficiently clear vision of the infrastructure investments needed to support long-term sustainable growth. Key sectors, like transport, energy and industry, were lacking strategies to guide infrastructure development.

*Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

**Georgia's economic development is often presented as a success story among peer countries because of its long-term macroeconomic stability and resilience to external shocks (JC7.1)**. Since its independence in 1991, the country significantly improved its economic indicators and reached in 2019 the status of upper-middle income economy. Georgia has shown strong resilience to external shocks, especially in 2014 and during the COVID-19 crisis (see also EQ6). However, challenges are still to be met, such as improving the match between the needs of the labor market and the skills of the population and developing infrastructure.

During the COVID-19 crisis, debt increased to exceed the legal limit of 60% of the GDP, but international stakeholders still assessed it as sustainable. Moreover, Russian war of aggression against Ukraine had mixed effects on the Georgian economy. On the one hand, the IMF is expecting that it will negatively impact on exports and tourism revenues[11], and a GDP growth slowdown was forecasted for 2022. On the other hand, remittances have remained high, especially from the diaspora in Russia.

**Georgia supported the improvement of public participation and its anti-corruption framework. The social contract with citizens has made progress (JC7.2)**. The GoG has implemented proactive policies to reduce corruption, and its policy documents were updated in 2017 and 2019. According to international stakeholders, Georgia has achieved rapid and substantial improvements in the area and was presented as a success story[12]. Moreover, the GoG has made significant efforts to enhance public consultation in policy-making process over last decade, but further progresses were needed, notably in terms of accessibility and visibility[13]. These reforms lead to stabilization in the citizens' perception of the GoG's action. The Corruption Perceptions Index (CPI) score of Georgia reported by Transparency International showed a slightly positive trend between 2012 and 2021, evolving from 52 to 55 out of 100; 0 (highly corrupt) to 100 (very clean)). These scores are similar to the ones registered by some EU MS, like Malta or the Czech Republic. Moreover, a public poll led by IRI in 2022 showed that 39% of the residents of Georgia consulted think that Georgia has systemic

[11] IMF, Article IV Consultations, 2022
[12] OECD, Anti-Corruption Reforms in Georgia ; Pilot 5th Round of Monitoring Under the Istanbul Anti-Corruption Plan, 2022
[13] UNDP, Assessing Public Participation in Policy-Making Process – Phase 2, 2022

high-level of corruption, whilst 33% think the opposite and 29% did not provide an opinion[14]. According to the same poll, 53% of the residents of Georgia consulted somewhat agreed or strongly agreed with the statement ''I am satisfied with the current state of democracy in Georgia".

**Georgia has tried to address its weaknesses in infrastructure and the emigration of its most skilled people (JC7.3)**. The GoG invested massively in infrastructure to take better advantage of its strategic position between the Caspian Sea and the West in order to develop both its transport and pipeline facilities. Georgia also benefited from funds from China as part of the Belt Road Initiative (BRI). However, as of 2020, the need in transport facilities was not yet fully addressed and still considered as a bottleneck of the Georgian economy[15]. To cope with its dependency on hydrocarbon imports, mainly from Russia and Azerbaijan, Georgia has started a national plan aiming at doubling its hydroelectric capacities from 2019 to 2029, but it is too soon to assess progresses in this area. Concerning education, enrollment rates in primary and secondary schools slowly increased over the past years. However, mismatches between the needs of the labour market and the presence of an adequate workforce are still present. Georgia particularly suffered from a massive brain drain. Most emigrants are highly skilled individuals, in the 20-34 age group and from urban areas[16].

**Inequalities and poverty reduced in Georgia for a decade, but improvements are still needed for a more inclusive growth (JC7.4**). The Georgian GINI index decreased from 39,6 in 2011 to 35,9 in 2019, but inequalities remained higher than in peer countries. Despite policies aiming at reinforcing redistribution, the Georgian economic structure has been based on ''islands'' of prosperity and rapid progress, mainly concentrated in urban areas. Large rural hinterlands have had more difficulties to benefit from growth and development. Whilst the national poverty ratio decreased, many Georgians are still working in low productivity sectors, such as agriculture, and are facing obstacles to significantly improve their standards of living. This structural weakness, identified by various international partners, remains to be addressed.

**The EU-Georgia Association Agreement has been the main driver of the reform process in Georgia (JC7.5).** Harmonization towards the EU acquis has been at the heart of the objectives pursued by Georgian national policies. Overall, the cooperation of the EU – Georgia's main development partner – was seen as a significant factor in facilitating reforms.

## *3.5 3Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**Regular policy dialogue took place between the GoG and all partners involved in public finance as well as CSOs through the PFM Coordination Council (JC 8.1).** This council was set up by the national authorities to follow the implementation of the PFM Reform Strategy and action plan. Meetings have been held on a quarterly basis under the chairmanship of the Ministry of Finance.

[14] International Republican Institute, Public Opinion Survey Residents of Georgia, 2022
[15] Ibid
[16] Zentrum für Osteuropa und International Studien (ZOIS), Migration and its Impact on Georgia, 2021

Department for International Development (DFID), the EU, Gesellschaft für Internationale Zusammenarbeit (GIZ), the IMF, Swedish International Development Cooperation Agency (SIDA), the United States Agency for International Development (USAID) and the World Bank (WB) have taken part to the Council meetings. During these meetings, emphasis has been put on checking the implementation of activities and little time has been devoted to discussing results and policy improvements to achieve them. The EU held regular bilateral political and policy dialogue on PAR and PFM with the GoG through the EU-Georgia Association Agreement Committees and sub-committees. Moreover, the Public Administration Reform Council, established in 2016 and coordinated by the Government, also contributed to develop an articulated EU-national consultation process and dialogue on the PFM reform agenda. Finally, the support of SIGMA and other complementary EU TA under BS interventions have contributed, through a more stable and regular provision of ad hoc and relevant expertise, to streamline coordination and dialogue, by moving from an activity-based to a more result-based and strategic policy process.

Apart from the PFM Council meetings, **development partners have also met “internally” on specific topics. EU Member States were regularly consulted within the "development counsellors meeting" (JC8.2)**. The developed EU’s twinning cooperation instrument (in the areas of public procurement, customs and revenue administrations, and, soon, Parliament, Fiscal Council and CSO’s budget oversight…) may have also favored a swift level of exchange and capitalization of information among the EU (Latvia, Finland, Poland, Austria…) on EU cooperation in economic and financial institutional & governance reforms, reinforced by the regular EU-Georgia political, policy and technical dialogues under the Association Agreement Councils, Committees and sub-Committees.

In the context of the implementation of the IMF Staff Level Agreement and the Article IV consultations, **the EU has always been informed and consulted by the IMF** in the reform areas promoted by EU budget support interventions, including economic and public financial reforms, as well as on the approximation towards EU standards (JC8.2). In general, the debriefings organized by the IMF during the reviews of its programmes constituted an important platform for dialogue on selected fiscal issues for the donor community. The IMF and the EU have also developed an enhanced dialogue and exchange of information, recently in the field of state-owned enterprise (SOE) reform, where the IMF has been actively involved with the implementation of a dedicated technical assistance, and on energy sector governance reforms initiated under the EU-Georgia DCFTA. This dialogue has been important to align and coordinate external support, especially in the energy sector. Indeed, the IMF and the EU have had different views on the pace of SOE reform on the energy market: IMF-supported SOE reform agenda vs EU specific unbundling and SOE governance rules derived from the provisions of the DCFTA on reforms and approximation process in the energy sector.

**The EU has had good collaboration with the WB, notably under the umbrella of the Programmatic Trust Fund "EC-World Bank Partnership on Europe and Central Asia” (EEPP*)* (JC8.2).** The trust fund financed the carrying out, monitoring and quality control of the 2018 Georgia’s self-PEFA assessment and, more recently, the preparation and coordination of several PEFA assessments at local (municipalities) level. It is also expected to finance the next national PEFA diagnostic planned for 2022. This allowed to promote a partnership spirit on PFM diagnostic that dates back from 2008, when a joint WB-EU team managed the first PEFA assessment in the country. Under the ongoing complementary support of EGFA, the trust fund has also been used to mobilise technical expertise to strengthen the fiscal governance framework and the capacities of external audit.

**In the context of the EU-Georgia Association Agenda and the policy dialogue between the EU and Georgia during the meetings of the Association Council, the EU promoted reforms on good governance in tax matters (JC8.3).** The EU has notably contributed to improve the country’s international cooperation and implementation of the principles of good governance in the tax area, including the global standards on transparency and exchange of information, fair taxation, and the minimum standards against Base Erosion and Profit Shifting (BEPS). Georgia is a member of the Global Forum since 2014 and associated member of the Inclusive Framework on BEPS since 2016. The legislation and practice in Georgia related to exchange of information and transparency for tax purposes is largely compliant with the International Standard. The International Financial Company Regime has been abolished without grandfathering clause; the new regime is compliant with the FHTP standards.

## *3.6 Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**Several delays were reported in the disbursement of some BS tranches related to CMSB, although not exceeding two quarters (JC9.1). While** the fixed and variables tranches of the SPRCs PFPR and EGFA were disbursed in a timely manner, the SRBC EU4 Resilience and the SRPC DCFTA encountered minor disbursement delays. Concerning the dedicated SRBC to help the GoG mitigate the negative effects of the COVID-19 pandemic, the first instalment (€60M) was released soon after the signature of the FA in September 2020, and the second one (€12M) in Q4 instead of Q2. The last 3 tranches out of 4 of the SRPC DCFTA, planned in 2016, 2017 and 2018, were also disbursed in Q4 instead of Q2.

**The EU put in place a new SRBC to help Georgia cope with the consequences of COVID-19 (JC9.1).** The bulk of the financial amounts of this programme was disbursed in a fixed tranche in 2020. No major adaptation to COVID-19 was witnessed concerning other ongoing BS during the crisis.

**Several EU CMSB interventions (twinning, trust funds) showed significant implementation delays (JC9.1).** For instance, the twinning contract to the SPA began in 2019 with a 5-year delay. One component was added to the intervention to make it fit to evolving needs. With the pandemic in 2020, not all activities could be completed as planned. Under EGFA, the EU contributed to a WB TF, which presented a 1-year delay before the pandemic. The support initially envisaged to the SAO was implemented by the office in the meanwhile. The intervention will have to be redesigned with the new management team of the SAO to make it fit to needs.

**The EU-Georgia policy dialogue in PFM has been strong (JC9.1).** The scope of this discourse is framed by the priority areas outlined in the Association Agreement and respective policy agenda developed for Georgia. PFM policy dialogue also took place under the SRPCs dedicated to PFM. The dimensions of PFM covered during dialogue covered the ones of the performance indicators. Regarding line ministries, dialogue on public finance took place with the ones the EU has had a SRPC in the sector (e.g., justice, health).

**Overall, EUD's human resources have been adequate to efficiently manage a massive EU portfolio (JC9.2).** It became more important over time to well cover sector PFM, hence requiring skilled staff. Some EUD staff was closely involved in the design of all BS operations to ensure consistency and comprehensiveness of PFM coverage. For the assessment of the BS eligibility criteria, the EUD often used external expertise. The support received has not always matched expectations. Besides, the instruments/tools available to contract external expertise have not enabled a sufficiently swift mobilization of the expertise. Finally, pre-COVID-19, regular peer exchanges took place between EU staff during PFM/PAR meetings. OECD-SIGMA experts have also been actively involved in this process. These meetings constituted a very useful platform to share experience on how other pre-accession countries had been handling PFM reform processes.

**Georgian authorities have closely monitored the implementation of the PFM strategy (JC9.3).** Since 2011, the PFM Coordination Council - chaired by MoF - has been the platform where all actors active in PFM exchange information on a quarterly basis. Beyond key national institutions involved in PFM, the Council also includes representatives of civil society organisations, IFIs and of the EUD. It reports on the implementation of the PFM reform action plan. Annual reports on the PFM reform action plan give detailed reporting across the nine pillars of the strategy. Reporting has remained activity-based, without comprehensive information on costs and results achieved.

## 4. Main lessons: contribution to key outcomes and good practices

**The EU's cooperation with Georgia in public finance illustrates the weight of the European accession process, both in framing EU CMSB support and in explaining the progress to which it contributed.** During the period under review, Georgia's policy framework has been enshrined in the Association Agreement/Deep and Comprehensive Free Trade Area (AA/DCFTA). The DCFTA is a reference framework for reforms, encouraging the modernisation of Georgia, through the approximation process, across many areas, including public finance. EU CMSB support has been designed with the aim of supporting the country to fulfill its commitments under the EU-Georgia Association Agreement. To mirror this, harmonization towards the EU acquis has been at the heart of the objectives pursued by Georgian national policies. Moreover, the Association Agreement has been the main driver behind the progress registered in the PFM/DRM reform process in Georgia.

**The EU provided massive support to public finance in Georgia. It used a wide range of aid modalities that were mobilised in a coherent manner within the frame of the AA.** The EU implemented two SRPCs specifically dedicated to PFM/DRM issues, mostly covering the spending strand of the CMSB agenda and external oversight, various SRPCs at sector level tackling budget preparation and execution and/or public procurement, twinning contracts covering both DRM and public procurement, several MFA programmes and EU contribution to international partnerships (DMF and RMTF). Several synergies were intended during design and materialised, e.g., between the BS benchmarks of the two SRPCs dedicated to PFM and i) their complementary support, and ii) the structural reform criteria of the MFA programmes.

**EU CMSB support has been instrumental in supporting Georgian partners in deepening PFM/DRM reforms over time.** EU support under PFPR (2015-2017) and EGFA (2019-2022) - and previous BS on PFM - provided a continuum progressively deepening already initiated reforms, e.g., progressive roll-out of programme-based budgeting. The 2018-2021/2022 PFM strategy – supported by EGFA – focused on second-generation reforms, e.g. the implementation of IPSAS based on an accrual method of accounting and the Financial Management and Control (FMC).

**The combination of the commitments under the AA, the mix of aid modalities (BS, TA, TF, Twinning, MFA, etc.) and the support provided by other key players contributed to accompany the progress made by the country.** On DRM, tax and customs harmonization with the EU acquis progressed. For instance, Georgia harmonised its primary VAT legislation with EU directives and made changes to the tax code. The performance of its tax administration also improved. As an illustration, the establishment of an automatic VAT refund system was supported by the AA, a performance indicator under EGFA, the IMF and the RMTF. In addition to tax revenue performance, the EU has in particular accompanied key progress in the PFM/DRM reform process of the GoG in the areas of transparency, external audit and programme budgeting. Technical assistance was particularly appreciated in order to benefit from advanced knowledge and to share good practices. BS benchmarks and MFA structural reform criteria stimulated the implementation of reform processes, with targets to be met at a specific time.

## Annex 1: Inventory of EU support to the CMSB agenda in Georgia

**Table 1: Core CMSB contracted or disbursed amount (in €M)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| **VTI** | 4,2 | 7,4 | 7,15 | 1,9 | 7,6 | 6,5 | 34,7 |
| **CM** | 2 | - | 0,02 | - | - | 1,7 | 3,7 |
| **TA** | - | - | - | 2,9 | - | - | 2,9 |
| **IO** | - | - | 0,3 | - | - | 2,2 | 2,5 |
| **Total** | 6,2 | 7,4 | 7,4 | 4,8 | 7,6 | 10,4 | 43,8 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed | Total Amount disbursed |
|---|---|---|---|---|---|---|---|---|
| SRPC | 24705 | Support to Public Finance Policy Reform | 2015 | 2017 | 3,0 | 16,0 | 19,0 | 18,55 |
| SRPC | 37364 | European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) Georgia (top-up) | 2013 | 2016 | 6,5 | 17,5 | 24,5 | 24,5 |
| SRPC | 37376 | Support to the Justice Sector Reform in Georgia | 2015 | 2018 | 8,4 | 21,6 | 30,0 | 18,45 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SRPC | 37381 | Support to EU-Georgia Deep and Comprehensive Free Trade Area (DCFTA) and Small and Medium size Enterprises (SMEs). | 2015 | 2018 | 9 | 16,0 | 25,0 | 23,75 |
| SRPC | 37832 | Support to the Public Administration Reform in Georgia (PAR) | 2016 | 2019 | 8 | 12,0 | 20,0 | 16,68 |
| SRPC | 37836 | ENPARD II (European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase II) | 2016 | 2019 | 3 | 24,0 | 27,0 | 22,88 |
| SRPC | 39318 | ENPARD III (European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase III) | 2017 | 2021 | 12 | 32,5 | 44,5 | 30,8 |
| SRPC | 40318 | Economic and Business Development in Georgia | 2019 | 2022 | 4,25 | 17,0 | 21,3 | 4,25 |
| SRPC | 40319 | Skills Development and Matching for Labour Market Needs | 2018 | 2022 | 11 | 19,0 | 30,0 | 9 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SRPC | 41405 | EU Economic Governance and Fiscal Accountability | 2020 | 2023 | 0 | 15,0 | 15,0 | 3,25 |
| SRPC | 41934 | EU4 Integrated Territorial Development | 2020 | 2024 | 15 | 25,5 | 40,5 | 15 |
| SRPC | 41937 | European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase IV (ENPARD Georgia IV) | 2020 | 2024 | 11 | 20,0 | 31,0 | 11 |
| SRBC | 42821 | COVID-19 Resilience contract for Georgia | 2020 | 2021 | 60 | 25,0 | 75,0 | 60 |

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

Support to Public Finance Policy Reform

| Year | Indicators for Variable Tranche 1 | Type of Indicators [17] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2015 | 1.1: The Ministry of Finance (MoF) develops guidelines (planning horizon, content, costing, monitoring and evaluation) for strategic/medium term planning in the context of the MTEF. | Process | Policy-based fiscal strategy and budgeting | 0,2 | 0,2 |

[17] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2015 | 1.2 - The MoF updates methodology for programme budgeting (programme budget structure and content, reporting). | Process | Policy-based fiscal strategy and budgeting | 0,2 | 0,2 |
| 2015 | 1.3: The MoF develops and updates quarterly a database (including info on actual revenues and expenditures) of Legal Entities of Public Law (LEPLs) that are managed by the Government or line ministries | Process | Policy-based fiscal strategy and budgeting | 0,2 | 0,2 |
| 2015 | The Ministry of Finance (MoF) produces a report which (i) briefly describes current status of Georgia Fiscal Governance in relation to EU Fiscal Governance (ii) presents main medium and long term perspectives for Georgia to approximate with EU fiscal governance | Input | Accountability | 0,3 | 0,3 |
| 2015 | 3.1: The "2015 Citizens Guide to the State Budget" is prepared by MoF and published (in Georgian and in English) on the MoF website by the end-December 2014 | Output | Transparency of public finance | 0,2 | 0,2 |
| 2015 | 3.2: The Government establishes the mechanism for monitoring the implementation of Parliament recommendations related to main SAO findings | Process | Transparency of public finance | 0,2 | 0,2 |
| 2015 | 4.1: The Central Harmonization Unit in the MoF develops the Rules and Procedures for Financial Management and Control (FMC) in accordance with international best practice | Process | Budget execution | 0,2 | 0,2 |
| 2015 | 4.2: Internal Audit units are established in all line ministries that are functioning according to the PIFC law | Input | Budget execution | 0,2 | 0,2 |

| | | | | | |
|---|---|---|---|---|---|
| 2015 | 5.1: The State Audit Office (SAO) produces and transmits to the Parliament and to the EU Delegation, a policy paper (in Georgian and in English language) assessing the degree of compliance with the INTOSA's Mexico declaration principle 3: Independence, Objectivity and Impartiality. Therein specific attention will be paid to monitoring of political parties' financing | Input | External scrutiny and audit | 0,5 | 0,5 |
| 2015 | 5.2: The Performance Audit Methodology is in line with ISSAI performance audit guidelines 3000-3110. | Output | External scrutiny and audit | 0,5 | 0,5 |
| 2015 | 5.3: The SAO develops and implements an improved external communication strategy with special attention on delivering better service to the public and to the Parliament, as well as informing on the percentage of the general government budget which has been audited by the SAO in the previous years and on the percentage that SAO plans to audit in the coming years. | Input | External scrutiny and audit | 0,5 | 0,5 |
| 2015 | 6.1: The Budget and Finance Committee of the Parliament develops a work plan for 2015 structured on a quarterly basis, which is published on the Parliament website and includes the participation of Parliament-designated staff to the PFM Reform Coordination Council | Process | External scrutiny and audit | 0,3 | 0,3 |
| 2015 | 6.2: The Budget and Finance Committee of the Parliament conducts public hearings on the State Audit office (SAO) audit reports and on the government's annual report on the state budget execution | Process | External scrutiny and audit | 0,3 | 0,3 |
| 2015 | 6.3: Based on its review of existing model(s) of Budget Office and on lessons learnt, the Budget and Finance Committee finalizes and publishes a synthetic multi-annual strategy and an initial and indicative multiannual action plan in order to progressively build a full-fledged, relevant and credible Budget Office serving the Parliament of Georgia | Process | External scrutiny and audit | 0,4 | 0,4 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[18] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2016 | 1.1: At least 5-line ministries develop medium term strategies and action plans according to MoF guidelines; strategies are costed and included in the Basic Data and Directions document and in the annual budget law. | Input | Policy-based fiscal strategy and budgeting | 0,3 | 0,3 |
| 2016 | 1.2 – The 2016 State Budget is presented according to the upgraded methodology and contains programme budgets for all line ministries. | Input | Policy-based fiscal strategy and budgeting | 0,3 | 0,3 |
| 2016 | 1.3 - Information on LEPLs actual revenues and outlays is submitted to the Parliament as part of the quarterly state budget execution reports | Process | Budget execution | 0,3 | 0,3 |
| 2016 | 2.1: After discussions within the government, the study is finalized by the MoF and published (in Georgian and in English language) on the MoF website by end-November 2015 | Input | Accountability | 0,3 | 0,3 |
| 2016 | 3.1: The "2016 Citizens Guide to the State Budget" is prepared by MoF and published (in Georgian and in English) on the MoF website by the end-December 2015 | Input | Transparency of public finance | 0,3 | 0,3 |
| 2016 | 3.2: By end June 2015, Government submits to Parliament a report on the progress of implementing the 2014 recommendations of the Parliament related to main SAO findings | Input | Transparency of public finance | 0,3 | 0,3 |
| 2016 | 4.1: Internal Control system is established and functioning according to "FMC Rules and Procedures" in at least 4 line ministries | Input | Budget execution | 0,3 | 0,3 |
| 2016 | 4.2: In at least 12 line ministries, Internal Audit Units have completed and transmitted to the responsible Minister at least two financial and/or compliance audits. At least one performance or/and system based audits are conducted in 4 ministries | Input | Budget execution | 0,3 | 0,3 |
| 2016 | 5.1: Following discussions with the Parliament, the SAO prepares and submits to the Parliament draft legislation deriving from the findings of the policy paper | Input | External scrutiny and audit | 0,5 | 0,5 |

18 Input, output, process, outcome, impact

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|---|---|---|---|---|---|
| 2016 | 5.2: At least 3 audits completed in 2015 are performance audits and their main findings and recommendations are published in the SAO website no later than 30 October 2015. | Output | External scrutiny and audit | 0,5 | 0,5 |
| 2016 | 5.3: SAO's communication strategy is effectively reaching its objectives. SAO will also inform, based on lessons learnt, how its communication will be further improved in 2016 | Input | External scrutiny and audit | 0,5 | 0,5 |
| 2016 | 6.1: The Budget and Finance Committee quarterly work plans are available on the Parliament website and includes the participation of Parliament-designated staff to the PFM Reform Coordination Council | Process | Transparency of public finance | 0,4 | 0,4 |
| 2016 | 6.2: The Budget and Finance Committee of the Parliament conducts, on quarterly bases, hearings focused on the SAO audit report and on government's annual report on the state budget execution which are open to public and to the media | Process | Transparency of public finance | 0,4 | 0,4 |
| 2016 | 6.3: The Budget Office of the Parliament of Georgian is established, properly staffed and equipped and starts functioning in 2015 | Process | Transparency of public finance | 0,5 | 0,5 |

| Year | Indicators for Variable Tranche 3 | Type of Indicators[19] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2017 | 1.1 At least 10 line ministries develop medium term strategies and action plans according to MoF guidelines: strategies are costed and included in the BDDD and the annual budget law. | Input | Policy-based fiscal strategy and budgeting | 0,4 | 0,4 |
| 2017 | 1.2 The 2016 State Budget execution report package includes a review on programmes according to their performance measurement indicators. | Input | Policy-based fiscal strategy and budgeting | 0,4 | 0,4 |

19 Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2017 | 1.3 The information on LEPLs actual revenues and outlays is submitted to the parliament as part of the quarterly state budget execution reports | Input | Budget execution | 0,4 | 0,4 |
| 2017 | 2.1 The MoF organizes a series of public discussions on fiscal governance, in Tbilisi and in the region, in order to raise public awareness on the importance of fiscal governance | Input | Accountability | 0,4 | 0,4 |
| 2017 | 3.1 The ''2017 Citizens Guide Budget" is prepared by MoF and published (in Georgian and in English language) in the MoF website by end-December 2016 | Input | Transparency of public finance | 0,4 | 0,4 |
| 2017 | 3.2 By end June 2016, the Government submits to Parliament the report on the progress of implementing the 2015 recommendations of the Parliament related to the main SAO findings. | Input | Transparency of public finance | 0,4 | 0,4 |
| 2017 | 4.1 An Internal Financial Control system is established and functioning according to ''rules and procedures'' in at least 8 out of 16 line ministries | Input | External scrutiny and audit | 0,4 | 0,2 |
| 2017 | 4.2 In at least 8 out of 16 line ministries, Internal Audit Unies have completed and transmitted to the responsible Minister at least one performance audit | Input | External scrutiny and audit | 0,4 | 0,4 |
| 2017 | 5.1 Based on, amongst others, its discussions with the Parliament, the SAO transmits a comprehensive report (in Georgian and English language) updating and presenting a relevant and credible medium-term reform strategy for the next five-year period | Input | Internal audit and control | 0,6 | 0,6 |
| 2017 | 5.2 At least 10% of the audits completed in 2016 are performance audits and their main findings and recommendations are published in the SAO website not later than 30 October 2016 | Output | Internal audit and control | 0,8 | 0,8 |
| 2017 | 5.3 The SAO provides evidence of the effectiveness of its (revised) communication strategy. SAO will also inform, based on lessons learnt, how its communication will be further improved in 2017 | Input | Internal audit and control | 0,5 | 0,5 |
| 2017 | 6.1 The Budget and Finance Committee publishes quarterly work plans that are available on the Parliament website and includes the participation of Parliament-designed staff to the PFM Reform Coordination Council | Process | Transparency of public finance | 0,5 | 0,5 |

| | | | | | |
|---|---|---|---|---|---|
| 2017 | The Budget and Finance Committee conducts, on a quarterly basis, hearing focused on the SAO audit report and on government annual report on the state budget execution which are open to public and to the media | Process | Transparency of public finance | 0,5 | 0,5 |
| 2017 | 6.3 The first reports produced by the new Budget Office are distributed to and used by the Budget and Finance Committee as well as by other Committees of the Parliament. A synthesis of such reports is made available to the public via the Parliament website. A second two-year action plan for the Budget Office is published by the Budget and Finance Committee. | Process | Transparency of public finance | 0,5 | 0,25 |

European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) Georgia (top-up)

| Year | Indicators for Variable Tranche 3 | Type of Indicators[20] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2016 | Capacity building for small farmers: State budget provisions for ACDA are included in successive State Budget Laws | Input | Policy-based fiscal strategy and budgetin g | 0,50 | 0,50 |

Support to the Justice Sector Reform in Georgia

| Year | VT number | Indicators for Variable Tranche x | Type of Indicators[21] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|---|
| 2016 | 1 | State funding of the Legal Aid Service (LAS) in 2016 increased by at least 20% compared with the budget of 2015 (Improved access to justice through independent and effective legal aid system and human rights institutions) | Output | Policy-based fiscal | 1,00 | 1,00 |

[20] Input, output, process, outcome, impact

[21] Input, output, process, outcome, impact

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | strategy and budgeting | | |
| 2017 | 2 | At least 5% increase of the state funding for 2017 for the National Preventive Mechanism (NPM) and the anti-discrimination mechanism under Public Defender's Office (PDO) compared with state funding in 2016 (Improved access to justice through independent and effective legal aid system and human rights institutions) | Output | Policy-based fiscal strategy and budgeting | 0,50 | 0,50 |
| 2018 | 3 | State funding of the Legal Aid Service (LAS) in 2016 increased by at least 20% compared with the budget of 2015 (Improved access to justice through independent and effective legal aid system and human rights institutions) | Output | Policy-based fiscal strategy and budgeting | 0,50 | 0,50 |

Support to EU-Georgia Deep and Comprehensive Free Trade Area (DCFTA) and Small and Medium size Enterprises (SMEs).

| Year | VT number | Indicators for Variable Tranche x | Type of Indicators[22] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|---|
| 2016 | VT1 | Strengthened DCFTA Policy Framework: Public Procurement approximation: Adoption of a comprehensive roadmap for the legislative approximation in the Public Procurement area, as stipulated in the AA | Input | Public procurement | 1,00 | 1,00 |
| 2017 | VT2 | Strengthened DCFTA Policy Framework: Public Procurement approximation: The legislative approximation to the basic standards regulating the award of contracts as defined by the Article 144 of the AA is finalized | Process | Public procurement | 0,50 | 0,50 |
| 2018 | VT3 | Strengthened DCFTA Policy Framework: Public Procurement approximation: Implementation of actions envisaged in the roadmap for 2017. | Input | Public procurement | 0,50 | 0,25 |

[22] Input, output, process, outcome, impact

Support to the Public Administration Reform in Georgia (PAR)

| Year | Indicators for Variable Tranche 2 | Type of Indicators[23] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2018 | At least 60% of the action plans of strategies involving more than one line ministry revised or adopted by the Government in 2017 include evidence of costing consistent with the latest Government-approved medium-term budgetary framework (BDD). Eventual deviations in costing beyond the control of the Government are identified and justified. | Output | Policy-based fiscal strategy and budgeting | 0,75 | 0,75 |
| 2018 | The Civil Service Bureau publishes a report demonstrating compliance with the Law on Conflict of Interest and Corruption in terms of number of declarations actually monitored in 2017. | Input | Anti-corruption | 0,40 | 0,40 |

| Year | Indicators for Variable Tranche 3 | Type of Indicators[24] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | All action plans of strategies involving more than one line ministry and revised or adopted by the Government in 2018 include evidence of costing consistent with the latest Government-approved medium-term budgetary framework (BDD). Eventual deviations in costing beyond the control of the Government are identified and justified. | Input | Policy-based fiscal strategy and budgeting | 0,75 | 0,38 |
| 2019 | The Government publishes a report on the implementation of the action plan of the assets declaration monitoring system. The report provides evidence that all cases of incomplete or inaccurate assets declarations submitted in 2017 have been subjected to administrative or | Input | Internal audit and control | 0,40 | 0,40 |

[23] Input, output, process, outcome, impact
[24] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| | legal proceedings and, based on the degree of progress and/or delays in the implementation of the 2016-published action plan, identifies main areas for further actions. | | | | |

ENPARD III (European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase III)

| Year | Indicators for Variable Tranche 2 | Type of Indicators[25] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Economy and competitiveness: The actual expenditure outturn is at least 70% of the approved budget expenditure of the annual (2018) Rural Development Action Plan (RDAP) for agricultural cooperatives. | Output | Budget execution | 1,00 | 1,00 |
| 2019 | Economy and competitiveness: The actual expenditure outturn is at least 70% of the approved budget expenditure of the annual (2018) RDAP for Small and Medium Enterprises (SMEs) support in rural areas. | Output | Budget execution | 1,00 | 1,00 |
| 2019 | Social conditions and living standards: The actual expenditure outturn is at least 70% of the approved budget expenditure of the annual (2018) RDAP for rural infrastructure support. | Output | Budget execution | 1,00 | 1,00 |
| 2019 | Social conditions and living standards: The actual expenditure outturn is at least 70% of the approved budget expenditure of the annual (2018) RDAP for Vocational Education and Training (VET)/skills development support. | Output | Budget execution | 1,00 | 1,00 |
| 2019 | Environmental protection and sustainable management of natural resources: The actual expenditure outturn is at least 70% of the approved budget expenditure of the annual (2018) RDAP for the sustainable management of forests in compliance with the Rules of Development and Approval of Forest Management Plans, | Output | Budget execution | 0,40 | 0,40 |
| 2019 | Environmental protection and sustainable management of natural resources: The actual expenditure outturn is at least 70% of the approved budget expenditure of the annual (2018) RDAP for the sustainable management of the System of Protected Areas of Georgia. | Output | Budget execution | 0,40 | 0,40 |
| 2019 | Rural development governance: The actual expenditure outturn of the costed RDAP for 2018 is at least 70% of the approved budget expenditure of the year 2018 from RDAP (2018-2020) ( | Output | Budget execution | 2,00 | 2,00 |

[25] Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 3 | Type of Indicators[26] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | Economy and competitiveness: At least 100 active agricultural cooperatives supported through public funds between 01.01.2017 and 31.12.2019. | Output | Policy-based fiscal strategy and budgeting | 1,00 | 1,00 |
| 2020 | At least 3,000 active SMEs in rural areas supported through public funds between 01.01.2017 and 31.12.2019. | Output | Policy-based fiscal strategy and budgeting | 1,00 | 1,00 |
| 2020 | Social conditions and living standards: New or upgraded public infrastructure completed in at least 1,150 rural settlements by 31.12.2019. | Output | Public investment management | 1,00 | 1,00 |
| 2020 | Rural development governance: The actual expenditure outturn of the costed RDAP for 2019 is at least 75% of the approved budget expenditure of the year 2019 from RDAP (2018-2020) | Output | Budget execution | 2,00 | 2,00 |

| Year | Indicators for Variable Tranche 4 | Type of Indicators[27] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | Economy and competitiveness: At least 15% increase in land amelioration supported with public funds between 01.01.2017 and 31.12.2020 compared to baseline value, | Outcome | Policy-based fiscal strategy and budgeting | 1,30 | n/a |
| 2021 | Rural development governance: The actual expenditure outturn of the costed RDAP for 2020 is at least 80% of the approved budget expenditure of the year 2020 from RDAP (2018-2020) | Output | Budget execution | 2,00 | n/a |

[26] Input, output, process, outcome, impact
[27] Input, output, process, outcome, impact

EU Economic Governance and Fiscal Accountability

| Year | Indicators for Variable Tranche 1 | Type of Indicators[28] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | 1.1.1. Governance and accountability in medium term budgeting: publication of the basic data and directions documents and the annual budget law package | Input | Transparency of public finance | 0,50 | 0,50 |
| 2020 | 1.2.1. Improved accountability of fiscal risk reporting: publication of the fiscal risk statements at the Ministry of Finance website | Input | Accounting and reporting | 0,50 | 0,50 |
| 2020 | 1.5.1. Improved governance and accountability in Public Investment Management: the 2020 state budget documentation includes projections of the total capital and recurrent costs of 10 new investment projects that have undergone economic analysis according to the national guidelines prior to inclusion in the capital projects information submitted to parliament as part of the state budget law package | Output | Public Investment management | 0,50 | 0,50 |
| 2020 | 2.2.1. Auditing tax revenues: amendments to the SAO law granting explicit recognition of its mandates on revenue audit is discussed among stakeholders and submitted to parliament | Output | External scrutiny and audit | 0,40 | 0 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[29] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | 1.1.1. Governance and accountability in medium term budgeting: publication of the basic data and directions documents and the annual budget law package | Process | Transparency of public finances | 0,50 | 0,5 |

[28] Input, output, process, outcome, impact

[29] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2021 | 1.2.2. Improved accountability of fiscal risk reporting: publication of the audited financial statements by the public interest state owned enterprises at the minister of finance SARAS website | Output | Accounting and reporting | 0,50 | 0 |
| 2021 | 1.4.2. Improved governance and accountability in revenue administration: the automatic VAT refund system is established; claims are processed within 30 days | Output | Revenue administration | 0,50 | 0,25 |
| 2021 | 1.5.2. Improved governance and accountability in Public Investment Management: the 2021 state budget documentation includes projections of the total capital and current costs of 50% of the total value of new investment projects that have undergone economic analysis according to the national guidelines prior to inclusion in the capital projects information submitted to the parliament as part of state budget law package | Output | Transparency of public finances | 0,50 | 0,5 |
| 2021 | 1.6.2. Improved governance and accountability in public internal financial control: managerial control systems are established in line with the instructions of the government of Georgia decree 133 | Input | Budget execution | 0,50 | 0 |
| 2021 | 2.1.2. Accountability in public expenditures at national level: financial audits are approved, and reports submitted to the parliaments no later than seven months from the end of fiscal year share of performance audit increases reaching 17% | Output | External scrutiny and audit | 0,50 | 0 |
| 2021 | 2.2.2. Auditing tax revenues: the SAO law has explicit recognition of its mandates on revenue audit | Output | External scrutiny and audit | 1,00 | 0 |
| 2021 | 3.1.2. Scrutiny of audit reports: SAO reports submitted to the parliament are scrutinised within six months of receipt | Output | External scrutiny and audit | 0,50 | 0 |
| 2021 | 3.3.2. Independent fiscal monitoring: Budget Office publishes by a scheduled date its assessment of compliance of the government’s performance in the implementation of Georgia's fiscal rules | Output | External scrutiny and audit | 0,50 | 0,5 |

| Year | Indicators for Variable Tranche 3 | Type of Indicators[30] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2023 | 1.1.2. Governance and accountability in medium term budgeting: : publication of the basic data and directions documents and the annual budget package | Output | Transparency of public finances | 0,6 | n/a |
| 2023 | 1.2.3. Improved accountability of fiscal risk reporting: publication of the audited financial statements for all public corporations | Output | Transparency of public finances | 0,6 | n/a |
| 2023 | 1.3.3. Improved governance and accountability in performance information publication of the annual state budget execution reports on the Minister of Finance websites | Output | Accounting and reporting | 0,6 | n/a |
| 2023 | 1.4.3. Improved governance and accountability in the revenue administration: the VAT refund system is adequate in every respect; critical weaknesses in the revenue administration are addressed | Output | Revenue administration | 0,6 | n/a |
| 2023 | 1.5.3. Improved governance and accountability in Public Investment Management: economic analysis is conducted to assess major investment projects and some results are published | Output | Transparency of public finances | 0,6 | n/a |
| 2023 | 1.6.3. Improved governance and accountability in public internal financial control: managerial control systems are established in line with the instructions of the government of Georgia decree 133; a quality assurance process is in place with the internal audit function and audit activities meet professional standards including focus on high risk areas. | Input | Budget execution | 0,6 | n/a |
| 2023 | 2.1.3. Accountability in public expenditures at national level: financial audits are approved and reports submitted to the parliaments no later than seven months from the end of fiscal year share of performance audit increases reaching 20% | Output | External scrutiny and audit | 0,6 | n/a |
| 2023 | 2.2.3. Auditing tax revenues: the SAO conducts a pilot audit of state revenues | Input | External scrutiny and audit | 1,50 | n/a |

30 Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2023 | 2.3.3. Accountability in public expenditures at sub national level during 2019-2021 all local governments are audited at least once by the SAO | Output | External scrutiny and audit | 0,6 | n/a |
| 2023 | 3.1.3. Scrutiny of audit reports: PEFA dimension 1 and 3 score is B | Output | External scrutiny and audit | 0,6 | n/a |
| 2023 | 3.2.3 In depth hearings of the audit findings: PEFA PI 31 dimension 2 is at least B | Output | External scrutiny and audit | 0,6 | n/a |
| 2023 | 3.3.3. Independent fiscal monitoring: The PBO conducts a self-assessment informing the public and the parliamentary leadership on the required changes enabling to enforce its oversight capacity in line with the requirements and functions performed by fiscal councils in non euro EU member states | Output | External scrutiny and audit | 0,6 | n/a |

Covid-19 Resilience Contract

| Year | Indicators for Variable Tranche 1 | Type of Indicators[31] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | The implementation of the COVID-19 Anti-Crisis Economic Plan of the GoG is audited by the State Audit Office | Input | External scrutiny and audit | 2,0 | 2,0 |
| 2021 | Georgia is taking part in the pilot phase of the 5th round of monitoring under the OECD/Anti-Corruption Network (Istanbul Anti-Corruption Action Plan) | Process | External scrutiny and audit | 3,0 | 3,0 |

EU4 Integrated Territorial Development

[31] Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 1 | Type of Indicators[32] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2022 | 2.1. Increasing the role and functions for urbanized zones: Strengthening socio-economic role of regional urban centres: Contracts signed for fiscal years of 2020 and 2021 and funds allocated in 2022 state budget for strengthening socio-economic role of regional urban centres is least EUR 8.25 million. | Input | Policy-based fiscal strategy and budgeting | 2,00 | n/a |
| 2022 | 4.1. Fostering Competitiveness and Innovations in focal regions: Fostering SME competitiveness and innovations in focal regions: Contracts signed for fiscal year of 2020 and 2021 and funds allocated in 2022 state budget is at least EUR 6.5 million | Input | Policy-based fiscal strategy and budgeting | 2,00 | n/a |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[33] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2023 | 1.1.a. Empowering local and regional authorities: Devolution of measures to ensure participatory and integrated development planning: Regional Consultative Councils select at least 60% from the total number of the projects to be implemented under the PIRDP and financed from the State Budget of Georgia for the fiscal years 2020-2023 | Output | Fiscal decentralisation | 1,00 | n/a |
| 2023 | 1.1.b. Empowering local and regional authorities: Devolution of measures to ensure participatory and integrated development planning: Regional Consultative Councils select at least 60% from the total financial value of the projects to be implemented under the PIRDP and financed from the State Budget of Georgia for the fiscal years 2020-2023 | Output | Fiscal decentralisation | 1,00 | n/a |

32 Input, output, process, outcome, impact
33 Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2023 | 1.4. Empowering local and regional authorities: Financial resources for integrated development of each focal region: State budget expenditure reaches at least 75% of respective planned allocations (across each of the PIRDP priorities, and each of the focal regions). | Output | Budget execution | 2,00 | n/a |

| Year | Indicators for Variable Tranche 3 | Type of Indicators[34] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2024 | 1.2 Empowering local and regional authorities: Financial empowerment of local authorities: Local authorities' total revenues (except Tbilisi and Batumi) comprise 2.77% of GDP in 2018. | Input | Fiscal decentralisation | 2,50 | n/a |

3) BS complementary measures (technical assistance, studies, ...)

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 41405 | 416172 | Economic Governance and Fiscal Accountability Project | 2020 | Ongoing | 1.320.000 € |
| 41405 | 416172 | Economic Governance and Fiscal Accountability Project | 2020 | Ongoing | 220.000 € |
| 41405 | Not Available | Review the implementation of the EU Sector Policy Reform Contract- EU 4 Economic Governance and Fiscal Accountability (EGFA) | 2020 | Ongoing | 134.420 € |
| 37364 | 389367 | Tax administration | 2017 | Closed | 19.916 € |
| 24705 | Not Available | Supporting Public Finance Policy and Management Reforms in Georgia | 2015 | Closed | 2.000.000 € |

[34] Input, output, process, outcome, impact

4) Other EC interventions

### *Capacity-building / technical assistance projects supporting CMSB*

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 39337 | 395905 | Supporting the Accession of Georgia to the Conventions on Transit Area and Launching of the New Computerised Transit System (NCTS) | 2018 | Closed | 1.500.000 € |
| 39337 | 402764 | Strengthening public Procurement practices in Georgia | 2018 | Ongoing | 1.399.638 € |
| 41405 | 409119 | EU4EGFA - Parliament, Fiscal Council & CSOs | 2020 | Ongoing | 1.100.000 € |

### *Multidonor trust fund*

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 38775 | 387885 | PEFA assessment, quality check and validation for Georgia | 2017 | Closed | 250.000 € |
| 41505 | 416172 | EU4EGFA – WB TF on fiscal governance and external audit | 2020 | Ongoing | 2.200.000 € |

Macro-Financial Assistance

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| Not Available | Not Available | 2nd MFA | 2015 | Closed | 46.000.000 € |
| Not Available | Not Available | 3d MFA | 2017 | Closed | 45.000.000 € |
| Not Available | Not Available | COVID-19 MFA | 2020 | Closed | 75.000.000 € |

## Annex 2: List of institutions met

| Institution type | Institution / Ministry | Service |
|---|---|---|
| European Union | European Union Delegation | |
| | Ministry of Finance | Budget department |
| | | Central Harmonization Unit |
| | | Dispute Resolution Department |
| | | Fiscal Risks Department |
| | | Macroeconomic analysis and Fiscal Policy Projection |
| | | Public Debt Management Department |
| | | Tax and Customs Policy Department |
| | Georgian Revenue Service | |
| | Ministry of Economy | |
| | Ministry of Health | |
| | Ministry of Justice | |
| | Ministry of Regional Development and Infrastructure | |
| | Parliament of Georgia – Budget Office | |
| | State Auditor Office | |
| | State Procurement Agency | |
| | Service for Accounting, Reporting and Auditing Supervision (SARAS) | |
| Other donors | Deutsche Gesellschaft für Internationale Zusammenarbeit (GiZ) | |
| | International Monetary Fund | |
| | United States Agency for International Development (USAID) | |
| | World Bank | |
| Civil society and consulting | European Foundation | |
| | PMCG | |

# CASE STUDY NOTE – GHANA

## Table of Contents

## List of acronyms

| | |
|---|---|
| AFRITAC | African Regional Technical Assistance Centre |
| ARAP | Accoutability, Rule of Law and Anti-corruption Programme |
| BS | Budget Support |
| CB | Capacity Building |
| CHRAJ | Commission on Human Right and Administration Justice |
| CSO | Civil Society Organisation |
| DACF | District Assemblies Commun Fund |
| DRM | Domestic Resource Mobilization |
| DTAP | Decentralisation Techical Assistance Project |
| EC | European Commission |
| ECF | Extended Credit Facility |
| EU | European Union |
| FDU | Fiscal Decentralisation Unit |
| GAS | Ghana Audit Service |
| GDP | Growth Domestic Product |
| GIFMIS | Government Integrated Financial Management Information System |
| GIZ | German Corporation for International Cooperation |
| GRA | Ghana Revenue Authority |
| IAA | Internal Audit Agency |
| IGGF | Inter-Governmental Fiscal Framework |
| IL | Intervention Logic |
| IMCC | Inter-Ministerial Coordinating Committee on Decentralisation |
| IMF | International Monetary Fund |
| IPSAS | International Public Sector Accounting Standards |
| MDA | Ministries Departments, Agencies |
| MDLGRD | Ministry of Local Government and Rural Development |
| MMDA | Metropolitan, Municipal and District Assemblies |
| MNRW-TF | Managing Natural Resource Wealth Thematic Fund |
| MoFEP | Ministry of Finance and Economic Planning |
| NACAP | National Anti-Corruption Action Plan |
| NDPS | National Decentralistaion Policy Strategy |
| OSP | Office of Special Prosecutor |
| PFM | Public Finance Management |
| PFMRP | Public Financial Management Reform Project |
| PFMRS | Public Finance Management Reform Strategy |

| | |
|---|---|
| PIMS | Public Investment Management System |
| PPA | Public Procurement Authority |
| RMTF | Revenue Mobilization Thematic Fund |
| RTAC | Regional Technical Assistance Center |
| SDG | Sustainable Development Goals |
| SDG-C | Sustainable Development Goals Contrat |
| SECO | Swiss State Secretariat for Economic Affairs and Economic cooperation |
| SOE | State-Owned Enterprise |
| SRPC | Sector Reform Performance Contract |
| SWAP | Sector Wide Approach |
| SWG | Sector Working Group |
| TRIPS | Total Revenue Integrated Processing System |
| VT | Variable Tranche |
| VTI | Variable Tranche Indicator |
| WB | World Bank |

# 1. Introduction and choice of Ghana as a case study

## *1.1 Scope and objectives of this study case*

This country report is part of the evaluation of the EU support in CMSB agenda for the period 2015-2020. It follows a documentary review of the main support provided by the EU in this area covering Domestic Resource Mobilisation (DRM), Budget Management (programming and execution) as well as transparency and accountability (see portfolio in Annex 1). A 5-day mission was also carried out between April 4th and 8th 2022 enabling the two experts' team to meet many actors involved and/or beneficiaries of this support (see list in Appendix 2).

Ghana was selected as one of the 12 case studies for the evaluation for the following reasons: being a lower middle-income country; the use of a mix of modalities (Budget Support, Technical Assistance Project, and because of the specific PFM issues focused by EU support : the decentralization component, the anti-corruption programme the reinforcement of public procurement, internal and external control including legislative oversight and involvement of civil society. The choice of Ghana as case study also made it possible to combine with the study of international partnerships and more particularly of RTACs, the headquarters of Afritac West 2 being located in Accra. Furthermore, Ghana benefitted from capacity building projects delivered under IMF's Revenue Mobilization Thematic Fund (RMTF).

Through different Budget Supports, technical assistance and projects, the EU has aimed to address several challenges related to the CMSB agenda (see 2.3), including:

- public sector financial management and accountability for both revenue and expenditure for sustained economic growth;
- fiscal decentralization and enhanced capacities of MMDAs in PFM and DRM;
- public procurement management and procedures;
- internal and external audit functions;
- legislative oversight;
- anticorruption and prosecution policies;
- civil society involvement in PFM;
- tax compliance and tax registration.

This report focuses on the analysis of relevance, coherence, effectiveness and efficiency of the supports provided in those sectors.

## *1.2 Limitations*

Given the limited duration of the mission and the wideness of the topics' scope to be covered, the report does not claim to give an exhaustive view of everything that has been implemented in these sectors or to provide a general assessment of EU interventions in Ghana. It aims at stressing lessons from EU's experience in Ghana in these different areas to draw conclusions on the strengths and weaknesses of the EU interventions and provide recommendations to strengthen the EU's role in this domain.

# 2. National context and EU interventions supporting CMSB agenda

## *2.1 General context and main policy documents*

After the end of the military rule in 1992, Ghana has successfully made a democratic transition, and ranks in the top three African countries for freedom of speech and press. During the reporting period, elections were held, peacefully and in a competitive and transparent manner according to the EU Observation Mission, and, as a result, Nana Akufo-Addo has become the new President of Ghana in 2017 and has been re-elected for a second term in 2020.

Ghana is a lower-middle income country since 2011, its growth relies heavily on the export of cocoa, gold and oil, and is therefore vulnerable to fluctuations in the international prices of these commodities. While poverty has been decreasing for the last decades, high levels of poverty remain, mostly in the three Northern regions of Ghana. Besides, due to the economic slowdown caused by the covid crisis, the poverty rate slightly increased from 25% in 2019 to 25.5% in 2020. The labor market is characterized by a high degree of informality.

The main national strategic plan during the period covered was the **Ghana Shared Growth and Development Agenda II** (2014 – 2017) comprising 7 main themes and, in terms of PFM, focusing on governance and accountability, including environmental governance and transparency and accountability in the extractive industries, anti-corruption and the rule of law.

This development strategy was followed by **the Coordinated Programme of Economic and Social Development Policies** (2017-2024) presented by the new President and its government, and the "Ghana Beyond Aid" Vision based on 5 pillars: (a) enhancing domestic revenue mobilization without undermining productive activities or distorting private incentives for work; (b) encouraging higher private savings as a source of loanable funds to support domestic credit and capital markets; (c) pursuing more transparent, prudent, and accountable use of public resources; (d) leveraging resources in more innovative ways than the conventional model of royalty and tax regimes; and (e) adopting innovative ways to mobilize and use external resources.

In 2015, a **PFM Reform Strategy** (PFMRS) was elaborated with the help of the World Bank and the IMF and adopted for the period 2015-2018. The 4-year reform strategy aimed at achieving budget credibility, enhancing comprehensiveness and transparency in PFM, improving the control, predictability and reporting of budget execution, and enhancing auditing, risk management and general external oversight. The PFMRS ended in 2018.

The reform strategy was accompanied by the introduction of a new legislative framework in 2016, the PFM Act, aimed at bringing together all PFM laws to strengthen accountability, improve transparency, and providing a stronger basis for external oversight by Ghana Audit Service, Internal Audit Agency, Public Procurement Authority, and Parliament.

More recently, the new PFM Strategy (2022 – 2026) has been finalized. It is focused on 5 strategic pillars: 1) Strategic planning and macro-fiscal framework, 2) Budget preparation and approval, 3) Control predictability and transparency in budget execution, 4) Accounting and fiscal reporting using GIFMIS, and 5) External audit and parliamentary scrutiny.

Regarding the Domestic Revenue Collection strand, the Ghana Revenue Authority (GRA) functions with successive strategic plans. In 2015-2017, the **2$^{nd}$ strategic plan** was put in place, aiming to reach 5 strategic goals: a) Optimal Revenue Collection in a Cost-Effective Manner, b) Responsive Client Service, c) Compliance with Statutory Non- Revenue Obligations, d) A Transparent Tax Environment to enhance Voluntary Tax Compliance, and e) A Professional and Credible Organisation. The **3$^{rd}$ strategic plan** for

2019-2021 also comprises 5 strategic goals, namely, to grow revenue, improve customs and domestic tax compliance, leverage information and communication strategy (ICT), enhance administration efficiency, and develop professional and motivated staff. The new PFM strategy 2022-2026 has for the first time include the DRM dimension in its third pillar with tax policy and tax administration reform dimensions as key elements to improve in budget execution.

Ghana has also adopted a **National Anti-Corruption Action Plan (NACAP)** for 2015-2024 that serves as national framework to guide anti-corruption activities for that period, acknowledging multi-dimensional corruption as an obstruction to Ghana's economic and political development. The objectives of the NACAP are to: 1. Build public capacity to condemn and fight corruption and make its practice a high-risk, low-gain activity; 2. Institutionalise efficiency, accountability and transparency in the public, private and not-for profit sectors; 3. Engage individuals, media and civil society organisations in the report and combat of corruption; and 4. Conduct effective investigations and prosecution of corrupt conduct.

During the period under review, **the National Decentralisation Action Plan (NDAP 2015-19)** was guiding Ghana's decentralization reform around 5 thematic areas: political decentralization and legal reforms, administrative decentralization, decentralised planning, fiscal decentralization, and popular participation. The new NDAP 2020-2024 has been adopted at the end of 2019, with a strong support from the EU.

As a response to the covid-19 crisis, the government of Ghana put in place the **COVID-19 Alleviation and Revitalization of Enterprises Support (CARES)**, which is a GH¢100 billion programme planned over three and a half years to mitigate the impact of the pandemic and define a set of interventions aimed at recovering from the crisis and boost the post-covid economy.

## *2.2 Recent economic evolutions*

Ghana had experienced serious macro-economic imbalances in 2014-2016, fuelled by double-digit fiscal and current account deficits including high inflation and sizable budget (large recurrent spending on wages, subsidies and interest payments). In order to address the macro-economic and fiscal imbalances the Government initiated since 2015 a cooperation with the IMF and adopted a series of fiscal and monetary policies required to stabilise the economy. This cooperation through a three-year programme has rested on several key pillars: restraining and prioritising public expenditure with a transparent budget process, increasing tax collection and strengthening the effectiveness of the central bank monetary policy.

The completion of the IMF ECF programme in April 2019 demonstrated the Ghanaian authorities' commitment to addressing these serious macro-economic imbalances built up between 2014-16, including a sizeable fiscal deficit (at 9.3 percent of GDP at end-2016) and double-digit inflation (at 15.5 percent at end-2016). The authorities have achieved significant macroeconomic gains and stability over the evaluated period, with rising growth, single digit inflation, fiscal consolidation, and banking sector clean up. However, progress on structural reforms did not sufficiently intensify and stronger monitoring of fiscal operations, including for SOEs, are still required to mitigate fiscal risks. Longstanding losses in the energy sector have notably spilled over to the budget and, together with the cost of the financial sector clean-up, have contributed to the rise of public debt. Raising domestic revenues remains a priority to create fiscal space and buttress fiscal sustainability while the implementation of a genuine energy sector recovery plan is paramount to limit contingent liabilities in the energy sector. In addition, whereas debt management has improved, existing large financing needs and limited external buffers together with an increased reliance on foreign investors has raised Ghana's exposure to market sentiment and exchange rate risk in view of elevated debt burden and fiscal risks.

More recently, the proactive Government's response to mitigate the social and economic impact of the pandemic and limit the spread of the COVID-19 contributed to the deterioration of the fiscal position in 2020 and 2021 with Ghana's public debt increasing from 65 percent to 80 percent of GDP. This situation has raised fiscal risks and further underlined existing national fiscal rigidities, debt vulnerabilities and need for further fiscal consolidation and public financial governance reforms.

In the DRM area, raising domestic revenues remain a priority to create fiscal space and buttress fiscal sustainability. A comparison of Ghana's performance with its peers in the sub-Saharan African region underlines the scope to raise additional revenues across all tax categories. Before the pandemic, Ghana's tax-to-GDP ratio had grown to just below 13 percent, and was estimated by the IMF at 7 percent of GDP below the estimated tax frontier. Broadening the tax base, modernizing tax administration, connecting tax IT information systems, improving taxpayer data basis, tax compliance and streamlining of tax expenditure (estimated at 6% of GDP) are among the key priorities identified for reforms. However, so far, there was a lack of consensus between donors and the national authorities on a reliable and credible tax reform action plan that contributed to complicate the emergence of genuine, fluid and transparent policy dialogue. But several valid and relevant ad hoc supports have been provided and ad hoc tax administration and tax policy reforms are ongoing. Furthermore, the draft of the new PFM strategy 2022-2026, after the absence of strategic comprehensive reform guidance since the last PFM reform elapsed in 2018, has included key reforms to address the country fiscal vulnerabilities including, for the first time, specific reforms agenda on DRM as well as on fiscal risk and debt management. This reform agenda has Strengthen budget credibility, compliance to rules and regulations, and improvement of cash and debt management as well as improve governance of SOE especially in the energy sector remain key priorities

## *2.3 Main actors supporting CMSB agenda in Ghana*

In Ghana, coordination between development partners is done through sectoral working groups (SWG), including a DRM SWG and a PFM SWG with several donors such UK DFID/FCDO, GIZ, IMF, EU, WB,AfDB, KfW, Dutch development aid organization/SNV, AFD) or also a SWG on decentralization (EU, GIZ, SECO) which was led by the EU until 2019 when SECO took over this role.

The **IMF** has supported Ghana during the period between 2015 and 2019 through an Extended Credit Facility of US$925.9 million that aimed to restore debt sustainability, rebuild external buffers, eliminate fiscal dominance of monetary policy, while safeguarding financial sector stability and protecting social spending. Following the covid-19 outbreak, a Rapid Credit Facility of US$1 billion was granted to Ghana in 2020 to address the crisis.

The **World Bank** also supported Ghana regarding PFM. From 2007 to 2014, the e-Ghana Project was implemented with the objective of supporting the government in generating growth and employment by leveraging information and communication technology (ICT) and public-private partnerships to a) develop the IT Enabled Services industry, and, b) contribute to improved efficiency and transparency of selected government functions, through e-government applications. The total cost for this ICT project reached US$ 115.73 million, including contributions of GBP 10 million from UK DFID and EUR 9 million from the EU to finance a new GIFMIS component costing US$28.44 million.

During 2015 – 2020, a WB's Public Financial Management Reform Project was funded with US$40M with the aim to improve budget management, financial control, and reporting of the Government of Ghana. More specifically, the reform project was divided into 4 components with the respective objectives of improving the budget management and strengthen credibility of the national budget, supporting the design, development, implementation and coverage of the Government's PFM systems and control, enhancing external audit capacity as well as legislative oversight over budget management, and providing a continuing institutional and coordination basis for overseeing the implementation of the PFMRS.

The WB is now continuing to support the government of Ghana with a PFM for Service Delivery PforR planned for the period 2022-2027 with an initial budget of US$150 million.

Similarly, **GIZ** has been an active development partner in Ghana for many years. Between 2016 and 2019, GIZ has implemented a Good Financial Governance project aimed to improve public finances in all its aspects: a) tax administration and policy (revenue management), b) budgeting and budget processes (budget management), and c) public accountability and transparent management of revenue from the extractive industries. The Support for Decentralisation Reforms (SfDR) was in place from 2007 to 2021 to improve the collection, management and data-driven planning of their finances to implement the 2030 Agenda in selected local districts.

## 2.4 Intervention logic of CMSB supports in Ghana and timeline

The following diagram presents the intervention logic implemented by the EU throughout its support to CMSB agenda. It aims to highlight the chain of changes based on the allocated inputs.

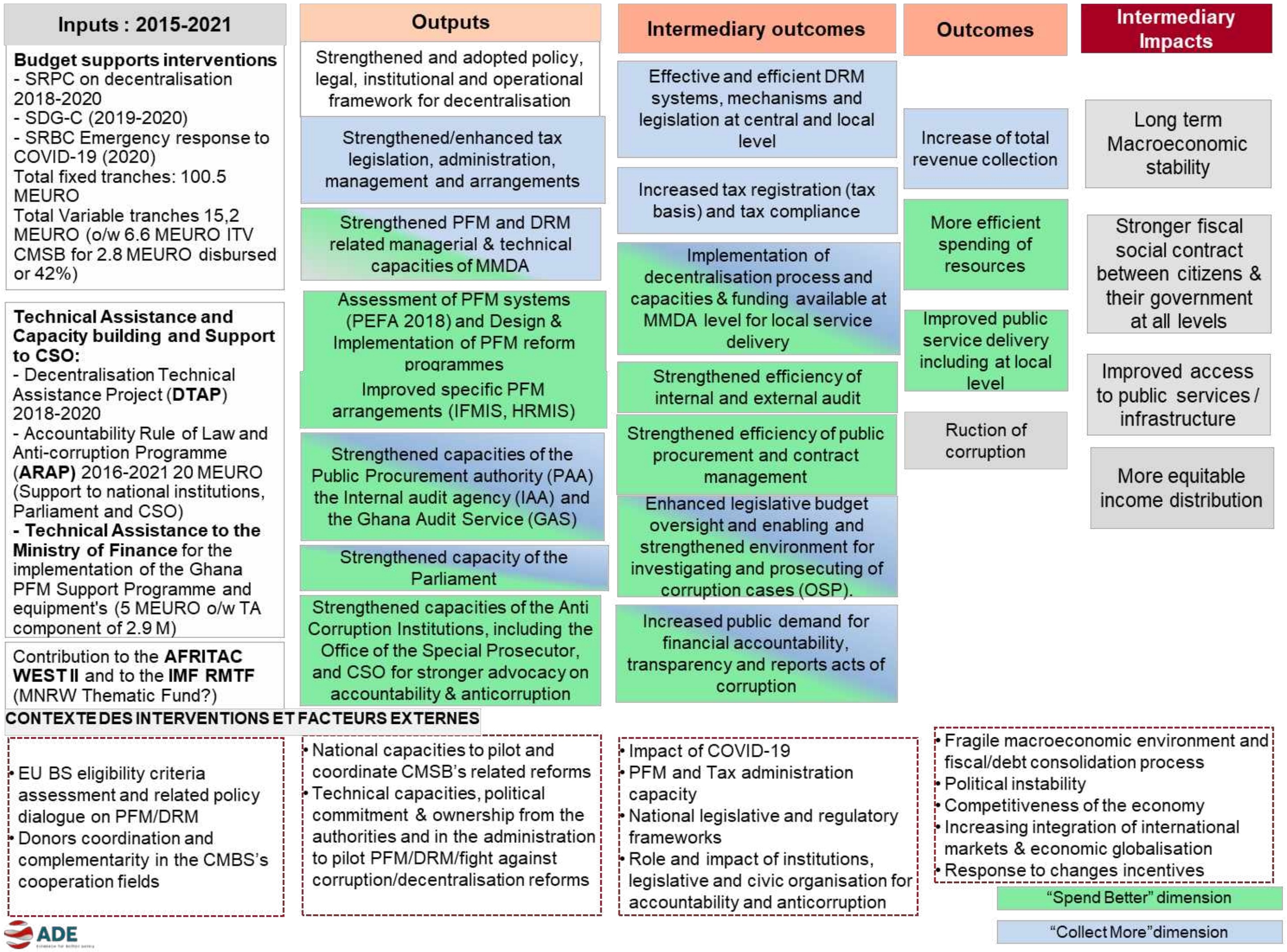
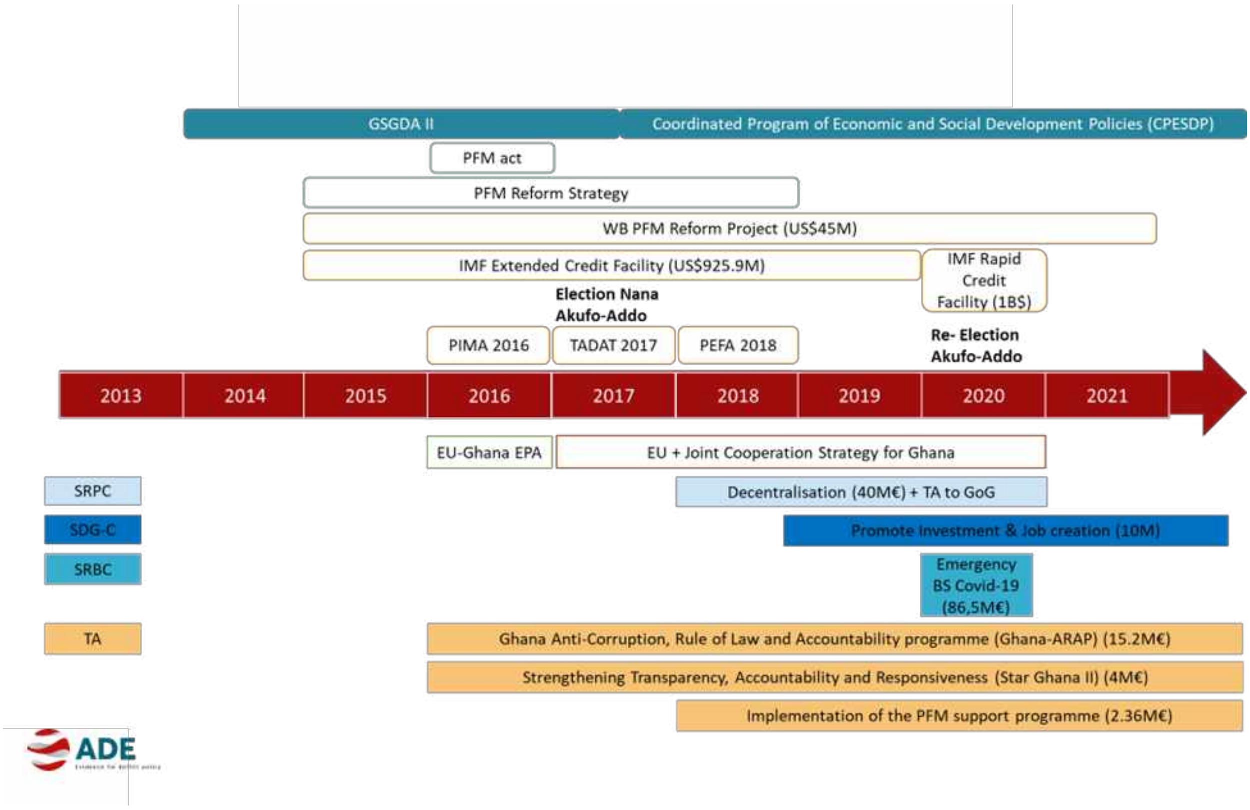


**Figure 1: Timeline of the « Collect More, Spend Better » approach and context in Ghana**




# 3. Answers to the Evaluation Questions

## 3.1 Relevance

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**The EU has approached support to several sub-components of the CMSB's agenda (JC 1.1) through a range of modalities including sector and general budget supports, institutional technical assistance projects and funding projects for the civil society.**

Following problems with the implementation of previous general budget support operation due to national fiscal slippages and macroeconomic instability, and while the CMSB agenda was not explicit in its strategy intervention, **the EU has opted to address PFM and DRM issues through the promotion of the political, legal, institutional and fiscal decentralization process** as well as **the strengthening of local administration's PFM and tax collection capacities**. In the context of an existing SWAP in decentralization promoted with others donors **(JC 1.2),** the EU has intended to develop through a sector budget support and a technical assistance project (DTAP) a policy dialogue and a capacity development framework at central (Inter-Ministerial Coordination Committee, Ministry of Local Development and Rural Development and Fiscal Decentralization Unit of the Ministry of Finance) and local levels on institutional and fiscal decentralization involving PFM and DRM governance issues. Despite this "narrow" specific entry point to CMSB agenda, (1) the EU previous contribution to a World Bank Trust Fund on the national IFMIS, (2) the EU sector budget support's eligibility criteria on PFM and budget transparency, (3) the EU active participation to a national PFM/DRM coordination working group and (4) the strong "top-down" approach of the decentralization process have allowed to establish a dialogue on more comprehensive national PFM and DRM reform process at all government levels, based on existing key diagnostics such as the PEFA 2012 and 2018 and the TADAT 2017 (J.C 1.2). The EU has first focused on the development of improved national decentralization policy framework (NDPF) and an enhanced Inter Government Fiscal Framework (IGFF) to contribute to promote predictability of central fiscal transfers and funding to local administrations. This policy dialogue was also expected to focus on the strengthening of capacity at local level with regards to public expenditure and financial management, transparency and tax collection with a view to contribute to better public service delivery to the population. Concomitantly, the variable tranches of the Sector Reform Contract have especially targeted indicators on the development of a Medium-Term Expenditure Framework for the new decentralization policy, the availability and predictability of intergovernmental transfers, the improvement of technical PFM capacities at local level and the increase of conduction of performance audits and the increase of internally generated funds (local taxes collected) at MMDA level. However, despite robust policy dialogue on decentralization between donors and the Ghanaian government, this attempt has been considerably disrupted by lack of national political will to move forward with the devolution process, notably for sensitive political reasons and institutional resistance.

Later on, in the context of an improvement of the country's fiscal consolidation and macroeconomic stability under the aegis of an IMF ECF programme, the EU has then resumed its general budget support operation with an SDG-Contract adopted at the end of 2018. This general BS operation aimed firstly at supporting the implementation of the Ghana's Medium-Term National Development Policy Framework. But the EU intervention has also focused also on strengthening public financial governance and fight against corruption, and boosting domestic revenue mobilization in line with the national priorities and needs.

Policy dialogue and variable tranche indicators responding to key EU objectives pursued in the CMSB agenda were specifically earmarked in the context of this wider budget support operation through which the EU has intended **to tackle the low level of tax to GDP ratio and address the problems in public spending of non-compliance with rules and regulations**. On the "collect" strand the SDG-C has supported through specific performance indicators the enlargement of the tax basis and the improvement of tax collection with targets on increase of tax payer registration, improved level of tax compliance and easing of doing business through the simplification of major tax laws (VAT/Excise/Customs/ Income Tax Laws) as well as on reporting on tax expenditures. On the "spending" side, the programme has included specific performance indicators **to strengthen the internal audit function and the effectiveness of anti-corruption measures** (operationalization of the Office of the Special Prosecutor - OSP in terms of proper level of budget allocation and effectiveness of investigation and prosecution of corruption cases.) Additional indicators were further added on **promoting tax expenditure reporting** and the establishment of a Beneficial Ownership in the context of an EU listing of Ghana as high risk third countries having strategic deficiencies in their AML/CFT regimes. However, the low level of performance observed for these indicators and the restructuring of EU budget supports into a single emergency programme to respond to the COVID crisis have thwarted the establishment of such a dynamic.

These EU interventions in the CMSB's agenda have been complemented with two other actions that were fully relevant with the CMSB's agenda : (1) since 2016, the ARAP ("Accountability, Rule of Law and Anti-corruption Programme") project has focused on **fostering key organizations and institutions** (including the Parliament, the civil society and the Media) to **enforcing reform process in the area of rule of law, accountability, fight against corruption and related prosecution actions**; and (2) in 2018, a technical assistance/capacity development project to the Ministry of Finance to **enhance external and internal audit functions of the Ghana Audit Service (GAS), the Internal Audit Agency (IAA) and the Public Procurement Authority (PPA)** while promoting better coordination among independent Government Institutions as well as strengthening PFM technical and analytical capacities of the Parliament.

In general, the formulation, design and implementation of EU BS have tried to reflect the 2017 EU BS guidelines' principles and its related technical notes especially the one EU BS in support of decentralization (JC 1.2). However, the SDG-C has been very ambitious in terms of the number of different sectors involved on top of its PFM and DRM dimensions while the SRC on decentralization has faced an unfavorable political economy environment with a decreasing lack of national commitment on the institutional and fiscal devolution process since 2019. Without pretending to a comprehensive approach due to the rather limited EU financial and technical support compared to the needs of a low middle income country like Ghana, **EU budget supports and capacity development interventions related to the CMSB areas have intended to support some of the identified PFM/DRM gaps and needs (JC 1.2)** that were underlined in several internationally recognized diagnostics (TADAT 2018, PEFA 2012 and 2018…), especially on tax administration, public procurement, external and internal audit, legislative oversight, accountability and transparency as well as in the field of anticorruption. **The focus of the EU interventions and policy dialogue, together with the other donors involved on CMSB related issues, have used the results of these studies which has promoted the reference to international standards in the area PFM and DRM reform process (JC1.4)**. In the specific case of the EU support to institutional and fiscal decentralization and despite the absence of a PEFA at subnational level (diagnostic promoted by the EU and others donors but delayed and now expected during 2022), the EU interventions have also intended to address key weaknesses that were clearly identified in the context of the SWAP and the existing policy dialogue with the authorities in order to address key strategic elements on: predictability of financial transfers, adoption of the required legal and administrative framework, clarification and enforcement of the devolution process including the tackling of the recurrent under financing and low capacities of local administrations. This approach has ensured that EU interventions were at the core of the fiscal sustainability and accountability challenges of the national decentralization process.

The EU interventions to support a comprehensive and integrated approach to create an enabling environment for fighting against corruption by enhancing rule of law, institutional accountability and citizenry engagement has also been relevant in addressing immediate institutional and CSO needs. In this context, **the EU ARAP has intended to expose these key stakeholders to recognized**

**international standards and practices especially in the area of public accountability, respect of rule of law and prosecution of corruption cases** (JC 1.4). Similarly, the EU TA project to the Ministry of Finance has also contributed to **promote key international standards and governance principles in the area of stronger independence and capacities of external and internal audit functions and institutions**, strengthened **efficiency of public procurement** and contract management through the promotion of harmonized procedures, and **stronger legislative oversight** of the national state budget.

On cross cutting issues, whereas the VT indicators or the policy dialogue under the EU budget support programmes have not directly addressed gender issues, the EU DTAP has promoted the development of performance assessment framework of the new national decentralization policy framework (NDPF) integrating **gender disaggregated data** while the EU support under the ARAP project and its contribution to the STAR Ghana Foundation (a national center for active citizenship and philanthropy) have promoted **a strong gender lens in the advocacy and lobbying parliament, policy and decision-makers on enacting or changing policies practices and provision of service delivery** such as the promotion of women appointment at the level of the District Assemblies as well as the budgeting of gender-related spending programmes in the local budgets (JC.1.5).

The central place of the strengthening process of the Ghanaian IFMIS, HRMIS (human resources management information system) and the “TRIPS” (Total Revenue Integrated Processing System, the software of the Ghana Revenue Authorities for tax administration) in the PFM national reform agenda supported by the EU and other donors may have also indirectly contributed to promote the digitalization agenda dimension of the national PFM/DRM system to streamline and bring further transparency and financial compliance in the PFM/DRM business operations reform agenda. More directly, the EU TA project to the Ministry of Finance has contributed to promote the IT capacities of the members of the Ghana Audit Service (GAS) to facilitate and promote future financial external audit within the Government’s IT-based financial management data bases (IFMIS, TRIPS and HRMIS).

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

Without pretending implementing a comprehensive PFM system wide-approach, the EU has provided a mix of Budget support and Capacity Development/TA projects in order to support the national authorities to address key macro/fiscal and public governance/corruption challenges identified as national priorities among the development and public governance national strategies. Globally, EU interventions in DRM/PFM areas have intended to support the government’s stated priorities in its various strategies and policies, track-record efforts towards public governance reform policies (e.g. adoption of the PFM ACT in 2016 and the new PFM Regulations as per 12 March 2019 as well as the Fiscal Responsibility Act from end of December 2018 that aimed at raising governance standards in PFM, sound and sustainable budget management). The EU has used these opportunities to re-engage in a strong and positive political and policy dialogue when momentum for governance reforms materialized (following elections/change of government like in 2016/2017) and address key institutional weaknesses identified by diagnostic, reports and studies.

**In terms of comprehensive approach to PFM/DRM, the EU has then selected few issues considering its rather limited financial support and leverage compared to the financing need of a lower middle-income country like Ghana** as well as considering the required HR capacities to address technical PMF/DRM reform issues. However, policy dialogue revolving around eligibility criteria monitoring around the BS operations has tried to address DRM and PFM in their comprehensive dimension (based on key diagnostics PEFA, TADAT…) although policy dialogue with the national authorities has considerably weakened after 2019. The singularity of EU DRM/PFM approach in Ghana has first been the decentralization lens with emphasis on fiscal decentralization, inter-governmental transfers and local public finances and institutional capacities, as well as a strong focus on strengthening CSOs and relevant institutions for promoting public accountability, rule of law and fight against corruption, coupled with specific focus on PFM and DRM issues at national level related to internal and external audit, legislative oversight and public procurement management (JC 2.2).

Following the withdrawal of the EU from general budget support before 2015 (due to previous fiscal slippages, mismanagement of funds and corruption cases), **the EU has rather tried to promote a comprehensive approach with regards to the key dimensions of the decentralization with a strong focus on fiscal decentralization and local PFM governance, including local tax collection** (JC 2.2). In this context, the EU supported three priority areas: (i) administrative, legal and institutional reforms; (ii) capacity building of local authorities (Metropolitan, Municipal, District Assemblies -MMDAs); (iii) local service delivery. The EU SRC and its related DTAP project have been instrumental in the drafting of the national decentralisation strategy and policy 2020-2024, the development of and Inter-governmental fiscal framework and a local economic development policy. In this context, these EU interventions have particularly aimed at (a) simplifying and operationalizing the intergovernmental transfer framework from central government to local authorities and make it respectful of the new PFM Act adopted in 2016**;** (b) improving local services deliveries with a measurable impact on the well-being of the people of Ghana.

The existing decentralization national policy strategy and framework and the sector wide approach facilitated the opportunity to consider Sector BS as potential implementation modality to promote the devolution process and was used by the EU as a valid entry point to address PFM/DRM/governance/accountability issues.

The resumption since 2019 of general BS and the provision since 2018 of a specific TA PFM programme to the Ministry of Finance has then given another opportunity to enlarge the scope of the EU interventions on CMSB agenda with specific VTI focus on internal and external audit at central level, anticorruption measures, tax compliance and registration dimensions as well as capacity development of key institutions such the GAS, the IAA, the PPA and the Parliament.

However, **the EU decision, in the wake of the COVID-19 crisis, to wind up the existing SDG-C and the decentralization budget support programmes** and absorb the remaining funds (including fixed and variable tranches) into a new 'Emergency EU budget support (COVID-19 Emergency Response) programme (designed around a single €87mn fixed tranche to be frontloaded at the signature of the financing agreement) **has considerably affected the intended EU support to the CMSB agenda** as the national authorities have then demonstrated **a weak commitment to policy dialogue on the performances indicators of the cancelled variable tranches**.

Previously, the absence of a comprehensive PFM reform strategy since 2018 with clear performance assessment /monitoring framework has complicated the policy dialogue between the national authorities and the Donors' community. Similarly, the lack of trust of several donors on the DRM rolling national action plan of the GRA has also challenged the capacity to develop a comprehensive PFM/DRM system wide-approach for the donors which may explain **the EU rather ad-hoc approach on specific subcomponents of the PFM/DRM**. In that regards, the EU projects in PFM/anticorruption areas have been designed to addressed in priority some of the **key mitigating measures in the area of public financial governance, in view of previous PFM slippages/misused of funds/corruption scandals**. It also can explain the EU TA and BS VTI strong focus on accountability, fight against corruption and strengthening of internal & external audit, legislative oversight, public procurement and enhancing the role of civil society oversight and advocacy for accountability. On these last issues, it can also explain why the EU had also promoted a project approach to support PFM and related institutional strengthening that were considered as key activities to improve financial governance and consolidate the ground for (General) Budget Support.

**The degree of coherence between various EU-funded interventions varied** (JC2.3). However, in the decentralization sector, an overall coherence has been ensured and promoted between the Sector Reform Contact and the DTAP to the IMCC with clear complementarity between the objectives of the EU budget support intervention, including the VTI and the activities of the technical assistance notably on the work achieved on the development of a new National Decentralization Policy Framework and Action Plan, the comprehensive assessment diagnostic on intergovernmental transfers and the development of an enhanced Inter-Governmental Fiscal Framework (IGFF) while activities to support the sub-national implementation of fiscal decentralization were delayed.

When it comes to the assessment of the general conditions for BS, a **potential strong effect of mutual reinforcement arising from the coexistence of two EU BS interventions (SDG-C and SRC) was not fully achieved** due to the low financial volume of both programmes, lack of political will and commitment**.** High expectations encapsulated in overambitious targets did not materialize regarding the expected strong complementarities and mutual reinforcing dynamic and leverage on PFM/DRM reforms at central and local levels that could have come from the conjunction of a general budget support operation with a sector reform contract coupled with additional TA project focusing on the promotion of fiscal decentralization and the establishment of strengthened and streamlined Inter-governmental fiscal framework. It should be noted, however, that such ideal situation was notably impeded by the absence since 2018 (and until 2022) of a strong PFM/DRM national reform programme and action plan as well as a progressive lack of national commitment since 2019 for a comprehensive, strategic and strengthened policy dialogue on policy and technical PFM and DRM issues with the EU as well as a lack of sustained and coherent government-wide political commitment and demand for political, administrative and fiscal decentralization implementation. The fact that fiscal decentralization dimension was not included in the recently adopted new 5-year PFM strategy in 2022 has confirmed this tendency as well as the recent decision to recentralize the property tax that was due at district level.

**While there was no particular contradiction or detrimental impact, the promotion of synergies between the EU TA project to the Ministry of finance, the SDG-C and the ARAP EU interventions** have been uneven. If for example efforts have been made in the area of strengthening the internal audit function (where the EU TA is supporting the Internal Audit Agency and the SDG-C had a VTI indicator on audit committees), similar attempts have been less explicit in the support to the fight against corruption, both issues being targeted by the ARAP and the SDG-C, as well as in the area of strengthening legislative oversight of the State Budget. It is still difficult to find evidences that these existing complementarities and consistencies between these EU projects and its EU General Budget Support have materialized into concrete synergies including in the context of EU strong focus on accountability and fight against corruption through its different aid modalities in the area of CMSB issues.

The formulation of the EU SDG-C underlined the need to contribute to the implementation of the EU's External Investment Plan as well as the implementation of the Economic Partnership Agreement between the EU and Ghana that was approved by the Ghana's Parliament and the European Parliament and that applied since December 2016. The EU SDG-C felt also under the 3rd pillar of the EIP (improve the business and investment climate in the partner countries). Regarding the EPA implementation, the project on PFM support was part of an overall project "Support programme to PFM & the Stepping Stone Economic Partnership Agreement" with a common specific objective of contributing to build sound public sector financial management and accountability for both revenue and expenditure and to strengthen Ghana's administration capacities in the implementation of the EPA. Despite these coherences "on paper", no specific synergies have come out strongly during the implementation stage (JC 2.4).

## 3.3 Effectiveness – Analysis of outputs and intermediary outcomes

*Contribution of EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

The EU was not directly involved in the preparation of the 2015 PFM strategy that was home-grown with the support of the WB and the IMF (JC 3.2), neither in designing or refining domestic revenue mobilization and public financial management reform agenda. The EU has however tried to promote to combine collect more spend better approach through the lens of support to fiscal decentralization and the inclusion of VTI on DRM in its budget support operations. Recently, the leadership in the design of the 5-year PFM Strategy 2022-2026 (not yet adopted), strongly based on the outcomes the PEFA 2018 and the TADAT 2017, was taken by the Word Bank, which finally fully integrates both PFM and DRM reforms whereas decentralization was not included into the components of the strategy (JC 3.1).

Before the adoption of the EU CMSB agenda, Ghana had already a long experienced of carry out PFM reforms that supported the necessary regulatory and legislative framework, IT system and capacity building. The country has intended since early 2000 to progressively streamline its successive PFM reform programmes, strategies or action plans by **promoting a more comprehensive approach to**

**PFM reform** aimed at developing an integrated budget and public expenditure management system (integration of budget preparation with financial accounting, reporting and cash management) as well as, later on, promoting reform programmes including other PFM activities such as revenue, debt and aid management. However, **these attempts to a more comprehensive approach have faced several delays, challenges and setbacks due to lack of coherence of the strategies as well as the lack of ownership and coordination among key national stakeholders**. National PFM action plans have then been aligned on the PEFA diagnostics (the first carried out in 2006 then another in 2012 and the last one in 2018). The PFM reform approach was also followed by a strong focus on ICT based tools (Ghanaian IFMIS/GIFMIS) to contribute to improve the efficiency and transparency of national PFM through with a GIFMIS project 2010-2015 to which the EU contributed together with other donors (WB, DFID, DANIDA). The GIFMIS implementation was not underpinned by a comprehensive PFM reform Strategy and was rather conceived and implemented under a project approach (PFMRP) that was ultimately integrated since 2015 into a new 4-year PFM Reform Strategy (2015-2018) that began in April 2015 and that was based on the results of the PEFA 2012.

The EU was not involved in direct support to the development of a national Tax Reform Strategy (JC 3.2), neither to policy advise or technical assistance to the Tax Policy Unit of the Ministry of Finance or to the Ghana Revenue Authority (GRA).

Nevertheless, the EU has tried to promote the integration of revenue collection and public expenditure management into the PFM reform national process and policy dialogue between donors and the national authorities through (1) its participation in supporting the institutional and fiscal decentralization process, its support to the Fiscal Decentralization Unit of the Ministry of Finance and the development of an enhanced inter-governmental fiscal framework (IGFF), (2) its contribution to the co-financing of the TADAT in 2017 as well as to AFRITAC WEST II and the IMF RMTF that provided several DRM related capacity building activities to the GRA and the Tax department of the Ministry of Finances; and (3) through the design of its Sector and General Budget Supports that included specific VT indicators on enhancing local taxation capacity as well as on improvement of tax compliance and tax registration at national level, including the promotion of reporting on tax expenditure.

However, **this EU approach did not pay off due to** (a) **a weak policy dialogue on a comprehensive CMSB agenda, (b) a lack of a genuine national political commitment to advance on the decentralization agenda** and the weakening of the role of the IMCC which was a key partner for the EU intervention, (**c) the gap in comprehensive national PFM reform strategy** observed after 2018 and **(d) lack of specific EU bilateral interventions in the area of DRM and tax policy which could have further informed a robust policy dialogue in the fields of tax compliance, tax registration and tax expenditure that were specifically targeted by the performance VTI of the EU SDG-C.**

**The GRA has, between 2015 and 2021, adopted its own three-year rolling strategic plans,** based on SWOT analysis and the TADAT, with the support of the IMF (FAD/AFRITAC) and the Ghana Revenue Enhancement and Transformation (GREAT) Project, implemented by the McKinsey Group. However, the credibility of latest strategic plan (2018-2020 and 2019-2021) and its lack of specific reform measures and detailed annual action plan, have been criticized by the donors, especially in the framework of the donors' DRM working group and has undermined its policy dialogue with the national authorities on a comprehensive DRM reform strategy**.**

The last drafting of the 5-year PFM strategy, highly supported by the WB and on which the donors' PFM and DRM sector working groups were consulted, including the EU[1], proposed a comprehensive PFM reform framework and has integrated the DRM dimension under of its third out of five pillars related to "control predictability and transparency in budget execution". This third pillar integrates revenue mobilization together with key other elements of PFM such cash and debt management, procurement management, commitment control, human resource management, payroll and pensions management, public investment and assets management, as well as internal audit (JC 3.2). The main DRM related interventions of the strategy ensure a comprehensive approach to DRM reform agenda, encompassing the increase of tax net and rationalization of tax exemption, the strengthening of taxpayer compliance, the enhancement of the non-tax policy, the improvement of the tax dispute resolution and the tax administration capacity in double taxation agreement negotiation.

**Through its direct contribution until 2015 to the GIFMIS project (WB trust fund) together with other donors (DFID and DANIDA), the EU has directly contributed to the development of information systems that fostered accountability and oversight (JC 3.3).** According to the PEFA 2018, the rollout of the GIFMIS to MDA and MMDA had considerably improved accounting and financial reporting in Ghana but the information system is still not fully operational at service delivery level. Indeed, the GIFMIS has still to be rolled out to the district management offices. Budget Comprehensiveness is still an issue as the budget and fiscal reporting only covers the budgetary central government (Consolidated Fund), with significant activities at the regional and district level and through the statutory funds remaining outside government finance statistics. The operations of the District Assemblies Common Fund (DACF) and local governments are not yet covered in the fiscal accounts. In that regard, the intervention of the EU in the framework of its support decentralization through the DTAP, especially in developing a streamlined and improved new IGFF has also tried to uplift this issue to the PFM reform policy agenda with the national authorities. The new 5-year PFM strategy 2022-2026 has also included the need to roll out of the GFMIS to the local level and to all the Internally Generated Funds (IGF) that could contributed to strengthen budget comprehensiveness and ease any future progress in the fiscal decentralization process.

**The EU TA project to the Ministry of Finance has also been instrumental (project still on-going) to promote the GIFMIS potential to foster accountability and oversight (JC 3.3) by strengthening the capacity of the Ghana Audit Service' (GAS) and the Internal Audit Agency (IAA)'s auditors** to use the developed audit management information system through enabling them to effectively carry out financial audit within Government's IT-based financial management database (GIFMIS). Whereas the EU project has first started to focus on the spending side, it is expected that capacity development will be also provided to strengthen auditors' capacities to operate in the context of the Total Revenue Integrated Processing System (TRIPS) to also address the revenues side (JC 3.3 & JC 3.4).

The IMF, which remains in the lead on fiscal data and statistics, has considered that the roll-out of GISMIS, in addition to the implementation of the Treasury Single Account (TSA), has contributed to improve fiscal reporting but that the quality and timeliness of government finances statistics need to be further improved in view of delays in the publication of monthly governments accounts, leading to the regular lapse in the publication of in-year budget reports, and that problems still persist in terms of internal consistency on coverage of public spending entities and treatment of fiscal operations**.**

[1] EU attended and contributed to all meetings organized by the WB with high representatives of the GoG in the definition of the new PFM Reform Strategy. The meetings aimed to define indicators on the five pillars of the strategy, including DRM.

**EU support has contributed to promote stronger national capacities to address issues of transparency, oversight, public accountability and scrutiny under several of its interventions addressing the "supply" and "demand" sides (JC. 3.4).**

Under the EU TA to the Ministry of Finance, capacity building activities have sought to improved and coordinated the external and audit functions of the Ghana Audit Service (GAS), the IAA (Internal Audit Agency) and the Public Procurement Authority (PPA). The EU intervention has notably (on-going project) address the lack of effectiveness of the internal audit including delays in the implementation of audit recommendations, by strengthening the Audit Committee members, set up in each MDA in line with the PFM Act of 2016, to make them well equipped to hold the management accountable and facilitate the effective implementation of systemic internal control review including the reporting and monitoring of effective implementation of audit recommendations. This dimension has been also supported by a specific variable tranche indicator of the SDG-C that was however not assessed following the COVID-19 crisis and the redesign of EU BS operations in the country into emergency support. The EU TA project is also contributing to the transformation of the IAA from an Agency to a more independent Service as well as strengthening the capacities of the public procurement offices in each MDA/MMDA through the development of a standardised procurement audit framework for the PPA, the GAS and the IAA. The project is also contributing to improve the legislative oversight of the budget through enhancing the Parliament Training Institute (PTI) to consolidate the capacities of core parliamentary staff in the field of budget oversight and PFM analysis. This capacity strengthening process is also instrumental to address the existing backlog of audit reports and improving the timelines of the Parliament review of the Auditor General's Reports.

**Under the EU anti-corruption, rule of Law and Accountability Programme (ARAP)**, the EU supported the CHRAJ (Commission for Human Rights and Administrative Justice) in charge of conducting joint anti-corruption civic education campaigns and other activities in line with the NACAP, the National Anti-Corruption Action Plan (NACAP) adopted in 2014 but whose 10-year medium term action plan did not receive the required funding from the Government in spite of its commitment under the 7-year national development strategy 2017-2024. The project also aimed to enhance the capacity of police prosecutors, State Attorneys to prosecute cases of corruption, and strengthen the capacity of Magistrates and Judges to hear and decide cases of corruption. According to a final evaluation of the project, ARAP created institutional buy-in on anti-corruption and accountability methodological approach with a strong input in institutional capacity enhancement in the area of education, prevention and prosecution through capacity building activities, development of the secondary policies innovative tools in each institution as well as promoting the role of CSOs and citizens action to sustain pressure on duty bearers especially on public accountability as well as on investigation/prosecution of corruption crimes. The project has especially contributed to build a coalition of civil society, law enforcement, parliamentarians and international partners to influence the OSP bill which established the Office of the Special Prosecutor (OSP) in 2018. The operationalisation of this Office was also supported by a specific VTI of the EU SDG-C but was not conclusive due to lack of capacity of the new Office.

In general, if the national legal and regulatory framework for fighting fraud and corruption are strong in Ghana, the political will for implementation is still lacking in terms of enforcement of punitive sanctions, low salary levels in the public sector, weak monitoring and supervision, and delayed justice system.

There has been little strengthening over the last few years whether measured by the Public Expenditure and Financial Accountability (PEFA) or Open Budget Survey (OBS). Even if OBI scores remain low especially regarding public participation progress has however been made in terms of transparency whereas budget oversight is still weak. However, more recently, questions have also arisen on the limited independence of the Auditor General.

**Table 1: Evolution of OBI indicators**

| Open Budget Index (max 100) | 2015 | 2017 | 2019 | 2021 |
|---|---|---|---|---|
| Transparency | 51 | 50 | 54 | 56 |
| Public participation | 29 | 22 | 15 | 20 |
| Budget oversight | 54 | 43 | 50 | 39 |

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

**EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

During the evaluation period, the tax policy put in place by the government and the reform in tax administration were essentially discussed and supervised by the IMF in the context of the ECF programme and the ART IV missions as well as with key donors involved in providing project and/or TA in the area of DRM (UK DFID/FCDO, GIZ/BMZ with SECO, IMF FAD). The IMF has regularly emphasized the need to improve domestic revenue mobilization as a key element for growth and stability, and central to achieving the objective of the national strategy "Ghana Beyond Aid**. The EU Delegation has actively participated** to the Donors' DRM Sector Working group, which was coordinated by UK DFID, a key stakeholder in the DRM sector[2]**, and has also actively attended high level meeting with the Ghana revenue Authority organised by this donor's Sector Group. (JC 4.1 & JC 4.2).** These meetings were organized around donor common concerns and the agenda was always developed with EU participation. The EU Delegation have used these high-level meetings as an opportunity to raise the EU expectations related to the SDG-C variable tranche indicators targeting progress in tax compliance and tax registration as well as on the reporting on tax expenditures.

EU indirect technical and capacity development contribution to support tax policy and tax administration (JC 4.1 & 4.2) was essentially linked to it financial support to the IMF AFRITAC WEST II, the IMF RMTF and the IMF MNRW TF. These interventions have been highly relevant to addressed part of the key weaknesses underlined in the TADAT 2017 and the 2018 PEFA assessments.

Among the main issues, the weak government's performance in term of tax collection/compliance, weak tax audit and accounting practices in the GRA with lack of explicit risk-based systems to assess tax payer compliance, and the absence of a compliance improvement plan. In terms of accounting, significant concerns were noted regarding the completeness and integrity of the reported data on tax arrears, the PEFA considering the latter too unreliable to enable the estimation of a ratio of tax arrears to total tax revenues**.** Lack of reliable taxpayers' data has remained a key bottleneck to improve tax performance and compliance as well as the absence of proper risk assessment and management framework and monitoring of tax debtors.

**Government has then employed a number of measures to increase revenue mobilization. On tax administration,** following the 2017 Tax Administration Diagnostic Assessment Tool (TADAT) and the highlight of several weaknesses, the Ghana Revenue Authority (GRA) has endorsed two successive

[2] DFID cooperation in tax policy (including double tax agreement and non-tax revenue issues) as well as in the support to the GRA on tax administration reforms

medium-term reform plans (the second and third GRA Strategic Plan, covering 2016-2019 and 2020-2022).

The Government of Ghana has initially rather focused on higher effectiveness in revenue administration rather than on strong tax policy measures. As a first step, the GRA made the deployment of the tax administration IT system (TRIPS) a priority. After several years of delays (it was initially introduced in 2011), the "TRIPS" system has been implemented and succeeded to cover all GRA offices. The GRA has also implemented some other positive administrative tax measures in 2018, and the number of registered taxpayers more than doubled from 990,000 in December 2017 to over 2 million on 1st January 2019. However, significant tax evasion continues despite the introduction of new system improvements. Digitalization has been a key priority and the GRA has introduced a number of other new technological instruments to enhance tax compliance and revenue generation such as the Integrated Tax Application and Preparation System App ("iTAPs" – on-line filling returns and payments system) in 2019, the Ghana Tax Stamp Authenticator, as well as the Online Tax Identification Number Registration and e-filings.

However, tax policy reforms through Budget Statements and the mid-year reviews have been increasingly used despite the initial policy direction of the Government that was to shift emphasis from taxation to production in order to stimulating growth in the private sector and to accelerate job creation and prosperity. This Government approach to use tax policy as a tool to support production since 2017 has indeed been increasingly challenged with the need to broaden the tax base and improve tax compliance. Due to a low level of tax to GDP ratio, the authorities have then recently adopted several revenue-enhancing measures[3]. In 2020, still through the annual budget law, the authorities have also introduced others several measures to increase revenues[4]. Acknowledging the plethora of exemptions leading to a high level of complexity that hinders a clear understanding of their impact on business activity and consumption, the Ministry of Finance has also initiated an exemption act to streamlining the process for new tax exemptions (i.e. guiding principle and preventing abuse), phasing out some of existing exemptions regimes that were granted without a basis in legislation and better outlining related criteria and procedures. In 2020, the Ministry of Finance was also in the process to prepare a reporting system on tax expenditures that were assessed by the IMF at a level around 5% of GDP in 2019. Under the cooperation with the IMF, advises were provided to remove non-standard statutory VAT and import duty exemptions, particularly those that disproportionately benefit higher income groups (e.g. exemptions on motor vehicles, fee-based financial services and real estate) as well as for reconsidering the exemption of hydrocarbon products that could be brought into the VAT net.

The national tax system still needs simplification and streamlining. The tax regime is known to be overly complex and as one that prevents a clear public understanding of the tax system and its economic impact, causes uncertainty in compliance and administration. The Ghanaian system has notably seen a proliferation of earmarked fees and levies which need to be simplified.

**In the context of this national reform process, the IMF-RMTF as well as AFRITAC WEST II**, to which the UE has financially contributed, had developed policy dialogue, advise and capacity building activities targeting several relevant reforms such as the strengthening of revenue administration management and governance arrangement especially in the **design and implementation of ICT and**

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[3] The decoupling of the Ghana Education Trust (GET) Fund and the National Health Insurance Levy (NHIL) from the VAT mechanism and their conversion into straight levies with rates of 2.5% each; the introduction of an additional Personal Income Tax band of 35 percent for monthly incomes in excess of GH¢10,000, the upwards adjustment of the Road Fund Levy, the Energy Debt Recovery Levy and the Price Stabilization and Recovery Levy; and the increase of the Communication Service Tax from six to nine per cent

[4] VAT and National Health Insurance Levy rate hikes, higher fuel excises, new bank profit levy, as well as measures dedicated to a more effective tax administration especially at the level of the large taxpayer audit, especially in mining sector, and the establishment of special courts to speed up case settlements and payment collections

**effective risk management strategies**. The EU Delegation follows closely the outcomes of these two projects. The IMF has also assisted the tax administration to ensure a strong follow-up on the TADAT recommendations and mirror them in the GRA strategic plan. Interventions have also focused on the improvement of the functionality of the TRIPS, the revision of excise policy and taxation, and the strengthening of the administration's audit capacities especially for the telecommunication sector and the identification of revue recovery measures as this sector gained more importance since the COVID-19 in terms of potential enlarged corporate and service tax basis (increasing the telecommunication tax rate was a key recommendation of the last IMF Art IV 2021). Support has also been provided to improve VAT compliance, audit and management of excise duties.

Similarly, since 2019, the **IMF MNRW Trust Fund, funded also by the EU,** has provided targeted both tax policy and administration advise and capacity building. On policy, recommendations were made using the Petroleum Revenue Forecasting Model developed by IMF-FAD (i.e. initiated mining modeling capacity building and analysis of existing mining projects) and presented a high interest for political stakeholders in view of the boom of non-tax revenues coming from dividend/interests and profits from oil companies[5]. Still on the administration, the IMF MNRW project has assisted since 2018 the GRA in developing and implementing a risk-based compliance strategy for administrating revenues from the Extractive Industries sector

The issue of transfer pricing has been addressed for several years in Ghana but without a direct contribution from the EU. Multinationals are well represented in Ghana, especially but not only in the field of extractive industries. As many similar countries, Ghana faced difficulties to estimate rightly taxes due by those companies, mainly because of the use of overestimated transfer pricing which negatively affect the level of profits made in the country. Companies will often overvalue imported equipment prices to increase artificially the costs and reduce profits margins. To fight this practice, the tax administration needs clear rules and guidelines as well as database which permit to compare prices and or margins with other similar situations.

In Ghana the first regulation on TP was adopted in 2012. A revision took place in November 2020 to integrate the new ATAF model incorporating the BEPS transfer pricing model. The transfer pricing unit in charge of applying the new regulation is still under the large taxpayer's office within the GRA; the number of staffs has increased from 13 to more than 20. The EU has not provided any specific direct support in this field (JC 4.3) but the administration has received a lot of trainings from the OECD-BEPS (in Ghana as well as outside (Austria, Malaysia, …). However, there is still needs for improvements in terms of technical skills and quality of database.

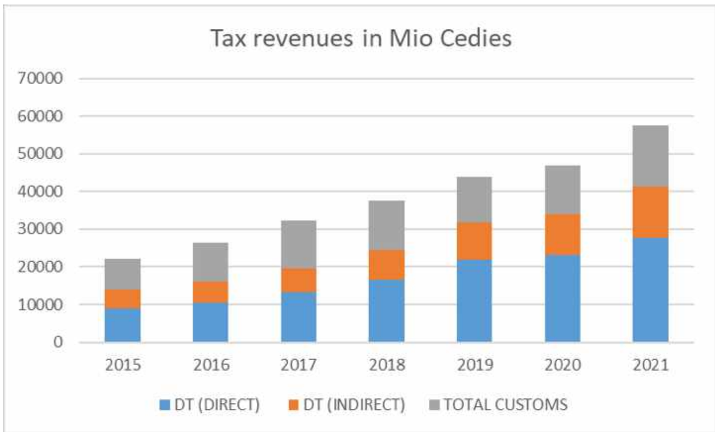
As far as international fiscal rules are concerned, Ghana was not yet filling all requirements: The FTAF that identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML/CFT) had listed Ghana as "Jurisdictions under Increased Monitoring", commonly called the « grey list ». As a result, in 2020 the EU put Ghana in its list of high-risk third countries with strategic deficiencies in their Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regime, resulting in economic repercussions for the country. However, through the satisfactory implementation of its action plan, Ghana made sufficient progress in improving their ALM/CFT regime according to the FTAF, and was then also removed from the EU list in January 2022.

In the absence of direct bilateral capacity building or TA project with the Tax Policy Unit of the Ministry of Finance and/or the GRA, and despite the setting up of relevant DRM-related indicators for the variable

[5] The IMF support has notably focused on the development of a baselined revenue calculation for the petroleum revenues to be included on the budget with a mid-year update to the initial annual calculation as well as building capacity in tax administration of extractive industry to drafting an extractives fiscal law.

tranches of its SDG-C that were dropped in the context of the COVID-19's EU response[6], it is difficult to assess in which extent the EU has contributed to recent DRM performances though EU funding of the IMF Trust Funds (AFRITAC WEST II and RMTF) may have contributed to strengthen the national DRM capacities JC 4.4).

The level of domestic revenues has significantly increased since 2015, mainly due to increased corporate and personal income tax and VAT and similar taxes. The rise of direct taxes on companies' profits is quite impressive: from 4 billion in 2015 to nearly 14.5 billion in 2021, representing now more than 50% of direct taxes and 25% of the total tax revenues. Nevertheless, Ghana's tax-to-GDP ratio remains far below the government's target of 20% by 2023. According to the World Bank, the country's tax-to-GDP that rose from 7.8% in 2000 to 14.1% in 2018 (followed by a COVID 19-induced reduction of 12.2% in 2020) is significantly lower than the country's regional and income-level peers. According to a recent study, out of 36 lower middle-income countries with available data, Ghana ranked 26th in 2018.




Source: GRA

Tax gap remains an important issue. A recent World Bank Gap Analysis has estimated the total corporate tax gap between 82 and 85.5% of its potential, the import tax gap around 32.5% and the VAT compliance gap close to 40%. Finally, non-tax revenues that amounted 3,2% of GDP in 2018 was much lower compared to other similar countries in Africa.

*Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better **policy-based budgeting**, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved **budget control and execution** across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved **Public Procurement Management** and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved **Public Investment Management,** addressing its core weaknesses across the project cycle

6 This led to the EU decision to wind up the SDG-C, cancelling its variable tranches, and absorb the corresponding funds into a single fixed tranche under a special COVID-19 single disbursement budget support operation.

**The EU CMSB related support has not been involved in supporting directly policy-based budgeting (PBB) nor strategic planning and macro-fiscal strategy (JC 5.1).**

The performance of Ghana has been relatively high in PFM in the area of PBB with mostly B- scores for the related PEFA indicators in 2018. The most pronounced weakness relates to PI-15 on Fiscal Strategy for which the PEFA 2018 scored this indicator as D+ due to lack of regular fiscal impact assessments of proposed changes in revenue and expenditure policy and lack of related reporting on the outcomes. Misalignment of budget with the government's priorities has also regularly been observed which emphasis the need for further strengthening the PBB process. The process to develop medium term planning plans still suffers from weaknesses of the National Development Planning Commission in charge of providing guidelines to the MDA/MMDA for their Sector Medium Term Development Plans while ICT solutions are needed to make the planning exercise more robust and reliable.

**On macro-fiscal analysis and forecasting**, the PEFA 2018 underlined the need for further strengthening especially regarding the absence of sensitivity analysis of the macro-fiscal forecasts of the annual budget statements, the lack of proper coordination between the fiscal management agencies and the lack of integrated tolls and ICT infrastructure of the forecasting models. The recently drafted 5-year PFM strategy includes specific interventions related to macro-fiscal forecast, reduction of fiscal risks and better related reporting as well as strengthened monitoring of sector medium development plans to address these issues under its first pillar on strategic planning and macro-fiscal framework in order to enhanced predictability of government's planning and budget execution.

As key progress during the evaluation period, Ghana, in the wake of the PFM Act adopted in 2016, has adopted the **Fiscal Responsibility Act in 2018**. On the basis of this act, the Presidential Advisory Fiscal Council and the Financial Stability Council were established in December 2018. The Ministry of Finance has also established a Fiscal Risks Unit (FRU) with the responsibility for coordinating fiscal risk management. The Unit (with the support of various Donors partners) has since regularly prepared Fiscal Risk Statement (FRS) that was published in 2018 and in 2019. This process was perturbated during the COVID-19 and whereas no FRS had been published for 2020, an analysis on the consequences of the COVID 19 pandemic on the fiscal-economic situation of Ghana was prepared instead. **The contribution of the EU to the IMF MRTF and AFRITAC WEST whose interventions have specifically focus on fiscal risk management capacity building may have also indirectly contributed to accelerate and consolidate this reform process**. In the area of planning/budgeting, and under the adoption of the PFM regulation in 2019, the country has established budget committees in each MDA and MMDA in order to lead the coordination with the preparation of the MTEF and ensure quality control of forward estimates as well as monitoring and evaluation of budget performance.

In the context of the EU DTAP project to support the decentralization process, it should be noted that the capacity development intervention of the EU has positioned the Government in a stronger capacity to implement its National Decentralization Policy Strategy (NDPS) 2020-2024 Action Plan which has been developed and fully costed with the support of the EU project and that provides a useful quantitative basis for MDA to integrate into their mid-term and annual budgeting processes the cost of key activities identified in the Strategy's action plan. The EU project has also contributed to develop a performance measurement and management system (PMMS) that can provide for short term/annual NDSP planning oversight and monitoring and evaluation to allow timely monitoring of evaluation progress in the policy implementation. (JC 5.1).

**Whereas the EU has not been involved, during the evaluation period, in supporting the budget execution process, its previous support to the GIFMIS project until 2014 has contributed to the observed improvement in strengthening expenditure commitment control, reducing the accumulation of expenditure areas and limit occurrence of important fiscal slippages (JC**

**5.2).** However, the country still faces cases of MDA's commitment of expenditure outside the GIFMIS due to the lack of a comprehensive coverage of the system, especially for the IGF and statutory funds. In that regards, a specific assessment of the GIFMIS was carried out in 2019 to identify key weaknesses and develop an action plan based on recommendation with the setting up of a ministerial oversight committee in charge of monitoring its implementation. Similarly, the adoption of the PFM Act 2016 and the PFM regulation in 2019 are expected to improve comprehensiveness and transparency in budget execution and reporting by consolidating reporting on all four funding categories (State budget, donors funds, IGF and statutory funds) in one annual single financial statement. Progress has been also observed with the integration of the payroll into the GIFMIS and the improvement and systematization of automated control through the operationalization of the Human Resource Management Information System. During the evaluation period, progress have been achieved with an increasing amount of financial transaction being processed through the GIFMIS, leading to improved efficiency and oversight in the allocation and use of public resources. While the EU did not particularly contribute to this reform, the launch of the Treasury Single Account since 2017 and the progressive closing of governments bank accounts held in commercial bank and transferred to the Central Bank have also contributed to consolidate daily cash position, ease cash management and improve predictability as transparency of budget execution. However, efforts are still required to address remaining weakness in terms of effective budget releases, commitment control and cash management that often impose a cash rationing management that leads to expenditure areas.

The EU TA aiming at strengthening internal audit capacities with capacity building to the IAA and, in a less extent, the inclusion of a specific VTI in the SDG-C, have contributed to accompany and promote the reform of the internal audit. More specifically, the EU has supported the strengthening of the Audit Committees which were set up following the requirement of the adopted 2016 PFM for all MDA to create such internal audit committees. The EU is having a particular contribution to enhance their skills (including the central IAA) to audit in an IT environment (such as the GIFMIS) and operationalize the audit management information system. While EU activities have only fully started since 2019, it should contribute in the near future to improve transparency in budget execution and strengthen the GIFMIS (JC5.2).

**Through its technical assistance to the Public Procurement Authority and the public procurement offices in MDA/MMDAS, the EU has contributed to the progress achieved in the harmonization of tendering procedures with the progressive instauration of a standardised procurement audit framework (JC 5.3).** The Framework Agreement Guidelines and Standard Tender Documents' has been reviewed and updated and the Standardized Procurement Audit Framework finalized which is expected to have a positive impact on the governance of the public procurement management. These developments should also contribute to increase the efficiency of the Ghana Electronic Procurement System (GHANEPS), that was launched in 2019, and is since then in the process of be rolled-out to the MDA/MMDA. The EU contribution to promote standardized practice in the public procurement should also improve the use of the e-procurement system by the public entities and facilitate the oversight the procurement procedures.

**The EU support did not address public investment management nor debt management (JC 5.4 & JC 5.5)** that were covered by specific capacity development and projects of the World Bank and the IMF. The WB is supporting the establishment of a Public Investment Management system and the strengthening the capacity of the National Development Planning Commission. Few progresses have been made during the evaluation period. PEFA 2018 scored D on investment selection. Multi-year investment plan still lack of realism and prioritization and have led to resource over-commitment while preliminary feasibility and cost benefit analysis still need to be institutionalized. In the Debt management area, the WB and IMF supports the implementation of the Ghana's Medium-Term Debt Management Strategy. Over the last year, the country has made progress in its debt management and has succeeded in lengthening the debt profile and reducing rollover risks. Debt management capacity has been supported by extensive IMF TA focused on deepening the domestic debt market and strengthening the national medium-term debt strategy.

## 3.4 Effectiveness and sustainability – Contribution to outcomes and impacts

*Improved long-term financing and Public Sector Management (EQ6)*

**EQ6: To what extent have the intended outcomes 26aterialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

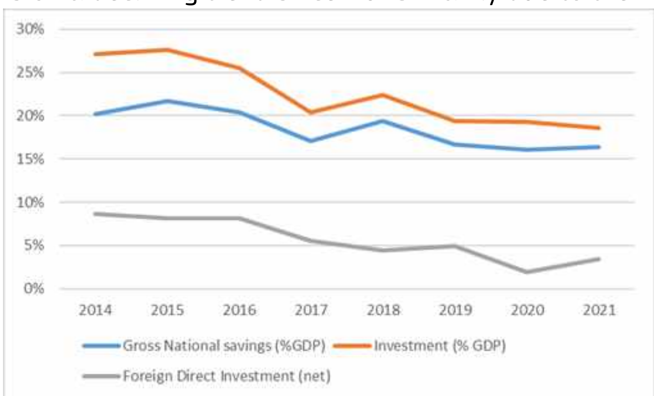
JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the COVID-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

During the period under review, macroeconomic policies including fiscal policies were mainly oriented to first restore and then maintain macroeconomic stability which was under severe threat in 2014-16. Significant macroeconomic gains were achieved in terms of stabilization in the short term mainly due to IMF financial and technical supports provided under the ECF 2017-2019. In the absence of a significant increase in domestic revenues, the adjustment has been mainly achieved through monetary policy restrictions and public expenditures control. The public deficit has been maintained in a range between 4% and 7%, which remains high in view of the fundamentals of the Ghanaian economy. As a result, the gross public debt has continued to increase and reached 62.9% of GDP in 2019. The COVID crisis has strongly affected the fiscal position of the State in 2020 and 2021 leading to double digits deficits and rapid increase of the public debt (estimated at 83.5% of GDP in 2021).

**The overall capacity of the Ghanaian economy to sustain investment and long-term development financing has rather decreased during that period (JC6.1).** Gross National Saving is on a declining trend since 2015 mainly due to the increasing gap between public revenues and public current expenditures (-5.5% in 2019) while in the meantime, FDI which were close to 9% of GDP between 2014 & 2016, have progressively declined to 5% (before the COVID crisis). Commercial debt has been the main source of financing for the Ghanaian economy. In 2019, the IMF estimated that almost 80 percent of the gross financing needs of nearly 16 percent of GDP were to be financed on the domestic and international markets.



Although Ghana's growth prospects remain positive, this situation is problematic at several levels: first, rapid increasing public debt and growing debt service burden[7] as well as difficulties to conduct fiscal adjustment, fiscal risks have rather increased than been reduced during the period; secondly, the persistent high level of Government's financing needs may continue to affect private sector capacities to carry out large investment through a crowding out effect (see EQ7); third, expected medium-term fiscal consolidation will inevitably undermine Government capacities to implement its policies.

**In this context, the control of public expenditure was one of the main objectives during the 2015-2019 period which made it possible to maintain the level of current expenditures around 18% of GDP and to limit drastically investment spending to less than 1.5% of GDP in 2018 (JC6.2).** As stated by the 2018 PEFA, the absence of significant progress in the credibility of the budget[8] further complicates the situation and didn't allow for significant progress in terms of resource allocations and execution. According to international data, the level of expenditures in the education sector has decreased from 4.6% of GDP in 2015 to 4% in 2018 while in the health sector, the decrease observed is from 4% to 3.5%.

**No visible improvements are noted in the quality of spending (JC6.3)** (which is difficult to measure): using the CPIA indicators, Public Sector management (D13) has not improved during the period being stable at 3.5 on 6 while policies for social inclusion and equity have slightly declined from 3.9 to 3.7 with a more marked drop for "equity of public resource use" (C8) which went from 3.5 to 3.

In 2020, the Government adopted strong measures to address COVID impact which contributed to record fiscal deficit (-15.2% of GDP) : health spending were increased by 0.5% of GDP while fiscal supports to various parts of the population were implemented amounting to 1.8% of GDP. The deficit remained very large in 2021 (-13.9% of GDP) requiring an urgent more ambitious fiscal adjustment.

In 2022, the World Bank has also highlighted the difficulties faced by MDAs in service delivery planning and execution mainly due to a lack of effective budget releases, commitment control, cash rationing and accumulation of expenditure arrears.

*Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

[7] According to the DSA of the last 3 years, external and overall debt are at high risk of debt distress.
[8] This is notably due to the fact that expenditure commitments were being made that were not budgeted for and were made outside of the GIFMIS.

While the authorities have succeeded to maintain stability since 2015 after macroeconomic conditions have deteriorated in 2012 leading to substantial domestic and external imbalances (characterized by growing double digit inflation, large external account deficit, and rapid increasing debt), **long term macroeconomic stability** has not been strengthened, on the contrary (JC7.1). As shown in EQ6, the recurring nature of its imbalances reflected deeper structural deficiencies in its macroeconomic policies and public financial management (PFM) framework. Main weaknesses remain a too narrow tax base and lack of efficiency of the tax administration; large tax expenditures; weak budget credibility; growing public debt including increasing reliance on commercial debt and related service payment; and longstanding losses in the energy sector. Even if some improvements have been achieved in terms of limiting fiscal risks from SOEs, and strengthening revenue administration, overall fiscal space remains limited to cover investment needs and social expenditures. Fiscal risks remain high while as recognized by the IMF, risks to Ghana's capacity to repay the Fund have increased.

The savings-investment balance has improved all along the period to reach a deficit of only 2% of GDP. Macro fiscal stabilisation has permitted to limit public deficit around 6% of GDP until 2019. In the meantime, the net balance of the private sector savings-investment has substantially risen as the level of domestic debt accumulated by the public sector, which suggests that a crowding out effect is potentially at work. This is also reflected in the significant decrease of investment in % of GDP in the last years from 27% of GDP in 2014-2015 to less than 20% in the last three years, with public investment reaching a particularly low level of less than 2% of GDP in 2018 & 2019.

**Although the legitimacy of the State and the Fragile State index improved significantly since 2015, the issue of public services remains at a high level of fragility (more than 7 on 10 which is by far the highest note of all topics covered), reflecting the lack of progress in this area (JC7.2 & 7.3)**.

Improvement of **Fiscal social contract** is difficult to assess but some signs may be mentioned: transparency of taxpayer's obligations have been improved (notably with the publication of the 5 major laws as expected by one of the ITV of the SDG contract (2020) although there is still a lot to be done (not available in remote place). The importance of increasing transparency to improve the fiscal social contract between taxpayers and the Government is fully recognized by the tax policy department which considers for example to publish the names of companies benefiting from tax exemptions. The CSO platform also acts to increase communication on the taxes collected and their use. A citizen's budget is now available but not yet accessible to all as it is only available in English.

Although the fiscal policies and PFM system have not significantly improved, SDG indicators are rather well oriented: mortality rate under-5 continued to decrease from 54.6 in 2015 to 44.7 in 2020, the net primary enrollment rate was close to 100% in 2019 while slightly lower than 80% for the lower secondary school. The literacy rate reached 92.5% in 2018 and the proportion of the population having access to electricity increased from 74.2% in 2015 to 83.5% in 2019.

Poverty has also been on a continuous declining trend in 2021, 10.5% of the population live with less than $1.9/day to be compared to 14% in 2015 while still 24.5% live with less than $3.2/day but down since 2015 from 30.7%.

## *3.5 3Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**Many donors are active in the PFM and DRM area in Ghana. In the context of its interventions, the EU has been engaged in dialogue and coordination with these concerned development partners, particularly through the PFM Working Group,** of which the EU w co-chair since 2019 A similar pattern was observed in the context of developed SWAP approach on decentralization where the EU also co-chaired the related sector working group although a large number of donors have progressively decided to either get out of the sector or work directly at local level, leading to a more difficult coordination and complementarity of donors' intervention in the area PFM and DRM at central and decentralized level (JC 8.1). The Head of Cooperation Group, which the EU also chaired in 2020, was also a useful forum to share information on donors' involvement in public financial governance and to propose to raise issues at the level of political dialogue with the national authorities. However, the latter has been increasingly complex and less productive during the second part of the evaluation period due to a lack of genuine commitment and ownership from the national authorities first to be actively involved in developing and coordinating donor's interventions in the PFM areas as well as to uplift a strategic policy dialogue on PFM/DRM and general governance/corruption issues. The coordination and policy dialogue with the national authorities has been also hindered by the lack of a comprehensive national PFM/DRM reform strategy, with a clear sequenced action plan and an evaluation and monitoring framework since 2018 as well as the lack of a solid institutional coordination mechanism through strong steering committee and coordination office.

Since the dissolution of the Multi-Donor Budget Support (MDBS) group in 2015, the IMF Reviews have often offered the best platform for dialogue with the authorities on macroeconomic stability and PFM/DRM reforms. In the framework of the preparation of the 2018 PEFA, the PFM sector working group on PFM/DRM was then relaunched and allowed policy dialogue to resume, including on the Government's PFM reform strategy. In that regards, the EU has been active in the PFM group and was also part of the oversight team for the 2018 PEFA. However, the World Bank has progressively took the lead in the PFM dialogue through the implementation of its PFM Reform Programme and its support to design the new 5-year PFM Strategy 2022-2026. The strategy, in its implementation governance component, has proposed to reform and streamline the monitoring and the coordination process between donors and the government around PFM reforms with the establishment of solid PFM steering committee, programme coordinator office and PFM coordinator in order to promote stronger national ownership and leadership with regards to strategic DP's coordination and policy dialogue as well as PFM reform implementation, monitoring and evaluation process.

**The EU Delegation has also participated to a specific sector sub-working group on DRM** and used this coordination framework to gather and exchange information on the activities of the donors involved in DRM technical cooperation (such as UK and GIZ). Due to the multiple development partner support to the GRA reform and modernization agenda as well as, increasingly, to the Ministry of Finance Tax Policy Department, the development partners have decided to establish this specific sub-working group, separated from the PFM SWG with UK DCDO leading this donor coordination forum and GIZ involved in the secretariat and coordination. At one point, the government has been taking a more active role in the coordination of donor activities in the area of domestic resource mobilization (DRM) as the DRM sub-group was chaired several times at least in 2018 and early 2019, by the Ghana Revenue Authority (GRA) Commissioner General. **This DRM sub-group has also been an opportunity to provide update mapping of donors' intervention and share information on/promote coordination with several IMF interventions in the context of Trust Funds to which the EU and other donors contributed (e.g. the IMF RMTF and the IMF MNRW TF) (JC 8.2/ JC 8.3).** According to the IMF last Art IV report, the RMTF has also been involved in better coordinating capacity development bilaterally with other development partners involved in the same RMTF-related areas of intervention especially with UK FCDO on development and delivery of a Data Analytic Programme and with KFW Development Bank on the setting up of an IT training institute. Similarly, the RMTF is also developing and delivering to the GRA a "Reform Management Dashboard" on donors' contacts and nature of their involvements in the DRM and is promoting the establishment of a dedicated Transformation Programme Office that will include a unit for Donor Management and Coordination in order to strengthen the GRA to develop a more active leadership on donor partner coordination.

Regarding **AFRITAC WEST II**, EU being the main contributor with UK DFID/FCDO, exchange of information (including report and debriefing on expertise mission) and coordination have been rather satisfactory and may have contributed to the implementation of the EU CMSB reform agenda in Ghana (JC 8.2). EU provided direct institutional TA to the GAS, the IAA, the PPA and the Parliament, whereas the AFRITAC PFM related interventions in Ghana have rather focus on issues such as the improvement and consistency of fiscal data, fiscal risk analysis and management, oversight of SOE, comprehensive public sector accounting and IPSAS compliance, capacity development of the budget functions related to PPP as well as the improvement of general macro-fiscal framework.

In 2019, the EUD has been considered a key stakeholder in the Anti-corruption sector with the Accountability, Rule of Law and Anticorruption Programme (ARAP) as well as the SDG-C which included an indicator to support the setting up and operationalization of the Office of Special Prosecutor. UK DFID has set up a coordination group on anti-corruption (due to its high involvement in support to the STAR Alliance Foundation Ghana to which the EU ARAP programme has contributed). This has allowed exchange of information and coordination between these two important stakeholders and their interventions which have supported a wide range of institution and CSO actors. In the context of the EU ARAP programme, ad-hoc partnerships have been sought with other donors such with the GIZ in the framework of its support to the Ghanaian Police and with UK DFID/FCDO on its Strengthening Action Against Corruption in Ghana (STAAC) programme.

While not specifically promoted by the EU, complementarities may have also occurred between the EU TA project to the Ministry of Finance with its support to strengthening the Parliament Training Institute on PFM skills and the ARAP project and UK FCDO that both supported, through the intermediate of the STAR Ghana foundation, training programmes for the Speaker of the Parliament and the establishment of a scrutiny office on budget issues.

In the decentralization sector, the complementarity between donors have become more complicated with the weakening of the SWAP approach due the lack of national political commitment to advance on the decentralization process. Initially, and following suit of other key donors active in this sector, the EU had pursued a mostly 'top-down' approach. Due to several obstacles encountered in the process of implementation, mainly due to fading commitment and lack of political will, key decentralisation donors were gradually moving towards a more bottom-up approach, working at local level with the MMDA on the consolidation of local capacities and institutional and administrative framework, especially on PFM and tax issues. This was also the case of the EU, which applied a bottom-up approach in the areas of LED and IGF in their Joint Programming Document for 2021-2027. However, different pace of transition of donors' support along the lines of this paradigm shift may have contributed to overlooking possible synergies in this sector. This situation was further exacerbated by a gradually disappearing formal policy dialogue mechanisms run by the government.

Ghana is a member of the Global forum but not the BEPS (JC 8.3) although the Ministry of Finance considers that the country applies the inclusive framework for a long time. The African Tax Administration Forum provides the Tax Policy Unit of the Ministry of Finance with several supports especially on the design of double taxation agreements. The Country also participates to the UN Tax committee but the staff from the Tax Policy Unit of the Ministry of Finance considers that it is often difficult to promote a collective voice. Ghana is now in the process to assess how far the second pillar of the recent international agreement (the two-pillar solution to address the tax challenges arising from digitalization and globalization of the economy that was agreed in October 2021 by 137 countries and jurisdictions under the OECD/G20 Inclusive Framework on BEPS) conflicts their laws. In the context of the Addis Tax initiative, the Country is also supporting the UN resolution asking for reconsidering tax exemptions for ODA.

## *3.6 Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**Overall the flexibility of EU programmes is recognized as a strength (for BS as well as for TA projects) (JC9.1).** As far as TA projects are concerned, implementation was and are still rather smooth. The ARAP project has been considered as a unique and innovative project in the field of anti-corruption introducing the holistic approach and tailoring the EU support to the challenges and priorities of each institution. The institutional set-up with a decentralized management through FIIAPP, NCCE and Star Ghana has ensured institutional support and buy-in. The role of the Coordination Unit was key to the efficient and effective implementation and instrumental to consolidate the coherence of the overall programme implemented.

The decision in 2017 to move back to BS to address governance issues was taken to improve the efficiency of EU interventions and to be more operational. The second BS (SDG contract) was also motivated by having a closer policy dialogue in key areas linked with growth and job creation.

It was not an easy start: in 2019, the variable tranches were very partially disbursed (25% for the SDGC contract and 43% for the SRPC Decentralisation) while the policy dialogue was not easy to engage at a high level in view of the limited financial leverage of the programmes, as well as gradually fading political will and commitment with central policies leaning towards centralization of revenues in view of unprecedented increase of internal debt. Then the COVID has affected the way the EU supports PFM reforms: all specific conditions of SRC and SDG were dropped out; general conditions were not properly assessed; and dialogue didn't take place leading to a kind of blank cheque. Promises to have reports and dialogue on COVID expenditures have not been kept. No report was produced up to now on the utilization of the financial transfers for coping with COVID effects.

Up to now, the EUD faces difficulties to go back to the MoF and start a renewed dialogue on PFM reforms notably in the framework promoted by the EU BS Guidelines with genuine policy dialogue and logic of conditioned EU disbursements to attainment of performance indicators. As mentioned during the mission "All what has been built in the last 20 years is lost". Currently, the EU approach to promote the CMSB agenda is more based on a "bottom up" approach while the leadership in PFM reforms is provided by the WB with a P4R program of 150MUSD to support PFM reform and public service delivery.

The WB considers that there is a high commitment from High level authorities on PFM reforms which needs to be extended to all levels. The role and place of the EU is less well perceived. One of the problems may be the lack of understanding and ownership of EU BS programmes by Ghanaian partners (especially in line Ministries but not only) in a context of no strong technical unit in the NAO being in charge of EU programs management. The administration involved in the programmes were not trained on BS modalities while no complementary measures were implemented for building capacities at their levels. **Other drawbacks related to the ownership by the partners have also impeded the efficiency of EU interventions (JC9.3)**: 1) At political levels: changes at the highest level have affected capacities to maintain the political agenda (ex: IMCC, OSP, GAS) and weakened the level of ownership; 2) no clear understanding of "satisfactory progress" under the general conditions.

**At some points, the EUD has been faced with a lack of human and technical resources to actively contribute to technical policy dialogue related to PFM issues (JC9.4).** Clearer guidance would have been appreciated on how to conduct dialogue on decentralization or how to address the issue of fight against corruption in a context where the Government is very reluctant to acknowledge corruption problems. The teams on the ground were not always sufficient in number to cover all components of the reforms supported by the EU. It has not always been easy to find people with the technical expertise in this area to follow up on these issues. The frequent rotation of EUD staff and the lack of capitalisation of interventions also limits the EU's impact.

# 4. Main lessons: contribution to key outcomes and good practices

A first batch of lessons on the CMSB related support in Ghana lies in the relevance, in order to promote such demanding and complex agenda, of adopting a comprehensive approach through the support of different and mutually reinforcing mix of interventions and modalities targeting a wide range of institutional and civil society stakeholders to address technical, institutional or more political reforms related to PFM, DRM, public accountability, rule of law and fight against corruption.

Although these interventions can raise challenges on internal coherence, synergies and coordination as well as on the need to be long-term enough in order to achieve their objectives and bring about real change, it has to be underlined that support to technical PFM and DRM reforms needs to be included in a wider national "social contract" framework. In this respect the prerequisite to systematically integrate specific country's political economy dimension of any EU CMSB's theory of change agenda (particularly sensitive in the case of Ghana) is important. Also, the sometimes-unfavourable evolution of such political economy context during the course of implementation of these interventions calls for regular reassessments of the proposed theory of change and logic of intervention, and a careful re-adaptation of certain intervention modalities, whether in terms of their nature or their financial leverage.

The case of the EU CMSB's entry point through the decentralization lens intended by the EU in Ghana has indeed faced strong political resistance, or at least, lack of genuine political commitment that have considerably undermined the attainment of result as witnessed by the low level of achievement in the ITV of the SRC. The strong "top-down" approach to decentralisation/devolution promoted by the EU in this sector until 2020 has been particularly challenged and was effectively reviewed under a new Joint Programming Document of 2021-2027, where a more 'bottom-up approach' was applied.

A second batch of lessons follows from the first one and reveals the challenges to promote comprehensive and demanding reform programmes in a country like Ghana. It concerns the need to properly assess the EU real financial and "in house or contracted" technical capacities to promote such reform agenda in a low middle-income country like Ghana. This country has (and will) faced important financial needs and macroeconomic and fiscal risks challenges. Against this framework, the relatively limited size of the proposed EU budget supports compared to the financial needs at stake may have undermined the expected outcome of the programme. Similarly, the lesser direct EU involvement in significant technical and advisory support in DRM and PFM reforms (compared to other donors like IMF, World Bank, UK FCDO) to complement some EU Variable tranche indicators targeted on relevant reforms (e.g. DRM-related indicators of the SDG-C) may have also been detrimental to the achievement of expected results.

While it is well acknowledged that donors cannot "buy reform", the initial size of financial support provided through the SDG-C compared to the large and diversified numbers of supported reforms (DRM/PFM was far from being the only focus of this intervention) may have undermined the leverage of the programme and called for more focused interventions. Concerning specifically the PFM/DRM field, it would have been also useful, for example, to accompany this general budget support and the VTI by substantial and high-level EU technical assistance (e.g. through TA/advisory services, twinning) on the promoted DRM reforms as well as on key strategic PFM reforms such as those revolving around the weak budget credibility that were at the core the national public financial governance. This may have also strengthened the EU Delegation's high-level policy and technical dialogue with the national authorities. While the EUD held a policy dialogue and several technical dialogues on the variable tranches performance indicators of the SDG-C targeting PFM and DRM reforms, the budget support operation did not last enough and it has been difficult for the EU to be considered by the national authorities as a key partner on technical DRM and PFM reforms (except in some "narrow" - though important from an accountability point of view- PFM functions like on internal and external audit, compared to the wide spectrum of the EU CMSB agenda).

The non-negligible number of ITV targets missed under the EU BS in Ghana has raised questions on the true incentive effect of BS disbursements, including ITV not always supported by advisory services (like in the case the SDG-C DRM-related indicators), compared to substantial technical cooperation and policy dialogue. In this context, the revamping of EU BS operation in the wake of the COVID 19 pandemic into a single emergency one-single tranche budget support COVID-19, if it may have contributed to support the macroeconomic stabilization (FT of 87 MEURO), has not allowed to uplift further a strategic policy dialogue on the CMSB's agenda and rather diluted it.

Another lesson concerns the need (not specific to Ghana) to provide in a systematic way the recipient national administration that are targeted by EU intervention and are responsible of specific supported reform or public expenditures reforms, with training sessions on EU budget support modality.

Whatever the lessons discussed above, the evaluation that does not pretend to be comprehensive and exhaustive, acknowledges that the EU's interventions have taken place in a difficult political and institutional context and that the reforms the EU has chosen to support in a country like Ghana are complex and take time to materialise.

## Annex 1: Inventory of the EU support to CMSB agenda in Ghana

**Table 2: CORE CMSB Contracted or disbursed amount (in M€)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| VTI | - | - | - | - | 2,8 | 0 | 2.8 |
| CM | - | - | - | - | - | - | - |
| TA | - | 17,1 | 2,2 | 2,3 | 0,1 | 0,02 | 21,8 |
| IO | - | - | - | - | - | - | - |
| Total | - | 17,1 | 2,2 | 2,3 | 2,9 | 0,02 | 24,6 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRpC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed | Total Amount disbursed |
|---|---|---|---|---|---|---|---|---|
| SRPC | 39769 | Support to Decentralisation in Ghana 11th EDF | 2018 | 2020 | 11 | 29 | 40 | 12.9 |
| SDG-C | 41292 | Budget Support Programme to Promote Investment and Job Creation (SDG contract) | 2019 | 2022 | 6 | 4 | 10 | 7 |
| SRBC | 42839 | Emergency EU Budget support in response to COVID-19 crisis in Ghana | 2020 | 2020 | 86.5 | - | 86.5 | 86.5 |

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

Support to Decentralisation in Ghana 11th EDF

| Year | Indicators for Variable Tranche 1 | Type of Indicators[9] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Improved managerial and technical capacities of MMDAs: Extent to which thematic performance audits in MMDAs have been conducted: two thematic performance audits carried out in at least ten selected MMDAs | Output | External scrutiny and audit | 1,40 | 1,40 |
| 2019 | Funding available for improved MMDA service delivery and increase in birth registration: % Direct Transfers to MMDAs from the District Assemblies Common Fund as a percentage of funds: 55% | Outcome | Fiscal decentral isation | 2,80 | - |
| 2019 | Funding available for improved MMDA service delivery and increase in birth registration: Internally Generated Funds collected by MMDAs: 5% increase from previous year (2017) | Outcome | Fiscal decentral isation | 1,40 | 1,40 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators [10] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | Improved managerial and technical capacities of MMDAs: Extent to which thematic performance audits in MMDAs have been conducted: two thematic performance audits carried out in at least twenty selected MMDAs | Output | External scrutiny and audit | 3,00 | N/Y |
| 2020 | Funding available for improved MMDA service delivery and increase in birth registration: % Direct Transfers to MMDAs from the District Assemblies Common Fund as a percentage of funds: 60% | Outcome | Fiscal decentral isation | 3,00 | N/Y |
| 2020 | Funding available for improved MMDA service delivery and increase in birth registration: Internally Generated Funds collected by MMDAs: 5% increase from previous year (2018) | Outcome | Fiscal decentral isation | 3,00 | N/Y |

[9] Input, output, process, outcome, impact

[10] Input, output, process, outcome, impact

Budget Support Programme to Promote Investment and Job Creation (SDG contract)

| Year | Indicators for Variable Tranche 1 | Type of Indicators[11] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Corruption: The Office of the Special Prosecutor is fully operational and there is an effective follow up of reported cases of corruption: Operationalisation of OSP: The Budget execution rate of the OSP's 2019 budget appropriation is of at least 30% (commitment basis) at 30/06/2019 | Output | Anti-corruptio n | 1,00 | - |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[12] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | DRM: Revenue collection mechanisms are improved in a cost-effective manner: Enlarged tax base (No. of new taxpayers registered) | Output | Revenue administra tion | 1,50 | - |
| 2020 | DRM: Revenue collection mechanisms are improved in a cost-effective manner: Improved compliance of Taxpayers/Ease of doing business: 5 major tax laws (Income Tax Act, Revenue Administration Act, Customs duty Act, VAT Act and Excise Duty Act) are published in a simplified form | Output | Extractive Industries | 1,30 | - |
| 2020 | PFM: Efficiency of the Audit Committees is enhanced: Improved efficiency of the internal audit function: % increase of number recommendations implemented from baseline | Output | Internal audit and control | 1,00 | - |
| 2020 | Corruption: The Office of the Special Prosecutor is fully operational and there is an effective follow up of reported cases of corruption: Operationalisation of OSP: Office of the SP has developed and approved an Action Plan | Process | Anti-corruption | 1,00 | - |

11 Input, output, process, outcome, impact
12 Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 3 | Type of Indicators[13] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | DRM: Revenue collection mechanisms are improved in a cost-effective manner: Enlarged tax base (No. of new taxpayers registered) | Output | Revenue administr ation | 1,50 | - |
| 2021 | DRM: Revenue collection mechanisms are improved in a cost-effective manner: Improved compliance of Taxpayers/Ease of doing business: A statement of tax expenditures is developed and annexed to the Budget statement (FY 2022) | Output | Tax policy | 1,30 | - |
| 2021 | PFM: Efficiency of the Audit Committees is enhanced: Improved efficiency of the internal audit function: % increase of number recommendations implemented from baseline | Output | Internal audit and control | 1,00 | - |
| 2021 | Corruption: The Office of the Special Prosecutor is fully operational and there is an effective follow up of reported cases of corruption: Operationalisation of OSP: Publication on a half yearly basis of the list of corruption cases investigated and prosecuted by the Office | Process | Anti-corruptio n | 1,00 | - |

3) BS complementary measures (technical assistance, studies, …)

4) Other EC interventions

[13] Input, output, process, outcome, impact

## *Capacity-building / technical assistance projects supporting CMSB*

| Decision number | CRIS contract number | Programme title / content | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 39770 | 399795 | Technical Assistance to the Ministry of Finance for the Implementation of the Ghana Public Finance Management Support Programme | 2018 | Ongoing | 2.359.140 € |
| 37796 | 397032 | Consultancy - PFM analysis for the formulation of SDG contract | 2018 | Closed | 20.000 € |
| 37796 | 374074 | Identification and formulation of a support programme for PFM under 11th EDF | 2017 | Closed | 24.500 € |
| 41919 | 407809 | Contract 2018/398755 - Addendum 2-Budget Increase and Extension of implementation period | 2019 | Closed | 13.881 € |
| 37796 | 374074 | Identification and formulation of a support programme for PFM under 11th EDF | 2016 | Closed | 79.100 € |
| 37368 | 406819 | 11th EDF ARAP Mid-Term Evaluation | 2019 | Closed | 95.378 € |
| 37368 | 422243 | Audit of NCCE grant contracts on ARAP (384993) & Electoral Cycle 2016-2018 (373768) | 2020 | Ongoing | 26.993 € |
| 37368 | 409486 | Expenditure Verification of DA 373-284 FIIAPP- ARAP | 2019 | Closed | 14.420 € |
| 37368 | 373284 | Ghana Anti-Corruption, Rule of Law and Accountability Programme (FIIAPP) | 2016 | Ongoing | 13.000.000 € |
| 37368 | 384993 | NCCE action in GHANA ANTI-CORRUPTION, RULE OF LAW AND ACCOUNTABILITY PROGRAMME (ARAP) | 2017 | Ongoing | 2.200.000 € |
| 37368 | 373342 | Strengthening Transparency, Accountability and Responsiveness in Ghana-Star Ghana II | 2016 | Ongoing | 4.000.000 € |

## Annex 2: List of Institutions met

| Institution type | Institution / Minister | Service |
|---|---|---|
| **EU** | EU Delegation | Head of Cooperation |
| | | Governance and Security Unit |
| | | Economic and Trade Unit |
| **National authorities and institutions** | Ministry of Finance | External Resources Mobilization and Economic Relations Division |
| | | Fiscal Decentralisation Unit |
| | | Tax Policy Department |
| **Other donors** | AFRITAC West II | |
| | EY | |
| | GIZ | |
| | British High Commission | |
| | World Bank | |
| **Civil society** | CSO Platform | |

# CASE STUDY NOTE – KOSOVO*

## Table of Contents





* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

## List of acronyms

| | |
|---|---|
| BS | Budget Support |
| BEPS | Base Erosion and Profit Shifting |
| CHU | Central Harmonisation Unit |
| CMSB | Collect More, Spend Better |
| DeMPA | Debt Management Performance Assessment |
| DG NEAR | Directorate-General for Neighbourhood and Enlargement Negotiations |
| DMF | Debt Management Facility |
| DPL | Development Policy Loan |
| DRM | Domestic Revenue Mobilization |
| ECFIN | DG Economic and Financial Affairs |
| EDF | European Development Fund |
| ERP | Economic Recovery Program |
| EU | European Union |
| EULEX | EU Rule of Law Mission in Kosovo* |
| FDI | Foreign Direct Investment |
| FMIS | Financial Management Information System |
| FTA | Free Trade Agreement |
| GDP | Gross Domestic Product |
| GIZ | Gesellschaft für Internationale Zusammenarbeit |
| GoK | Government of Kosovo* |
| HQs | Headquarters |
| IMF | International Monetary Fund |
| IPA | Instrument for Pre-Accession Assistance |
| MAPS | Methodology for Assessing a Procurement System |
| MEI | Ministry of European Integration |
| MEUR | Million Euro |
| MoFLT | Ministry of Finance, Labour and Transfers |
| MS | Member States |
| MTEF | Medium-Term Expenditure Framework |
| NAO | National Audit Office |
| NDS | National Development Strategy |
| NTR | Non-Tax Revenue |
| OBI | Open Budget Initiative |
| ODA | Overseas Development Assistance |
| OECD | Organization for Economic Co-operation and Development |

| | |
|---|---|
| PAR | Public Administration Reform |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PFMRS | Public Financial Management Reform Strategy |
| PIFC | Public Internal Financial Control Strategy |
| PIMA | Public Investment Management Assessment |
| SAA | Stability and Association Agreement |
| SIGMA | Support for Improvement in Governance and Management |
| SPRC | Sector Performance Reform Contract |
| SRBC | State and Resilience Building Contract |
| TA | Technical Assistance |
| TADAT | Tax Administration Diagnostic Assessment Tools |
| TAK | Tax Administration of Kosovo* |
| UN | United Nations |
| UNMIK | UN Interim Administration Mission in Kosovo* |
| UNSC | United Nations Security Council |
| USAID | United States Agency for International Development |
| VTI | Variable Tranche Indicator |

# 1. Introduction and choice of Kosovo* as a case study

## 1.1 Scope and objectives of this study case

This case study note is part of the evaluation of the EU's support to the Collect More, Spend Better (CMSB) agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission to the area encompassing Domestic Revenue Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability (see portfolio in Annex 1), during the period 2015-2020/21.

The analysis builds on a desk review, including the analysis of documents (e.g., EC strategy-level documents, national PFM strategies/plans, international studies, EC intervention documents) and of statistical data (e.g., key macro-economic and social indicators, budgetary data, PEFA scores). A complementary interview with the EU Office was also organized.

Kosovo* was selected as a case study because of the number and diversity of CMSB-related interventions of the EU, including two Sector Performance Reform Contracts (SPRCs) and one State and Resilience Building Contract (SRBC) entirely or partially dedicated to CMSB. These interventions have been accompanied by several forms of technical assistance, including through the IMF, to support the design, implementation, and coordination of the PFM reform process, as well as to develop the capacities of specific PFM institutions. Moreover, Kosovo* belongs to the Western Balkans, with an EU potential candidate status. It is the only upper-middle income beneficiary and one of the two with membership perspectives, among the case studies under review.

Through its support, the EU aimed to address several challenges related to the CMSB agenda (see 2.4) from the overarching perspective of Kosovo*'s approximation to the EU acquis, including in particular:

- Enhanced government capacities for the design, coordination, implementation and monitoring of PFM reforms;
- Improved tax policy, and increased tax compliance and enforcement;
- Application of multiannual budgeting in central government entities, and enhanced budget reliability;
- Strengthened government purchasing and procurement systems;
- Strengthened capacities to improve transparency by an increase of control actions, both internal and external, and by improved publicity on the beneficiaries of public subsidies and other crisis response measures;
- Stepped-up fight against corruption, in a multidisciplinary governance reform approach.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. This set covers the analysis of relevance, internal and external coherence, efficiency, effectiveness, and impact of the EU support provided to the CMSB agenda.

## 1.2 Limitations

Given the wideness of the topics under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support implemented in public finance in Kosovo*. It aims at identifying key strengths and weaknesses of EU interventions deployed in public finance in Kosovo* so as to draw lessons from the EU's experience in Kosovo* to guide recommendations to strengthen the EU's role in the areas related to the CMSB agenda.

# 2. National context and EU interventions supporting the CMSB agenda

## *2.1 General context and main policy documents*

Kosovo*'s independence status has been an unsettled issue since 1999. After the end of the conflict, Kosovo* was placed under the provisional administration of the UN, whose troops are still deployed in the area. In 2008, Kosovo*'s Parliament declared unilaterally the independence of Kosovo*. A UN Interim Administration Mission in Kosovo (UNMIK) still exists today, with relatively minor functions, as does the EU Rule of Law Mission in Kosovo (EULEX), also operating under a UNSC mandate.

Interethnic tensions between the Albanian majority and the Serbs, mainly living in the North of Kosovo*[1], have affected political stability since its independence, while the economic development of Kosovo* has also been hampered by its uncertain status. Serbia still considers Kosovo as a part of its territory, and about 80 UN members have not yet recognised its statehood. Despite the lack of a final settlement, Kosovo* has been engaged with the EU to advance on its European path, which most of the population has regarded as the main way to ensure Kosovo*'s political stability and economic development. A Stabilisation and Association Agreement (SAA) between Kosovo* and the EU was agreed in 2016. In June 2022, Kosovo*'s Prime Minister announced in a joint press conference with the German Chancellor his intention to seek EU candidate status by the end of 2022.

Over the period evaluated and especially after 2017, the political situation has been volatile, resulting in government instability and numerous cabinet reshuffles. Following fresh national elections in February 2021, Albin Kurti, who had briefly been Prime Minister in 2020, could return to power with a strong majority, putting an end to a long bout of political instability. During this period, successive governments had encountered major difficulties in implementing large-scale but much-needed reforms.

Kosovo* has designed a proactive policy concerning the PFM sector, particularly within the framework of the SAA National Implementation Plan with the EU. Several issues have been emphasized by the international community, namely the lack of coordination on the management of public expenditure, the dearth of qualified human resources, especially in high-level functions, and above all a widespread informal sector, corruption practices and lack of transparency in the Kosovar political system. However, the PEFA 2016 did highlight areas of improvements, notably concerning the transparency and control of revenue administration, the payroll control, external audit. The conclusion was that 'the Government of Kosovo* is making significant progress in strengthening PFM performance, to the benefit of budgetary outcomes: aggregate fiscal discipline, the strategic allocation of resources and efficient service delivery'.[2] A new PEFA has been prepared in 2021, and published in 2022.

During the evaluation period, there has been little change to the main policy framework, consisting in an overarching public administration reform strategy, declined in four components: a Better Regulation Strategy 2.0. for Kosovo 2017-2021 (BRS 2.0); a Strategy for Improving Policy Planning and Coordination (SIPPC); a Strategy for the Modernization of Public Administration 2015-2020 (PAMS), and a Public Finance Management (PFM) Reform Strategy 2016-2020. In particular:

- The **Kosovo* PFM Reform Strategy** (2016-2020), developed through 4 pillars: fiscal discipline, allocation efficiency, operational efficiency, and PFM cross-cutting issues. An action plan was also adopted in 2016 to implement it, which was revised in 2018. Due to political instability and the COVID-19 crisis, the adoption of a new PFM Reform Strategy after 2020 was delayed. A transitional

[1] The share of the Serbian population is uncertain, given the lack of participation in the 2011 census by the Serbs and the Roma, the war-related displacements, and workforce emigration. The 1991 census, however, did not see the participation of many Albanians, and its figures are not considered reliable either – that census reported a share of about 10%, and the 2011 one a 1.5% share.

[2] See the 'summary assessment' in the Republic of Kosovo, Central Government Repeat Public Expenditure and Financial Accountability Assessment (PEFA), Final draft, January 31, 2016.

action plan was enforced in 2021, and a new Strategy is currently drafted for the period 2022-2026. Adoption of the new Strategy has been delayed and is currently outstanding.

- The **Public Administration Reform Strategy** (PAMS) (2015-2020). Its main objectives are: (1) to develop the civil service system; (2) to rationalize the administrative procedures and delivery of public administration services, especially by the development of e-services; and (3) to reinforce internal and external state administration and accountability in line with good governance international principles.
- Successive annual **Economic Reform Programmes** (ERP), each a rolling one, extensible to a period of 3 years. They are used to plan the short-term economic and administrative reforms and to assess the progress made over the previous year in the implementation of reforms included in the SAA National Implementation Plan.

The Kosovar administration drafted several detailed thematic plans to implement the needed reforms outlined in these documents, namely:

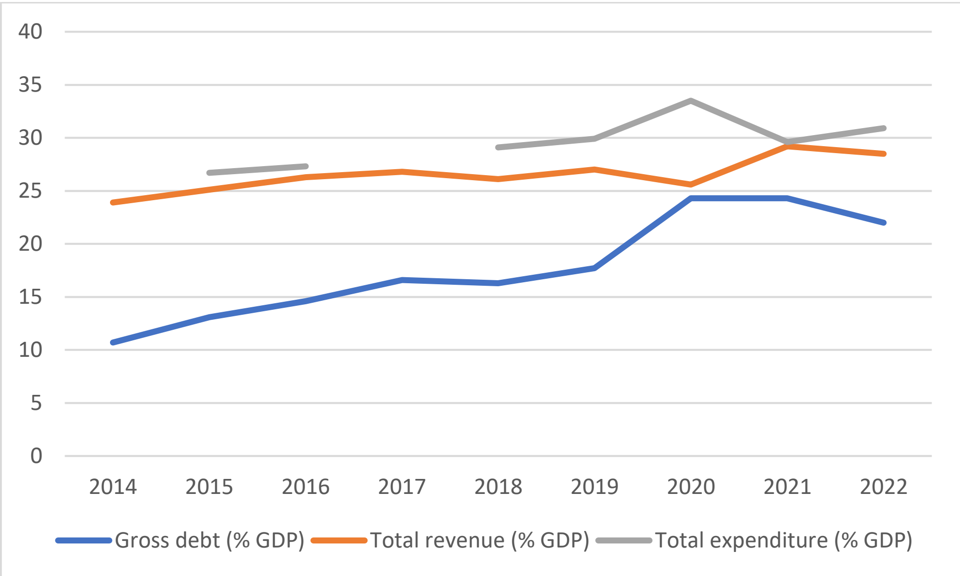
- **Public Internal Financial Control Strategy** (PIFC) (2015-2019). Its objectives are: (1) Controls over inputs and resources are integrated in the public finance management system and processes; (2) Managerial accountability on inputs and management of resources in place, verified by dedicated reports prepared by the managers of public funds; (3) Risk management in place in each budget organization, verifiable by risk management structures and reports; and (4) Internal audit function adds value to the accountable management by providing risk focused assurance and advisory services, verifiable by economy, efficiency and effectiveness indicators. The PIFC strategic priorities are incorporated, and should be part of the new PFM Strategy 2022-2026. PIFC reforms are covered by Chapter 32 of the EU Acquis and as such discussed within the context of the SAA process.
- **National Public Procurement Strategy** (NPP) (2017-2021). Its PFM-related objectives are: (1) Strengthened efficiency and transparency by enhanced monitoring of compliance and efficient implementation of the public procurement procedures; (2) Increased responsibility and accountability by clearly defining the roles and responsibilities of political and administrative management in the area of the public procurement ; (3) Further and sustainable capacity building; (4) Harmonization of the legislation with the EU Acquis; and (5) Transparent communication and information sharing. The Public Procurement strategic priorities are incorporated, and should be part of the new PFM Strategy 2022-2026. Public procurement reforms are covered by Chapter 5 of the EU Acquis and as such discussed within the context of the SAA process.

## 2.2 Recent economic evolutions

Since 2015, Kosovo* has recorded encouraging economic figures above the Western Balkans' average. The GDP growth had amounted +4,1% annually between 2015 and 2018, and the public debt was relatively low (17,5% of GDP in 2019), while on the uptick. Kosovo* has pursued a prudent fiscal policy. However, those positive results did not translate into significant improvements in terms of unemployment (17.7% overall and 29% among the young population in Q3 2021) and poverty rates over the period. Indeed, the informal economy (around 30% of the GDP in 2020) and corruption are widespread and have hampered tax collection whilst creating inequalities among economic actors. Moreover, the war veteran pensions are regularly highlighted as excessive spending, regularly violating the legal limit of 0.7% of GDP and monopolizing social assistance at the expense of programs targeting poverty. While Kosovo*'s current account has been in deficit, stronger exports in goods and services have lately reduced the gap, even if Kosovo*'s exports still suffer from lack of competitiveness compared to EU MS and other Western Balkans countries. While some improvements can be noted in the export of goods, the export of services notably diaspora related tourism makes up over 70% of total exports.

The COVID-19 crisis hit Kosovo* hard and brought to the fore the pre-existing challenges to Kosovo*'s economic development in the medium and long term. Although Kosovo* did not overly suffer from the drying up of financial inflows from the diaspora, sanitary measures and lockdowns threatened the ability of small enterprises to sustain their liquidity. The government adopted a few successive emergency recovery plans to support the national economy (the first amounting to EUR 180 M), which mainly targeted businesses, formal and informal employment, and social protection of the most vulnerable households. Even if this policy could be better targeted, international stakeholders stressed its overall efficiency in ensuring Kosovo's economic viability. The EU provided a Macro-financial assistance package of EUR 100m to help Kosovo weather the challenge of COVID. Other emergency support through loans and budget support were provided by the IMF, the World Bank and the EU to bridge budget gaps due to the unexpected shocks. This crisis underlined the structural weaknesses of Kosovo*, such as the dependence on remittances from the diaspora, a lack of competitiveness, especially in the primary and secondary sectors, and the malfunction of the labour market, dominated by informal jobs. While the public debt and social expenses have risen rapidly, together with stronger fiscal revenues, an acceleration of structural reforms is needed in Kosovo to make its economy more resilient to shocks and to consolidate its development prospects.

**Figure 1: Gross debt evolution in Kosovo related to government's expenditure and revenue**




## 2.3 Main other actors supporting the CMSB agenda in Kosovo*

Numerous international actors were involved in Kosovo regarding PFM reforms over the evaluated period:

- The **IMF** disbursed EUR 172 M under a Stand-By Arrangement (SBA) from 2015 to 2017. Another Rapid Financial Instrument was agreed in 2020, due to Covid crisis, amounting to EUR 51 M. The IMF is the largest external debt holder in Kosovo* (39% of the public debt). Kosovo* is also part of a regional IMF project, co-funded by the EU, called Revenue Administration and PFM Reform in Southeast Europe, and aiming to strengthen PFM programs and ERP implementation.
- **SIGMA** (a joint initiative between the EU and OECD) provides assessments and technical assistance to key national institutions (such as the MoF, the MPA, or the PRB) concerning notably implementation of new regulatory frameworks in PAR and PFM areas.
- The **WB** worked during the evaluation period on procurement audit, and strengthening cash planning and execution. More recently (March 2022), a Development Policy Financing operation has been launched, with two areas of focus, public finances and sustainable growth.
- The **GIZ** has implemented several programmes in Kosovo* to foster good financial governance, transparency of budget information and to support the management of the MoF's Budget Department. Other international donors such as **USAID** and the **British Embassy** are present in Kosovo* at a smaller scale.

On the national scene, several institutional actors are involved in PFM-related reforms. The leading stakeholder is the **Ministry of Finance, Labour and Transfers** (**MoFLT)**; its action is divided between Departments and agencies, reporting to it, such as the Tax administration and Customs. The **Budget Department** is responsible for the coordination of public resources allocations and planning. The **Department for Economic, Public Policies and International Cooperation** is responsible for the macro and fiscal policies and forecasting for the mid-term perspectives. It is also the main interlocutor involved in dialogue with international stakeholders such as the IMF, the World Bank and the EU about international agreements and fiscal policies. The **Department for European Integration and Policy Coordination** (DEIPC), is responsible for the implementation planning of law and strategies in compliance with EU recommendations, including in the PFM field. The **Central Harmonisation Unit** (CHU) is responsible for financial management and control, and internal audit, especially in the frame of the PIFC Strategy. During the period evaluated, Kosovo* had started to implement the merging of the **Tax Authority of Kosovo (TAK), and Kosovo Customs** into a new National Revenue Agency, which no longer appears to be on the agenda. The **National Audit Office** (NAO) (previously called Office of the Auditor General) is the one carrying out statutory and performance audits of the Kosovo Budget and Budget Organisations. A **PFM Coordination Group** was created in 2015 to monitor the daily implementation of the PFMRS 2015-2020, under the authority of the MoF. This group was chaired by the MoF Permanent Secretary and composed of the representatives of the main MoF departments and other relevant institutions, such as the NAO.

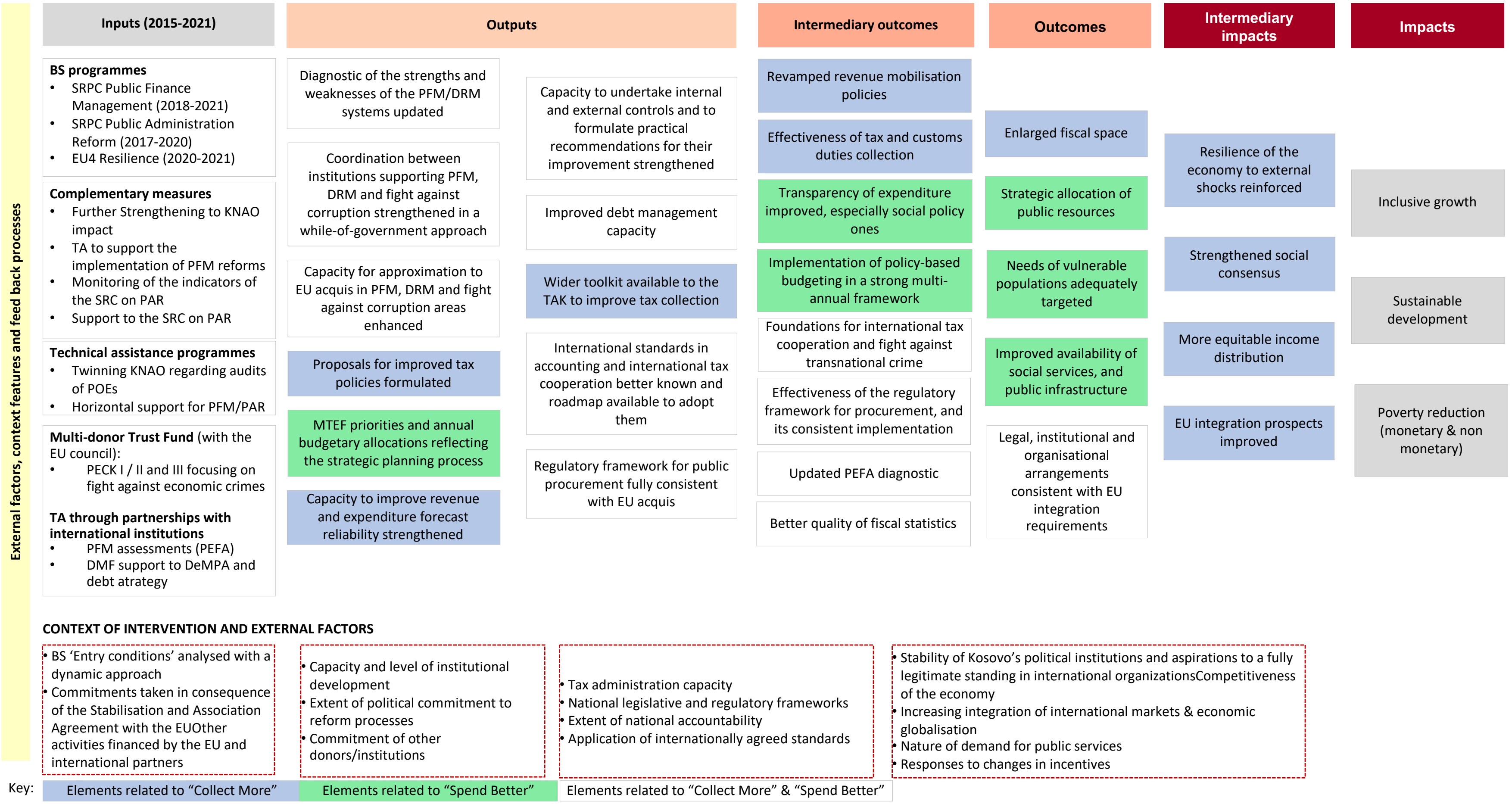
A National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2019-2023 has been implemented and monitored by a Secretariat which reports on a semi-annual basis. A new strategy for the period beyond 2023 was being drafted.

Concerning Public Administration Reforms, the **Ministry of Internal Affairs** (MIA) and the **Office of the Prime Minister** (OPM) are the key stakeholders implementing the reforms. A **Department for Public Administration Reform Management** (DPARM) within this Ministry is charged to follow up the daily implementation of the reform, and a **Council of Ministers for PAR** (CMPAR) was formed to cope with coordination issues at political level. The **Kosovo Institute for Public Administration** (KIPA), under authority of the MPA, also provides trainings to civil servants in the frame of Public Administration Reforms.

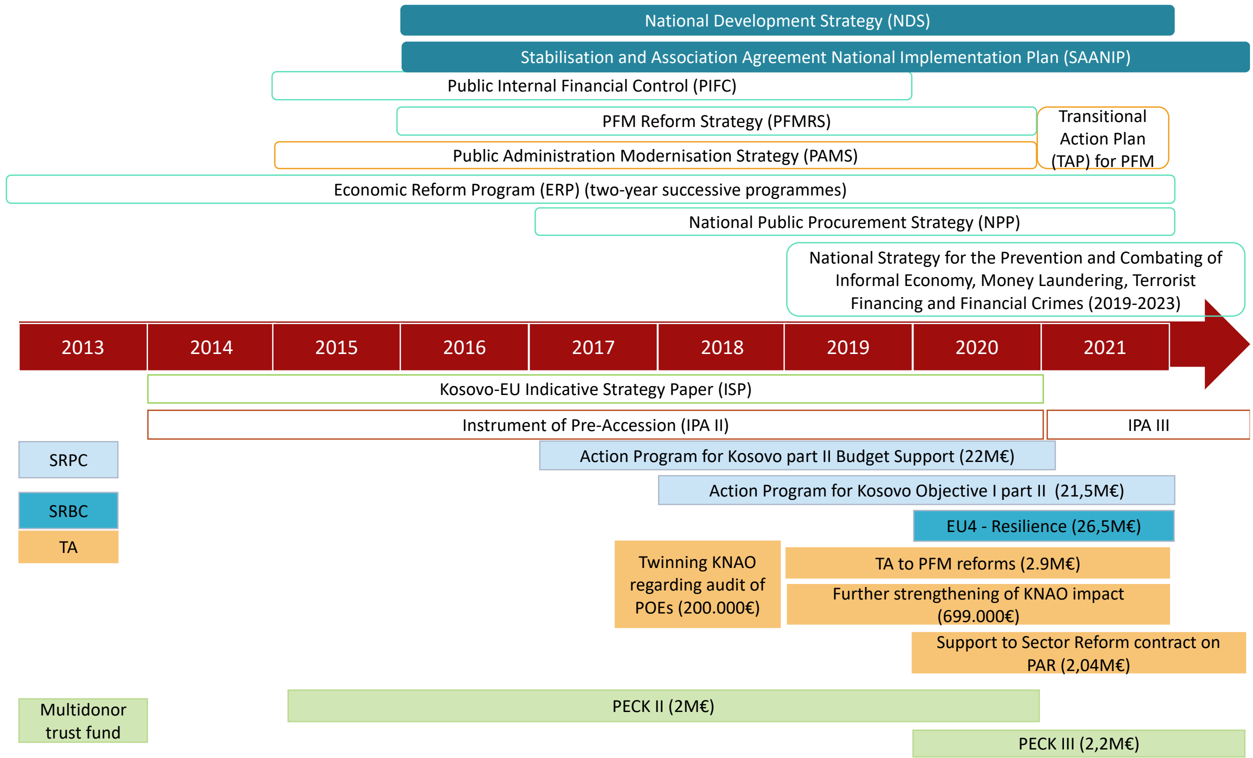
Concerning procurement reforms, three main agencies are responsible for the monitoring of the reforms, the daily management of procurement and for addressing claims of national economic actors, namely the **Public Procurement Regulatory Commission** (PPRC), the **Central Procurement Agency** (CPA) and the **Procurement Review Body** (PRB).

## 2.4 Intervention logic of EC support to the CMSB agenda in Kosovo*

The following diagram presents the hierarchy of objectives pursued by the European Commission through its support to CMSB agenda. It aims to highlight the chain of intended changes, going from the EC inputs deployed to support public finance to the intended impacts.



## 2.5 Timeline of the « Collect More, Spend Better » approach and context in Kosovo*




# 3. Answers to the Evaluation Questions

## 3.1 Relevance

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalization, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

The EU support has addressed many of the different dimensions of the CMSB framework, except debt management and to a large extent public investment (JC1.1). But in Kosovo* the framework in itself is too generic to help develop a more systemic approach to PFM systems. What drives systematisation in a beneficiary like Kosovo* with a potential candidate status is rather the need for approximation to the EU acquis than an undifferentiated frame of reference conceived for all beneficiaries of EU support. In this light, PFM is seen as one of the components – of the public administration reform process – which is one the 'fundamentals'[3], and indeed, many of the programmes examined under the EU CMSB portfolio, notably the SRPC PAR and the SRBC EU4Resilience, cover PFM alongside broader public sector reform issues.

In this sense, generic standards as spelled out for all countries in e.g., international diagnostic tools like PEFA are not demanding enough for a beneficiary like Kosovo* striving for EU membership. Indeed, the pursuit of EU membership implies stricter requirements in legislation. In areas such as procurement or PPP, both priorities for complying with accession requirements, the EU support was designed directly taking the EU directives as the key guiding standards (JC1.4). This said, in some few domains where compliance with global norms must be shown in support of Kosovo*'s statehood bid, especially international tax cooperation, Kosovo* did seek – proactively – EU help (participation in the BEPS framework). Also, Kosovo* has undertaken a PEFA assessments in 2016, in addition to many municipal-level PEFAs in the previous years, and a new PEFA has been prepared in 2021 and published in 2022.

Likewise, the fight against corruption and economic crime, which was also addressed under the EU CMSB support in many beneficiary countries, means much more in Kosovo*, as in all potential candidates. The Kosovar and EU agenda in addressing the issue through various instruments is mindful of the multi-disciplinary nature of anti-corruption interventions, which would not be very typical of EU support in different contexts of intervention, especially developing and cooperation partners.

Given the long and multi-faceted history of EU involvement in Kosovo, the design documents of EU interventions show a sophisticated understanding of Kosovo*'s needs, in particular how PFM reform is intertwined with wider macroeconomic policy and "political economy" challenges and cannot be addressed in silos (JC1.2). The COVID-19 crisis has made more acute the awareness that Kosovo*'s economic policy paradigm must shift from financing the trade deficit with remittance inflows, and allowing a largely unproductive informal sector to thrive, towards making social assistance and public investment more impactful, and looking for renewed growth engines. This sharper understanding of the challenges ahead is clear in the design of the SRBC EU4Resilience.

The consistency of BS performance indicators with national performance indicators and targets is remarkable (JC1.2). However, the large number of VTI targets that failed to be met in BS programs, even prior to the 2020 pandemic, suggests that either the political will or the capacity of a still emerging administration have been overestimated in the design of the national performance documents and subsequently budget support programs. In the SPRC PFM program, about one-third of all variable tranche targets have not been met in the first two years of implementation, even though the funds have been recovered later in the framework of the exceptional pandemic support. In the SPRC PAR, it is very likely that the political complexity of undertaking far-reaching governance reforms and addressing the concerns of the Constitutional Court, has been much higher than foreseen. In view of this, and the relative lack of experience with budget support, both in Kosovo and in the EU Office itself, some VTIs proved to be over-ambitious. With this approach, the EC tried to incentivise achieving complex governance reforms, which did not materialise during the period under review. The level of implementation of the policies supported and subsequent indicators provided important lessons learnt in the formulation of future budget support programmes.

Gender has been barely covered in the design of the interventions, and environment is not discussed, despite the high carbon intensity of the Kosovar economy. Still, a PEFA Gender was funded by the EU in 2021. Conversely, digital development, and e-governance, is a cross-cutting area of the utmost importance and complexity, both to fight against informality, and to avoid the duplications and cost

[3] The cluster on fundamentals (rule of law, economic criteria and public administration reform) will take a central role and sufficient progress will need to be achieved before other clusters can be opened see at https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_182.

inefficiencies arising from an extremely fragmented IT architecture, and the lack of specific expertise within the public administration. It is an area where the EU has a very consequential engagement with Kosovo*, especially the establishment of a digital signature by the end of 2023. However, it was mostly addressed in other interventions than EU CMSB support (JC1.5).

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

Coherence and comprehensiveness have been successfully attained, from what a desk study of this nature can reveal (JC2.2). They are embedded in a wider governance agenda implemented in Kosovo*, which is seen as critical for the implementation of its engagements under the Stability and Association process and, going forward, the approximation to the EU acquis. This means that usually, PFM reforms strategies are part of the wider PAR strategies that have been implemented since 2015. For instance, the SPRC for PAR, financed from IPA 2016, has supported the implementation of a strategic framework that emphasizes enhancing accountability, transparency, and effectiveness of the public administration, including PFM, which is explicitly highlighted in the SAA. Likewise, all national plans specific to the PFM/DRM areas refer to the wider frame of the SAA.

While PFM issues permeate other strategies, a distinct PFM reform strategy also exists, with two- or three-year action plans. If the overall direction of travel is clear, and the details are mostly not in discussion, the timing of implementation has not always been smooth sailing, and this had some impact on EU CMSB support, especially its sequencing, which on paper looked seamless (JC2.2). Notably, due to substantial delays in the implementation of the earlier PFMRS, in a context of political stalemate and pandemic, the TA included in the SRPC PFM has been late in getting involved on the drafting of the PFMRS 2022-2026, as the EU wished to secure a higher-level Government commitment beforehand. Rather, the TA worked on a transitional action plan 2020-2021, and only in the first two quarters of 2022 did it start to support the Government on the finalisation of a draft PFM strategy (2022-2026). Since June 2022, the MoF has not acted on putting the draft document out for public consultation, revealing a limited political interest in this document.

The complementarity between EU instruments has been there in the design of the interventions (JC2.3). In addition to BS, Kosovo* has benefited from DG ECFIN macro-financial assistance (MFA), trust funds, TA of different sorts, especially twinning arrangements and a project implemented by the IMF regional facility with EU funding, and other interventions managed by DG NEAR. A fine-grained analysis of all the synergies would require a proper country evaluation but some elements suggest the "One-EU" approach has been implemented. For instance, there has been a concerted push in the EU4Resilience contract (VTI No. 7) and the MFA loan to obtain more transparency on the beneficiaries of Government measures. Indicator no.1 of the EU4Resilience contract, to some extent replicated as a condition of the -MFA loan, has been instrumental in obtaining publication of some data on the special measures adopted in the context of the COVID-19 pandemic.

Particularly in the fight against corruption, CMSB support has been designed and delivered in many forms that have been well intertwined with each other, and – at least in principle – mutually reinforcing. The 3 PECK programs have been a multi-donor trust fund, and their activities have complemented the 'narrower' PFM or PAR approach followed by the EU CMSB support with an emphasis on other law enforcement and governance areas relevant to the fight against corruption. At least on paper, this is the way to go in addressing corruption, a multi-faceted phenomenon par excellence.

When it comes to coherence with trade policies, increased revenue mobilization, as underpinned by several VTIs of the SPRC PFM and benefitting from support under some TA activities, became all the more important, given that the signature of the SAA – and a parallel FTA with Turkey – foreshadow a decrease in customs duties (from over 7% of revenue in 2018 to barely above 6% in 2020) (JC2.4).

## *3.3 Effectiveness – Analysis of outputs and intermediary outcomes*

*Contribution of EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

The EU-supported PEFA diagnostic has been instrumental in shaping the PFM reform agenda (JC3.1 & JC3.2). The EU funded the 2011 PEFA, and is also funding the 2021 one, which has been published in 2022. The articulation of the PEFA framework, and its findings, strongly underprop the structure of the PFMRS 2016-2020, together with other assessments that have also been undertaken, such as the IMF PIMA and the TADAT[4]. It should be noted that in the past, from 2011 to 2013, PEFA assessments were requested and delivered for individual Kosovar municipalities. Although the delay in preparing the new PFMRS was not expected, there has been a silver lining to it, in that the implementation of the new strategy, which is also benefiting from the ongoing EU CMSB technical assistance (No. 40507, from 2019 onwards), will be able to use the findings of the 2021 PEFA and PEFA Gender.

Available evidence suggests that political, or at least "political economy" roadblocks – and possibly clash of personalities in a tightly-knit administrative environment[5] – are still on the way to a smooth roll-out of the EU technical support in drafting the new PFM reform agenda. To unlock a similar logjam, the SRBC

4 A TADAT is ongoing in 2022.

5 This is at least what transpires from the EU TA reports, and is confirmed informally by the EU OFFICE.

EU4Resilience (2020-2021) foresaw as a VTI the establishment of a process that resulted in a comprehensive review of tax policies. While the process was indeed duly initiated, how it will be followed upon was not clear end-2022. PECK II, a trust fund that supports the preparation and implementation of a multi-disciplinary strategy against corruption (from 2015 onwards), has enjoyed more stable backing on the Kosovo* side.

The EU interventions have emphasized oversight rather than transparency, even though the EU documentation analyses the latter topic in depth (Kosovo* is not part of the OBI process) (JC3.4). Budget oversight features high in several VTIs of both the SPRC PFM and the SRBC EU4Resilience. Transparency less so, partly because overall, the situation is quite satisfactory. Still, two performance indicators of the SPRC PAR relate precisely to the follow-up on recommendations made by the Ombudsperson – which may not be specifically on budgetary issues. The fact that one of these two indicators missed its target shows that there is room for progress. Public participation in the budget process has been given hardly any prominence in EU CMSB support (it has been supported by GIZ), but was assessed under the general conditions.

A performance indicator on increasing the quality of government financial information reported in line with the international accounting standards features in the SPRC PFM, and several other indicators assume that revenue, expenditure and procurement data are sound (JC3.3). Available evidence suggests there has been no specific EU technical support in the area of fiscal statistics, although this might not have been considered as Kosovo* benefits under a wider Eurostat project in this area, except a very small service contract that funded in 2016 the design and implementation of a Law Enforcement IT system solution for the Kosovo* customs.

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

| **EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?** |
|---|
| JC4.1 EU CMSB support has contributed to improved tax policy |
| JC4.2 EU CMSB support has contributed to improved tax administration |
| JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR) |
| JC4.4 EU CMSB support has contributed to revenue effort |

In Kosovo*, the EU did support work on tax policy, which is not so frequent in the countries that benefited from EU CMSB support, but actual progress has been very limited (JC4.1). Besides making the issue prominent in policy dialogue, the EU office has supported, through the PFM technical assistance project, the development of a new Customs Code. However, this draft law has not advanced even for public consultations. The indicator 2 on "Review of Tax Policies to Increase Public Revenues and Resilience in times of Crisis" that is part of the EU4Resilience contract – a long-standing IMF request – was fulfilled through the establishment of a working group in February 2021, but the concept document prepared for this review has not yet advanced for public consultations either, more than a year after its conception. As in many other CMSB beneficiaries, the pandemic has made it even more challenging to address tax reform in policy dialogue, and the EU has to find indirect ways of influencing the agenda, for instance through the emphasis on the reliability of revenue forecasts.

The one aspect of tax policy that has become more prominent over time has been international tax cooperation. Following a request from the GoK, the SPRC PFM TA has supported the TAK with some background capacity development to prepare for a future BEPS membership of Kosovo*. This workstream is in fact being further expanded, with support forthcoming on the taxation of e-commerce, and the procedures for exchange of information.

On tax administration, the EU has deployed all the tools, from policy dialogue to VTIs in BS programs, to technical assistance (JC4.2). With the support of an EU-funded IMF project, TAK has established several compliance projects with the goal that in the medium-term, more than 90% of TAK's operational activities are guided by compliance strategies and that plans developed aim to mitigate major risk clusters (e.g. industry-sector based compliance risks). An even more important landmark has been the ratification in September 2020 of the FISCALIS 2020 agreement, which enables the TAK to be part of the EU programmes on information exchange and exchange of experiences with MS in the field of taxation. Similarly, in March 2020, the CUSTOMS 2020 agreement between Kosovo* and the EU was concluded, and ratified by the National Assembly. Kosovo*'s participation in these programmes will continue post-2021 after the ratification of agreements with the EU on Customs and Fiscalis 2021-2027 of which the Commission will finance 80%. Finally, indicator 4 of the EU4Resilience commits the Government to issuing an official decision to publish the sales prices in real estate transactions, a major conduit of tax evasion. This has offered the EU the opportunity to raise the issue several times in different policy dialogue venues, and it will remain to be seen whether the official commitment taken will soon translate into action.

Evidence on other key performance indicators set to the TAK show a measure of progress on some long-standing issues, for example on income declarations, collection of tax debt, VAT refunds, with rather subdued effects on the share of revenue on the GDP, at least for now. In the SPRC PFM, the VTI on tax forecasts vs. actuals has been met in both years of disbursement so far, and so has the one related to tax arrears collected. More importantly, there is now a shared understanding between the EU and Kosovo*, underlined in policy dialogue venues, on the tax reform priorities, even though the political context is not always conducive to taking these reforms forward.

*Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

As in taxation policy, EU support has been forthcoming on **policy-based budgeting**, but GoK follow-up has on occasions been sluggish (JC5.1). The SPRC PFM TA project supported the development of the new concept document for a revised organic budget law, on which the GoK has not yet positioned itself. Also, since January 2019, EU funded technical support has worked with the Strategic Planning Office of the Prime Minister to address, among other things, the improvement in the quality of the medium-term expenditure framework as a guiding document for the budget. For now, the indicator measuring the deviation between the medium-term expenditure framework ceilings and the annual budget ceilings is not showing much improvement, but there is evidence that MTEF priorities have become since 2018 more clearly linked with NDS, ERP, PAR and PFM strategic priorities. EU support has helped reap results in macroeconomic modelling and revenue projection, but other areas of budgeting are still in need for improvement, despite some technical work the EU has supported, like the system for the implementation of three-year commitments within the Kosovo Financial Management Information System (KFMIS), and the impact assessments of budgetary policy.

Particularly on **budget reliability**, the GoK is not doing as good a job on the expenditure side as they are on revenue forecasts (JC5.2). The second VT indicator of SPRC PFM deviation of central aggregate budgeted actuals versus adopted budget at the beginning of the fiscal year, was achieved in 2018, not in 2019. While weak planning capacity may be an issue, cash flow management has long been beset by more serious flaws, which were exposed by the theft and loss of EUR 2.1 million from the Treasury accounts in October 2019. The security of procedures has been considerably strengthened since, with the risk that the cumulative effect of the remedial measures may slow down the cycle of budget execution.

**Controls,** particularly **internal controls,** are an area where a lot of work has been done, and some headway has been made (JC5.2). The SPRC PFM TA is providing support to the development and revision of sub-legal acts related to the Law on PIFC, and the improvement of the Training and Certification Scheme for Internal Auditors, in coordination with the Central Harmonisation Unit in the Ministry of Finance, which is responsible for methodological guidance and coordination of internal control and internal audit development in the public sector. VTI performance in the SPRC PFM shows the difficulty in making progress: the target related to the KNAO, which was a VTI in the SPRC PFM, was attained in the 1st disbursement in the part related to the number of performance audits undertaken. It has to be seen if the part related to the implementation of audit recommendations, to be measured in the 3rd disbursement, will be met. The contrary happened with the indicator on internal controls, which was not attained in the 1st disbursement, but was attained in the 2nd.

Regulatory progress has been substantial in **procurement**, given its relevance for the EU acquis approximation process (JC5.3). The legal framework for public procurement is largely aligned with the EU acquis, particularly in its fundamental policy aims if not in all the minute details, and sound institutional arrangements are in place. The government has adopted the concept document for the preparation of a new public procurement law, aiming an even higher level of transposition of the EU acquis in the national legislation. EU CMSB TA has been critical in this process, and is also starting work on completing the regulatory framework to enable the future implementation of the new law.

Operationally, procurement performance has been more disappointing. The VTI in the SPRC PFM focused on the contracted annual value of goods and services by the Central Procurement Agency (CPA) compared to the annual value of goods and services in the Public Procurement (PP) failed to meet its target in the 1st disbursement year, but made it in the second. Bright spots have been the increase in the publication of procurement data, which the obligation to use e-procurement in all BOs has helped bolster, and some success in the fight against the abuse of negotiated procedures.

Despite the PIMA's recommendations, published in April 2016, the implementation of **capital investment** in relation to the approved total expenditures remains very low, and does not appear to be on a positive trend (JC5.4). July 2020 saw a major overhaul of the national investment cycle, with important implications on the planning and budgeting process, as the government re-established the Strategic Planning Committee and the Strategic Planning Steering Group (SPSG) through a single decision. The raison d'être of the decision is that the strategic decision-making structures are now supposed to function through a single decision, in line with the transfer of institutional responsibilities of the MEI into the Office of the Prime Minister (OPM). EU assistance is being provided to support this effort through an EU-funded project that has worked with the OPM as the main beneficiary. Previously, a small GIZ intervention had prepared instructions on how budget organisations should select and motivate their proposals for capital projects. At this stage, it is still difficult to assess the effects of these efforts.

Finally, debt has not been a major issue in Kosovo*, at least not until recently (JC5.5). The GoK has traditionally bound itself to a conservative macroeconomic stance, and has in fact implemented a legal debt brake in recent years. The DMF of the World Bank, funded partly by the EU, has worked in Kosovo* on preparing a DeMPA, and a Medium-Term Debt Strategy, which had been highlighted as a gap in the 2016 PEFA.

However, if one considers arrears of payment as Government debt (which is questionable from the perspective of the Kosovar legal framework), the issue is more serious, and progress is limited. It is a priority of the PFM reform strategy. The target of the third VTI of the SPRC PFM on the payment of arrears at the end of the fiscal year as % of total expenditure was met in 2018, not in 2019.

## 3.4 Effectiveness and sustainability – Contribution to outcomes and impacts

*Improved long-term financing and Public Sector Management (EQ6)*

**EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

While the economy remains imbalanced, with a structural trade deficit, it is not clear that imbalances are becoming any more serious, despite the pandemic (JC6.1). In fact, restrictions to travel have contributed to formalizing migrant remittance flows that used to be informal (2.2x ODA in 2016, and 2.6x ODA in 2021). The EU institutions typically ensure about half of all ODA going into Kosovo* every year, and over the next few years, the profile of grant resources is not expected to evolve significantly. The EU has stepped up its financial muscle owing to the pandemic (a COVID-19 response envelope for an amount of 26.5 million EUR - EU4Resilience, mostly in the form of fixed budget support tranches) but so have other partners (JC6.5). There is actually some tension between the fiscal rules Kosovo* is binding itself to and external financing, because the Law on Public Financial Management and Accountability allows capital investment expenditures outside the fiscal rule limits if they are funded from foreign resources (including borrowing). This has a weakening effect on the strength of the fiscal rules on public deficits.

In general terms, the IMF and other international organizations, including the EU, see a certain mismatch between long-term fiscal goals, where Kosovo* is rather a ‘good student’, and some short-term spending decisions, which tend to muddle the overarching policy purposes (JC6.2). While the objective to intensify vaccinations seemed both appropriate and commendable, intended policy actions under the “Economic

Revival Program" are not all well-defined, new social transfer programs are being little targeted to the poorest, and the growth of existing transfers may end up not being consistent with fiscal benchmarks.

Like-minded external observers tend to have a sense that public investment is skewed towards infrastructure, and is less geared towards increasing economic resilience and preparing the economy for the unavoidable upcoming turbulences (JC6.3). Further, parts of the post-COVID-19 economic recovery package might usher in the use of funds slated for investment in order to fund current expenses, a disturbing development. So, the use of EUR 100 million from the Privatisation Agency of Kosovo (PAK) for pay-outs under the budget heading "subsidies and transfers" might have undermined the intended use of the funds to finance investment. This said, since the government concluded the 2021 fiscal year with a positive balance, the use of the PAK liquidation funds was much lower than planned.

Social transfers have been a bit of a recurrent issue in Kosovo*, as international observers have often made the argument that the bulk of social expenses is for (alleged) war veterans, and do not really target the poorest (JC6.4). While this view is not entirely misguided, it used to underestimate the extent of support that migrant workers have provided to their families back home through remittances. An in-depth discussion of the post-COVID-19 economic support packages goes well beyond the ambition of this case study, but suffice it to say that international agencies have raised concerns – and so did the EU in policy dialogue – over lack of targeting, withdrawals from the Kosovo Pension Savings Fund to fund short-term measures, or tampering with the tax system in unwelcome ways, for example by lowering excises. What the future Kosovar social protection and assistance system will look like is not yet very clear at this point, the more so as the financial agreement with the World Bank to reform the social assistance system has failed twice to secure the 2/3 Parliamentary majority that is needed for adoption.

*Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

Prior to the COVID-19 crisis, Kosovo*'s economy had been consistently growing above the Western Balkans average (JC7.1). At the same time, exports in non-traditional sectors, especially furniture, have expanded very briskly, though from a low base. Even if long-term macroeconomic risks may be more subdued than in other countries, it is still a concern that diaspora inflows are the main growth engine. Gaps in physical infrastructure, labour force skills, and institutional quality in public investment management and POEs' management dampen FDI flows.

More broadly, a certain perception in the population that the public administration delivers or should deliver handouts is hard to change (JC7.2). The two underlying strategic orientations to improve the social contract with the citizens are, on one hand, the implementation of the anti-corruption strategy, and on the other, the reduction of the administrative burden. As in many candidate and associate countries, tensions must be managed between the approximation to the EU acquis, and regulatory simplification. While the EU has greeted the intention to reduce administrative burden, it has highlighted - in the context of BS policy dialogue - "the importance of taking into account the need to enhance the digitalisation of services. This is particularly important as many legal requirements are stemming from the EU acquis and can therefore not easily be simplified". The EU is now working through the IPA21, and will likely continue under the planned IPA23, on addressing efficiency in the delivery of public services through digitalisation.

Interestingly, despite the size of social transfers, the Gini coefficient has increased from 26.5 in 2015 to 29 in 2017 (latest data available), so income distribution is not becoming more equal[6] (JC7.4). This hints both at the failures of social assistance and protection programs, and the underperformance in public service delivery. While public education[7] spending has increased in GDP terms and is now comparable with the EU average, quality of education still lags peers, as reflected in 2018 PISA scores (latest data available), the lowest in the Western Balkans (JC7.3). Progress has not been very significant on water provision and electricity generation. Improving the management and operation of POEs remains essential to increase the quality of public services in utilities. Greening the electricity sector is also overdue, as the lignite-based electricity generation is having a costly impact on health, in particular in the capital, Pristina, which the WB assessed at around 2.5-4.7 percent of GDP in 2016. The privatization revenues that used to play a key role in investment financing are on the decline as a source of funding, making it essential to improve the composition of public investment and the absorption capacity of donor-financed projects.

The design of the EU4Resilience package was precisely meant to equip the GoK to meet the challenges of the post-COVID era (JC7.1). On both the implementation of the anti-corruption plan, and the reduction of the administrative burden, the two key supply-side strategies the Government is pursuing, the GoK is duly accompanied by the EU and other partners, such as the World Bank, whose 51 million EUR DPL (2021-2025) has been designed to support the government's efforts to – among other priorities – enhance private sector development and the business environment.

## 3.5 3Cs: External coherence, coordination & complementarity (EQ8)

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

[6] In the case of Kosovo*, where the latest data available is 2017, one can see (https://data.worldbank.org/indicator/SI.POV.GINI?locations=XK ) the index on an upward trend since 2013, after a few years where it had started declining (2009 to 2013).

[7] We highlight education here because the recent World Bank report on growth policies for Kosovo ('Gearing Up for a More Productive Future', November 2021) singles out education among the social services where reform is most urgent to unleash growth. Using largely the PISA 2018 data, this report states "While spending on education has more than doubled, the quality of human capital needs to improve. Kosovo spends 4.6 percent of GDP and 16 percent of total government spending on education, similar to comparators. But only 23 percent of pre-school children are on track in terms of expected literacy and numeracy skills".

The capacity of Kosovo* to coordinate the different international cooperation workstreams has been improving over time. In the CMSB sectors, the institutional ripening is shown by the activity of a PFM coordination group, foreseen by the strategy and ensuring broad participation of agencies (the EU participates as an observer). It is this entity that leads the policy dialogue on CMSB support, which in a formal setting happens twice a year (once since COVID-19).

The EU has been the main CMSB support provider, but USAID, (integrity plan), GIZ (tax administration), the World Bank (financial crime), the IMF, Switzerland and Luxemburg (the latter through the PECK trust fund) have also worked in a few relevant areas (JC8.1). A PFM coordination group has been active in Kosovo*, and from what a desk review can suggest, there has been no duplication. One concern the EU has raised does not regard donors, but the Government. There might be some tensions between the documents drafted in the framework of the European integration agenda, such as the Economic Reform Programs and the National Program for Implementation of the SAA, and the national planning process, to the extent that – as stated in the latest report accompanying the SPRC PFM disbursement – EU-related documents “are considered more as sources of information to set specific objectives or to introduce specific measures and activities in national documents. In this context, the need to harmonise national priorities with the new EU financial perspective is emphasised, linking the European integration agenda with the national priorities set out in the NDS and sectorial strategies”. In other words, ownership of the EU integration process is fickler than sometimes assumed, the more so in areas such as CMSBN where standards are mostly good practice, and not always strictly EU acquis.

Work with the IMF has been limited but significant (JC8.2), and has been mostly fruitful to both sides, from what a desk review can tell. The IMF has not only benefited from EU financing, but also its leverage, as the EU played a clear role in implementing the tax policy review the IMF had been advocating for a long time, through a specific VTI and even more, through its policy stance on the matter.

Finally, international tax governance is key to the EU and EU member states, and the EU SPRC PFM TA has started, on the request of the GoK, a workstream on preparing Kosovo for becoming a member of the BEPS framework (JC8.3). Kosovo* has been quite proactive in seeking help in this domain. In parallel, there has been an increase in the number of double taxation agreements signed by Kosovo*, including with EU MSs (Austria, Croatia, Luxemburg, Malta), bringing to 17 the total number of agreements signed. This has been part of the EU policy dialogue and is a welcome development. Still, some key trade partners did not yet have an agreement mid-2022.

## *3.6 Efficiency of EU CMSB support in Kosovo* (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

As in most other countries, flexibility has been warranted to deal with the COVID-19 fallout (JC9.1). Consequently, four targets of the third and last variable tranche in the SPRC PFM were neutralised and funds reallocated to the remaining indicators, while two indicator targets were revised to take into account the impact of the pandemic on performance. In addition, a new fixed tranche, also justified by the pandemic, was approved. The new fixed tranche consists of the funds not disbursed under the first and second variable tranches. The idea was to alleviate the liquidity shortfall of the budget due to the COVID-19 pandemic impact. Kosovo*'s revenue rebounded much more strongly than expected.

Even before COVID-19, Kosovo* struggled to keep up with its commitments related to the BS contracts. One should recall that despite huge strides in recent years, Kosovo*'s administration is still emerging from years of direct international tutelage (UNMIK, EULEX). Notably, the transfer of institutional responsibilities on public investment planning from the MEI into the Office of the Prime Minister has been a major overhaul that will certainly have an impact on the implementation of EU assistance.

The first BS intervention in Kosovo* was rolled out in 2016. Therefore, there has not been much track record or lessons learnt in the implementation of this assistance modality. The three BS programmes constituted an opportunity for lessons to be learnt for the EU Office in Kosovo* and Kosovar administration. On the EU side, the situation progressively changed, with four staff working on PFM and DRM, including a team leader with seasoned BS experience under EDF. From what a desk review can judge, the support provided to the counterparts, and engagement with them, cooperation has been good. In the case of CMSB support, the capacity of GoK counterparts has most likely been overestimated, to which the impact of political instability followed by a pandemic, add to the low level of meeting the VTI targets as suggested by the number of VTIs whose targets failed to be met (JC9.3). The basis of civil servants with whom the CMSB focal points in the EU interact is quite narrow, and frequently altered by turnover. The issue has been even more serious in the SPRC PAR (1 out of 8 indicators disbursed in 2020) than in the SPRC PFM. Disbursements have been mostly on schedule, but GoK requests to disburse have not always been timely, suggesting that BS tranches may not necessarily have had a very strong incentive effect.

Through this desk study only, we retrieved little evidence on the efficiency of the management of TA projects. On report mentioned that sound management of the budget of the light twinning with the KNAO allowed additional mentoring activities in the field to take place compared to the initial plan.

To what extent EU CMSB support has been « visible » is hard to say in a desk study (JC9.4). There is no doubt that the EU as entity has been very visible in Kosovo, but whether this translated into a public understanding of the subtleties of the CMSB work done is uncertain. The EU Office has rightly noted in our interview that many high-level dialogue forums exist in Kosovo on issues that are of much more immediate concern to Kosovo* stability and accession agenda, while the CMSB dimension in the BS operations is only one of the many financial channels the EU uses in Kosovo*. It is worth mentioning that on EU visibility, the desk review did not identify many such activities being reported on. The GoK, on its side, has lacked for many years a communication strategy, but the capacity of the Public Communication Office (PCO) at the Office of the Prime Minister and civil servants in line ministries has reportedly improved, with 22 people in different ministries certified as trainers for policy communication.

Needless to say, several high-level meetings have taken place over the years between the EU Office and the Kosovar authorities, but few focus on technical discussions relevant to CMSB, or on the methodology of BS as an instrument. A relevant exchange to the CMSB perspective, and one of the few CMSB-related meetings led by the EU Head of Office, took place in the November 2020 high level policy dialogue meeting with the Prime Minister.

## 4. Main lessons: contribution to key outcomes and good practices

One important take of the CMSB support in Kosovo* is the advantage of framing PFM issues not only in the 'narrow' technical terms where day-to-day changes must happen, but also in their two-way linkages with broader PAR and economic policy reforms. This is particularly important for a beneficiary with potential candidate status. The long history of close involvement that the EU has had in Kosovo* has ensured the EU has sufficient leverage to bring PFM reform into focus with a dedicated policy dialogue framework, sometimes supported by higher level political dialogue.

In this light it is interesting that the design of the EU4Resilience contract and to some extent also the VTIs of the SPRC PFM show a direction of travel in terms of changing the paradigm of growth and macroeconomic management. So far, Kosovo* has just seemed content to finance the trade deficit with remittances and let a largely unproductive informal sector thrive. Now the idea that is gaining impetus is to address head-on the impact of social policy and to find fresh pathways to economic growth. This shared understanding contributed to ensure inter alia that tax reform is now a priority agreed between the two parties, even though the political appetite for implementation has been impacted by the after-effects of the pandemic.

**Another interesting lesson is the need to steer the discussion on transparency out of its PFM technicalities**, which are clearly necessary in practice but not sufficient, **and to look at it from a governance and social compact perspective**. It is refreshing to see that the SPRC PAR has a VTI on the role of Ombudspersons in fostering a different style of relationship with the citizens.

**The same welcome multidisciplinary approach emerges in the way corruption has been addressed with a variety of tools**, ranging from the sanitizing of procurement processes, tightening cash flow management, and setting criteria for public investment at a high political level of decision-making, to changing the culture of law enforcement agencies, which was attempted with the three PECK programs.

While conceptually the CMSB interventions in Kosovo* have a lot that is promising, their operational translation, particularly the large number of VTI targets missed, shows that the capacity of a still young administration has been seriously overestimated. In particular, the BS tranche disbursement process has been much slower and much more TA-driven than would be desirable. It may be that in addition to capacity issues, the EU has also underrated the impact of the political situation, or at least the weight of “political economy” factors that may account for some lingering institutional instability. Examples would be the work on tax policies, or on the new PFM reform strategy itself.

On this point, some evidence points to the fact that the incentives to be proactive are larger when the topics are broadly supportive of Kosovo’s statehood bid and standing in international organizations. A positive example of GoK engagement would be work on international tax cooperation, which has been taken onboard by GoK more proactively than has been the case in other countries, also because it partially helps Kosovo* qualify for participation in the OECD BEPS framework.

Given the low level of attainment of the targets identified, the question can be raised on the true incentive effect of BS disbursements compared to TA or policy dialogue, although the particular period covered by this evaluation (i.e., political developments and pandemic) was less than conducive. In this sense, the idea to have the same VTIs throughout a BS intervention from year to year, which is the case in the SPRC PAR and the SPRC PFM, was reasonable. It may have helped address the mismatch between long-term fiscal goals, where Kosovo* is rather a ‘good student’, and some short-term spending decisions.

Finally, many documentary sources underline the importance of delivering training in the form of on-the-job coaching and mentoring if a true cultural shift is to be achieved in many public sector organizations. While EU and international standards are mostly well understood in principle, their implementation in practice may come up against old ways of working. Field delivery could not always be ensured due to the COVID pandemic and should be a substantial part of future capacity development.

## Annex 1: Inventory of the EU support to CMSB agenda in Kosovo*

The data below reflects a CRIS data extraction made in March 2021, unless otherwise specified.

**Table 1: CORE CMSB Contracted or disbursed amount (in M€)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| FTI | - | - | - | 6,5 | - | - | 6,5 |
| VTI | - | - | - | - | 5,42 | 5 | 10,4 |
| CM | - | - | - | 0,235 | 3,6 | 2 | 5,8 |
| TA | - | 0,001 | 0,59 | 0,025 | 0,002 | - | 0,6 |
| IO | 2 | - | - | - | - | 2,2 | 4,2 |
| Total | 2 | 0,001 | 0,6 | 6,7 | 9 | 9,2 | 27,5 |

1) EC Budget Support (BS) interventions (all BS allocated to Kosovo*)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed | Total Amount disbursed |
|---|---|---|---|---|---|---|---|---|
| SRPC | 39747 | Action Programme for Kosovo* for the year 2016 Part II Sector Budget Support | 2017 | 2020 | 5,5 | 16,5 | 22,0 | 9,03 |
| SRPC | 40507 | Action Programme for Kosovo* for the year 2017 - Objective I Part II | 2018 | 2021 | 6,5 | 15,0 | 21,5 | 16,5 |
| SRBC | 41248 | EU4 Resilience — Kosovo* | 2020 | 2021 | 20,5 | 6 | 26,5 | n.a |

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

Action Programme for Kosovo* for the year 2016 Part II Sector Budget Support

| Year | Indicators for Variable Tranche 1 | Type of Indicators[8] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | 3.Increased rationalisation of the public administration with improved accountability lines: At least 70% of central government institutions to which Ombudsperson has addressed recommendations between 1 January - 30 November 2018, have replied with a letter within the legal deadline | Output | External scrutiny and audit | 0,18 | - |
| 2019 | 4.Increased rationalisation of the public administration with improved accountability lines: At least 40% of recommendations to central government institutions issued in 2017 and 2018, to which central government institutions have replied positively, have been implemented - | Output | External scrutiny and audit | 0,42 | 0,42 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[9] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | 3.Increased rationalisation of the public administration with improved accountability lines: At least 90% of central government institutions to which Ombudsperson has addressed recommendations between 1 January - 30 November 2019, have replied with a letter within the legal deadline | Output | External scrutiny and audit | 0,18 | - |
| 2020 | 4.Increased rationalisation of the public administration with improved accountability lines: At least 50% of recommendations to central government institutions issued in 2018 and 2019, to which central government institutions have replied positively, have been implemented - | Output | External scrutiny and audit | 0,42 | - |

8 Input, output, process, outcome, impact

9 Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 2 | Type of Indicators [10] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | 3. Increased rationalisation of the public administration with improved accountability lines: At least 95% of central government institutions to which Ombudsperson has addressed recommendations between 1 January - 30 November 2020, have replied with a letter within the legal deadline | Output | External scrutiny and audit | 0,18 | n.a |
| 2021 | 4. Increased rationalisation of the public administration with improved accountability lines: At least 60% of recommendations to central government institutions issued in 2019 and 2020, to which central government institutions have replied positively, have been implemented - | Output | External scrutiny and audit | 0,42 | n.a |

Action Programme for Kosovo* for the year 2017 -Objective I Part II

| Year | Indicators for Variable Tranche 1 | Type of Indicators [11] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Average deviation of tax revenue forecast versus actual | Output | Tax performance | 0,50 | 0,50 |
| 2019 | Number of registered businesses for VAT | Outcome | Revenue administration | 0,50 | 0,50 |
| 2019 | Average deviation between MTEF ceilings and annual budget ceilings for BOs | Output | Policy-based fiscal strategy and budgeting | 0,50 | 0,50 |
| 2019 | Deviation (%) of the overall budget execution compared to the approved budged by BOs at the central level | Output | Policy-based fiscal | 0,50 | 0,50 |

[10] Input, output, process, outcome, impact
[11] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| | | | strategy and budgeting | | |
| 2019 | Percentage of the share of negotiated procedure without announcement | Output | Internal audit and control | 0,50 | 0,50 |
| 2019 | Share (%) of monitoring of the contract notices | Output | Public procurement | 0,50 | 0,50 |
| 2019 | Percentage (%) of Implementation of Recommendations issued by Internal Auditors by the Management | Output | Internal audit and control | 0,50 | 0,50 |
| 2019 | Percentage of reviewed audit reports by Committee for Oversight of Public Finance (COPF) | Output | External scrutiny and audit | 0,50 | 0,50 |
| 2019 | Percentage of addressed recommendations issued by the National Audit Office | Output | External scrutiny and audit | 0,50 | 0,50 |
| 2019 | Budgeting and Reporting according to the calculation table that is in compliance with GFS 2014. | Process | Transparency of public finances | 0,50 | 0,50 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[12] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | Average deviation of tax revenue forecast versus actual | Output | Tax performance | 0,50 | 0,50 |

[12] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2020 | Number of registered businesses for VAT | Outcome | Revenue administration | 0,50 | 0,50 |
| 2020 | Average deviation between MTEF ceilings and annual budget ceilings for BOs | Output | Policy-based fiscal strategy and budgeting | 0,50 | 0,50 |
| 2020 | Deviation (%) of the overall budget execution compared to the approved budged by BOs at the central level | Output | Policy-based fiscal strategy and budgeting | 0,50 | 0,50 |
| 2020 | Percentage of the share of negotiated procedure without announcement | Output | Internal audit and control | 0,50 | 0,50 |
| 2020 | Share (%) of monitoring of the contract notices | Output | Public procurement | 0,50 | 0,50 |
| 2020 | Percentage (%) of Implementation of Recommendations issued by Internal Auditors by the Management | Output | Internal audit and control | 0,50 | 0,50 |
| 2020 | Percentage of reviewed audit reports by Committee for Oversight of Public Finance (COPF) | Output | External scrutiny and audit | 0,50 | 0,50 |
| 2020 | Percentage of addressed recommendations issued by the National Audit Office | Output | External scrutiny and audit | 0,50 | 0,50 |
| 2020 | Budgeting and Reporting according to the calculation table that is in compliance with GFS 2014. | Output | Transparency of public finances | 0,50 | 0,50 |

| Year | Indicators for Variable Tranche 3 | Type of Indicators[13] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | Average deviation of tax revenue forecast versus actual | Output | Tax performance | 0,50 | n/a |
| 2021 | Number of registered businesses for VAT | Outcome | Revenue administration | 0,50 | n/a |
| 2021 | Average deviation between MTEF ceilings and annual budget ceilings for BOs | Output | Policy-based fiscal strategy and budgeting | 0,50 | n/a |
| 2021 | Deviation (%) of the overall budget execution compared to the approved budged by BOs at the central level | Output | Policy-based fiscal strategy and budgeting | 0,50 | n/a |
| 2021 | Percentage of the share of negotiated procedure without announcement | Output | Internal audit and control | 0,50 | n/a |
| 2021 | Share (%) of monitoring of the contract notices | Output | Public procurement | 0,50 | n/a |
| 2021 | Percentage (%) of Implementation of Recommendations issued by Internal Auditors by the Management | Output | Internal audit and control | 0,50 | n/a |
| 2021 | Percentage of reviewed audit reports by Committee for Oversight of Public Finance (COPF) | Output | External scrutiny and audit | 0,50 | n/a |
| 2021 | Percentage of addressed recommendations issued by the National Audit Office | Output | External scrutiny and audit | 0,50 | n/a |

[13] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2021 | Budgeting and Reporting according to the calculation table that is in compliance with GFS 2014. | Output | Transparency of public finances | 0,50 | n/a |

EU4 Resilience — Kosovo*

| Year | Indicators for Variable Tranche 1 | Type of Indicators[14] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | 1.Ensuring transparency and oversight of public spending | Output | Transparency of public finances | 0,75 | n/a |
| 2021 | 2. Review of Tax Policies to Increase Public Revenues and Resilience in times of Crisis | Process | Tax policy | 0,75 | n/a |
| 2021 | 3. Transparency in the Real Estate Market to Increase Revenues and Combat Informality | Process | Anti-corruption | 0,75 | n/a |
| 2021 | 4. Adoption of measures to increase efficiency in public spending and resilience in times of crises | Process | Budget execution | 0,75 | n/a |
| 2021 | 7. Transparent and gender-disaggregated statistical data for distribution of social assistance | Process | Transparency of public finances | 0,75 | n/a |

3) BS complementary measures (technical assistance, studies, ...)

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 40507 | 413800 | Technical Assistance to support the implementation of Public Finance Management reforms in Kosovo* | 2019 | Ongoing | 2.942.200 € |

[14] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 40507 | 409338 | Further strengthening of Kosovo* National Audit Office impact | 2019 | Ongoing | 699.505 € |
| 39747 | 415011 | Support to Sector Reform Contract on Public Administration Reform | 2020 | Ongoing | 2.044.600 € |
| 39747 | 402388 | Monitoring of the indicators of the Sector Reform Contract for Public Administration Reform | 2018 | Ongoing | 235.700 € |
| 39747 | 402388 | Monitoring of the indicators of the Sector Reform Contract for Public Administration Reform | 2019 | Ongoing | 1.560 € |

4) Other EC interventions

### *Capacity-building / technical assistance projects supporting CMSB*

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 32353 | 389147 | Developing professional capacity of the Kosovo* National Audit Office (KNAO) regarding audit of Publicly Owned Enterprises (POEs) | 2017 | Closed | 200.000 € |
| 32353 | 374122 | TA for IT services | 2016 | Closed | 1.200 € |
| 38065 | 390795 | Assistance to Kosovo* Forensic Agency and Kosovo* Police to improve special investigation techniques | 2017 | Ongoing | 335.100 € |
| Not Available | 397873 | Horizontal support for PFM/PAR | 2018 | Closed | 6.000 € |

### *Multidonor trust fund*

| Decision number | CRIS contract number | Programme title / short description | Financial Year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 32353 | 372097 | Project against Economic Crime in Kosovo* - Phase II (PECK II) | 2015 | Ongoing | 2.000.000 € |
| 39744 | 419418 | Addendum No. 1 to DA Project against Economic Crime in Kosovo* (PECK III) 417 – 335 | 2020 | Ongoing | 214.000 € |
| 41245 | 417335 | Project against Economic Crime in Kosovo* PECK III | 2020 | Ongoing | 2.000.000 € |

# CASE STUDY NOTE – MALAWI

## Table of Contents

## List of acronyms

| | |
|---|---|
| AFDB | African Development Bank |
| BS | Budget Support |
| CMSB | Collect More Spend Better |
| DP | Development Partner |
| DPO | Development policy Operation |
| DRM | Domestic Revenue Mobilisation |
| ECF | Extended Credit Facility |
| EU | European union |
| EUD | Delegation of the European Union |
| HRMIS | Human Resource Management Information System |
| IFMIS | Integrated Financial Management Information System |
| IMF | International Monetary Fund |
| MDAs | Ministries, Departments and Agencies |
| MGDS | Malawi Growth and Development Strategy |
| MoF | Ministry of Finance |
| MRA | Malawi Revenue Authority |
| PEFA | Public Expenditure Financial Accountability |
| PFMSD | Public Finance Management System Division |
| PFM | Public Financial Management |
| RMTF | Revenue Mobilisation Trust Fund |
| WB | World Bank |

# 1. Introduction and choice of Malawi as a case study

## *1.1. Scope and objectives of this case study*

This country report is part of the evaluation of EU support under the CMSB agenda over the 2015-2020 period. It follows a documentary review of the main support provided by the EU in this area covering Domestic Resource Mobilisation (DRM) and Budget Management (programming and execution), as well as transparency and accountability (see portfolio in Annex 1). A 5-day mission was also carried out between April 25 and 29, 2022 by Wendela Van Agtmaal and Fabrice Ferrandes, which made it possible to meet actors involved in this support and/or beneficiaries of it (see list in Appendix 2). However, the team could meet neither with representatives from key departments such as the Public Financial Management System Division (PFMSD) of the Ministry of Finance in charge of strategic PFM reforms issues nor with representatives from the Revenue Policy Division (RPD) of the Ministry of Finance , nor with representatives from the Malawi Revenue authority (MRA) based in Blantyre.

The rationale behind the choice of Malawi as one of the twelve country case studies lies in the challenging nature of the macroeconomic and PFM environment in Malawi for promoting the EU CMSB agenda and more specifically the lack of confidence of the Development Partners (DP) in the national PFM system and on-budget financial support that prevailed during the whole period under evaluation. Added to these factors is the *de facto* ineligibility of the country to receive EU budget support following a serious case of misappropriation and embezzlement of public funds in 2013 (known as the Cashgate scandal). The EU has also encountered a complex and fragile political and economic environment characterised by delicate pre- and post-election periods, uncertain level of commitment from the national authorities to implement and deliver genuine public financial governance reforms, high fiduciary (and reputational) risks due to weak legal and financial compliance, as well as weak capacities and high levels of politicisation in the public administration.

Against this framework, the EU has had to adopt innovative approaches to promote the CMSB agenda in the country. Since it was unable to employ its budget support modality, it has done so by using a combination of interventions encompassing (1) financial contributions to local and international Multi-Donor Trust Funds (World Bank Multi-Donor Trust Fund for Malawi, IMF Revenue Mobilisation Thematic Fund/RMTF as well as the IMF AFRITAC West 2), (2) a policy dialogue articulated around a Budget Support Road Map to promote necessary PFM and macroeconomic reforms to restore the country's eligibility to receive EU BS with a specific focus on financial compliance and reduction of fiduciary risks, (3) direct technical assistance to the Government on institutional and technical dimensions of PFM/DRM, based on a combination of standard technical assistance and capacity development support as well as the promotion of a problem-driven iterative adaptation approach, through political economy analysis and behavioural change objectives, and 4) an important component of activities dedicated to promote capacity development and involvement of civil society to strengthen the "demand side" for accountability and transparency. Throughout all these interventions, the EU has intended, together with other key donor partners, to ensure progress in the area of institutional and financial governance reforms related to public financial management and domestic revenue mobilisation.

The objective of the EU has been to develop a more strategic approach and revive both high-level and technical dialogue on PFM and DRM reforms. In collaboration with key other donors (IMF, World Bank, AFDB, EU Member States…), the EU has intended to reverse the observed trend of PFM systems deteriorating and the donors' community's loss of trust and confidence in the government's capacities to effectively and efficiently manage the collection and use of publics funds, control fiduciary risks and strengthen accountability.

Through its specific range of modalities and interventions mentioned above, the EU has sought to target and address several weaknesses including, but not only, several that are closely related to the EU CMSB agenda:

- Supporting the formulation and/or implementation of relevant and coherent PFM and DRM reform strategies and regimes.
- Improvement of the management of procurement and contracts, payroll and pensions, commitment control and debts in order to reduce fiscal and fiduciary risk and re-establish budget and financial compliance.
- Strengthening revenue policies, tax compliance and tax collection.
- Promoting changes in behaviour and established norms in the public administration for an environment more conducive to reforms.
- Through a better understanding of the political economy of governance reforms, ensuring a problem-driven approach, and the provision of institutional, legal, financial and capacity development resources to the government's political and technical leadership in PFM/DRM reforms areas.
- Strengthening the capacities of CSO, the media and academia to become keys actors to develop independent checks and consolidate domestic, sustained demand for transparency and accountability including a platform to broadcast PFM issues nationally and inform and educate a wider part of the population.

This report focuses on the analysis of the relevance, coherence, and efficiency of the supports provided in these sectors, as well as on the preliminary outcomes of the EU interventions.

### *1.2. Limitations*

Given the limited duration of the mission and the breadth of the topics to be covered, the report does not claim to give an exhaustive view of everything that has been implemented in these sectors or to provide a general assessment of EU interventions in Malawi. In addition, following the suspension of EU budget support programmes in 2013 in Malawi, and except the financial contribution to a World Bank Multi-Donor Trust Fund that ran from 2012 to 2017, the core interventions of the EU in the CMSB's areas began at the end of 2018, under the "Chuma Cha Dziko" Programme (PFM Malawi) of 22 MEURO; its core capacity development activities have been implemented only since 2019, and some since 2020. The implementation of the EU interventions was further affected in 2020 and 2021 by the change in the government following presidential election as well as by the COVID-19 pandemic crisis.

Against this framework, and as stipulated above, this country note cannot claim to fully assess the effectiveness and/or sustainability of the EU intervention in the CMSB areas. Instead, it aims at depicting lessons from the EU's experience and specific approach to promote CMSB agenda in the challenging macroeconomic and institutional environment of Malawi.

## 2. National context and EU interventions supporting CMSB agenda

### *2.1. General context and main policy documents*

The period under evaluation was characterised by a particular **challenging and unstable political and institutional environment** that were not always conducive to the commitment to and progress of stable governance reforms.

Following the breach of governance of the "Cashgate" corruption scandal, the suspension of on-budget financial support by most development partners in early 2013 and for the total duration of the period under evaluation, and the pervasively high perception of fiduciary and reputational risks from the donors' community has often complicated the establishment of an effective, regular, stable and serene policy dialogue on governance and institutional reforms.

Similarly, an unstable political situation was observed during the whole evaluation period with two successive post-election controversies and delays in the national government's nomination process. In early 2015, a protracted electoral process which had started in 2014 was marred by huge logistical, legal and political challenges. This was repeated during the second half of 2019 with the contestation and annulation of the election followed by the calling of a new election in June 2020 (leading to the victory of the historical opposition's candidate). Mass protests by citizens, and a coalition of accountability institutions such as the judiciary, the media, and the civil society contributed at that time to reinforcing pressures to increase accountability and opened up an opportunity for governance reforms that were reinforced with genuine commitment mechanisms that had been lacking in earlier efforts.

More recently, the COVID-19 pandemic also disrupted the functioning of the public administration and institutional cooperation with donors, while procurement corruption cases regarding COVID-19 related public spending caused public anger and discontent and underlined once again the importance of addressing governance and PFM issues. In that regard, the political events of 2019 and 2020 provided a key example of the power of citizen-driven collective action, shaking the Malawi's long-standing and inefficient social contract. Since the last election, civil society has sustained pressure on the political system to demand accountability from the new government established in 2021; this has launched a wide-range of audits as well as a review process of civil service reform.

In terms of **development strategy**, when the second Malawi Growth and Development Strategy (MGDS II) 2011–2016 came to an end, a new (5-year) medium-term national development strategy was developed, called the 'Malawi Growth and Development Strategy III' (MGDS III), for the 2018-2022 period, built on the lessons learnt during the implementation of the previous MGDS II, and closely linked to the SDGs. While efforts were made to develop an adequate evaluation and monitoring framework and to set up a National Planning Commission, the operationalisation of a functioning monitoring structure has been slow and results have been unsatisfactory, since the MDGD II was implemented in a challenging global and domestic environment. Following the last election, a comprehensive long-term development strategy was adopted, called "Malawi 2063", complemented with a 10-year implementation plan (2021-2030)[1]. This long-term strategy focuses on self-reliance and economic transformation and reflects deep-seated frustrations at poor governance and slow growth. The three components are expected to be supported by key "enablers", including an effective governance system, enhanced public sector performance and a change of mindset, all at the heart of the EU's CMSB cooperation intervention objectives.

On the PFM side, a national public finance management (PFM) reform agenda was incorporated into a Public Finance and Economic Management Reform Program (PFEM-RP) for the first time for the 2011-2014 period and was then extended to 2016[2]. Following the PEFA 2011 and the government's reluctance to conduct a PEFA assessment in 2016 and 2017 (this was finally implemented in 2018) and the slow approach towards the renewal of a PFM reform strategy, this comprehensive strategy plan that finished in late 2016 was not immediately replaced by a follow-up reform strategy, but by a rolling PFM plan that covered the years from 2018 to 2021. The government's acknowledgement that PFM basics were not yet in place justified their approach: one of focusing on a rather short-term action plan aiming to address the immediate shortcomings identified after the corruption scandal (Cashgate) with benchmarks, at that time, set by the IMF and WB programmes and agreed upon by all the donors. This action plan encompassed four key reform areas: a) accounting and reporting, b) treasury and cash management, c) scrutiny and auditing and d) compliance and control with the objective of restoring financial control, transparency and accountability. A strong focus was put on the financial management systems and the need to upgrade or adopt a new IFMIS. This rolling PFM plan was also complemented by a process to revise the PFM Act.

Governance reform efforts in Malawi have historically suffered from an "implementation gap", with poor public sector performance characterised by weak enforcement of the legal framework and a focus on "form" rather than "function". The recent change in leadership in Malawi in 2020 has opened the door to potential progress on the governance and accountability agenda, and the current administration has

[1] It targets reaching lower middle-income country status by 2030 and upper-middle-income status by 2063. It is structured around three pillars (i) agricultural productivity and commercialisation (ii) industrialisation, and (iii) urbanisation

[2] This comprehensive reform program covered ten reform areas (planning and policy analysis, resource mobilisation, budgeting, procurement, accounting and financial management, including internal audits, cash and debt management, parastatal financing, monitoring and reporting, external auditing, and program management).

called for a "new era" of transparency and accountability in Malawi. To deliver this, the government has operationalised the Access to Information Act and revised the 2003 PFM Act to strengthen the accountability of public officials, which has been adopted by Parliament in March 2022. In addition, the Ministry of Finance has phased in a new IFMIS, while a first-ever Domestic Revenue Mobilisation Strategy was adopted in 2021 with the support of the IMF and the EU, and a new 10- year PFM reform strategy and 5-year action plan were in the process of being validated in 2022.

## *2.2. Recent economic evolution*

Malawi is a fragile state with very high incidences of poverty, food insecurity and frequent weather-related shocks. Substantial development and social spending needs, a high debt burden from the past, and budget support and other financing grants that have been sharply reduced since 2013 contributed to sustained fiscal and current account deficits in the 2014-2020 period, before worsening even further with the onset of the COVID-19 pandemic crisis. This situation has resulted in significant financing needs over the coming years and low international reserves that suggests high risk of future debt distress.

Just before the beginning of the evaluation period, a massive misappropriation and theft of public funds was uncovered in September 2013. This important plunder of public funds, commonly known as Cashgate, revealed serious PFM weaknesses including the manipulation of internal control and fraudulent transactions carried out through the Government's Integrated Financial Management Information System (IFMIS). Malawi's macroeconomic outlook and performance under the IMF-supported program was significantly damaged by this large-scale theft of public funds and by policy lapses in the run-up to elections at that time. This breach of governance resulted in the suspension of budget support from donors. While this scandal highlighted the immediate need to address long-standing public financial management problems and the delays or the inability of the government to solve them, it has also presented the opportunity to revisit support to the government's PFM reforms, putting a stronger focus on internal controls and compliance systems.

It also revealed a complex paradigm where strong apparent commitment to reforms from the national authorities only materialised at the surface through *de jure* changes whereas real and effective PFM behaviours, practices and established norms were insufficiently pursued leading to limited genuine changes and improvement in PFM practises.

The downturn in Official Development Assistance provided to the national budget, including the suspension of ongoing EU budget support operations constituted a fundamental change for the national authorities' already fragile macroeconomic and public finance situation. Before this scandal, budget support resources from donors were known to cover about 30 percent of recurrent expenditures and up to 85 percent of the development budget.[3] The related shortage of budgetary resources, coupled with a non-adjustment of public expenditures induced a rapid increase in very expensive domestic borrowing, recourse made to central bank financing, accumulation of domestic arrears, exchange rate depreciation, and high inflation. This situation led the country to face a high risk of public debt distress and high level of debt service payment.

Despite efforts from the national authorities to strengthen macroeconomic policies and step up the implementation of structural reforms, especially under the guidance and successive financial support of the IMF ECF programmes, **the country constantly faced difficult macroeconomic situations during the whole evaluation period, reflecting regular weather-related shocks & adverse weather conditions, as well as recurrent policy slippages, though followed by some periods**

[3] According to the World Bank PER dated 2019, prior to the 2013 Cashgate scandal, the Government of Malawi benefitted from strong on-budget donor support, which took the form of budget support, dedicated grants and grant-projects. The combined value of this support often reached 8 to 10 percent of GDP, with the most important spike in FY2013, following the substantial reforms implemented at the start of Joyce Banda's administration. However, since 2013, the value of on-budget grants has fallen to about 2.9 percent of GDP. Budget support has never exceeded 0.5 percent of GDP in any given year, while dedicated grants have fallen by more than half, to an average of about 1.2 percent of GDP. Project funding has also declined somewhat, to about 1.5 percent of GDP.

**of improvement, that constantly worsened the national macroeconomic situation**. Persistently high inflation, shallow real GDP growth, pervasive risks of food insecurity (due to recurrent poor maize harvests and natural disasters) have characterised the country's situation. **Revenue shortfalls characterised by weak tax and non-tax revenues, expenditure overruns including for crop subsidies or bailout of loans by the parastatal as well as large spending on reconstruction and disaster relief have often exerted significant pressures on the state budget, leading to budget deficits, important financing gaps and balance of payments needs**. The continued suspension of external budget support throughout the evaluation period (only the World Bank resumed its budget support operations but under the sector P4R approach in the agriculture sector, while the IMF renewed a 3-year ECF agreement in 2018) have caused high financing needs to persist and have increased the importance PFM and DRM reforms.

## *2.3. The main actors supporting the CMSB agenda in Malawi*

The **IMF** provided two ECFs between 2013 and 2020. **Reforms in public financial management were considered the centrepiece of the IMF program's structural agenda**—with several structural benchmarks targeting key PFM reforms: timely publication of budget information and an increase in budget transparency, reconciliation of government bank accounts, strengthening of cash planning and improvement of the integrity of accounting system, as well as stronger monitoring of emerging areas. The country went off-track in 2015/2016 due to **a high number of missed targets especially in the PFM reforms areas**. After the country's fiscal position further deteriorated the IMF approved in 2018 a new three-year arrangement for Malawi under the Extended Credit Facility (ECF) for about USD 112 million, to support the country's economic and financial reforms. **Governance reforms focused again on debt management, commitments control and bank reconciliation, as well as on investment spending efficiency and the monitoring of state-owned enterprises**.

In the wake of the 2013 Cashgate corruption scandal, **the WB** took the decision to **significantly diminish the use of country systems after 2014** and to ensure a sharper focus on public financial management (PFM) and public sector reform (PSR), technical diagnostic studies (e.g. public expenditure reviews) and a more cautious approach to budget support. **Large Bank-managed Multi-Donor Trust Funds have permitted a sector-wide pooled approach in key strategic areas, and have aimed to provide effective platforms for coordinated donor policy dialogue especially on PFM** with the Public Finance and Economic Management Reform Program Multi-Donor Trust Fund (MDTF) project to which the EU was a key contributor, along with DFID, Norway, Irish Aid and GIZ.

The resumption of policy-based lending in 2017 by the World Bank have reflected an enhanced policy dialogue and, while appreciated by the government, has remained controversial with some development partners. The experience of policy-based lending during this period was challenging in many ways.

The WB approach in Malawi evolved through a sharper focus on PFM and public sector reform with a more cautious approach to budget support in order to ensure that governance reforms would have the domestic commitment to maintaining traction and greater attention to fiduciary oversight, and deeper policy engagement to alleviating poverty. In 2020, a revived effort was made to reinvigorate the economic policy dialogue through a "Roadmap" process on key PFM and governance reform areas, but this ultimately never reached fruition given the onset of the election period. In parallel to a PFM focus at local level through a USD 100 million Governance to Enable Service Delivery Project (GESD), the WB also pulled back from direct support to the launch of a new IFMIS due to procurement concerns.

The **last Country Partnership Framework (CPF) 2021-2025** came with a new approach to longstanding governance challenges, placing a stronger emphasis on the demand for good governance based on improved access to information (by strengthened public access to comprehensive and timely fiscal information, including under the Access to Information Act), increased decentralisation of resources, and enhanced citizen engagement.

The **African Development Bank** (AfDB) has coordinated its PFM support intervention with the World Bank Multi-Donor Trust Fund and the IMF technical assistance through a second PFM Institutional Support Project (PFMISP II) that started in 2015 and ended in 2019. While the previous institutional project (PFMISP I) focussed on public procurement and domestic resource mobilisation, this second project's objective was to address the PFM shortcoming that contributed to the Cashgate scandal and aimed to strengthen compliance and financial control in the use of public resources as well as support reforms in revenue administration to improve capacities to collect domestic taxes.

The Intervention logic of EU CMSB supports in Malawi

The following diagram presents the intervention logic implemented by the EU throughout its support to the CMSB agenda. It aims to highlight the string of changes based on the allocated inputs.

## *2.4. Intervention logic of EC support to the CMSB agenda in Malawi*

External factors, context features and feed back processes

**Inputs**

- Since 2018, **policy dialogue through a BS Road Map** in order to reinstate the country's eligibility to Budget Support
- Technical Assistance for Studies/Diagnostics on PFM and monitoring of BS roadmap

Contribution (2012-2017) to a **WB Multi-Donor trust fund (MDTF)** (improving internal controls, accounting, reporting and oversight of the Government's public finances)

**Chuma Cha Dziko PFM reform project (22M euros):**
**1. Technical Assistance** to PFM/DRM reforms (CMSB areas) 11M euros
**2. Contribution to the IMF's Resource Management Trust Fund (RMTF) 3M euros**
**3.** Strengthen civil society, media & academia capacities for higher demand and established national/local platform for domestic accountability

**+ Contribution to IMF AFRITAC EAST**

**Outputs**

- Strong policy dialogue, DP coordination and assessment of PFM/DRM's reforms and systems
- PEA & Behaviour changes facilitating institutionalisation and commitment to PFM/DRM reforms
- Relevance of adopted national PFM/DRM strategies
- Strengthened revenue administration management and arrangements
- Strengthened tax policy and legislations/legal framework
- Operational, update and accurate taxpayers registry
- Strengthened capacities of the Ministry of Finance to implement & monitor PFM reforms
- Improved specific PFM functions and arrangements (IFMIS, HRMIS, internal and commitment controls, bank reconciliation, public procurement and contract management)
- Strengthened of role of CSO/media for better accountability and transparency

**Intermediary outcomes**

- Strengthened tax policy, tax reform strategy, core tax administration functions and legal framework
- Increased number of taxpayers meeting their filling and payment obligations
- Improvement of tax, budget and financial compliance
- Strengthened accounting, financial management and control and reduction of fiduciary risks
- Strengthened payroll/pension management
- Reduction of arrears and better management of debt
- Strengthened transparency and efficiency of public procurements
- Restored donors' confidence for on-budget support
- Increased demand for public accountability and transparency and public participation to budget process & monitoring

**Outcomes**

- Increase of total revenue collection
- More strategic allocation & transparent & efficient spending of resources
- Improved public service delivery
- Fairer taxation & income transfers to the poorest

**Intermediary impacts**

- Long term macroeconomic stability
- Stronger fiscal social contract between citizens & their government at all levels
- Improved access to public services / infrastructures
- More equitable distribution

**CONTEXT OF INTERVENTION AND EXTERNAL FACTORS**

- Continuity of EU policy dialogue on EU BS eligibility criteria but without BS
- ECF FMI & Interventions BM, BAD, GIZ…
- Lack of donors' confidence for on-budget support since Cash gate scandal.

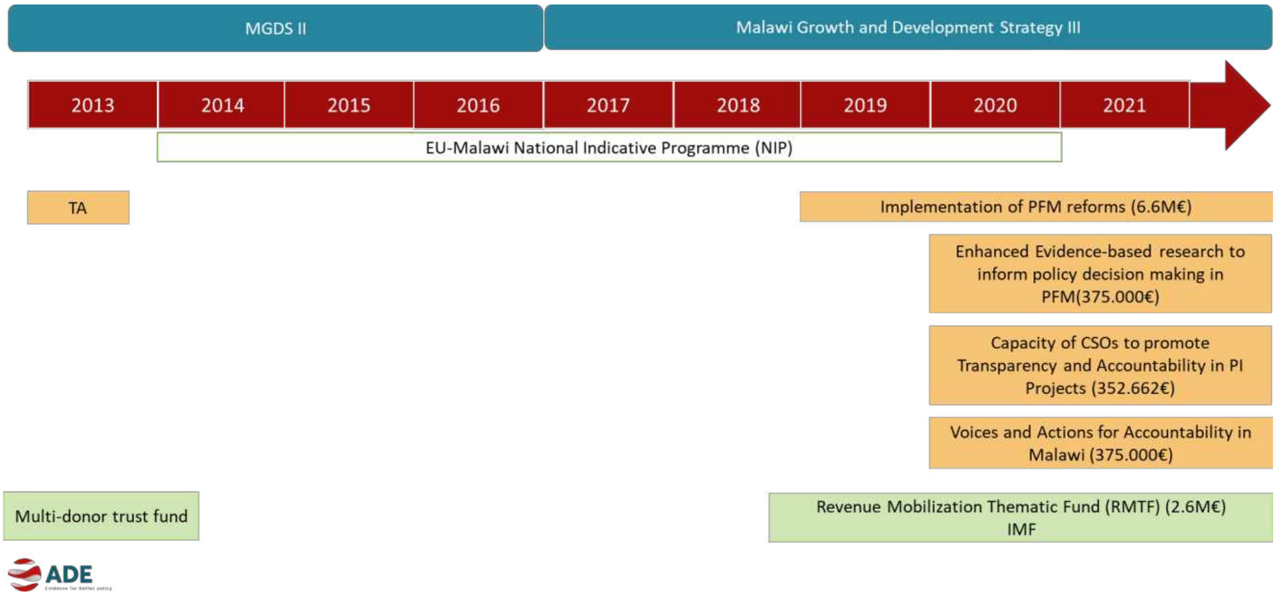
- High level of "politicisation" of the MoF's administration
- Technical capacities, commitments & ownership in the administration to pilot and make progress in PFM reforms
- Level of local commitment/buy-in to the EU adaptative (PDIA) and behavioural change approach

- Fragile situation, succession of external climate related shocks and resilience of the national economy
- Political instability
- Competitiveness of the economy
- Increasing integration of international markets & economic globalisation
- Nature of demand for public services
- Responses to changes in incentives

Key: Elements related to "Collect More" | Elements related to "Spend Better" | Elements related to "Collect More" & "Spend Better"

ADE

## 2.5. Timeline of the "Collect More, Spend Better" approach and context in Malawi




The TA contract is not 6.6 M€ but is now EUR 10.9 million (initially 8,7 m + 2.2 million with addendum signed in June 2022)

There is another programme to mention in the table is the Voice of Accountability programme (CRIS 421-289), worth 3 M EUR (service contract).

# 3. Answers to the Evaluation Questions

## 3.1. Relevance (QE1)

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.3 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.4 EU CMSB support has addressed cross-cutting issues (gender equality, digitalisation, greener economies)

In general, the EU has directly or indirectly (via co-financing, contribution to Trust Funds or an inclusive policy dialogue approach with the national authorities) focused on key structural reform areas to further strengthen public financial management, including, bank reconciliation, commitment control and cash management, transparency of the budget process, and revenue administration, as well as improving debt management, public investment management, oversight and monitoring of state-owned enterprises and other parastatals. In particular, it has developed a specific budget support road map, as well as a wide range of modalities of interventions to pursue a technical policy dialogue in order for Malawi to once again become eligible for EU Budget Support. It has also promoted reforms and capacity development activities in these areas, as well as encouraging a slightly different approach to further promote local ownership and facilitate cultural changes in the public administration. In addition to this involvement in the institutional and technical reforms agenda, the EU has also put emphasis on public accountability and transparency by allocating important support to strengthening the role and involvement of the civil society in the national governance reform agenda.

**EU support to the CMSB agenda in Malawi has occurred in a very challenging governance environment,** characterised by high fiduciary risks, the national administration's weak institutional and human capacities, shallow and uneven level of government commitment toward reforms, and a context of an electoral period and a political transition process. After having provided several budgetary supports beginning in 1997, this aid modality was suspended in 2014 by the EU as well as by the other donors in the wake of the Cashgate scandal a major case of misappropriation of public funds (approximately for USD 32 million), through massive fraudulent transactions in the Government's Integrated Financial Management Information Systems (IFMIS) in September 2013.

The EU took advantage of this problematic event to revisit EU support to the Government's PFM and DRM reforms. In the context of **the country's non-eligibility for the EU budget support modality** and the persistence of reputational risk for on-budget interventions during the whole period under evaluation, **between 2014 and 2020 the EU developed a three-pronged approach linked to the Collect More Spend Better Agenda,** aligned with the existing national reform process as well as being adapted to **the most urgent specific needs of the country to improve PFM and DRM**. (**CJ 1.1; CJ 1.2)** Despite the absence of budget support, across the evaluation period, the EU and its key development partners have tried to promote a systemic approach to their support PFM and DRM system through the use of different angles and modalities. More specifically, this approach has consisted in:

(1) a **financial contribution** (**6 M€) to a Multi-Donor Trust Fund administered by the World Bank[4] (2014-2018)** that has focused on the implementation of the national Public Financial and Economic Management Reform Programme (PFEM-RP) and, more specifically, on the improvement of internal controls, accounting, reporting and oversight that were at the core of the main PFM weaknesses underlined by a 2011 PEFA; the Cashgate scandal, without changing the objectives and focus of the project supported by the Trust Fund, has however implied a redirection of activities to better address deficiencies that were revealed by the scandal, with stronger emphasis placed on improving controls for the Integrated Financial Management Information System (IFMIS), and on enhancing performance of the internal control function.

(2) Since 2018, after a lack of genuine political commitment and progresses from the national authorities to address PFM reforms and a 2-year gap of national PFM reform strategy after the PREM-RP elapsed in 2016, the EU, together with the other donors, has developed **a specific "Budget Support Road Map".** This was approved in April 2018 in order to revive a solid and continuous policy dialogue with the national authorities on key technical PFM reforms. This innovative way of structuring and improving the dialogue between the government and the other development partners was designed **for trust to be regained in the country's systems**. The EU has used this roadmap to put emphasis on key reforms **to restore the country's eligibility for EU Budget Support modality** (national development strategy, macroeconomic stability and PFM) (CJ1.2). PFM has constituted the main area of the EU Budget Support Road Map's key technical PFM benchmarks, dedicated to addressing some of the key weaknesses including those that led to previous misappropriation of publics funds. The multi-component road map has targeted a wide range of PFM sub-components: internal control, compliance

4 under the Financial Reporting and Oversight Improvement Project - FROIP project

and audit of IFMIS transactions, payroll reconciliation, commitment control, and public procurement and implementation of external audit recommendations, as well as the effectiveness of disciplinary measures in place throughout the government and national administration. This road map has also led to the adoption of a new 3-year rolling PFM reform plan (2018-2021) to replace the previous PREM-RP.

(3) After a thorough diagnostic and identification process, the EU then began to implement a **multi-component development project (the "Chuma Cha Dziko" project**) to strengthen government systems and capabilities in (a) **public finance management** (support to the design of a new PFM national strategy and capacity development in procurement and contract management, commitment control, payroll & pension management and parastatal governance), (b) **tax policy and tax system** review (design of a national DRM strategy, coherent and effective tax policy regime and tax administration effectiveness especially on tax compliance/VAT, automation and connectivity of tax information system) as well as (c) **consolidation of civil society organisations**, media and academia to promote domestic accountability and transparency.

The design of this important EU project was aligned with the existing national PFM reform strategy process, contributing directly to the implementation of the 2018-2021 rolling PFM plan adopted in November 2018 under the implementation of one of the Budget Support Road Map's benchmarks (JC1.2). In addition to its important component that aims to strengthen civil society and the media to reinforce public accountability, in particular, the project has also intended to apply a behavioural and management change approach to the public administration, through political economy strategies as well as problem-driven analysis and approaches to driving forward PFM and DRM reforms and results. The main objectives were to strengthen local ownership and political traction of PFM and DRM reforms, and draw lessons from past experiences by addressing issues that had so far inhibited governance changes in the administration despite several attempts to make reforms.

Through some of its specific benchmarks, the road map has also promoted the renewal of a PEFA diagnosis in 2018 (the previous one dated to 2011) as well as an Assessment of Procurement Systems (methodology MAPS) in 2019, in order to strengthen the alignment of the country's PFM reform agenda with international standards (CJ.1.3).

Whereas cross-cutting issues relating to gender equality or greener economies have not been specifically targeted by the EU interventions, digitalisation processes have been at the core of the successive EU interventions in the CMSB areas (CJ 1.4) especially in the activities that contribute to limiting the fiduciary risks related to manual financial procedures (seeJC3.3).

## *3.2. (Internal) coherence of EU actions related to CMSB (EQ2)*

**EQ 2: To what extent EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.1 EU support to DRM/ PFM/debt at country level has been coherent and has contributed to implementing a comprehensive system-wide PFM approach

JC2.2 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.3 EU CMSB support has been coherent with other EU external policies

**In the absence of Budget Support, the EU has tried to articulate several interrelated and mutually reinforcing modalities of interventions that have complemented each other to address systemic PFM and DRM weaknesses (JC2.1).** The EU has intended to encompass its activities and financial contributions into a strategic and comprehensive approach to national reform process providing incentives to focus on key reform priorities to restore such as the EU Budget Support Roadmap that includes a specific benchmark regarding the adoption of a 3-year rolling PFM reform plan, a medium-term debt management strategy, or the EU TA project that included a specific capacity-development component.

The EU has intended to ensure a global coherence through its different modalities of intervention through its three main interventions in Malawi (cf. EQ 1) during the period under evaluation. The Budget Support Road Map adopted in 2018 intended to maintain the government's commitment to PFM reform by providing a strategic framework for a comprehensive set of reforms including the adoption of a rolling PFM reform plan to fill the gap of a missing national PFM reform strategy. The design of the EU PFM capacity-development project was then intended to contribute to support the reform process promoted under the EU Budget Support Road Map with specific components of the project aiming at addressing some benchmarks of the EU BS Road Map. Synergies materialised between the high-level policy dialogue under the BS Road Map and the reforms supported by the WB MTDF and the EU PFM TA project especially in areas related to public procurement, commitment control and financial compliance, as well as transparency and accountability. The EU support to public procurement reform has been executed through different, complementary, interventions: policy dialogue under a BS road map, capacity-development through the PFM TA project and, on top of these two “supply-side” supports, an intervention financed under another component of the EU PFM capacity-development project that aimed to strengthen and promote the “demand side” for domestic accountability, with direct support to civil society and the media, including specific actions to enhance the capacity of CSOs to promote transparency and accountability in public infrastructure projects.

**In the DRM field, complementarity was strong** between the various interventions provided by the EU mainly within the EU Chuma Cha Dziko EU project and with the IMF Revenue Mobilisation Trust Fund (RMTF) and AFRITAC East TA. The EU capacity-development support for DRM, provided through two distinctive modalities under the EU TA project (direct technical assistance to the Malawi Revenue Authorities and to the Revenue Policy Division of the Ministry of Finances, and a contribution to the IMF Revenue Mobilisation Trust Fund), have been complementary and have provided different kind of technical expertise, covering a wider spectrum of DRM reforms. Complementarities and coordination have been developed through regular contact and exchanges between experts involved under each modality of intervention. The provisions of the capacity-building activities under AFRITAC East have also complemented the in-country EU interventions in the DRM, with a specific focus on high level and strategic expertise on strengthening the customs administration that was not specifically addressed by the EU's in-country activities. Activities under the IMF's RMTF have focused on strengthening the accuracy and reliability of the taxpayer register, taxpayer filing and payment compliance and developing a tax audit culture and framework in line with the main recommendations of the TADAT. These activities have complemented the work done by the long technical assistant to the MRA and the RDP provided by the EU Chuma Cho Dzilko project.

**In the PFM field**, several in-country interventions carried out by the EU to improve financial compliance through its support to the IFMIS and strengthen the commitment control and the bank reconciliation process have also been complemented by AFRITAC East interventions, which have provided high technical expertise to guide or implement specific reforms in these specific fields[5].

[5] Such as in the context of the operationalisation of a new IFMIS system between 2020 and 2021, AFRITAC East expertise provided support to ensure a review of the correct calibration of the new IFMIS system in terms of banking arrangements, coverage of bank accounts and electronic payments, in line with the process of setting up a single treasury account.

## *3.3. Effectiveness – Analysis of outputs and intermediary outcomes*

*Contribution of the EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilisation and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

*JC3.*4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**Although the CMSB approach has been explicitly mentioned in the formulation of the most recent flagship EU PFM "Chuma Cha Dziko" capacity development project (launched in 2018/2019) as the main guiding principle of this EU intervention, with an overall objective related to the "efficient use of public funds", "effective resource mobilisation" and "strengthened domestic accountability", there was no evidence of a stated CMSB rationale articulating all the EU actions carried out under different aid modalities before this project (JC 3.1).** The CMSB approach even if not stated explicitly has been developed progressively during the period and was implicitly adopted by the Budget Support Road Map. It is important to note that the previous EU budget support operations that started in 2011/2012 (a Good Governance and Development Contract and a Sector Reform Contract in the Road and infrastructure sector), before the finalisation of the EU CMSB agenda, did not include specific benchmarks or performance indicators on DRM but focused rather on key PFM reforms. Then following its decision to suspend its budget support operations, the EU has begun to emphasise once more the need for key and urgent public financial governance reforms, placing this high on its policy dialogue agenda with the national authorities, together with the other donors who had cut off their budget support. The initial focus of the EU contribution to the WB's Multi-Donor Trust Fund was rather on strengthening financial compliance, especially through the consolidation of commitment and internal controls, bank reconciliation processes and the reestablishment of a comprehensive audit trail through a more consolidated IFMIS. This approach intended to contribute to the implementation of the government's Public Financial and Economic Management Reform Programme (PFEM-RP).

**During the period 2015-2021, the EU was instrumental to designing and adopting a genuinely owned domestic revenue mobilisation and public financial management reform agenda (C.J 3.2). A real added value of the EU's actions has been the development of a Budget Support Road Map that was agreed with the national authorities on April 2018**. The innovative EU Budget Support Road Map approach, with the support of the other donors, has been instrumental to give the needed impetus to design and facilitate the adoption of a new public financial management national reform agenda in 2018 after a gap of two years**.** One of the key 7 PFM benchmarks/areas of reform of the road map consisted of requesting the implementation of key diagnostic tools[6] (PEFA, MAPS) and the adoption of new strategic PFM reform framework to replace the PFEM-RP that elapsed in 2016. On 13 November 2018, this led to the adoption of the 2018-2021 3-year rolling PFM plan that was reviewed by the IMF. This new Plan took on board several uncompleted activities from the expired PFEM-RP and reflected new priorities to remedy PFM weaknesses exposed by the 2013 public resource scandal and other issues that required further improvement. In addition, the Rolling Plan set the ground for improving the alignment of public finances to national development goals and optimising their impact on economic growth by implementing pertinent reforms in five thematic areas: planning and budgeting; budget execution; monitoring and reporting; budget oversight; and an institutional framework for PFM. One of the key, most costly investments addressed by the Rolling Plan concerned the public finance management information systems (IFMIS) and its roll-out to local authorities, as well as tax and non-tax revenue management information systems. Some important PFM areas that were either overlooked or narrowly defined under the previous PFEM-RP (including the issue of public procurement/contract management) were included as a specific reform component, with the objective of providing value for money in government procurement of goods and services.

**The design and implementation of the EU's "Chuma Cha Dziko" PFM capacity-development project has been then instrumental in supporting the implementation of certain actions promoted by the Road Map**; it has also integrated the DRM dimension to the EU approach to PFM reforms in Malawi, with two dedicated modalities of intervention (direct technical assistance to the Malawi Revenue Authorities and to the Revenue Policy Division of the Ministry of Finances, and a contribution to the IMF Revenue Mobilisation Trust Fund ) that have contributed to supporting the development of the recent first national Domestic Revenue Mobilisation Strategy in 2022, as well as strengthening the tax administration, tax compliance and tax legal framework.

At the time of the evaluation, the EU, together with other donors (especially the IMF) were in the process of **supporting the Ministry of Finance in the finalisation of a new 10-year PFM reform strategy**, including a 5-year action plan that should include a comprehensive DRM component, mirroring the full integration of the two dimensions of Spend Better and Collect More into the national strategic PFM reform framework. The government, again with the support of the EU, has also adopted its first ever Domestic Resource Mobilisation Strategy. The launch of the IFMIS in July 2021 was also considered a key milestone in the national PFM reform process.

However, overall, the uneven level of commitment to reforms and the lack of clear policy direction provided by the top management in the administration, as well as the high level of politicisation and/or turnover in key strategic positions, especially in the Ministry of Finance, have plagued change in the period under evaluation and led to a high level of uncertainty in local decision-making and lack of a genuine level of commitment to implementing fiscal and tax reforms in a coherent and comprehensive way.

**In the aftermath of the Cashgate scandal, supporting the national information systems in order to foster fiscal compliance, accountability and oversight has been at the heart of the EU CMSB agenda in Malawi (CJ 3.3).** Under the contribution to the WB MDTF between 2024 and 2018, the EU notably co-financed activities that target the improvement of accounting and financial controls that have intended to develop a better internal control environment and leading to the reduction of the important backlogs in the production of financial statements.

[6] During the period under evaluation, the EU has also advocated for promoting the ownership and production of key PFM diagnostic tools to guide and inform the framing of the national PFM reform process. As an example, the EU Budget Support Road Map includes a specific target to use specific PFM and procurement diagnostics (PEFA and MAPS) between 2018 and 2019 to inform the updating of the 2018-2021 rolling PFM plan. Similarly, the EU's "Chuma Cha Dziko" project has also contributed to providing training on the PEFA methodology to staff in the Ministry of Finance, the Malawi Revenue Authorities and some lines ministries, and to providing concept notes to prepare the ground for a new PEFA diagnosis probably at end of 2022/beginning 2023.

**The development of the IFMIS system was a key area the EU (and other DPs) intended to support after the Cashgate scandal**. The WB MDTF has tried to address the identified deficiencies[7], but while procuring and applying a new IFMIS, it was considered critical to implement better accounting and financial management control, and in view of the outdated and inefficient system in place, a new IFMIS was not launched. The project then attempted to enhance the existing system with new hardware and software as well as new interfaces, which led to unstable or unaccomplished results affecting optimal operation and application of controls as well as the overall quality of financial reporting. However, significant advancements were achieved in the improvement of the payroll control and management, the modernisation of the internal audit process, the reduction of the backlog of audit reports and the adoption of key legislation contributing to a greater independence of the Auditor General, contributing to an improved trend in oversight and reporting of government finances within the Ministries, Department and Agencies (MDA), both at the central and decentralised levels of the government.

Following the completion of the MDTF activities in 2018, the EU has integrated these issues into its Budget Support Road Map, in order to maintain policy dialogue and monitoring on progress in these areas, especially regarding bank reconciliation, internal control system and commitment control as well as disciplinary provisions. In 2018, a Public Expenditure and Financial Accountability (PEFA) assessment demonstrated progress in terms of accountability and transparency such as the parliamentary oversight of budget proposals and scrutiny of audited annual financial reports that took place in line with the legal framework. Advances were also noted in internal audits and financial transparency, with increased reporting through the integrated financial management information system (IFMIS) and integration of national identification systems with payroll.

The revision of the 2003 PFM Act that was part of the EU BS Road Map has also contributed to introducing new provisions regarding internal audits, parliamentary oversight, transparency and access to information and financial reporting, as well as the introduction of administrative sanctions for disregarding PFM regulations instead of only criminal ones. In the context of the national authorities' recent decision to finally procure and install a new IFMIS from their own resources, the road map of the EU has also been instrumental for the rolling out the electronic transfers for payments to replace the use of cheques, contributing to reducing fiduciary risks and facilitating the reconciliation of payments.

In addition to these contributions to more solid capacities to address issues of transparency, oversight, public accountability and scrutiny, **the EU has also supported civil society in developing the demand side for accountability and transparency (JC 3.4)**. This has been an important component in the EU's Chuma Cha Dziko project, including capacity-development training activities for local CSOs, media representatives, local government officials, parliamentarians etc., all in order to promote citizen engagement with the national authorities on the public budget, public infrastructure procurement processes and other PFM subjects, as well as developing the monitoring and analytical capacities of civil society in these areas. The use of the EU project components to promote the "demand side" for accountability, through several NGOs, media, university and think tank development projects, has also aimed at leveraging new opportunities to strengthen the demand for good governance and consolidate an environment of transparency and citizen-driven collective actions to bolster the new government's commitment in 2021 to increase accountability in public resource management. These activities have *de facto* contributed to complement the reform process spearheaded by the technical PFM reforms in the administration, supported by the institutional components of the EU interventions in the field of the CMSB agenda. However, it is not clear whether these different components (institutional and civil society) have been effectively coordinated and stewarded in order to maximise the overall coherence and complementarity of all the EU project components in the absence of a specific coordination mechanism. However, since the launch of the Chuma Cha Dziko project, the cooperation and complementarities have

[7] weak access controls to the systems, weak IFMIS reporting due to inadequate data capture, delayed reconciliation and inaccurate data, inadequate use of the commitment control system and inadequate server capacity and unreliable connectivity

been improved between its technical assistance and communication ("voice of accountability") components through several collaborative activities.

**EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

The direct technical assistance of the EU Chuma Cha Dziko project has provided specific support to the finalisation of the DRM national strategy, the review of the VAT Act and the development of a new draft VAT bill as well as its related capacity-development component, assistance in tendering for revenue-forecasting software & hardware and support for developing capacities to negotiate international taxation agreements and tax treaties. The AFRITAC East expertise has focused on developing an effective post-clearance audit function in the context of the development of a customs compliance strategy, as well as improving the compliance risk analysis and management capacity of the MRA Customs Headquarters division. Technical support was also provided for revenue administration reforms, e.g. the implementation process of the integrated tax administration technology system in complementarity and coherence with the support provided in this area under the EU-financed IMF RMTF.

**With the EU Chuma Cha Dziko project support, the first draft Domestic Revenue Mobilisation Strategy (DRMS) was updated to reflect policy direction contained in Vision 2063, COVID-19 impact, GDP rebasing and IMF recommendations (JC 4.1).** The updated strategy was subsequently discussed by the DRMS working group, incl. MRA officials, and presented to the Ministry of Finance (MoF)'s Senior Management for their input. The revenue policy measures identified were discussed by the working group and presented to the IMF, the Secretary of Treasury (ST) and HE the Minister of Finance for their buy-in. With the ST and the MoF's consent the strategy was submitted to the Office of the President and Cabinet (OPC) for their review and validation.

The project supported the Revenue Policy Division (RPD) to produce consolidated versions of the tax legislation while facilitating the update of the VAT Act and the Taxation Act subsequent to the 2020 amendments. A report on the revenue impact of proposed VAT changes was finalized. The project also supported the preparation of the first workshop for soliciting political buy-in for reform (JC 4.1). Consolidated versions of the VAT Act and Taxation Act, considering both 2021 amendments and those subsequent to the publication of the Tax Administration Act and Revenue Appeals Tribunal Act, was prepared. VAT benchmarking and mapping of VAT related tax expenditure are still on-going.

The project supported the establishment of the Tax Policy Forum (TPF) with discussions with both the Revenue Policy Division (RPD) and the EUD on the framework and funding of the forum subsequently captured in a concept note (JC 4.1). The Tax Policy Forum was temporarily suspended by the MoF (for 2021 and 2022).

The first ever Domestic Revenue Mobilisation Strategy (DRMS) for Malawi was launched by HE the Minister of Finance on the on 6th December 2021. This was a high-profile event attended by a number of stakeholders including OPC, MDAs, NPC, development partners, representatives of the business community, media, etc. -Furthermore, the project collaborated with the Voice of Accountability to ensure inserts for the DRMS launch and dissemination of the DRMS through the social media (Kulondoloza). The DRMS book has been published on the MoF's website to ensure transparency and accountability.

**Much progress has been made regarding the strengthening of capacities in international taxation (JC 4.2).** The support to the international taxation arm of the RPD (the future International

Taxation Section under the new organisational structure) consisted of the creation of a knowledge repository which is regularly being updated, a draft model tax information exchange agreement was developed as well as a request for information template, the DTAA model was updated and an analysis of the priority jurisdictions performed. Some other deliverables are well advanced although still work in progress. The International taxation section with RPD is not yet established which impacts on the absorption capacity, prevents proper capacity building and slows down international taxation policy development.

In the last quarter of 2021 a draft report of recommendations on the assessment of gaps in tax and non-tax revenue statistics has been developed and submitted for the Revenue Policy Division's (RPD) review, as well as data resources availability and revenue policy model development.

A task force on task incentives was established, and a first meeting was held. Data for the analysis of tax incentives were collected, good practice on tax incentive analysis was shared, a questionnaire was drafted. Furthermore, issues around revenue policy model development were discussed with RPD analysts and representatives of the academia (Universities of Oxford and Essex) to solicit support through UNU-Wider (United Nations University World Institute for Development Economics Research) who supported development of tax-benefit microsimulation models for a number of African countries such as Ethiopia, Ghana, Zambia, Mozambique, Uganda and Tanzania.

Under the Chuma Cha Dziko project, the following activities were also carried out contributing to consolidated tax administration :

- The tender dossier for the Revenue forecasting (procurement of hardware and revenue forecasting software) was finalised.
- A first set of short- and medium-term forecasts on revenue, including tax expenditures are available. This is an ongoing project support for RPD's forecasting function. The project will work with the RPD team and other development partners, and by applying PDIA ensure beneficiary needs are appropriately met and value for money is delivered. Collection of data for VAT exemptions has already started, the first draft of VAT benchmark was developed and MRA is currently in the process of data collection. This will be the first preparatory step for undertaking subsequent analysis and feeding data for benchmarking tax expenditures to the WB or IMF TA teams.
- With strong support of the Malawi Revenue Authority, a MRA change management and behaviour transformation programme over the next 24 months to facilitate the Corporate Strategy Plan (2020-2025) has been developed with MRA. This is a 24-month focused multi workstream integrated programme to facilitate the change management and behaviour change necessary to embed the reforms and structural changes in MRA in the last 24 months and over the next period.

AFRITAC East's financed tax administration expertise has also targeted a specific reform agenda related to the development of a tax compliance framework (risk analysis) and activities, the strengthening of the Malawian Revenue Authorities' structure, management practices in domestic taxes and customs and excises, the development of a customs post clearance audit function, as well as support for the implementation of a tax administration information technology system and the cleaning up of the taxpayer register.

**The Chuma Cha Dziko project supported the improvement of the oversight function and control of non-tax revenue collection (JC 4.3).** In the last quarter of 2021, a draft report of recommendations on the assessment of gaps in tax and non-tax revenue statistics has been developed and submitted for the Revenue Policy Division's (RPD) review, as well as data resources availability and revenue policy model development. Data collected by various Ministries, Departments and Agencies (MDAs), including the Registrar General, Immigration Authorities, Civil Aviation Authorities, Ministry of Land, RTA were analysed. It was identified that, with the exception of Immigration Authorities and RTA, information is largely manually compiled and digitalisation is at its infancy stage. Non-tax revenue increased from MWK 11.07 billion in 2012 to 68.53 billion in 2020.

**The Chuma Cha Dziko project started in April 2020. Therefore, from the available data, it cannot be concluded that the Chuma Cha Dziko project contributed to the increased revenue (JC 4.4).** Personal Income Tax (PIT) increased from Kwacha 47.45 billion in 2012 to Kwacha 335.99 billion in 2020. Corporate Income Tax (CIT) revenue increased from Kwacha 43.28 billion in 2012 to Kwacha 170.58 billion in 2020. Taxes on Goods and Services increased considerably from Kwacha 94.52 billion in 2012 to Kwacha 477.95 in 2020. Taxes on international transactions increased from Kwacha 17.95 billion in 2012 to Kwacha 84.67 in 2020. Tax revenue as a percentage of GDP increased from 14% in 2012 to 17% in 2019 while taxes on Goods & Services as a percentage of GDP increased from 6% in 2012 to 8% in 2020.

*Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

In the absence of operating budget support programmes during the period under evaluation and following the cash gate scandal which revealed serious weaknesses in terms of financial compliance, **the EU has not been involved directly in policy-based budgeting but has rather focus through its contributions to the WB MDTF and the BS Road Map and, later on, through its PFM "Chuma Cha Dziko" capacity development project, to promote key fiduciary risks mitigating measures and reinforcement of key PFM basic functions in the area of commitment and internal controls (JC. 5.2), enhancement of the accounting system, stabilisation and consolidation of the IMFIS as well as reforms of public procurement and public accountability (JC. 5.3)**.

However, through the contribution to the AFRITAC East, IMF assistance was provided in re-engineering the MTEF and more specifically the re-structuring of the budget calendar to incorporate a strategic budget phase and include within the Economic and Fiscal Policy Statements (EFPS) elements related to the management of fiscal risks, projections for expenditures, revenues, debt & fiscal limits for MDA, and assumptions of economic and fiscal forecasts (in line with relevant sections of the PFM Law) (JC 5.1). IMF assistance was also provided in updating the macro-fiscal forecasting framework in the Ministry of Finance and 5-year projections of several macroeconomic variables were added to the forecasting framework as well as a revenue forecasting module. The Statement of Government Operations was also updated and restructured to include five-year projections of expenditure, revenue, financing and debt. However, despite these technical assistances, progresses in terms of policy-based budgeting and macro-fiscal strategy have been uneven, with overall weak fiscal risk management, revenues collections regularly below budget forecast due to overly optimistic GDP growth projections, difficulties to preserve fiscal discipline, weak fiscal consolidation process and high variance on composition of annual budget out-turns making MTEF not considered as valuable by lines ministries. More globally, the national budget is still considered as a simple planning document despite its enactment by the Parliament and its implementation still suffers from several caveats in terms of execution (expenditures overruns, arrears) and deficiencies in financial compliance and control.

The EU support and policy dialogue have had a direct impact on the progress made on the PFM **internal control systems (JC. 5.2)** in terms of better staffing of the internal control unit, the improvement of the reliability of financial transactions as well as the rolling out of compliance officers in the lines ministries, departments and agencies (MDA) in charge of pre-audit of sampled transactions to tighten a previously very loose control environment. **The EU BS road map has also favoured a progressive strengthening of the commitment control system (JC 5.2)** to ensure that financial operations stay within budget provisions in line with the government's areas clearance strategy. Based on EU recommendations, the budget division has developed a standalone tool to better capture all government commitment and not only invoices as in the past. The revision of 2003 PFM Act and the operationalisation of the new IFMIS systems, both addressed by the initial WB MDTF and the EU BS road Map, are also expected to further enhanced and facilitated the commitments control thought so far multiannual commitments are not yet captured by the new information system.

The EU has also contributed to maintain the engagement of the Government to **reduce the backlog of the bank reconciliations** and better adjustment to cash balances, clearance of unreconciled items while progress have also been made with the adoption of the electronic financial transfer system which was a key benchmark of the EU BS Road Map. Following the launch of the new IFMIS in 2021, that was also a key field of intervention and reforms supported by the EU, it is expected that the proper system configuration in terms of electronic bank statements and automated reconciliation process will contribute to **enhance accountability, transparency and better control over expenditures and facilitate the production of timely financial reports**. The EU has also contributed to improve **salary reconciliations** (that was further enhanced following the entry into force of the electronic funds transfers for salary payments) although the interface between the new IFMIS and the human resources information system module is not yet fully operational. The EU has also directly contributed to better **payroll control by supporting a government-wide audit on personnel mid of June 2021 to identified ghost employees as well as the establishment of a related audit recommendation action plan.** The EU has also contributed to develop a specific module to better link payroll to pension information systems and secured pension payments through the design of biometrics system in view of a coming overhaul of the Human Resource Management Information System.

**Public procurement has been a specific area targeted by the EU (JC5.3)** where progress was required under the EU BS road map. Related targets concerned greater transparency through publication of related procurement documentation on the Government website, an increased compliance rate of submission of procurement plans of all procuring entities and the applying of sanctions to non-compliance on submission of procurement plans. The EU BS Road Map also included a specific target on progression in the implementation of the new 2017 Public Procurement and Disposal of Public Assets Act though the development of regulations, templates and guidelines on framework agreements in order to address the lack of adequate contract management system in place.

One of the components of the EU PFM TA project which started in 2019 included also 3 specific dimensions related to public procurement that aimed at tackling key weaknesses of the Public procurement system: (a) introduction of e-procurement and enhance compliance with rules and regulations and support the operationalisation of the new procurement law, (b) support the management of contracts to ensure compliance of rules and regulations and transparency in the certification / validity of payments and (c) support enhanced professional standards for procurement officers.

The EU capacity development activities have then assisted to the preparation of training materials for the procurement community, in parallel with the World Bank-funded review of Standard Bidding Documents (SBDs), to prepare the design and delivery of capacity building activities based on the new Procurement Act and Regulations. **The EU intervention has contributed to improve transparency and data availability in procurement through the design of the national procurement authority's new website** that included updated procurement statistics, invitations to bids and award notices through an open contracting portal and paved the way for the implementation of the Open Contracting Data Standards. **The EU has also supported designing key performance indicators and procedures to carry out compliance reviews of the procurement competency framework** to adapt the national procurement administration and institute and **design specific training strategies and training needs assessment** for the public procurement community, as well as **the drafting of a contract management practical guide** and a proposal for a revised institutional set-up for contract management. These activities have contributed to strengthening contract management and compliance checks of procuring entities with their submissions requirements and their procurement plans to increase eligibility of payment. The EU project in synergy with the other CSO components has also intended to assess and mainstream the role of non-state actors in procurement contract monitoring.

The limited investment funding, the absence of EU Budget Support programmes and of big EU financed investment project may explain the lack of EU support to Public investment management (JC 5.4) that was covered by the IMF including in the context of the AFRITAC East assistance that provided training and preparation sessions to the concerned national administration for the PIMA exercise that took place in 2019. However, the specific EU implication in public procurement reform as well as on other core financial compliance reforms can be considered as indirectly and potentially having contributed to prepare the ground for an improved public investment management.

Improvement in commitment control and debt management was a key area of the EU PFM TA project. Debt management issue was also included into the EU BS road map as a key element of the Policy dialogue on the restoration of the EU macroeconomic BS eligibility criteria and more precisely on the need to develop a medium-term debt management strategy that was ultimately adopted under the supervision of the IMF (JC.5.5). The specific focus of the EU under the BS Road Map and the EU PFM TA on improving commitment controls have also contributed indirectly to consolidate the control systems aiming at preventing further accumulation of arrears, containing the size of public debt, and strengthening fiscal governance. The EU focus on commitment control and on the implementation of a new and improved Integrated Financial Management and Information System (IFMIS) aimed at helping with (i) expenditure control, particularly for managing multi-year commitments (a major source of arrears) and (ii) timely reconciliation of data (revenue, expenditure and financing) across institutions. The latter is also expected to help enhance debt data management. More recently, **the EU under its Chuma Cha Dziko/PFM reform TA project has provided a debt advisor to the government to address the country's unsustainable public debt that was a key millstone in the negotiation of a new arrangement with the IMF**.

## 3.4. *Effectiveness and sustainability – Contribution to outcomes and impacts*

*Improved long-term financing and Public Sector Management (EQ6)*

**EQ6: To what extent have the intended outcomes materialised in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilisation of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

Under the EU Chuma Cha Dziko project, the Domestic Resource Mobilization Strategy 2021-2026, to be implemented under the theme “Building a Tax Compliant Culture for national development” was developed. The Strategy is the first of its kind, as the country had been operating without such a framework document and as a result revenue measures have tended to focus on short-term activities without sufficient regard to medium-term revenue gains. The Strategy has five focus areas: (i) broadening the tax base; (ii) improving tax compliance; (iii) improving the perception of the tax system; (iv) strengthening the institutional capacity for revenue mobilization; and (v) improving non-tax revenue collection.

Since this is the first strategy with clearly defined policy objectives with respect DRM, CMSB has not contributed to budget execution in line with defined policy objectives. However, it contributes to future efforts.

The “Malawi 2063” vision is a broader and long-term vision and emphasizes on getting things done through setting milestones and accountability mechanisms. With respect to budget execution, the development of the DMRS 2021-2026 may be regarded as a considerable contribution to realization of Malawi 2063.

In 2018, a Public Expenditure and Financial Accountability (PEFA) assessment demonstrated progress in many areas of PFM performance. Parliamentary oversight of budget proposals and scrutiny of audited annual financial reports now take place in line with the legal framework. Advances were also noted in procurement (linked to legislation), internal audits (focused on reporting), and financial transparency, with increased reporting through the integrated financial management information system (IFMIS) and integration of national identification systems with payroll. These improvements may have been achieved with the strong support from the donor’s partners including the EU especially through it contribution to the WB MDTF and to the policy dialogue process around the Budget Support Road Map. Together with the more recent EU Chuma Cho Dziko project, the EU has contributed to the setting up of new systems and procedures in the area of public procurement, payroll management, information system, financial compliance framework and arrangements that intended to address key deficiencies of basics functions of the PFM systems and increase better control and efficiency of public expenditures. However, it will take more time and cultural and management changes in the public administration before to deliver genuine results. This last point is the at the core of the EU PDIA approach of the EU Chuma Cho Dziko and the proposed used of political economy analysis and the application of behavioural economics to fiscal/financial governance issues. The next PEFA planned for end 2022 and 2023 will already inform on the expected outcomes from all the support to PFM and DRM provided EU. However, analysis of political economy and behavioural issues should be incorporated in any diagnostic tools used to assess the strengths and weaknesses of PFM systems and assess in which extent the intended outcomes of the UE interventions under the CMSB area materialized in terms of improved DRM and public sector management.

*Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

Malawi has experienced and still faces a challenging macro-fiscal landscape. If the government has shown commitment to restore macroeconomic stability under the successive IMF Extended Credit facilities, several fiscal slippages and reluctance to address several key structural reforms, coupled with external shocks have maintained a fragile macroeconomic situation. High and increasing twin fiscal deficits have pushed up debt levels which contributed to reduce fiscal space to invest in growth, needed infrastructure, public services and economic diversification. So far, the financing of fiscal deficits has led to a rise in domestic debt, recent increase in external borrowing and exchange rate depreciation putting the country in a situation of debt distress and an increase dependency on external financing while the foreign exchange reserves have decreased to low levels.  Against this framework substantial external imbalance are expected to continue. Despite recent tax reforms to boost domestic resources and public financial management reform to improve fiscal discipline, the country will remain highly dependent on foreign financing and predominantly on concessional foreign aid. Following the COVID-19 crisis, the long-term prospects for the economy of Malawi face further uncertainties. Gross national savings have decreased between 2017 and 2021 as well as public and private investments.

Over the recent years public expenditures on education decreased from 5% in 2013 to 3% of GDP in 2020. Public expenditures on health were 8% in 2012, 12% in 2013, and then decreased to 10% and 9% (most recent year 2018: 9%). Child (under-five) mortality reduced considerably from 174.6 per 1,000 live births in 2000, to 84,2 in 2010 and 38.6 in 2020. The percentage of the population having access to electricity was 7% in 2012, increased to 18% in 2018 and decreased to 11% in 2019. The Gini coefficient was 65,8 in 1997; 39,9 in 2004; 45,5 in 2010; 44,7 in 2016, and 38,5 in 2019. Clearly, there was a sharp decline between 1997 and 2004, then an increase of the index until 2016, after which it decreased again.

While there was no clear and direct link between the EU CMSB support and the drivers for inclusive growth, the PFM and tax reforms promoted by the EU have been relevant to support the country in establishing the ground for stronger fiscal governance management to return the debt trajectory to a more sustainable path and to support medium term macroeconomic stability. Supports to improve financial compliance in the budget management in order to rein in public expenditures to better control fiscal deficit and debt levels were particularly relevant as the support to promote tax reforms, improve tax administration and tax compliance to maximise the domestic sources of revenues. The strong focus of the EU CMSB agenda in Malawi on strengthening governance measures in the area of PFM (internal and commitment controls, fully operationalisation of a new and more secured IFMIS, development of an audit trail, strengthening of oversight …) will be critical to make optimal use of limited fiscal resources. The expected recent support of the EU Chuma Cha Dziko project on debt management as well as on the oversight of State-Owned Enterprises will also contribute to reduce fiscal risks. In addition, the efforts deployed by the EU to put high on the agenda of its political dialogue with the national authority's PFM reforms to reduce fiduciary risks and rebuild donor's community confidence into the use of country systems will be instrumental to allow the resumption of grant and concessional on-budget financing in order to alleviate the national strong fiscal and financial constraint and to provide the necessary fiscal space to finance the needed growth and development related public expenditure programmes.

The EU consequent financial supports to CSOs aiming at harnessing citizens/civic engagement to strengthen the demand for good governance in Malawi may contribute to reinforce and enlarged the fiscal and social contract between the citizens and their government. EU's choice to include in its CMSB agenda in Malawi actions to promote the "demand side for accountability "via wide communication programmes for the population on PFM as well as capacity development activities for the civil society, the media and the university/research centres capacity development to engage on PFM and budget related public debate and dialogue with the national authorities were important to increase the pressure from civil society to demanding accountability from the government. This approach may contribute in the medium term to enlarge the social contract not only to discussions on maize subsidies' programmes and related food security government interventions that have been key debated issues regarding government's public policy transparency, relevance and efficiency. This public debate could be enlarged to the value for money and quality of others public expenditure programmes, especially on basic public services, thir budget management, sustainability and transparency as well as on the overall PFM reforms 'process... In that regard the EU interventions geared to strengthening debates and voices of domestic accountability actors have been important both from a DRM/PFM point of view as well as for accountability.

## *3.5. 3Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organisations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

At the time the country was still eligible to the budget support modality, the main platform for policy dialogue on PFM issues used to be the 'Group on Financial and Economic Management' (GFEM) meetings at political and technical level. However, the frequency and quality of policy dialogue slowed down in 2015 and these meetings were discontinued during the second half of 2015, raising serious concern about the commitment and readiness of Government to dialogue on PFM issues. Since 2016, the Government has occasionally called Development Partners mostly at technical levels to discuss PFM issues. Although these meetings in the beginning seemed random and lacked a clear structure, the Government has shown a renewed interest to dialogue with Development Partners through more regular technical meeting on PFM. The Development Partners had quickly responded to the renewed interest and at the end of 2016 a consensus for a new governance structure was found with an annual calendar for meetings. However, the commitment of the national authorities has been irregular and uneven and globally a lack of national stewardship for the coordination of donors' interventions in the area of PFM has been often observed due also to a complex national political context, limited capacity of the concerned administration and the lack of mutual trust between the government and the donors' community following the Cash Gate scandal.

In the context of the EU Chuma Cha Dziko project, a good coordination and complementarity has been observed between the EU and the IMF especially in the context of the support of both organisation to the drafting of the DRMS 2021-2017. This coordination has also derived from the integration in the EU project of a financial contribution to the IMF Revenue Mobilisation Trust Fund (RMTF) whose activities have often supported or complemented the activities directly implemented by the technical assistance provided by the project to the MRA and RDP. Regular contact and exchanges were observed between the respective expertise. The activities financed under the IMF RMTF have been de facto coordinated with the IMF FAD technical assistance mission and consequently with the EU technical assistance intervention on the DRM field.

Concerning the cooperation on PFM and DRM reforms, it seems that the presence of a long-term resident IMF technical assistant in the Ministry of Finance has also contributed to facilitate the coordination and exchange of information between the EU Delegation, the TA teams of the EU Chuma Cha Dziko project and the IMF AFRITAC and FAD support missions.

The EU Budget Support Road Map and the EU role of the Chair of the PFM working group in 2018 and 2019 (before 2018, the GIZ was in charge of the Chair, then the World Bank took over the position in 2020, and since end 2021 the AfDB is holding it, although the person chairing the group is based in South Africa.) has also provided strong leadership and visibility to the EU and has ensured an innovative mean to structure, improve and coordinate the dialogue on key macroeconomic and PFM reforms by both the national authorities and the main development partners. The benchmarks included in this Road Map has been used by several donors in their respective programmes and dialogue (e.g. IMF of World Bank) and has allowed to spearhead a high-level policy dialogue on several CMSB related issues. The 2018 road map has also contributed to re-start more regular technical and political level dialogue meetings on PFM. From the EU side, the Headquarters have been strongly involved and have supported the EU Delegation in the context of the negotiations on the BS Road Map and the subsequent monitoring of progress against the road map's benchmarks.

Previously, the World Bank Multi Donors Trust Fund to which the EU has contributed has also intended to promote a sector wide approach-based reform programme in the PFM areas and a coordination and joint dialogue between the different donors that contributed to the trust fund (EU, Irish Aid, UK DFID, Norway and GIZ) and the national authorities. However, this WB administrated project has faced several problems including the absence of a Word Bank resident coordinator, efficient and effective challenges in the management of the programme (procurement of unauthorised hardwares), a low level of absorption of contribution (due to the failure in procuring a new IFMIS system) and a moderate level of achievement of expected results.

## *3.6. Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

From the point of view of EU cooperation on CMSB issues, while EU discussions on public financial governance reforms had resumed with the previous government between 2016 and 2018, the second protracted election process also then resulted in a period of slowdown during the second part of the period under evaluation in terms of setting policy priorities, structural and staffing changes in key administrations including positions remaining unfilled, and understaffing in counterpart institutions and/or departments related to EU CMSB interventions. In addition, the Ministry of Finance and Economic Planning and Development, a key actor for the EU's flagship CMSB intervention project launched in 2019, also went through an important restructuring process. However, the EU interventions have always intended to promote a constructive policy and technical dialogue on PFM and DRM reforms and have also tried, in addition to a focus on specific and technical reforms, to always encompass its intervention in a strategic reform framework and process contributing to the development, the adoption and the communication of nationally owned reform strategies.

The strong involvement of the EU Headquarters for the negotiation and for the monitoring of the EU Budget support Road Map has been instrumental to provide the required high political and technical profile to this approach and to support the EU Delegation. The budget support road map has also contributed to increase the visibility of the role of the EU in the area of PFM reforms.

In terms of flexibility, the WB MDTF has been able to adapt its focus in the wake of the Cash gate scandal to provide a stronger emphasis on fiduciary risks, commitment control and improvement of the FMIS. The EU Chuma cha Dziko project has also been able to adapt its activities according to merging priorities such as the inclusion of a specific component to support the administration the area of capacity development in the area of public private partnership governance as well as, more recently, the provision of a debt advisor following discussions with the IMF and the government in the context of the negotiation on a new Extended Credit Facility Arrangement.

## 4. Main lessons: contribution to key outcomes and good practices

Despite the absence of budget support modality and considering a difficult political and macro-fiscal environment, including uneven level of commitment to reforms from the side of the national authorities as well as lack of trust in country systems and high fiduciary risks, **the EU has found an innovative way to revive policy dialogue and spearhead a track-record on key PFM reforms and BS eligibility criteria related actions** through its Budget Support Road Map. The close coordination with the others donors and **the strong involvement of the EU Headquarters** at political and technical levels (through in-country technical missions) have been instrumental in supporting the EU Delegation in these endeavours. The EU has also ensured **the production of proper and accurate diagnostics on often technical PFM issues in order to properly inform its policy dialogue with the national authorities**. Finally, the EU has made a relevant choice in targeting in a budget support road map **a small number of most urgent PFM problems related to key basic financial compliance and control functions as well as PFM/accounting arrangements rather than grand reform strategies based on advanced country practices**. In addition, **the EU has considered the need to encompass this approach in strategic reform framework process to promote sustainability of action and government commitment** by including in the road map specific benchmarks on the need to carry out international PFM diagnostic (PEFA, MAPS…) and promote the adoption of national multi-year PFM reform strategy and action plan. On this point, the EU experience in Malawi has demonstrated the need to carry out regular PFM diagnostic in order to ensure a proper monitoring and evaluation of PFM and DRM reform project. In the case of Malawi, the PEFA exercises were too far apart in time (2011, then 2018 only and the next one is planned for early 2023) to be able to capture the outcomes of the reform process).

The EU contribution to the World Bank Multi Donor Trust Fund had mixed results and has underlined the need to have a strong coordination mechanism and dialogue process not only between the contributing donors but also with the national authorities, including a solid, professional and dedicated implementation and monitoring unit. The outcomes of the project have been undermined by the absence of a resident team leader and a monitoring and evaluation specialist over the entire life of the project. The project has also demonstrated **the difficulty of supporting a range of complex activities that relate to infrastructure acquisition and/or upgrade of various IT systems such as the development of new Financial Management Information System** (FMIS) that need several years to be completed and implemented as well as strong national commitment, local IT expertise and appropriate training programmes to ensure diffusion of new practises in the concerned administration. Furthermore, these apparent IT transitions need also a high level of support from key high-level officials and require, in addition to solid IT diagnostic preliminary political economy analysis to identified and neutralise potential institutional and/or civil servant representative resistances to changes.

The latest EU Chuma Cha Dziko project aims at strengthening government systems and capabilities in (a) public finance management (support to the design of a new PFM national strategy and capacity development in procurement and contract management, commitment controls, payroll & pension management and parastatal governance), (b) tax policy and system review (design of a national DRM strategy, coherent and effective tax policy regime and tax administration effectiveness especially on tax compliance/VAT, automation and connectivity of tax information system) as well as (c) consolidation of civil society organizations, media and academia to promote domestic accountability and transparency. This large project is carried out by a large team of experts in various fields, e.g., economists, lawyers, communication experts and technicians, etc. The experts contracted are based in Malawi (almost) full-time. Consequently, there is high experts' involvement in all aspects of the project, and they are easily approachable and available for meetings. This results in a strong cooperation between the experts and the counterparts to find solutions to any issue and **underlines the importance of providing long term technical assistance based in the public administration and working in close relation with the civil servants in order to carry out project capacity development activities in the best conditions and maximize the ownership and sustainability of the project intended outcomes**. The new approach proposed by this project based on political economy analysis, problem driven iterative and adaptive approach has also intended **to apply behavioural economics to PFM and fiscal reform process**. This approach requires however to be developed and implemented in **a medium to long term horizon.** The project started 1 April 2020 for a five-year period. Given the political and economic environment when the project started, changes are slowly decided upon and adapted. While assuming that the project will achieve full completion of all objectives, it may take longer than five years for all achievements to become accustomed within the government and the citizens. Furthermore, after its end, Malawi may be ready for next steps to achieve the goals described in the strategic national development vision Malawi 2063. A follow-up programme, run by the EU or another donor, could further strengthen PFM in Malawi and will be necessary to ensure sustainability of and capitalization on the achieved or ongoing PFM/DRM reforms and project intended outcome.

Finally, **the EU's use of a wide range of modality of interventions** including direct long term technical assistance to the national administration, contribution to the IMF Revenue Mobilization Trust Fund as well as an important component implemented by the civil society, has contributed **to provide an interesting interrelated and mutually reinforcing mix of modalities of interventions that improved EU knowledge and access to information** to better feed its policy dialogue on CMSB's related reforms. On this last point, it will be important to further strengthen the coordination and complementarity between the institutional and civil society components of the EU Chuma Cha Dziko Project.

## Annex 1: Inventory of the EU support to CMSB agenda in Malawi

**Table 1: CORE CMSB Contracted or disbursed amount (in M€)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| VTI | - | - | - | - | - | - | - |
| CM | - | - | - | - | - | - | - |
| TA | - | - | 0,1 | - | 8,7 | 1,1 | 9,9 |
| IO | - | - | - | - | 2,5 | - | 2,5 |
| Total | - | - | 0.1 | - | 11.2 | 1,1 | 12,4 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

3) BS complementary measures (technical assistance, studies, …)

4) Other EC interventions

**Capacity-building / technical assistance projects supporting CMSB**

| Decision number | CRIS contract number | Programme title / content | Start Date | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 40749 | 410719 | Technical Assistance to the Government of Malawi to support the implementation of PFM Reforms | 2019 | Ongoing | 10,922,920€ |
| 38882 | 405939 | Review of selected PFM areas under the EU Budget Support | 2019 | Closed | 11.000 € |

| | | | | | |
|---|---|---|---|---|---|
| 38882 | 391277 | Formulation of PFM support programme | 2017 | Closed | 103.260 € |
| 40749 | 415039 | Enhanced Evidence-based research to inform policy decision making in PFM | 2020 | Ongoing | 375.000 € |
| 40749 | 413963 | Strengthening the Capacity of CSOs to promote Transparency and Accountability in Public Infrastructure Projects in Malawi | 2020 | Ongoing | 352.662 € |
| 40749 | 413731 | Voices and Actions for Accountability in Malawi (VAAM!) | 2020 | Ongoing | 375.000 € |
| 40749 | 421289 | Voice of Accountability | 2021 | Ongoing | 2.994.378 € |
| | | | | | |

**Multi-Donor Trust Fund**

| Decision number | CRIS contract number | Programme title / content | Start Date | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 40749 | 408824 | Revenue Mobilisation Thematic Fund (RMTF) | 2019 | Ongoing | 2.555.396 € |

## Annex 2: List of Institutions met

| Institution type | Institution / Minister | Service |
|---|---|---|
| EU | EU Delegation | |
| EU Chuma Cha Dziko Project | Team of Technical Assistant in the Ministry of Finance and Economic Affairs | |
| ational authorities and institutions | Ministry of Finance and Economic Affairs | National Authorising Officer |
| | | PFM Service Division |
| | | |
| | Public Procurement and Disposal of Assets | |
| Other donors: | IMF | |
| | World Bank | |
| | Irish Aid | |
| Civil society: | HIVOS, OXFAM, Kulondoza project, PTF | |

# CASE STUDY NOTE – MONGOLIA

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## List of acronyms

| | |
|---|---|
| ADB | Asian Development Bank |
| BEPS | Base Erosion and Profit Shifting |
| BoM | Bank of Mongolia |
| BS | Budget Support |
| CIT | Corporation Tax |
| CMSB | Collect More Spend Better |
| CPIA | Country Policy and Institutional Assessment |
| CSO | Civil Society Organization |
| DBM | Development Bank of Mongolia |
| DP | Donor Partner |
| DeMPA | Debt Management Performance Assessment |
| DPF | Development Policy Financing |
| DRM | Domestic Revenue Mobilisation |
| EC | European Commission |
| EFF | Extended Fund Facility |
| EITI | Extractive Industries Transparency Initiative |
| EG4EG | Economic Governance for Equitable Growth |
| EU | European Union |
| EUD | European Union Delegation |
| FHF | Future Heritage Law |
| FPPD | Fiscal Policy Planning Department |
| FSF | Fiscal Stabilization Fund |
| FSL | Fiscal Stability Law |
| FT | Fixed Tranche |
| GAL | Glass Account Law |
| GAP | Government Action Plan |
| GDP | Gross Domestic Product |
| GiZ | Deutsch Gesellschaft für Internationale Zusammenarbeit |
| GoM | Government of Mongolia |
| GRB | Gender Responsive Budgeting |
| GSP+ | Generalized Scheme of Preference |
| IBL | Integrated Budget Law |
| IFI | International Fiscal Index |
| IMF | International Monetary Fund |
| IPSAS | International Public Servic Accounting Standards |

| | |
|---|---|
| MNAO | Mongolian National Audit Office |
| MoF | Ministry of Finance |
| MTEF | Medium-Term Expenditure Framework |
| MTFF | Medium-Term Fiscal Framework |
| NDA | National Development Agency |
| OBI | Open Budget Index |
| OECD | Organisation for Economic Cooperation and Development |
| PEFA | Public Expenditure and Financial Assessment |
| PFM | Public Financial Management |
| PFM WB | Public Financial Management Working Group |
| PIMA | Public Investment Management Assessment |
| PIM | Public Investment Management |
| PIT | Personal Income Tax |
| PPP | Public Private Partnership |
| RFI | Rapid Financing Instrument |
| RMTF | Revenue Mobilization Trust Fund |
| SDTF | Single Donor Trust Fund |
| SRPC | Sector Reform Performance Contract |
| TA | Technical assistance |
| USD | United-States Dollar |
| VAT | Value-Added Tax |
| VT | Variable Tranche |
| WB | World Bank |

# 1. Introduction and choice of Mongolia as a case study

## *1.1 Scope and objectives of this case study*

This country note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission in Mongolia to the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability during the period 2015-2020/21 (see portfolio in Annex 1).

The analysis builds on a desk review and a 3-day mission in Ulaanbaatar carried out between 13 and 15 June 2022. Desk work included the analysis of documents (e.g., EC strategy-level documents, national PFM strategies/plans, international studies, EC intervention documents) and of statistical data (e.g., key macro-economic and social indicators, budgetary data, PEFA scores, Open Budget Index data, CPIA). During field work, the team could collect the views of EUD staff, representatives of the Government of Mongolia as well as of key beneficiary institutions, other partners involved in public finance and civil society actors (see list in Annex 2).

Mongolia was selected as a case study due to the high volatility and commodity-dependence of the Mongolian economy. This country hence faces high fiscal vulnerability and external risks. This case study aims to illustrate the support provided by the EU and the effects reached in this type of context. Since 2015, the EU provided continuous support to public finance in Mongolia through a mix of aid modalities involving a wide range of partners. Three successive operations were implemented, a TA project implemented by GiZ during 2015-2018, a Single-Donor Trust Fund (SDTF) implemented by the WB during 2018-2023, and an SRPC for employment reforms signed in May 2020 for 3 years, which focuses on public service delivery in labour & employment and on PFM.

Through its support, the EU aimed to address several challenges related to the CMSB agenda (see 2.4), including in particular:

- Better management of revenues from the mining sector;
- Strengthened capacity in taxation and revenue forecasting;
- Enhanced PFM legal framework;
- Improved results-based budgeting, including gender responsive budgeting;
- Improved Public Investment Management;
- Improved oversight of the budget and transparency through enhanced scrutiny by the Parliament and civil society organisations (CSOs) & strengthened capacities of the National Audit Office.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. This set covers the relevance, internal and external coherence, efficiency, effectiveness and impact of the EU support provided to the CMSB agenda.

## *1.2 Limitations*

Given the limited duration of the field mission and the wideness of the topics under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support to public finance in Mongolia. It aims at identifying key strengths and weaknesses of EU interventions deployed in public finance in Mongolia so as to draw lessons from the EU's experience in the country, and to formulate recommendations to strengthen the EU's role in the areas related to the CMSB agenda.

# 2. National context and EU interventions supporting the CMSB agenda

## *2.1 General context and main policy documents*

Mongolia is a landlocked country which economy is dominated by export of raw resources, especially to China. Since the end of the Communist regime in 1990, the country has successfully adopted a market-based economic system, resulting in tripling its per capita GDP until 2021[1]. Despite a visible economic development, around one third of the population is still living below the poverty line, and no significant improvement was reported over the evaluated period[2]. Inserted between China and Russia, Mongolia's preservation of its independence is an over-lasting challenge. Mongolia has signed agreements strengthening its economic and political cooperation with both countries over the past decade (2014 with China and 2019 with Russia). Furthermore, Mongolia is trying to follow a ''third neighbor policy'', aiming at expanding and diversifying cooperation with other countries in Asia (such as Japan or India) and worldwide (namely the US and the EU). However, results of this policy have been timid so far, due to China's significant weight on the political scene in Mongolia over the last few years. In 2019, 80% of Mongolian exports were mineral products, and 90% of its overall exports went to China[3].

While its rentier economy, its lack of democratic experience and its direct neighbourhood with authoritarian regimes could constitute strong factors hampering the installation of a stable democratic system in Mongolia, the country acts as an exception in the region[4]. Since 1990, Mongolia's parliamentary regime has experienced several peaceful political transitions. The institutions of the country are perceived as strong and legitimate by the population. Last legislative elections in 2021 confirmed the domination of the Mongolian People Party in the State Great Khural (the national parliament) thanks to its management of the COVID-19 crisis, and the stability of the medium-term political orientations of the current government. However, challenges have remained in Mongolia, especially concerning the pervasiveness of corruption throughout Mongolian public institutions despite several ongoing policies fighting against those practices.

With the appointment of a new government in 2016 following a political alternation in the national Parliament, a long-term strategic plan was adopted (Vision 2030) and a Government Action Plan (GAP) (2016-2020) were adopted. The GAP reflects Mongolia's Vision 2030. One of the main goals of this plan was to overcome the economic crisis of 2015-2016 by strengthening fiscal discipline and improving PFM performance. Vision 2050 was adopted in 2020. It is based on nine goals, mainly focused on improvement of social development, economic growth and citizens' quality of life, by fighting poverty, promoting a greener economy and improving social services such as the education system. GAP 2020-2024 has mainly been dedicated to economic recovery following Covid-19 crisis, by ensuring economy revitalization, job creation and a more sustainable and inclusive development.

Concerning PFM-related reforms, Mongolia implemented several strategic documents since 2015. A PFM Reform Strategy was adopted in 2018. The PFM Action Plan (2018-2022) underwent several iterations and consultations; its final version dates 2019. It lists 76 reform activities gathered in ten objectives covering the full spectrum of public finance, based on the weaknesses underlined in the 2015 PEFA assessment and other IFI assessments. Overall, this plan aims at: ensuring budgetary and macroeconomic stability / establishing a sound budgetary and financial system aligned with international best practices / improving effectiveness of public resource and investment management / improving accessibility and delivery of public services / improving fiscal and financial accountability and transparency. Several laws were also adopted. The Integrated Budget Law 2016 (IBL) is the key legislation organizing PFM in Mongolia, by (i) strengthening the MTFF and ensuring fiscal stability, (ii)

1 IBRD/WB, PEFA, 2021

2 Fondation pour la Recherche Stratégique, Mongolie : Quelles évolutions après les élections législatives du 24 juin 2020 ?, Fondation pour la Recherche Stratégique, 2020

3 IMF, Article IV Consultation Mongolia, 2019

4 Fondation pour la Recherche Stratégique, Mongolie : Quelles évolutions après les élections législatives du 24 juin 2020 ?, Fondation pour la Recherche Stratégique, 2020

improving the comprehensiveness of the budget, (iii) strengthening the public investment planning and capital budgeting process, (iv) ensuring efficient financial management, (v) increasing the authority and financial resources of local governments, and (vi) strengthening accountability through internal audit and participatory budget[5]. The Fiscal Stability Law 2010 (FSL) sets limits on expenditure growth and deficits, related to mineral prices and to a debt-to-GDP ceiling not exceeding 60%. The Glass Accounts Law 2014 (GAL) aims at strengthening accountability by requiring all public agencies to publish data on a common portal.[6]

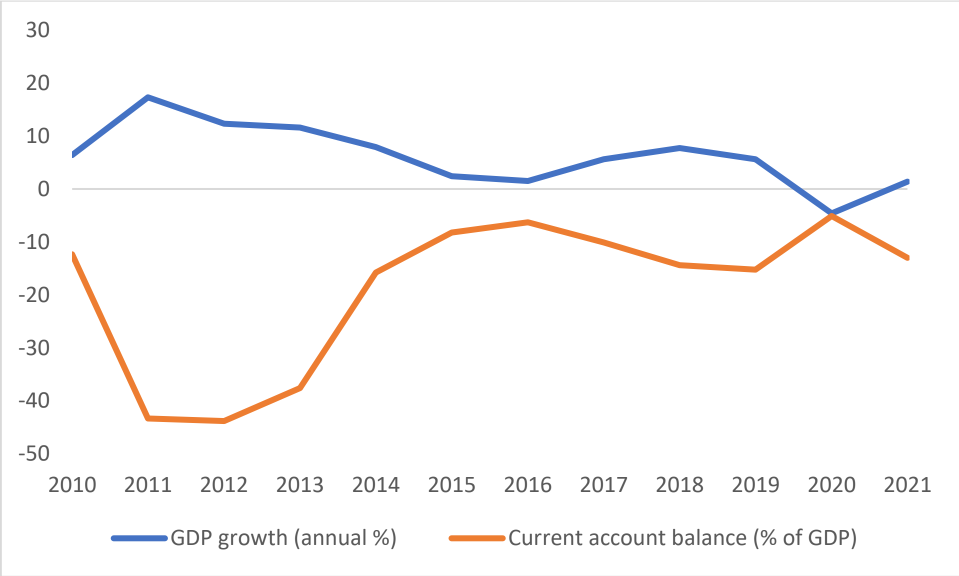
## 2.2 Recent economic evolutions

Over the last decade, Mongolia experienced a contrasted economic evolution. While its GDP growth was one of the strongest in the region in early 2010s, its economic figures worsened in 2015-2016, due to difficulties of the mining sector and the weakening of trade with China[7]. Austerity measures were implemented following a programme contracted with the IMF to overcome the downturn of its economy in 2017. Mongolia then witnessed a strong recovery driven by the mining industry[8]. Fiscal discipline was strengthened in 2017-2018, while the State budget was in surplus[9]. The main adjustments were reportedly[10] focused on expenditure forecast, revenue mobilization and the integration of off-budget and quasi-fiscal expenditures into the budget. The COVID-19 crisis hampered the durability of the recovery. Real GDP growth contracted by 4.6% in 2020 with the combination of rising spending demands and revenue shortfalls[11]. According to international analysts[12], the Mongolian government reacted well to this external shock by delivering short-term support to the population and local economic actors. However, the Bank of Mongolia (BOM) has resumed quasi-fiscal activities in 2020–21 to support the economy during the pandemic. Moreover, the large fiscal support to lower the negative effects of the pandemic deepened significantly the budget deficit and worsened public debt in 2020[13].

Over the period evaluated, Mongolia’s risk of debt distress remained high, despite proactive policies targeting the country’s identified weaknesses. While Mongolia’s public debt sharply increased in 2015-17[14], the government implemented measures to reduce its deficit. However, these were not sufficient to address structural vulnerabilities, namely limited buffers, the national narrow economic base and dependence to mineral prices. In 2020, public debt amounted 77,4% of GDP, of which 95,6% was held by external actors[15]. The fiscal framework has raised concerns. The Fiscal Stability Law (FSL), which was supposed to ensure fiscal discipline, has been constantly by-passed and amended since its adoption in 2010. The initial ceiling for the structural fiscal balance deficit (2% GDP) was only met twice since 2013. Moreover, the debt limit was raised from 40% GDP to 60% in 2016.

5 IBRD/WB, PEFA, 2021
6 Ibid
7 IMF, Article IV Consultations, 2017
8 IMF, Article IV Consultations, 2019
9 IBRD/WB, PEFA, 2021
10 Ibid
11 IMF, Article IV Consultations, 2021
12 Ibid
13 Ibid
14 IMF, Article IV Consultations, 2017
15 Ibid

**Figure 1 : Key macroeconomic trends in Mongolia since 2010**




Source: World Bank[16]

To cope with Mongolia's economy vulnerability to external shocks, especially fluctuations of raw materials' prices, two sovereign wealth funds were created[17]. Those funds were conceived as buffers, aiming at collecting revenues when the national economy was outperforming, due to higher export profits, in order to use it when the international mineral prices would plummet. Appropriately used, they would smooth fiscal revenues variations and then reduced Mongolia exposition to external shocks and downside risks on the near term. More specifically:

- The Fiscal Stabilization Fund (FSF), established in 2011 aims to insulate the budget from volatile commodity prices and provide a buffer to the budget in times of revenue shortfalls on the near-term. This fund was continuously used over the evaluated period, prioritizing it over other additional borrowing to balance its budget. Moreover, Mongolia also widely used FSF savings to finance emergency measures during Covid-19 crisis. Overall, international stakeholders assessed that this fund was overly used, even during periods of higher raw materials prices, and lost a part of its initial purpose.[18]
- The Future Heritage Fund (FHF), established in 2017, aims to ensure a fair and equal distribution of mineral wealth across generations and to establish a stable and efficient macroeconomic management system. Its purpose was to accumulate financial resources to be used on the longer-term. The savings in the Fiscal Heritage Fund have been appropriately increased until end-2021. This fund was occasionally used in 2017-18 to finance expenditures supposed to be taken in charge by the Human Development Fund (terminated in 2015). Apart from this, savings have been constantly and appropriately accumulating in the FHF.

Overall, early 2021, Mongolia remained extremely dependent on China's economic growth since almost all its exports are directed to its neighbor, and on international raw materials (namely copper, gold and coal) prices. Despite proactive public policies to improve diversification and economic independence, Mongolia remains exposed to external shocks in the near term.

16 https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MN (GDP growth) https://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS?locations=MN (current balance account 2010-2020) / https://www.adb.org/countries/mongolia/economy# (current balance account 2021)

17 IMF, Article IV Consultations, 2021

18 Ibid

## 2.3 Main other actors supporting the CMSB agenda in Mongolia

The IMF, the WB and the ADB are the key actors having supported the implementation of public finance reforms in the country.

The **IMF** is a long-lasting partner of Mongolia. A three-year arrangement under the Extended Fund Facility was approved in May 2017 after the economic crisis. The programme was extended twice until 2023. The IMF arrangement is part of a $5.5 billion multi-donor financing package that supports the authorities' Economic Recovery Plan. The Asian Development Bank (ADB), the World Bank, Japan, South Korea and China also took part to this arrangement. One of the main pillars of the monitoring of Mongolian compliance with the Program was the implementation of reforms to foster ''fiscal consolidation, to reduce the pressure on domestic financial market, stabilize the external position, an restore debt sustainability''[19]. Mongolia is also one of the beneficiary countries of the Revenue Mobilization Trust Fund (RMTF), implemented by the IMF and co-financed by the EU. Finally, the IMF also provided in 2020 emergency financial assistance to Mongolia under the Rapid Financing Instrument ($99 million) to meet urgent budgetary and balance of payment needs stemming from COVID-19.

The **World Bank** approved a programmatic series of Development Policy Financing (DPF) operations – the Economic Management Support Operation -, with $120M disbursed in 2017 and $100M in 2019. The third operation was suspended in 2020 with the new government (2020) and COVID-19. These operations aimed to (i) restore debt sustainability; (ii) strengthen the social protection system (social welfare, social insurance and pension insurance); and (iii) enhance competitiveness. In the area of public finance, prior actions focused on the disengagement of Development Bank of Mongolia from off-budget spending, revenue mobilization (e.g., raise of personal income taxes), the tax expenditure system, public investment management, and the management of government special funds. A new series was under preparation mid-2021. The WB also implemented the Strengthening Fiscal and Financial Stability Project (loan of $12M) during the period 2018-2022/23 to strengthen fiscal and financial stability and improve the quality of expenditure management. It consists of four components: strengthening macroeconomic and fiscal management, improving the efficiency of public financial management, enhancing financial sector stability, and strengthening of the social protection system.

The **Asian Development Bank** has implemented a wide range of programmes to promote the economic and social development of the country. Over the period evaluated, the ADB provided several TA mainly focusing on transparency, efficiency and service delivery of the PFM system of the country. The ADB was also closely involved in tax policy and macro-economic policy dialogue, in close cooperation with the IMF, of which it had funded several programmes. Moreover, two loans were contracted (amounting 300 million USD) supporting social welfare system between 2015 and 2018. During the COVID-19 crisis, ADB disbursed an emergency aid to Mongolia amounting 100 million USD.

On the national institutional scene, PFM-related reforms have involved numerous institutional and civil actors. The key public actor in charge of public finance management is the **Ministry of Finance (MoF)**, which formulates fiscal policy, prepares, implements, and reports on the annual budget, ensures the timely disbursement and management of public funds, and monitors revenue generation, financing of expenditures and debt management. **The Treasury Department**'s responsibility is to handle expenditure transactions and to draft the Medium-Term Expenditure Framework (MTEF). The **General Department of Taxation** and the **General Department of Customs** are the institutions designated for collecting tax revenue. A **PFM Working Group** (PFM WG) was also created in 2017 to draft and implement the PFM Action Plan. It is composed by the 9 director generals of each MoF department and chaired by the State Secretary of the MoF. The **Fiscal Policy and Planning Department** (FPPD) is involved in the coordination and interdepartmental interactions concerning the PFM Action Plan's implementation. It is also one of the main Mongolian interlocutors in the cooperation with the World Bank.

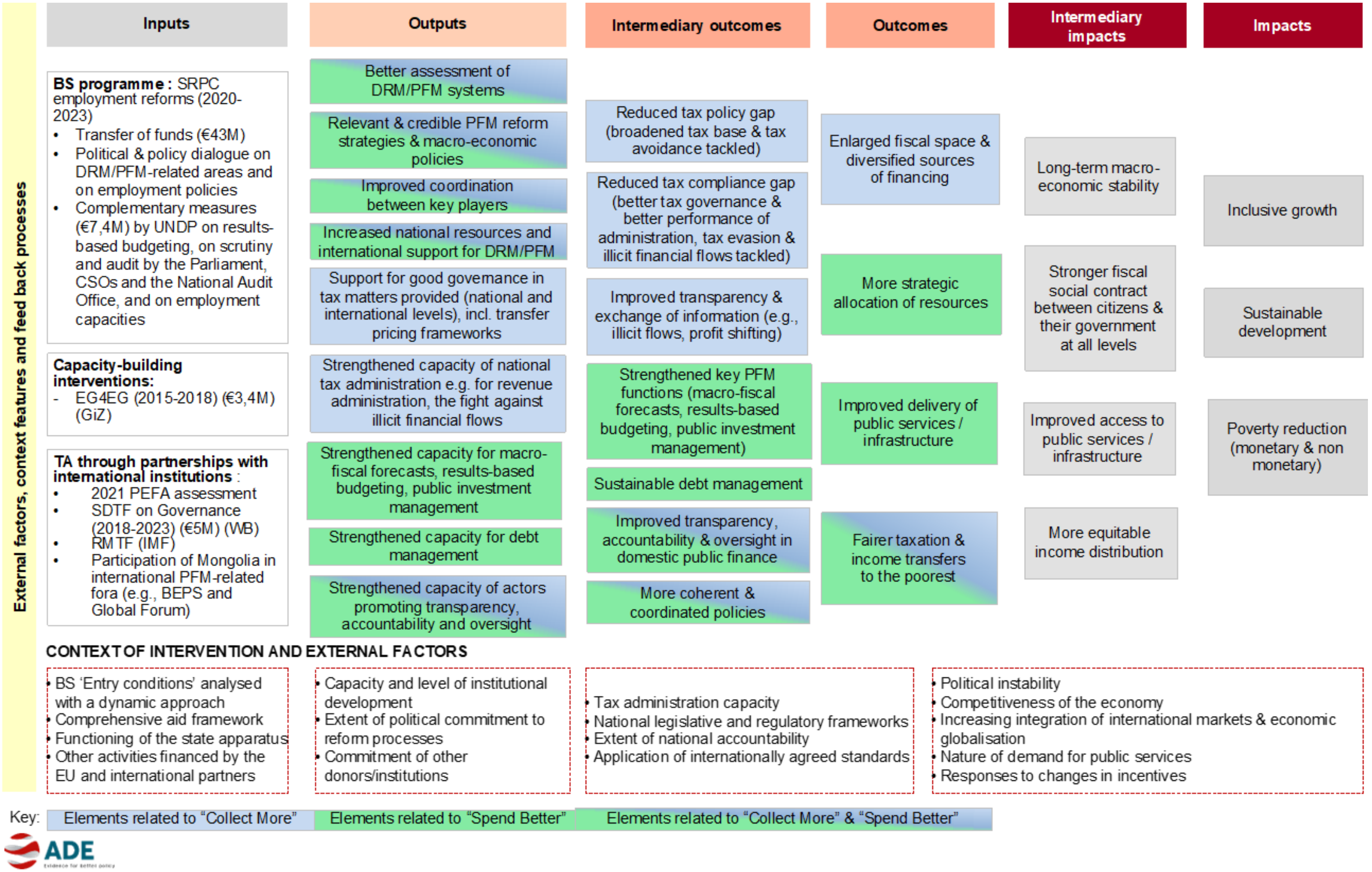
[19] IMF, IMF Executive Board approves Financial Arrangement for Mongolia, 2017

The **National Development Agency** (NDA) is involved since 2016 in the drafting and implementation of longer-term development planning and policies. Formerly called Ministry of Planning, this agency is now under the Prime Minister's authority. Its main goal is to elaborate policies to reduce poverty and improve labor market performance in Mongolia. Finally, the **Parliament** has the power to adopt, amend and enforce the budget and other legislation and policies related to PFM. The budget preparation and approval process were recently modified by the ''**Law on Legislation''** in 2015, in order to put in place a systematic and mandatory impact assessment and cost-benefit analysis prior to submission to Parliament, and to lower the changes and amendments from the Parliament soon after their first adoption. The **Mongolian National Audit Office** (MNAO) is the supreme audit institution. In addition, independent oversight of revenue forecasting is provided by both the **Auditor-General** and the **Fiscal Stability Council** in the context of budget approval.

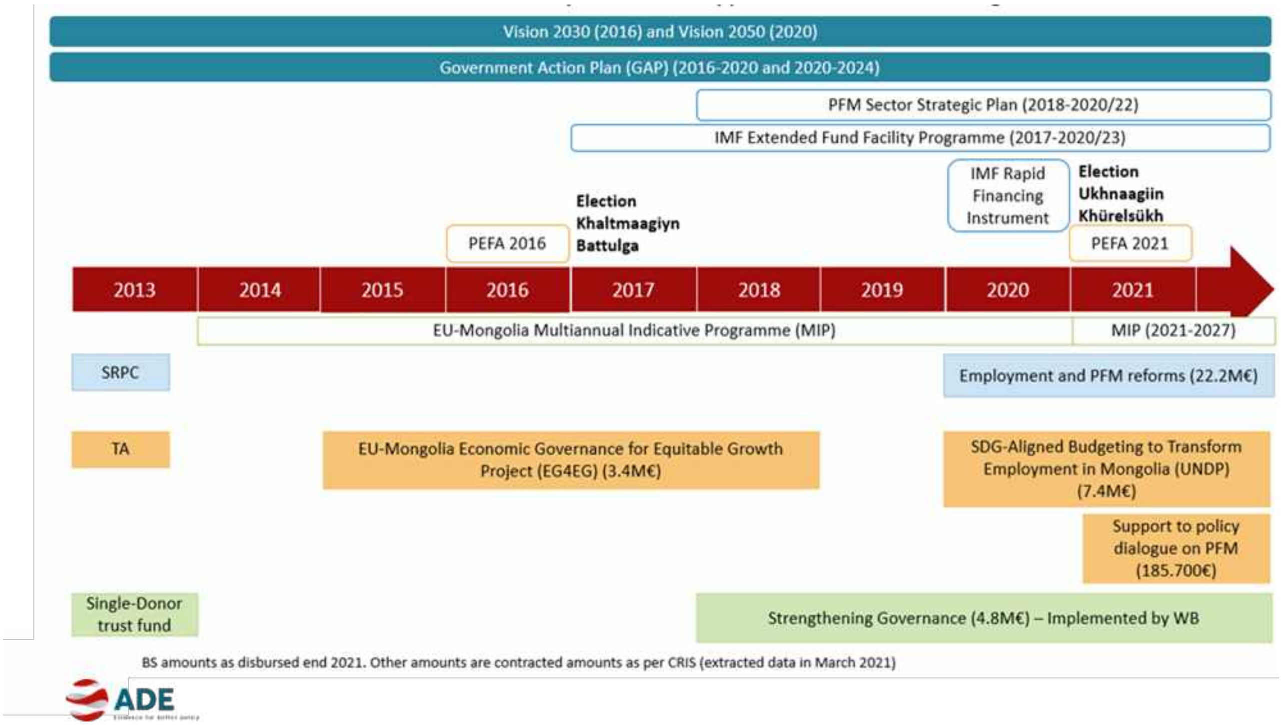
**Civil society** has also played an increasing role in the promotion of transparency and accountability in Mongolia. It was particularly active in the inspection of public debate and political decisions. It also has an institutional role since the adoption of the **Public Procurement Law** in 2013 in the monitoring of procurement activities.

## 2.4 Intervention logic of EC support to the CMSB agenda in Mongolia

The following diagram presents the hierarchy of objectives pursued by the European Commission through its support to CMSB agenda. It aims to highlight the chain of intended changes, going from the EC inputs deployed to support public finance to the intended impacts.



## *2.5 Timeline of the EU's support to the « Collect More, Spend Better » agenda (2014-2021) related to the context in Mongolia*




# 3. Answers to Evaluation Questions

## *3.1 Relevance*

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**Support to both PFM and DRM has been a key EU priority in Mongolia since 2014 (JC1.1 & JC1.2).** Mongolia is a mineral resource-rich economy, which experienced a severe economic downturn in 2015-2016 after the drop in commodity prices, before recovering as of 2017 with the implementation of the national Economic Recovery Programme, strongly backed up by a US$5.5 billion joint donor programme. The period under review was also characterized by significant political volatility, with numerous changes of government. In this context, EU support focused on the improvement of governance and distribution of revenues, in particular from the mining sector, to advance inclusive and environmentally sustainable growth.

**EU CMSB support evolved over time, in line with the political, macro-economic and PFM changes of the country (JC1.1 & JC1.2).** During the period 2015-2018, the EU worked, together with other partners (e.g., in particular IMF, WB, ADB), on the establishment of the baselines. The Economic Governance for Equitable Growth (EG4EG) capacity-building intervention focused on supporting the Government's efforts to formulate and monitor fiscal policy and PFM reform, and enhancing the capacities of the MoF to design mineral and non-mineral fiscal revenue forecasting and financial models for the mining sector. The EU then financed a Single Donor Trust Fund (SDTF), implemented by the WB, to advance that an overall PFM improvement plan be drawn up and would form the basis for a coordinated engagement with GoM on PFM reform. In a country that was not yet eligible for budget support, the implementation of a PFM plan was also seen as an essential element in supporting Mongolia to fulfil EU budget support eligibility criteria. During the period 2019-2020/21, EU CMSB support then aimed to accompany the implementation of the PFM reform and action plan adopted in 2019. Through the SDTF (implemented until 2023), the EU also aimed to enhance i) fiscal management through the establishment of a Fiscal Council; ii) budget transparency, oversight and citizen engagement; and iii) public investment management. In 2020, the EU signed its first BS operation with the GoM, following extensive consultations with the GoM and the donor community. This SRPC on employment reforms (2020-2023) has aimed to enhance public service delivery in labour and employment. It has also focused on PFM, in particular on the "Collect" strand of the CMSB agenda, with two performance indicators of particular relevance: one on mining revenue forecasting and one supporting the implementation of a simplified tax regime. Capacity-building foreseen under the BS complementary measures has aimed to enhance results-based budgeting and oversight capacities. Finally, during 2017-2022, Mongolia also benefited from assistance under the Revenue Mobilization Thematic Fund (RMTF), implemented by the IMF. This Fund was designed to respond to the Addis challenges in the area of DRM, in particular to accompany reforms of beneficiary counties to their tax systems.

**Ensuring alignment to the EITI has not featured prominently in EU CMSB support (JC1.4).** The GoM was admitted as Extractive Industries Transparency Initiative (EITI) Candidate in 2007 and achieved compliance in 2010. Since the implementation of the EITI, Mongolia has produced fourteen reports. The implementation of the EITI was part of the 2019 PFM reform action plan. The latter focused on putting in place adequate rules, regulations, protocols, and reporting systems. All EU CMSB interventions focused on improved governance of revenues, in particular from extractive industries. Reference to the EITI or to measures to accompany its implementation is scarce in EC intervention design documents.

**EU CMSB support – together with other partners – aimed to address core institutional weaknesses affecting fiscal policy making and public financial management (JC1.2).** The MoF has shown high commitment towards PFM reform implementation. But institutional capacities and inter-ministerial coordination remained limited throughout the period. For instance, the Fiscal Council was established but has not organized structured meetings up till mid-2022. With EG4EG and the EU-financed SDTF, the EU provided capacity-building to the Government to design a PFM action plan and lay down the foundations for coordinating its implementation and monitoring its progress. More recently, the EU accompanied PFM reform implementation through an SRPC. GoM leadership was a key issue discussed during the BS eligibility assessment. Close work took place to identify the performance indicators and set the targets. The indicators were selected to speed up reform actions, e.g., on implementation of a simplified tax regime and integrated tax filing system, that were part of GoM priorities. Due attention was paid to define realistic targets.

**Overall, gender equity has been adequately tackled in EU CMSB interventions, whilst digitalisation and environment were not particularly addressed (JC1.5).** During implementation of EG4EG, a Country Gender Profile was carried out. It provided a set of guidelines for the GoM to mainstream gender issues in accordance with the EU Gender Action Pan (GAP). The SDTF supported in 2020 the GoM with the implementation of a phased approach to introduce Gender Responsive Budgeting (GRB). A GRB Action Plan, endorsed by the MoF, delineates a set of activities to pilot GRB in targeted institutions and develop GRB related procedures and methodology. Moreover, the GoM introduced a GRB request to provide relevant information into the budget circular for the 2021 budget preparation.

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**The EU – together with other DPs – has played a key role in supporting GoM efforts to formulate and monitor fiscal policy and PFM reform (JC2.2 - see also EQ1&3).** The PFM action plan reflected an integrated vision of Mongolian previous PFM experiences (see EQ3). This plan, which represented a big step forward, is activity-driven. It does not present a sufficiently well-articulated view of its ten strategic objectives.

**Since 2015, the EU provided continuous support to public finance in an articulated manner through a mix of aid modalities (JC2.2 – see also EQ1).** It provided capacity-building through a dedicated intervention (EG4EG), an EU-financed WB SDTF, and complementary support under the SRPC on employment reforms focused. It also put emphasis on revenue through the SRPC on employment reforms.

**The EU often relied on experimented international partners to deliver its CMSB support (JC2.2).** After EG4EG and before considering Mongolia eligible for BS, the EU decided to continue its support to public finance by channeling funds to a WB-implemented SDTF. It wanted to rely on the country experience and public finance expertise of the WB. At that time, there was also no EUD office in Ulaanbaatar. Similarly, the EU selected the UNDP as implementing partner for its complementary support under the SRPC due to its i) country experience, with established working relationships with key stakeholders; ii) experience in policy-based budgeting; iii) capacity to engage with state and non-state actors in budget scrutiny; and iv) ability to implement the TA component and to resort to ad-hoc expertise from its regional network.

**Providing BS proved relevant in the prevailing Mongolian macro-economic and fiscal context (JC2.2).** Following the outbreak of COVID-19 and the related sharp increase of public debt, providing grants to the treasury proved helpful to stabilize the macro-economic situation. The introduction of BS in Mongolia implied a lot of interactions with the GoM to explain the modality. Mid-2022, BS as an aid modality was still in its learning curve. In particular, line ministries showed an insufficient understanding of this aid modality.

**Complementarity of EU CMSB support with other EU interventions remained under exploited (JC2.3).** The design of the SRPC built upon the achievements of EU projects in the two sectors of the

2014-2020 Multiannual Indicative Programme (MIP), namely strengthening governance of revenues and improving employment opportunities. The search of specific complementarity with other EU's projects supporting TVET and the employment sector has not been a salient feature.

**Ensuring coherence with EU trade policies has not been a salient feature of EU CMSB support (JC2.4).** Mongolia benefits of the EU's Generalized Scheme of Preferences (GSP+), allowing exporters to pay lower duties on their exports to the EU, with the aim of further contributing to Mongolia's economic growth. It received trade related assistance (€5M) through the DCI-Asia regional envelope.

## 3.3 Effectiveness – Analysis of outputs and intermediary outcomes

*Contribution of EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**EU CMSB support - together with other DPs support - has been instrumental to set a comprehensive PFM Reform Strategy and Action Plan (2018-2022), adopted in 2019 (JC3.1 & JC3.2).** This plan takes stock of previous work on PFM reforms, and builds on the 2015 PEFA assessment and other assessments conducted by IFIs. It also reflects GoM commitments towards the IMF and DPs to accompany economic recovery further to the 2015/2016 fiscal crisis.

The Action Plan reflected the integration of existing Mongolian initiatives to enhance quality of spending. In Mongolia, the first phase of reforms (2003-2008) established the basic elements of the system, including strengthening internal controls, cash management, and accounting and reporting. The second phase of reforms (2008-2011) included improvements in fiscal policy, budget planning, and decentralization of roles and resources to subnational governments. More recently, Mongolia has been pursuing a number of initiatives to improve macro-fiscal management and government service delivery. The Action Plan was also informed by international assessments. In 2015, the first PEFA assessment gave a baseline of the situation in Mongolia with regard to PFM practices. Further studies (e.g., 2016 IMF PIMA, 2019 WB PER) also fed into the analysis of the weaknesses to be addressed. Moreover, the Action Plan reflected the battery of PFM reforms the GoM agreed to implement under the combined IMF/IFI[20]

[20] ADB, WB, Japan, Korea, China

$5.5Bn financial package provided in response to 2015/16 crisis. Its design was closely followed by the WB, within the frame of Development Policy Loans and the Strengthening Fiscal and Financial Stability Project (SFFS). EU capacity-building provided under EG4EG and the WB-implemented EU SDTF also assisted the GoM in this process.

The PFM Reform Strategy and Action Plan (2018-2022), which is articulated around ten strategic objectives (e.g., macro-fiscal management, internal control, public investment management, debt management), covers the full spectrum of public finance. It aims to improve fiscal discipline by improving the quality of public investment and expenditure management and increasing transparency and accountability. Whilst constituting a big step forward, the document is activity-oriented and does not include analytical underpinnings. The MoF started to update the PFM Reform and Action Plan in 2021/2022. This new generation is expected to be more tailored. It will build on the results of the EU-SDTF-funded PEFA 2021 evaluation, published in October 2021. Additionally, the GoM approved in 2020 a comprehensive plan for the strengthening of debt management following the DeMPA mission by the WB.

**EU CMSB support accompanied Mongolia's progress on budgetary transparency and further capacity strengthening of oversight institutions. Public participation remained low (JC3.4).** Mongolia's score on transparency on the Open Budget Index (OBI) increased from 51 to 60 between 2015 and 2021. The Glass Accounts Law 2014 (GAL), which requires all public agencies to publish data on a common publicly accessible Glass Account Portal, constituted a significant progress. The TA provided under the EU-financed SDTF supported Mongolia's participation in the international BOOST budget transparency initiative, the development and publication of Citizens' budgets and execution reports and the reorganization of the Glass Portal. Still, in 2021, accounting and reporting was not yet performed in accordance with the legally mandated international accounting standards, such as the International Public Sector Accounting Standards (IPSAS)[21]. Whilst the GAL and the production of the citizen's budget brought progress, public participation in the national budget process has remained low during the period. The OBI public participation score deteriorated from 19 out of 100 in 2015 to 13 out of 100 in 2021. Mongolia is also under-performing in comparison to other countries of the region. Key stakeholders met stressed the need to work on citizen's awareness raising. On the role of budget oversight institutions, in 2021, the legislature and supreme audit institution in Mongolia provided adequate oversight during the budget process but limited oversight during the implementation stage[22]. Under the SRPC complementary measures, the EU provided useful TA (methodology guidance and training) to the MNAO to improve its capacity on performance and policy audits.

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

**EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

**The EU has supported the introduction of changes in the Mongolian tax system to comply with internationally recognized principles and practices through TA provided under EG4EG and the SDTF (JC4.1).** Mongolia joined the Inclusive Framework on BEPS early 2018 and is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. The tax reform

21 IBRD/WB, PEFA, 2021

22 International Budget Partnership, Open Budget Survey: Mongolia, 2021

package on BEPS measures was approved by the Parliament in March 2019. EG4EG TA provided advice on the regulations to be implemented in light of BEPS, on international exchange of information on tax matters, and on Transfer Pricing. Subsequent assistance was delivered through the SDTF in advancing the implementation of the OECD G20 BEPS related policy measures and in updating the rules and regulations on a continuous basis. For instance, local training to support the implementation of the revised package tax law was conducted.

**The EU supported some improvements in tax administration (JC4.2).** The performance indicator of the SRPC on employment on the simplification of the tax filing system (the number of tax returns filed as a proportion of total number of taxpayers registered) was met in 2021. As from 2021, Mongolia indeed introduced fully electronic system for return filing, which is connected to the VAT-system. In the future, information will be gathered from all kinds of other government bodies. Automatic generation of tax returns was aimed to be implemented in 2022 but was not yet implemented at the time of writing. The MoF and the Revenue Department are working on the legal amendments required. Tax filing improved significantly, although taxpayers encountered some problems during COVID lock-down. The CIT Law was amended for small businesses with income up to 50 million to pay tax of 1% of turnover in the VAT-return; their filing is reduced from twice to once a year. Whilst the performance indicator pushed the revenue agenda, changes in tax filing were going to be implemented anyways.

**It is hard to disentangle the EU's contribution to revenue effort (JC4.4).** During 2015-2019, the tax-to-GDP ratio has been on an increasing trend, from 11,9% to 16,9%, before declining to 14,1% in 2020 with the pandemic. The IMF recognizes that there is scope to increase public revenue, through a combination of tax policy measures (e.g., broadening the tax base and allowing greater progressivity in the top personal income tax (PIT) rate) and tax and customs administration reforms (e.g., implementation of annual compliance improvement plans, introduction of operational guidelines to improve the implementation of the 2019 tax policy legislation).[23]

### *Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

**The EU has supported progressive improvements on policy-based budgeting (JC5.1).** Results-based budgeting was introduced in Mongolia ten years ago. The GoM established a Medium-Term Fiscal

[23] Source : IMF, Article IV Consultations, 2021

Framework (MTFF) over three years by administrative, economic type, and program. This framework embeds a set of fiscal targets that the government was not always able to follow given recurrent challenges and COVID-19. Other weaknesses persisted, notably the lack of alignment between medium-term budget estimates and strategic plans prepared by line ministries. Budgets have remained incremental each year and not tight to any performance to be achieved. EG4EG contributed to lay down the foundations for aligning budgeting to policy objectives. It did not contribute meaningfully to better link specific key performance indicators to the realization of medium-term national development plans. Progressing in the implementation of performance informed medium-term budgeting is one of the priority areas of the new Fiscal Reform Strategy under preparation. EU support was also provided to the MoF to improve economic forecasting. A performance indicator of the SRPC on employment contributed to the development in 2020 of an Excel economic forecasting model for Corporate Income Tax and large mining companies to improve MoF revenue forecasting and the quality of budget documents.

**The EU has also supported the implementation of the first stages of gender responsive budgeting, notably through the ongoing SPRC complementary TA (JC5.1).** A Gender Responsive Budgeting (GRB) model for Mongolia has been piloted in November 2020. Sub-working groups (GRB teams) in the pilot ministries (Ministry of Education and Science; and Ministry of Labour and Social Protection) were established and GRB activities (capacity building and gender analysis of selected programs) were launched. The model includes nine steps that are well aligned with the budget cycle. GRB-related guidance together with all forms/templates has also been prepared and included in Budget Circular for fiscal year 2022.

**Public investment management (PIM) has been another significant area of EU support (JC5.4).** Key progress includes improvements in the appraisal selection methodology for public investment proposals following TA provided under the WB-led SDTF. A pre-screening methodology and tool was developed and built into the PIM system. It is to be applied to all public investment project proposals regardless of the source of financing. This way, all proposals entering the PIM system would be subject to the same level of scrutiny and only those projects that are needed and viable are considered for possible financing. An ongoing project financed by the ADB was working on the development of an Integrated Management Information System.

**The EU has supported debt management through support to international initiatives and a trust fund (JC5.5).** The GoM approved in September 2020 a comprehensive plan for the strengthening of debt management following the DeMPA mission by the WB in April 2020. Modelling tools for debt analysis were developed end 2020 under the WB-led SDTF.

## *3.4 Effectiveness and sustainability – Contribution to outcomes and impacts*

*Improved long-term financing and Public Sector Management (EQ6)*

**EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**During recent years, the GoM could not attain fiscal discipline due to the inherent volatility of a resource rich economy, PFM weaknesses and COVID-19 (JC6.1, JC6.2 & JC6.5).**

Whilst Mongolia's fiscal framework is considered good practice, it was poorly implemented, especially before 2017. The deficit targets included in the Fiscal Stability Law (FSL) were often not respected. The definition of fiscal rules was altered to cope with slippages. Off-budget expenditures have progressively increased, including government programs and corporate loans of the Development Bank of Mongolia (DBM), the major source of government-guaranteed borrowing. The outbreak of COVID-19 made the situation even more difficult. Mongolia hence experienced large fluctuations in its consolidated overall budget position during the period under review.[24]

The ability of the government to respond to external shocks has been undermined by a lack of analysis and transparency of fiscal risks associated with state-owned enterprises (SOEs) and some PPPs (such as Build, Operate, Transfer initiatives[25]), and uncertain recurrent costs associated with Mongolia's substantial public investment spending. PEFA 2021 also notes the need to broaden the depth of the market for government debt to ensure that borrowing can be undertaken efficiently if/when required. Still, the GoM enhanced top-down fiscal strategy setting, which should enable it to better respond to the fiscal risks associated with volatility in commodity markets.

Grants represented a minor share of total revenue, with an average of 2,7% between 2017 and 2019. They culminated at 18,5% in 2020 with the pandemic. In response to COVID-19, the IMF provided 72.3 million SDR to Mongolia under its Rapid Financing Instrument (RFI) in June 2020. The EU increased by EUR 6 million the first fixed tranche of the SRPC on employment reforms. An expansive fiscal stance was agreed with the IMF to support households and companies in 2020 and 2021 with COVID-related fiscal and quasi-fiscal measures. The GoM also committed to gradually return to fiscal consolidation, i.e., to the fiscal limits imposed by the FSL by 2024.

Disentangling the contribution of EU CMSB support is difficult because the EU portfolio remained modest. The multi-donor package that started in 2017 aimed to strengthen the country's fiscal stability, with limited effects. It contributed to promote a renewed focus on broader public sector management issues, including a rational approach to public investments.

**In the early period, service delivery has been negatively affected by the deviations observed in expenditures and in revenue outturn in comparison with the originally approved budget (JC6.3).** PEFA 2021 indicates that aggregate deviations in expenditures averaged 12% of the consolidated budget between 2013 and 2016. This translated into weak and unpredictable delivery of services, notably for entities responsible for education, social welfare, roads, health, and justice. Revenue outturn deviations have been caused by consistent underestimation of mineral prices during the commodity boom and political pressures for the expansion of capital expenditures. Overall, the quality

[24] It ranged from a deficit of 8.5% of GDP in 2015 and 17% in 2016 to a surplus of 1.5% in 2018 prior to a return to deficit in 2020 concurrent with the COVID-19 global health crisis.

[25] The GoM has signed 17 BOT projects in recent years, with a capital value of USD 8.19 billion, which have been estimated as being equivalent to 60 percent of GDP.

of public services and infrastructure remained low. The health sector was severely strained by COVID-19. Low educational quality remained a persistent challenge. Development in rural areas has been constrained by low investment, weak infrastructure, and a deficiency of urban services. Urban infrastructure remained inadequate.

*Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

**Long-term economic prospects in Mongolia have faced number of uncertainties, and the country was still overly vulnerable to external macroeconomic shocks in 2021 (JC7.1).** Over the period evaluated, the country has gone through several economic downturns (2015/16, COVID-19 crisis). To cope with this situation, the GoM has adopted a proactive policy aiming at ensuring more macroeconomic stability and resilience. National long-term strategy plans were implemented (Vision 2030, GAP 2016-2020/2020-2024), the Fiscal Stability Law (already implemented in 2010, but amended several times over the period evaluated) and structural reforms were voted, and two sovereign funds (the FSF and the FHF) were created to limit the harmful impact of external economic shocks. However, those reforms did not achieve to fully address the Mongolian economic weaknesses, namely its limited fiscal buffers, its narrow national economic base, and its dependency to mining exports and to its two powerful neighbors, Russia and China.

Consequently, Mongolia was hardly stroke by the COVID-19 crisis and the consequences of the war in Ukraine. The slowdown in the Chinese economy has weighed heavily on the Mongolian trade structure, and the recurrent closure of the borders between both countries, due to the Chinese zero-COVID policy, has hampered the Mongolian economic recovery. Moreover, the war in Ukraine has disrupted the price rates of imported products essential to Mongolia, such as oil, wheat and fertilizers[26].

On the medium-term, the Mongolian economy is expected to recover and to return to a solid economic growth, partially due to the starting of Oyu Tolgoi underground mining phase planned in 2023.

**Fiscal accountability and discipline showed some improvements over last decade, but reforms are still needed (JC7.2).** A comprehensive fiscal framework was introduced, with the Fiscal Stability Law (2010) and the Glass Accounts Law (2014). However, the FSL was frequently by-passed and amended. In parallel, OBI scores in Mongolia improved in term of transparency and accountability over the period evaluated, but public participation remained low (see JC3.4). International stakeholders have

[26] World Bank, Mongolia Economic Update ; Navigating Stronger Headwinds, 2022

insisted on the key need to improve citizens' awareness concerning budget and fiscal issues to improve the fiscal social contract in Mongolia.

**Public investments in infrastructure have been slow to translate into higher efficiency in public service delivery (JC7.3).** Mongolia is a highly centralized state. For instance, around half the population, 90% of the national primary schools and 77% of the businesses are concentrated in Ulaanbaatar. Over the period evaluated, there was a clear political will to decentralize, but implementation has been lagging behind and the country lacks infrastructure. In Mongolia, most of the investments are funded by public entities, but since structural fiscal deficit was a constant challenge over last decade, the government was not able to save sufficient funds to invest in the modernization and development of national infrastructure. Some progresses were made, especially in transport infrastructure[27]. The country could benefit from the investments under the Chinese Belt and Road Initiative as a transit area between China and Russia. But the geographic location of Mongolia also increases its dependency on China, especially with recurrent border closure due to COVID-19. International stakeholders asked for reforms in the heating, electricity and water sectors, which are currently managed by SOEs structurally in deficit and annually funded by state subsidies.

**Minor progress was made in terms of reducing income inequality and fight against poverty in Mongolia (JC7.4).** The fostering of a more inclusive growth was a clear target of national strategies, especially in the GAP 2020-2024. However, according to GINI index calculations, the inequality situation in Mongolia stagnated, around 30-35 from 1995 to 2018. The Mongolian economy is based on a two-speed structure, with modern and productive jobs mainly related to the mining sector on the one hand, and traditional and agricultural jobs less much profitable on the other hand. The poverty rate decreased but was still amounting 27% in 2020, before COVID-19. Moreover, the redistribution system in Mongolia has suffered from widespread economic informality, which hampered an efficient targeting of the most vulnerable populations during COVID-19 when the GoM implemented emergency support.

Since the EU involvement in public finance is relatively recent and less consequent compared to other international donors such as the ADB, the WB and the IMF, **it is difficult to assess and identify clear links between macroeconomic evolutions in Mongolia and the EU CMSB support (JC7.5).** Indeed, the EU signed its first ever BS in Mongolia in 2020 and was before present in the country through a TA intervention and a SDTF. Therefore, it is too soon to witness major consequences those programmes are targeting to achieved.

## *3.5 3Cs: External coherence, coordination & complementarity*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**Partners have maintained good working relationships with a view not to duplicate (JC8.1).** The donor community active in PFM has remained limited to a few actors. The EU progressively got more

27 UN ESCAP, Infrastructure financing in Mongolia, 2019

involved in public finance over the period, alongside main PFM actors: ADB, IMF and WB. With the macro-fiscal challenges it faced in 2016-2017, the GoM started to renew its coordination with development partners. It has not been willing to drive donor support. Moreover, the Ministry of Finance has remained stretched with staff. Partners regularly exchanged information through informal coordination mechanisms. Within the framework of EG4EG, a matrix of donor support (WB, ADB, IMF) to PFM was established. Technical staff has held regular bilateral meetings not to duplicate activities. Each partner has used its own policy matrix to exchange on the areas supported. Partners have not tried to reach common positions to be discussed with the GoM. When high-level visits were organised, the respective management of each organisation was invited. The follow-up of the PFM Action Plan adopted in 2019 has been a good opportunity to strengthen coordination.

**The EU has had very good collaboration with the WB and the IMF within the framework of trust funds (WB SDTF and IMF RMTF) (JC8.2).** The design of the WB-led SDTF "Strengthening Governance in Mongolia" (2018-2023) has been closely tied to the wider reform efforts agreed in the context of the multi-donor package (IMF, WB, ADB, South Korea, China, Japan) approved in 2017 to support the authorities' Economic Recovery Plan following the 2015/2016 crisis. This SDTF also aimed to complement a WB loan - Economic Management Support Operation - with disbursements made in 2017 and 2019 and the WB Strengthening Fiscal and Financial Stability Project ($12M during 2018-2022/2023). The formal arrangements taken by the EC and the WB ensured that the yearly progress reports and copies of the Aide-Mémoires were sent to the EC. The WB also shared with the EC a few reports following technical missions (e.g., on gender-based budgeting). Within the framework of the RMTF, a resident tax advisor to the GoM has provided capacity building to improve tax revenue.

**EU relations with the IMF and the WB have been strengthened thanks to BS.** The design of the SPRC on Employment reforms intended to complement i) the IMF programme, providing the GoM with a further incentive to deliver on the agreed reforms as well as contributing to increase its fiscal space, and ii) the WB SDTF. Extensive consultations took place with the ADB, IMF, WB before the EU decided to move towards BS. GiZ - which implemented EG4EG - was also involved in the talks. The performance indicators of the SRPC were negotiated at a senior level of the GoM with the Ministry of Labour and Social Protection, Ministry of Finance, Ministry of Foreign Affairs and the respective committees of the Parliament. During implementation, the EUD has relied on the macroeconomic updates prepared by the WB, e.g., to prepare the BS disbursement notes. International partners consider budget support has raised EU visibility within the Ministry of Finance, in providing a seat at the table for policy dialogue. BS having been recently introduced in Mongolia, a more important EU role in terms of policy dialogue is expected in the near future.

**The EU supported Mongolia to become compliant on tax good governance, notably through EG4EG, the SDTF and the RMTF (JC8.3).** In January 2018, Mongolia became a member of the Global Forum on Transparency and Exchange of information for Tax Purposes and the Inclusive Framework on BEPS, and received assistance from the OECD as well.

## 3.6 *Efficiency of EU CMSB support in the country*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**EU CMSB support showed flexibility to adapt to changing contexts, i.e., political and economic changes and COVID-19 (JC9.1).** The scope and objectives of EG4EG were reviewed to fit the global economic downturn and the conditions of the Extended Fund Facility negotiated by the GoM with the IMF. Increased attention was put on extractive industries. The first fixed tranche of the SRPC on employment reforms was increased in 2020 from EUR 10 million to EUR 16 million as part of the EU's COVID-19 response in Mongolia.

**Political and socio-economic changes, and the limited institutional absorption capacity affected swiftness in implementation, especially during the first part of the evaluation period (JC9.1).** EG4EG took a long time to start operations. Delays were also encountered in the implementation of TA activities. The UNDP-managed TA (complementary support of the SRPC) experienced a swift start. After the signature of the contribution agreement in September 2020, the official project launch took place in December 2020 and the Annual Work Plan for 2021 was approved end March 2021. BS disbursements occurred slightly later than initially planned : in Q4 instead of Q2 (1st tranche) and of Q3 (2nd tranche).

**Policy dialogue progressively opened with the MoF (JC9.1).** Under EG4EG, the EU did not succeed in building a strong policy dialogue with the GoM on public finance issues. Mongolia's poor track record in implementing institutional reforms, and the complexity and volatility of the institutional environment negatively impacted on the quality of policy dialogue. With the signature of a BS intervention in 2020, policy dialogue opened with the MoF. A Budget Support Coordination Committee (bilateral GoM/EUD format) was established. It is expected to act as high-level forum for the PFM strategy implementation. The first meeting of the committee was held online in 2020 due to the pandemic; it focused on employment issues only.

**Staff from HQ and the Bangkok PFM regional team were mobilized in the move towards BS (JC9.2).** Prior to the opening of the EUD office in Ulaanbaatar in 2019, the EU portfolio was managed from Beijing. Reflections on the move towards BS started prior to the opening of the EUD office. HQ staff and the Bangkok PFM regional team consulted the GoM and other partners (in particular IMF, WB, ADB and GiZ). They were also involved in the consultations held during the design of the first SRPC in Mongolia.

**National monitoring, reporting and institutional arrangements to follow the PFM Action Plan remained weak (JC9.3).** The MOF has incorporated the detailed action plan in its Leader Monitoring system (an internal management information system) which it uses to track progress and measure the impact of the Action Plan implementation. It produced the first full annual report of the PFM strategy implementation in 2020 in the form of a matrix, which includes the implementation progress achieved by each activity in the year. There is no supporting analysis or indication of next steps. The PFM Working Group has not been active in formal reporting and monitoring. Still, it has been informally active.

**Key international partners met recognized the EU's good visibility in general, but stressed that it remained overall low in public finance (JC9.4).** They stressed the difficulty to make support to PFM/DRM and its achievements visible. Budgetary transparency, with work on e.g., the Citizen's budget, is one of the areas where it is easier to communicate and raise awareness. The opening of the EUD office in 2019 raised the EU's profile. With BS implemented since 2020, it is expected that the EU will have a more important role in the policy dialogue with the MoF. So far, the banks (WB, ADB) and the IMF have been the most visible actors in public finance.

## 4. Main lessons: contribution to key outcomes and good practices

**Mongolia is a mineral resource-rich economy, subject to the volatility of commodity prices.** It experienced a severe economic downturn in 2015-2016 after the drop in commodity prices, before recovering as of 2017 with the implementation of the national Economic Recovery Programme, strongly backed up by a US$5.5 billion joint donor programme. The country also experienced significant political volatility, with numerous changes of government (every 18 months during the past decade). Furthermore, while the MoF has shown commitment towards PFM reform implementation, institutional capacities and inter-ministerial coordination constituted weaknesses.

**Within this context, EU support focused on the improvement of governance and distribution of revenues, in particular from the mining sector**, to advance inclusive and environmentally sustainable growth. The EU also put strong emphasis on budget transparency, oversight and citizen engagement.

**The EU – together with other DPs – has been instrumental to support the GoM in formulating a PFM Reform Strategy and Action Plan (2018-2022) and in laying down the foundations for coordinating its implementation.** The Action Plan, adopted in 2019, rather focused on the « spend » strand of the CMSB agenda. It also reflected GoM commitments towards the IMF and DPs to accompany economic recovery further to the 2015/2016 fiscal crisis. This plan, forming the basis for a coordinated engagement with GoM on PFM reform, represented a big step forward, but remained activity-driven and did not include analytical underpinnings.

**The EU often relied on experimented international partners to deliver its CMSB support, with whom it has had good working relationships.** After EG4EG and before considering Mongolia eligible for BS, the EU channelled funds to a WB-implemented SDTF. The formal arrangements taken by the EC and the WB within the framework of this trust fund ensured that the yearly progress reports and copies of the Aide-Mémoires were sent to the EC. The EU also selected UNDP as implementing partner for its ongoing complementary support under the SRPC on employment.

**The EU moved towards BS in 2020 after extensive consultations with the GoM and other partners.** With the signature of the first SRPC in Mongolia, policy dialogue opened with the MoF. EU relations with the IMF and the WB have also been strengthened. Providing grants to the treasury proved helpful to stabilize the macro-economic situation following the outbreak of COVID-19 and the related sharp increase of public debt. Mid-2022, BS as an aid modality was still in its learning curve.

**Through BS, the EU also put emphasis on the revenue agenda. The leverage effect of the performance indicators is not entirely clear since the changes supported were going to happen anyways.** In 2020, the MoF developed an Excel economic forecasting model for Corporate Income Tax and large mining companies to improve MoF revenue forecasting and the quality of budget documents. Mongolia also introduced in 2021 fully electronic system for return filing, which is connected to the VAT-system.

**EU CMSB support accompanied Mongolia's progress on budgetary transparency and further capacity strengthening of oversight institutions. But public participation remained low.** On transparency, the TA provided under the EU-financed SDTF supported Mongolia's participation in the international BOOST budget transparency initiative, the development and publication of Citizens' budgets and execution reports and the reorganization of the Glass Portal.

**The EU provided continuous support to the implementation of a phased approach to introduce Gender Responsive Budgeting (GRB)**, through TA provided under the SDTF and the ongoing SPRC on employment reforms. A GRB Action Plan and GRB related procedures and methodology were developed. A Gender Responsive Budgeting (GRB) model for Mongolia has been piloted in November 2020, with GRB activities launched in pilot ministries. Two pilot ministries were supported in preparing GRB proposals to be incorporated in the 2022 State budget.

**Public investment management has been another significant area of EU support,** with improvements in the appraisal selection methodology for public investment proposals following TA provided under the WB-led SDTF.

## Annex 1: Inventory of EU support to the CMSB agenda in Mongolia

The data below reflects a CRIS data extraction made in March 2021, unless otherwise specified.

Table 1: Core CMSB contracted or disbursed amounts (in €M)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **VTI** | - | - | - | - | - | - | 1,5 | 1,5 |
| **CM** | - | - | - | - | - | 7,6 | - | 7,6 |
| **TA** | 3,4 | - | - | - | - | - | - | 3,4 |
| **IO** | - | - | - | 4,8 | - | - | - | 4,8 |
| **Total** | 3,4 | - | - | 4,8 | - | 7,6 | 1,5 | 17,3 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed | Total Amount disbursed (as of end 2020) |
|---|---|---|---|---|---|---|---|---|
| SRPC (with >= 1 VTI related to CMSB but after 2020) | 42187 | Budget Support for Employment reforms in Mongolia | 2020 | 2023 | 28 | 15 | 43 | 16[28] |

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

Budget Support for Employment reforms in Mongolia

[28] As of end 2021, total disbursed amount was 22,2 €M.

| Year | Indicators for Variable Tranche 1 | Type of Indicators [29] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | 6. Support the modernisation of Mongolia's PFM systems: Improve MoF revenue forecasting and the quality of budget documents by developing an economic forecasting model for Corporate Income Tax and large mining companies: Mining revenue forecasting | Process | Extractive Industries | 0,75 | 0,75 |
| 2021 | 7. Support the modernisation of Mongolia's PFM systems: To improve domestic revenue mobilization and tax administration by supporting the implementation of a simplified tax regime and an integrated tax filing system from 2020: Domestic Revenue Mobilisation - Number of tax returns filed as a proportion of total number of taxpayers registered | Output | Revenue administration | 0,75 | 0,75 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators [30] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2022 | 6. Support the modernisation of Mongolia's PFM systems: Improve MoF revenue forecasting and the quality of budget documents by developing an economic forecasting model for Corporate Income Tax and large mining companies: Mining revenue forecasting | Process | Extractive Industries | 0,75 | n/a |
| 2022 | 7. Support the modernisation of Mongolia's PFM systems: To improve domestic revenue mobilization and tax administration by supporting the implementation of a simplified tax regime and an integrated tax filing system from 2020: Domestic Revenue Mobilisation - Number of tax returns filed as a proportion of total number of taxpayers registered | Output | Revenue administration | 0,75 | n/a |

29 Input, output, process, outcome, impact

30 Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 1 | Type of Indicators [31] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2023 | 6. Support the modernisation of Mongolia's PFM systems: Improve MoF revenue forecasting and the quality of budget documents by developing an economic forecasting model for Corporate Income Tax and large mining companies: Mining revenue forecasting | Process | Extractive Industries | 0,75 | n/a |
| 2023 | 7. Support the modernisation of Mongolia's PFM systems: To improve domestic revenue mobilization and tax administration by supporting the implementation of a simplified tax regime and an integrated tax filing system from 2020: Domestic Revenue Mobilisation - Number of tax returns filed as a proportion of total number of taxpayers registered | Output | Revenue administration | 0,75 | n/a |

3) BS complementary measures (technical assistance, studies, …)

| Decision number | CRIS contract number | Programme title / short description | Financial year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 39758 | 422470 | DEL MN - FWC SIEA 2018 - Support to policy dialogue on PFM | 2020 | Ongoing | 185.700 € |
| 42187 | 418930 | Technical Assistance Component of the EU Budget Support for Employment Reforms in Mongolia.<br>SDG-Aligned Budgeting to Transform Employment in Mongolia | 2020 | Ongoing | 3.108.000 € |
| 42187 | 418930 | Technical Assistance Component of the EU Budget Support for Employment Reforms in Mongolia.<br>SDG-Aligned Budgeting to Transform Employment in Mongolia | 2020 | Ongoing | 4.292.0€ |

[31] Input, output, process, outcome, impact

4) Other EC interventions

Capacity-building / technical assistance supporting CMSB

| Decision number | CRIS contract number | Programme title / content | Financial year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| | 356018 | Economic Governance for Economic Growth (EG4EG) | 2015 | Closed | 3.400.000 € |

Single donor trust fund

| Decision number | CRIS contract number | Programme title / content | Financial year | Contract status | Total Amount contracted |
|---|---|---|---|---|---|
| 39930 | 399527 | Strengthening Governance in Mongolia Single-Donor Trust Fund, No. TF073029 | 2018 | Ongoing | 4.800.000 |

## Annex 2: List of institutions met

| Institution type | Institution / Ministry | Service |
|---|---|---|
| European Union | European Union Delegation | |
| National authorities and institutions | Ministry of Finance | Debt Management Division |
| | | Development Financing and Investment Department |
| | | Fiscal Revenue Division |
| | | PFM Strategy Unit |
| | | Tax Policy Department |
| | Mongolian National Audit Office | |
| Other donors | Asian Development Bank | |
| | Deutsche Gesellschaft für Internationale Zusammenarbeit (GiZ) | |
| | International Monetary Fund | |
| | United Nations Development Programme | |
| | World Bank | |

# 1 CASE STUDY NOTE – NIGER

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## Liste des acronymes

| | |
|---|---|
| AB | Appui Budgétaire |
| AFD | Agence Française de Développement |
| AFRITAC | Centre Régional d'Assistance Technique de l'Afrique de l'Ouest |
| AJE | Agence Judiciaire de l'Etat |
| AJUSEN | Appui à la Justice, la Sécurité et la Gestion des Frontières au Niger |
| AN | Assemblée Nationale |
| ARMP | Agence de Régulation des Marchés Publics |
| AT | Assistance Technique |
| BAD | Banque Africaine de Développement |
| BP | Budget Programme |
| CAON | Cellule d'Appui à l'Ordonnateur National |
| CdC | Cour des Comptes |
| CEGIB | Compte d'Exploitation Générale Intégré du Budget |
| CH | Cadre Harmonisé |
| CHFP | Cadre Harmonisé des Finances publiques |
| CISPEE/NAB | Comité Interministériel de Suivi de la Politique d'Endettement de l'Etat et de Négociation des Aides Budgétaires |
| CPIA | Country Policy and Institutional Assessment |
| CT | Collectivités Territoriales |
| DGB | Direction Générale du Budget |
| DGD | Direction Générale des Douanes |
| DGI | Direction Générale des Impôts |
| DGTCP | Direction Générale de la Trésorerie et de la Comptabilité Publique |
| DIF | Direction de l'Information Financière |
| DPPD | Document de Programmation Pluriannuelle des Dépenses |
| DTS | Droits de Tirage Spéciaux |
| FEC | Facilité Elargie de Crédit |
| GFP | Gestion des Finances Publiques |
| HALCIA | Haute Autorité à la Lutte Contre la Corruption et aux Infractions Assimilées |
| IGE | Inspection Générale d'Etat |
| IGF | Inspection générale des finances |
| INTOSAI | Organisation Internationale des Institutions Supérieures de Contrôle des Finances Publiques |
| ITIE | Initiative sur la Transparence des Industries Extractives |
| ITV | Indicateur Tranche Variable |
| LOLF | Loi organique relative aux lois des finances |

| | |
|---|---|
| MF | Ministère des Finances |
| MP | Ministère du Plan |
| MRN | Mobilisation Ressources Nationales |
| OBI | Open Budget Index |
| OSC | Organisations de Société Civile |
| PAMRI | Projet d'appui à la mobilisation des ressources intérieures |
| PAP | Plan d'Actions Prioritaires |
| PCDS | Projet de Capacités de performance du secteur public pour la prestation de services |
| PDES | Plan de Développement Economique et Social |
| PEFA | Public Expenditure and Financial Accountability |
| PIB | Produit Intérieur Brut |
| PIMA | Public Investment Management Assessement |
| PIP | Programme d'Investissement Prioritaire |
| PLE | Plan Comptable de l'Etat |
| PRGFP | Plan de Réforme de la Gestion des Finances Publiques |
| PTF | Partenaires Techniques et Financiers |
| RAP | Rapport annuel de performance |
| SANAD | Sécurité alimentaire et nutritionnelle et développement agricole durable |
| SIGMAP | Système Intégré de Gestion des Marchés Publics |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| TF | Tranche Fixe |
| TGIHC | Tribunal de Grande Instance Hors Classe de Niamey |
| TOFE | Tableau des Opérations Financières de l'Etat |
| TV | Tranche variable |
| UE | Union Européenne |
| UEMOA | Union Economique et Monétaire Ouest Africaine |

# 1. Introduction et choix du Niger comme étude de cas

## *1.1 Couverture et objectifs de cette étude de cas*

Ce rapport pays s'inscrit dans le cadre de l'évaluation des appuis de l'UE à l'agenda CMSB sur la période 2015-2020. Il fait suite à une revue documentaire des principaux appuis fournis par l'UE dans ce domaine couvrant la mobilisation des ressources nationales (MRN), la gestion budgétaire (programmation et exécution) ainsi que la transparence et la redevabilité (voir portefeuille en annexe 1), et à une mission d'une semaine réalisée entre le 3 et le 9 mai 2022 qui a permis de rencontrer de nombreux acteurs impliqués et/ou bénéficiaires de ces appuis (voir liste en annexe 2).

Le choix du Niger comme une des douze études de cas pays pour cette évaluation, s'explique d'une part par l'importance qu'ont pris les appuis budgétaires (AB) dans la coopération de l'UE avec le Niger (près de 550 MEURO de 2015 à 2021 représentant près de 75% du PIN) et le rôle attendu de cette modalité d'aide pour accompagner les réformes en matière de FP à travers les conditions générales d'éligibilité et de décaissement, les conditions spécifiques visant des réformes en particulier et les appuis complémentaires. D'autre part, le Niger se révèle aussi un cas intéressant en raison de la combinaison de Contrats d'appui budgétaire « généraux » (les SBC) et de contrats sectoriels (les SRPC) dans le domaine de la sécurité alimentaire et de l'éducation, ce qui offre l'opportunité d'analyser de façon croisée les appuis transversaux à la GFP et ceux plus directement ciblés sur des secteurs prioritaires, et notamment durant cette période de mise en œuvre des budgets programmes en réponse au CH de l'UEMOA. De plus, le contexte fragile caractéristique de cette région en fait aussi un exemple représentatif des pays de la zone sahélienne qui ont largement bénéficié de ce type d'appui.

A travers ces différents AB, l'UE a cherché à répondre à différents enjeux en lien avec l'agenda CMSB (voir point 2.3):

- La formulation, la mise en œuvre et le suivi d'une stratégie de renforcement des FP cohérente et intégrant les différents enjeux (recettes, dépenses, transparence, redevabilité) ;
- Le renforcement des capacités des régies financières ;
- La mise en œuvre de la réforme du CH de l'UEMOA, incluant l'opérationnalisation des budgets programme ;
- Le renforcement des organes de contrôle interne et externe ;
- Une plus grande efficacité dans la gestion de trésorerie ;
- L'importance des niveaux déconcentrés et décentralisés dans la chaîne de la dépense.

Le rapport se focalise sur l'analyse de la pertinence, de la cohérence, de l'efficacité et de l'efficience des appuis fournis dans ces différents domaines.

## *1.2 Limitations*

Vu la durée limitée de la mission et l'étendue des thèmes à traiter, le rapport ne prétend pas donner une vision exhaustive de tout ce qui a été mis en œuvre au Niger dans ces domaines ni fournir une évaluation de ces appuis. Il cherche à tirer des leçons des interventions menées entre 2015 et 2021 sur ces thématiques et à identifier les principales forces et les faiblesses de celles-ci afin de renforcer à l'avenir l'efficacité des programmes de l'UE dans ces différents domaines.

# 2. Contexte et interventions de l'UE en appui à l'agenda CMSB

## *2.1 Contexte général et principaux documents de politiques*

Le contexte du Niger au cours de la période sous revue est celui d'un pays caractérisé par une forte fragilité multidimensionnelle, à la fois d'ordre sécuritaire, économique, sociale et environnemental, notamment alimentée par des facteurs externes (sécuritaires essentiellement), et qui s'est plutôt accentuée au cours des cinq dernières années. Les défis sécuritaires croissants, tant au niveau national que régional, sont venus s'ajouter à une situation structurelle déjà fragilisée par des chocs récurrents, notamment liés à l'insécurité alimentaire, au changement climatique et à la persistance de la baisse des prix des matières premières.

Le contexte politique a montré quant à lui, une certaine stabilité avec fin 2020, l'organisation des élections municipales, législatives et présidentielles qui ont mené à l'élection d'un nouveau Président et au renouvellement de nombreux élus, y compris au niveau des régions et communes.

L'incidence de la pauvreté a diminué, tombant à 40,8% en 2017 contre 48,2 % en 2011, mais elle reste élevée. Les sources de revenus et moyens de subsistance de plus de 80% des ménages nigériens proviennent de l'exploitation des ressources naturelles. La population est essentiellement constituée de jeunes de moins de 20 ans, qui sont pour la plupart sans emploi, éducation ni formation et pourrait doubler d'ici à 2035 du fait de la démographie exponentielle avec une population qui sera pour les 70% rurale. Dans ce contexte de croissance démographique, malgré l'amélioration d'indicateurs socioéconomiques au cours de la dernière décennie, la demande reste forte et l'offre de services publics de qualité couvrant l'ensemble du territoire, insuffisante.

Après les élections de 2016, le pays s'est doté en 2017 d'un **Plan de Développement Economique et Social** (PDES) assorti d'un Plan d'Actions Prioritaires sur la période 2017-2021, structuré autour de 5 axes, dont le troisième orienté vers l'amélioration des conditions de croissance, a notamment visé à renforcer l'efficacité de la Gestion des Finances Publiques. Un rapport bilan du PDES a été réalisé en 2021 en vue de la préparation du Plan suivant ; le PDES 2022-2026 a été validé fin avril 2022.

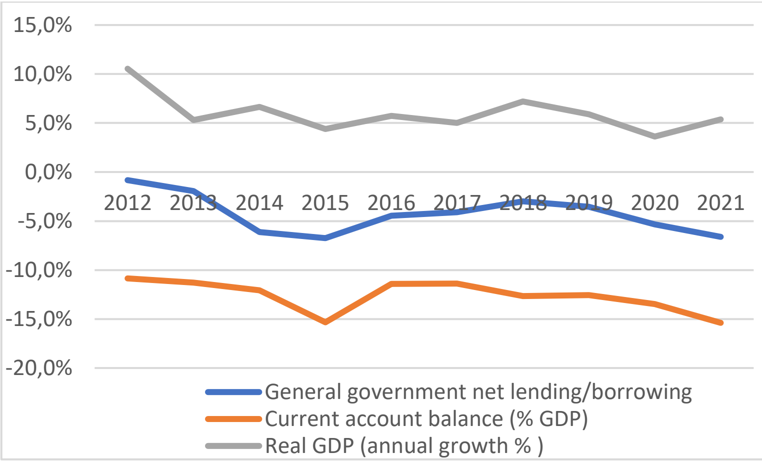
En parallèle, un **Plan de Réforme de la gestion des Finances publiques** (PRGFP IV) a été formulé pour guider la stratégie de renforcement de la GFP de 2017 à 2020, accompagné de plans d'action annuels prioritaires de 2017 à 2020 (PAP) publiés sur le site du Ministère des Finances (MF). Six axes ont été retenus : 1) la mise en œuvre et l'internalisation du CH des FPUEMOA ; 2) l'amélioration de la mobilisation et du contrôle des ressources internes et externes ; 3) la maîtrise et rationalisation de la GFP ; 4) l'amélioration de la transparence des FP ; 5) l'amélioration de la budgétisation axée sur les politiques publiques ; 6) le renforcement des contrôles a posteriori. En 2021, au terme du PRGFP IV, le système de GFP a fait l'objet d'une analyse diagnostic sur base de laquelle la stratégie de réforme de la GFP pour 2021-2025 a été établie. Les priorités retenues pour ces prochaines années ont été structurées autour des programmes suivants : 1) mobilisation des ressources internes et externes ; 2) préparation et exécution budgétaire ; 3) gestion de la trésorerie et de la comptabilité ; 4) réformes du contrôle administratif, juridictionnel et parlementaire ; 5) gestion des ressources humaines ; 6) gestion des entreprises et établissements publics ; 7) décentralisation et déconcentration ; 8) système d'information ; 9) pilotage, coordination et communication de la réforme.

## 2.2 Evolutions économiques récentes

En 2015, le Niger faisait face à un risque d'instabilité macroéconomique croissant suite à i) une détérioration rapide du besoin de financement de l'Etat passé de 2,5% du PIB en 2013 à 8% en 2014 et 9% en 2015, provenant d'un double mouvement de tassement des recettes et d'accroissement des dépenses, lié à une aggravation de la situation sécuritaire et au ralentissement économique des pays voisins ; ii) une augmentation du recours à l'emprunt extérieur et intérieur avec en corollaire un ratio dette/PIB (avant révision) grimpant de 26,3% en 2013 à 41,9% en 2015 et un accroissement des dépenses relatives à la dette publique ; iii) une accumulation d'arriérés intérieurs (de l'ordre de 75 milliards FCFA fin 2015, soit 1,8% du PIB (avant révision)). Le risque de dérapage dans un contexte toujours plus fragile a conduit le Gouvernement, sous la houlette du FMI, à créer en 2016 un Comité interministériel de régulation budgétaire et à instaurer un plafonnement des dépenses. Depuis 2016, le Niger est donc soumis à un mécanisme de régulation budgétaire qui donne lieu à des libérations de crédits budgétaires trimestriellement en fonction de la mobilisation des ressources financières. Certaines dépenses sont considérées comme prioritaires (salaires, remboursement dette extérieure, défense/sécurité). En fonction des ressources disponibles et des priorités retenues, chaque ministère se voit allouer trimestriellement des crédits par titre de dépenses dont la répartition par programme est laissée à son appréciation. Ce mécanisme a permis de limiter les dépenses, en particulier les dépenses de fonctionnement dont le taux d'exécution a été de 78% en moyenne de 2017 à 2020, ce qui n'a cependant pas manqué de se répercuter sur le fonctionnement des services.

Les indicateurs macroéconomiques se sont améliorés sensiblement jusqu'en 2019 notamment sous la houlette de la FEC conclue avec le FMI sur la période 2017-2020 et grâce aussi aux dons importants dont a bénéficié le Niger en provenance notamment de l'UE.

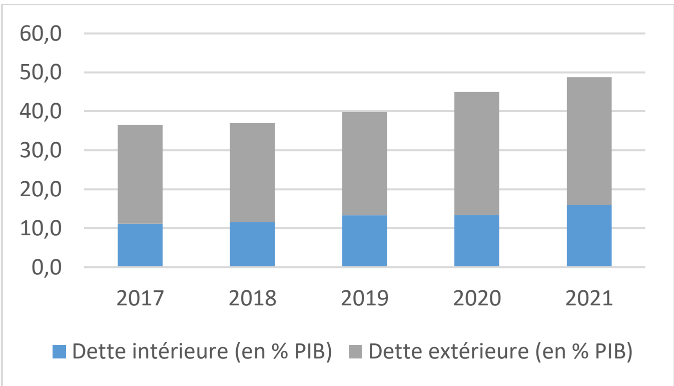
**Figure 1 : Evolution des déséquilibres macroéconomiques et des performances de croissance**




*Source : FMI*

Le contexte s'est à nouveau dégradé en 2020, marqué par les effets de la pandémie du COVID-19, et par la détérioration de la crise sécuritaire. Le FMI a revu les prévisions de croissance à la baisse (estimé à 3,6% pour 2020 après plusieurs années de croissance proche de 6%) avec des implications sur la mobilisation des ressources domestiques qui n'a atteint que 10,9% du PIB en 2020 et 2021 et sur les dépenses qui ont été rehaussées pour répondre à la crise sanitaire. Les dépenses publiques ont connu une forte hausse de près de 5 points de PIB depuis 2016 (passée de 19,5% du PIB à 24% en 2021), ce qui a alimenté les bons résultats en matière de croissance mais dans le même temps, élargi les déséquilibres macroéconomiques. Le déficit s'est inévitablement creusé pour atteindre durant deux années consécutives, plus de 5% du PIB. La dette publique (un des critères imposés par le FMI), encore aux alentours de 36% du PIB en 2017 est passée à près de 49% en 2021 et devrait se stabiliser voire régresser dans les prochaines années, restant largement en deçà des critères de l'UEMOA (fixé à 70%).

**Figure 2 :Dette publique en % PIB**




*Source: FMI*

## *2.3 Principaux acteurs appuyant l'agenda CMSB au Niger*

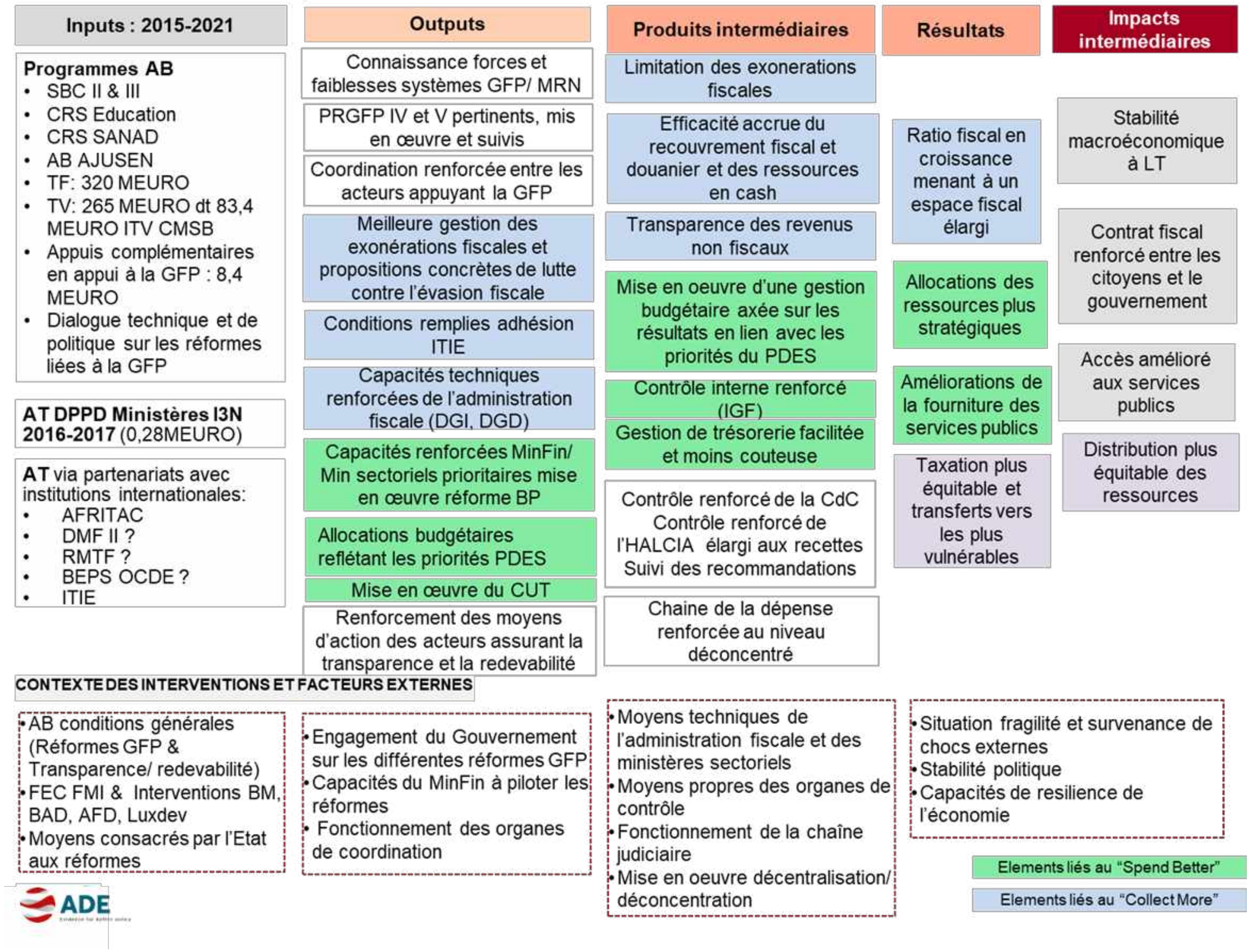
Le **FMI** a appuyé le Niger tout au long de la période, notamment à travers une FEC d'un montant de 118,44 MDTS de 2017-2020 avec pour objectif d'accroître la mobilisation des recettes intérieures et de renforcer la gestion budgétaire en vue d'élargir l'espace budgétaire et assurer la viabilité de la dette. La gestion des ressources naturelles et l'amélioration du climat des affaires ainsi que la consolidation du secteur financier ont également été à l'agenda des discussions entre le Gouvernement et le FMI. Une nouvelle FEC a été allouée pour 2022-2024 pour un montant de 197 MDTS.

Autre acteur dans le domaine de l'appui à la gouvernance des fonds publics, la **Banque Mondiale** est intervenue à travers des appuis budgétaires et un programme de renforcement des capacités (PCDS) d'un montant de 40 MUSD mis en œuvre de 2014 à 2021. Elle a par ailleurs pris un rôle très actif dans la réalisation en 2021 du diagnostic GFP qui a débouché sur la nouvelle stratégie de réforme 2021-2025. Un nouveau programme d'AB de 200 MUSD comportant un volet « renforcement de capacités » de l'ordre de 25 MUSD, devrait démarrer pour accompagner cette nouvelle stratégie.

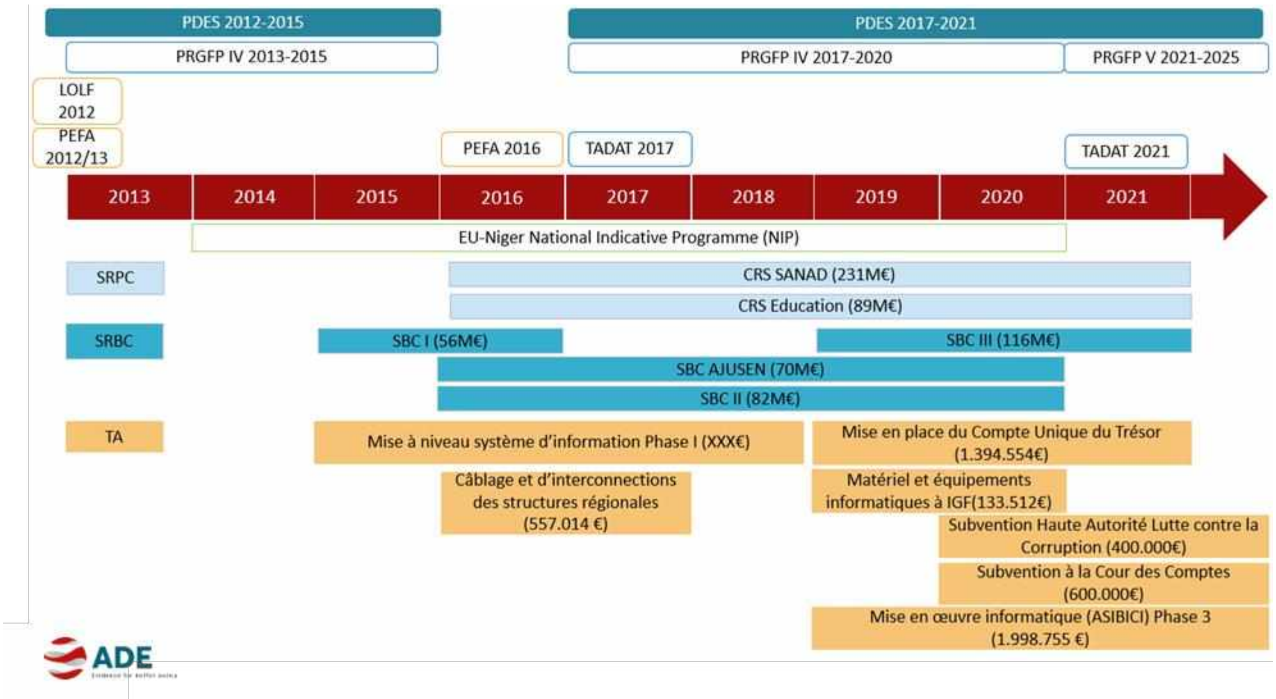
L'**AFD** appuie quant à elle la DGI, la DGD et la DGTCP à travers le PAMRI (5MEURO), programme d'appui à la mobilisation des recettes intérieures alors que la **BAD** poursuit ses appuis à la DGD, au SIGMAP ainsi qu'au suivi des projets d'investissement. LuxDev, DANIDA, la coopération suisse ainsi que l'AFD interviennent aussi sur le renforcement de la gestion budgétaire dans les secteurs couverts par les Fonds communs qu'ils financent (FCE pour l'éducation et MCF dans l'hydraulique). Enfin LuxDev a initié depuis 2019 des activités de renforcement de la chaîne de la dépense au niveau régional qu'elle entend poursuivre.

## 2.4 *Logique d'intervention des appuis CMSB dans le pays*

Le schéma suivant présente la logique d'intervention poursuivie par l'UE à travers ces différents appuis à l'agenda CMSB. Il cherche à mettre en évidence la chaîne de changements attendus sur base des inputs alloués.



## 2.5 Ligne du temps des appuis de l'UE 2014-2021 en lien avec le contexte




# 3. Réponses aux Questions d'évaluation

## 3.1 Pertinence

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**Le renforcement des finances publiques au sens large a été une priorité de l'UE au Niger au cours de la période sous revue, avec une approche large englobant toutes les dimensions du CMSB (JC1.1).** Les appuis de l'UE à la réforme des FP ont été en partie mis en oeuvre pour accompagner les contrats d'Appuis Budgétaires dont les montants ont été considérables (près de 600 MEURO alloués entre 2016 et 2021 à travers les AB SBC II, SRBC, CRS Education, CRS SANAD et SBC AJUSEN, soit près de 75% à 80% du PIN sous cette modalité). Le renforcement de la GFP a ainsi été un des principaux objectifs portés par les AB de l'UE avec une ambition assez forte : amélioration de l'efficacité des systèmes/procédures ; amélioration de l'efficacité et de l'efficience des dépenses publiques ; amélioration de la transparence et du contrôle budgétaire ; et avec en plus pour le SRBC, l'intégration et l'interconnexion du système d'information financière et budgétaire et la déconcentration de l'ordonnancement. Les programmes d'AB « généraux » (SBC II et SRBC) ont plus particulièrement accompagné la mise en œuvre des programmes de réformes transversaux (PRGFP III et IV). Ils ont été complétés à partir de 2016 par des AB « sectoriels » (Education, SANAD et AJUSEN). Le processus de réformes des FP a été soutenu essentiellement à travers 1) des conditions spécifiques (ITV) visant directement des composantes des réformes ; et 2) d'importants appuis complémentaires financés dans le cadre des enveloppes des AB. Suivant l'inventaire réalisé (voir tableau en annexe 1), près de 50 MEURO auraient ainsi été décaissés au cours de la période en appui au renforcement des FP, soit un peu moins de 10% du montant total des AB. A ces appuis directement ciblés sur les finances publiques s'ajoutent les deux conditions générales d'éligibilité et de décaissement des AB portant respectivement sur la mise en œuvre d'un plan de réformes pertinent et crédible ainsi que sur la transparence et le contrôle budgétaire, qui donnent en fin de compte à l'UE une base d'intervention assez large pour stimuler le renforcement des FP.

L'UE a adopté une approche large de la GFP englobant toutes les dimensions du CMSB, faisant d'ailleurs explicitement référence à l'initiative de 2015 pour justifier un regard conjoint dépenses-recettes-dette sans pour autant bâtir une stratégie explicite autour du CMSB. Elle a en particulier œuvré pour 1) le développement d'un cadre de formulation et de suivi des réformes pour la période 2016-2020, basé sur des diagnostics partagés (PEFA en 2016 et TADAT en 2017, renouvelé en 2021) ; 2) la mobilisation des recettes nationales à travers la gestion des exonérations et le renforcement des régies financières; 3) la mise aux normes UEMOA de la gestion budgétaire à travers la mise en place d'un système d'information budgétaire et comptable informatisé et le déploiement des outils de programmation budgétaire et de reporting (DPPD-PAP-RAP ; 4) le renforcement de la gestion de trésorerie ; 5) la transparence et le renforcement des institutions de contrôle interne et externe ainsi que celle en charge de la lutte contre la corruption. Si beaucoup de partenaires appuient ces différents domaines, la spécificité de l'UE apparaît en particulier d'une part dans l'appui fourni à la mise en place d'une stratégie et d'un cadre pour la lutte contre la corruption ainsi qu'aux organes de contrôle interne et externe (IGF, Cour des Comptes, Parlement), d'autre part dans le renforcement des capacités de programmation budgétaire au sein des secteurs prioritaires (justice, sécurité, santé, éducation, sécurité alimentaire). Par contre, l'UE n'a pas cherché à intervenir spécifiquement dans les domaines de gestion de la dette et des statistiques de comptabilité nationale et fiscales, pris en charge par le FMI. Elle a également peu investi la question de la gestion des investissements publics excepté pour assurer leur intégration dans le CEGIB (gestion et suivi des conventions de financement). Concernant le volet décentralisation et déconcentration sur le plan fiscal, considéré initialement comme non prioritaire parce que peu poussé au niveau politique, l'UE a été amené à progressivement reconsidérer sa position au vu de la montée de ces enjeux pour la GFP. La déconcentration de l'ordonnancement vers les ministères sectoriels et la décentralisation occupent une place importante dans les réformes du SRBC IV en cours.

**Globalement, les appuis de l'UE au CMSB ont été ancrés sur le plan de réforme de la gestion des finances publiques (PRGFP IV 2017-2020) développé par les autorités avec l'appui des partenaires et de l'UE en particulier, en réponse aux besoins identifiés à travers des évaluations successives (JC1.2).** Le PRGFP IV (2017-2020), en vigueur sur la majeure partie de la période étudiée, a pu s'appuyer sur les conclusions de diagnostics de qualité (PEFA 2016, évaluation de la mise en œuvre du PRGFP III), une structure assez cohérente d'objectifs et de programmes opérationnels, une vision plus inclusive et un dispositif de pilotage qui se voulait pragmatique. Ce plan de réforme a marqué un tournant majeur, prenant en compte l'ensemble des enjeux et nouveaux cadres légaux et réglementaires du CHFP/UEMOA. L'UE a joué un rôle moteur dans le développement de cette vision stratégique, d'une part en initiant et en finançant les évaluations PEFA 2016 et du TADAT 2017 et d'autre part, en appuyant directement la formulation et le suivi du PRGFP IV. L'UE a en effet fourni l'essentiel de l'expertise tant pour le PEFA que pour l'accompagnement du gouvernement dans l'élaboration de son plan de réforme de 4e génération. Ce rôle moteur a cependant été moins prégnant en 2021 au moment de la formulation de la nouvelle stratégie GFP 2021-2025, la Banque Mondiale ayant pris le relais en finançant un diagnostic stratégique participatif débouchant sur un nouveau document de stratégie et un cadre de pilotage qui se veulent plus englobants avec la prise en compte de la GRH, des EPA et de la comptabilité matières et globalement plus efficaces.

**L'alignement aux bonnes pratiques et normes internationales dans ce domaine a été réalisé par le biais des textes de transposition des directives communautaires du CH UEMOA ainsi que par l'utilisation d'outils d'évaluation de domaines spécifiques de la GFP qui font aujourd'hui référence (PEFA, PIMA, etc.) dont la production a été financée par l'UE ou d'autres PTF (JC1.4).**

Plus spécifiquement, dans **les domaines budgétaire et comptable**, les appuis de l'UE ont soutenu la réforme induite par la mise en œuvre du nouveau cadre harmonisé des finances publiques de l'UEMOA à travers deux volets principaux : d'abord le développement des outils et procédures liés à la programmation, à la gestion et au suivi des budgets programmes (DPPD/PAP et RAP) en ciblant plusieurs ministères sectoriels prioritaires (éducation, justice, intérieur/sécurité, sécurité alimentaire) ; ensuite la mise en place d'un nouveau système d'information budgétaire et comptable apte à gérer le budget programme de l'Etat dans ses différentes dimensions (en ce inclus l'exécution budgétaire, la comptabilité publique et le reporting (comptes de gestion et loi de règlements)) en finançant à la fois les prestations de développement logiciel et des équipements pour l'interconnexion et le câblage du MF au niveau central et en régions. L'UE a également fourni des appuis pour renforcer la gestion de la trésorerie (CUT, réseau des comptables, etc.).

Sur le **volet contrôle et transparence**, il faut souligner l'approche intégrée poursuivie par l'UE combinant un renforcement des capacités du contrôle interne (IGF), du contrôle externe (Cour des Comptes), du contrôle parlementaire (Commission des Finances de l'AN), l'autorité en charge de la lutte contre la corruption (Halcia), ainsi que dans une certaine mesure, le volet judiciaire (appui à la création d'un pôle anti-corruption au sein du Tribunal de Grande Instance hors classe de Niamey-TGI/HC). L'UE a adopté une stratégie des petits pas basée sur un renforcement des moyens de ces structures (ressources humaines & équipements) à travers des subventions sur appuis complémentaires des programmes d'appui budgétaire, après avoir veillé, à travers les ITV, à la mise en place d'un cadre réglementaire et légal adapté. Les difficultés rencontrées dans le suivi des dossiers et des recommandations ont incité à intégrer dans le nouveau programme SRBC 4, un indicateur portant sur le suivi global des dossiers transmis par l'IGE, l'IG, la Cour des Comptes et l'HALCIA. Les références aux standards internationaux (normes actualisées INTOSAI de 2016 en particulier) sont prises en compte dans la stratégie d'appui à la Cour des Comptes mais non encore observés dans les derniers rapports d'audit.

**En matière de MRN**, l'approche retenue a été axée sur l'accroissement des recettes domestiques et le renforcement du fonctionnement de l'administration fiscale, plus que sur l'alignement du Niger aux exigences fixées au niveau international, comme l'échange d'information et la transparence des systèmes fiscaux. Au niveau des douanes, l'attention a été portée sur l'interconnexion des bureaux avec ceux des pays voisins (Togo, Bénin, Burkina Faso) dans un but de vérification et contrôle des montants perçus par les douanes nigériennes.

**Aucune attention spécifique n'a été portée jusqu'à maintenant par l'UE sur l'intégration des problématiques du genre et de la protection de l'environnement dans la gestion budgétaire (JC1.5).** Notons toutefois que des modules spécifiques sur ces deux thématiques (PEFA Genre et PEFA Climat) ont été développés depuis 2020 et seront intégrés dans le prochain PEFA financé par l'UE. Le volet « digitalisation » est monté en puissance au cours de la période avec des appuis ciblés sur les systèmes d'information informatisés, sur le câblage et l'interconnexion des services du MF (régies financières et services déconcentrés (DGB, DGTCP, Contrôle financier) ainsi que sur le développement des téléprocédures.

## 3.2 Cohérence interne des appuis de l'UE à l'agenda CMSB

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**L'UE n'a pas formulé/ défini une stratégie intégrée d'appui propre pour la GFP et l'agenda CMSB et développé des logiques d'intervention très fouillées ; les appuis fournis au CMSB ont été globalement articulés sur le Programme de Réforme de Gestion des Finances Publiques, avec une cohérence fonction de la stratégie de réformes et des capacités à l'opérationnaliser (JC2.2).** Globalement, comme souligné par l'évaluation à mi-parcours des AB réalisée en 2020-2021, les logiques d'intervention développées sont restées assez générales et peu explicites sur le phasage des produits recherchés tout le long de la chaîne de résultats en matière de GFP/MRN et sur les synergies potentielles entre les trois canaux d'intervention (transferts financiers, y inclus les ITV), dialogue et accompagnement technique). Les SBC ont peu utilisé l'effet de levier qu'offrent les ITV dans ce domaine, avec un nombre limité d'indicateurs portant sur un nombre restreint de réformes clé (sur la lutte contre la corruption, la mise à niveau de l'administration fiscale et douanière et sur des sujets délicats comme les exonérations fiscales et la déconcentration de l'ordonnancement). C'est surtout l'enveloppe des appuis complémentaires qui a été mobilisée pour fournir un appui direct au renforcement du système GFP et en particulier pour fournir à la demande des acteurs, les équipements nécessaires pour l'informatisation des systèmes et pour renforcer les moyens d'action des institutions chargées de la lutte contre la corruption et du contrôle (HALCIA, IGF, Cour des Comptes), sans pour autant chercher à adopter une approche systémique. On aurait sans doute pu davantage exploiter les synergies entre les institutions de contrôle bénéficiaires des subventions de l'UE.

La cohérence d'ensemble des appuis de l'UE a en partie dépendu de celle du processus de réforme et du PRGFP IV qui a connu un certain nombre de faiblesses. D'abord au niveau du cadrage programmatique : absence d'un véritable cadre de résultats pour orienter le suivi-évaluation des réformes ; programmation des actions limitée à un horizon annuel ; non prise en compte de la dimension Ressources humaines ; dilution de la question de la gouvernance des entreprises publiques. Ensuite, au niveau de son pilotage : insuffisance de ressources humaines pour le pilotage technique (DRF), turn over des responsables dans les services de mise en œuvre et difficultés pour assurer la présence des directeurs/chefs de division dans le Groupe d'appui, chargé du suivi mensuel des actions. De fait, il a manqué un dialogue continu sur les performances de GFP et on peut regretter que l'UE n'ait pas complété son appui par un accompagnement de la Direction des Réformes Financières dans le suivi-évaluation du plan de réforme. Alors qu'il avait été approuvé par les partenaires en 2017, le cadre de dialogue unique entre le Gouvernement et les PTF pour accompagner la mise en place et l'exécution des appuis budgétaires n'a par ailleurs pas pu être institutionnalisé pour des raisons propres aux relations entre le MF et le MP. Le bilan du PRGFP IV a mis enfin en évidence un sous-financement notoire de certains programmes (ex : celui sur les réformes de décentralisation financière). Quant au PRGFP V 2021-2025, sa première année de mise en œuvre est intervenue dans un contexte très contraint (crises sécuritaire, climatique, sanitaire, …) qui, entre autres, a conduit à un taux de réalisation des activités programmées limité (44%)

**Les différents AB mis en œuvre (SBC II et III, CRS Education, CRS Sanad ainsi que SBC AJUSEN) ont tous visé le renforcement de la GFP mais avec une faible activation des synergies potentielles (JC2.3).** Les conditions générales portant notamment sur la stabilité macroéconomique et l'effort fiscal ainsi que sur la stratégie de réforme des FP et la transparence, ont été analysés conjointement et les recommandations en matière de dialogue ont été adressées pour l'ensemble des AB donnant un poids important à l'UE sur ces questions. Les synergies entre instruments et entre le niveau sectoriel et central pouvaient aussi être développées grâce à la mobilisation parallèlement aux SBC, d'importants CRS dans le domaine de la sécurité alimentaire et dans le domaine de l'éducation. Si la dimension budgétaire a bien été adressée dans ces derniers (notamment à travers des ITV portant sur les allocations budgétaires et surtout à travers des AT pour la mise en œuvre des budgets programme (mise en place des outils du budget programme (DPPD/PAP/RAP), il y a eu peu de complémentarités et de synergies opérationnelles entre tous ces appuis sectoriels et en particulier entre les appuis techniques fournis pour la mise en œuvre de la réforme des budgets programmes auprès des Ministères dans ces secteurs (Justice, Intérieur, Education, Environnement, Agriculture, Elevage, Commerce,…) . Les appuis ont été mis en œuvre en collaboration avec le MF mais les différents acteurs rencontrés, y compris le Ministère des Finances et la cellule du projet en charge de l'accompagnement de la mise en œuvre de la réforme Budget programme, reconnaissent un décalage entre les ministères sectoriels et le ministère des finances dans la mise en œuvre des budgets programme ainsi qu'un manque de cadrage des appuis au renforcement de capacités réalisés dans ce cadre. Les appuis donnés par l'UE dans ce domaine aux différents ministères ont subi ce contexte ce qui peut expliquer le peu de complémentarités et synergies entre les différentes AT de l'UE sur les budgets programmes mises en œuvre à travers les SRC et SBC.

**Globalement, les appuis au CMSB n'ont pas été menés en lien avec d'autres politiques externes de l'UE (JC2.4).**

## 3.3 Efficacité – Analyse des outputs et des produits intermédiaires

*Contribution des appuis CMSB de l'UE à des politiques de réformes GFP cohérentes et coordonnées, au renforcement de la qualité des statistiques et à l'amélioration de la transparence, de la redevabilité et du contrôle des finances publiques (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

Les appuis de l'UE ont contribué à la mise en œuvre d'une réforme d'envergure plus inclusive, ancrée dans le cadre harmonisé de l'UEMOA et au renforcement des fonctions transversales du système GFP, en particulier la dimension « système d'information » qui a joué un rôle structurant dans la mise en œuvre des réformes ainsi que la dimension transparence, redevabilité et lutte contre la corruption même si les progrès réalisés restent fragiles dans ce domaine.

**L'UE a contribué au lancement d'un cadre de réformes plus inclusif et pleinement ancré dans les dispositions communautaires de l'UEMOA (JC 3.1)** avec leurs innovations majeures : basculement du budget de moyens vers le budget de programmes ; affirmation de la programmation budgétaire pluriannuelle ; déconcentration de l'ordonnancement des dépenses ; renforcement du contrôle parlementaire, etc. En parallèle, l'UE a positionné plusieurs appuis stratégiques au développement des budgets programmes dans quelques ministères-clés d'une part, et à l'implantation d'un nouveau système d'information de gestion budgétaire d'autre part. Ceux-ci ont joué un rôle majeur dans l'accélération des activités qui ont permis au Niger d'être le second pays après le Burkina Faso à basculer en « mode programme" au 1er janvier 2018. Ces appuis ont été également associés aux soutiens d'autres PTF pour développer les outils de programmation et de reporting budgétaires dans les ministères et créer une capacité de pilotage de la réforme budgétaire en appui à la DG Budget du Ministère des finances (Banque Mondiale).

Le renouvellement de l'approche se lit dans le portage des réformes désormais largement assuré par les programmes d'appui budgétaire de l'UE à travers leurs trois canaux d'appui (dialogue de politique sur la GFP et la transparence budgétaire, définition de cibles à atteindre en lien avec les ITV, et mesures complémentaires).

On notera également que pour asseoir les réformes dans le domaine de l'administration fiscale (non liées à un cadre de réformes à l'échelle communautaire), l'UE a mis en place une dynamique vertueuse entre les évaluations TADAT et les plans stratégiques de la DG des Impôts : l'UE a financé les deux évaluations indépendantes TADAT de 2017 et 2021 qui ont elles-mêmes contribué largement à l'élaboration des plans stratégiques réalisés en interne et sur financement national.

La conjonction de ces appuis, de l'établissement d'un dispositif de pilotage de la réforme plus robuste (arrêté de 2017) et de la mise en place d'un reporting trimestriel et annuel sur l'avancement des réformes, a également conduit à un renforcement du leadership du MF dans la conduite des réformes.

Globalement, ces progrès se reflètent dans l'amélioration de l'indice CPIA en 2020 portant sur la qualité de la gestion budgétaire et financière (passé de 3.0 à 3.5). Il n'en demeure pas moins que la mise en œuvre des réformes a connu plusieurs faiblesses, déjà mentionnées plus haut, et, même si le dernier PRGFP était plus inclusif, il n'a pas en soi conduit à une articulation forte entre les piliers recettes et dépenses de la GFP.

**Les programmes d'appui budgétaire ont contribué à mettre l'accent sur l'importance d'une réforme d'envergure, fondée sur un diagnostic clair et partagé des principales faiblesses du système GFP et la mise en place d'un cadre de concertation (JC3.2).** Dans le cas du Niger, la réévaluation à chaque décaissement des conditions générales relatives à la GFP a permis d'alimenter un dialogue technique considéré comme de qualité et le dialogue politique de plus haut niveau pour s'assurer de l'engagement effectif des autorités à mettre en œuvre la réforme.

La mobilisation des appuis complémentaires (plus d'une vingtaine de contrat liées à la GFP sur la période 2015-2020 pour environ 9 M€) a également contribué à établir cette approche plus holistique en particulier à travers les évaluations PEFA et TADAT, la réalisation de revues de dépenses publiques, et le déploiement des systèmes d'information et des réseaux ou encore l'appui aux organes de contrôle externe.

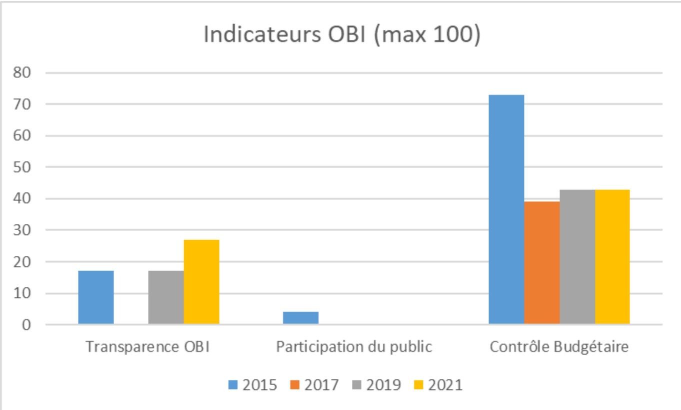
En parallèle, les ITV qui suscitent un dialogue technique rapproché ont essentiellement visé des problématiques spécifiques et prioritaires pour l'UE à savoir la lutte contre la corruption et la déconcentration de l'ordonnancement avec des résultats satisfaisants même si la déconcentration effective de l'ordonnancement (repris comme ITV en 2021) tarde à être installée. Les CRS Education et SANAD ont mis l'accent sur des dimensions de GFP plus spécifiques à leur secteur, en particulier le déploiement des outils de programmation et suivi budgétaire dans le cadre de la réforme des budgets programme et l'évolution des ressources allouées au secteur (suivi pour chaque tranche annuelle du CRS). Les autres indicateurs ont porté, pour le CRS Education sur le système de paiement des enseignants, et pour le CRS SANAD, la revue de dépenses publiques du secteur et la progression des dépenses du secteur effectuées sous la forme de crédits déconcentrés. Pour le programme d'AB à la Justice, Sécurité intérieure et Gestion des Frontières au Niger (SBC EUTF), des focus budgétaires plus spécifiques sont retenus pour les ITV « financiers » (allocation budgétaire au fonds pour les actions de relèvement et consolidation de la paix de la Haute Autorité à la Consolidation de la Paix ; crédits pour la formation, l'équipement, et le redéploiement des agents de l'administration pénitentiaire ; équipements et infrastructures aux forces de sécurité intérieure).

**L'UE a joué un rôle clé pour la modernisation des systèmes d'information en particulier du système intégré de gestion budgétaire et comptable (CEGIB) (JC3.3).** La modernisation des systèmes d'information a constitué une priorité dans le cadre du PRGFP IV puisqu'un programme (P8) lui a été consacré en lien avec l'objectif spécifique n°4 d'amélioration de la transparence des finances publiques. Le premier défi concernait l'adaptation du système intégré de gestion budgétaire et comptable (CEGIB) aux nouvelles dispositions de la LOLF et du PCE. L'UE a largement contribué à ce chantier majeur en mobilisant un appui à la mise en place de la plateforme CEGIB dès 2015 dans ses volets 1 (préparation du budget et comptabilité générale) et 2 (exécution du budget) mais aussi en finançant le câblage et l'interconnexion des ministères sectoriels au MF ainsi que la fourniture de matériel technique et informatique. Des appuis à l'informatisation de la gestion des investissements publics et à l'automatisation de la paie des agents de l'Etat ont également été fournis. Les adaptations du CEGIB ont permis d'assurer la bascule en budget programme au 1er janvier 2018 même si des ajustements ou consolidations ont dû être réalisés en 2019. La plateforme a été réalisée par un prestataire national avec une forte appropriation du système par les utilisateurs, à l'opposé d'expériences, parfois critiques, dans d'autres pays qui ont opté pour l'adaptation locale d'une solution logicielle ERP. Toutefois, le CEGIB n'a pas encore toutes les fonctionnalités nécessaires, n'est pas déployé complètement et n'est pas assez interfacé avec les autres systèmes (douanes, impôts). Il nécessite donc d'être consolidé : extension de ses fonctionnalités ; renforcement des interfaces avec les autres applications pertinentes ; achèvement de son déploiement ; sécurisation des équipements et réseaux ; poursuite des actions de formation des acteurs de la chaîne de la dépense. L'UE a également mis un focus particulier sur le développement du système d'information fiscale en retenant deux ITV relatifs respectivement aux systèmes d'information de la DG des Impôts et de la DG des Douanes (cf. JC4.2). Un appui complémentaire a enfin porté sur la conception et la mise en place d'une base des données informatique sur les entreprises publiques.

**S'agissant de l'amélioration des statistiques budgétaires,** il faut souligner que l'UE a en 2015 financé la production d'un document de stratégie de collecte des statistiques de finances publiques couvrant la période 2016-2018. Cette stratégie, reposant en particulier sur une pleine opérationnalisation de la Direction des Statistiques du MEF, n'a pas donné lieu par la suite à d'autres appuis ciblés sur le renforcement des statistiques budgétaires de la part de l'UE. Il est clair néanmoins que la thématique a pu faire l'objet d'avancées, soit dans le cadre des expertises techniques diverses sur l'élaboration des DPPD/PAP et RAP dans certains ministères prioritaires (travaux sur les indicateurs de performance et l'amélioration des sources de données), soit en lien avec plusieurs études sur le développement des statistiques sectorielles (éducation, santé, justice). Par ailleurs, un ITV a porté sur l'amélioration de la qualité des statistiques budgétaires. On notera enfin que les statistiques financières bénéficient d'assistances périodiques du FMI qui dispose d'un département spécifique dans ce domaine.

**Le renforcement de la transparence, du contrôle et de la lutte contre la corruption a été un des fils rouges des appuis de l'UE (JC3.4)** comme on peut le constater à trois niveaux. D'abord, une attention particulière a été accordée au dialogue mené sur les ITV portant sur la publication des lois de Règlement et sur l'atteinte de la condition générale de décaissement en matière de transparence budgétaire. Ensuite, plusieurs mesures complémentaires ont été mises en œuvre en vue de renforcer les structures chargées du contrôle interne et externe au niveau central (principalement l'IGF et la Cour des Comptes). Enfin, au niveau des appuis budgétaires sectoriels, plusieurs des ITV spécifiques aux secteurs couverts ont porté sur les systèmes d'inspection et de contrôle interne (IGSS, IGAT, Justice). Par ailleurs, le renforcement du cadre légal pour la lutte contre la corruption (adoption de la stratégie et renforcement des attributions de la HALCIA) et des capacités de la HALCIA, ont été intégrés à cette composante « transparence et redevabilité » de l'appui de l'UE.

**En matière de transparence**, le Niger a connu une forte progression de l'OBI entre 2017 et 2021, de 0 à 27, meilleur score atteint par le Niger jusqu'à présent. Entre 2017 et 2021, la disponibilité des informations budgétaires a nettement progressé grâce en particulier à la publication en ligne du rapport préalable au budget, du projet de budget de l'Etat et du rapport en cours d'année ainsi que de fin d'année et du budget approuvé. Malgré la publication chaque année d'un budget citoyen, la participation des citoyens au processus budgétaire reste par contre inexistante. Les interventions de l'UE n'ont pas empêché un recul de l'implication de la société civile dans les débats budgétaires. Les organisations de la société civile (OSC) ne participent pas aux conférences budgétaires (comme cela était le cas jusqu'en 2015), elles n'ont plus un accès systématique aux documents accompagnant le budget, et elles ne sont plus associées aux travaux de l'Assemblée Nationale.




**En matière de contrôle et de lutte contre la corruption**, l'appui de l'UE a clairement contribué à renforcer le cadre légal ainsi que le nombre et l'étendue des contrôles essentiellement ceux réalisés par des organes externes ; les progrès sont en revanche moins flagrants sur le plan des contrôles internes (où, il est vrai, les appuis ont porté essentiellement sur des équipements) :

- Le renforcement de la Cour des Comptes a permis un suivi régulier de la transmission des Lois de règlement (réalisé jusqu'en 2019 inclus) ainsi que la réalisation et publication du rapport général public annuel, de plus en plus conséquent (rapport 2021 déjà publié). Simultanément, les contrôles se sont élargis à partir de 2020, à travers de nouvelles activités notamment (i) un audit général des FP après les élections (et un contrôle des dépenses électorales), (ii) la réalisation d'un audit des marchés passés par le Gouvernement dans le cadre des mesures COVID et de l'appui budgétaire mis en œuvre à cette fin, et (iii) la mise en œuvre d'un audit des dépenses et recettes dans les industries extractives, suite à la suspension du Niger de l'ITIE.
- En ce qui concerne la Haute Autorité de Lutte contre la Corruption et les Infractions Assimilées (HALCIA), l'UE s'est mobilisée d'abord pour la mise en place de cette institution (ITV sur le projet de loi HALCIA dans le cadre du SRBC). Elle a ensuite apporté une subvention équivalente à plus de 70% du budget de fonctionnement prévu pour la HALCIA au budget de l'Etat, qui a donc été essentielle pour permettre un déploiement des contrôles (42 missions réalisées), notamment sur les recettes, et offrir un recouvrement additionnel de plus d'1 milliard FCA.
- L'IGF a pu, pour sa part, disposer d'une amélioration de ses conditions de travail (fourniture d'équipements informatiques et de reprographie, livraison de véhicules). Elle réalise un nombre de missions de contrôle assez stable depuis 2017 (autour de 35 dont une dizaine d'enquêtes administratives) et assure, depuis 2018, l'édition annuelle d'un rapport général public. L'IGF fait face cependant à une contrainte majeure qui est la baisse régulière du nombre d'inspecteurs, passé de 30 en 2010 à 12 en 2021.

Les subventions mobilisées dans le cadre des appuis complémentaires ont été déterminantes dans le fonctionnement de ces institutions. Toutefois, la durabilité des résultats obtenus à la faveur des soutiens de l'UE (et d'autres PTF) reste incertaine au vu de la faiblesse des moyens qui leur sont alloués annuellement par le budget de l'Etat (et sans subventions régulières). Les activités déployées ont permis de renforcer la crédibilité de certaines de ces institutions comme la Cour des Comptes ou l'HALCIA ce qui pourrait conduire l'Etat à renforcer plus durablement leurs moyens comme cela semble déjà le cas en 2021 où la Cour des Comptes a vu sa dotation augmenter de 600 à 800 MFCFA. Au-delà des moyens financiers, la principale fragilité des corps de contrôle est la faible prise en compte de leurs recommandations et le suivi limité des dossiers transmis à la justice. Ce problème a été bien cerné par l'UE qui a intégré dans son nouveau SBRC, un ITV portant sur le suivi global des dossiers transmis IGE/IGF/CdC/ HALCIA à l'Agence Judiciaire de l'Etat (AJE).

Autre enjeu transversal, **le processus de décentralisation/déconcentration** a été appuyé par l'UE de façon sporadique, d'une part à travers la mise en place des équipements de câblage et d'interconnexion des structures régionales du MF dans plusieurs régions et d'autre part, par des ITV du CRS SANAD visant la progression des dépenses effectuées sous la forme de crédits déconcentrés dans le secteur. Ces interventions menées dans un contexte peu porteur (le volet « réformes relatives à la décentralisation (PO2) » a connu le taux de mise en œuvre le plus bas au sein du PRGFP IV, reflétant un manque d'engagement sur ces réformes) n'ont pas conduit à relever l'efficacité de la chaîne de la dépense au niveau régional et la part du budget allouée sous la forme de crédits déconcentrés. L'action de l'UE, menée de façon sans doute trop isolée (voir EQ8), aurait pu avoir un effet déclencheur et contribuer à amorcer progressivement une dynamique de réformes plus soutenue dans ce domaine. Globalement, la déconcentration de la gestion budgétaire est faible. La mise en œuvre des Budgets Programmes à partir de 2018 a accentué la concentration des crédits au niveau central. Les activités des services déconcentrés n'ont pas été pris en compte dans plusieurs PAP et la maitrise des outils de programmation et de rapportage (DPPD/PAP/RAP) est par ailleurs très faible en régions, y compris par les cadres des Directions régionales du budget (DRB) qui sont censés les expliquer aux autres services « utilisateurs ». L'échange des données par voie électronique entre services du MF reste par ailleurs très limité ce qui affecte l'efficacité de la chaîne de la dépense et allonge les délais de traitement des dossiers : les services régionaux du MF sont informatisés mais il n'y a pas encore d'échanges de données entre eux, même si les investissements nécessaires pour l'interconnexion ont été réalisés.

*Contribution des appuis CMSB de l'UE pour la mobilisation des recettes domestiques et la réduction des gaps (EQ4)*

| **EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?** |
|---|
| JC4.1 EU CMSB support has contributed to improved tax policy |
| JC4.2 EU CMSB support has contributed to improved tax administration |
| JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR) |
| JC4.4 EU CMSB support has contributed to revenue effort |

Le diagnostic récent sur la gestion des finances publiques (en amont de la préparation du PRGFP V) a souligné l'adoption d'une série de mesures conjoncturelles et structurelles visant à accroître durablement la mobilisation des ressources domestiques avec des progrès remarqués en matière d'optimisation de l'assiette fiscale, de maîtrise des exonérations fiscales, de modernisation des services fiscaux et douaniers qui demandent encore à être intensifiés. Pour l'UE comme pour les autres bailleurs fournisseurs d'AB (FMI, France, …), la mobilisation de recettes domestiques additionnelles a été une des priorités de la période 2015-2021. Les appuis de l'UE ont principalement mis l'accent sur le renforcement de l'administration des recettes fiscales avec des cibles ITV souvent atteintes ainsi que des mesures complémentaires, plutôt que sur la politique fiscale ou la gestion des recettes parafiscales. La position de l'UE sur ce point a évolué puisqu'elle a décidé de financer en 2021 une étude sur la fiscalité et le climat d'investissement au Niger (encore en cours).

**L'UE n'a pas mobilisé d'expertise en appui à la définition des politiques fiscales mais elle a tout de même ciblé le problème du coût pour le budget des exonérations fiscales (CJ4.1).** Ainsi, un indicateur additionnel aux ITV du SBC II a été pris en compte et concerne le montant des exonérations en cours, DGI et DGD cumulés et hors secteur sécurité, avec une cible de 28% pour l'exercice 2016 base

TOFE 2016. Il n'a pas été trouvé trace d'un suivi de cette cible. En 2017, un projet de loi a été adopté afin de revoir certaines dispositions du Code des investissements de 2014 afin de limiter les pertes générées par les exonérations fiscales. Les exonérations sont aujourd'hui mieux maitrisées et mieux comptabilisées : un pôle a été constitué au sein du MF pour assurer l'enregistrement, le suivi et l'analyse systématiques des exonérations fiscales discrétionnaires. Le MF prépare également un rapport annuel sur les dépenses fiscales qui est annexé à chaque loi de finances qui vient améliorer la transparence budgétaire.

**L'UE a concentré ses interventions sur le renforcement de l'administration fiscale en soutenant d'une part l'analyse des forces et faiblesses de l'administration fiscale, d'autre part la modernisation de l'administration fiscale en ciblant la modernisation des systèmes d'information de la DGI et de la DGD (CJ4.2).** Au titre du premier volet, l'UE a financé la réalisation du premier diagnostic TADAT, validé en février 2018, puis une seconde édition de l'évaluation TADAT, finalisée au 1er trimestre 2022. Afin d'assurer la conversion des résultats du TADAT dans les orientations stratégiques de la DGI, un ITV porte sur la validation d'un nouveau plan stratégique de la direction prenant en compte les résultats du TADAT. La DGI a ainsi attendu d'avoir les résultats provisoires du TADAT (novembre 2021) pour engager l'évaluation du plan stratégique précédent, couvrant la période 2017-2021 et préparer son plan 2022-2024. Pour l'instant, seul le premier est disponible sur le site de la DGI. Le bilan sur le TADAT 1 a mis en évidence des résultats mitigés, avec des évolutions positives sur certains pans mais aussi des reculs observés dans d'autres domaines. La mise en œuvre du Plan stratégique 2017-2021 a rencontré plusieurs contraintes : ressources insuffisantes ; mobilité des hauts responsables et des niveaux intermédiaires entraînant des ruptures de continuité dans les réformes engagées ; défaillance dans le mécanisme de suivi-évaluation. Il convient de souligner enfin que si des plans stratégiques sont désormais régulièrement adoptés, il n'existe pas encore de contrat de performance entre le MF et la DGI.

Concernant le second volet, l'UE a soutenu la modernisation des systèmes d'information des deux régies. Ainsi, à la DGI, elle a soutenu le système informatisé de suivi des impôts et des contribuables et le lancement de la plateforme e-SISIC permettant la télédéclaration et le télépaiement des impôts. Des cibles ont été fixées dans ce domaine pour les ITV du SRBC en 2019 (développement de la plateforme de télé-procédures sur le SISIC et lancement de la télédéclaration en ligne) puis en 2020 (utilisation du SISIC dans les structures régionales (directions régionales et centres des recettes et d'impôts siégeant dans les chefs-lieux de région) (2020). Fin 2019, le bloc fiscal a bien été déployé dans les principales directions centrales (Direction des Grandes Entreprises et Direction des Moyennes Entreprises). Quant à la plateforme e-SISIC, elle a été lancée en juin 2021 et son déploiement en régions a été mis en oeuvre. La télédéclaration est donc opérationnelle. Elle n'est toutefois utilisée pour l'instant que par un nombre limité de grands contribuables : pour la DGE, 80% des entreprises sont favorables au dispositif mais seulement 30% l'utilisent ; pour la DME, le pourcentage d'utilisateurs est à ce stade marginal. Outre l'opérationnalisation proprement dite des outils, un des principaux enjeux est désormais d'assurer leur maîtrise par les informaticiens et par les utilisateurs. La DGI a relevé que sa demande d'appui financier direct pour soutenir le développement de la plateforme e-SISIC n'a pas été retenue par l'UE.

Quant à la DGD, l'appui au système d'information s'est matérialisé là aussi par le dialogue de politiques et l'incitation aux réformes à travers plusieurs ITV du SBC II et SRBC ainsi que par des mesures complémentaires. Pour le SRBC, les cibles ont porté sur l'interconnexion des systèmes informatiques des douanes du Niger avec ceux du Benin et du Togo (2019) puis sur l'effectivité du transit douanier international électronique avec les douanes des pays interconnectés (2020). La migration vers Sydonia World est intervenue en 2019, l'informatisation du système de transit électronique dans tous les bureaux de douanes a été parachevée et les bureaux des Douanes sont interconnectés avec ceux du Bénin, Togo et du Burkina-Faso.

En complément, des appuis ont été apportés pour la mise en place d'un contrôle fiscal basé sur les risques, le renforcement du maillage territorial de l'administration fiscale et douanière, la création et l'opérationnalisation des régies des recettes ainsi que l'élaboration et la dissémination des manuels de procédures de la DGD.

Les axes d'amélioration retenus dans le cadre du nouveau PRGFP portent en particulier sur l'opérationnalisation du dispositif d'identification des contribuables sur l'ensemble du territoire, l'amélioration de la qualité des services aux usagers, la consolidation de la digitalisation (e-SISIC, déploiement du système de facturation électronique de la TVA, interconnexion informatique de la DGD avec les autres structures), le renforcement du dispositif d'entrepôts fiscal et l'amélioration des capacités de contrôle, notamment dans des secteurs comme les TIC et les mines, l'amélioration des de la comptabilisation des recettes.

**Une faible importance a été accordée aux recettes non fiscales dans les réformes en cours sur lesquelles s'est alignée l'UE (JC4.3).** Elles font toutefois l'objet d'un programme opérationnel spécifique dans le cadre du nouveau PRGFP V. Une procédure a été mise en place pour la création des régies de recettes mais le dispositif d'identification n'est pas formalisé et systématisé et donc variable selon les ministères concernés. Dans ce domaine, on pointera les lacunes importantes dans le contrôle des recettes résultant des établissements et entreprises publics ainsi que des industries extractives (les taxes perçues sur les industries extractives par les régies des ministères sectoriels ne sont l'objet d'aucun suivi spécifique). Sur ce dernier point, le Niger, qui avait pendant dix ans (2005 à 2014) assuré, notamment, la réalisation d'audits annuels par la Cour des Comptes sur la collecte des revenus du secteur extractif, a été exclu de l'Initiative sur la Transparence des Industries Extractives en octobre 2017. Après reconstitution du Groupe multipartite (GMP) en novembre 2018 et mobilisation du gouvernement et des OSC (notamment du ROTAB) pour avancer sur les mesures correctives prescrites par l'ITIE, le Niger a été réintégré dans cette dernière en février 2020.

Relativement aux recettes minières et pétrolières, la question des prix de transfert représente un défi majeur qui n'a pas encore donné lieu à un accompagnement conséquent.

**Les réformes auxquelles les programmes de l'UE ont contribué, n'ont pas conduit aux résultats attendus (JC4.4).** Alors que le critère de convergence communautaire a été revu à la hausse (cible passée de 17% à 20%), le ratio recettes fiscales/PIB atteignait en 2018 11,0% du PIB avant de redescendre à 10,4% en 2019 puis à 9,6% en 2020, soit moins de la moitié de la cible fixée par l'UEMOA. Le contexte extérieur a certainement contrecarré les effets attendus des mesures prises en termes de politique fiscale ou de modernisation des régies financières. Ainsi, la fermeture des frontières avec le Nigeria aurait couté en termes de recettes 0,3% points de PIB selon le FMI et les contre-performances de 2020 reflètent l'impact du Covid sur l'économie, même si la baisse des recettes (-24 milliards de FCFA, soit -3,1%) a été moins importante que prévu. Toutefois, suivant les rapports du FMI , les lenteurs dans l'application effective des mesures adoptées expliquent pour beaucoup le fait que les objectifs en termes de recettes fixés dans le cadre de la FEC n'ont été atteints qu'en 2018. Des problèmes ont été soulevés par l'administration nigérienne, quant à l'effectivité du déploiement de SYDONIA dans tous les bureaux de douane, de l'interconnexion de tous ces bureaux et la mise en œuvre des réformes relatives aux recettes douanières. La bancarisation des versements qui a engendré beaucoup de résistance pourrait être le facteur qui a le plus contribué à l'accroissement des recettes. Les performances de 2018 proviennent notamment d'une explosion des recettes de TVA qui ne s'est pas prolongée en 2019. Globalement, l'année 2019 confirme néanmoins une augmentation tendancielle des revenus de la DGI provenant essentiellement des impôts indirects (sur biens et services) et plus faiblement, des impôts directs (sur les revenus). Les écarts entre les prévisions et les réalisations restent importants au sein des différentes rubriques soulignant la fragilité des prévisions.

*Contribution des appuis CMSB de l'UE au renforcement des fonctions clé de la GFP et à l'amélioration de l'efficacité et de l'efficience des dépenses ainsi qu'à la gestion durable de la dette (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

La période d'étude débute après adoption entre 2012 et 2014 des textes de transposition des directives du CHFP de l'UEMOA dont la loi organique de mars 2012 relative aux lois de finances qui consacre l'adoption du budget programme. Dans le cadre du PRGFP III puis du PRGFP IV (programme P10 sur la généralisation de l'élaboration du budget-programme), le gouvernement, avec l'appui de divers bailleurs de fonds, a mis un accent important sur le développement des outils de programmation et de reporting budgétaire issus de la nouvelle LOLF (DPBEP, DPPD/PAP et RAP des ministères). Au niveau central, l'appui principal est venu de la Banque Mondiale qui, à travers le PCDS a fourni de l'expertise pour appuyer la Direction générale du budget (DGB) dans le pilotage du chantier du budget programme, dans la réalisation d'études et de guides méthodologiques et dans le déploiement d'un plan de renforcement de capacités ciblant l'ensemble des ministères et institutions. Toujours au niveau central, le FMI a également réalisé plusieurs missions pour renforcer certains volets techniques (par ex. sur le cadrage budgétaire à moyen terme ou sur les autorisations d'engagement et crédits de paiement). Dans le même temps, les travaux d'adaptation de la plateforme CEGIB (cf. JC3.3) ont été engagés, le gouvernement ayant pour objectif d'opérer le basculement en mode programme avec une phase de préparation assez courte, optant pour une stratégie du « learning by doing ».

**L'UE a été particulièrement attentive à la maîtrise des outils qu'impliquait le passage en budget programme et a pour sa part investi - avec d'autres bailleurs de fonds - le terrain sectoriel en proposant d'appuyer plusieurs ministères stratégiques en charge des secteurs considérés comme prioritaires et sur lesquels les CRS ainsi que le SBC II et le SRBC se sont focalisés (JC5.1).** Des AT ont été ainsi positionnées au sein des ministères sectoriels (Intérieur, Justice, Education, Santé, SANAD) afin d'appuyer ces derniers dans la formulation de leur DPPD/PAP/RAP avec des résultats positifs même si encore largement perfectibles.

Globalement, la qualité des différents outils de programmation et de suivi au sein des principaux ministères visés s'est améliorée progressivement. Toutefois, de nombreuses difficultés sont encore observées, notamment au niveau des DPPD, comme la pertinence et la mesurabilité des indicateurs, l'alignement des projets d'investissements aux périmètres des ministères, l'insuffisance de leadership dans la promotion du dialogue sur la performance, la faible implication des responsables de programme nommés dans le processus d'élaboration des DPPD et des PAP, ou encore la faible légitimité des DPPD qui ne sont pas réellement utilisés au cours des conférences budgétaires. L'introduction du mécanisme de régulation budgétaire a également passablement compliqué le plaidoyer en faveur de la nouvelle forme de budgétisation. En outre, au-delà de la production des DPPD/PAP et RAP, le dialogue de gestion se déploie avec lenteur. Enfin, la réforme a pâti d'une capacité de pilotage technique insuffisante de la DGB avec des équipes dans les ministères techniques parfois mieux imprégnés du contenu des outils et des bonnes pratiques. De nombreux axes d'amélioration ont ainsi été identifiés pour le prochain PRGFP, et notamment l'instauration d'une véritable gestion axée sur les résultats des crédits budgétaires sur une base pluriannuelle. Enfin, un volet essentiel des réformes induites par le CHFP/UEMOA témoigne d'avancées très limitées : la déconcentration de l'ordonnancement. Malgré un dialogue soutenu de la DUE sur ce point et l'ajout d'un ITV spécifique dans le SRBCII, le rôle d'ordonnateur des dépenses continue à être joué par le ministre en charge des finances. Les ministères sectoriels, n'ayant pas la qualité d'ordonnateurs, ne peuvent donc redéployer les crédits à l'intérieur des programmes qui sont sous leurs responsabilités. Des cibles ont été fixées pour les années 2019 à 2021 dans le cadre du SRBC relativement à l'ordonnancement des dépenses par les ministères sectoriels. Compte-tenu du contexte, un nouvel agenda a été défini en 2021 pour désigner des ministères pilote retenus et pour tester le système en 2022.

C'est dans ce contexte que l'UE a envisagé de mobiliser une AT sur le SRBC en appui à l'élaboration du nouveau plan de développement national, au renforcement des budgets programmes et de la transparence budgétaire et du cadre légal statistique.

On notera enfin que l'UE a financé plusieurs revues de dépenses publiques sur 2017-2018, respectivement pour les secteurs de la justice, de la sécurité, de la santé, de l'éducation, et de la sécurité alimentaire et nutritionnelle. Celles-ci ont été très utiles tant pour analyser l'allocation et l'utilisation effective des crédits que pour mettre à plat les forces et faiblesses de l'exécution des dépenses dans les ministères ciblés et proposer des actions correctrices susceptibles d'être prises. Elles ont pu aussi mettre en avant l'irréalisme de certains cadres stratégiques comme, par exemple, le plan d'action décennal 2016-2025 de la Politique Nationale Justice et Droits Humains (PNJDH) construit sur l'hypothèse d'une affectation moyenne de 5% des ressources propres du budget de l'Etat au secteur de la justice alors que la RDP a démontré que cette affectation n'a été que de 1% sur la période 2011-2016.

**Durant la période 2016-2021, le processus d'exécution de la dépense a été consolidé grâce aux progrès réalisés dans l'élaboration et la validation des plans d'engagements, à la réduction des délais de paiement ainsi qu'à l'expérimentation des contrats de performance auprès de certains établissements publics ; l'UE y a contribué à travers un appui à la mise en place du CUT (CJ5.2).** Une réforme importante portée conjointement par le FMI et l'UE a été la mise en place du CUT qui selon la DGTCP, a permis de charrier beaucoup de fonds pour alimenter la trésorerie de l'Etat et d'éviter que l'Etat continue à emprunter son propre argent aux banques. L'UE a financé à cet effet une assistance technique du FMI sur une période de 18 mois (2019-2020) au titre de mesure complémentaire du SBCII. La réalisation préalable d'une étude d'impact a permis de tester la capacité de résilience du système bancaire vis-à-vis de la réforme et a conduit à une approche par étape. La réforme a débuté avec une première étape de restructuration de la gestion de trésorerie qui, au départ, était réalisée à partir de près de 2.800 comptes détenus à la BCEAO et dans les banques commerciales. Fin 2019, les comptes bancaires des entités publiques faisant partie du périmètre de base du CUT ont été clôturés et leurs soldes ont été transférés au Trésor Public. Le processus a été achevé pour les administrations et établissements publics en décembre 2018. La seconde phase a débuté en 2021 et concerne les 266 communes. Enfin, la 3e phase portera sur les projets sur financement extérieur. Les actions mises en œuvre ont permis d'atteindre la plupart des objectifs recherchés, à savoir l'amélioration des prévisions de trésorerie et l'accroissement des revenus et des dépenses passant par le CUT.

Un autre volet d'amélioration concerne l'application CEGIB (Compte d'Exploitation Générale Intégré du Budget) déjà mentionnée. Celle-ci a donné lieu à plusieurs sessions de renforcement de capacités du personnel des régies financières (dont une centaine d'agents de la DGTCP). L'informatisation et l'interconnexion des trésoreries départementales aux trésoreries régionales prévue en 2020 a en revanche été reportée, de même que l'extension des fonctionnalités de l'application comptable CEGIB pour améliorer la fonction bancaire du Trésor.

Quoiqu'il en soit, la gestion de trésorerie et de la comptabilité reste fragile : le processus de mise en oeuvre du CUT doit être consolidé ; la fonction bancaire du trésor public est à développer ; la comptabilité matière doit être opérationnalisée. Globalement, l'usage de procédures dérogatoires reste trop fréquent et pas toujours opportun. Au niveau décentralisé, l'absence d'un réseau structuré d'agents comptables assermentés chargés d'exécuter les budgets des collectivités territoriales (CT) et les faibles capacités techniques et financières de ces dernières, rendent l'exécution de la dépense très précaire. C'est dans ce contexte que le prochain SRBC inclura des ITV portant en 2022 sur la nomination de 50% des receveurs municipaux fin 2022 et des 50% restants fin 2023, suite à l'adoption du texte le 28 mars 2022 de nommer les receveurs municipaux et régionaux en qualité d'agents directs du Trésor.

**L'UE n'a pas ciblé la gestion des marchés publics comme domaine prioritaire d'intervention, lequel est soutenu par d'autres PTF, notamment dans le cadre de la mise en place du SIGMAP (JC5.3).** L'évaluation PEFA indiquait déjà une performance plutôt satisfaisante : un score de B+ pour l'indicateur PEFA 24 sur le fonctionnement du système de passation des marchés avec plus de 60% de la valeur totale des marchés passés selon la procédure d'appel d'offres au cours de l'exercice 2015 et au moins quatre des principaux éléments d'information représentant la plupart des marchés complets et fiables et mis à la disposition du public en temps voulu. Ce domaine n'a fait l'objet que d'un appui ponctuel de l'UE: un audit des marchés publics de l'exercice 2014 a ainsi été réalisé en 2016-2017 par un groupement de bureaux d'expertise comptable. L'audit a porté sur un échantillon de 379 marchés publics pour un montant total de 163,8 mds FCFA répartis entre 26 autorités contractantes. Sur ce total, 343 marchés ont été passés en revue de conformité et 40 procédures d'attributions irrégulières ont été détectées. L'appui a d'abord participé à l'amélioration de la transparence sur la passation et la réalisation des marchés publics. Il a également eu une utilité pédagogique importante auprès de l'ARMP qui en principe a pris le relais pour réaliser un audit annuel sur les marchés publics et délégations de service public. Il faut noter qu'une évaluation MAPS est en cours depuis juin 2021 au Niger, et que l'UE fait partie du comité technique qui l'accompagne.

**L'UE n'a pas apporté une attention spécifique à l'amélioration de la gestion des investissements publics de 2015 à 2021 (excepté son intégration dans le CEGIB), période pendant laquelle peu d'évolutions ont été en fait constatées (CJ5.4).** En premier lieu, le Niger ne dispose toujours pas d'un cadre juridique propre aux investissements publics. Ensuite, «la programmation des investissements publics continue de reposer sur le Programme d'investissement de l'Etat qui n'intègre pas les investissements des entités extrabudgétaires et des PPP et n'est ni publié ni systématiquement annexé au PLFI ». Le PIP (globalisant tous les investissements publics et calé sur une programmation triennale d'autorisations d'engagement et de crédits de paiement), tel qu'institué en 2015 reste en devenir.

En ce qui concerne le renforcement de la préparation et de la sélection des projets, peu d'initiatives ont été également enregistrées. Les critères de sélection des projets ont été certes revus à la faveur de l'actualisation en 2015 d'un guide datant de 1988 mais ils restent des critères standards génériques. Plus récemment, un arrêté conjoint (ministères des finances et du plan) de 2021 a exigé l'obligation d'évaluation ex ante pour tout projet d'investissement et en 2022, une ligne budgétaire de 500 M FCFA dédiée au financement des études de faisabilité a été activée.

Au niveau du suivi-évaluation des projets, un Système National Intégré de Suivi-Evaluation (SNISE) a été mis en place avec l'appui du PCDS (Banque Mondiale). La plateforme, actuellement opérationnelle dans sept ministères pilotes, doit voir son utilisation étendue à l'ensemble des entités concernées dans le cadre du programme qui succède à ce dernier, le Programme pour la Gestion de la Dépense Publique par le Résultat pour le Capital Humain (PGRC).

Enfin, s'agissant du volet informatisation, le projet initial de Système de gestion automatique des décaissements des projets et programmes sur financement extérieur (SIGEP), inscrit dans le PRGFP IV et répondant au faible taux de décaissement des fonds extérieurs constaté en fin de mise en œuvre du PRGFP3, a finalement été abandonné. L'option retenue est de mettre en place un module informatique de gestion des projets d'investissement de l'UE, qui après report d'un an, a été engagée en 2021 dans le cadre de la phase 3 du projet ASIBCI soutenu par l'UE.

**L'UE n'est pas intervenue dans le domaine de la gestion de la dette, porté par le FMI à travers une AT directe et des missions d'AFRITAC (essentiellement en 2018 et 2020) (JC5.5).** Le cadre institutionnel de gestion et les mécanismes de suivi ont été renforcés. Ainsi, (i) un Comité Interministériel de Suivi de la Politique d'Endettement de l'Etat et de Négociation des Aides Budgétaires (CISPEE/NAB) a été institué en juin 2015 ; (ii) des rapports trimestriels et annuels sur la dette publique sont préparés par la Direction de la Dette Publique et validés par le Comité technique du CISPEE/NAB ; (iii) les fonctions de gestion de la dette ont été centralisées dans une seule unité. En outre, une stratégie de gestion de la dette et une révision du plan d'emprunt de l'Etat et du plan d'endettement à moyen terme ont été réalisées.

## 3.4 Efficacité et durabilité – Contribution aux résultats et impacts

*Renforcement durable de la gestion financière et publique (EQ6)*

| **EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?** |
|---|
| JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time |
| JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives |
| JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources |
| JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations |
| JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.) |

**La stabilité macroéconomique du Niger a été préservée et renforcée depuis 2015 (JC6.1)**. En 2015, le Niger faisait face à un risque élevé d'instabilité macroéconomique suite à i) une détérioration rapide du besoin de financement de l'Etat passé de 2,5% en 2013 à 8% en 2014 et 9% en 2015, provenant d'un double mouvement de tassement des recettes et d'accroissement des dépenses, liés à une aggravation de la situation sécuritaire et le ralentissement économique des pays voisins ; ii) une augmentation du recours à l'emprunt extérieur et intérieur avec en corollaire un ratio dette/PIB (avant révision) grimpant de 26,3% en 2013 à 41,9% en 2015 et un accroissement des dépenses relatives à la dette publique ; iii) une accumulation d'arriérés intérieurs (de l'ordre de 75 milliards FCFA fin 2015, soit 1,8% du PIB (avant révision)). Le risque de dérapage dans un contexte toujours plus fragile a d'abord conduit le Gouvernement, sous la houlette du FMI, à créer mi-2016 un Comité interministériel de régulation budgétaire et à instaurer un plafonnement des dépenses qui s'est avéré efficace pour protéger le solde budgétaire. Par la suite, dans le cadre de la FEC conclue avec le FMI sur la période 2017-2020, le Gouvernement a adopté des mesures qui ont permis de préserver les équilibres macroéconomiques.

Les risques macroéconomiques tout en restant non négligeables au vu des fragilités structurelles de l'économie nigérienne, sont davantage maîtrisés. Le risque lié à la soutenabilité de la dette est toujours considéré comme modéré malgré une augmentation sensible du ratio dette/PIB entre 2019 et 2021. Le

Gouvernement reste fortement engagé sur le maintien de la stabilité macro-économique qui a été en partie obtenue grâce à une régulation stricte des dépenses publiques.

Les interventions des bailleurs sous forme d'AB ont indéniablement contribué à stabiliser la situation et à élargir les ressources dont dispose le Niger pour mettre en œuvre le PDES.  Au cours de la période 2016-2020, l'aide extérieure perçue et inscrite au budget de l'Etat a augmenté très fortement (d'environ 200 milliards FCA en 2015 à près de 770 milliards en 2019), contribuant de façon croissante au financement des dépenses de l'Etat. Près de la moitié de cette aide est constituée d'AB dont les montants ont plus que triplé entre 2015 et 2019. L'UE a joué un rôle moteur dans l'élargissement de l'espace budgétaire en apportant plus de 50% de l'AB sous forme de dons au cours de la période ; ces AB ont atteint jusqu'à plus de 8% des recettes propres de l'Etat en 2017 et pourraient atteindre plus de 7,5% en 2020.

**La cohérence entre le budget et les priorités adoptées dans le PDES a été renforcée à partir de 2018 en grande partie à la suite du dialogue avec les bailleurs fournissant de l'AB et particulièrement avec l'UE (JC6.2).** Globalement, jusqu'en 2016 au moins, il n'y avait pas d'outils permettant d'assurer l'alignement du budget sur les objectifs du PDES. L'aggravation des problèmes sécuritaires et les tensions budgétaires ont par ailleurs rendu les arbitrages budgétaires plus difficiles. Dans le cadre de ses AB, à travers des ITV et le respect des conditions générales, l'UE a plaidé pour un meilleur alignement du budget sur les politiques publiques. Les dépenses de défense/sécurité ont connu une forte augmentation sur l'ensemble de la période, en partie justifiées par le contexte de plus en plus tendu le long des frontières avec les pays voisins. Au début de la période, cet ajustement s'est en partie fait aux dépens des dépenses dans des secteurs sociaux (éducation et santé) mais à partir de 2018, les budgets de ces secteurs ont été globalement maintenus dans le budget total, voire même accrus pour la santé (même si l'année 2020 doit être interprété dans le contexte de la pandémie). Si l'éducation et la santé ont été préservées des ajustements, ce n'est pas le cas de la justice dont les ressources n'ont cessé de diminuer en pourcentage du budget total.

**L'espace budgétaire retrouvé a permis de préserver voire d'augmenter les allocations aux secteurs sociaux ces trois dernières années mais leur mise à disposition et leur affectation aux priorités retenues dans la politique sectorielle restent aussi un enjeu certain (CJ6.3).** Les difficultés exprimées par les ministères sectoriels concernent (i) la prise en compte dans les négociations budgétaires des priorités affichées dans les DPPD et dans le PAP ; (ii) la libération trimestrielle des crédits par titre qui d'une part limite les montants reçus par rapport au budget voté et d'autre part, laisse à l'appréciation des ministères l'affectation des moyens perçus.

**Le soutien de l'UE CMSB a contribué à orienter les systèmes de GRC/GFP vers une réponse efficace à la crise au milieu de la pandémie de Covid-19, et vers un rééquilibrage des priorités budgétaires vers plus d'inclusivité et de transparence dans la phase de reprise (GRC, dépenses en capital, gestion de la dette, gestion des risques, etc.) (JC6.5).** Dès mars 2020, le gouvernement nigérien a publié un plan de préparation et de réponse au nouveau Covid-19 qui, outre la gestion sanitaire de la pandémie, traitait de l'impact du coronavirus sur l'économie nigérienne. Il y évoquait l'impact sur les finances publiques en particulier, avec une dégradation attendue du déficit budgétaire lié à un double mouvement de pertes de recettes fiscales (dont 80% sont liées à un secteur formel largement impacté par les mesures sanitaires) et d'augmentation des dépenses publiques. Les pertes de recettes ont été alors évaluées à 89,2 milliards FCFCA (dont 63,8 milliards pour la DGD et 25,4 milliards pour la DGI), soit 1,1% du PIB estimé pour 2020. Les autorités estimaient à 597,2 milliards les besoins de financement pour faire face à la pandémie, dont 437,4 milliards pour les mesures d'atténuation des impacts économiques.

En l'espace d'un an (mai 2020-avril 2021), l'UE a accordé une aide budgétaire d'un montant de 104 M€ afin de soutenir le gouvernement dans le financement du plan Global de Réponse du Gouvernement à la lutte contre la pandémie d'une part et à atténuer les effets de l'insécurité alimentaire et les conséquences des attaques terroristes et inondations d'autre part. En parallèle, l'UE a « déconditionnalisé » les tranches variables, assimilées de facto à des tranches fixes respectant les conditions générales de décaissement des appuis budgétaires. A travers son appui à la Cour des Comptes, l'UE a également soutenu le besoin de vigilance dans une période où les missions de contrôle ont été rendues difficiles. Ainsi, la Cour a produit un rapport très critique sur l'utilisation des fonds liés à la lutte contre le Covid-19.

*Amélioration des facteurs de croissance de long terme (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

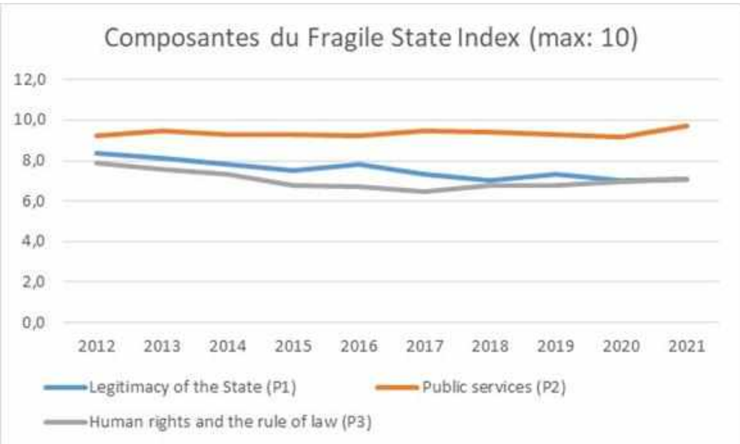
JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

**Le Niger a renforcé sa capacité d'absorption des chocs et élargi sa base de financement mais reste dans une situation fragile au vu des faiblesses structurelles de son tissu économique, sa base d'exportations limitée et des énormes défis sociaux auxquels il est confronté.**

La fragilité du Niger est notamment marquée par l'insécurité et le fractionnement des élites dans un contexte de forte pression démographique et de migrations. Globalement le niveau de fragilité mesuré par le FSI a baissé légèrement après le pic en 2016 (98,4 sur 100) pour se stabiliser autour de 96 ce qui reste un score extrêmement élevé. Les composantes « légitimité de l'Etat » et dans une moindre mesure « respect du droit » ont connu une amélioration plus sensible se situant autour de 7/10 en fin de période et indiquant un certain renforcement de l'Etat de droit au cours de cette période et à tout le moins l'absence d'une détérioration de l'Etat ce qui est déjà appréciable dans le contexte de la sous-région. Par contre, le FSI indique une situation très précaire dans la délivrance des services publics dont la fragilité est au plus haut (entre 9,2 et 9,5) et s'est même encore accentué en 2021 (9,7 sur 10). Au vu des réformes menées en matière de GFP, l'absence d'amélioration à ce niveau est très préoccupante.




Relativement aux secteurs sociaux couverts par les appuis budgétaires de l'UE, on note peu de signes d'une réelle amélioration. La situation tend même à se détériorer, notamment dans **l'éducation.** Le manque de fiabilité des données statistiques dans ce secteur marqué par la révision de l'ensemble des annuaires statistiques et la non-disponibilité de l'annuaire 2020-2021, ne permet pas à ce jour de donner une mesure précise et fiable de l'évolution des indicateurs de l'éducation. Toutefois, il ressort que l'accès à l'école est loin d'être universel, avec en 2017 des taux d'accès en diminution au fur et à mesure de l'augmentation du niveau d'études, notamment pour les filles. Le système éducatif nigérien se caractérise par une faible rétention des élèves et une très faible qualité des apprentissages en lecture et en mathématiques. Ainsi, selon le rapport 2021 du Partenariat Global, le Niger occupe la dernière place pour l'indicateur relatif à la proportion d'enfants de 10 ans aptes à lire et comprendre un texte simple (1,3%).

Dans le secteur de la **santé**, un élargissement de l'accès aux services de santé (notamment nutritionnels et de planification familiale) est constaté mais avec des effets peu clairs sur la santé de la population : une baisse de la mortalité infantile serait visible suivant les statistiques de l'OMS. Par contre, le taux de mortalité maternelle intra-hospitalière aurait connu une hausse depuis 2016. L'évolution est également critique an matière de nutrition : depuis 2016, la demande de soins relative à la malnutrition aigüe a plutôt augmenté avec un nombre de cas de malnutrition aigüe modérée qui ne cesse de croître depuis 2018.

Aucune enquête nationale nouvelle n'ayant été réalisée sur les conditions de vie des ménages depuis 2014, il est difficile d'avoir des données approfondies sur **l'évolution de la pauvreté monétaire** et des inégalités de revenus. Des travaux récents de la Banque Mondiale (2021) évoquent un recul de la pauvreté entre 2014 et 2019, lié en bonne partie à la croissance du secteur agricole. Ainsi, la baisse est particulièrement sensible dans les zones rurales. La part des personnes en situation de pauvreté multidimensionnelle (englobant les problématiques de santé, d'éducation, d'électricité, d'eau, d'assainissement, de conditions de logement et de possession d'actifs) est passée de 70 à 60% sur la période. Toujours selon la même source, les données sur la consommation traduisent une légère réduction des inégalités (avec un indice de Gini passant de 0,37 en 2014 à 0,35 en 2019). La pandémie et ses effets ont toutefois annulé une bonne partie des progrès enregistrés sur la période 2014-2019. Un lien entre ces évolutions, déjà basées sur des estimations et hypothèses, et les programmes de l'UE ne peut être mis en évidence.

## *3.5 3Cs: Cohérence externe, coordination & complémentarité (EQ8)*

| **EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?** |
|---|
| JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities<br><br>JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries<br><br>JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards. |

**La coordination entre bailleurs est à géométrie variable suivant les modalités d'appui (JC8.1)**. S'agissant des bailleurs fournissant des AB, qui par ce biais appuient la mise en place des réformes en matière de GFP/MRI, on retient qu'ils sont peu nombreux (FMI à travers la FEC, Banque Mondiale, BAD, UE et AFD). La coordination entre eux est jugée très satisfaisante même si elle n'est pas formalisée dans un cadre établi. Certes, il n'y a pas de processus conjoint d'identification, pas de matrice commune de réformes (qui n'est pas souhaitée) et pas d'alignement des procédures de décaissement. Mais les convergences, fruit de ce dialogue soutenu, sont visibles sur les questions de stabilisation macroéconomique et de renforcement du système GFP. L'absence d'un cadre de concertation Etat/PTF pour les AB (qui était quasi approuvé en 2018) fait tout de même défaut et cela peut peser sur la cohérence d'ensemble : un tel cadre aurait permis d'optimiser les séquences de décaissements, d'améliorer la prévisibilité des ressources, et créer une plus grande cohérence et transparence des conditions/mesures des programmes (et peut être une meilleure compréhension par les autres bailleurs, des modalités de mise en œuvre des AB de l'UE).

De fait, le dialogue spécifique de l'UE avec les autorités autour des mesures contenues dans ses AB est resté essentiellement bilatéral, plutôt en dehors des cadres institutionnalisés et assez soutenu à travers de nombreuses rencontres de haut niveau avec le Premier Ministre et la Présidence de la République, les deux sessions du comité de suivi des programmes d'AB de l'UE, de nombreuses réunions entre le Chef de Délégation et les Ministres sectoriels concernés par les AB ainsi que du comité de pilotage de réforme des finances publiques.

La coordination des PTF qui fournissent des appuis techniques pour le renforcement de la GFP et de la MRI est moins soutenue. Elle concerne des partenaires de plus en plus nombreux qui interviennent sur le domaine et comprennent, outre les fournisseurs d'AB, le SCAC/'Ambassade de France, la GIZ, Lux-Dev, la coopération suisse, le PNUD, l'UNICEF, …). Elle s'effectue le plus souvent dans le cadre du comité de suivi du PRGFP. La division du travail semble relativement claire mais n'a pas permis d'éviter des risques de duplication (voir notamment au niveau GFP suivant le FMI), de messages contradictoires (sur le volet MRI notamment) ou plus globalement un manque de synergies entre tous ces appuis (y compris avec ceux de l'UE). Les capacités effectives du MF à piloter la réforme et tous ses chantiers et à arbitrer entre les priorités pour guider les appuis des bailleurs demandent encore à être renforcées. Il est enfin observé que la dynamique de coordination est plus présente au moment de la formulation des interventions qu'au cours de leur mise en œuvre (pour les AB comme pour les appuis techniques complémentaires).

Du côté du pays partenaire, le dispositif de coordination et de dialogue a été progressivement consolidé dans le cadre du comité technique de suivi du PRGFP. Le dialogue technique autour des réformes GFP/MRI s'est intensifié depuis 2016 et est bien en place et fructueux.

**Dans ce contexte, la coordination entre les appuis techniques de l'UE et ceux mis en œuvre à travers les organisations internationales (FMI et Banque Mondiale en particulier) en ce inclus AFRITAC, se résume à un échange d'information (JC8.2).**

**Comme indiqué plus haut, la mise à niveau du système fiscal nigérien aux standards et exigences des systèmes internationaux, notamment concernant l'échange d'informations, les dispositions en matière d'évasion fiscale ou les prix de transfert, est encore à un stade embryonnaire (JC8.3).** Le Niger fait partie des 32 membres de l'initiative Afrique du Forum mondial et le pays a renforcé ses engagements en matière de transparence fiscale en signant la déclaration de Yaoundé en 2018. On notera néanmoins qu'il est un des rares pays membres à ne pas avoir répondu à l'enquête réalisée dans le cadre du rapport de progrès 2021. Hormis une activité ponctuelle (participation de fonctionnaires de la DGI à une formation en 2020), il convient d'attente le lancement du programme d'accompagnement pour que le pays s'engage plus à fond dans une stratégie de renforcement de sa mobilisation des ressources intérieures basée sur la lutte contre l'évasion fiscale et les autres FFI. Il est à noter que le premier examen par les pairs pour le Niger est programmé au 2e trimestre 2023.

## *3.6 Efficience des appuis de l'UE à l'agenda CMSB dans le pays (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**Les programmes d'AB à travers lesquels les appuis CSMB ont été mis en œuvre, ont fait preuve d'une grande flexibilité et d'adaptabilité au changement (JC9.1)** notamment, pour l'ajustement des TF et TV dans le cadre de la pandémie, pour l'adaptation des calendriers de décaissement en fonction des besoins de trésorerie de l'Etat ou pour intégrer de nouveaux enjeux dans les ITV (comme, par exemple, avec l'ajout d'ITV sur les allocations budgétaires sectorielles au vu des difficultés rencontrées à ce niveau). En particulier, le passage, à partir de 2017, d'un décaissement unique dans l'année pour chaque contrat d'appui budgétaire à deux décaissements (tranche fixe au 1er semestre de l'année et tranches variables en fin d'année) a été très apprécié par la partie nigérienne, ce d'autant plus que l'AB contribue de manière importante aux recettes budgétaires. En 2020, les paiements de la TF ont été étalés en trois tranches pour répondre aux besoins de trésorerie et les délais de traitement de dossier ont été réduits à leur minimum (7 jours entre la réception de la requête et l'accord sur le décaissement) mais la 3e tranche n'a été toutefois décaissée qu'en avril 2021, au terme du processus électoral. Les calendriers de décaissement prévus ont été globalement respectés bien que de légers décalages aient été observés.

Par contre, la mise en œuvre des appuis complémentaires (qui n'est pas soumise à un calendrier strict) a pris davantage de temps. Plusieurs témoignages mettent en évidence des délais très longs pour la conception et la mise en place des appuis, comme pour la subvention accordée à la HALCIA (démarrée en juillet 2020 pour accompagner un plan d'actions adopté dès janvier 2018) et la dernière subvention octroyée à la Cour des Comptes.

Les appuis complémentaires témoignent d'une certaine dispersion qui fait évidemment écho au périmètre très large de l'appui budgétaire lui-même mais qui peut aussi être interprétée comme la conséquence d'un manque de cap stratégique suffisamment précis de la part de l'UE en matière d'appui institutionnel. Mais on peut également considérer que ce dernier est la conséquence d'une bonne flexibilité…

L'approche poursuivie par l'UE pour appuyer l'agenda CMSB, basée sur des AB nécessitant un suivi et un dialogue de politiques rapprochés couvrant un large spectre de problématiques techniques, ainsi que sur des appuis institutionnels en grande partie en gestion directe, nécessite des ressources conséquentes et des profils techniques pointus au sein de la DUE. **La rotation du staff et les difficultés de remplacement rencontrées notamment en 2020 et 2021 ont sans doute limité la capacité de l'équipe à rester présente sur tous les fronts (JC9.2)**.

La modalité d'appui budgétaire favorise l'appropriation des actions de réforme. **De manière générale, les interventions CMSB de l'UE ont été appropriées par les entités bénéficiaires (JC9.3)**. Cela a été plus visible à partir de 2017 avec la stimulation donnée en particulier par les évaluations globales du système de GFP (PEFA) et la co-construction du PRGFP IV d'une part, et l'intensification du dialogue politique et de politiques, au niveau global comme au niveau sectoriel entre le Gouvernement et la DUE. L'organisation de plusieurs sessions de formation sur les lignes directrices de l'AB de l'UE à destination de l'administration (en ce inclus une session spéciale pour les autorités) a aussi contribué à une meilleure appropriation de la modalité AB de l'UE. Des interrogations demeurent sur les raisons qui ont incité le gouvernement à demander que la dernière étude-diagnostic du système GFP et la formulation de la nouvelle stratégie de GFP (PRGFP V) soient appuyées par la Banque Mondiale.

Au niveau du suivi de la performance, un suivi de l'atteinte des ITV est réalisé mensuellement et est consigné dans une matrice de suivi des indicateurs qui permet de voir où se situent les difficultés et qui en assure la charge. Toutefois, les échanges traduisent souvent un certain « court-termisme » dans l'analyse des changements liés aux AB et aux mesures complémentaires.

Le MF s'est impliqué de façon croissante dans le suivi des programmes d'AB et des ITV. En revanche, son implication dans la mise en œuvre des appuis complémentaires doit encore être mieux cerné.

La CAON, de par sa position d'interface entre la DUE et le Gouvernement, a joué un rôle important dans la mise en œuvre du dialogue. Toutefois, on peut raisonnablement s'interroger sur le fait que le suivi de tous les programmes d'AB – charge particulièrement exigeante dans le cas du Niger – revient à une seule personne par ailleurs responsable de la gestion de tous les dossiers GFP/MRN.

**Le rôle de l'UE est reconnu par les autorités nigériennes et par les principaux bénéficiaires mais, globalement, la visibilité de l'action de l'UE demeure très faible au niveau des appuis budgétaires, et donc en particulier concernant les actions et résultats du volet GFP/MRN (JC9.4).**

Dans le cadre du SBCII, un film vidéo sur le SBC a été produit. Les canaux de diffusion utilisés et le public ciblé doivent être encore documentés. Il est également à noter la prise en charge tardive du besoin de communication et de visibilité s'agissant des appuis à la Cour des Comptes et à la HALCIA. Ainsi, dans le cadre de la dernière subvention à la CC accordée en 2020, des activités ont été déployées dans ce domaine (reproduction des rapports publics 2020 et 2021, actualisation de la stratégie de communication en cours de finalisation,…) qui devraient améliorer la visibilité de l'institution comme de l'action de l'UE. Un film documentaire a également été réalisée sur les missions de la Cour.

## 4. Principales leçons : contribution aux résultats clé et bonnes pratiques

Les changements majeurs observés au cours de la période et qui peuvent être reliés aux interventions de l'UE concernent quatre domaines : la mise en place du budget programme de l'Etat, la modernisation des systèmes d'information, le Compte unique du Trésor et la transparence de l'information budgétaire, les téléprocédures et modernisation des systèmes informations des régies financières.

Les facteurs favorables diffèrent de l'un à l'autre. Dans le premier cas, les avancées obtenues ont été largement liées à l'établissement du nouveau cadre harmonisé des finances publiques au niveau communautaire, à son endossement plutôt exceptionnel par les gouvernements de l'espace UEMOA et au soutien massif accordé par les bailleurs de fonds à la réussite des réformes découlant des nouvelles directives. Comme pour d'autres pays, l'appropriation des réformes a pris beaucoup plus de temps que prévu et les plans successifs de réforme (PRGFP III à V) ont témoigné d'une inclusivité croissante de la stratégie nationale de GFP. Un autre facteur important a été l'assistance technique très soutenue accordée aux différents secteurs par plusieurs PTF et une relativement bonne division du travail, même si on peut regretter une insuffisance de synergies entre les différentes actions d'AT, y compris au sein des financements de l'UE eux-mêmes.

En ce qui concerne l'informatisation, le Niger a pu bénéficier d'un engagement déterminé des services de mise en œuvre et également d'une logique adaptée de développement logiciel (démarche par étapes de solutions développées par des prestataires nationaux, tout au moins pour ce qui concerne la plateforme de gestion du budget). La flexibilité offerte par la mobilisation des appuis complémentaires (en termes de montants, de timing, de couverture des besoins) a été bienvenue dans ce cadre. La mise en place d'un système d'information nécessite cependant beaucoup de temps et d'adaptation et donc un budget élevé pour couvrir le développement de toutes les applications, l'intégration de nouveaux développements technologiques ou sa maintenance. Il n'est pas évident que tous ces éléments aient été bien pris en considération au départ. Le système est par ailleurs loin de donner tous les résultats attendus en matière de programmation, de contrôle ou de reporting.

Pour le CUT, là encore une démarche de progressivité, mise en évidence dans la fermeture des comptes et le transfert des fonds au Trésor, alliée à un partenariat efficace entre l'UE et le FMI, ont conduit à une mise en œuvre réussie de la réforme.

Enfin, dans le domaine de la transparence, on retiendra plusieurs facteurs spécifiques de succès : l'investissement sur plus d'une décennie de l'UE auprès de la Cour des Comptes, l'inclusivité dans la stratégie d'appui qui prend en compte d'autres piliers potentiels de la transparence (HALCIA, Parlement,…) et qui commence à porter ses fruits. Le point faible reste ici le peu de financement propre dont bénéficient les structures de contrôle et le manque de suivi des dossiers ouverts qui sont essentiellement dépendants de la volonté de l'Etat de s'engager plus avant dans le renforcement de ces fonctions.

En résumé, parmi les facteurs clé qui ont contribué positivement à l'efficacité des interventions de l'UE en appui au CMSB au Niger, on relèvera en particulier :

- Le poids financier des AB pris dans leur ensemble au regard des contraintes budgétaires de l'Etat qui les a rendus indispensables à la stabilité macroéconomique et qui à travers les conditions générales notamment, ont pu inciter au déploiement et au suivi d'un cadre de réforme plus global qui s'améliore progressivement et à davantage de transparence. L'objectif de stabilité macroéconomique est un point d'entrée essentiel du CMSB en particulier pour activer son volet recettes.
- Le dialogue de politiques rapproché autour des conditions générales et des ITV, qui a été aussi rendu possible par les appuis techniques déclinés au niveau sectoriel et par les formations organisées sur la modalité AB de l'UE à destination de l'administration nigérienne et des autorités.
- La mise à disposition d'une enveloppe assez conséquente pour les appuis complémentaires qui a pu être mobilisée de façon flexible pour répondre à des besoins bien identifiés par les services eux-mêmes au fur et à mesure de la mise en œuvre des réformes, en ce compris des équipements nécessaires au déploiement des services.
- La mobilisation d'une expertise pointue auprès d'un partenaire comme le FMI.

Certains facteurs ont pu cependant freiner l'atteinte des objectifs de la réforme :

- Un contexte de tensions budgétaires constantes peu favorable au déploiement du Spend better, notamment pour la mise en œuvre de la réforme des Budgets programmes alors qu'à l'évidence il pourrait au contraire inciter à mieux dépenser des ressources limitées.
- De plus, des pressions budgétaires liées au contexte d'insécurité et de lutte contre le terrorisme contribuant à réduire les marges de manœuvre budgétaires.
- les faiblesses structurelles des administrations publiques affectant le portage des réformes et la conduite de leur mise en œuvre qui a pu aussi souffrir dans certains cas d'un manque d'engagement politique.
- Un pilotage du MF assez faible au départ et un manque de vision des dimensions sectorielles et territoriales des réformes et de leur importance pour améliorer la fourniture des services publics.
- Même si des progrès sont visibles, le manque d'engagement politique pour déployer les fonctions de contrôle interne et pour installer les conditions d'un contrôle externe effectif.
- Le manque de relais au niveau des OSC dans le domaine de la GFP.

## Annexe 1: Inventaire des appuis de l'UE à l'agenda CMSB au Niger

**Tableau 1: CORE CMSB Contracted or disbursed amount**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| VTI | - | 8,8 | 7,3 | 11,5 | 10,2 | - | 37,8 |
| CM* | 0,1 | 3 | 2,1 | 0,1 | 2,5 | 1 | 8,9 |
| TA | - | - | - | - | - | - | - |
| IO | - | - | - | - | - | - | - |
| Total | 0,1 | 11,8 | 9,4 | 11,6 | 12,7 | 1 | 46,7 |

*S'ajoutent aussi le contrat de service FED/2016/375-760, le volet FP de l'AT SANAD ainsi que Le volet FP de l'AT ARSEF mise en place dans le cadre du CRS Education pour lesquels il n'a pas été possible d'estimer précisément le montant des dépenses. Notre estimation se situe entre 1,5-2 MEURO pour ces trois projets.

1) Appuis Budgétaires UE (AB) alloués au Niger sur la période 2015-2021

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche | Amount Variable Tranche | Total Amount committed | Total Amount disbursed |
|---|---|---|---|---|---|---|---|---|
| SRPC | 38233 | Contrat Reforme Sectorielle Education de base FED 11 | 2016 | 2020 | 46 | 53,0 | 89,0 | 60 |
| SRPC | 38320 | Contrat de réforme sectorielle Sécurité alimentaire et nutritionnelle et développement agricole durable » au Niger | 2016 | 2021 | 106 | 99,8 | 215,8 | 155,32 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SRBC | 38436 | Contrat relatif à la Construction de l'Appareil de l'Etat (SBC II) FED 11 | 2016 | 2018 | 44 | 30,0 | 74,0 | 74,01 |
| SRBC | 40839 | Contrat relatif à la Résilience et Construction de l'Etat (SRBC) FED 11 | 2019 | 2021 | 87 | 29,0 | 116,0 | 81,5 |
| SRBC | NE06 | Programme d'Appui budgétaire à la Justice, Sécurité intérieure et Gestion des Frontières au Niger (SBC EUTF) | 2016 | 2020 | 37 | 53,0 | 90,0 | 74 |

2) Indicateurs de Tranche Variable (ITV) en lien avec l'agenda CMSB par contrat

Contrat Reforme Sectorielle Education de base FED 11

| Année | VT number | Indicators for Variable Tranche | Type of Indicators[1] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|---|
| 2017 | 2 | Réalisation étude sur les goulots d'étranglement liés au système de paiement des enseignants | Outcome | Internal audit and control | 1,00 | 1,00 |
| 2017 | 2 | Part du budget de l'Etat exécutée dans le secteur de l'éducation | Outcome | Budget execution | 1,25 | 1,25 |
| 2018 | 3 | Part du budget de l'Etat exécutée dans le secteur de l'éducation | Outcome | Budget execution | 1,25 | - |
| 2019 | 4 | Part du budget de l'Etat exécutée dans le secteur de l'éducation | Outcome | Budget execution | 1,00 | 1,00 |

[1] Input, output, process, outcome, impact

| | | | | | | |
|---|---|---|---|---|---|---|
| 2020 | 5 | Part du budget de l'Etat exécutée dans le secteur de l'éducation | Outcome | Budget execution | 1,00 | N/Y |

Contrat de réforme sectorielle Sécurité alimentaire et nutritionnelle et développement agricole durable » au Niger[2]

| Year | Indicators for Variable Tranche 1 | Type of Indicators[3] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2016 | Revue de dépenses publiques dans le secteur SANAD portant sur la période 2011-2015 | Process | Policy-based fiscal strategy and budgeting | 5,00 | 5,00 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[4] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2017 | Accroissement part achats locaux DPNGCA dans achats effectués par DNPGCA | Output | Budget execution | 0,80 | 0,80 |
| 2017 | Nombre de Ministères sectoriels / Administration de mission ayant i) fait l'objet d'audit institutionnel et ii) exécutés ses recommandations | Process | External scrutiny and audit | 1,00 | 1,00 |

2 En grisé, les ITV non retenus pour l'analyse CMSB
3 Input, output, process, outcome, impact
4 Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 3 | Type of Indicators[5] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2018 | Accroissement part achats locaux DPNGCA dans achats effectués par DNPGCA | Output | Budget execution | 1,00 | 1,00 |
| 2018 | Nombre de Ministères sectoriels / Administration de mission ayant i) fait l'objet d'audit institutionnel et ii) exécutés ses recommandations | Output | External scrutiny and audit | 0,95 | - |
| 2018 | Renversement de tendance et progression de l'exécution budgétaire du secteur SANAD | Output | Budget execution | 8,00 | 8,00 |
| 2018 | Progression des dépenses du secteur effectuées sous la forme de crédits déconcentrés | Output | Fiscal decentralisation | 1,50 | - |
| 2018 | Enquête annuelle de prévision et d'estimation des récoltes (EPER) complètes assorties des statistiques détaillées sur les actifs agricoles | Process | Fiscal statistics | 1,50 | 1,50 |

| Year | Indicators for Variable Tranche 4 | Type of Indicators[6] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Accroissement part achats locaux DPNGCA dans achats locaux effectués par DNPGCA | Output | Budget execution | 1,00 | 1,00 |
| 2019 | Nombre de Ministères sectoriels / Administration de mission ayant i) fait l'objet d'audit institutionnel et ii) exécutés ses recommandations | Output | External scrutiny and audit | 1,35 | 0,68 |
| 2019 | Renversement de tendance et progression de l'exécution budgétaire du secteur SANAD | Output | Budget execution | 9,00 | 2,25 |

[5] Input, output, process, outcome, impact
[6] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| 2019 | Progression des dépenses du secteur effectuées sous la forme de crédits déconcentrés | Output | Fiscal decentralisation | 2,25 | - |
| 2019 | Enquête annuelle de prévision et d'estimation des récoltes (EPER) complètes assorties des statistiques détaillées sur les actifs agricoles | Outcome | Fiscal statistics | 2,25 | 2,25 |

| Year | Indicators for Variable Tranche 5 | Type of Indicators[7] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | 6.2. Accroissement part achats locaux DPNGCA dans achats locaux effectués par DNPGCA | Output | Budget execution | 1,50 | N/Y |
| 2020 | 9. Nombre de Ministères sectoriels / Administration de mission ayant i) fait l'objet d'audit institutionnel et ii) exécutés ses recommandations | Output | External scrutiny and audit | 1,50 | - |
| 2020 | 10. Renversement de tendance et progression de l'exécution budgétaire du secteur SANAD | Output | Budget execution | 10,00 | - |
| 2020 | 11. Progression des dépenses du secteur effectuées sous la forme de crédits déconcentrés | Output | Fiscal decentralisation | 2,25 | - |
| 2020 | 12. Enquête annuelle de prévision et d'estimation des récoltes (EPER) complètes assorties des statistiques détaillées sur les actifs agricoles | Outcome | Fiscal statistics | 2,25 | N/Y |

[7] Input, output, process, outcome, impact

Contrat relatif à la Construction de l'Appareil de l'Etat (SBC II) FED 11

| Year | Indicators for Variable Tranche 1 | Type of Indicators[8] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2016 | Modernisation applications informatiques pour accroissement recettes douanières: Système de transit électronique étendu sur les bureaux de 2 principales régions | Process | Revenue administration | 1,88 | 1,88 |
| 2016 | Remboursement des factures ordonnancées en n-1 | Outcome | Budget execution | 1,88 | 1,88 |

| Year | Indicators for Variable Tranche 2 | Type of Indicators[9] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2017 | Maitrise exonérations hors équipement militaire (inferieur ou égale 28%) | Process | Tax policy | 1,64 | 1,64 |
| 2017 | Transmission à l'Assemblée Nationale du Projet de loi instituant l'organe de lutte contre la corruption | Process | Anti-corruption | 1,64 | 1,64 |

Contrat relatif à la Résilience et Construction de l'Etat (SRBC) FED 11

| Year | Indicators for Variable Tranche 1 | Type of Indicators[10] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2019 | Etat d'avancement du développement du SISIC et du déploiement dans les services de la DGI avec implantation des télé-procédures (MOBILISATION DES RESSOURCES INTERNES - Modernisation du système d'informations fiscales): Développement des plateformes télé- | Process | Revenue administration | 1,00 | 1,00 |

[8] Input, output, process, outcome, impact
[9] Input, output, process, outcome, impact
[10] Input, output, process, outcome, impact

| | | | | | |
|---|---|---|---|---|---|
| | procédures (télé-déclaration et télépaiement) sur le SISIC et lancement de la télé-déclaration en ligne sur la plateforme de la DGI | | | | |
| 2019 | Etat d'avancement de l'interconnexion des systèmes informatiques des douanes du Niger avec le Benin et le Togo et de l'opérationnalisation du transit douanier électronique international (MOBILISATION DES RESSOURCES INTERNES - Modernisation du système d'informations fiscales) : Interconnexion des systèmes informatiques des douanes du Niger avec ceux du Benin et du Togo | Process | Revenue administration | 1,00 | 1,00 |
| 2019 | Statut de l'ordonnancement des dépenses par les ministères sectoriels : Mesures préparatoires et préalables adoptées pour le démarrage de la déconcentration de l'ordonnancement (feuille de route adoptée et signée par le Ministre des Finances ou le Premier Ministre et partagée avec les PTF) | Output | Fiscal decentralisation | 1,00 | 1,00 |

| **Year** | **Indicators for Variable Tranche 2** | **Type of Indicators**[11] | **CMSB sectors** | **Amount allocated (€ M)** | **Amount disbursed (€ M)** |
|---|---|---|---|---|---|
| 2020 | Etat d'avancement du développement du SISIC et du déploiement dans les services de la DGI avec implantation des télé-procédures (MOBILISATION DES RESSOURCES INTERNES - Modernisation du système d'informations fiscales): Utilisation du SISIC dans les structures régionales (directions régionales et centres des recettes et d'impôts siégeant dans les chefs-lieux de région) | Process | Revenue administration | 1,00 | - |
| 2020 | Etat d'avancement de l'interconnexion des systèmes informatiques des douanes du Niger avec le Benin et le Togo et de l'opérationnalisation du transit douanier électronique international (MOBILISATION DES RESSOURCES INTERNES - Modernisation du système d'informations fiscales): Transit douanier international électronique effectif avec les douanes des pays interconnectés | Output | Revenue administration | 1,00 | - |
| 2020 | Statut de l'ordonnancement des dépenses par les ministères sectoriels : Mise en œuvre de la feuille de route de la déconcentration (degré de mise en œuvre des actions retenues) - 80% des actions de la feuille de route sont mises en œuvre | Output | Fiscal decentralisation | 1,00 | - |

[11] Input, output, process, outcome, impact

| Year | Indicators for Variable Tranche 3 | Type of Indicators[12] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | Etat de la prise en charge par l'Etat de la malnutrition GRATUITE DES SOINS POUR LES GROUPES VULNERABLES (ENFANTS 0-5 ANS) | Input | Policy-based fiscal strategy and budgeting | 3,00 | - |
| 2021 | Statut de l'ordonnancement des dépenses par les ministères sectoriels : Déconcentration effective de la fonction d'ordonnateur dans 100% ministères sectoriels prévus et retenus | Process | Fiscal decentralisation | 1,00 | n/a |
| 2021 | Etat de la prise en charge par l'Etat de la malnutrition GRATUITE DES SOINS POUR LES GROUPES VULNERABLES (ENFANTS 0-5 ANS) | Process | Policy-based fiscal strategy and budgeting | 6,00 | n/a |

Programme d'Appui budgétaire à la Justice, Sécurité intérieure et Gestion des Frontières au Niger (SBC EUTF)

| Year | VT number | Indicators for Variable Tranche 3 | Type of Indicators[13] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|---|
| 2018 | 1 | Sécurité : Allocation budgétaire au fonds pour les actions de relèvement et consolidation de la paix de la Haute Autorité à la Consolidation de la Paix: Une allocation à hauteur de 800 Millions XOF minimum est inscrite dans la loi de finances 2017 pour le Fonds pour les actions de relèvement et consolidation de la paix de la HACP | Input | Policy-based fiscal strategy and budgeting | 1,00 | 1,00 |
| 2020 | 4 | JU1. Justice : Etat des capacités du personnel chargé de la sécurité et de l'administration pénitentiaires : Allocations budgétaires pour 2019 et 2020 de 800.000€ pour la formation, l'équipement, et le redéploiement des agents de l'administration pénitentiaire. AU 30.09.2020, 70% de ces 800,000€ ont été réalisés | Input | Policy-based fiscal strategy | 1,00 | N/Y |

[12] Input, output, process, outcome, impact
[13] Input, output, process, outcome, impact

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | and budgeting | | |

3) Appuis complémentaires (Assistance technique, études, …)

| **Decision number** | **CRIS contract number** | **Programme title / short description** | **Financial Year** | **Contract status** | **Total Amount contracted** |
|---|---|---|---|---|---|
| 24422 | 388534 | Mise en place d'un bureau local d'audit financier et systèmes des devis-programmes | 2017 | Closed | 400.000 € |
| 24422 | 376201 | Appui au Système statistique national dans les secteurs de l'Education et de la Santé | 2016 | Ongoing | 1.167.142 € |
| 24422 | 376201 | Appui au Système statistique national dans les secteurs de l'Education et de la Santé | 2016 | Ongoing | 1.000.000 € |
| 24422 | 362876 | Audit et investigation des marchés publics passés en 2014 | 2015 | Closed | 90.926 € |
| 24422 | 365451 | Elaboration et mise en place d'une base des données informatique sur les entreprises publiques | 2015 | Closed | 39.436 € |
| 24422 | 371817 | Evaluation des finances publiques selon la méthodologie PEFA et élaboration d'une nouvelle stratégie de GFP | 2016 | Closed | 242.636 € |
| 24422 | 372951 | Formation sur les lignes directrices de l'appui budgétaire UE - Phase 2 | 2016 | Closed | 31.290 € |
| 24422 | 356747 | Mise à niveau du système d'information budgétaire et comptable informatisé axée sur l'adaptation de la LOLF et PCE issus de la transposition des directives de l'UEMOA (1ère phase) | 2018 | Closed | 138.081 € |
| 24422 | 375119 | Câblage et d'interconnexion des structures régionales du MF d'Agadez, de Diffa et de Tillabéri | 2016 | Closed | 557.014 € |
| 38436 | 411928 | Fourniture et livraison deux (02) véhicules pickup double cabine avec hard top d'origine et accessoires de type 4x4 à l'inspection Générale des Finances (IGF) / MF, sise à Niamey | 2019 | Ongoing | 59.455 € |
| 38436 | 408025 | Assistance technique pour la mise en œuvre informatique des directives de l'UEMOA et leur impact sur le Système d'information informatisé budgétaire et comptable (ASIBCI) Phase 3 | 2019 | Ongoing | 1.998.755 € |

| | | | | | |
|---|---|---|---|---|---|
| 38436 | 383366 | Assistance technique pour la mise en place du Compte Unique du Trésor | 2017 | Ongoing | 1.394.554 € |
| 38436 | 405801 | Audit technique et Financier du Contrat de Câblage et Interconnexion des directions régionales du Ministères des Finances | 2019 | Ongoing | 79.660 € |
| 38436 | 387872 | Evaluation et diagnostic des administrations fiscales du Niger (TADAT) | 2017 | Closed | 175.717 € |
| 38436 | 405630 | Formation sur les lignes directrices 2017 de l'appui budgétaire UE | 2019 | Ongoing | 60.336 € |
| 38436 | 410126 | PRODUCTION ET REALISATION D'UNE SERIE D'ANIMATIONS AUDIOVISUELLES DE VULGARISATION DE L'INSTRUMENT EUROPEEN : ''APPUI BUDGETAIRE'' | 2019 | Closed | 16.650 € |
| 38436 | 384119 | Réalisation de la revue des depenses publiques du secteur de la justice au Niger | 2017 | Closed | 85.406 € |
| 38436 | 385460 | Réalisation de la revue des dépenses publiques du secteur de la sécurité au Niger | 2017 | Closed | 67.586 € |
| 38436 | 411925 | Fourniture, livraison et installation de matériel et équipements informatiques et de reprographie à l’Inspection Générale des Finances (IGF) / MF, sise à Niamey | 2019 | Ongoing | 133.512 € |
| 40839 | 407355 | Appui à l’amélioration de la production des budgets programme du Ministère de la Santé et de son reportage trimestriel et annuel dans le cadre de l'opérationnalisation de la directive 6 de l'UEMOA | 2019 | Ongoing | 119.820 € |
| 40839 | 416890 | Subvention à la Cour des Comptes du Niger | 2020 | Ongoing | 600.000 € |
| 40839 | 415318 | Subvention Haute Autorité Lutte contre la corruption | 2020 | Ongoing | 400.000 € |

A ces appuis complémentaires, il faut également ajouter :

- Le **contrat de service FED/2016/375-760**, portant sur l’appui à l’élaboration des DPPD des ministères du secteur sécurité alimentaire, nutritionnelle, et développement agricole durable au Niger qui a été réalisé en 2016 et 2017pour un montant de près de 280.000€
- **Le volet FP de l’AT SANAD** couvrant en particulier
    - l’activité.1.1 « Appuyer la mise en place d'une programmation budgétaire et d'un rapportage efficace par les Ministères impliqués dans la mise en œuvre de l'Initiative 3N dans le cadre de l'opérationnalisation de la directive 6 de l'UEMOA, Mission « Appui à l’amélioration des

DPPD, PAP, des documents de reporting budgétaire (RAP et rapports d'exécution budgétaire) des ministères et entités impliqués dans la mise en œuvre de l'I3N dans le cadre de l'opérationnalisation de la directive 6 de l'UEMOA » à travers des Missions perlées entre Juin 2018 à Octobre 2021.

  - Activité 1.2 : Appuyer la passation de marché dans le secteur et en particulier le respect des délais de passation de marché

- **Le volet FP de l'AT ARSEF** mise en place dans le cadre du **CRS Education** : Quatre assistants techniques ont été recrutés et mis à disposition des bénéficiaires dont un spécialiste en Budget Programme (EP2), qui devait intervenir auprès des différents ministères pour appuyer le développement et le renforcement des capacités d'élaboration et d'exécution du budget programme dans le secteur de l'éducation. Il s'agit notamment d'accompagner et de renforcer les capacités institutionnelles de l'administration en matière de coordination, de planification, de programmation, de budget programme, d'information et de suivi des performances dans les domaines ciblés par le CRS Education.

## Annexe 2 : Liste des institutions rencontrées

| Type d'institution | Institution / Ministre | Service |
|---|---|---|
| UE | Délégation UE | Team |
| Autorités nationales et institutions | Ministère des Finances | Cellule d'Appui à l'Ordonnateur National (CAON) |
| | | DGI - service informatique |
| | | Direction Générale du Budget (DGB) |
| | | Direction de la programmation budgétaire (DPB) |
| | | Direction des Etudes et de la Programmation (DEP) |
| | | Direction Générale des Douanes (DGD) |
| | | Inspection Générale des Finances (IGF) |
| | | Direction des réformes financières (DRF) |
| | | Direction Générale du Trésor et de la Comptabilité Publique (DGTCP) |
| | | Coordination Projet de Capacités et de Performance du Secteur Public pour la Prestation de Services (PCDS) |
| | Inspection Générale des Finances (IGF) | |
| | Cour des Comptes | Secrétariat Général |
| | Haute Autorité de Lutte contre la Corruption et les Infractions Assimilées (HALCIA) | |
| | Ministère de l'Environnement | Direction des Études et de la Programmation (DEP) |
| | Ministère de la Justice | Direction des études et de la programmation (DEP) |
| | Ministère du Plan | DGE |

# CASE STUDY NOTE – RWANDA

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## List of acronyms

| | |
|---|---|
| AG | Accountant General |
| BF | Basket Fund |
| BNR | National Bank of Rwanda |
| DFID | UK Department for International Development |
| DP | Development Partners |
| EC | European Commission |
| EU | European Union |
| FY | Fiscal year |
| FRW | Franc Rwandais |
| GFS | General Finance Statistics |
| GiZ | German Technical Cooperation |
| GoR | Government of Rwanda |
| GCIA | Government Chief Internal Auditor |
| iCPAR | Institute for Certified Public Accountants |
| ICT | Information and Communication Technology |
| IMF | International Monetary Fund |
| IFMIS | Integrated Financial Management Information System |
| IPSAS | International Public Sector Accounting Standards |
| KfW | Kreditanstalt für Wiederaufbau (German Development Bank) |
| LODA | Local Development Agency |
| M&E | Monitoring and Evaluation |
| MDA | Ministries, Departments and Agencies |
| MINECOFIN | Ministry of Finance and Economic Planning |
| MoU | Memorandum of Understanding |
| MTDS | Medium-Term Debt Strategy |
| MTEF | Medium-Term Expenditure Framework |
| MTDF | Multi-donor Trust Fund |
| NST | National Strategy for Transformation |
| OAG | Office of the Auditor General |
| OCIA | Office of the Chief Internal Audit |
| ODI | Overseas Development Institute |
| PCI | Policy Coordination Instrument (IMF) |
| PEFA | Public Expenditure and Accountability Framework |
| PER | Public Expenditure Review |
| PFM | Public Financial Management |

| | |
|---|---|
| PFM CF | Public Financial Management Coordination Forum |
| PPP | Public-private Partnership |
| PSI | Policy Support Instrument (IMF) |
| PS/ST | Permanent Secretary & Secretary to the Treasury |
| RALGA | Rwanda Association of Local Government Authorities |
| RPPA | Rwanda Public Procurement Authority |
| RTAC | Regional Technical Assistance Centre (IMF) |
| RRA | Rwanda Revenue Authority |
| RWF | Rwandan Francs |
| SPIU | Single Project Implementation Unit |
| SRPC | Sector Reform Performance Contract |
| SSP | Sector Strategic Plan |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| ToR | Terms of Reference |
| TPC | Tax Policy Committee |
| TWG | Technical Working Group |
| VT | Variable tranche (EU budget support) |
| WEO | World Economic Outlook |

# 1. Introduction and choice of Rwanda as a case study

## *1.1. Scope and objectives of this study case*

This country note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission in Rwanda to the area encompassing Domestic Resource Mobilization (DRM), budget management (programming and execution) as well as debt management and transparency and accountability during the period 2015-2020/21 (see portfolio in Annex 1).

The analysis builds on a desk review and a 5-day mission to Kigali carried out between June 6 and 10, 2022. Desk work included the analysis of documents (e.g., EC strategy-level documents, national PFM strategies/plans, international studies, EC intervention documents) and of statistical data (e.g., key macro-economic and social indicators, budgetary data, PEFA scores, Open Budget Index data, CPIA). During field work, the team could collect the views of EUD staff, representatives of the Government of Rwanda as well as of key beneficiary institutions (mainly in the PFM domain), other partners involved in public finance and civil society actors (see list in Annex 2).

Rwanda was selected as a case study because it's a fast-moving country whose public services have made great progress in recent years. More specifically, the interest in working on Rwanda was justified by the EU's focus on transparency aspects as well as on accountability and on the implementation of transfer pricing mechanisms.

Through its supports, the EU has aimed to address several challenges related to the CMSB agenda (see 2.3), including:

- Economic planning and budgeting systems and practices, leading to a stronger link between expenditure and policy objectives, increased predictability of funding, and allowing service providers to better plan and provide higher quality services.
- Domestic resource mobilization to fund public expenditure in support of inclusive economic growth.
- Budget execution and monitoring, leading to more efficient use of public finances and making it difficult for public resources to be diverted from their intended use.
- Improve scope, coverage and independence of external audit at national and sub-national level as well as alignment with highest international audit standards

The report focuses on the analysis of relevance, coherence, efficiency and effectiveness of the supports provided in those sectors.

## *1.2. Limitations*

The field mission allowed the evaluation team to test a number of assumptions raised during the desk phase, but its duration was too short for a complete collection of information. It was not possible to triangulate among stakeholders in order confirm data and cross different perspectives on the same subjects. In some cases, more that one meeting with the same stakelholders would be required, but that was not possible in a one week mission.

The assessment covers a large period of time, from 2015 to 2020. As a result, many protagonists of the PFM reform process (both from the administration side and from the EU side) are no longer available for an interview. This limitation is naturally compensated for with the existing documentation, but we are aware that some of the historic memory of the reform might have been lost.

# 2. National context and EU interventions supporting CMSB agenda

## *2.1 General context and main policy documents*

**The Public Finance Management (PFM) reform in Rwanda is guided by the PFM Sector Strategic Plan (PFM SSP 2018-2024).** Its main purpose is to support the country's socio-economic transformation through effective and accountable public financial system. The PFM reform strategy is in line with the National Strategy for Transformation (NST-1) for 2018 – 2024, which operationalizes the long-term development strategy (Vision 2050), aiming to achieve upper middle-income status by 2035 and high-income status by 2050. Under the NST-1 the GoR has affirmed its commitment to strengthen capacity and accountability of public institutions, including a zero-tolerance to corruption.

**The on-going PFM reforms in Rwanda cover both sides of the Collect More Spend Better (CMSB) approach,** namely Domestic Resource Mobilization (DRM), the consolidation of performance-based budgeting, the improvement of procurement, the roll-out of the Integrated Financial Management Information System (IFMIS), the initial development of accrual accounting, and the reinforcement of the budget oversight institutions[1]. PFM reform activities have been mainly funded through the PFM Basket Fund, in which the EU participated between 2018 and 2020, the PFM Reforms project (WB), the Support Local Government PFM (DFID) and the National Budget.

Rwanda's PFM strategies date back to 2008 and significant progress has been made since then, placing the country in a good position, as regards the state of performance of the PFM system, comparing with neighboring countries, or with countries at the same level of development. The on-going PFM reform cycle started from a relatively high-level baseline as demonstrated by the PEFA 2016 indicators, with a high prevalence of A's and B's in the total scoring. The strategic planning and budgeting functions have progressed significantly over the last years, whereas some budget execution functions, namely accounting, reporting and assets management, still need to improve. In any case, the basic PFM functions are already installed and in general are operational.

The Mid-term review of the PFM SSP[2] identifies a number of constraints that affected the implementation of the PFM SSP, with an impact on the implementation of the Basket Fund. The PFM SSP was initially marked by delays. It started six months later than initially planned (January 2019 instead of June 2018) compounded by another delay in the approval of the Annual Work Plan in the second year of implementation. The reform implementers had to face human resource constraints (lack of staff and appropriate expertise), issues with procurement related to the market response, and the Covid crisis. All those factors impacted on the absorption capacity of the funds available (41% over the first three years). However, the cumulative execution rate calculated against the Annual Work Plans was 82%, which suggests that the government's initial planning was rather unrealistic. Despite those constraints, the mid-term review reported good progress and achievements of the strategy's seven objectives.

**In the financial cycle 2014-2020, the EU support to Rwanda was guided by the 11th EDF NIP 2014-2020, focusing on three domains**: i) sustainable energy, ii) sustainable agriculture and food security, and iii) accountable governance. In the latter domain, the EU support envisaged: i) improving evidence-based policy design and the monitoring and evaluation of policy implementation, and ii) strengthening the effectiveness, efficiency and transparency of PFM. Between 2016 and 2020, the EU

[1] The government strategy (SSP PFM) is a comprehensive strategy structured in seven programmes (1. Economic planning and budgeting, 2. DRM, 3. budget execution, internal control, accounting and reporting, 4. External oversight and accountability, 5. FMIS, 6. Fiscal decentralization, 7. Coordination and management).

[2] MINECOFIN (2021), Mid-Term Review of the Public Financial Management (PFM) Sector Strategic Plan (2018-2024), May 2021.

support for the Public Finance Management (PFM) reform in Rwanda was provided through different aid modalities, namely through: i) its participation in a PFM Basket Fund, which was co-funded by some bilateral donors (Germany, UK, Belgium); ii) through technical assistance projects particularly focusing on domestic revenue generation and oversight institutions, and, iii) indirectly, through the Energy and Agriculture budget support contracts, which included PFM-related variable tranches as well as complementary measures in a form of technical assistance to technical ministries and implementing agencies. The EU's priority areas of intervention through the various programs supporting the government of Rwanda are fully aligned with the government's priorities, reflecting the result of a negotiation process during the program formulation phase and its follow-up.

The EU participation in the PFM Basket Fund was implemented through the programme "Accountable Economic Governance Support Programme" with two components (Component 1: Support to PFM SSP Basket Fund (€9.8 million) and Component 2: Support to NSDS II Basket Fund (€9.8 million)[3]. However, the support to component 1 was terminated in 2020, due to EU's conclusion on overall poor performance of the Basket Fund (only 1/3 of funds were absorbed) coupled with the results of an audit that raised some issues with the basket fund management[4]. EU support was consequently concentrated on the TA to oversight institutions and revenue mobilization. In this context, it is not possible to isolate the EU's contribution to the PFM reform, channeled through the Basket Fund, where the EU support was not targeted. However, a more visible contribution can be seen in the direct support to the oversight institutions and Rwanda Revenue Authority through technical assistance.

The PFM SSP coordination between the Government of Rwanda and its development partners for PFM reforms is based on the revised Memorandum of Understanding dated 14 November 2018. MINECOFIN is responsible for the overall coordination of the PFM SSP, together with the Minister of State in charge of National Treasury. This ministry is supported by a Single Project Implementation Unit (SPIU). The highest coordination level is ensured by the Coordination Forum (PFM CF), which provides the overall strategic guidance of the PFM reform and is responsible for establishing PFM reform priorities and providing guidance for overall policy and programmes in the PFM sector. The PFM CF, that has resumed its activity in August 2020 after being suspended for some time, and it is participated by the MINECOFIN SPIU units, departments and semi-autonomous agencies, the Office of the Auditor General as well as the development partners. The Technical Working Group (TWG) has a technical coordination and monitoring function, meets quarterly and monitors the implementation of the Annual Work Plans. It is composed by the SPIU, heads of MINECOFIN departments and development partners. It is chaired by the Accountant General and co-chaired by a representative of the development partners. It sets the agenda for the Coordination Forum meetings.

From 2015 to 2018, the EU took over the co-chairmanship of both the PFM CF and the PFM TWG, thereby gaining better access to decision-makers within the Ministry of Finance and increasing the chance to include relevant PFM subjects in the policy dialogue agenda. Financial transparency was one of the priority issues raised with government through those dialogue platforms.

## *2.2 Recent economic evolutions*

**Over the period of the current evaluation, Rwanda's economy registered great dynamism, with an average growth rate of 7%**, interrupted in 2020 (with a contraction of -3.4%) due the Covid-19 prevention measures. However, according to the IMF's staff report of January 2022, Rwanda's economy has rebounded strongly in 2021 (10.2%). This recent trend has been supported by stronger

[3] Memorandum of Understanding signed on 14 November 2018.

[4] The foreseen duration of programme was from 2016/17 to 2019/20. An extension was considered, but it did not take place given the very low execution rate and the reserves regarding the programme implementation.

external demand and accommodative macroeconomic policies, both the monetary and the fiscal policy. Over the medium-term, growth is expected to resume the previous growth rate, at around 7.5%, on the assumptions that public and private investment will increase and external demand recovers.

Tax-to-GDP ratio increased continuously between 2014 (12.9%) and 2021 (15.4%), reflecting the joint effect of a tax policy oriented towards an increase in the tax base, but suggesting also the positive effects of the reform tax administration reform carried out over the last years. The MTRS FY21/22 - FY23/24 envisages to increase the revenue-to-GDP ratio by 1 percentage point. The strategy implies a mix of tax policy (through revision of personal and corporate income taxes and VAT) and tax and administration reforms, namely the creation of a Tax Policy Directorate.

**Supported by the IMF's Policy Coordination Instrument (PCI), Rwanda is implementing a fiscal consolidation strategy.** This is contributing to keep public debt sustainable, with a moderate risk of debt distress, but with limited space to absorb shocks. The current account deficit was projected to 11% of GDP in 2021, but it is expected to narrow over the medium term, assuming that foreign direct investment and concessional loans will continue to grow. Although DRM is a key reform objective, some recent changes, like the introduction of pandemic tax relief measures and reduced tariffs, might impact on the revenue collection. IMF estimates that the tax exemptions introduced in January 2021 under the programme Manufacture and Build to Recover (MBRP)[5] will cost RWF 40 billion (0.3% of GDP) in forgone revenues. Tariff reductions in the context of the African Continental Free Trade Agreement, will reduce revenue by 0.2 percent of GDP per year.

The IMF report alerts to the fact that the economic recovery scenario designed in early 2022 was marked by great uncertainty due to the evolution of the pandemic. The recent international trends, related to the price increases of energy and food, have not been factored into that scenario, which suggests greater reserve on the sustainability of the medium-term economic projections.

## *2.3 Main actors supporting CMSB agenda in Rwanda*

PFM activities have been mainly funded through the PFM Basket Fund[6] and two Sub funds (financed by KfW, EC and GoR) the PFM Reforms project (WB), the Support Local Government PFM (DFID) and the national budget.

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[5] This programme was launched by the government in December 2020 to incentivize private investment in the manufacturing sector.

[6] The Financing Agreement with the Government of Rwanda signed in November 2016, agreed on the participation of the EU in the exixting Basket Fund, which had been established by DFID, KfW and the government. Subsequently DFID has withdrawn while Enabel has joined.

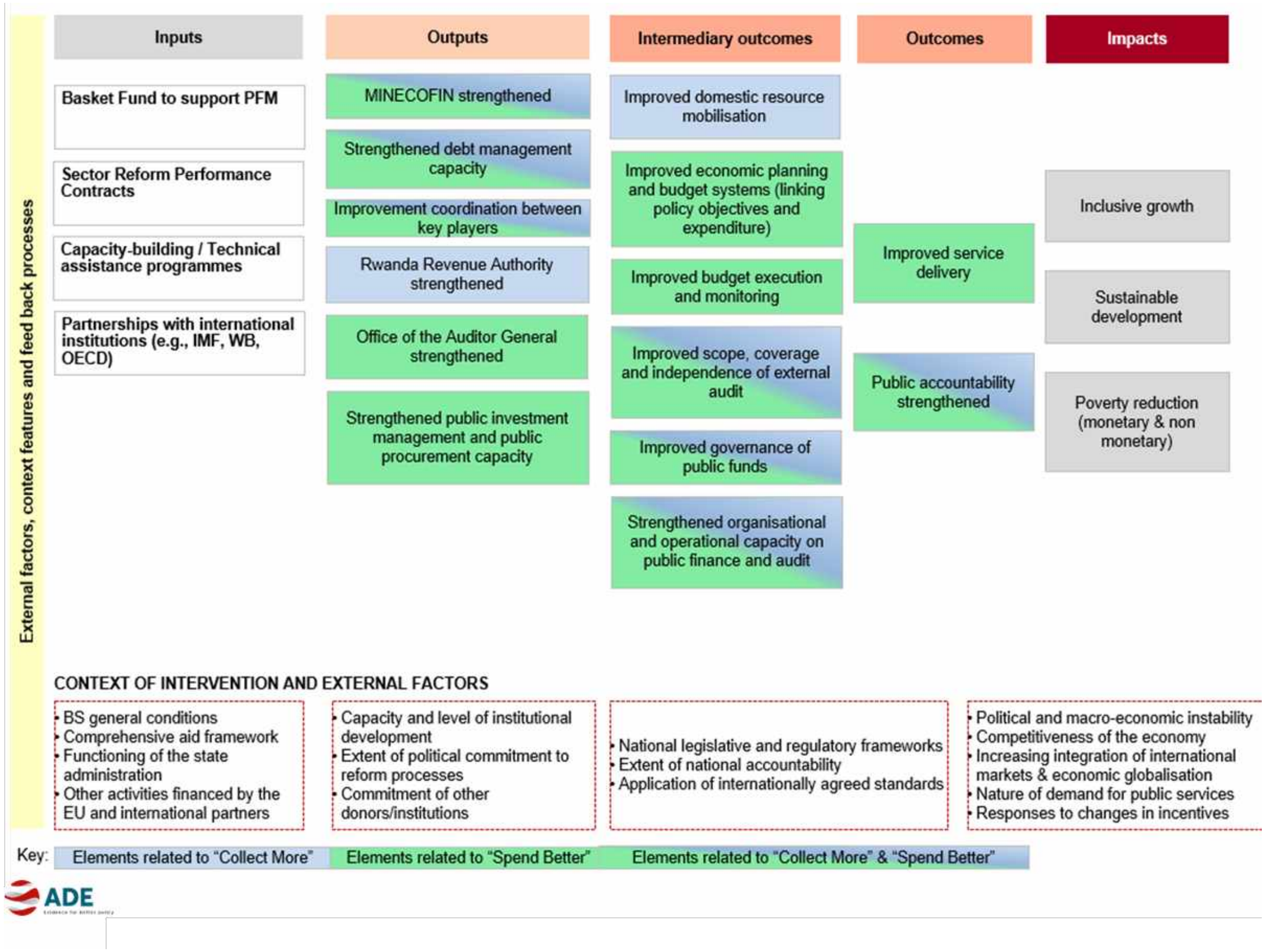
**Table 1: Basket Fund commitments**

| PFM SS funding source | Initial commitment to PFM SSP (US$ million) | Total actual disbursements (FY 2018-2020/21), US$ million | % of total |
|---|---|---|---|
| Government of Rwanda | 2.6 | 2.6 | 8.2 |
| FCDO (ex-DFID) | 12.6 | 3.7 | 11.6 |
| EU (Main Basket Fund) | 11.4 | 3.5 | 11.0 |
| Enabel (Main Basket Fund) | 5.5 | 2.3 | 7.3 |
| KfW(main Basket Fund) | 15.1 | 9.0 | 28.3 |
| World Bank | 20.0 | 6.3 | 19.8 |
| Total | 76.2 | 31.8 | 100.0 |

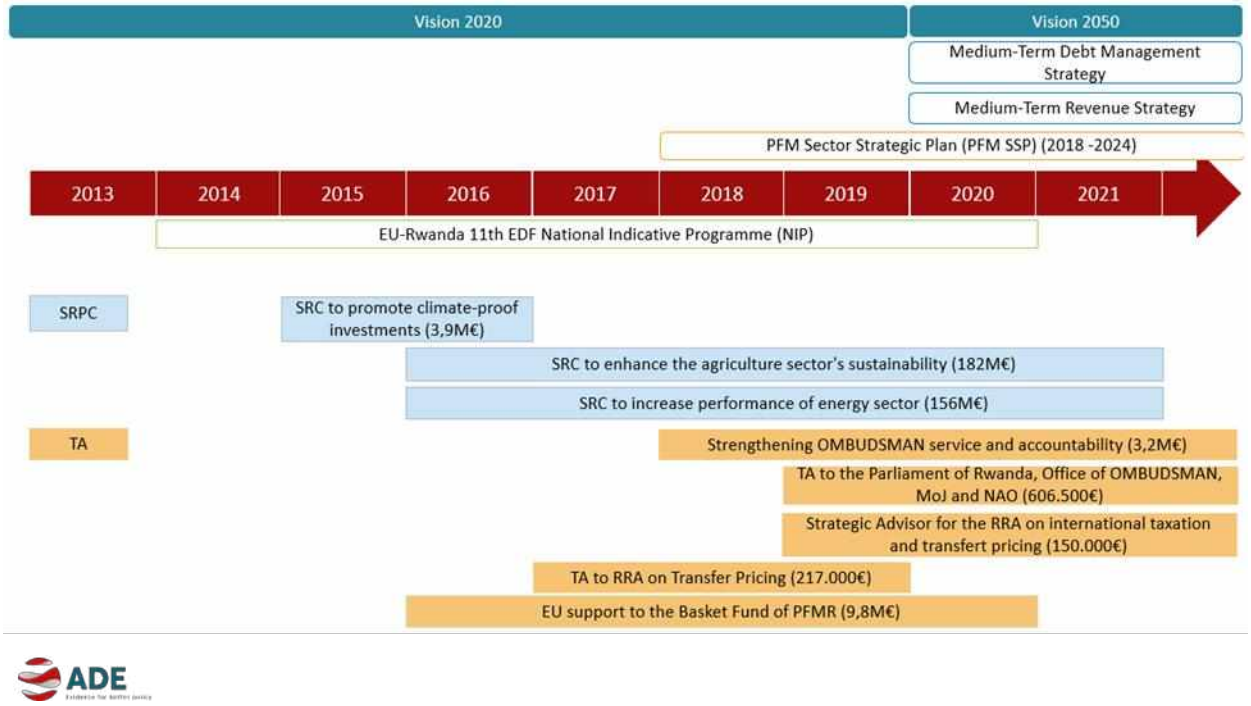
The multilateral partners in the PFM domain, like the World Bank and the IMF have their own strategy and path in the support to the reform process. The World Bank funding amounting to USD 20M, has been earmarked for the following four specified activities: i) PFM IT systems roll out; ii) Accounting and financial reporting; iii) Performance-based budgeting and Medium-Term budgeting; iv) Professionalization of PFM Staff (PFM capacity development). IMF supports the government through the PCI without financial support, which reflects the government's intentions as regards the fiscal policy, with implications on the public finance reform. The PCI has four pillars: i) fiscal stance supportive of the national Strategy for Transformation, while safeguarding debt sustainability; ii) DRM, iii) fiscal transparency, including fiscal risks, iv) support to the new interest rate-based monetary policy framework. A general allocation of Special Drawing Rights (SDRs) equivalent to about US$650 billion became effective on August 23, 2021.

## 2.4 Intervention logic of CMSB supports in Rwanda

The following diagram presents the intervention logic implemented by the EU throughout its support to CMSB agenda. It aims to highlight the chain of changes based on the allocated inputs.



## 2.5 Timeline of the « Collect More, Spend Better » approach and context in Rwanda




# 3. Answers to the Evaluation Questions

## 3.1 Relevance

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**The EU financial support to the PFM reform in Rwanda over the period 2015-2020 was limited (total disbursements of €14 million) but focused on a wide range of domains, namely domestic resource mobilization, economic planning and budgeting, budget execution and**

**monitoring, and internal and budget oversight and external audit (JC1.1).** The EU support to the PFM reform was channeled through a mix of aid modalities (Variable tranches of sector budget support contracts, €10 M), through Programme estimates (€9 M), Basket Fund jointly financed by KfW, Enabel, EU and the GoR (€3.8 million) and Technical Assistance to RRA (€0.2M), and additional TA from complementary measures to budget support operations (difficult to quantify).

The EU support was mainly justified by the need to mitigate the fiduciary risk related to the large budget support operations in the fields of Agriculture and Energy. Despite the relatively low amount invested by the EU in the PFM domain, it was possible to cover, directly and indirectly, a significant number of PFM functions. Although the CMSB approach might have inspired the formulation of its interventions in the PFM domain, there is no evidence of a stated rationale articulating the EU actions carried out under different aid modalities. In practice, however, the EU support covers both sides of the CMSB equation, despite the limited resources allocated to PFM. The "spending side" was indirectly addressed through the Basket Fund (with limited EU capacity in terms of influencing the implementation of the reforms), whereas the "collect more" side was addressed through direct technical assistance to the RRA. Importantly, the EU provided significant support to the domains of budget oversight and corruption control through Programme Estimates.

**As regards the "Spend side", the EU objectives, addressed through the Basket Fund activities,** focused on supporting the development of IFMIS, the launching of performance budgeting, economic planning and budgeting systems and practices, leading to a stronger link between expenditure and policy objectives, increased predictability of funding, and allowing service providers to better plan and provide higher quality services.

A distinctive feature of EU support was the priority given to the budget oversight and the combat against corruption, targeting the oversight and control institutions (Parliament, Ministry of Justice, Office of the Auditor General, Office of the Ombudsman and Procurement agency).

**As regards "debt management" as part of CMSB agenda, there is no direct support by the EU to this dimension**. However, it is closely monitored in the context of the budget support eligibility assessment regarding the macroeconomic stability and the PFM reform.

EU provided sectoral budget support to Agriculture, Energy and Climate change-related investments, following the EU BS 2017 guidelines and including sectoral PFM issues. (JC1.2) These sector BS contracts included some PFM-related variable tranches, thereby setting a link between the sectoral and overall dimensions of the PFM reform and promoting specifically budget transparency and timely reporting.

**The EU supported Rwanda's government to align with PFM international standards in the field of transfer pricing (JC1.4).** TA has been provided to the Rwanda Revenue Authority on transfer pricing to counter cross-border tax avoidance and collect the appropriate amount of taxes from multinational enterprises. The TA consisted of capacity building and a policy review to strengthen RRA's legal capacity.

**Rwanda takes gender into account in their strategic planning and budgeting (JC1.5)**. In concrete, it has adopted a budget responsive budgeting, linked to its performance-based budgeting system. All ministries and decentralized entities are requested to submit Gender Budget Statements (GBS) and Gender Distribution of Employment (GDE). Gender was also considered in the EU programme estimates under the programme "Accountable Democratic Governance Programme", related to the support to access to justice, ombudsman and parliament. The mainstreaming of climate change has not been assumed so far by the EU in its PFM support strategy.

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**The EU's priority areas of intervention through the various programs supporting the government of Rwanda are fully aligned with the government's priorities, reflecting the result of a participative negotiation process during the program formulation phase. (JC2.2)** The government strategy (SSP PFM) is a comprehensive strategy structured in 7 programmes (1. Economic planning and budgeting, 2. DRM, 3. Budget execution, internal control, accounting and reporting, 4. External oversight and accountability, 5. FMIS, 6. Fiscal decentralization, 7. Coordination and management). The reform programme is led by the government and there is a clear ownership of the programmatic interventions of the reform.

The EU interventions, through the Action plans of the PFM basket fund, addressed some core domains of PFM system, like economic planning and budgeting, DRM, internal control, and external oversight, through the support to key institutions of the budget system, like the MNECOFIN, OAG and RRA. The constitution of two PFM sub-funds should contribute to strengthen the domestic resource mobilization and strengthen the oversight and accountability of public spending, thereby targeting two fundamental domains of the CMSB agenda.

**EU support to the PFM reform has been made in complementarity with other EU interventions in Rwanda under the NIP 2014-2020 (JC2.3).** In concrete, the EU support to the PFM Basket Fund was seen as reinforcing the budget support operations at the sector level, like a SRC Agriculture, SRC Energy and SRC Climate change. While component I (PFM) would ensure the development of a credible and effective PFM system, Component II would ensure a reliable statistical basis to support decisions at the policy formulation level.

The EU CMSB offers a convenient framework to assess the articulation among the different EU interventions in supporting the PFM reform. In the "Collect more" side the EU provided support to the RRA in the fields of price transfer and international taxation (through TA and the Basket Fund), whereas in the "Spend side", support was provided to economic planning and budgeting, budget execution and reporting, and procurement (through the Basket Fund). Transversal domains of the PFM system were also supported by the EU, like internal and external control and fight against corruption through the support to the Offices of the Auditor General and Ombudsman and to the Parliament.

**There is no evidence of direct links between the EU CMSB support and other external policies. (JC2.4).**

## *3.3 Effectiveness – Analysis of outputs and intermediary outcomes*

*Contribution of EU CMSB support to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance (EQ3)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**The PFM Strategy adopted by the GoR is in line with the CMSB approach even if it does not mention it explicitly. It is comprehensive and articulates pretty well the revenue side with the spending side. (JC3.1)** In substance, the strategy gives continuity to the previous cycle of reforms, during which the basic PFM functions were deployed. The renewed objectives of the strategy, aligned with the National Strategy for Transformation (NST-1), are: i) increasing compliance with PFM rules and procedures will consolidate fiscal controls and improve accountability for the way resources are used across Government; ii) strengthening the PFM capabilities of districts to plan and execute local investments and services will help to expand infrastructure and enhance the delivery of essential services, and iii) enhancing the government's ability to raise revenues and invest those resources efficiently will help to finance core commitments in NST-1 to raise growth without undermining the government's long term commitment to fiscal discipline.

**Important innovations were introduced in the budget system,** namely the adoption of performance-based budgeting (PBB), implying a change of paradigm in terms of budgeting. The new budgetary approach adopts a results-management orientation with strong implications across the PFM system. Performance contracts are signed with the budget units, setting their commitments to attain the programmatic objectives, in the context of a medium-term time-frame. Initial steps were also given to adopt accrual accounting following IPSAS standards.

**The PFM reform strategy was developed by the MINECOFIN with external support, including the EU. (JC3.2)** The strategy design followed a consultative process with internal and external stakeholders. Several external partners have been involved in the DRM/PFM agenda in Rwanda, over the last years, although in a rather fragmented manner following their own agendas. The external stakeholders that have supported the GoR to formulate and implement the PFM SSP are the ODI (formulation) and the EU, WB, IMF, DFID, KfW, Enabel (implementation). The different agendas of those partners did not facilitate a good coordination and articulation with the government's reform actions. In some specific domains, like macro-fiscal policies, there seems to be a preference of the GoR to dialogue with the IMF and the WB.

**The PFM-SSP strategy did not include a credible sequencing of the reform actions.** The M&E matrix includes a set of indicators and targets, but the rationale behind the timing for those targets is not presented. In this regard, the EU has influenced the need for better sequencing through its participation in the TWG of the Basket Fund. That eventually led to the elaboration of a Medium-Term Action Plan for 2021-2024, covering a period after the EU withdrawal.

**The government is implementing a plan to expand the coverage of published fiscal data, including the publication of the historical series of consolidated government statistics for the non-financial public sector (JC3.3).** Rwanda has implemented the e-GDDS since 2017. The current focus is to improve the quality, coverage and frequency of monetary, external and fiscal data, while expanding the coverage of public sector debt statistics.

IFMIS is at an advanced stage of development and benefited from diversified external support, namely from the EU co-financed Basket Fund. It already covers all central and local government budget agencies (such as ministries, agencies, districts, and embassies) and all non-budget agencies (such as district hospitals, sectors, and health centers) and is being rolled out in public schools.

**The EU has supported the development of statistics through the support to the National Statistics Institute (NISR).** The main purpose of such support, channeled through a Basket Fund (€9.8 million), envisaged the production of statistical information and better accessibility to official statistics. The programme ended in 2020 and its main objectives were attained, while in 2021 successor programme, NISR Programme Estimate was launched

**Transparency and budget oversight are stated by the GoR as priority actions in the PFM reform and one of the EU key objectives in the support to the PFM reform (JC3.4).** Budget transparency and oversight were assessed on a regular manner as part of the assessment of general conditions for budget support disbursements. In this context, the EU contribution to the improvement of PFM-related reporting was focused on the policy dialogue, however difficult it has been. EU support, channeled through the PFM Basket Fund had a significant impact on the capacity of the OAG. In particular, it contributed to develop the ICT infrastructure, which led the automation of key activities, and to train the OAG staff, which led to an increase of the coverage and number of performance audits.

Overall, the institutional, organizational and information systems have been developed and reinforced with the implementation of the strategy. Some results can be observed in the publication of budget reports, which improved significantly over the period 2017-2021, as shown by the OBI reports. According to the 2021 report, out of the eight budget documents considered in the survey, only two documents are not yet published regularly (Mid-year review and Year-end report). Since the last survey (2019), the Pre-budget statement started to be published. Information on public debt and publicly guaranteed debt is publicly available as well. However more detailed information on SOEs debt guaranteed by the government is not unavailable. Allocations to and earnings from some important SOEs are available in the budget documents.

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

| **EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?** |
|---|
| JC4.1 EU CMSB support has contributed to improved tax policy |
| JC4.2 EU CMSB support has contributed to improved tax administration |
| JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR) |
| JC4.4 EU CMSB support has contributed to revenue effort |

The EU intended initially to provide support to DRM through the Basket Fund and through the TA to the RRA. Support to the Basket Fund aimed, inter alia, at improved domestic resource mobilisation through reforming the regulatory framework with a view to broadening the tax base. Due to its withdrawal from the Basket Fund and the problems encountered in its implementation, the EU mainly contributed to DRM through the TA to the RRA on Transfer Pricing (TP).

**The TA to the RRA on Transfer Pricing (No 2017/384606/1) contributed to strengthening the human capacity of the RRA to better define TP policy, to develop appropriate legislation and to effectively implement and enforce TP rules in Rwanda (JC4.1 & JC 4.2).**

A review was carried out of Rwanda's current legislation in respect of international transactions. The legislation contains specific TP regulations which include reasonably comprehensive guidance on the application of TP. Rwanda's TP policies are based on the OECD TP Guidelines for Multinational Entities (MNEs) and tax administrations, adopting the arm's length principle and the OECD TP methods. Rwanda has made amendments to their TP regulations/Order to strengthen their effect. The new guidelines clarify the application of TP in relation to comparability analysis, selection of TP methods and taxpayer documentation requirements. One of the main objectives have therefore been to assist with reviewing and enhancing the Large Taxpayer filing requirements regarding the provision of information, assisting in reviewing Rwanda's current Tax Treaty network and identifying any amendments required to existing Treaties and supporting RRA with the negotiation of future Treaties.

In order to strengthen the effect of the new guidelines, a TP disclosure form with information about the riskiest transactions and how to make better selection of audits has been developed. RRA has received disclosure forms from more companies this past year than earlier and the risk assessment has improved from last year. A new "check the box" in the declaration has also been introduced where the taxpayer needs to tick if they have related persons transactions. This will make it compulsory for the taxpayer to fill in the updated TP annex. Several meetings with the Business Analysts at IT have taken place to make these changes. Recommendations have also been provided to change the law to be able to do TP audits separately from other CIT (Corporate Income Tax) issues, but the new Law has not been approved yet.

ITU and TP advisor have also drafted some changes to the Procedural Law regarding penalties and classifying a TP audit as a one issue audit. The draft contains much harsher penalties for not providing information or documentation to RRA and it also gives clarity regarding the problem with TP audits and comprehensive audits. The new Procedural Law has yet to be approved.

The project "Strategic Advisor to the RRA on International Taxation and Transfer Pricing" further built on the stones already laid through the TA to the RRA on Transfer Pricing.

The TA Project to the RRA on TP also contributed to improved theoretical and practical knowledge of the ITU staff on Transfer Pricing. Staff from the International Tax Unit (ITU) of the RAA was trained on practical TP audit skills. The officials have become acquainted with the transfer pricing issues. The project also supports the acquisition by the RAA of a software to make benchmarks with unrelated companies and to determine what the arm's length compensation should be. Transfer pricing audits are to be carried out more frequently. By the end of the mission, the ITU has finalized 3 TP audits and by early 2020 had 4 TP audits ongoing. Around 20 companies to audit were identified. The concluded audit cases have contributed on average 30% to the total of Large Taxpayer Office (LTO) final tax assessments over 2017-2019.

The subsequent project "Strategic Advisor for officials of the Rwandan Revenue Authority on International Taxation and Transfer Pricing" was to provide further capacity building by training a pool of TP specialists within RRA to work on formulation of future TP policy and legislation, specific technical advice to other branches of government, and better education of taxpayers.

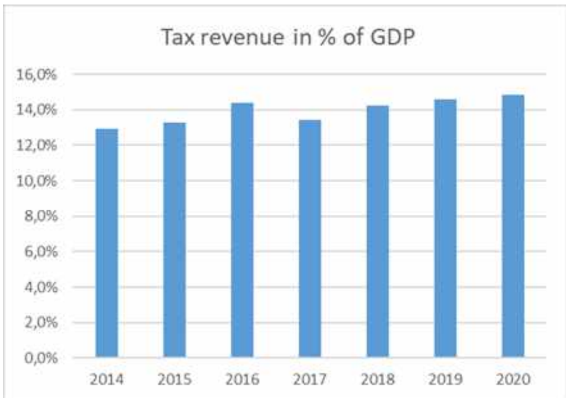
Also, the Rwanda Revenue Authority has been involved in assessing a request for a unilateral advance tax ruling (ATR) by an MNE starting operations in Rwanda. The project "Strategic Advisor to the RRA on International Taxation and Transfer Pricing" accompanies the ITU to discuss pending audit cases of the ITU as well as advance tax ruling requests of ITU taxpayers (if applicable).

Rwanda has also committed to implement the international Standard for Automatic Exchange of Financial Account Information in Tax Matters by 2024 which is an important (next) step for transfer pricing and auditing of cross-border business. In 2021, Rwanda signed the multilateral convention on Mutual Administrative Assistance in Tax Matters (MAAC). The Global Forum Secretariat (GFS) of the OECD collaborated with and assisted the RRA in Phase 1 of the peer review. The GFS will offer further assistance in implementing the international Exchange of Information (EoI) standards and can provide training to the ITU to enhance familiarity with and help them make effective use of EoI mechanisms for addressing cross border tax evasion and avoidance by increasing the volume and quality of outgoing requests.

**No EU support to NTR. (JC4.3)**

**Tax revenue ratio has slightly increased during the period partly pushed by a strong increase of CIT and internal transactions revenues. EU support to ITU may have contributed to this upward trend. (JC4.4)**

Total tax revenue as a % of GDP increased slightly from 13% in 2014 and 2015, to 14,6% in 2019 and 14,8% in 2020 but has more than doubled in value. Corporate Income Tax (CIT) revenue have tripled in the same period (increased from RwF 51.73182 billion in 2014 to RwF 155.805 billion in 2019, before decreasing to RwF 139.7556 billion in 2020) and in 2019 (before the Covid crisis) represented more than 11% of tax revenues compared to 6% in 2014. Taxes on international transactions also increased from RwF 56.2 billion in 2014 to RwF 117.2815 in 2020. The EU TA on Transfer Pricing to the RRA may partly explain the increase in CIT revenue, since Transfer Pricing typically deals with profit shifting through cross-border transactions. In the absence of specific figures, it is not possible to estimate which part of the increase in CIT revenue during 2014-2020 is a result of the EU TA to the RRA.



*Contribution of EU CMSB support to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management (EQ5)*

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

**Through the Basket Fund, the EU supported the introduction in 2018 by MINECOFIN of programme-budgeting approach in 2018, in connection with the objectives and strategic orientations of the National Strategy for Transformation (NST) (JC5.1).** Through this approach, each line ministry aligns its strategy to the 18 priority areas, and 7 cross-cutting areas of the NST and elaborates a budget programme to address the identified problems, setting objectives, indicators and targets for the upcoming three years. Rwanda is now moving from Programme-Based Budgeting to Performance-Based Budgeting, envisaging to strengthen the linkage between resource allocation and expected results, while improving transparency and accountability in the application of public resources. The new budget system started with a pilot phase for four ministries (MINAGRI, MINEDUC, MININFRA and MINISANTE).

Some key macro-fiscal tools for the elaboration of macro-economic scenarios have been developed over the last years, although they still need to be further developed and consolidated. GIZ provided direct assistance to MINECOFIN, in this field focusing on areas like macroeconomic analysis through the development of macroeconomic models, investment planning, economic research and network. This highlights some division of labour between the EU and the Member States, suggesting complementarity in the support to the PFM reform.

Medium-term budget and expenditure frameworks (MTBF/MTEF) are available and operational, but its practical use in programming and budgeting is still limited. A Medium-Term Revenue Strategy (MTRS) has been developed with IMF's support, which identifies tax policy and administration measures to improve domestic resource mobilization. A MTBF is being developed with IMF's support.

**The EU contribution more focused on transparency and oversight and less on the budget execution procedures, (JC5.2)** although the budget execution, in its different dimensions (expenditure control, treasury, internal audit, etc.) is being monitored on a regular basis, particularly in the context of the PFM eligibility assessment for sector budget support. Moreover, the PFM reports, elaborated by the EUD as annexes to the Disbursement Notes of the sector reform contracts have systematically stated the progress has been made in budget transparency. The EU supported the key entities that have an institutional mandate to ensure budget transparency and accountability: the Parliament, the OAG and the Ombudsman. Expenditure control in Rwanda, is presently more an issue of policy options and decisions rather than a technical issue. The key instruments are already in place and functional. To this end, IFMIS plays a key role, offering an effective platform to manage and monitor the expenditure cycle according to the budget execution rules. It is worthwhile noting that the last PEFA judged the budget execution functions as adequate.

**The Basket Fund supported some activities related to the development of e-Procurement. The system is presently fully operational and has contributed to the higher transparency in the bidding process, with an impact on the reduction of corruption and in the increase of the value for money of the public expenditure (JC5.3).** The status of the procurement system is not consensual as resulted from last PEFA assessment and how it is assessed by the EU. The system and procedures are considered to be pretty effective by the last PEFA, which highlights the fact that it is managed through the e-Procurement system, that provides public information on the awarded contracts. The e-Procurement system (Umucyo) has been interlinked to the IFMIS system, thereby increasing the reliability and integrity of the information. The e-Procurement System automates the procurement process and enables the interaction between the government and the private sector. Umucyo was rolled out to eight extra budgetary entities. However, the EU PFM report of 2020 highlights significant weaknesses in the public procurement system. In concrete, the roll-out of the e-procurement system has faced some difficulties, including the use of the system by the private sector, weak change management oversight and a lack of communication.

**There has been no specific support from the EU to the public investment management in Rwanda (JC5.4).** Instead, some support was provided by GIZ. A new projects database was created to support the M&E of projects that are bidding for inclusion in the development budget. Moreover, National Guidelines on M&E of programmes and projects has been developed. Economic research capabilities have been fostered with the interactions between Rwandan and German research institutions. The GoR has developed guidelines to support public investment management, and some management tools were created with external support. But composition, effectiveness and efficiency of capital expenditures are not well known at the present. Assessments such as a PIMA or a Public Expenditure Review are therefore necessary.

**There is no EU support on debt management although EU follows closely the evolution of public debt in the context of the PFM eligibility assessment for budget support (JC5.5).** Rwanda adopted a Medium-Term Debt Management Strategy for FY 2021/2022-2023/2024. No reports are available on the implementation of the MTDM strategy, but the status and possible evolution on public debt is extensively assessed in the IMF reports.

## 3.4 Effectiveness and sustainability – Contribution to outcomes and impacts

*Improved long-term financing and Public Sector Management (EQ6)*

| |
|---|
| **EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?** |
| JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time |
| JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives |

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

Rwanda has developed a strategy on the financial sector for 2018-2024 **("Financial Sector Development Strategy Plan" for 2018-2024), (JC6.1)** with the goal to develop a stable and financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy. The priorities of such strategy focus on access to finance, financial inclusion, adoption of modern payment systems, skills development, and the purpose of establishing Rwanda as an international financial service centre. However, the Covid crisis might have changed the financing scenario of the economy, over the medium and long terms. Under the present conditions, Rwanda is advised by the international organizations to rely heavily on concessional finance, ideally grants, and on the private sector to sustain its development path in a sustainable way. More stringent conditions imposed by donors and financing entities require an increase of domestic borrowing, which is limited by a low savings rate. A medium-term scenario elaborated by the IMF, anticipates that in the near horizon (until 2025-26), external financing will remain a significant source of financing to the economy.

**The last systematic assessment of budget reliability (PEFA concept) was evaluated by PEFA 2016, and there are no recent comparative assessments. (JC6.2)** The standard indicators "Aggregate expenditure outturn" with a C+ score, and "Aggregate expenditure composition" with a C score. The reason for this poor result is the significant in-year variance between the approved and the executed budget. In terms of policy, the government is committed, in the context of the PIC signed with the IMF, in preserving fiscal and financial stability, in a context where it should mitigate the impact of the ongoing external shock on the most vulnerable part of the population. To that end, the government is conducting reforms envisaging the enhancement of the revenue mobilization and the strengthening of the fiscal transparency and risk management.

**There are no recent studies on the quality of public spending in Rwanda[7]. (JC6.3)** However, the recent reforms of the PFM system like the adoption of performance-based budgeting, as well as the improvement of public investment management and public procurement have created adequate conditions for an increased efficiency and effectiveness of the public spending.

The EU support to the government's response to the Covid crisis was carried out promptly and in a flexible manner. The funds withdrawn from the PFM Basket Fund (Euro 6.8 million) were reallocated to support the government's measures to address the negative impacts of the Covid epidemics. Such support was channelled through the Agriculture and Social Protection Response Plan, totalling Euro 51.5 million.

[7] There are two recent studies on Agriculture: i) IFRI (2022), Public investment prioritization for Rwanda's agricultural transformation and ii) FAO (2020), Food and Agriculture Policy Monitoring Review. The former deals with the composition of the expenditure in the agricultural sector, whereas the latter discusses the cost-effectiveness of the financial resources applied in the sector.

*Positive results were verified in the Agriculture and Energy sectors that benefited from EU budget support. Improvement of long-term drivers for inclusive growth (EQ7)*

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

**The long-term prospects for the economy of Rwanda face a number of uncertainties following the Covid crisis and its impact on the economy. Before the crisis, domestic savings were low, representing a constraint to investment and therefore to economic growth. (JC7.1)** Private sector savings are low, representing a significant constraint for a more active role in the economy through increased investment. In the past, Rwanda's growth model has relied heavily on public investment, which represents 12.3% of GDP (2019). Public investments are mainly financed through external sources (grants, concessional and non-concessional borrowing). As a consequence, the high fiscal deficits financed through external borrowing led to the substantial increase of public debt in the last decade: from 19.4% in 2010, to 56.7% in 2019 and 71.3% of GDP in 2020, being recently aggravated by the pandemic.

**Over the recent years, a significant improvement in access to public services were accompanied by a substantial improvement in living standards and human development indicators (JC7.3).** In health sector, the improvement of the public services is illustrated by the significant drop in child mortality. The maternal mortality ratio has fallen from 1,270 per 100,000 live births in the 1990s to 290 in 2019. Between 2012 and 2018, there were significant progress in some nutrition indicators. Stunting was reduced from 43% in 2012 to 35% in 2018; wasting among pregnant women was reduced from 7 to 1%.

**Progress in the reduction of poverty seems to have stalled in recent years. (JC7.4)** Comparing the results of the recent household surveys, the reduction of poverty was very small. Growth elasticity of poverty reduction between 2001 and 2017 was 20%. However, looking back over a longer period of time, the improvements in the poverty ratios are more evident. Measured by the national poverty line, poverty declined from 77% in 2001 to 55% in 2017, while life expectancy at birth improved from 29 in the mid-1990s to 69 in 2019[8]. About 2/3 of Rwandans live below the national poverty line of 0.7 US$ per day. According to the World Bank[9], the poverty reduction momentum has weakened in recent years, justifying the need to design a medium-term public investment strategy to achieve a more efficient allocation of resources. Income distribution seems to have improved over the long term. The GINI index

8 See WB's Rwanda website.
9 World Bank, Rwanda website

for Rwanda dropped from 52 in 2005 to 43.75 in 2016[10] reflecting an improvement of the income distribution.

## 3.5 3Cs: External coherence, coordination & complementarity (EQ8)

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**The donor coordination mechanisms have been led by the government, but they were not effective. (JC8.1)** The MINECOFIN coordinates the overall implementation of the PFM SSP through a Coordination Form (PFM CF) and a Technical Working Group (TWG), involving the development partners. A key task of the PFM CF is to lead the Joint Sector Review. A Single Project Implementation Unit (SPIU) located in the MINECOFIN acts as the Secretariat to those entities.

The Basket Fund represented an adequate framework for a joint approach of external partners to support the partner government in the implementation of a PFM reform, although it has not fully demonstrated its effectiveness in Rwanda. The BF makes it possible to aggregate the contributions of bilateral and multilateral cooperation agencies, envisaging common agreed objectives, but the case of Rwanda clearly shows the limits to international cooperation in this field, due to the different political agendas of each partner, compounded by different procedures and accountability concerns.

**Coordination among external partners was problematic despite the existence of formal coordination entities. (JC8.2)** The PFM Basket Fund was coordinated by a Technical Working Group (TWG). This same TWG represented the Steering Committee of the WB's project. The Working Group was expected to meet every three months but over the last two years meetings were pretty irregular.

The management of the Basket Fund, financially supported by the EU, was marked by a number of issues, which led to the EU's withdrawal in 2020. (JC8.3) According to the EU assessment, the PFM Basket did not perform as expected, decisions were delayed, and did not provide a platform for policy dialogue. The main factors behind the management issues were cumbersome processes in project administration, insufficient technical and administrative capacity in the SPIU, and low absorption capacity among the beneficiaries. The relation between the GoR and the external partners was regulated by a Memorandum of Understanding, signed in 2018. It established the basis for improved accountability and transparency, improved planning process and the relevance of the activities.

[10] (https://data.worldbank.org/indicator/SI.POV.GINI?locations=RW)

### *3.6 Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

The difficult policy dialogue with the government did not facilitate the Basket Fund implementation and the disbursement process. The EU's contributions to Basket Fund ended prematurely in June 2020, due to very low performance (only 30% of execution). The factors that led the EU withdraw from the BS were due to the low absorption capacity of the beneficiary entities, lengthy decision-making, compounded by irregularities in the expenditure of funds.

The GoR pinpoints number of factors that affect the efficiency of the Fund, e.g. the lack of a stable forecast on commitments by both, the GoR and DPs, which did not allow for adequate planning. Another issue was the difficulty of international companies to comply with the national procurement system which implied the delay of contracts.

The PFM basket fund was also hampered by the fragmentation of donor support. The EU chaired the PFM group between 2015 and 2018 and took the opportunity to enhance the dialogue among donors, which resulted in the improvement of the quality of the dialogue and better reporting.

The reports of EU and other international partners highlight the high level of ownership by MINECOFIN of the PFM reforms, which is grounded on strong political support from the highest levels. (JC9.3) The GoR in its political statements underlines the importance of strengthening PFM as a key development pillar, and as a means of reducing aid-dependency and improving the country's resilience to external shocks.

## 4. Main lessons: contribution to key outcomes and good practices

The contribution of the EU to the PFM reform is marked by the paradox of its withdrawal from supporting the PFM reform for reasons related to a low operational efficiency of the Basket Fund that nevertheless do not seem to have affected the effectiveness of the reforms. The Basket Fund represents, in principle, an adequate framework for a joint approach of external partners to support the partner government in the implementation of a PFM reform. It allows the aggregation of the contributions of bilateral and multilateral cooperation agencies, envisaging common agreed objectives. However, the experience of Rwanda shows the limits to international cooperation through this instrument, given the different political agendas and cooperation strategies of development partners, compounded by different procedures and accountability concerns.

The PFM reform programme has been unequivocally led by the government, as demonstrated by its ownership of the reform process, its affirmative position in the coordination instances, its leadership of the reform processes but in a way that has not always been translated into an open attitude towards the external partners, thereby constraining the policy dialogue.

The EU support to the PFM reform in Rwanda over the period 2015-2020 despite being limited financially it was comprehensive in terms of addressing PFM reform objectives, while being supportive of the other budget support programmes. Progress of the PFM implementation strategy is a key condition of eligibility for the EU budget support at the sector level, through the Energy and Agriculture budget support contracts. To that end, the EU monitors closely the implementation of the PFM reform strategy, conditioning the disbursements to the verification of the general conditions, namely the progress of the PFM reform. In this context, the participation of the EU in the PFM reform actions seems to have been justified by the purpose of mitigating the fiduciary risk associated to the much larger sector budget support operations in the country, while keeping open a channel of dialogue with the government in this key field of public governance.

EU investment in the PFM reform in Rwanda, covered some core domains of PFM system, like economic planning and budgeting and DRM (transfer pricing and international taxation). Some of these areas were also covered by other development partners participating in the Basket Fund, so it is not possible to attribute the progress made in those areas to the EU. However, a distinctive feature of the EU cooperation was the focus placed on the support to the institutions responsible for the budget oversight and audit and for combating corruption (Parliament, Ministry of Justice, Office of the Auditor General, Office of the Ombudsman and the Procurement agency). Such support was provided through technical assistance and was complemented by the inclusion of variable tranche indicators in the sector budget support contracts related to budget transparency and timely reporting. This indicates a competitive advantage of the EU cooperation in the PFM in those areas, where other multilateral agencies are not present. In fact, in specific areas of the PFM field, there seems to be a preference from the GoR to dialogue with the IMF and the WB, at least as regards the discussion of strategic and policy issues. This suggests that the role of the EU remains secondary in those fields thereby questioning the relevance of the EU intervention in those domains.

## Annex 1: Inventory of the EU support to CMSB agenda in Rwanda

**Table 2: CORE CMSB Contracted or disbursed amount (in M€)**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|---|
| BS Variable tranche indicators | - | 3 | - | 2.187 | 3.1 | 3.1 | 11.4 |
| SRPC Agriculture | - | - | - | 2.187 | 3.1 | 3.1 | 8.4 |
| SRPC Energy | - | 3 | - | - | - | - | 3.0 |
| Technical Assistance to RRA | - | - | 0.13 | - | 0.053 | 0.029 | 0.212 |
| PFM Basket Fund | - | - | - | 2.0 | 1.0 | - | 3.0 |
| Main Fund | - | - | - | 1.5 | 0.3 | - | 1.8 |
| OAG Sub-Fund | - | - | - | 0.2 | 0.3 | - | 0.5 |
| RRA Sub-fund | - | - | - | 0.3 | 0.4 | - | 0.7 |
| Total | - | 3 | 0.1 | 2 | 4.2 | 3.2 | 14.6 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Programme title | Start Date | End Date | Amount Fixed Tranche (€ M)[11] | Amount Variable Tranche[12] | Total Amount committed | Total Amount disbursed (until 2021) |
|---|---|---|---|---|---|---|---|---|
| SRPC | 37416 | Sector Reform Contract (SRC) to promote climate-proof investments by farmers through improved land administration and | 2015 | 2016 | 2 | 1,9 | 3,9 | 3,57 |

[11] Committed
[12] Committed

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | land use monitoring capacities at central and local government level | | | | | | |
| SRPC | 37486 | Sector Reform Contract to enhance the agriculture sector's sustainable use of land and water resources, value creation and contribution to nutrition security | 2016 | 2021 | 136,5 | 75,1 | 211,6 | 205.775 |
| SRPC | 38107 | Sector Reform Contract (SRC) to increase performance of Rwanda's energy sector and develop the corresponding institutional capacities | 2016 | 2021 | 104 | 52 | 156 | 139,4 |

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

Sector Reform Contract to enhance the agriculture sector's sustainable use of land and water resources, value creation and contribution to nutrition security

| Year | VT | Indicators | Type of Indicators [13] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|---|
| 2018 | 1 | Assessment of public expenditures and PFM capacities in the agriculture sector and adjacent (sub-)sectors (land, forestry, water, nutrition, SMEs) | Process | Policy-based fiscal strategy and budgeting | 2,50 | 2.19 |
| 2019 | 2 | Assessment of public expenditures and PFM capacities in the agriculture sector and adjacent (sub-)sectors (land, forestry, water, nutrition, SMEs) | Process | Policy-based fiscal strategy and budgeting | 3,13 | 3,13 |
| 2020 | 3 | Assessment of public expenditures and PFM capacities in the agriculture sector and adjacent (sub-)sectors (land, forestry, water, nutrition, SMEs) | Process | Policy-based fiscal strategy | 3,13 | 3,13 |

[13] Input, output, process, outcome, impact

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | and budgeting | | |
| 2021 | 4 | Assessment of public expenditures and PFM capacities in the agriculture sector and adjacent (sub-)sectors (land, forestry, water, nutrition, SMEs) | Process | Policy-based fiscal strategy and budgeting | 3,38 | n/a |

Sector Reform Contract (SRC) to increase performance of Rwanda's energy sector and develop the corresponding institutional capacities

| Year | Indicators for Variable Tranche 1 | Type of Indicators[14] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2016 | Publication on the website of quarterly in-year budget execution reports within 45 days of the end of the period in question | Process | Budget transparency | 1,50 | 1.50 |
| 2016 | Publication of mid-year budget review no later than 3 months of the end of the implementation period | Process | Budget transparency | 1,50 | 1.50 |
| 2016 | Publication on its website by MINIFRA/REG of latest audit reports concluded by OAG on its activities. | Process | Budget transparency | 1.50 | 0 |
| 2016 | MINIFRA makes available annual disaggregated sector budget execution reports upon request | Process | Budget transparency | 1.50 | 0 |

[14] Input, output, process, outcome, impact

3) Other EC interventions

**Capacity-building / technical assistance projects supporting CMSB**

| Decision number | CRIS contract number | Programme title / content | Start Date | Contract status | Total Amount contracted (€) |
|---|---|---|---|---|---|
| 37657 | 372458 | Project Identification of a support programme to civil society in Rwanda (11th European Development Fund) | 2016 | Ongoing | 41.642 |
| 38031 | 404235 | Strengthening ombudsman service and accountability to Rwandan citizens | 2018 | Ongoing | 3.240.161 |
| 37656 | 386715 | EU support to the Basket Fund for Public Financial Management Reforms in Rwanda | 2017 | Ongoing | 9.800.000 |
| 37656 | 410307 | Expenditure Verification for the Basket Fund for Public Financial Management Reforms in Rwanda 386-715 | 2019 | Ongoing | 23.530 |
| 37656 | 394206 | Support for Visibility and Communication activities for the EU Delegation to the Republic of Rwanda | 2017 | Ongoing | 200.000 |
| 38031 | 410581 | Technical Assistance services to the Parliament of Rwanda, to the Office of the Ombudsman, to the Ministry of Justice and the NAO | 2019 | Ongoing | 606.508 |
| 37657 | 384506 | Technical Assistance to the Rwanda Revenue Authority on Transfer Pricing | 2017 | | 217.156 |
| 40875 | 406466 | Strategic Advisor for the Rwanda Revenue Authority on international taxation and transfer pricing | 2019 | | 149.982 |

## Annex 2: List of Institutions met

| Institution type | Institution / Minister |
|---|---|
| EU | EU Delegation |
| National authorities and institutions | MINECOFIN, Office of the Chief Internal Auditor |
| | MINECOFIN, SPIU (Single Project Implementation Unit) |
| | MINECOFIN, National Development Planning and Research |
| | Office of the Auditor General |
| | Office of the Ombudsman |
| | Public Procurement Authority |
| | Rwanda Revenue Authority |
| Other donors | Enabel |
| | KfW Development Bank |
| Civil society | Institute of Policy Analysis and Research |

# CASE STUDY NOTE – TIMOR-LESTE

## Table of Contents

## List of acronyms

| | |
|---|---|
| AA | Autoridade Aduaneira (Customs Authority) |
| AAP | Annual Action Plan |
| ADB | Asian Development Bank |
| APA | Autonomous Public Agency |
| ASEAN | Association of Southeast Asia Nations |
| ASYCUDA | Automated System for Customs Data |
| BCTL | Banco Central de Timor-Leste |
| BFML | Budget and Financial Management Law |
| BRC | Budget Review Committee |
| BS | Budget Support |
| CAC | Anti-Corruption Commission |
| CBC | Capacity Building Center |
| CBTL | Central Bank of Timor-Leste |
| CCFM | Consultative Council on Financial Management |
| CGE | Conta Geral do Estado |
| CFTL | Consolidated Fund of Timor-Leste |
| CNA | Comissão Nacional de Aprovisionamento |
| CoA | Chamber of Accounts (Camara de Contas) |
| CoC | Câmara de Contas (Chamber of Accounts) |
| CoM | Council of Ministers |
| COA/CDC | Chamber of Accounts at the Appeals Court |
| COFOG | Classification of the Functions of the Government |
| CSC | Civil Service Commission |
| CSO | Civil Society Organizations |
| DFAT | Department of Foreign Affairs and Trade (Australian cooperation agency) |
| DG | Directorate-General |
| DN | Directorate-National |
| DNDF | Directorate-National of Financial Decentralization |
| DPs | Development Partners |
| EDF | European Development Fund |
| EDTL | Electricity of Timor-Leste |
| EITI | Extractive Industries Transparency Initiative |
| ESI | Estimated Sustainable Income |
| EU | European Union |
| EUD | European Union Delegation |

| | |
|---|---|
| FONTGIL | Fórum das ONG de Timor-Leste (NGOs Forum) |
| FS | Financial Statement |
| FY | Financial Year |
| GAP | Gas and Petroleum Company of Timor-Leste |
| GDP | Gross Domestic Product |
| GFS | Government Financial Statistics |
| GoTL | Government of Timor-Leste |
| GRP | Government Resource Planning |
| HCDF | Human Capital Development Fund |
| HR | Human resources |
| IA | Internal Audit |
| IF | Infrastructure Fund |
| IFC | International Finance Corporation |
| IFMIS | Integrated Financial Management Information System |
| IFMISU | Integrated Financial Management Information System Unit |
| IFRS | International Financial Reporting Standards |
| IGE | Inspeção Geral do Estado |
| INAP | Instituto Nacional de Administração Pública |
| IPSAS | International Public Sector Accounting Standards |
| IT | Information Technology |
| ITAS | Integrated Tax Administration System |
| KPIs | Key Performance Indicators |
| LM | Line Ministry |
| M-LT | Medium – Long Term |
| M&E | Monitoring and Evaluation |
| MoF | Ministry of Finance |
| MOU | Memorandum of Understanding |
| MP | Ministério Público (Prosecutor-General) |
| MTEF | Medium Term Expenditure Framework |
| NDBPE | National Director for Budget and Performance Evaluation |
| NP | National Parliament |
| PPP | Public Private Partnership |
| NPC | National Procurement Commission |
| OBI | Open Budget Index |
| OPM | Office of Prime Minister |
| PCIC | Política Científica de Investigação Criminal |

| | |
|---|---|
| PEFA | Public Expenditure and Financial Accountability |
| PER | Public Expenditure Review |
| PF | Petroleum Fund |
| PFM | Public Financial Management |
| PFMCBC | Public Finance Management Capacity Building Centre |
| PFMCDC | Public Finance Management Capacity Development Centre |
| PFMO | Public Financial Management and Oversight |
| PGR | Prosecutor-General (Procuradoria-Geral da República)/Ministério Público |
| PM | Prime Minister |
| PMIS | Personnel Management Information System |
| ReNAS | Rede Nacional de Auditoria Social |
| SDG | Sustainable Development Goal |
| SDP | Strategic Development Plan |
| SIGTAS | Standard Integrated Government Tax Administration System |
| SOE | State-owned enterprise |
| TA | Technical Assistance |
| TdR | Tribunal de Recurso (Court of Appeal) |
| TIN | Tax Identification Number |
| TL | Timor – Leste |
| ToR | Terms of Reference |
| TSA | Treasury Single Account |
| UNCTAD | United Nations Conference on Trade and Development |
| UPMA | Planning, Monitoring and Evaluation Unit |
| USD | United States Dollar |
| VAT | Value Added Tax |
| WB | World Bank |
| WCO | World Customs Organization |
| WTO | World Trade Organization |

# 1. Introduction and choice of Timor Leste as a case study

## *1.1. Scope and objectives of this study case*

This country note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission in the Timor Leste (TL) to the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability during the period 2015-2020/21 (see portfolio in Annex 1).

The analysis builds on a desk review. Desk work included the analysis of documents (e.g., EC strategy-level documents, national PFM strategies/plans, international studies, EC intervention documents) and of statistical data (e.g., key macro-economic and social indicators, budgetary data, PEFA scores, Open Budget Index data, CPIA) as well as some interviews with the EUD and key institutions (see list in Annex 2).

Timor Leste was selected as a case study because of the following characteristics: low middle income island, with a high level of fragility and more than 5% of GDP coming from the exploitation of natural resources (oil), the country has received significant support from the EU to strengthen its PFM system during the period under review, mainly through the implementation of a SRPC dedicated to PFM (2016-2020) and large TA projects funded as complementary measures. Interestingly, a new SRPC has been launched in 2020, the "Supporting Program for Deconcentration and Decentralization (SPDD-TL)" which includes as a complementary measure a technical assistance for Strengthening integral local development by building capacities of municipal authorities.

Through its interventions, the EU programs has aimed to address several challenges related to the CMSB agenda (see 2.3), including:

- To improve tax collection by strengthening tax administrations for both taxation and customs management;
- To improve the quality of spending by reinforcing internal audit and accountability;
- To improve service delivery by strengthening management capacities at decentralized levels (mainly municipalities).

This report focuses on the analysis of pertinence, coherence, efficiency and effectiveness of the supports provided in those sectors.

## *1.2. Limitations*

Given the wideness of the topics under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support to public finance in Timor Leste. It aims at identifying key strengths and weaknesses of EU interventions deployed in public finance in Timor Leste to draw lessons from the EU's experience in the country, and to formulate recommendations to strengthen the EU's role in the areas related to the CMSB agenda.

# 2. National context and EU interventions supporting CMSB agenda

## *2.1 General context and main policy documents*

**Timor-Leste is a fragile, small island developing country, whose institutions are still in a process of construction and consolidation since its independence in 2002**. The country has undergone a continuous process of PFM reform, which has been deeply affected by political instability that have systematically affected government operations from 2017 to 2020, resulting in the late approval of the state budget and the slowdown of reforms. The country struggles to move forward with the institutional reforms in general and the PFM reform in particular, which is still in the process of consolidating some fundamental functions. This is a long-haul endeavor, given the limited capacity of its human resources to deal with structural changes in terms of public management. The lack of skills in implementing PFM reforms is therefore a major challenge in Timor-Leste, despite the significant efforts made after the country's independence, both by the government and the development partners Covid-19 pandemic made the recruitment of technical experts more difficult due to restrictions in mobility. Moreover, it is important to underline that the pace of the PFM reform depends very much on the internal complex political factors that impact on the coordination mechanisms among ministries, with different political stances, and consequently on the decision-making process.

**The PFM domain is key in the governance system of Timor-Leste, considering that the economy has been mainly driven by an extremely expansionist fiscal policy** based on large spending and very low taxation. Public expenditure is basically financed by the Petroleum Fund, a sovereign fund fed with the oil revenues. This is unsustainable, as the Fund is likely to be depleted in 10 to 12 years, according to the existing scenarios, launching the country in what is mentioned as a fiscal cliff in the reports of the international organizations on Timor-Leste. Despite its relevance, there is no formal PFM reform strategy, although there is a draft version, presently circulating for comments. It has received comments from donor partners, which will possible be adopted in 2022. In its absence, Timor-Leste is guided by a mix of policy documents. The Strategy Development Plan 2011-2030 states the overall reform objectives in the context of the country's development objectives. The MoF's Strategic Development Plan 2011-2030 articulates the PFM reform with the Strategy Development Plan, and is implemented though the MoF's Program, inscribed in Book 2 of the annual state budget.

## *2.2 Recent economic evolutions*

**The recent economic trends of the economy of Timor-Leste reflect its structural constraints due to its concentration on oil production**, an undiversified economic structure, explained in turn by the lack of private capital and week human capital. These weaknesses were recently compounded by the Covid epidemic and the effects of the Seroja typhoon, which led to an economic contraction of 8.6% in 2020.

**However, in 2021[1], the non-oil economy grew by 1.5%, whereas the oil economy grew by 8.3%.** The growth of the non-oil economy was supported by government and private consumption. The execution of public investment (21% of the budgeted value) was affected by the new measures to improve its transparency and by the need to allocate resources to face the consequences of the typhoon Seroja that hit the country in April 2021. Private investment continued to decline despite the government support to create favourable conditions. Exports of goods and services accelerated, driven by the exports of coffee (in volume). Total imports decreased, despite the small increase of imported consumer goods. The increase of the oil economy in 2021 was a result of substantial investments made during this year.

**Inflation in Timor-Leste is mainly imported, which makes the country very vulnerable to international prices of food and energy,** as shown by the recent trends of the Consumer price inflation (CPI). This has accelerated sharply because of the price increases of energy, fertilizers and cereals. CPI reached 5.7% in the first quarter of 2022, well above the rates of 0.5% in 2020 and 3.8% in 2021. The categories of goods that contributed to such an increase were food and beverages, alcohol and tobacco (driven by higher excise taxes) and transport.

[1] WB, Economic Report, June 2022.

**Public expenditure has grown considerably over the past decade, while tax revenues have failed to cover those expenditures**, thus contributing to a systematic large fiscal deficit. Fiscal sustainability is hence contingent on the government's ability to increase domestic revenues. The budget deficit in Timor-Leste in typically very high and the recent economic trends made it worse. In fact, the consequences of the Covid pandemic and floods could explain a deficit of 45% by the end of 2021, as compared to an average of 30% over the last decade. The main source of financing is the Petroleum Fund, through the Estimated Sustainable Income (ESI), considering that domestic revenues are negligible. Total public spending is abnormally high by all standards, with an average of 76.6% in 2017-2021. It is one of the highest in the world. In 2021, recurrent expenditure had the major share in the total expenditure with 80.4% compared to 8.6% of the capital expenditure. The financing through ESI has been systematically breached over the last decade, and the consequent depletion of the Petroleum Fund within a visible horizon will inevitably lead to drastic fiscal adjustments.

**Tax collection is significantly below its full potential, suggesting that there is ample scope for increasing domestic resources based on effective tax policy and administration reforms**. Estimates from WB suggest that tax revenue could double when considering the structural factors that account for its underperformance, particularly the underutilisation of consumption taxes. The stated policy objective is to achieve a tax-to-GDP ratio of 18 percent by 2023, significantly above the 11-12 percent collected since 2014.

**The current account was positive in 2021 and first quarter of 2022**. The services account is negative. The primary income account is positive given the investment of the Petroleum Fund generates a significant influx of investment income.

## *2.3 Main actors supporting CMSB agenda in Timor Leste*

Besides EU, the main external partners of Timor-Leste in the PFM field are: DFAT (Australia), WB, ADB and IMF and UNDP.

**IMF** cooperates with the government in the fields of fiscal policy and public debt management. In 2020, Pacific Technical Assistance Centre (PFTAC), co-financed by the EU, has assisted Timor-Leste in various areas related to public finance management reform. Specifically, it assisted the MoF in drafting the draft PFM reform strategy, (which is under the approval process). The government has also requested TA for the fiscal reform, including the design of the VAT implementation plan, tax diagnostics, and the reform of the tax administration. PFTAC intends to assist in the preparation of a PFM Reform Roadmap. In the domain of PFM, there has been coordination with the EU and the World Bank in the reform implementation. Other related domains of technical assistance include the balance of payments statistics, the annual compilation of Government Fiscal Statistics, aiming at reducing statistical discrepancies, the diagnosis of macroeconomic capacity for improved macroeconomic policymaking, and the drafting of banking legislation.

World Bank managed the multi-donor trust fund (MDTF) that financed PFMCBP activities supporting the MoF and some line ministries until 2016. The World Bank produces PFM analytical work at the sector level, for instance through Public Expenditure Reviews and PEFA Assessments. It also produces a period report on the economic situation, in which the fiscal policy is addressed.

**Asian Development Bank (ADB) has supported the fiscal reform**. It provided TA for the VAT introduction and an analysis of revenue potential, a review of autonomous agencies' governance, and an assessment of non-tax revenues with a review of policy and legislative framework for fees and charges. It has supported MoF on economic modelling and forecasting, and it has been working with the Ministry of Public Works with a view to piloting an MTEF. In the area of public investment management, its work with the Major Projects Secretariat supporting the elaboration of guidelines for infrastructure project appraisal. Recently launched a 2M regional program that includes TL, supporting the SAI (Camara de Contas)

**DFAT** has supported in the fields of program budgeting, monitoring and evaluation. Since 2013, Australia's assistance on PFM reform has been delivered through the Governance for Development (GfD) program. The initial phase of this support (2013-2016) included a sector budget support program, focusing on PFM and fiscal reform within the MoF. More recently, technical support has been provided to the Planning, Monitoring and Evaluation Agency (ANAPMA), and to the Fiscal Reform Commission (FRC).

## *2.4 Intervention logic of EU CMSB supports in Timor Leste*

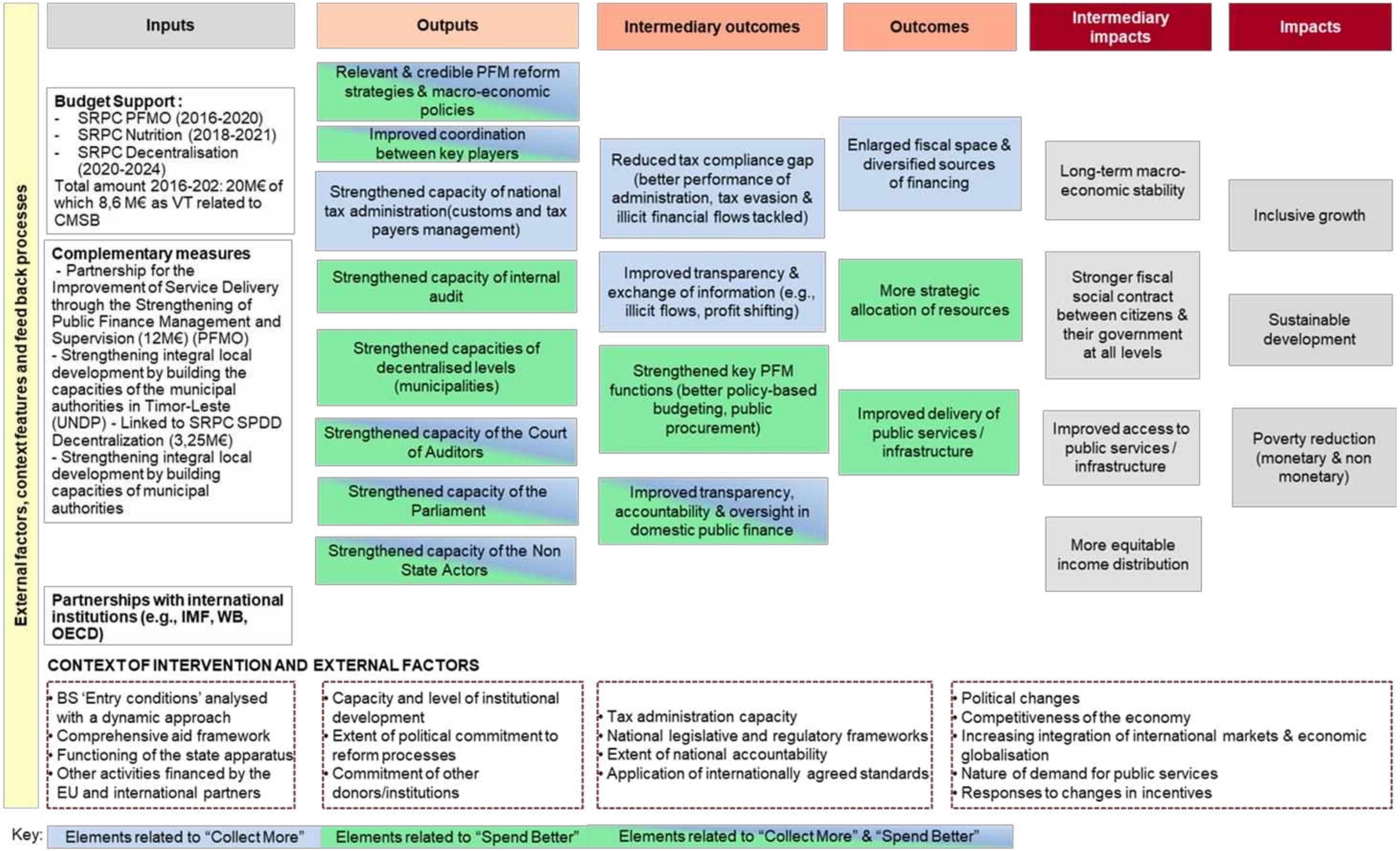
EU support to the PFM reform started in a consistent manner in 2014, with a budget support operation, under the 10th EDF, with a total of €4 million, following some previous support provided in the project approach modality. The objective of this program was to improve PFM systems with a focus on domestic revenue mobilization through customs and tax administrations strengthening. This budget support program was continued, under the 11th EDF, with the SRPC "Partnership to improve service delivery through strengthened Public Financial Management and Oversight (PFMO) - 2018-2022" program (€30 million). The present PFMO budget support contract includes a component of capacity building, under the Complementary Measures, totaling €12 million, indirectly managed by Instituto Camões, the Portuguese cooperation agency. The main purpose of this component is to support budget key oversight institutions.

The SRPC PFMO envisages strengthening the planning, management, auditing, monitoring, accountability and oversight of the use of public finances for a better delivery of public services. The program has two components: i) a budget support component (transfer of funds to the Treasury of Timor-Leste), to strengthen the effectiveness, integrity, transparency, accountability, citizen-orientation and control of public finance management (PFM), in order to improve the implementation of fiscal and development policies; ii) a technical assistance (TA) component (Complementary measures), through indirect management by the Instituto Camões of Portugal to enhance the capacity of the oversight institutions and of the non-state actors.

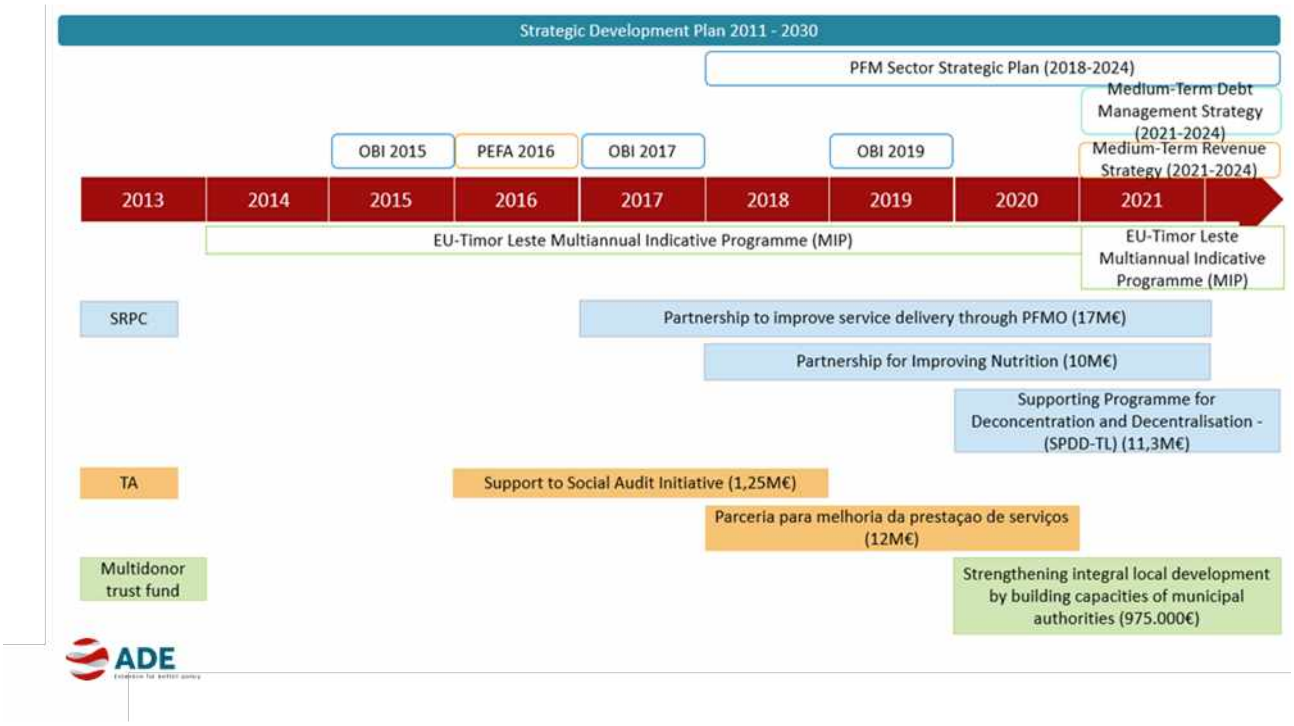
The EU focus on PFM should be placed in the context of the overall cooperation between the EU and Timor-Leste, as established in NIP 2014-2020, which set out two priority areas: i) good governance through capacity building of state institutions, including public finance management and civil society; ii) rural development, with a focus on rural access and on nutrition. The sector-oriented support should be complemented with some crosscutting domains including decentralization and de-concentration. Some of those interventions have a PFM component that can be approached from a reform perspective.

The SRPC in support of the De-concentration and Decentralization Process in Timor-Leste (SPDD-TL) should be seen in complementarity with the SRPC PFMO, given its scope in the fields of local PFM and budget oversight by the National Parliament. It includes a component in indirect management with the UNDP (totaling: US$3.585,050). The covid-19 pandemic crisis in 2020 hampered a systematic dialogue on the PFM reform. As a result, many achievements related to areas of focus of the EU budget support operation have been hampered by the political impasse or lack of available budgets.

The following diagram presents the hierarchy of objectives pursued by the European Commission through its support to CMSB agenda. It aims to highlight the chain of intended changes, going from the EC inputs deployed to support public finance to the intended impacts.


External factors, context features and feed back processes
Inputs
Outputs
Intermediary outcomes
Outcomes
Intermediary impacts
Impacts
Budget Support :
- SRPC PFMO (2016-2020)
- SRPC Nutrition (2018-2021)
- SRPC Decentralisation (2020-2024)
Total amount 2016-202: 20M€ of which 8,6 M€ as VT related to CMSB
Complementary measures
- Partnership for the Improvement of Service Delivery through the Strengthening of Public Finance Management and Supervision (12M€) (PFMO)
- Strengthening integral local development by building the capacities of the municipal authorities in Timor-Leste (UNDP) - Linked to SRPC SPDD Decentralization (3,25M€)
- Strengthening integral local development by building capacities of municipal authorities
Partnerships with international institutions (e.g., IMF, WB, OECD)
Relevant & credible PFM reform strategies & macro-economic policies
Improved coordination between key players
Strengthened capacity of national tax administration(customs and tax payers management)
Strengthened capacity of internal audit
Strengthened capacities of decentralised levels (municipalities)
Strengthened capacity of the Court of Auditors
Strengthened capacity of the Parliament
Strengthened capacity of the Non State Actors
Reduced tax compliance gap (better performance of administration, tax evasion & illicit financial flows tackled)
Improved transparency & exchange of information (e.g., illicit flows, profit shifting)
Strengthened key PFM functions (better policy-based budgeting, public procurement)
Improved transparency, accountability & oversight in domestic public finance
Enlarged fiscal space & diversified sources of financing
More strategic allocation of resources
Improved delivery of public services / infrastructure
Long-term macro-economic stability
Stronger fiscal social contract between citizens & their government at all levels
Improved access to public services / infrastructure
More equitable income distribution
Inclusive growth
Sustainable development
Poverty reduction (monetary & non monetary)
CONTEXT OF INTERVENTION AND EXTERNAL FACTORS
• BS 'Entry conditions' analysed with a dynamic approach
• Comprehensive aid framework
• Functioning of the state apparatus
• Other activities financed by the EU and international partners
• Capacity and level of institutional development
• Extent of political commitment to reform processes
• Commitment of other donors/institutions
• Tax administration capacity
• National legislative and regulatory frameworks
• Extent of national accountability
• Application of internationally agreed standards
• Political changes
• Competitiveness of the economy
• Increasing integration of international markets & economic globalisation
• Nature of demand for public services
• Responses to changes in incentives
Key:
Elements related to "Collect More"
Elements related to "Spend Better"
Elements related to "Collect More" & "Spend Better"

## 2.5 Timeline of the « Collect More, Spend Better » approach and context in Timor Leste




# 3. Answers to the Evaluation Questions

## 3.1 Relevance

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated crosscutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.2. EU support to DRM/PFM/debt at country level has been provided in line with the 2017 EU BS guidelines and fitted well to the context of beneficiary countries, their needs and institutional capacities

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**Although there was a not a clear adoption of the CMSB agenda, some key elements were addressed by the EU when designing its support programs to Timor-Leste (JC1.1).** The SRPC PFMO envisaged to support the government of Timor-Leste in carrying out some key reforms to address a weak programming and budgeting system. PEFA 2018 had identified a number of issues, namely some institutional bottlenecks, across the PFM system. The EU support targets some key PFM functions based on a systemic perspective of the PFM system, although the lack of a formal PFM reform action plan hampers a more articulated approach in supporting the reform of the PFM system. However, although the Financing Agreement of the SRPC PFMO (signed in March 2017) does not invoke the CMSB approach, most of its objectives are aligned with the reform agenda promoted by CMSB.

On the "Collect more" side, the SRPC envisages a number of results that will contribute to reduce the tax gap, namely through the support to the setting up of information systems for customs management (ASYCUDA WORLD) and taxpayers management (Standard Integrated Government Tax Administration System - SIGTAS). Regarding the spending side, the budget support contract does not directly address any of the four central areas of the CMSB agenda (subsidy programs, public investment, public procurement and debt management). However, it focuses on a crucial domain for the efficiency and transparency of the public expenditure: the budget internal and external audit and oversight.

From the government side, the "Collect More" dimension of the CMSB agenda has been somewhat disregarded as compared to the "Spend More" side, as demonstrated by the relative progress in the development of budgeting and expenditure control functions, as compared to the domestic revenue mobilization.

**Since 2017, the EU has been supporting the PFM reform through the SRPC Public Finance Management and Oversight (PFMO) whose objectives are aligned with the priorities of the Ministry of Finance (MoF) 5-year Rolling Plan and the Budgetary Governance Roadmap adopted in March 2017 (JC1.2).** The SPRC PFMO was formulated during the final stage of approval of the 2017 Guidelines. The latter was nevertheless followed in the SRPC PFMO formulation. There is no full-fledged formal document to guide the PFM reform of Timor-Leste. However, the PFM reform strategy, and the corresponding EU support, have been guided by a number of policy documents, anticipating some weaknesses identified in PEFA 2018. In this context, the SCPC PFMO took into account the objectives of the Strategy Development Plan 2011-2030 and the MoF's Strategic Development Plan 2011-2030. The Budgetary Governance Roadmap adopted in March 2017 has been a key reference in guiding the transition from traditional line-item budgeting to program and multi-year budgeting. The variable tranche indicators of the SRPC PFMO reflect in general the priorities of the EU response to the PMF reform. They cover an ambitious range of the domains, like revenue collection, medium-term planning, expenditure control and Treasury reform, internal and external audit, and capacity building through training in specific areas, like budgeting, treasury, procurement and contract management. In general, PFM reforms require planning over a long-time horizon, which was not always realistically reflected in the timing of the VT indicators. This explains why many variable tranche indicators were not achieved.

The EU SRPC was very relevant in addressing some key elements of the tax reform through its consideration in the design of the respective variable tranches. In fact, the EU SRPC focused on some key DRM areas like the improvement of the tax administration systems, dealing with both internal taxes (SIGTAS) and customs taxes (ASYCUDA World). The tax indicators reveal a very weak performance of the tax policy, despite being stated as a priority by the government. The revenue-to-GDP ratio is very low (average of 13.5% of the non-oil GDP over the last four years) while the tax-to-GDP ratio averages 9%. The state budget is highly dependent on the oil revenue (around 58%), comparing to the tax revenue (18.7%) and grants (15%). There are significant gaps in the tax structure, like the absence of a Value-added tax (VAT) and a property tax. Moreover, the statutory income tax rate is among the lowest in the world. The average effective tax rate is low, owing to a narrow tax base, which is compounded by limited compliance and enforcement. The objective set by the government is to increase domestic revenue to a level of 18% of GDP by 2023, which is well above the average of 13.5% of the last years. Recent data shows that the share of the income tax and the tax on international transactions in the total taxes collected have increased as regards the total revenue. The increase of the revenue generated by the international trade could be possibly explained by the improvement of the customs administration with the introduction of Asycuda World.

**East Timor adopted a gender-sensitive budget with the aim of guiding the allocation of resources to actions that favors gender equality (JC1.5).** To that end, the budget programs are classified with specific markers that indicate the extent to which the program objectives are in line with the gender policy. Since the 2021 budget, these markers allow to track the gender-related expenditure and to report on the budget allocation by gender-related programs. However, there is no evidence whether this information is being used to better align the budget with the gender policy.

As regards digitalization, the recent implementation of an on-line platform for tax declarations and payments represents a significant progress towards improved efficiency in tax collection and compliance control. In addition, the setting up of the R-Timor system allows individuals and organizations to make electronic payments. In 2018-2019, the central bank authorized two electronic money wallet services to expand access to financial payment services in the villages and rural areas given the low accessibility to bank branches.

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.3 EU CMSB support has been designed and implemented in complementarity with other EU interventions related to public policies (other SRPCs, common funds, MFA, etc.) in the same partner countries

JC2.4 EU CMSB support has been coherent with other EU external policies

**Since 2016, the EU has implemented two budget support operations addressing domains of governance: the SRPC PFMO addressing the PFM reform and the SRPC Decentralization supporting the government's policy of de-concentration and decentralization. Both programs complement and reinforce each other in what concerns the PFM reform (JC2.2).** This complementarity facilitates the articulation of the reforms at the center level and its translation at the level of the local governments. On one hand, the effectiveness of the decentralization strategy depends strongly on the effectiveness of the PFM reforms at the center level and, on the other hand, the objectives of the PFM reform will only be attained if it is successfully rolled out to the decentralized levels of the administration (municipalities, line ministries and public agencies).

It was not possible to synchronize the EU support with the sequencing of the DRM/PFM reform due to the absence of a formal reform action plan. The MOF plan 2011-30 originally listed the overall priorities of the reforms, translated into rolling 5-year plans until 2017. Since the PEFA 2018, a renewed prioritization process was supposed to take place, integrating the program-budget reform, launched in 2017 and revised in 2019. However, the lack of a PFM reform Action Plan did not allow such reorientation and could not provide guidance to the sequencing of the EU support. However, focusing EU support on both setting up the architecture of the oversight institutions and on the development of the

PFM information systems was adequate in view of the need to construct the basic functions of the PFM system.

**The SRPC SPPD (Decentralization) includes some elements that complements the SRPC PFMO, namely through the complementary measures and the variable tranches (JC2.3).** The former program aims at improving the capacity building in some PFM domains at the municipal level, through capacity building activities executed by the UNDP. In the context of the Complementary measures of the SRPC SPPD, the UNDP has conducted a capacity and needs assessment, covering PFM, local governance, and development, including participatory planning, gender, and inclusion, information technology. In particular, UNDP has conducted capacity and needs assessment in 5 municipalities (Aileu, Ermera, Baucau, Viqueque, and Liquica) on PFM and ICT. Some variable indicators establish the link with the PFM program. For instance, the indicator "Number of municipalities with capacity and autonomy for planning, budgeting, monitoring and reporting, at the level of competencies defined by the Timorese Law".

**EU CMSB support could develop synergies with trade policy but there is no evidence that it was the case (JC2.4).** By supporting the development of the Customs information system (ASYCUDA World), EU support may have an impact on the development of commerce, although this is difficult to measure. The main purpose behind the development of such system was to improve customs clearance services with the purpose of improve the collection of domestic revenues. However, this measure will facilitate external trade through the alignment of the customs management system to international standards.

## *3.3 Effectiveness – Analysis of outputs and intermediary outcomes*

**EQ3: To what extent have the expected outputs of EU CMSB support related to “Global Public Finance” contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**From the EU side, there was not much awareness of the CMSB agenda during the formulation of the SRPC PFMO (JC3.1).** From the government side, the lack of a PFM reform Action Plan did not help to clarify the government's methodological approach in terms of priorities and sequencing to guide the implementation of the reforms. Consequently, the CMSB approach has not been a reference to the government's approach to the reform. The most significant change in the budget system, after 2017, was the adoption of program budgeting, implying a change of paradigm in terms of budgeting. Despite its deep implications on the entire PFM system, it was not yet formalized in a coherent action plan to support implementation. It is not clear if the decision to move to program budgeting was an autonomous decision by the government or if it was recommended by the external partners. Actually, it was initially stated in the Budgetary Governance Roadmap elaborated by the OECD and approved by the government in 2017. Apparently, the basic conditions to move from traditional budgeting to program budgeting were still not in place, which explains the current difficulties in its implementation.

Between 2014 and 2017, the PFM reform was focused on two main pillars: the fiscal reform and the performance budgeting reform. This was compounded by a number of transversal measures envisaging the improvement of performance management through the setting up of an M&E system. The fiscal pillar was launched in 2015 with the purpose of diversifying the revenue sources, but with limited success thus far. It focused on the reforming the revenue and customs administration and their legal framework and information systems. The program-based budgeting started in 2017 based on a road map to guide the transition from traditional line-item budgeting to program and multi-year budgeting (Budgetary Governance Roadmap adopted by the Government Resolution 17/2017 of March 2017).

**During the period under review, the EU budget support program was not successful in inducing the government to adopt a comprehensive PFM reform in Timor-Leste, but recent initiatives taken by the government signal its intention to finally approve a reform strategy (JC3.2).** In fact**,** in the aftermath of the political and Covid crisis, the government took some initiatives showing its intention to advance the PFM reform in a more decisive way, considering the PEFA 2018 findings. A draft strategy and Action Plan is expected to be approved soon. In this strategy the government reaffirmed its commitment to advance the reform process, while confirming the objectives of the reform: i) To strengthen fiscal policy; ii) To enhance resource mobilization; iii) To enhance policy-based planning and program-based budgeting; iv) To strengthen public spending (budget execution); v) to strengthen accounting and reporting systems.

Recently, significant steps were taken with the approval of a new Budget Framework Law and the elaboration of an Action Plan for the PFM reform. According to the draft Action Plan, the reforms are to be sequenced over a short-term horizon (2021-2023) and medium-term (2022-2025). In May 2022, the government has requested the advice of the IMF regarding the draft version of the PFM strategy, as well as the opinion of external partners. The draft reform strategy is currently being reviewed prior to its approval by the Inter-Ministerial Commission for Tax and Public Finance Management Reform.

**There has been no specific support to the collection of economic and fiscal statistics from the EU side (JC3.3).** However, the ASYCUDA WORLD, supported by the EU, has a statistical component that feeds the statistics on external trade and customs duties. IMF considers that fiscal statistics are broadly adequate for surveillance purposes, having improved in recent years. Weaknesses prevail in the relationship between national accounts and balance of payments on petroleum-related transactions, trade statistics, compilation and dissemination of government financial statistics, and the releasing of financial indicators.

**The EU support to the oversight and public accountability institutions has been a priority with already visible improvements in the performance of the beneficiary institutions (JC3.4)**. In particular, the EU is supporting the Commission through the BS Complementary measures of the SRPC PFMO, and an ambitious training program for the staff of the target institutions is being implemented. The Chamber of Accounts (Camara de Contas) is presently integrated int the Court of Appeal. Training was provided to the judges of the Court of Appeal in Portugal, and to the auditors of the Câmara de Contas (also in Portugal). Both institutions also benefit from on job training through two permanent TA (one for each). The Parliament (Commission C) has also a permanent TA, as well as PCIC. Other SAI institutions supported by PFMO include General Inspection Office (Inspecao Geral do Estado), General Attorney (PGE), Anti-Corruption Commission, the PCIC, the media and CSO. The project is ongoing and has been extended 18 months, until August 2023

The capacity building support provided through the PFMO program faces the limited human resources of the Camara de Contas, which hampers the increase of coverage of the audited institutions. Presently, the CoC runs a full government audit in a 7-year cycle, while a 3-year cycle would be a better practice. The provision of EU support was jeopardized by the Covid 19 crisis, leading to the concentration of the support on long-distance and short-term training at the cost of a hands-on approach, which would be more effective in setting up audit management and information systems. The EU also supports SAI through the regional program PALOP TL SAI, that includes, in Timor, the Parliament, CoA, ANAPMA, CAC and MoF.

**EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

**There was no EU contribution to the formulation of the tax policy. Nevertheless, the EUD monitors the evolution of the tax policy and its performance, on a regular basis, in the context of the assessment of the general conditions for budget support disbursements (JC4.1).**

The tax system is still very week in Timor-Leste and its development has been very slow as compared to other PFM functions. Important taxes like the VAT and property taxes are still absent in the tax system. The current income tax rate is one of the lowest in the world2. The average effective tax rate is low due to a narrow tax base and limited compliance. According to the WB estimates, if existing gaps in tax policy and administration were properly addressed, the tax revenue collection would double.

Timor-Leste is still far away from a balanced tax system composed by a broad-based VAT, an excise regime, an integrated income tax, a property tax and an import duty system compliant with international standards. Nevertheless, legislation is being prepared to be submitted to the Parliament, such as the Value-Added Tax (VAT), Tax and Duties Law, and a revised Tax Procedures Code.

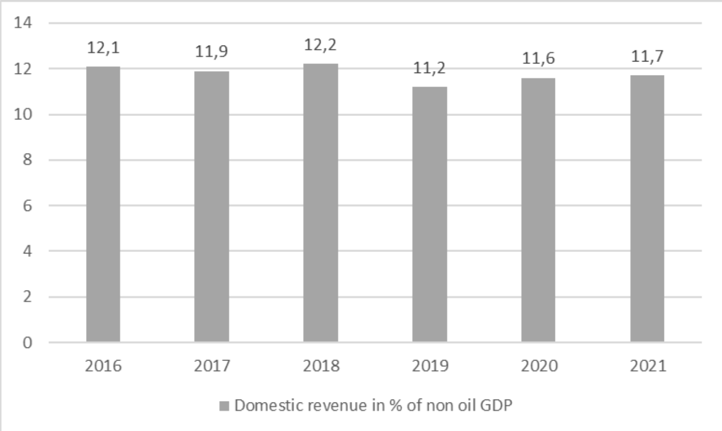
**The EU contribution to the improvement of the tax system has focused on the development of information systems for both taxation (upgrade of SIGTAS) and customs management (ASYCUDA World) (JC4.2)**. The upgrade of SIGTAS (Standard Integrated Government Tax Administration System) has been carried out with the upgrade of the software. The integration with other systems is ongoing. The customs administration has improved with the installation of ASYCUDA World, allowing the alignment to international standards. The new system reduces collection costs, enhance information sharing across relevant agencies, integrate and mainstream tax procedures, and minimise errors and arrears. The accounting and statistical capabilities for Customs have also improved, through a better integration with Government systems. The migration to ASYCUDA World version was finalised, but the interface and connection with other systems still needs to be implemented.

The SRPC PFMO supported the development of ASYCUDA and SIGTAS through the inclusion of specific indicators in the respective variable tranches. These were an incentive for the government to advance

[2] WB, Public Expenditure Review

the development of those systems, but it eventually became apparent that the targets were too ambitious, thereby compromising disbursements.

**Non-tax revenues are not relevant in the revenue composition in Timor-Leste, but have grown as a source of revenue mainly due to electricity fees and several charges. The EU has not provided any contribution in this field (JC4.3).** Revenues retained by autonomous public agencies (APAs) have some significance, mainly owing to the Port Authority of Timor-Leste (APORTIL), which collects port fees. There are 23 revenue-collecting APAs – although none of them is wholly self-funded and thus still rely on the state budget. Property rentals and visa fees are also a source of revenue. No information is however available on to what extent the existing fees can be considered as cost-recovering fees.




**The measures adopted by the government have not had a significant effect on revenue mobilisation, which remains low compared to other countries (JC4.4)**. Domestic revenue average 12 percent of non-oil GDP during 2015–19. Tax revenues, which account for about two thirds of domestic revenues, are also still low.

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better policy-based budgeting, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved budget control and execution across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved public procurement management and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved public investment management, addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency.

**Timor-Leste has made significant progress in terms of institutional building, including in the PFM system.** The core state institutions have been formed and their capacities have been reinforced with the support of external partners, including the EU. However, the institutional building process took longer than expected, which had an impact on the attainment of results of the EU support programs, namely on budget support, where a measure of success is dictated by the attainment of performance indicators. Most of these indicators were not achieved, given their high level of ambition.

**The capacity of the MoF to elaborate reliable macroeconomic scenarios to support the budgeting process is still rather limited and there has been no recent progress (JC5.1).** The most reliable macroeconomic scenarios are those produced by the IMF in the context of Art. IV consultations. Other macro-fiscal tools, like MTFF and MTEF, are still to be developed. The elaboration of a MTEF is a priority of the PFM reform and, in line with that, pilots are being conducted in the ministries of Health, Education and Infrastructure. The SRPC PFMO included an incentive for the government to develop MTEFs in the sectors of Education and Health (variable tranche), but the lack of articulation between the sector strategies and the overall medium-term fiscal framework did not allow the attainment of the indicators.

The EUD monitors the evolution of the macroeconomic policies on a regular basis, in the context of the ongoing budget support contracts. The EU periodic macroeconomic reports call systematically the attention for the structural budget deficits and the long-term unsustainability of the current fiscal policy.

**EU support in the field of expenditure control has focused on improving internal audit mainly through a couple of indicators related to the training of qualified audit staff, in the specific fields of "budget internal controls", "payments internal controls", "procurement", "public accounting" with limited effects up to now (JC5.2).** An Internal Audit Manual was drafted and submitted to the Ministry. Progress is slow considering also the significant weaknesses observed in 2018 (see table below). The status of payroll controls is still weak. Changes to personnel records and payroll are updated at least monthly, generally in time for the following monthly payments. However, the systematic reconciliation of the payroll with personnel records takes place at least every six months, and the integrity of data remains an issue. No payroll audits have been undertaken within the last three completed fiscal years. However, improvements have been made in the internal audit function, particularly with the establishment of the internal audit function in the MoF. The internal control of changes to personnel records and the payroll has improved with the adoption of electronic payment to the beneficiaries' bank account.

**Table 1: PEFA evaluation – 2018 – Indicators related to internal control**

| 23. Payroll controls | D+ |
|---|---|
| 23.1 Integration of payroll and personnel records | C |
| 23.2 Management of payroll changes | B |
| 23.3 Internal control of payroll | C |
| 23.4 Payroll audit | D |
| 26. Internal audit | D |
| 26.1 Coverage of internal audit | D |
| 26.2 Nature of audits and standards applied | D |
| 26.3 Implementation of internal audits and reporting | A |
| 26.4 Response to internal audits | D* |

**EU support in the field of procurement was limited to performance indicators to incentivize the reinforcement of capacities in the domain of public procurement through the SRPC PFMO**

**(JC5.3).** Procurement is decentralized to line ministries and municipalities but is affected by poor control and a lack of integration of the information systems. Substantial training has been provided in the field of procurement. The PFM Capacity Building Centre of the MoF has carried out training across line ministries and municipalities, where Procurement, was one of the key subjects. In particular, training was provided in Procurement and Payments to 46 municipal officials in 4 municipalities. The contribution of those trainings to the strengthening of municipalities' capacities to manage public procurement is not yet visible.

There is no EU support in the domain of public investment, despite the fact that this is a key component of the public expenditure. The public investment system in Timor Leste suffers of significant weaknesses affecting the management of the entire project cycle. As highlighted by the latest PEFA (2018), public projects do not follow the best practices in terms of appraisal, selection, prioritisation and risk assessment. As a result, the average investment efficiency gap in Timor-Leste is about 54%, below the average of 24% of the emerging market economies and 30% of emerging and developing Asia. Moreover, the impact of public expenditure on economic activity has been very limited, compounded by the fact that an important share of the capital expenditure is leaked to imports, given its high import content.

**Table 2: PEFA evaluation – 2018 – Indicator related to Public Investment management**

| 11. Public investment management | D+ |
|---|---|
| 11.1 Economic analysis of investment proposals | C |
| 11.2 Investment project selection | C |
| 11.3 Investment project costing | D |
| 11.4 Investment project monitoring | D* |

**Presently, there is no debt management strategy to deal with the potential debt increase when the Petroleum Fund runs out (JC5.5).** The existing debt management system produces debt records that are accurate and reconciled on a regular basis. However, it still misses the records on guarantees. The poor debt management is however not very problematic for the moment, given that the level of public debt is low, and the risk of debt distress is limited.  No support has been provided by the EU in this domain. This issue is followed by the IMF in the context of the Art. IV Consultations.

## *3.4 Effectiveness and sustainability – Contribution to outcomes and impacts*

| **EQ6: To what extent have the intended outcomes materialized in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?** |
|---|
| JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time |
| JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives |
| JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources |

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**The main source of financing of the public budget remains the withdrawals from the Petroleum Fund, through the Estimated Sustainable Income (ESI) both for the expenditure (above the line) and the budget deficit (below the line) with strong pressure that could lead if the present trend continues, to the depletion of the Fund in about 10 years from now (JC6.1).** This could result in a fiscal cliff that will force a drastic reduction of the fiscal deficit as a policy response, thereby reducing drastically the provision of basic public goods and services and generate macroeconomic instability.

A Foreign Aid Policy document was approved by the government, which is expected to provide guidance in the mobilization of external funding, taking into account its relevance and the level of priority. At the moment, the external financing of Timor-Leste is mainly composed of concessional loans while private external borrowing is negligible. The migrants' remittances represent another important source of financing, with 8% of non-oil GDP, but is limited as a source of financing of the economy.

**Timor-Leste has adopted program budgeting but there is still no evidence that this has contributed to a better allocation of budget resources in line with the government's priorities (JC6.2).** The presentation of the state budget in 2021 with a programmatic structure, covering all the organizations of the central government is per se a relevant achievement of the reform process, but the lack of an operational M&E system reduces the effectiveness of the new system.

The EU support does not focus directly on the program budgeting reform, which has been mainly guided by other external partners. The EU has introduced an indicator in the SRPC Nutrition to increase the share of Health in the total expenditure. Although the objective of increasing the finance of the health sector is understandable, it might be counterproductive to focus on specific sectors as opposite to an overall allocation according to the policy priorities. It should be noted that such initiative was taken before the Covid crisis and therefore does not reflect the emergency situation in which there was a justified reorientation of budget resources to the health sector.

**The information on service delivery is in general very limited. However, the weak situation of some key systems such as the public investment management and the decentralization of public services raise some doubts about the quality of the public services provided to the citizens (JC6.3).**

**EQ7: Has there been an improvement of the long-term drivers for inclusive growth, namely a stable macroeconomic framework able to meet the challenges of development, a stronger fiscal social contract, better access to public services/infrastructure and more equitable income distribution? To what extent has EU support to CMSB contributed to these changes?**

JC7.1 Long-term macroeconomic stability and resilience has been strengthened, enabling the financial challenges of development to be met

JC7.2 The fiscal social contract between citizens and their government at all levels has been maintained or reinforced

JC7.3. Access to public services/public infrastructure has improved significantly

JC7.4 Inequality in income distribution has been reduced

JC7.5 Changes observed can be linked to specific determining factors related to reforms/measures implemented by the government with EU CMSB support

**If the present trend of financing the public expenditure with the Petroleum Fund persists, the macroeconomic stability is at high risk (JC7.1).** The external sector position remains very weak as a reflection of the large fiscal imbalances and the under-development of the non-oil economy. The persistent current account deficits put a permanent pressure on the net international investment position.

The evolution of current account depends strongly of the evolution of the oil prices, which creates uncertainty on the long-term economic trends. If policy remains unchanged, the net international position will basically depend on the evolution of the oil market, which will reflect on the macroeconomic stability, particularly if the Petroleum Fund is eroded by systematic withdrawals beyond the ESI threshold.

**The social contract in Timor-Leste between citizens and the Government is an open issue, strongly marked by the absence of a mechanism of universal taxation and social protection (JC7.2).** Citizens are mainly positioned on the receiving end, through the access to some public services that are basically financed by the oil revenue. The social protection (pensions and disability benefits) targets mainly the former fighters for the country's independence and the civil servants. This approach targets one specific part of the population, undermining the trust of the rest of the population in the administration. There are, however, other safety-net programs supporting poor families. These include Cesta Básica (Basket Food program) and Bolsa da Mãe (aimed at expectant mothers and children). However, their total value is not significant as regards the social benefits perceived by the former fighters.

Measuring improvements in terms of access to public services and reduction of poverty is difficult due to the lack of data. There is no reliable and updated data on the provision of public services, given the weakness of the statistical system in Timor-Leste and outdated surveys. The last household surveys are clearly outdated (the Survey of Living Standards (TLSLS-3) dates to 2015, last the Demographic and Health Survey is dated 2016 and the Household Income and Expenditure Survey is from 2011). Surveys on the opinion of users of the public administration is not a current practice in Timor-Leste.

Some positive impacts of public policies can nevertheless be observed on key health outcomes, especially on life expectancy and mortality. The mortality rate, under 5, improved from 51 per thousand in 2015 to 44 per thousand in 2019[3]. The neonatal mortality rate decreased from 22.4 per 1000 live births in 2014 to 20.4 in 2018. The prevalence of under-nourishment: decreased from 26.3% in 2014 to 24.9% in 2018. The education indicators show also a positive evolution over the last years but starting from very low levels following the destruction of the country's social infrastructure during the fight for independence. Primary completion rate increased from 100% in 2015 to 105% in 2019; school attendance rates have increased significantly; gender parity has been achieved in the pre-school, primary and secondary education.

[3] Data for 2020, from UNICEF, indicates 42.3%

There is no recent data on poverty in Timor-Leste. Between 2007 and 2014, the proportion of Timorese living in poverty, measured by the national poverty line, declined 50% to 42%.[4] A more recent estimate, indicates that the proportion of employed population below US$1.90 PPP a day in 2021 is 22.6%.

Changes observed cannot be linked to reforms/measures implemented by the government in the field of PFM and even less to the EU CMSB support.

[4] World Bank Data

## *3.5 3Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**PFM support has generally been fragmented with a low level of internal coordination among donors and with the Government (JC8.1).** The PFM donors' coordination has been weak despite development partners willingness to support the PFM reform and statements to improve coordination. The lack of a PFM reform Action Plan could partially explain the lack of coordination.

**However, the dialogue with the government has been overall satisfactory, but with limitations due to the political instability and more recently to the Covid crisis** The policy dialogue between the EU and the government of Timor-Leste takes place both in a formal way, according to the Financing Agreement, and in an ad hoc manner whenever necessary. It involves the EU and the MoF high-level officers, but depending very on their availability, directly or with NAO assistance. During the Covid crisis, it was even less regular, given the government's shutdown. The centralization of power at the ministerial level, compounded by the frequent rotation of the managerial and technical staff does not facilitate policy dialogue. The result is a lack of continuity of the resolutions taken in the meetings, due to a number of reasons, namely the lack of technical capacity to implement them.

In 2017, the EU proposed the creation of a PFM working group between the Government and PFM stakeholders as a condition for providing budget support to the PFM reforms. The working group however had few meetings and no concrete discussion on the reform has taken place after 2018. The government organizes meetings with donors but in a sporadic manner. An official update on progress of the main elements of the PFM reforms was provided to all DPs during the Development Partners Meetings that have been held since 2000, focusing on the national priorities for policy dialogue and government's intentions in the 5-year and annual plans. There are quarterly Development Partners Meetings, focusing on the priorities at sectors' level. Those meetings serve as the official global donor coordination mechanism and dialogue platform between the Government of Timor-Leste and relevant donors (PFM reform and Macro issues are also discussed).

## 3.6 Efficiency of EU CMSB support in the country (EQ9)

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**The SRPC PFMO had to adapt to the real conditions faced during implementation, namely to the political instability and the Covid crisis, while addressing the constraints caused by a weak formulation (JC9.1).** The implementation of the SRPC PFMO was affected by the protracted political instability, particularly after 2017. The lack of a formal PFM reform action plan did not allow the adoption of a coherent planning, implementation and monitoring of the reform action, which impacted on the SRPC management.  A formal PFM strategy was expected to be produced in the wake of the 2018 PEFA assessment, but this did not take place so far. EU support had to adapt to the moving targets of the government's implementation strategy, particularly in terms of timing. The Financing Agreement of the PFMO budget support contract did not consider the possibility of partial achievement of the variable tranche targets, which compromised the disbursement of some targets that were partially achieved. Moreover, there was no midterm revision that could have adapted the indicators to different context as compared to the situation in 2017.

**Staff rotation both in the Timorese administration and the EU has been an issue, as the same staff do not survive to the duration of the program and part of the program’s historical memory is lost (JC9.2).** As a result, the continuity of the dialogue between the EUD and the administration and other donors has often been interrupted. The EUD faced a systematic lack of experienced staff in PFM and macro polices. Training on Budget Support and PFM is available to EU staff, but over the last two years, it has only been provided remotely. However, this is a constraint to the staff positioned in Timor-Leste given the fact that the training schedules are out of step with local working hours what discourages participation.

**The absorption capacity by the administration of EU assistance in the PFM domain has been rather weak (JC9.3)**.  PFM reform outputs have been partially internalized by the government organizations but reliance on technical assistance is still necessary to ensure the continuity of the new tasks and procedures.  In general, the existing staff is few and lacks enough qualification as regards some PFM functions. Moreover, there is a serious problem with the staff retention in the public administration. This situation is particularly apparent in the line ministries and in the local administration, which limits the roll out of the budget reforms at their level.

**Although the EUD's visibility actions were not guided by a visibility and communication plan, the EU support in this field had a good exposition to the public, through multiple references made to the budget support program as a whole, in meetings, conferences, seminars, ceremonies and public interventions (JC9.4).** However, it is difficult to assess the public awareness of the EU support to the PFM reforms. The subject is not part of the mainstream information and is not often discussed in the media. On the other hand, the effects of the PFM reform will be achieved only in the long-term, which reduces the short-term visibility of the PFM reform initiatives.

## 4. Main lessons: contribution to key outcomes and good practices

**The lessons learned from the previous cycle of PFM reforms** highlight the need to reinforce governance and coordination to effectively adjust the policy and reform priorities to the real situation, to monitor the strategy implementation more closely and to introduce changes whenever needed. Inter-ministerial coordination is particularly needed to better relate the "collect more" side with the "spend better side" in the context of the fiscal policy. In concrete, linking the planning and budgeting dimensions assumed by the Ministry of Finance (budgeting), Ministry of Planning and Territorial Administration (public investment) and ANAPMA (medium term planning and M&E).

**The lack of donor coordination has marked the PFM reform, despite the significant contribution of development partners in supporting the reforms.** It is recognized that formal MoF coordination is essential to rationalize the mobilization of resources and to allocate them to priority areas, while avoiding duplication. Capacity building needs to be addressed through a medium-term plan to strengthen the core PFM skills in the Ministry of Finance, as well as in all institutions related to the public finance management.

**PFM reforms take time to materialize even when there is the political will to go ahead with them**, considering the number of factors that are not under the control of decision makers, like the availability of human and financial resources, resistance to change by vested interests, and external shocks. This is even more so, in a country like Timor-Leste, that got its independence pretty recently (2002) and had to build its institutions practically from scratch. In particular, the lack of skills in implementing PFM reforms has revealed to be a major challenge, despite the priority given to capacity building by both the government and its external partners. Moreover, it is important to underline that the pace of the PFM reform depends very much of the internal complex political factors that affect the coordination mechanisms among ministries, with different political stances, and consequently on the decision-making process. The design of external programs envisaging to support the institutional reforms should take those factors into account, particularly when setting the expectations and targets in terms of outputs and even more so in terms of the outcomes of the reforms.

**In the case of the SRPC PFMO, most variable tranche indicators proved to be unrealistic in light of the readiness and capacity of the administration to attain them**. The indicators were relevant and intended to be an incentive for the government to advance the reforms, but eventually it became apparent that the targets were too ambitious, thereby compromising disbursements. With hindsight, there is a high risk to define indicators that essentially depend on decisions and capacities of third parties, as was the case of indicators related to the development of information systems.

**The PFMO intended to support a reform strategy, but this was never elaborated and approved by the government.** As a result, it was not possible to synchronize the SRPC implementation with the sequencing of the DRM/PFM reform. With hindsight, it would have been convenient to establish a pre-condition relating the first disbursement of the SRPC with the approval of the PFM reform strategy and action plan.

## Annex 1: Inventory of the EU support to CMSB agenda in Timor Leste

**Table 3: CORE CMSB Disbursed amount (in M€)**

| Programs and projects | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|---|---|---|---|---|---|---|
| **SRPC PFMO** | | | | | | |
| FT | - | 1.5 | 1.5 | 1.5 | - | 4.5 |
| VT | - | 1.0 | 2.4 | 1.8 | 1.5 | 6.7 |
| CM | - | - | 12 | 0.055 | 4.2 | 16.2 |
| TA | 0.079 | - | - | 0.015 | - | 0.1 |
| **SRPC PINTL** | | | | | | |
| VT | | | | | n.a. | |
| Total | - | 2.5 | 16.4 | 3.3 | 5.7 | 27.6 |

1) EC Budget Support (BS) interventions (all BS allocated to the country)

| Contract type (SRBC/ SRPC/SDG-C) | Decision number | Program title | Start Date | End Date | Amount Fixed Tranche (€ M)[5] | Amount Variable Tranche[6] | Total Amount contracted | Total Amount disbursed (until 2020) |
|---|---|---|---|---|---|---|---|---|
| SRPC | 37957 | Partnership to improve service delivery through strengthened Public Finance Management and Oversight (PFMO) | 2017 | 2021 | 7.6 | 9.4 | 17 | 11.9 |

5 Committed
6 Committed

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SRPC | 39984 | Partnership for Improving Nutrition | 2018 | 2021 | 5.7 | 4.3 | 10 | 3.5 |
| SRPC | 41577 | Supporting Program for Deconcentration and Decentralization (SPDD-TL) | 2020 | 2024 | 5.25 | 0.4 | 11.3 | 1.25 |

2) Variable Tranches (VT) Indicators related to CMSB for each BS intervention

**SRPC PFMO – Partnership to improve service delivery through strengthened Public Finance Management and Oversight**

| Year (*) | Indicators for Variable Tranche 1 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2017 | Migration to ASYCUDA World version finalised | Process | Revenue administration | 0.2 | 0.2 |
| 2017 | Treasury policies and procedures manual drafted (Treasury manual) | Process | Accounting and reporting | 0.1 | 0.1 |
| 2017 | Prepare and finalise guidelines to assist line ministries to understand and implement the new policies and procedures in the Treasury Manual | Process | Accounting and reporting | 0.1 | 0.1 |
| 2017 | Internal Audit Manual drafted and submitted to Minister, so as to include a) an IA performance methodology for the context of TL; b) IA Code of Ethics; c) Risk Assessment methodology and guidelines piloted; d) Specific IA job description and submitted to MoF HR; e) Guidelines on internal controls systems and disseminated within MoF | Process | Internal audit and control | 0.1 | 0.1 |
| 2017 | A focused PFM training plan based on 8 competencies | Process | Budget execution | 0.1 | 0.1 |
| 2017 | PFM competency standards completed in three key PFM competencies, procurement, budgeting and payment | Process | Budget execution | 0.1 | 0.1 |
| 2017 | PFM career regime law drafted | Process | Budget execution | 0.1 | 0.1 |

| | | | | | |
|---|---|---|---|---|---|
| 2017 | Build PFM capacity in municipalities (assuming deconcentrated district treasuries exist?): Capacity Assessment of all 12 districts conducted | Process | Decentralisation/ Deconcentration process | 0.1 | 0.1 |
| 2017 | Training Needs Assessment delivered | Process | Decentralisation/ Deconcentration process | 0.1 | 0.1 |

(*) Year of disbursement

| Year (*) | Indicators for Variable Tranche 2 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2018 | Project proposal for a tax system upgrade (SIGTAS v.3) is produced, signed by all managers, and submitted to the Procurement Unit for minister's approval | Process | Revenue administration | 0.2 | 0.2 |
| 2018 | Necessary electronic data set prepared for systems integration with TSA | Process | Revenue Administration | 0.2 | 0.2 |
| 2018 | The MTEF planning concept paper preparation and Guidelines approved by the MoF | Process | Policy-based fiscal strategy and budgeting | 0.2 | 0.2 |
| 2018 | Treasury Manual upgraded to a version enabling Autonomous Public Agencies (APAs) payment process to conform with good practices | Process | Accounting and reporting | 0.2 | 0.2 |
| 2018 | 90% of public workers in payroll and 100% pensions and social benefits directly into third party bank accounts | Process | Internal audit and control | 0.2 | 0.2 |
| 2018 | Internal audit competency standards upgraded so as to cover budgeting and payments internal controls | Process | Internal audit and control | 0.2 | 0.2 |
| 2018 | Internal audit Manual upgraded so as to include budgeting and payments business processes and internal controls | Process | Internal audit and control | 0.2 | 0.2 |

| | | | | | |
|---|---|---|---|---|---|
| 2018 | Increase the number of qualified PFN staff meeting the minimum criteria, according to the PFMCBC tests, by 6 (in one core PFM function: Budgeting internal controls), by 4 (in one core PFM function: Procurement) and increase the number of qualified PFM staff meeting the minimum criteria by 10 (in one core PFM function: Payments internal controls) as defined by the MOF curriculum. | Process | Budget execution | 0.3 | 0.3 |
| 2018 | Beginning of implementation of PFM certification inside MoF | Process | Budget execution | 0.1 | 0 |
| 2018 | Training of all 12 districts staff in all PFM competencies, with a focus on Payment, procurement processes and internal controls (at least 10 staff per district) | Process | Fiscal decentralisation | 0.2 | 0.2 |
| 2018 | Accurate and realistic Budgets prepared by four Municipalities, which meet State Budget Requirements and Standards. Treasury monitoring indicates increased level of independence in budget preparation of four (4) municipalities | Output | Fiscal decentralisation | 0.5 | 0.5 |

(*) Year of disbursement

| **Year (*)** | **Indicators for Variable Tranche 3** | **Type of Indicators** | **CMSB sectors** | **Amount allocated (€ M)** | **Amount disbursed (€ M)** |
|---|---|---|---|---|---|
| 2019 | Capacity of the Tax Information System Unit improved through recruitment of at least 3 staff | Process | Revenue administration | 0.2 | 0.2 |
| 2019 | A Single Window system plan is developed, | Process | Revenue administration | 0.2 | 0.2 |
| 2019 | MoF to conduct a full budget expenditure review in the Ministries of Education and Health | Process | Policy-based fiscal strategy and budgeting | 0.2 | 0.2 |
| 2019 | Payroll is supported by full documentation | Process | Internal audit and control | 0.2 | 0.2 |

| | | | | | |
|---|---|---|---|---|---|
| 2019 | Harmonization of internal audit function across the government through delivery of on-the-job Training on Internal Audit in two (2) selected major Ministries | Process | Internal audit and control | 0.2 | 0.2 |
| 2019 | Increase the number of qualified PFN staff meeting the minimum criteria | Process | Budget execution | 0.2 | 0.2 |
| 2019 | Three internal auditors professionally certified | Process | Budget execution | 0.2 | 0.2 |
| 2019 | Follow-up in all districts, each municipality is managed and coached by at least one competent PFM officer | Process | Fiscal decentralisation | 0.2 | 0.2 |
| 2019 | 3 additional municipalities gain competence in budget preparation and 8 municipalities in reporting to Treasury | Process | Fiscal decentralisation | 0.2 | 0.2 |

(*) Year of disbursement

| **Year (*)** | **Indicators for Variable Tranche 4** | **Type of Indicators** | **CMSB sectors** | **Amount allocated (€ M)** | **Amount disbursed (€ M)** |
|---|---|---|---|---|---|
| 2020 | SIGTAS version 3 upgrade contract is signed by all parties and ready for implementation. SIGTAS data migration into the new system has started. | Process | Revenue administration | 0.1 | 0.1 |
| 2020 | Accounting and statistical capabilities for Customs are improved, through better integration with Government systems. | Process | Revenue administration | 0.2 | 0.2 |
| 2020 | Forward expenditure estimates pilot program to be implemented the ministries in of Education and Health, based on the budget expenditure review conducted in the previous year | Process | Policy-based fiscal strategy and budgeting | 0.2 | 0 |
| | 95% of public workers' payroll are paid directly into bank accounts, and full coverage of pensions and social benefits paid directly into bank accounts and payments with cheques are recorded in the GRP system and reported in the Treasury payment Monitoring report monthly | Process | Internal audit and control | 0.2 | 0.2 |

| | | | | | |
|---|---|---|---|---|---|
| 2020 | Harmonization of internal audit function across the government through the delivery of on-the-job training on Internal Audit in two additional selected, major ministries to be chose by end of 2019 | Process | Internal audit and control | 0.2 | 0 |
| 2020 | Increase the number of qualified PFM staff meeting the minimum criteria according to the PFMCBC tests by 10 (in one core PFM function | Process | Budget execution | 0.3 | 0.3 |
| 2020 | Five public accountants and two internal auditors professionally certified using the standards of professional audit services. | Process | Budget execution | 0.1 | 0 |
| 2020 | Impact assessment conducted to all 12 Municipalities on the outcome of the earlier training, including future needs. | Process | Fiscal decentralisation | 0.2 | 0.2 |
| 2020 | All Municipalities have achieved independent[7] budget preparation. | Process | Fiscal decentralisation | 0.5 | 0.5 |

| Year (*) | Indicators for Variable Tranche 5 | Type of Indicators | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2021 | SIGTAS version 3. Core modules are implemented and functional. The list of Core modules includes registration, accounting, appeals, and audit | Process | Revenue administration | 0.1 | 0.1 |
| 2021 | Customs control capabilities and integrity are enhanced through the integration of Quarantine, Customs, and other Government agencies in the Customs control system. | Process | Revenue administration | 0.2 | 0.2 |
| 2021 | Forward estimates pilot program rolled out to a further four more ministries, based on analysis and lessons learned conduct on an evaluation study to assess the credibility and quality of the forward expenditure forecast in pilot ministries from previous years. | Process | Policy-based fiscal strategy and budgeting | 0.2 | 0 |
| 2021 | Full coverage of public workers' payroll measured | Process | Internal audit and control | 0.2 | 0.2 |

7 Municipalities, after receiving budget preparation training, will prepare Budgets for Submission to State Administration and Budget Review Committee on their own (independently). The benchmark to determine their level of independence is having <20% revision done by Budget Office due to incorrect or inappropriate data (not including decisions by Government to lower or increase the financial packet in the 20% revision)

| | | | | | |
|---|---|---|---|---|---|
| 2021 | Harmonization of internal audit function across the government through the delivery of on-the-job training on internal audit in two additional selected major ministries. | Process | Internal audit and control | 0.2 | 0 |
| 2021 | Increase the number of qualified PFM staff who pass the test for minimum requirements for budgeting skills by 10, procurement skills by 10, and Payment skills by 10, as defined by the Mof curriculum. | Process | Budget execution | 0.3 | 0.3 |
| 2021 | Internal professional PFM certification awarded to six payment specialists, four procurement practitioners, and two budget experts using the PFMCBC designed certification standard. | Process | Budget execution | 0.1 | 0.1 |
| 2021 | Number of professionals certified as competent in the areas of payment and procurement increased by two (2) in each Municipality: 1 in Payments, 1 in Procurement | Process | Fiscal decentralisation | 0.2 | 0.2 |
| 2021 | Increased levels of independence, with the delegation by Treasury to the Municipal Authorities of Dili, Ermera, Baucau, and Maliana of the role of monitoring and providing advice to surrounding eight Administrative Municipalities, | Process | Fiscal decentralisation | 0.5 | 0 |

(*) Year of disbursement

**PINTL (Nutrition)**

| Year | Indicators for Variable Tranche 1 | Type of Indicators[8] | CMSB sectors | Amount allocated (€ M) | Amount disbursed (€ M) |
|---|---|---|---|---|---|
| 2020 | Increased annual budget allocation for Nutrition from Ministry of Health and SAMES | Input | Policy-based fiscal strategy and budgeting | 0.16 | n.a. |
| 2021 | Increased annual budget allocation for Nutrition from Ministry of Health and SAMES | Input | Policy-based fiscal strategy and budgeting | 0.3 | n.a. |
| 2022 | Increased annual budget allocation for Nutrition from Ministry of Health and SAMES | Input | Policy-based fiscal strategy and budgeting | 0.3 | n.a. |

8 Input, output, process, outcome, impact

3) BS complementary measures (technical assistance, studies, …)

| Decision number | CRIS contract number | Program title / short description | Financial Year | Contract Status | Total Amount contracted (€ M) |
|---|---|---|---|---|---|
| 37957 | | Parceria para a melhoria da prestação de serviços através do reforço da Gestão e da Supervisão das Finanças Públicas em Timor-Leste (PFMO-Camões) | 2018 | Closed | 12 |
| 41577 | | Strengthening integral local development by building the capacities of the municipal authorities in Timor-Leste (UNDP) - Linked to SRPC SPDD Decentralization | 2020 | Ongoing | 3.586 |
| 37957 | | Mid-term evaluation of the Project '' Partnership to improve service delivery through strengthened Public Finance Management | 2019 | Closed | 0.055 |

4) Other EC interventions

## *Capacity-building / technical assistance projects supporting CMSB*

| Decision number | CRIS contract number | Program title / content | Financial Year | Contract Status | Total Amount contracted (€) |
|---|---|---|---|---|---|
| 38983 | | Support to Social Audit Initiative | 2016 | Closed | 79.290 |
| 39984 | | Final Audit of "Support to Social Audit Initiative" | 2019 | | 15,605 |

# Annex 2: List of institutions met

| Institution type | Organization |
| --- | --- |
| European Union | European Union Delegation |
| National authorities and services | Camara de Contas |
| | Commissioner for Customs Authority |
| | Commissioner for Tax Authority |
| | Directorate General of Treasury |
| | Directorate Planning and Finance |
| | General Inspection and Audit |
| | National Authorizing Officer |
| | Unidade da Reformas e Capacitação em Gestão de Finanças Públicas |

# INTERNATIONAL PARTNERSHIP CASE STUDY NOTE – DEBT MANAGEMENT FACILITY II (DMF II)

## Table of Contents

## List of acronyms

| | |
|---|---|
| BW | Bretton Woods |
| CMSB | Collect More, Spend Better |
| DeMPA | Debt Management Performance Assessment |
| DMF | Debt Management Facility |
| DMRP | Debt Management Reform Plan |
| DRM | Domestic Resource Mobilisation |
| DSF | Debt Sustainability Framework |
| DSSI | Debt Service Suspension Initiative |
| EC | European Commission |
| EU | European Union |
| EU MS | European Union Member State |
| EQ | Evaluation Question |
| IMF | International Monetary Fund |
| INTPA | Directorate-General for International Partnerships |
| IP | International Partnership |
| MDTF | Multi-Donor Trust Fund |
| MS | Member State |
| MTDS | Medium term Debt Strategy |
| MTE | Mid Term Evaluation |
| PEFA | Public Expenditure and Financial Accountability Assessment |
| PFM | Public Finance Management |
| TA | Technical Assistance |
| TF | Trust Fund |
| UN | United Nations |
| UNCTAD | United Nations Conference on trade and Development |
| WBG | World Bank Group |

# 1. Introduction and choice of the DMF international partnership as a case study

## 1.1. Scope and objectives of this case study

This International Partnership note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission in the international partnership to the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability during the period 2015-2020/21.

The analysis builds on a desk review of documents (e.g., EC strategy-level documents, IP PFM strategies/plans/ Mid Term Evaluation, EC intervention documents, EU funding agreements). The team also conducted remote interviews with the EU team in charge of the DMF II (see list in Annex 1).

The DMF international partnership has been chosen as case study of the CMSB framework for the main following reasons: strengthening sustainable debt management is one of the ten priorities of the common CMSB agenda established in 2015. EU support to this area is mainly undertaken through its contribution to the DMFII. As the main international vehicle for joint cooperation on capacity development for debt management and as the debt issue is once again at the centre of donors' concerns, a focus on the EU contribution to the Debt Management Facility was key to cover this critical area. Moreover, as the DMF TF is a partnership with the WB (with the participation also of the IMF), its analysis is a useful contribution to the understanding of the strengths and weaknesses of these international partnerships with the Bretton Woods institutions.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. Since only some of the evaluation questions are relevant to the analysis of International Partnership, this note does not answer every EQs included in the evaluation. This set covers the relevance, internal and external coherence, efficiency, effectiveness and impact of the EU support provided to the CMSB agenda.

## 1.2. Limitations

Given the wideness of the topic under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support to the DMFII, let alone assess the DMF II as such. It aims at identifying key strengths and weaknesses of EU interventions deployed in det management in the frame of the DMF II.

# 2. Context and EU interventions supporting the CMSB agenda

## *2.1. Context*

Debt relief provided under the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiatives (MDRI) cut the external public and publicly guaranteed debt of beneficiary countries in half between 2000 and 2006 (from 96 percent to 48 percent of GDP) and helped countries clear arrears to international financial institutions, which allowed poverty-reducing expenditure to increase. The World Bank (WB) and International Monetary Fund (IMF) attempted to address persisting concerns over limited debt management capacity by strengthening the analytical framework on debt management with their 2001 guidelines for Public Debt Management.

On the basis of these defined practices, the WB developed the Debt Management Performance Assessment (DeMPA) tool, which was tailored to the needs of IDA countries, yet in principle applicable to all countries. In parallel, the WB and IMF developed the Medium-term Debt Management Strategy (MTDS) tool. To accompany the roll-out of these tools, the World Bank launched the Debt Management Facility (DMF) in 2008 to strengthen public debt management capacity, particularly in IDA countries.

Although DMF was a narrowly focused technical initiative, concern is often expressed in many quarters that debt issues – as they relate to developing countries – could not be addressed through stand-alone technical tools in the absence of a concerted international policy effort. For example, soft-law principles on responsible borrowing and lending abound but there is a risk of overlaps and inconsistency, and an overall lack of monitoring: the 2012 UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing, the 2015 UN Basic Principles on Sovereign Debt Restructuring Processes, the 2017 G20 Operational Guidelines for Sustainable Financing, the 2019 - IIF Voluntary Principles on Debt Transparency, and some civil society efforts, such as Afrodad's African Borrowing charter, and Eurodad's Financial Charter. At the moment, the international community does not offer a high-level convening opportunity to address all these interlocking topics, which are discussed sometimes in the G7 or G20, sometimes under the aegis of the IMF and the WB, sometimes in the relevant creditor forums (Paris Club, etc.).

Meanwhile, the financial landscape has experienced a huge transformation since the HIPC initiative, with favorable global financial conditions and increased lending from commercial sources and non-Paris Club creditors (non-PC), thereby providing many DMF-eligible countries with unprecedented access to fresh funding. Significant widening of financing opportunities has ensued, but debt vulnerabilities have increased as well. Public debt in DMF-eligible countries, which averaged 44.8 percent in 2008 at the time of the DMF I launch, had risen to 54.1 percent by the time of DMF III launch, in 2019.

The post-Covid-19 landscape is close to a heap of ruins. Public debt nearly doubled in LICs in % of a country's GDP (from 29.6 percent in 2011 to 49.7 percent in 2021) while external official debt in % of a country's GDP also doubled in most areas of the world, for instance in SSA, from 14.0 percent in 2011 to 28.1 percent in 2020. Immediate support by IFIs has consisted in US$160 billions from the WB, and US$50 billion from the IMF, which has not addressed all liquidity issues, and ends up further increasing the debt burden.

In response, Paris Club / G20 countries have agreed to suspend debt service payments for 73 eligible LICs from May 2020 to June 2021 (Debt Service Suspension Initiative, DSSI). The suspension period, originally set to end on December 31, 2020, has been extended through December 2021, which may still be too short, and does not address any debt service relief that might be needed in the post-pandemic period. Additionally, the IMF set up a Catastrophe Containment and Relief Trust (CCRT), to which the EU contributed for €183 million.

Finally, Paris Club / G20 established in November 2020 a "Common Framework for Debt Treatments beyond the DSSI", including debt restructuring for LICs with unsustainable debt (in some cases comprising debt relief), promoting a case-by-case approach, based on IMF/WB Debt Sustainability Analysis, and seeking broad participation of bilateral official creditors, with a call for private creditors to join forces. The Common Framework has many challenges that make its implementation difficult, notably the requirement for equal treatment of all creditors, the need for full transparency on debt contracts, and the tying of debt restructuring and relief to economic reforms and earmarking.

## 2.2. EU support provided to the DMF II

EU contribution to DMF II (2014-2020) was agreed for the period 2018-2022 as a continuation of support provided to DMF I (2008-2013) since 2011. The EU's contribution is not entirely on a par with that of the other partners involved in DMF II: it is channeled through a standalone TF with the WB and managed as a separate TF even if close links exist with the DMF II as such. Moreover, with an initial intervention period of 2018-2022, the TF effectively covers the end of DMF II (2014-2020) and the first years of DMF III (2021-2025). The duration of the EU TF (and budget) has been recently extended to 2024 following the COVID crisis. The DMF II Charter, which governs the implementation of the EU DMF TF, has been amended to include all eligible activities listed in the DMF III Charter.

**Table 1: EC support to the DMF II**

| | |
|---|---|
| EC financial support | 3 million EUR from 2011 onwards, for DMF I.<br>3 million EUR from 2018 onwards, for DMF II (2 million disbursed in 2018 and 1 million in 2021).<br>+ scale up to 5 MEURO under discussion |
| Starting / Closing date | EU Standalone Trust Fund (TF-072951). 2018-2022 to be extended to 2024. |
| Implementing partner | Implementation of the EU support to DMF II is through a standalone TF with the World Bank. IMF experts are also mobilised to provide TA. |
| Total program budget<br>(% of EC contribution) | According to the 10-year retrospective until 2018, 57.8 million, of which 11% funded by the EU.<br>The 2022 MTE founds that in relation to the overall DMF program the EU DMF TF financed 15 percent of the activities delivered by the DMF in FY18-21 and accounted for 15 percent of DMF disbursements. |
| Other partners involved | Switzerland, Germany, The Netherlands, Austria, Norway, Russia (DMF II only), African Development Bank, Belgium (only DMF I), Canada (only DMF I). USA, Japan, France and the United Kingdom have joined as donors in the DMF III. |

The EU TF has supported the capacity building activities through technical assistance (TA), training, and knowledge and outreach. As can be seen in Table 2, the EU TF has been very active in 2021 and has undertaken many more activities compared to the first three years, especially TA missions devoted to MDTS, but also training events and knowledge products and outreach activities. Overall, the utilization rate of the EU TF resources at the end of FY 21 was 56 percent of total allocation.

**Table 2: Activities financed by the EU TF**

| | Planned, 2017-2022 | Executed, FY18-20 | Revised proposal | Delivered FY18-21[1] |
|---|---|---|---|---|
| DeMPA | 5 | 5 | 7 | 7 |
| Debt Management Reform Plans (DMRP) | 5 | 4 | 8 | 5 |
| Medium-Term Debt Management Strategies (MTDS) | 5 | 2 | 12 | 10 |
| Domestic debt market | 5 | 0 | 3 | 2 |
| Training on DeMPA, Debt Sustainability Framework (DFS) and MDTS | 5 | 3 | 10 | 12 |
| Outreach | 5 | 2 | 7 | 6 |

Sources: EU TF annual report and MTE

# 3. Answers to the Evaluation Questions

## *3.1 Relevance*

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.3. EU CMSB support to reinforce tax (and fiscal) governance at international level has addressed the current challenges and needs of developing and emerging countries

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

EU support to DMF II is the only direct support to the strengthening of the debt management, except the support provided to the debt management and financial analyses system of the UN (DEMFAS). At country level, debt management has not been a priority area in EU BS programmes or for TA projects. **The need to assist developing countries in attaining long-term debt sustainability through coordinated policies aimed to managing debt financing, debt relief and debt restructuring, is one of the commitments under the Addis Agenda in 2015 (JC1.1).**

The European Commission has chosen to delegate to the WB and IMF the implementation of this type of service for which it does not have the necessary expertise, nor really a full mandate, as it is not a creditor; the EU mainly relies on the implementing partners (WB and IMF) to determine the specific objectives and activities and to make them evolve according to the context. DMF I &II have demonstrated their capacity in the past to address technical issues in this area.

**According to EU representatives, DMF has evolved its technical support to take into account the increasingly complex context in which countries must manage their debt (JC1.3)** (major

[1] FY 'N' for the World Bank means from July 1, N-1 to June 30, N.

changes : moving to market debt; managing risks is more complicated; more technical; needed to adjust constantly; countries need to be more proactive in managing their debt and more transparent to their own public). The DMF is underpinned by a more programmatic approach with sequenced interventions. The "programmatic" approach to capacity development in debt management integrates different DMF activities sequentially, with a view to ensuring sustained capacity building and reform implementation within the country. First, a debt management performance assessment (DeMPA), followed by a debt sustainability framework, a medium-term debt strategy, and finally the development of reform plans and communication plan.

It should be noted that DMF has been a narrowly focused technical response so far. It is still unclear (and should be probed further) in what there is a need, and a willingness, to reconfigure DMF in order to address the emerging debt challenges Covid-19 has thrown up – provision of liquidity without further increasing debt, technical assistance support to countries engaged in a debt restructuring process (on a bilateral way or though the Common Framework for debt treatments beyond the DSSI).

**DMF activities (TA and trainings) are direct application of the international standards developed by the WB and the IMF to address debt management issue (JC1.4),** namely the Debt Management Performance Assessment (DeMPA) tool developed by the WB and tailored to the needs of IDA countries as well as the Medium-term Debt Management Strategy (MTDS) tool developed in parallel by the WB and IMF.

No specific information received on DMF covering cross cutting issues such as gender, digitalisation, greener economies.

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.1 EU CMSB support provided at international level to reinforce international governance and implemented through international partnerships has been coherent across those partnerships and with the support provided at country level

JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

JC2.4 EU CMSB support has been coherent with other EU external policies

**Debt management as a technical area for PFM engagement does not enjoy strong EU strategic positioning and guidance as a component of an overall EU approach to support CMSB (JC2.1).** It is mentioned in all EU documents related to CMSB or budget support but is rarely explored in great detail. In the 2012 budget support guidelines, as the DeMPA framework on debt management assessment was already available, it receives no attention in the guidelines (63 search results for 'PEFA' and 0 for 'DeMPA'), although Appendix 2 contains a one-pager on debt indicators. The 2017 guidelines for EU BS mention have 21 occurrences of the word 'debt' (against 67 for 'revenue' and 52 for 'expenditure' (not to mention 'spending' or 'expense'). All in all, in such document's indebtedness features more as a topic in the macroeconomic assessment of budget support eligibility, than as part of a comprehensive package for addressing unsustainable debt, or to improve weak debt management capacity.

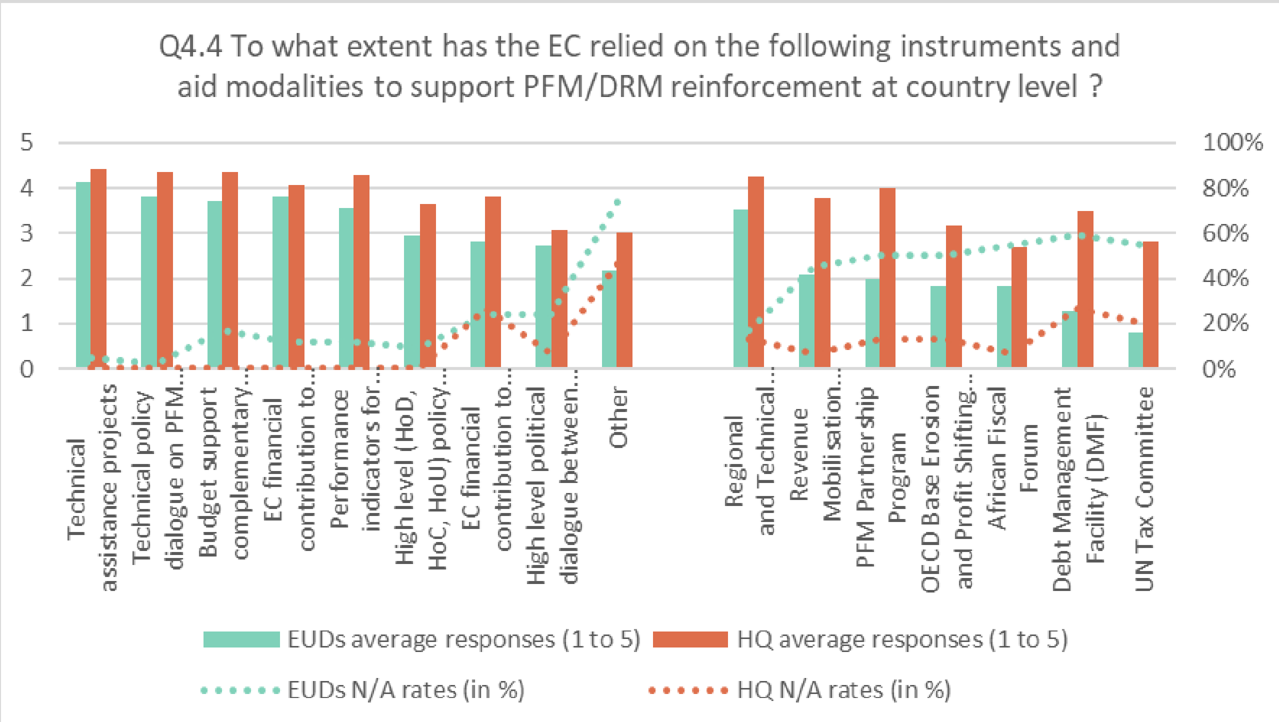
At the country level, there are hardly any capacity development initiatives funded bilaterally by the EU and having debt management at their core, essentially only a small TA that looks at debt tracking and monitoring in the Republic of Congo from the perspective of CSOs (2018). VTIs related to debt management are also extremely rare, and their use must be seen as opportunistic, motivated by specific country circumstances or demands (Morocco, Togo and Moldova).

The EC, either through the EUDs or the HQ, does not intervene in the programme of activities implemented by the program in the different countries. As with all DMF activities, the work program is driven by client demand and the cost of products' delivery. At best, the DMF missions invite the EU representatives on the spot to the debriefing meetings. The EU is mainly involved in strategic discussions once a year during the Steering committee or during the annual conference organised on debt management.

**In the same area, EU also support UNCTAD's debt management and financial analysis system (DMFAS) for operational debt management functions, a mechanism complementary to the DMF, particularly with a view to enhancing debt data transparency (JC2.1).** This program is funded by the EU (2 million, 2019-2021), Germany, France, Switzerland, Ireland and the Netherlands. Mandated by the UN General Assembly, the DMFAS Programme offers countries a set of proven solutions for improving their capacity to handle the management of public liabilities and the production of reliable debt data for policymaking purposes. According to the UNCTAD concept note, its focus on debt data recording, reporting and monitoring (the 'downstream' areas of debt management) complements the work of the World Bank and the IMF, who focus primarily on debt sustainability analysis and medium-term debt strategies ('upstream' debt management). In practice, there may be some overlaps as the DMF programmatic approach implies also moving to debt reporting and monitoring.

**The integration of support provided through IPs within EU country programme is rare, and even more so for DMF (JC2.2).** The survey showed that EUDs do not rely on DMF to support PFM/DRM at country level. On the contrary, HQ considers DMF as a valuable instrument to strengthen EU action in favour of CMSB.

**Figure 1: International Partnerships as instruments to support CMSB Agenda**




Source: Survey

Field visits confirm that debt management is not considered as an area of EU intervention and is managed as a separate field, mainly through the IMF and the WB. While Ghana, Cambodia and Mongolia have been directly supported by the DMF EU TF, in none of those countries is the EU seen as intervening in the area of debt management, neither by the EUDs nor by the national partners. The latter usually find it difficult to identify precisely where the support received comes from and in no case do they make a link between the DMF and the EU.

In Cambodia, where the EU TF DMF supported the DeMPA (2018) and the Domestic market development mission in 2021 (other previous technical assistance activities including DeMPA prior to 2011, support for domestic debt market development in 2017, and MTDS mission in 2018 were funded by the DMF), the EU is not considered as an intervener in this domain even if the EU does monitor the evolution of public debt in the context of its assessment of macroeconomic stability for eligibility purposes. A Public Debt Management Strategy for the period 2019-2023 was adopted in 2019 with ADB support and based on WB recommendations, aiming at aligning debt management with MTEF priorities, including assessing and managing risks from PPPs.

In Mongolia, the EU is not considered as providing significant support to debt management. The GoM approved in September 2020 a comprehensive plan for the strengthening of debt management following the DeMPA mission by the WB in April 2020. Modelling tools for debt analysis were developed end 2020 under the WB-led SDTF.

In Ghana, where the MDTS was funded by the EU TF, supports to the implementation of the Ghana's Medium-Term Debt Management Strategy were essentially perceived as coming from the IMF and the WB. Over the last year, the country has made progress in its debt management and has succeeded in lengthening the debt profile and reducing rollover risks. Debt management capacity has been supported by extensive IMF TA focused on deepening the domestic debt market and strengthening the national medium-term debt strategy.

## *3.3 Effectiveness – Analysis of outputs and intermediary outcomes*

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**DMF appears to have established a series of strong diagnostic and reform management tools in the debt sector, which are widely accepted because of their highly standardized nature, the WB's and IMF's authoritativeness and mandate, and the reputational risks a country may incur on the financial markets in not showing compliance (JC3.1).** The DMF was the main conduit to deliver DeMPA assessments, which are the standard tool to assess debt management systems, and the entry point for a comprehensive DMF support. Further, debt indicators are also analyzed under the PEFA framework, where the Commission is the largest funder. The DeMPA tool was started in 2008 and revised in 2015 under the leadership of the WB and the IMF (a further revision has taken place in 2021) The European Commission does not seem to have been substantively involved in the definition of the framework, which is very technical and largely outside the competencies of the Commission or at least of DG INTPA and DG NEAR.

**In principle, the DMF is underpinned by a programmatic approach with sequenced interventions leading to the development of debt management reform plans (JC3.2).** The "programmatic" approach to capacity development in debt management integrates different DMF activities to ensure sustained capacity building and reform implementation within the country. First, a debt management performance assessment (DeMPA), followed by a debt sustainability framework, a medium-term debt strategy, and finally the development of reform plans, whereupon a repeat DeMPA may take place. This does not mean necessarily that all the beneficiary countries go through these steps. Currently, the countries where the programmatic approach is rolled out are Benin, Bosnia and Herzegovina, Cambodia, Djibouti, The Gambia, Ghana, Guinea, Guyana, Kosovo, Kyrgyz Republic, Liberia, Maldives, Mongolia, Mozambique, Sierra Leone, Tajikistan, Tanzania, Uganda, Vietnam, and Zambia, which corresponds to about 23 percent of DMF-eligible countries. The EUTF has more specifically funded the work on MDTS in Ghana, Sierra-Leone, Nepal, Cameroon, Togo, Bhutan, Tonga, Mali, Solomon Islands, Niger.

Reform Plans have been the usual tool to shape the debt management reforms in eligible countries. On EU TF resources alone, assistance in reform plans has taken place in Bhutan, Nepal, Bosnia, Republic of Srpska (SN),Guinea, Somalia. In 2021, Cambodia and Mongolia have benefited from EUTF support for domestic market development.

The Commission's support has been part of a concerted international support to these reforms, but it is unclear whether the Commission has made a specific difference in country ownership. There has been only one TA specifically targeting debt in EU CMSB programs, where the relevant Government was not a stakeholder (it was about civil society role in debt monitoring). VTIs on debt have been used very sparsely, only when specific country contexts or demands required them.

**It would appear DMF has not worked primarily on debt management information systems (JC3.3)**, but in DMF III cash flow management is gaining in prominence, and with it the related need for robust information systems. The Commission is also separately funding UNCTAD's DMFAS program, which works on the IT infrastructure for debt reporting.

DMF has helped countries work out diagnostic assessments, medium-term debt strategies, and reform plans. This said, while DeMPA recommends these documents be public, with a view to building the trust of the financial markets, TA has been delivered without necessarily requesting a commitment to publish the outputs. **It is not clear the European Commission has played a role in advocating debt transparency (JC3.4).** The only case is a program for CSOs in the Republic of Congo, where debt is one of the dimensions taken into consideration in civil society monitoring of development policies.

| **EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?** |
| --- |
| JC5.5 EU support has contributed to improving debt management, focusing on adopting a debt strategy, the reduction of arrears of payment, strengthened management capacities, and higher transparency |

All key areas of debt management have been covered in the DMF capacity development initiatives because they are all part of DeMPA assessments, with the partial exception of arrears of payment, which are not considered debt in all jurisdictions, and are not treated as such in the DeMPA.

Broadly, there is enough evidence that DMF had positive impacts on DeMPA repeat scores, even though the DeMPA framework is demanding, and hardly any DMF eligible countries have a majority of A or B scores. Areas where most improvement is seen are the legal framework, managerial structure, quality of the debt strategy, publication of statistical bulletin, coordination with the central bank, documented procedures for domestic market borrowing, and staff capacity. DeMPA recommendations are a useful blueprint for action, but evidence shows that recommendations were very unevenly implemented.

In general, it appears that policy coordination and managerial structure have delivered better results in DeMPA terms across DMF-eligible countries, while cash flow forecasting and management show weaker results. Coordination with fiscal and monetary policy is also a strong area.

The ECA region shows much better performance than other countries. Results reveal that fragile states underperform in almost all key debt management areas with the most significant gaps in the areas of legal framework, evaluation and reporting, and coordination with fiscal policy. Quality of debt management strategies are also lower in fragile states.

There is overall satisfaction amongst the EU representatives interviewed with the quality of work done by the DMF. In addition to contributing to the formulation of debt strategies, to the improvement of liability management. The DMF has also contributed to strengthening debt reporting and transparency and the capacity of external audits/Parliament to scrutinize debt management.

EU support in all these areas has been purely financial, through the EU contribution to the DMF.

## *3.4 Effectiveness – Analysis of outcomes*

**EQ6: To what extent have the intended outcomes materialised in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**DMF is far from having gone hand in hand with improved debt sustainability in developing countries and emerging markets (JC6.1).** According to the DMF retrospective, public debt in DMF countries, which averaged 44.8 percent in 2008 at the time of the DMF I launch, had risen to 54.1 percent by the time of DMF III launch in 2019. At the end of 2021, when the latest IMF Financial Stability Report was issued, about 60 percent of the low-income countries were in debt distress, or at high debt risk. The disappointing outcomes are due to the favorable financing conditions many of these countries have enjoyed with non-concessional, non-Paris Club creditors, and to some extent, to the policy response to the Covid-19 pandemic.

Risks arising from the post-HIPC debt landscape in emerging markets and developing countries are not all well understood but clearly have increased. The Bank–IMF Multi-Pronged Approach to address debt vulnerabilities (MPA) have provided a critical and comprehensive framework to help countries address debt vulnerabilities and close these gaps.

**The DMF also frontloaded completion of ongoing knowledge work, including in new DMFIII areas such as fiscal risk management, cash management and legal debt management frameworks, and financed the preparation of a new guidance note Crisis-Response Framework for Debt Managers (JC6.5).**

## 3.5 3Cs: External coherence, coordination & complementarity (EQ8)

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

The EU participation in the DMF program is implemented through a standalone EU Trust Fund with the World Bank, not through the joint TF set up by the remaining donors. The reason for a standalone TF is to be found in finance and contract rules and the fact that part of the activities was delegated to the IMF, which was a problem at the time for the EU. **Although this gave the EU some flexibility, it may have limited the EU involvement in the large MDTF group (JC8.1).** There are several opportunities to discuss strategic orientations with other partners, but it remains difficult to have a well-grounded view of the program and to have enough background to intervene and influence strategic and technical orientations. The perception of some EU representatives is that the programme is not as transparent as expected. The main channel for monitoring and discussion is the annual Steering Committee meeting. It is therefore not easy to follow closely the programme implementation. The discussions do not revolve on the technical dimensions, and it remains challenging to scrutinize what they do. For this reason, the next EU funding round will reportedly be through the MDTF, which may lead to some improvement in the relationships with the DMF.

More interestingly, the organisation of the Debt Management Facility (DMF) Stakeholders' Forum provides the opportunity of high-level discussions and of experiences sharing with practitioners, including from beneficiary governments. In 2021, it was delivered virtually during 24 - 26 May 2021 to address "Debt Management During the Global Crisis".

The activities funded by the EUTF are planned in parallel to the overall DMF activities in close connection with the rest of the programme. Implementation of the activities of this TF is supposed to be closely coordinated with overall DMF activities. As mentioned above, the EC intends to integrate as far as possible the group of donors funding the DMF and be part of the Multi Donor Trust Fund.

**At country level, complementarities and synergies with other interventions are not yet very well developed (JC8.2).** Links and interactions with RTACs support provided in the field of debt management are less clear and difficult to assess from the EU side. In theory, DMF experts present their missions (objectives, activities and result achieved) to the PFM group at country level. But there is no clear evidence that this is a straightforward process.

### *3.6 Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

DMF II had started in 2014 but EU support was only provided in 2018 because of administrative constraints due to the EU budget cycle. The COVID crisis seriously impacted the implementation of activities so that less than 60% of the Commission's stand-alone TF was disbursed. An extension of the agreement is therefore foreseen until 2024.

The role of the European Commission in shaping the DMF is not well understood, but is likely to have been extremely limited, as the Commission is not a lender. There is a specific monitoring process for the EU contribution to the DMF II, which is different from the joint reporting framework used with other donors, and which focuses on three key indicators.

External visibility is almost non-existent. The interventions supported through the DMF are highly technical exercises and are barely known outside specialist policy circles, although reports from the WB and the IMF obviously do mention the contributing donors.

## 4. Main lessons: contribution to key outcomes and good practices

The main objective of the EC in contributing to the DMF was to facilitate access to technical expertise to partners countries for strengthening debt management frameworks and processes and contribute to alleviate the burden of growing debt. Highly relevant in view of the growing concern around debt sustainability in LICs and LMICs, this objective is broadly achieved. The relevance and quality of technical expertise provided is largely recognised but the outcomes remain modest in terms of debt sustainability and fiscal space. Technical support provided through the DMF for the last 10 years has permitted to improve quite substantially the debt diagnosis through the DeMPA tool developed, the formulation of medium-term debt strategies and the adoption of reforms plan. Reforms implementation has been more difficult to achieve and is largely still work in progress. The DeMPA tool helps track this through repeat assessments, some of which have already taken place, but the framework is demanding, and few countries clear all the hurdles to achieve the A or B rating.

The EU contributes to around 15% of the activities of the DMF, following the modus operandi of the DMF TF even if the EU contribution is managed through a separate TF entirely entrusted to the WB. EU TF actions are not specific and are fully aligned to the rest of the DMF TF program. The choice of entrusting this support to the WB was efficient, as the institution has a stronger experience and expertise to deliver this kind of support.

In contributing to the DMF, the EU also pursues another objective, that of participating in discussions on the issue of debt and macroeconomic sustainability at the international level and possibly also at the level of each country. More generally, this is part of the EU's attempt to strengthen its overall footprint in supporting the CMSB agenda and to appear as a legitimate and credible interlocutor on the CMSB as a whole. On this point, the contribution to the DMF probably does not entirely fulfil its objective. At the program level, as the EU acts through a stand-alone TF, there is a risk of insulation from the other partners. EU contribution is mainly financial as the DMF's strategic and technical orientations remain largely driven by the BW institutions. At country level, technical assistance or trainings provided through the DMF are perceived as WB/IMF support. The DMF is not considered by the EUDs themselves as a modality to support the CMSB Agenda and is not integrated into EU strategic approaches at the country level. Links with bilateral support provided by the EU in partner countries are non-existent, also due to the narrowly technical nature of the debt management processes the DMF supports. More generally, the EU monitors the evolution of public debt in the context of its assessment of macroeconomic stability for eligibility purposes but is not seen as an actor in this field and is rarely involved in the policy dialogue on these issues.

## Annex 1: List of institutions met

| Institution type | Institution / Minister | Service |
|---|---|---|
| European Union | European Commission DGINTPA | E1 |
| | | Seconded person in the IMF & WB |

# INTERNATIONAL PARTNERSHIP CASE STUDY NOTE – REVENUE MOBILIZATION TRUST FUND (RMTF)

## Table of Contents

## List of acronyms

| | |
|---|---|
| CD | Capacity Development |
| CMSB | Collect More, Spend Better |
| CRM | Compliance Risk Management |
| DRM | Domestic Resource Mobilisation |
| DSF | Debt Sustainability Framework |
| EC | European Commission |
| EU | European Union |
| EU MS | European Union Member State |
| EQ | Evaluation Question |
| FAD | Fiscal Affairs Department (IMF) |
| IMF | International Monetary Fund |
| INTPA | Directorate-General for International Partnerships |
| IP | International Partnership |
| ITAS | Integrated Tax Administration System |
| LEG | Legal Department (IMF) |
| MDTF | Multi-Donor Trust Fund |
| MNRW | Managing Natural Resources Wealth |
| MS | Member State |
| MTDS | Medium term Debt Strategy |
| PEFA | Public Expenditure and Financial Accountability Assessment |
| PFM | Public Finance Management |
| RA-FIT | Revenue Administration Fiscal Information Tool |
| RA-GAP | Revenue Administration Gap Analysis Program |
| RMTF | Revenue Mobilization Trust Fund |
| TA | Technical Assistance |
| TF | Trust Fund |
| TPA TTF | Topical Trust Fund |
| UN | United Nations |
| WBG | World Bank Group |

# 1. Introduction and choice of the RMTF international partnership as a case study

## *1.1. Scope and objectives of this case study*

This International Partnership note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission in the international partnership to the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability during the period 2015-2020/21.

The analysis builds on a desk review of documents (e.g., EC strategy-level documents, IP PFM strategies/plans/ Mid Term Evaluation, EC intervention documents, EU funding agreements). The team also conducted remote interviews with the IMF team in charge of the Revenue Mobilization Trust Fund (RMTF) (see list in Annex 1).

The RMTF international partnership has been chosen as case study of the CMSB framework because of the budget allocated by the EU to the RMTF (12.5MEURO) is the third most important one dedicated to IPs during the period 2015-2021 (behind the contribution to Afritac South & Afritac East). The RMTF aims to play a key role in the Collect More component of the CMSB Agenda. As mentioned in the program document, the RMTF is "an important response by the International Monetary Fund (IMF) and its partners to the "Addis Challenge" in the area of Domestic Revenue Mobilization (DRM)…The RMTF provides a unique opportunity for a broad range of development partners to take a collective approach in supporting a holistic, medium term CD initiative to strengthen tax policies and administration in a select group of countries". The EU is the main contributor to this TF.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. Since only some of the evaluation questions are relevant to the analysis of International Partnership, this note includes does not answer to every EQs included in the evaluation. This set covers the relevance, internal and external coherence, efficiency, effectiveness and impact of the EU support provided to the CMSB agenda.

## *1.2. Limitations*

Given the wideness of the topic under review, this note does not claim to give an exhaustive view nor to provide a general assessment of the RMTF. It mainly aims to assess the extent to which the EU contribution to the RMTF has contributed to the achievement of EU objectives to reinforce PFM according to the CMSB agenda.

# 2. Context and EU interventions supporting the CMSB agenda

## *2.1. Context*

Analyses conducted in 2015 highlighted the persistent weakness of states' domestic revenues, particularly in low-income countries where revenues as a % of GDP did not exceed 15% of GDP while it reached around 17% for Lower middle-income countries. At the same time, compliance gap analysis revealed a large potential for uncollected revenues of up to 40% of potential revenues (such as for VAT in Uganda). During the period under review, tax ratio improved slightly until 2019 before being affected by the COVID crisis. According to IMF data[1], tax revenue in % of GDP for LICs and LMICs has increased from 13,27% in 2017 to 13,92% in 2019, decreased to 12,83% in 2020 and should be close to 13,5% in 2022, still a low level.

[1] RMTF FY 22 Annual Report, IMF

In recent years, the PEFA assessments identified recurring weaknesses in revenue management such as revenue forecasting, risk management, revenue audit or revenue account reconciliation (see table 1).

**Table 1: PEFA scores of Performance Indicators (PI) related to domestic revenues management (Scores A&B – Scores C&D)) - In % of assessment made with PEFA 2016 methodology.**

| | | | %A&B | % C&D |
|---|---|---|---|---|
| PEFA 2016 | | | | |
| PI-3 | Revenue outturn | | 29,5% | 70,5% |
| | (i) Agregate revenue outturn | | 48,7% | 51,3% |
| | (ii) Revenue composition outturn | | 33,3% | 64,1% |
| PI-19 | Revenue administration | | 28,2% | 71,8% |
| | (i) Rights and obligations for revenue measures | | 74,4% | 25,6% |
| | (ii) Revenue risk management | | 42,3% | 57,7% |
| | (iii) Revenue audit and investigation | | 17,9% | 79,5% |
| | (iv) Revenue arrears monitoring | | 17,9% | 61,5% |
| PI-20 | Accounting for revenues | | 30,8% | 69,2% |
| | (i) Information on revenue collections | | 82,1% | 17,9% |
| | (ii) Transfer of revenue collections | | 93,6% | 6,4% |
| | (iii) Revenue accounts reconciliation | | 34,6% | 62,8% |

Source: own compilation based on PEFA assessments published

The RMTF was initiated in 2016 as a response to this context and to commitments made at the Addis conference in 2015. In Addis, improving Domestic Resource Mobilisation has been recognized as a key element for reaching the SDGs while maintaining sustainable macroeconomic stability. Partners have notably committed "to support countries that need assistance including through substantially increasing ODA and technical assistance for tax and fiscal management capacity, particularly to the LDCs" and "to cooperate to combat tax evasion as well as tax avoidance".

The RMTF has taken over from the 2011-2017 Tax Policy and Administration Topical Trust Fund (TPA TTF) and capitalized on lessons learned from the TPA TTF. Deeper and more focused engagement was a first recommendation of the mid-term evaluation in order to ensure stronger country ownership and commitment to reform. The RMTF has been more focused on overall reform strategy, on broad diagnostic assessment, and better understanding with country authorities. Effective coordination between partners also emerged as a key factor to ensure consistency with the work of all TA providers, government agencies and other regional and international organisations. The mid-term evaluation notes that "although coordination between donors is the principal responsibility of the beneficiary country, there is room for the trust fund to facilitate this process, especially in countries where the trust fund is supporting major reforms"[2].

In order to achieve the objective of strengthening DRM for sustainable development, the RMTF has adopted an approach based on 1) intensive and targeted TA around 6 modules[3]; 2) human capital development through learning and 3) diagnostic tools and analysis (such as TADAT, RA-FIT and RA-GAP).

Particular attention was also given to strengthening the integration of the RMTF's activities within those of the IMF (including better integrating CD provided under the RMTF with the IMF's surveillance and lending activities as well as with other IMF capacity development activities including through the RTACs) and to improving coordination with partners notably by giving to the RMTF an important role in coordinating TA at the country level in countries implementing broad based reforms.

[2] RMTF, Program Document, August 2016

[3] The six modules are: I. Reform strategy and management; II. Tax policy design; III. Tax administration organization; IV. Tax administration corporate and compliance risk management; V. Tax administration core business functions and procedures; VI. Tax administration support functions.

## 2.2. EU support provided to the RMTF

The EU initially planned to contribute EUR 9 million to the RMTF 2018-2022. Its contribution has increased year on year to 12,5 MEURO (14,3 MUSD) according to the 2022 annual report.

**Table 2: EC support to the RMTF**

| | |
|---|---|
| EC financial support | 12,5MEURO |
| Starting / Closing date | 2018-2022, extended to end 2024 |
| Implementing partner | IMF (FAD & LEG) |
| Total program budget<br>(% of EC contribution) | EU contribution represents 17% of all partners contributions (83,2 MUSD). |
| Other partners involved | Australia, Belgium, Denmark, France, Germany, Japan, Korea, Luxembourg, Netherlands, Norway, Sweden, Switzerland, UK<br>EU MS contributions amount to a total of 38,3 MUSD. Taking into account EC resources, the EU as a whole represent 63% of the RMTF budget. |

At the end of April 2022, the overall budget execution rate reached 72%.

# 3. Answers to the Evaluation Questions

## 3.1 Relevance

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.3. EU CMSB support to reinforce tax (and fiscal) governance at international level has addressed the current challenges and needs of developing and emerging countries

JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**The RMTF was seen as a key response of the IMF and its partners to the Addis challenge in the area of DRM and to the revenue side of the CMSB agenda (JC1.1).** The RMTF is in line and supports the CMSB agenda by considering tax systems and revenues they generate as critical for funding public services that are essential for long-term country development (such as health, education, infrastructure, as well as security or justice). Strengthening domestic revenues is a key step to reach the SDGs and even one of them[4].

The ambition of the RMTF was indeed to collectively strengthen support in revenue mobilisation, including the fight against tax evasion and avoidance. It was seen as a “unique opportunity for a broad range of development partners to take a collective approach in supporting a holistic, medium term CD initiative to strengthen tax policies and administration in a select group of countries”[5].

As the main contributor to the RMTF just ahead of Belgium and Japan, the EU is a key partner to this IP and involved as the others, in the choice of strategic orientations and priorities guiding the RMTF's action.

**The RMTF mainly addresses priorities and needs at country/region level based on a demand driven approach but contributes also to develop research and analytical tools at a more global level for assessing emerging issues in tax policy and administration for developing and emerging countries (JC1.3).** Being based on a mix of demand-driven approach and need assessments from the IMF HQ including in the framework of on-going surveillance or lending programmes, the RMTF interventions and supports have largely reflected the countries’ demand and needs.

It is not clear whether the choice of analytical research and development was made after consultation with the countries primarily concerned (beneficiaries). A participatory approach is planned to disseminate analytical work through conferences and workshops.

**The RMTF has contributed to develop or at least expand the use of tax standards assessment tools (mainly TADAT[6], RA-FIT, RA-GAP) (JC1.4).** The use of TADAT in particular is promoted as a key milestone to define priorities for RMTF support. This is an area that the EU strongly supports within the RMTF and more globally.

**The RMTF has gradually and increasingly integrated cross cutting issues, especially in response to COVID19 (JC1.5).** The first refers to digitalization the importance of which has increased following the pandemic. The pandemic highlighted the need for robust digital platforms and data to support tax administration. According to the RMTF FY21 annual report, “CD demand in digitalization increased to support efforts to prepare IT strategies and implement new integrated tax administration systems (ITAS), as well as the use of data to support compliance strategies. Some form of CD in digitalization was delivered in over half of the RMTF-supported countries”. Greater equity also emerged as a priority for PFM system after COVID19, including gender equity. The Revenue Administration Gender Initiative (RAGI) was initiated under the RMTF provision for small projects, with the aim to promote gender diversity in revenue administrations (tax and customs) and consider the role of revenue administrations in supporting women to participate in the economy. Supporting a “greener” recovery addressing better climate change issues has been pointed out as a growing challenge for PFM system. There is no evidence that the RMTF has started to work on that.

[4] Goal 17 (Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development Finance) and especially SDG17.1 (Strengthening domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection)

[5] RMTF Program Document, August 2016 IMF

[6] The TADAT has been developed by the IMF in concert with a separate multipartner TF

## 3.2 (Internal) coherence of EU actions related to CMSB

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.1 EU CMSB support provided at international level to reinforce international governance and implemented through international partnerships has been coherent across those partnerships and with the support provided at country level

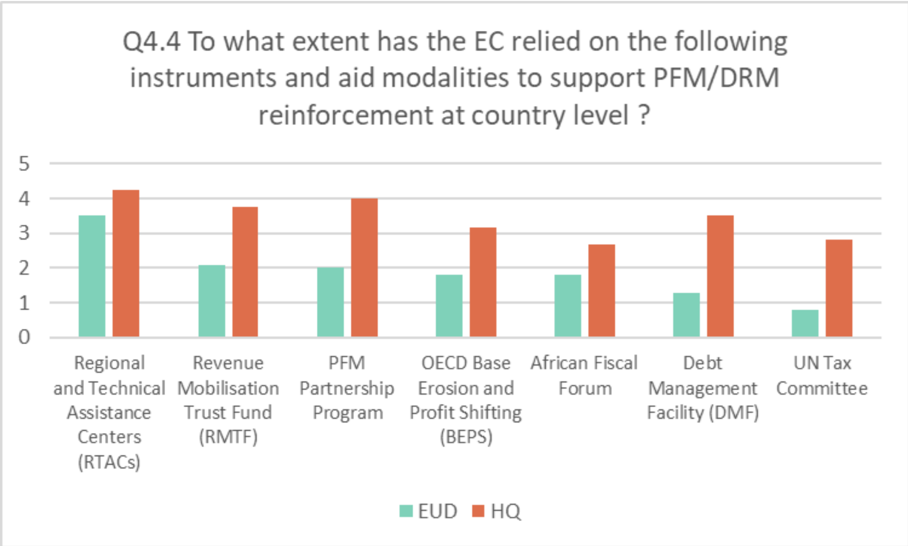
JC2.2 EU support to DRM/ PFM/debt at country level has been coherent and contributed to implementing a comprehensive PFM system wide-approach

**The coherence between the various IP funded by the EU is mainly ensured by the implementing partners, in this case the IMF; the RMTF activities are well coordinated with other IMF supports provided in this area (JC2.1).** The process put in place by the IMF relies on the formulation of a country CD work program at HQ level which encompasses all technical support provided by the HQ, through the TF implemented by the IMF (RMTF, MNRW) as well as through the RTACs. CD needs (TA and training) are assessed in line with the surveillance and lending IMF core activities and discussed with the partner country. There is a strong coordination between HQ and RTACs: at the beginning of the fiscal year, HQ and RTACS work plans are shared and aligned; a HQ staff person is assigned to supervise RTAC's resident advisor and coordinate on a regular basis with the RMTF project manager. The role of the Resident Representative is key in this process.

The RMTF FY22 annual report has highlighted that "CD is increasingly integrated with the IMF's lending and surveillance activities and coordinated across HQ and field operations… IMF Resident Representatives take an active role on the ground, coordinating CD directly with development partners (e.g., Chad, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Liberia, Mongolia, Rwanda, and Sierra Leone). Coordination across all funding vehicles within the IMF are managed at the HQ level by the same personnel who are RMTF project managers. This ensures integration of workplans and flexibility to meet CD demands."[7]

**Coherence with EU supports at country level is less obvious (JC 2.1); technical assistance provided by the RMTF is rarely seen by the EU as a complementary support to EU specific interventions to reinforce the CMSB agenda and integrated in an EU comprehensive wide-approach (JC2.2).**

[7] RMTF FY22 Annual Report, July 11, 2022, IMF




The survey shows that while most respondents (from EUD & HQ) consider EC financial contribution to international initiatives important to promote international governance, they (mainly the EUD) rely little and less obviously on EU contribution to IP to support PFM/DRM reinforcement at country level. Except for RTACs which are better known, all IPs cited including the RMTF received low score; on average, the score of 2 out of 5 given by the DUEs on the use of the RMTF shows how little this instrument has been integrated into EU response. 40% of EUD having responded to the survey even didn't answer on RMTF (N/A) which may be understood as RMTF is considered as not relevant/ not know.

Behind this result, however, are instances of close collaboration between the EU and the RMTF in different context and situations showing that collaboration evolves positively where incentives for collaboration are activated (by the government or by the partners themselves). In **Mongolia**, the EU has had very good collaboration with the IMF within the framework of the RMTF, through which a resident tax advisor to the Government of Mongolia has provided capacity building to improve tax revenue. It also contributed to support Mongolia to become compliant on tax good governance. **In Georgia**, the EU provided massive support to public finance and used a wide range of aid modalities that were mobilised in a coherent manner within the frame of the Association Agreement (AA) among which the RMTF. The combination of the commitments under the AA, the mix of aid modalities and the support provided by other key players contributed to accompany the progress made by the country. On DRM, tax and customs harmonization with the EU acquis progressed. As an illustration, the establishment of an automatic VAT refund system was supported by the AA, and the RMTF. In **Malawi,** complementarity was strong between the various interventions provided by the EU mainly within the EU Chuma Cha Dziko EU project and with the IMF RMTF and AFRITAC East TA. The EU capacity-development support for DRM, provided through two distinctive modalities under the EU TA project (direct technical assistance to the Malawi Revenue Authorities and to the Revenue Policy Division of the Ministry of Finances), and a contribution to the IMF Revenue Mobilisation Trust Fund, have been complementary and have provided different kind of technical expertise, covering a wider spectrum of DRM reforms.

In **Ghana**, support to tax policy and tax administration was essentially provided by AFRITAC WEST II, the RMTF and the MNRW TF and were considered highly relevant to address part of the key weaknesses underlined in the TADAT 2017 and the 2018 PEFA assessments. The EU was not directly involved in these projects but follows closely their outcomes.

There is no clear evidence that the RMTF support has contributed to reinforce the relevance of the EU core CMSB support, for example by improving the understanding of the national context and the analysis of the credibility and relevance of tax reforms, or by helping to select and formulate rightly VTI in DRM areas addressed by the EU (such as the adoption of MTRS, tax expenditures, IT modernisation, e-procedures,…).

## *3.3 Effectiveness – Analysis of outputs and intermediary outcomes*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

The RMTF has been successful in increasing the resources devoted by DPs to support domestic revenues mobilisation. Compared to the previous TF, the budget has been multiplied by 3 (from 28MUSD to more than 83 MUSD) while the number of partners involved has increased from 9 to 13. This has made it possible to extend the number of countries benefiting of the RMTF support as well as the scope of support provided, particularly through the development of global strategies. 38 countries have received technical assistance during the period 2018-2021 (see table in annex 2) compared to 20 under the previous TPA TTF.

The core-focus of the RMTF is on one hand support to comprehensive reforms of tax systems, including redesigning tax policy frameworks and strengthening revenue administrations (by assignment of long term experts (LTXs)) and on the other hand, targeted support on specific areas of the tax system where improvements are most needed. The program also intends to make use of Diagnostic tools to defining reform priorities and subsequent capacity building; in particular, the Tax Administration Diagnostic Assessment Tools (TADAT) as well as the Revenue Administration Fiscal Information Tool (RA-FIT), or the Revenue Administration Gap Analysis Program (RA-GAP). Trainings and applied analytical work aiming to analyses developments associated with revenue reform in developing countries are also part of RMTF supports.

**The RMTF together with TADAT and other initiatives has contributed to develop and implement an analytical approach to support reforms needed by extending the implementation of TADAT and supporting beneficiary countries in the formulation of medium-term revenue mobilisation strategies (JC3.1).** The RMTF has extended the use of diagnostic tools as a basis for ensuring a common understanding of the strengths and weaknesses of the system of tax administration and for developing plans for future reforms initiatives. Over the period 2018-2021, 18 countries have received RMTF assistance for implementing a TADAT assessment (Benin, Cabo Verde, Cambodia, Cote d'Ivoire, Eswatini, Ethiopia, Georgia, Guatemala, Honduras, Liberia, Mali, PNG, Paraguay, Rwanda, Senegal, Sierra Leone, Zambia, Zimbabwe) and at least 8 countries have been involved in a VAT GAP assessment through the RMTF (Cabo Verde, Ethiopia, Georgia, Guatemala, Mongolia, Rwanda, Senegal, Sri Lanka).

Development and implementation of Medium-Term Revenue Strategy (MTRS) were initiated in 13 countries at least (Benin, Cabo Verde, Ethiopia, Georgia, Honduras, Liberia, Mongolia, Myanmar, Papa New Guinea, Rwanda, Senegal, Sierra Leone, Uzbekistan) while strategic reforms plans were designed/implemented in Côte d'Ivoire, DRC, Ghana, Malawi, Paraguay, Sao Tomé.

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

**EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

The RMTF has covered both tax policy and tax administration but was mainly devoted to provide technical support to strengthen tax administration and notably for the design and implementation of compliance risk management, improved procedures as well as IT modernization (see table 3 below). All areas to which the EU also attaches particular importance as for tax expenditures and revenue forecasting in the field of tax policy.

**Table 3: Main activities implemented by the RMTF in terms of tax policy and tax administration**

| | |
|---|---|
| Tax policy | Tax expenditures streamlined (*Congo DR, Liberia, Pakistan, Senegal*)<br>Policy formulation, analysis or revenue forecasting (*Angola, Honduras, Liberia, Mali, Paraguay, Rwanda, Uzbekistan*) |
| Tax administration | Design and implementation of compliance risk management (*Angola, Benin, Bolivia, CAR, Chad, Ghana, Georgia, Honduras, Liberia, Malawi, Mongolia, Paraguay, Rwanda, Senegal, Uzbekistan, Zimbabwe*)<br>Improving core functions (*Burkina Faso, Chad, DRC, Malawi, Mali, Mauritania, Uzbekistan*)<br>Taxpayer registration processes<br>Improved filing, payment and audit procedures (*Benin, Bolivia, Ethiopia, Georgia, Mali, Myanmar, Uzbekistan*)<br>Expanding e-procedures (*Benin, Cabo Verde, Côte d'Ivoire, Ethiopia, Guinea Bissau, Liberia, Malawi, Paraguay*)<br>IT modernization initiatives (*Benin, Bolivia, Cabo Verde, Chad, Côte d'Ivoire, Ethiopia, Ghana, Liberia, Malawi, Mali, Sierra Leone and Zimbabwe*). |
| Non Tax revenue | Activities related to NTR are mainly taken in charge by the MNRW |

Sources: Annual reports

The RMTF contributed to some progresses achieved in terms of tax policy reforms (JC4.2) such as tax base broadening measures (Kenya, Liberia, Pakistan, Rwanda and Senegal), modernizing PIT and CIT (in the CEMAC as well as in Angola), the introduction of a VAT (Liberia, Angola), as well as for improving revenue forecasting capacity in Mali and tax expenditures analysis (DRC, Liberia, Uzbekistan).

Insofar the fund has particularly focused on the tax administration component and contributed in several countries to strengthening tax administration organization, to the implementation of compliance risk management, the development/modernisation of taxpayers registers, the implementation of new ITAS,… (see table below) (JC4.3). In the absence of a mid-term evaluation, which has only recently begun, it is nevertheless difficult to assess properly the effectiveness of the support provided.

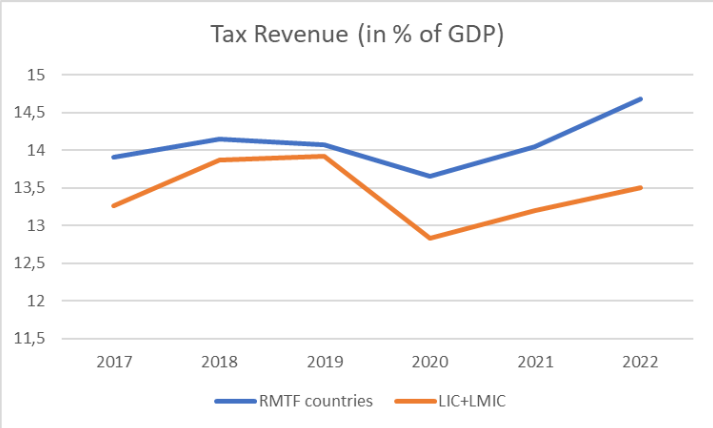
**Table 4: Main achievements reinforcing tax administration.**

| RMTF Modules | Main achievements |
|---|---|
| Module III: Tax administration organization | • Chad: reorganization of the tax administration along functional lines was implemented following a decree in April 2020<br>• Ghana, Sierra Leone, Zimbabwe: modernization office setup<br>• Georgia, Eswatini, Sri Lanka, and Uzbekistan: taxpayer segmentation strengthened<br>• Eswatini and Uzbekistan: effective program design and monitoring headquarters (HQ) functions put in place<br>• Mongolia: Transfer Pricing Unit established within the LTO |
| Module IV: Tax administration corporate and compliance risk management | • Georgia: preparation of a compliance improvement plan (CIP)<br>• Honduras, Liberia, Mali, Paraguay, and Zimbabwe: improvement of CRM practices<br>• Mongolia: implementation of compliance improvement strategies, including new strategies for high net wealth individuals (HNWI) and the informal economy.<br>• DRC: tax revenue collections increased by 18 percent based on safeguarding the credit/refund mechanism and improved exemptions monitoring<br>• Angola: implementation of new VAT enforcement programs with a reserve scheme for refunds<br>• Liberia: enterprise risk framework developed |
| Module V: Tax administration core business functions and procedures | • Paraguay: extension of the registration base through the identification and registration of informal workers<br>• Benin, Chad, Georgia, Mali, and Mauritania: Taxpayer registers updated and cleansed<br>• Liberia: development of a system to effectively manage tax arrears & increased capacity to audit high-risk sectors<br>• Côte d'Ivoire: extension of audit coverage by increasing issue-oriented audits<br>• Georgia: implementation of risk-based and automated verification processes for VAT refunds<br>• Myanmar: Tax Administration Law (TAL) passed into law in June 2019 and entered into effect in October 2019 |
| Module VI: Tax administration support functions | • Cote d'Ivoire, Ethiopia, Ghana, Liberia, Malawi, Myanmar, Sao Tome and Principe, Sierra Leone, and Zimbabwe: preparation, design, or implementation stage of procuring and rolling out new ITAS in their respective tax administrations<br>• Angola: new IT tools to improve the VAT regime<br>• Benin: extension of e-processes for the medium-sized taxpayers<br>• Mali and Côte d'Ivoire: development of human resource (HR) strategies<br>• Senegal: implementation of a web-based portal allowing taxpayers to access their tax account and related information digitally and directly |

Sources: Annual reports

With the COVID-19 pandemic having affected severely low and middle income countries (LLMICs), reform priorities shifted towards the need to apply rapidly mitigation measures. Digitalizing tax compliance and enhancing taxpayer compliance risk management also emerged as key issues. Guidance notes on COVID-19 (6 on tax policy, 5 on revenue administration issues and 2 on legal issues pertaining to taxation) were provided by the RMTF in order to respond to the immediate needs including business continuity plans (BCP) as well as short-term relief to taxpayer.

During the period under review, tax ratio improved slightly until 2019 before being affected by the COVID crisis. According to IMF data, tax revenue in % of GDP for LICs and LMICs has increased from 13,27% in 2017 to 13,92% in 2019, decreased to 12,83% in 2020 and should be close to 13,5% in 2022, still below the 201 level. **But revenue efforts were more pronounced in the RMTF countries, which also suffered less from the effects of the pandemic (JC 4.4).** According to IMF data published in the FY 2022 annual report, tax revenue in % of GDP has performed better in RMTF countries during the pandemic and its aftermath than in LICs and LMICs on average. RMTF countries have recovered tax revenues pre-pandemic levels which is not yet the case for LICs& LMICs.




Source: IMF; RMTF FY 2022 Annual Report

## 3.4 Effectiveness – Analysis of outcomes

**EQ6: To what extent have the intended outcomes materialised in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**Even if RMTF countries have been more resilient than their peers in terms of revenue, the macro-financial situation has been deteriorating due to increased fiscal deficits and raising debts level peaking at 60% of GDP in 2021 (JC6.1).** The average fiscal deficit for RMTF countries has increased from 3.5 percent of GDP in 2019 to 6.5 percent of GDP in 2020. The pandemic has left most of LICs with higher spending needs, limited domestic resources and higher debt levels. The increase in food and energy prices has further weakened the macroeconomic situation of net importers countries. Public finance remains under high pressures.

**The RMTF has accompanied beneficiary countries in managing the income effects of the pandemic and provided guidance on priority and urgent needs (JC6.5).** In 2020 and 2021, CD demand under the RMTF remained high with a focus on addressing the pandemic and highlighting the need for stronger tax systems. Through different actions (guidance notes; COVID-19 Rapid Response Project), the RMTF has provided assistance to countries to meet immediate needs to mobilize revenue. In the meantime, the RMTF has continued to support reform agendas for recovery into the medium-term and prepare countries to increase sustainably their domestic revenues needed to cover the growing expenditure needs and accumulated debt levels.

## 3.5 3Cs: External coherence, coordination & complementarity (EQ8)

| **EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?** |
|---|
| JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries |
| JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards. |

**Strengthening coordination between DPs involved in DRM supports at country level was considered as a key objective of the RMTF. Coordination and complementarities have somewhat improved in various countries thanks to RMTF efforts, but it remains a complex issue (JC8.2).** According to FY 22 annual report, RMTF project managers are coordinating CD activities with 32 development partners, the World Bank remaining the most active partner across 21 RMTF projects with the European Union a close second partnering with RMTF projects in 17 countries. There are formal coordination arrangements with development partners in nine country projects among which two where the authorities have taken a leading role (Ghana and Rwanda). Where a long-term resident advisor is in place[8], the RMTF has sought to develop tools to facilitate coordination in this area and to hand it over as much as possible to the national authorities. Ghana is a successful example of increased coordination in a context where 14 DPs are active in this field. A joint grid to track and help deliveries of CD activities undertaken by each of the DP has been developed by the RMTF which should help the Ghanaian Revenue Authority to manage the various interventions. This kind of dashboard has also been developed in Mongolia and Sierra Leone, being limited finally to a few countries. Less encouraging examples also exist, particularly in countries that are not conducive to effective coordination of DPs.

## 3.6 Efficiency of EU CMSB support in the country (EQ9)

| **EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?** |
|---|
| JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts |
| JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost |
| JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support |
| JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved |

EU contribution to the RMTF has been increased from 9 MEURO to 12,5 MEURO mainly to respond to IMF requests to all potential partners to expand the fund's capacity to meet growing demand for support.

8 According to annual reports, at least 6 countries are supported by a LTX (Chad, Ghana, Mongolia, Myanmar, Senegal, Uzbekistan).

While the overall budget of the RMTF has increased from 60 MUSD to 83 MUSD, the share of the EU has been maintained around 15-17%.

The EU is mainly involved in the RMTF program through its participation to steering committees of which the EU is co-chair, as well as its active participation in international conferences and meetings gathering the RMTF partners. The EU is considered as a key partner by the IMF and its participation to strategic discussions and programme management is highly appreciated. The fact that the EU comes with its own vision and a different perspective is particularly interesting for raising new issues. According to interviews, EU capacities are stronger today at the HQ level, which has a positive impact on the level of involvement and collaboration at the technical level.

The involvement of EUD at country level is not the same even if according to the RMTF managers, EUD are systematically informed of missions and receive reports. As underlined buy the survey, their level of involvement in the conduct of country programmes is generally more limited which may be no doubt partly due to the technical nature of the issues addressed, which the more generalist staff in the EUD only partially master but could also be related to not yet clear coordination and sharing of information mechanisms.

The RMTF partners are mentioned and displayed on reports/website etc. The visibility of the EU is limited to this.

## 4. Main lessons: contribution to key outcomes and good practices

The RMTF is one of the main international community's responses to the commitments made at the Addis conference to increase support for strengthening domestic revenue mobilisation. The EU is a key partner, both because of its financial contribution (17% of the total) and its active participation in the management of the programme, but also because of the importance of its direct involvement in these areas with the beneficiary countries and therefore the potential synergies to be deployed on the ground.

The priority areas in which the RMTF intervenes (MTRS, TADAT, tax expenditures, Compliance Risk Management, Taxpayer register, IT modernisation, …) are also priorities for the EU in many countries. However, the RMTF is still not fully perceived as a complementary lever; synergies between EU programmes and RMTF actions are limited overall, although they have developed recently in some countries mainly where a long term RMTF advisor has been installed. Strengthening coordination within the IMF CD activities as well as with DPs was a clear expectation under the new RMTF with uneven progress observed depending on country context.

Overall, being based on a mix of demand-driven approach and need assessments from the IMF HQ including in the framework of on-going surveillance or lending programmes, technical supports provided by the RMTF have largely reflected the countries' demand and needs that it has helped to better identify. The RMTF has contributed to largely extend the use and implementation of TADAT as a common basis for identifying, prioritising and monitoring reforms as well as supporting beneficiary countries in the formulation of medium-term revenue mobilisation strategies. Technical supports provided to implement adopted reforms have been mainly on tax administration modernisation rather than on tax policy design.

Since 2018, the programme has been able to reach 38 countries and to enlarge support provided including specific supports to meet the urgent needs raised by the Pandemic. Nevertheless, outcomes are still modest partly due to the Pandemic. Overall tax revenue (in % of GDP) in LIC & LMIC in 2022 is still weak (around 13.5% of GDP) and below the pre-pandemic level (14% in 2019). Revenue efforts have increased more rapidly in the RMTF countries (14.5% in 2022), which also suffered less from the effects of the pandemic. Revenue efforts remain nevertheless much too weak to face growing spending needs and newly accumulated debts without jeopardising countries long term macroeconomic stability. To address this concern, the RMTF intends to continue its focus on medium term reform agenda, including emerging issues such as digitalisation.

## Annex 1: List of institutions met

| Institution type | Institution / Minister | Service |
|---|---|---|
| European Union | European Commission -DG INTPA | E1 |
| IMF | Institute for Capacity Development | Senior Technical Assistance Officer |
| | RMTF | Program Manager |

# Annex 2: RMTF activities (2018-2021) – Source: Annual reports

| Country | Project name | Type of support (TA or scoping missions) | Approved budget (in thousands US$) | MTRS | LTX | STX | TADAT | VAT Gap |
|---|---|---|---|---|---|---|---|---|
| Angola | Revenue Administration Reform | TA | 1.003 | | | × | | |
| Benin | Tax Administration reform | TA | 726 | × | | × | × | |
| Bolivia | Scoping Visit | scoping mission | 55 | | | × | | |
| Bolivia | Strenghtening Tax Policy and Administration | TA | 747 | | | × | | |
| Burkina Faso | Scoping Visit | scoping mission | 95 | | | × | | |
| Burkina Faso | Improving Revenue Administration | | 1.090 | | | × | | |
| Cabo Verde | Building Institutional Capacity in Tax Administration | TA | 1.776 | | | × | × | × |
| Cambodia | Scoping Visit | scoping mission | 108 | | | × | | |
| Cameroon | Scoping Visit | scoping mission | 88 | | | × | | |
| Central African Rep | Scoping Visit | scoping mission | 35 | | | × | | |
| Central African Rep | Tax Administration reform | TA | 829 | | | × | | |
| Chad | Strengthening Revenue Administration | TA | 1.013 | | × | × | | |
| Congo DR | Scoping Visit | scoping mission | 30 | | | × | | |
| Congo DR | Controlling Tax Expenditures and Streamlining Nuisance Taxes | TA | 645 | | | × | | |
| Cote d'Ivoire | Tax Administration reform | TA | 2.213 | | | × | × | |
| Eswatini | Tax Administration Strenghtening Program | TA | 1.601 | | | × | × | |
| Ethiopia | Foundational Reform for Sustainable Compliance | TA | 2.372 | × | | × | × | × |
| Georgia | Revenue Administration Reform | TA | 3.075 | × | | × | × | × |
| Ghana | Advancing Revenue reforms and Mobilization program | TA | 925 | | × | × | | |
| Guatemala | Strenghtening Tax Policy and Administration | TA | 1.314 | | | × | × | × |
| Guinea Bissau | Building Institutional Capacity in Tax Administration | TA | 1.769 | | | × | | |
| Guinea | Scoping Visit | scoping mission | 27 | | | × | | |
| Guinea | Improving Income Tax | TA | 392 | | | × | | |
| Haiti | Scoping Visit | scoping mission | 50 | | | × | | |
| Haiti | Modernizing Tax Sytsem Through New Tax Code | TA | 606 | | | × | | |
| Honduras | Modernizing Revenue Administration | TA | 947 | × | | × | × | |
| Kenya | Scoping Visit | scoping mission | 68 | | | × | | |
| Liberia | Building Institutional Capacity in Tax Administration | TA | 2.370 | × | | × | × | |
| Malawi | Revenue Administration Project | TA | 2.811 | | | × | | |
| Mali | Strenghtening Tax Administration | TA | 1.775 | | | × | × | |
| Mauritania | Tax Administration reform | TA | 1.140 | | | × | | |
| Mongolia | Improving Taxpayer Compliance | TA | 3.810 | × | × | × | | × |
| Mongolia | Improving Tax Policy and Compliance Phase II | TA | 2.974 | | | × | | |
| Myanmar | Tax Policy and Administration Strenghtening | TA | 6.389 | × | × | × | | |
| Pakistan | Tax Policy Project | TA | 642 | | | × | | |
| Papa New Guinea | Revenue Mobilization: Medium-Term Revenue Strategy | TA | 3.074 | × | | × | × | |
| Paraguay | Revenue Administration Reform | TA | 1.470 | | | × | × | |
| Philippines | CD on Tax Treaty Negotiations and Other International Taxation Areas | TA | 331 | | | × | | |
| Rwanda | Scoping Visit | scoping mission | 103 | | | × | | |
| Rwanda | Foundations for Sustainable Domestic Revenue Mobilization Capacity | TA | 1.303 | × | | × | × | × |
| Sao Tome and Princ | Tax Administration reform | TA | 1.027 | | | × | | |
| Sao Tome and Princ | Scoping Visit | scoping mission | 71 | | | × | | |
| Sao Tome and Princ | VAT Administration reform | TA | 848 | | | × | | |
| Senegal | DRM through Simpler Tax System and Stronger Administration | TA | 1.254 | | | × | | × |
| Senegal | Launching and Supporting a Medium-Term Revenue Strategy | TA | 2.071 | × | × | × | × | |
| Sierra Leone | Embracing Reform to Revenue Mobilization | TA | 1.292 | | | × | × | |
| Sri Lanka | Scoping Visit | scoping mission | 95 | | | × | | |
| Sri Lanka | Improving Taxpayer Compliance | TA | 1.312 | | | × | | × |
| Uzbekistan | Tax System Reform | TA | 3.256 | × | × | × | | |
| Zimbabwe | Scoping Visit | scoping mission | 186 | | | × | | |
| Zimbabwe | Foundations for Sustainable Tax Compliance | TA | 1.463 | | | × | × | |
| CEMAC | Enhancing DRM through Tax Harmonization Framework | TA | 1.951 | | | | | |
| EAC | Tax Coordination and Tax Treaty Negotiation | TA | 875 | | | | | |
| WAEMU | Tax Coordination: Achieving WAEMU Treaty Objectives | TA | 152 | | | | | |
| West Africa | Regional CD on HR Management | Workshop | 53 | | | | | |
| IMF | RA-FIT/ISORA: Data Gathering, Analysis and Dissemination | | 2.447 | | | | | |
| IMF | Building Tax Policy Analysis and Revenue Forecasting Capacity | | 577 | | | | | |
| IMF | Online Training (Concept Note) | | | | | | | |
| IMF | Electronic Tax Administration Capacity Training (e-TACT) | | 2.537 | | | | | |
| IMF | Analytical Work: How-to Note on Tax Expenditures | | 54 | | | | | |
| IMF | Analytical Work: Covid-19 Policy Notes | | | | | | | |
| IMF | Analytical Work Autonomy in Revenue Administration | | 313 | | | | | |
| IMF | Analytical Work: International Tax Notes | | | | | | | |
| IMF | Building revenue administration capacity to manage international tax risks | | 45 | | | | | |
| IMF | VAT webinars | | 72 | | | | | |
| IMF | Translation of VGAPx online course | | 96 | | | | | |
| IMF | Gender and Revenue Administration | | | | | | | |
| | TOTAL | | 73.838 | | | | | |

# INTERNATIONAL PARTNERSHIP CASE STUDY NOTE – REGIONAL AND TECHNICAL ASSISTANCE CENTRES (RTACS)

## Table of Contents



**THE PURPOSE OF THIS CASE STUDY NOTE IS TO INFORM THE EVALUATION OF THE EU'S SUPPORT TO THE "COLLECT MORE, SPEND BETTER" APPROACH. IT IS NOT DESIGNED TO BE AN ASSESSMENT OF THE SUPPORT PROVIDED WITH THESE INTITUTIONS.**

## List of acronyms

| | |
|---|---|
| ADB | Asian Development Bank |
| AFE | AFRITAC East |
| AFRITAC | African Technical Assistance Centre |
| AFW2 | AFRITAC West 2 |
| AFS | AFRITAC South |
| BOP | Balance of Payments |
| CAAT | Computer Assisted Audit Techniques |
| CAPTAC | Centro Regional de Asistencia Técnica del Fondo Monetario Internacional para Centroamérica, Panamá y República Dominicana |
| CB | Central Bank |
| CD | Capacity Development |
| CPI | Consumer Price Index |
| DFID | Department for International Development of the United Kingdom |
| DPs | Development Partners |
| EUD | European Union Delegation |
| FAD | Fiscal Affairs Department of IMF |
| FCDO | United Kingdom Foreign, Commonwealth & Development Office |
| FS | Financial Supervision |
| FSD | Fiscal Strategy Document |
| FY | Fiscal Year |
| HQ | Headquarter |
| IFMIS | Integrated Financial Management Information System |
| IFRS | International Financial Reporting Standards |
| IP | International Partnerships |
| GDP | Gross Domestic Product |
| GIFMIS | Ghana Integrated Financial Management Information Systems |
| GFS | Government Finance Statistics |
| GRA | Ghana Revenue Authority |
| GST | Goods and Services Taxes |

| | |
|---|---|
| HQ-RES | Research Department of the IMF |
| LTX | Long Term Experts |
| MTEF | Medium Term Expenditure Framework |
| M&E | Monitoring and Evaluation |
| PBB | Program-Based Budgeting |
| PEFA | Public Expenditure and Financial Accountability |
| PIMA | Public Investment Management Assessment |
| PFM | Public Financial Management |
| PFTAC | Pacific Financial Technical Assistance Centre |
| RA | Regional Advisor |
| RA-FIT | Revenue Administration-Fiscal Information Tool |
| RBM | Results Based Management |
| RTAC | Regional Technical Assistance Centre |
| SARTTAC | South Asia Regional Training and Technical Assistance Center |
| SC | Steering Committee |
| SDGs | Sustainable Development Goals |
| SOE | State-Owned Enterprise |
| STA | Statistics Department of IMF |
| STX | Short-Term Expert |
| TA | Technical Assistance |
| TADAT | Tax administration Diagnostic Assessment Tool |
| TPA-TTF | Tax Policy and Administration-Topical Trust Fund |
| TSA | Treasury Single Account |
| VAT | Value Added Tax |

# 1. Introduction and choice of the RTACs international partnership as a case study

## *1.1. Scope and objectives of this case study*

This International Partnership note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020. The scope under review covers the support provided by the European Commission in the international partnership to the regional technical assistance centres of the IMF (RTACs) in the area encompassing Domestic Resource Mobilisation (DRM) and Public financial Management (PFM) including also statistics, debt management and transparency and accountability, during the period 2015-2020/21.

The analysis builds on a desk review of documents (e.g., EC programmatic, financing, intervention and strategy-level documents and agreements, IP RTACs strategic plans/implementation reports, Mid Term Evaluation). It also builds on the outcomes of (i) a field mission in Ghana during which the evaluators had the opportunity to meet with the Director of the regional AFRITAC WEST II Centre's office in Accra and her team of Resident Advisors, as well as (ii) conducted several remote interviews with the EU team at Headquarters and at EU Delegations in charge of the RTACs (see list in Annex 1). Since the EU has funded ten RTACs around the world, this analysis focused on the contribution of the EU to two RTACs in particular, the AFRITAC WEST II and the SARTTAC to exemplify the assessment.

The international partnership with the RTACs has been chosen as case study of the CMSB framework for the main following reasons: the EU contribution to the RTACs is an important dimension of the new strategic partnership framework between the EU and the IMF (adopted in 2016), the activities carried out under the RTACs encompass several priorities of the common CMSB agenda established in 2015, this IP concerns a wide and diversified range of EU partners countries from fragile states to middle income developing market economies, the EU has been often one of the key financial contributors of these RTACs and the EU operates bilateral aid programmes as well as other EU-financed IP interventions in the majority of the countries where RTACs are operational. The RTACs are also considered by the EU as a key vehicle to provide high level expertise and training for capacity development on PFM and DRM in the EU's partner countries. Moreover, as a key EU tool of the strategic partnership with the IMF, this IP analysis can provide useful insights to better understanding the strengths and weaknesses of these international partnerships with the Bretton Woods institutions with regards to their effective contribution to the implementation of the EU CMSB agenda in the EU partners countries.

This note follows the set of evaluation questions around which data collection and analysis were structured for the evaluation. Since only some of the evaluation questions are relevant to the analysis of International Partnership, this note does not answer every EQs included in the evaluation. This set covers the relevance, internal and external coherence, efficiency and effectiveness of the EU support provided to the CMSB agenda through the vehicle of the RTACs.

## *1.2. Limitations*

Given the wideness of the topic under review in view of the 10 RTACs and the world-wide geographic area covered by this IP, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support to the RTACs, let alone assess the RTACs as such. It aims at identifying key strengths and weaknesses of EU interventions deployed in the strengthening of public financial management, revenue administration (for the domestic resources mobilisation strand of the CMSB agenda) as well as related statistics in the frame of the RTACs. The cases of two RTACs, AFRITAC WEST II and SARTTAC, have been particularly used to epitomise this assessment.

# 2. Context and EU interventions supporting the CMSB agenda

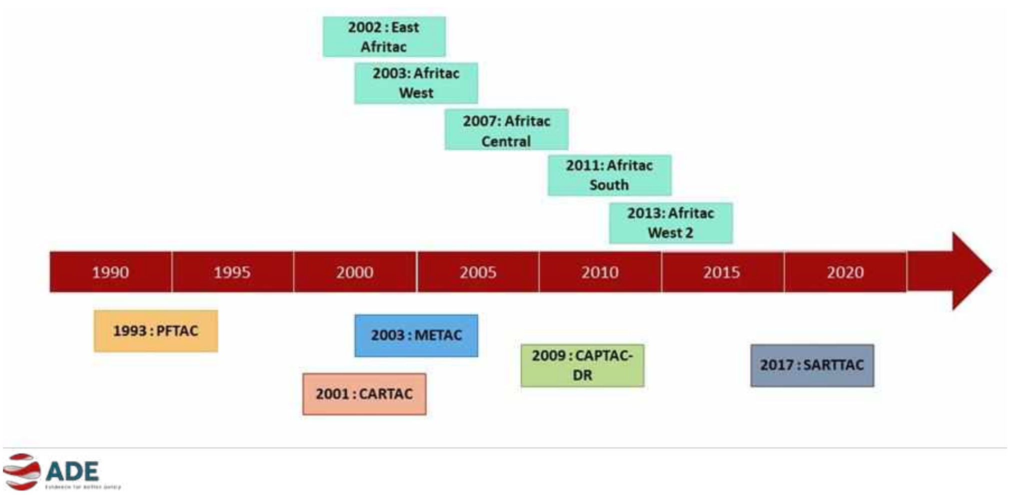
## *2.1. Context*

Since 2015, the European Union has funded IMF's Regional technical assistance centres (RTACs) for a total of 83 billion euros, mainly financed under the European Development Fund (except for SARTTAC financed under the Development Cooperation Instrument and METAC under the European Neighbourhood Instrument). The RTACs receiving the largest amounts from the European Union are based in Africa and South Asia, for which the EC is the largest contributor.

It is part of the new Strategic Partnership Framework IMF-EU adopted in 2016[1].

The IMF has established **10** RTACs in the Pacific, the Caribbean, Africa, the Middle East, Central America and South Asia to support member countries to strengthen human and institutional capacity to design and implement sound macroeconomic and financial policies to promote growth and reduce poverty. The specific priority areas of RTACs are the following: (1) **Revenue administration** (improvement of the efficiency and effectiveness of tax administration through stronger revenue reform strategies); (2) **Public Financial Management (PFM)** (strengthening of core and/or more advanced PFM functions in the context of strategic reform process); (3) **Monetary policy framework operations** ( improvement of monetary policy management, strengthening of operational instruments, and development of money and exchange rate markets); (4) **Financial sector regulation and supervision** and (5) **Real sector statistics.**

**RTACs creation**

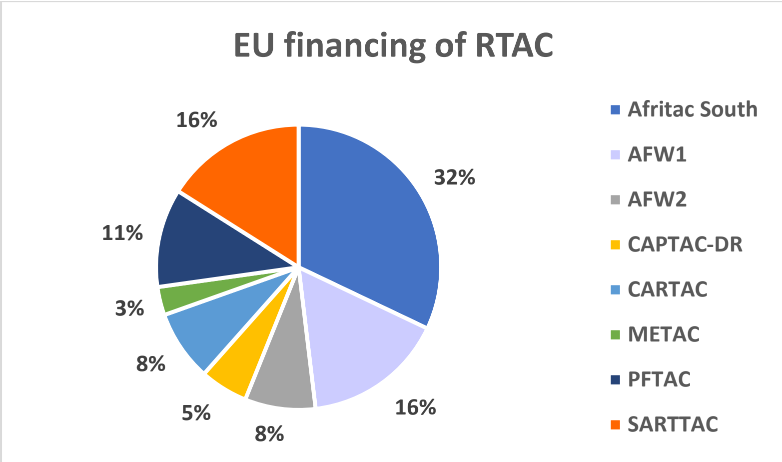



[1] Cooperation on capacity development has been a core component of the partnership between the European Commission (Directorate General for International Cooperation and Development) and the IMF, and covers a broad range of issues related to good economic governance and institution building, as well as related human capacity development needs. In this context, the European Commission has provided steadfast support to the IMF's multi-partner vehicles, including its network of ten regional technical assistance centers, its global thematic funds, and its fragile states funds; it has also supported IMF capacity development in specific countries through bilateral programs. Since the signature of the 2009 EU-IMF Framework Administrative Agreement, collaboration between the two institutions has intensified through regular staff consultations, staff exchanges, complementarities of EU budget support in the context of IMF lending programs and through continued cooperation on capacity development.

## 2.2. EU support provided to the RTACs

The EU has been a key funding partner of the RTACs, as detailed in the table below.

| RTACs | Contract (title) | Source funding | Period | Budget allocated | % in total RTACs budget | Other donors |
|---|---|---|---|---|---|---|
| SARTTAC | Support to the South Asia Regional Training and Technical Assistance Centre | DCI | 2017 - 2021 | 10.000.000 € | 18.18% | Korea, Australia, India |
| CARTAC | Support to the Caribbean Regional Technical Assistance Centre phase V (2017-2022) | EDF Caribbean RIP | 2017 - 2021 | 5.000.000€ | 7.61 % | UK, Canada, Australia, and CDB |
| AFRITAC West I | Appui à la phase IV 2017 - 2022 de l'AFRITAC de l'Ouest I | EDF PIR 2014 – 2020 | 2017 - 2022 | 10.000.000 € | 22,69% | IMF, host country, member states of Afritac |
| AFRITAC West II | Support to AFRITAC West 2 - Phase 2 | EDF RIP for West Africa 2014–2020 | 2019-2024 | 5.000.000 € | 11,52% | Germany, China and UK |
| PFTAC | Support to the Pacific Financial Technical Assistance Centre phase V 2016-2022 | EDF Pacific RIP | 2016-2022 | 6.000.000 € | 19.77% | Australia, NZ, Republic of Korea and the Asian Development Bank |
| AFRITAC South | Support to IMF Regional Technical Assistance Centre - AFRITAC South - Phase II | 11th EDF (RIP) | 2017 - 2022 | 20.000.000 € | 39.7% | |
| METAC | Support the Middle East Regional Technical Assistance Centre (METAC-Phase IV) | European Neighbourhood Instrument (ENI) | 2016 - 2021 | 2.000.000 € | 7.11% | France, Kuwait, Oman, METAC beneficiary countries, Germany, USAID |
| CAPTAC | Contrato CAPTAC DR III | | 2019 - 2024 | 3.000.000 € | 7,8% | Guatemala (host country), member countries, Canada, Mexico, and Luxembourg |
| East Afritac | Support to East Afritac - phase IV | | 2015 - 2020 | 16.000.000 € | | |
| Afritac Central | Support to Afritac Central - phase III | | 2017 - 2022 | 6.000.000€ | | |




Source: ADE, based on EU contractual and financing agreements

# 3. Answers to the Evaluation Questions

## *3.1. Relevance*

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.3. EU CMSB support to reinforce tax (and fiscal) governance at international level has addressed the current challenges and needs of developing and emerging countries

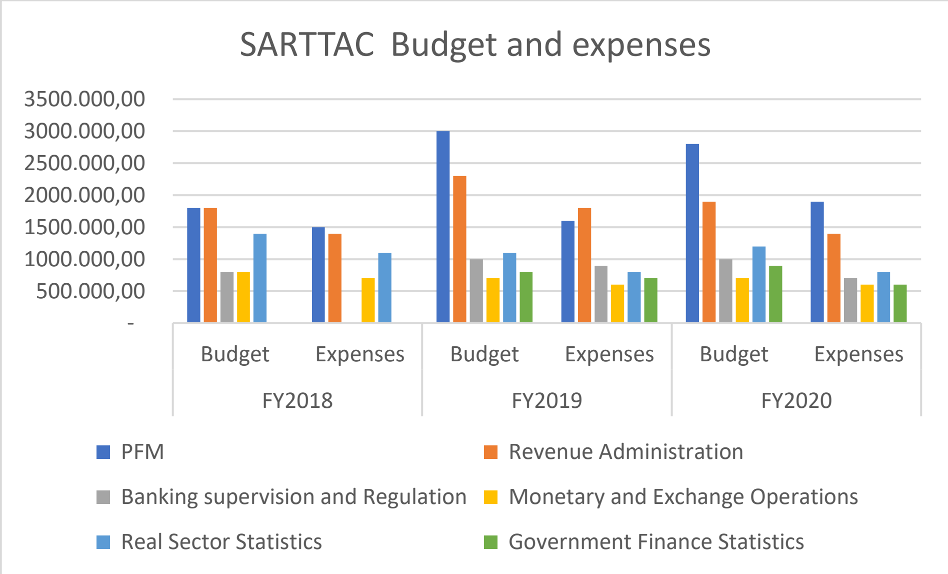
JC1.4 EU support to DRM/PFM/Debt has been aligned to tax and PFM international standards developed by international organisations

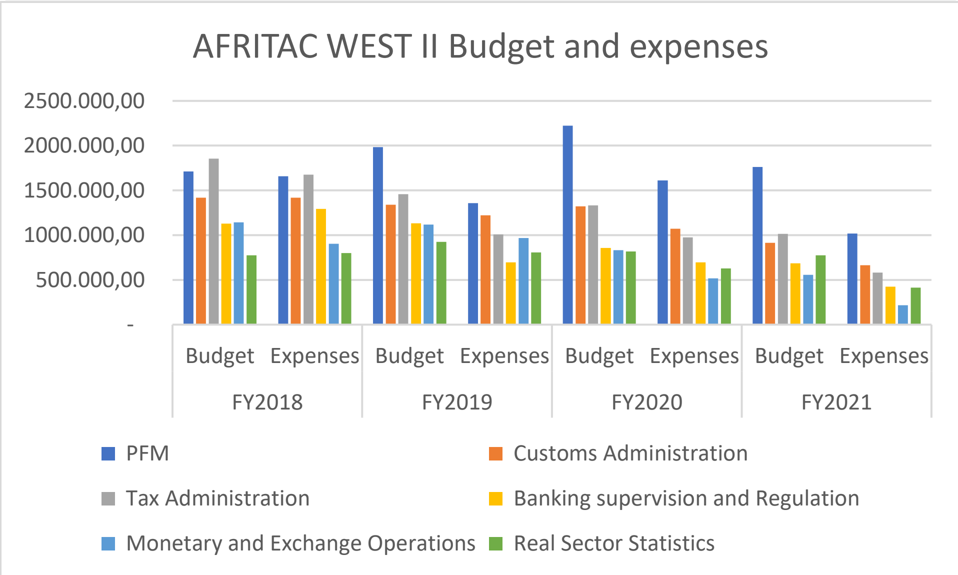
JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**Considering the strong focus of the RTAC interventions on key PFM's and DRM's governance, core functions and technical reforms as well as on institutional strengthening and capacity development activities for the concerned administrations and institutions, the EU support to the RTACs has contributed to move forward the CMSB agenda in the recipient partner countries in all the concerned regions (JC 1.1)**.

If the general objective of the RTACS was to strengthening human and institutional capacity to design and implement sound macroeconomic and financial policies to promote growth and reduce poverty, their activities have particularly aimed at improving the efficiency and effectiveness of tax and custom administrations on the implementation of stronger revenue strategy as well as assisting the recipient countries to strengthening core PFM functions and introduce progressively more advanced PFM reforms. Among the key priorities areas of interventions of the RTACs, the activities related to those on PFM's and revenue administration's objectives, that are directly relevant for the CMSB agenda, have received the largest share of the budget, as for example in the case of the RTAC in Asia (SARTTAC) and in West Africa

(AFRITAC West Africa II). This repartition of allocations of budget activities between the different RTAC's priority areas did not fundamentally change across regions.




**Being based on a mix of demand-driven approach, consultation process between each country and the RTAC as well as need assessments from the IMF HQ in the framework of on-going surveillance or lending programmes, the RTAC's sectors of intervention and supports have largely reflected the countries' demand and needs. The Centres have been responsive in addressing key priorities, avoiding the "one size fit all". This has also resulted in tailoring RTAC interventions, considering specific CMSB-related challenges faced by each type of beneficiary, from fragile countries, low or middle-income developing countries or emerging countries to Small Island Developing States (JC 1.3).**

Accordingly, key areas of RTACs interventions with regard to PFM have included a wide array of issues that translates the heterogeneity of countries covered by the RTAC across the world and in each Regional Centres' region, and the diversity of needs and priorities for each country considering its level of PFM/Tax governance development.

These interventions have also taken into consideration the existing national PFM reform strategies and action plans to better align to the national reform priorities and promote ownership. Bottom-up needs assessment, such as capacity gap analysis, have also been carried through continuous contact between the RTACs, the IMF HQ technical departments and the national administrations of the counterpart countries.

**At country level, RTACs' interventions and annual work plans were informed by the analysis of international standard assessment and diagnostic tools (PEFA, TADAT, PIMA, Open Budget Reports...) as well as by the IMF HQ technical departments' and regional centers' assessment, including in the framework of compliance assessments under surveillance and lending programmes.[2] This process has ensured a solid alignment of the RTACs interventions with the tax and PFM international standards and good practises in PFM and DRM (JC 1.4).**

Existing evaluations on the RTACs (SARTTAC and AFIRTAC WEST II) have observed that their designs have contributed 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 concerned regions. In the DRM area, the RTACs has contributed to promote the use of the TADAT in the member's countries and closely align their technical advises and activities to this diagnostic's promoted international good practices, providing a solid framework for enhancing revenue administration. In this purpose, the RTAC (e.g. SARTTAC) have financed TADAT accreditation workshops (e.g. under the SARTTAC) to the national administration in order to diffuse these standard and practices among the national tax administrations. Similarly, the AFRITAC WEST II provided regional TADAT awareness training which led several countries to request TADAT assessments, as well as TADAT follow-up missions to provide support in designing national tax administration reform strategic plans which addressed key weaknesses identified by the assessment.

Globally, the high level of senior international expertise mobilized under the RTAC on several PFM and DRM technical issues, together with the quality control of the IMF HQ departments, have also ensured the quality and compliance with international quality standards of the provided RTAC's services.

**The RTAC have increasingly considered cross cutting issues such as gender, climate change, and digitalisation (JC 1.5) although these dimensions are still at an emerging stage among the activities carried out so far.** The RTACs have however promote stronger gender-budgeting focus and gender equality and inclusiveness. The RTACs intend to encourage the implementation of gender budgeting and the use of fiscal reporting tools to support the development of gender sensitive national public expenditure programmes, beginning with relevant data collection and publication, to heighten public awareness. Several regional seminars and/or webinars have been organised since 2020 on "Fiscal Transparency and Gender Responsiveness in Budgeting" for senior budget officials to develop and exchange knowledge with peers and IMF experts. Curricula of courses and trainings are also being developed with the IMF regional training centres, in collaboration with IMF HQ, to prepare the delivering of new courses on these emerging topics to help the national authorities achieve a smart, inclusive, and green post COVID-19 recovery. Gender equality, climate change, green budgeting, digitalization ad inclusion has been discussed during the recent RTACs' Strategic Steering Committees to accommodate more capacity development activities on these transformational areas that should be mainstreamed in the next annual RTAC work plans and training programmes. Whereas discussion and effective delivery of training and expertise on gender-budgeting appeared to be at a more mature stage in several regions, the progressive piloting of Climate Responsive Public Financial Management Framework (PEFA Climate) the "Climate-PIMA" (C-PIMA) that add a climate-responsive dimension into these diagnostics should also contribute to promote the integration of the climate change in the future PFM and DRM related activities of the RTACs.

2 RTAC's capacity gap analysis, IMF FAD analysis/assessment and mission reports, IMF Fiscal Transparency Evaluation (FTE)...

## 3.2. (Internal) coherence of EU actions related to CMSB

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.1 EU CMSB support provided at international level to reinforce international governance and implemented through international partnerships has been coherent across those partnerships and with the support provided at country level

JC2.4 EU CMSB support has been coherent with other EU external policies

**The coherence between the various IP funded by the EU is mainly ensured by the implementing partners, in this case the IMF; the RTAC activities are globally well coordinated with other IMF supports provided in this area although this internal coherence has varied among regions (JC2.1).**

The process put in place by the IMF relies on the formulation of a country CD work program at HQ level which encompasses all technical support provided by the HQ, through the TF implemented by the IMF (RMTF, MNRW) as well as through the RTACs. CD needs (TA and training) are assessed in line with the surveillance and lending IMF core activities and discussed with the partner country. In that respect, capacity development was increasingly integrated with the IMF's lending and surveillance activities and coordinated across HQ and field operations. According to several interviews, the IMF Resident Representatives have progressively taken a more active role on the ground on exchange of information and coordination of PFM and DRM CD and TA. There is a strong coordination between HQ and RTACs: at the beginning of the fiscal year, HQ and RTACS work plans are shared and aligned; a HQ staff person is assigned to supervise RTAC's resident advisor and coordinate on a regular basis with the RMTF project manager.

The RTAC are considered as one of the possible modes of delivery of IMF TA and CD. In revenue and customs administration, there was a division of work between FAD responsible for policy, and the RTAC that handle administration. The RTACs are also considered bringing strong added value in providing extensive technical knowledge on the situation on the ground regarding PFM and DRM related national administrations' organisation and processes, and are very focused whereas the IMF headquarter missions provide or clarify the bigger picture, by having more strategic overview of the country situation in the overall macro-fiscal, PFM, and DRM reform areas.

The external mid-term evaluation of the AFRITAC WEST II (2018) has highlighted that "AFW2 Technical assistance and training have been well coordinated with the Fund surveillance and program activities, and the IMF headquarter TA missions". It has also underlined that the role of the IMF Resident Representative remained instrumental in avoiding risks of overlaps and that such coordination process between IMF Resident Representative Offices and AFW2 has varied across countries with needs for improvements in the adherence to the guidelines on informing IMF Res Rep Offices about forthcoming TA missions.

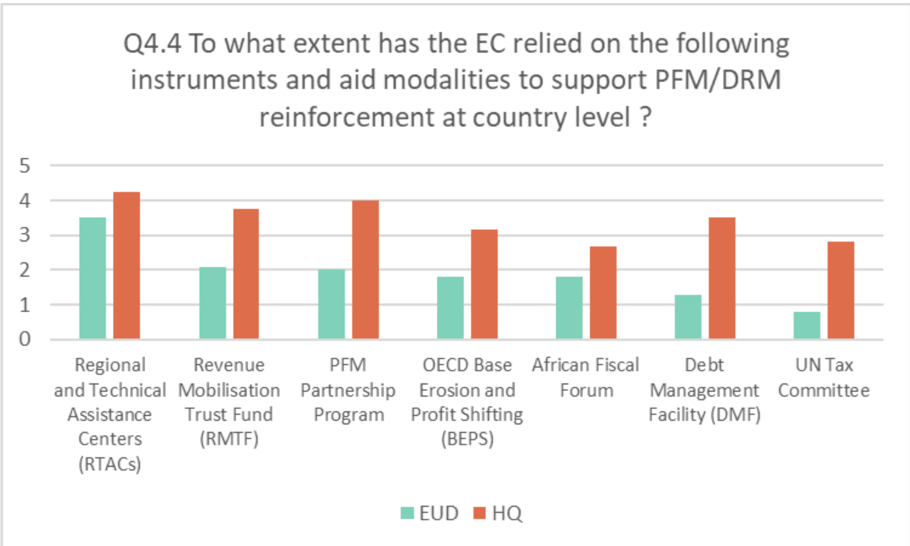
In the case of the SARTTAC, a recent evaluation has also gathered evidences on a strong internal coordination and coherence on tax and custom administration reform's interventions including a coherent integration of SARTTAC technical assistance and training activities to promote stronger consistency with the policy priorities raised in the IMF national surveillance programmes. Such consistency of interventions has been weaker in other strands of the SARTTAC's areas of interventions such as on national accounts and fiscal statistical systems. However, the SARTTAC evaluation has also noted the lack of specific designed modalities to manage risks of overlap with other relevant development partners or inconsistent advices. If synergies and interlinkages with key stakeholders and bilateral cooperation agencies were demonstrated in tax and customs reforms, the information made available to the evaluation have confirmed the irregularities of the PFM reform national steering committees as well as the irregular attendance of SARTTAC to these committees (JC 2.2.). The lack of genuine effort by the national authorities to coordinate Capacity development services with other relevant interventions by the Government or by the Development Partners and the absence of governance structure in some countries (outside the control of SARTTAC) have sometimes prevented an optimal coordination of the provided technical advices with other relevant development partners.

**Overall coherence with EU supports at country level has been stronger in the case of TA provided by the RTACs than trough other International Partnerships (JC 2.1).** The RTACs' advisory and capacity development services are seen by the EU as a valuable complementary support to the EU specific bilateral interventions to promote the CMSB agenda and develop a EU comprehensive wide approach to PFM and DRM reforms. But these interventions still required to be further coordinated with EU bilateral interventions in each country.

The online survey has shown that EU Delegation and Headquarter consider EU financial contribution to the RTAC as an important tool (score above 3.5 out of 5) to promote DRM an PFM consolidation in the countries of EU's interventions on the CMSB agenda. The RTACs are much more well-known than the other IP to which the EU is contributing. Both the staff from the EUDs and the HQ are satisfied about the quality of supports provided by RTACs.

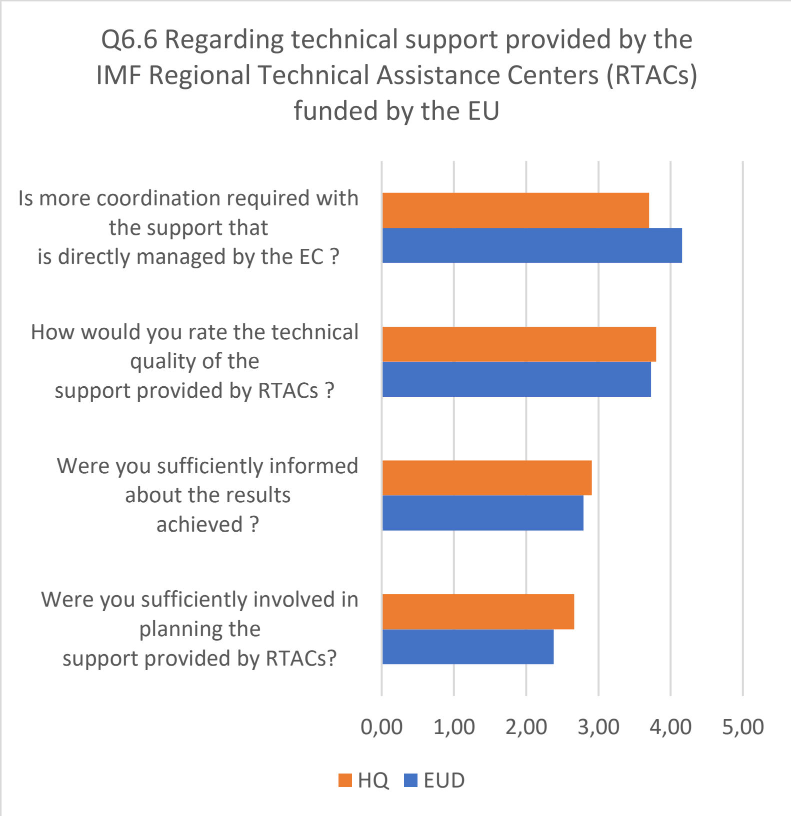
However, the responses clearly indicate some room of improvements in terms of coordination, sharing of information and involvement of EU Delegation. On average, respondents asked for more coordination with other supports directly managed by the EC, for more information about the achievements and for more involvement in the planning of RTACs technical supports.

**Figure 1: International Partnerships as instruments to support CMSB Agenda**




Source: Online Survey ADE 2022

**Figure 2: Quality of RTACs interventions and consideration on the coordination with EU in country interventions.**




Source: Online Survey ADE 2022

Nonetheless, there are some cases of close collaboration and complementarity established between the EU bilateral intervention, the RTACs and others EU-funded IP in several countries.

According to the evaluation's case studies, in the **Dominican Republic**, CAPTAC has sponsored the drafting of Terms of References for a technical assistance on debt statistics that the EU Budget Support funds have financed. In **Malawi**, the capacity building activities financed under AFRITAC East have complemented the in-country EU TA interventions under the EU Chuma Cha Dziko project to the Malawian Revenue Authority (MRA) in supporting a specific assistance on strengthening MRA customs HQ division administration that was not addressed by the EU, on compliance risk assessment and management capacity development. Similar synergies and complementarity were developed through the provision of AFRITAC EAST TA to the implementation process of the integrated tax administration technology system in coherence with the support provided in this area under the EU-financed RMTF.

According to the RTAC annual reports, in **Gambia**, there have been gaps in the financing of the EU TA activities for the Gambia Revenue Authority, and AFRITAC West 2's TA has helped to bridge these gaps between financing cycles in the EU program. In **Liberia**, both EU-funded RMTF and AFRITAC West II have collaborated with the FAD to optimise CD delivery in the area of Tax administration with a division of labour around the RMTF interventions to support the Large Tax Payer Office whereas the AFW2 worked on the Medium Tax payer office to build capacity for audit and intelligence gathering as well as CD to administer domestic excise duties.

**Ultimately, indirect synergies may have been achieved between the RTAC interventions and the EU in-country cooperation especially budget support operations as the RTAC technical assistance and CD operations have also supported key PFM and DRM reforms that were instrumental to ensure progress against the EU Budget support eligibility criteria,** especially, but not only, in fragile countries where the RTACs have contributed to support core PFM functions. Similarly, in some countries, the EU Delegation has also relied on the RTAC short term experts' mission reports to inform its analysis and bilateral policy dialogue with the national authorities (e.g. in Ghana).

## *3.3. Effectiveness – Analysis of outputs and intermediary outcomes*

**EQ3: To what extent have the expected outputs of EU CMSB support related to "Global Public Finance" contributed to more coherent and coordinated PFM policies, better quality of statistics and improved transparency, accountability and scrutiny in domestic public finance?**

JC3.1 EU CMSB support has led to, or consolidated, a renewed analytical approach to the reform needs of the revenue collection and expenditure management system, with the aim, amongst others, of better integrating the two dimensions (Collect More and Spend Better)

JC3.2 EU CMSB support has been instrumental to designing, refining, revising, and/or adopting a genuinely owned domestic revenue mobilization and public financial management reform agenda, mindful of the specific needs and concerns of each country, and of the unavoidable trade-offs between different policy objectives

JC3.3 EU CMSB support has contributed to improved collection of quality fiscal data and statistics. In particular, the information systems supported fully use their potential to foster accountability and oversight

JC3.4 EU CMSB support has contributed to stronger capacities to address issues of transparency, oversight, public accountability and scrutiny, and to specific improvements observed in these areas

**The RTACs have contributed to foster an analytical approach to the PFM and DRM reforms needs, based on the systematic promotion and use of international normative diagnostic tools (such as PEFA, TADAT and more recently PIMA…)** complemented by specific gap analysis and technical assessments, **to support beneficiary countries in the formulation and implementation of PFM and DRM reform programmes (JC 3.1 & JC 3.2).**

In several countries, the RTAC have formulated strategic plans for revenue mobilisation, modernisation of national tax and customs administration, as well as for the consolidation of core PFM technical functions.

RTAC TA has usually focused on shortcomings in policies, institutional structures, processes and capacity that were identified during (a) surveillance or lending IMF consultations or programmes with member countries, (b) IMF FAD/RTAC missions or diagnostics, (c) follow-up TA missions, (d) TA interventions and evaluation of countries' track record in reform action plan's implementation. The carrying out of PMF/DRM diagnostics have been progressively systematized in the beneficiary countries and have shaped the design, revision or updating of national PFM and DRM reform RTAC capacity development and training programmes.

The majority of members countries of the AFW2 have benefitted under the first phase of AFW from the Tax Administration Diagnostic Assessment Tool (TADAT) and related trainings, which enabled them to develop reforms to strengthen their tax administrations with the technical support of AFRITAC West during its second phase. Under the AFRITAC WEST II and in coordination with the IMF FAD department, several supports were provided to ensure **post-TADAT follow-up missions** like in **Ghana** on the drafting a new strategic plan for the Ghana Revenue Authority, in **Nigeria** to assist the Federal Inland Revenue Service (FIRS) to develop a reform plan to address key weaknesses identified by the TADAT or in **Gambia** to accompany the Gambia Revenue Authority (GRA) undertake a comprehensive review and prioritization of the main weaknesses identified by the TADAT assessment and draft an action plan to move the tax administration reform program forward.

According to an evaluation, the SARTTAC assistance to national tax authorities became “a catalyst for change in tax administration modernisation in terms of new set of skills and capabilities and preparedness to deliver on VAT reforms” and on other new tax laws and tax reforms (JC 3.2).

In the PFM area and still according to this evaluation, the SARTTAC has addressed the capacity development needs raised by several Ministry of Finance authorities by training budget and finance officials on: (i) macroeconomic and fiscal forecasting, (ii) strategic top-down budgeting and the public investment management framework, (iii) tailoring the link between MTEF and the annual budget preparation and (iv) enhancing the annual budget documentation to make the budget more transparent and comprehensive.

**Globally, 15% of the RTAC budget have been earmarked for the improvement of real sector statistics with specific components on government finance statistics (GFS) and public sector debt statistics (PSDS) (JC 3.3**). In this area, improving the quality of national statistics have been one of the priorities of the RTAC and several TA and CD activities have earmarked. Under the SARTTAC, training on GFS and PSDS has been predominant in the region with specific training and follow up missions to assist national authorities of the members countries in finalising the translation of the fiscal statistics and budget data into a Government Finance Statistic Manual 2014 framework, along the lines of the IMF international guidelines on statistical methodologies.

Several TA and training in national accounts, price statistics, external sector statistics and GFS/PSDS have been delivered in response to member countries’ needs to rebasing national accounts and CPI data, producing new Gross Domestic Product (GDP), price and Government Finance Statistics (GFS) series. Under the AFWII, significant progress was made towards rebasing of the national accounts in Nigeria, Ghana and The Gambia, and of consumer price statistics in Cabo Verde, Ghana and Sierra Leone.

**Specific supports have also been provided in the area of Financial Management Information System (FMIS) in several countries** (Ghana, Liberia, Nepal) **as well as on enhancing the annual budget documentation, including publication of citizen budget** (e.g. SARTTAC CD in India) **to make the budget more transparent and comprehensive (JC 3.4).**

In The Gambia, Ghana, Liberia, and Nigeria, the RTACs have also contributed to equip the national tax administration staff with additional skills to use the Integrated Data Analysis and Extraction tool (IDEA) and electronic data audit to boost the productivity among field audit officers. In Ghana, AFW II has evaluated the functionality of the Total Revenue Integrated Processing System (TRIPS) of the Ghana Revenue Authority’s (GRA) Domestic Tax Revenue Division (DTRD) and made recommendations for an improvement plan for this first West Africa’s information and e-Government’s business automation process system that seeks to streamline and bring transparency in the business operations of the GRA.

**EQ4: To what extent have the expected outputs of EU CMSB support related to “collect more” contributed to revenue generation and reduced revenue gaps?**

JC4.1 EU CMSB support has contributed to improved tax policy

JC4.2 EU CMSB support has contributed to improved tax administration

JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR)

JC4.4 EU CMSB support has contributed to revenue effort

**On the collect strand, the RTACs have mainly concentrated their interventions on tax and custom national administrations, focusing on organisational and technical implications derived from implementation of new tax policies or laws. The IMF Fiscal Affair Department**

**has been taking the lead in the area of tax strategic policy advices together with others IPs (RMTF, MNRW) (JC 4.1)**.

**RTACs have contributed to strengthening revenue administration management and governance arrangements as well as consolidating and modernising core tax and custom administration functions in order to improve performance of domestic tax systems (JC 4.2).**

According to an evaluation, the SARTTAC's interventions have played a crucial role in assisting some member countries in implementing major legislative reforms in the tax system such as VAT, General Sale Tax and income tax reforms as well as progressively develop and modernise compliance risk management culture and capabilities of the national administrations to implement these new taxes and management systems. Efforts have more specifically focused on the development of new business processes and standard operations' procedures related to tax payer registration, filing, reporting and payment, as well as the procurement of new IT systems.

**The RTAC's interventions have aimed at expanding the tax base and improving tax compliance and registration** through the implementation of several reforms related to the introduction of VAT and GST taxes, the fight against fraud, the modernisation of national tax regulatory framework and national administrations. The RTAC have also contributed to diffuse good international tax administration practises.

| Main DRM related areas covered by the RTACs |
|---|
| 1) Consolidation of the fiscal segmentation and categorisation process |
| 2) Strengthening of large and medium size tax payers' departments |
| 3) Development of new compliance risk management systems and their automation in order to build risk-based compliance audit capacity |
| 4) Enhancement of the member countries' capacities in the area of audit planning technics and data analysis methodologies |
| 5) Stronger integrity of national taxpayer registers and ledger, and national capacities in tax intelligence and criminal investigation |
| 6) Excise duties and tax arrears management |
| 7) Customs valuation, risk-based approaches, post clearance audit process and related standard operation procedures |
| 8) Monitoring and controls for exemptions and merchandise transit systems |
| 9) Implementation of customs related regional directives (e.g. development of an overarching customs and revenue integrity frameworks in the ECOWAS member countries) |

**In the area of non-tax revenue management (JC 4.3), few evidences of interventions have been recorded but the RTACs have increasingly focus on the assessment of fiscal risks management and oversight of State-Owned Enterprises, enhancement of fiscal reporting and comprehensive public sector accounting (IPSAs compliance) to improve transparency of parastatals and the assessment of potential future non-tax revenue basis**. Under the AFRITAC WEST II, the Gambia, Liberia, Sierra Leone and Ghana were assisted to strengthen their capacity to audit the telecommunication sector. In Cabo Verde, Ghana, Sierra Leone, and The Gambia, monitoring and reporting framework for SOE finances, gap analysis for IFRS were developed as well as the establishment of dedicated fiscal risk units in Ghana and Sierra Leone.

**Whereas the RTAC interventions have directly contributed to the promotion and implementation of tax reforms processes, their effective contribution to the national tax efforts will take time before they materialise and lead to tangible results in terms of**

**increased tax collection (JC 4.4).** The existing institutional environment and absorption capacities in several members countries together with political economy factors have often impede faster ownership of reform implementation. The time required to complete needed institutional changes, reorganisation and modernisation of the national tax administrations, as well as to translate the benefits of RTAC's CD activities, trainings and TA recommendations into visible managerial changes are among the key factors that explain these backlogs.

**EQ5: To what extent have the expected outputs of EU CMSB support related to "spend better" contributed to strengthening essential PFM functions, improving spending effectiveness and efficiency and ensuring sustainable debt management?**

JC5.1 EU support has contributed to better **policy-based budgeting**, in line with the government's macro-fiscal strategy and strategic national and sector plans

JC5.2 EU support has contributed to improved **budget control and execution** across its different stages, including adjustments to external shocks (response to below-target revenue), keeping the expenditures on track to the budget provision as well as improving transparency of budget execution

JC5.3. EU support has contributed to improved **Public Procurement Management** and transparency of arrangements and competitive processes

JC5.4 EU support has contributed to improved **Public Investment Management,** addressing its core weaknesses across the project cycle

JC5.5 EU support has contributed to improving **debt management**, focusing on adopting a debt strategy, the reduction of arrears, strengthened management capacities and higher transparency.

Overall, on the "spending" strand of the CMSB agenda, the main expertise's and capacity development activities provided under the RTACs have covered a rather comprehensive part of the whole PFM functions and cycle from core PMF functions in fragile countries to more advanced process in other countries. However, despite several achievements and progresses achieved in these related reform processes, the provided CD has not yet fully impacted the quality of key PFM functions as needed institutional changes, absorption capacity of new processes and their operationalization take time.

| Main PFM related areas covered by the RTACs |
|---|
| 1) the strengthening of macro-fiscal planning, the upgrading of the national budgetary legal frameworks, budget formulation, information systems and budgetary procedures |
| 2) the development of modern payment and accounting systems and the enhancement of fiscal reporting; |
| 3) the strengthening of expenditure controls; |
| 4) the consolidation of cash balances, cash planning and cash management as well as the setting and/or implementation of Treasury Single Account; |
| 5) the alignment of governments' accounting systems with international standards, |
| 6) the coverage and quality of fiscal reporting and management of government financial assets and liabilities; |
| 7) the identification, monitoring and management of fiscal risks, including those related to state owned enterprises or public private partnership, and the strengthening of relevant oversight functions; |
| 8) the improvement of debt management and developing government securities markets and |
| 9) public investment management. |

**For the majority of the SARTTAC member countries, the PFM support programme has focused on improving the credibility of the budget, including policy based-budget preparation, public investment management and commitment control system (JC 5.1, 5.2 & 5.4).** Technical Assistance on improving budget formulation and documentation has been carried out in **Bhutan**, **India** and **Maldives**, including on improving the comprehensiveness and transparency of budget documents. However, according to a recent evaluation, delivery of CD to promote credible, comprehensive and policy-based budgeting has not yet produced major positive outcomes with regards to more credible medium-term budget framework and fiscal strategy statements and top-down budgeting tools as reform process are still on-going. In **India,** in order to improve the policy orientation of budget documents, SARTTAC has assisted the budget office in the Ministry of Finance by preparing a draft fiscal strategy statement that was an essential requirement to initiate strategic and top-down budgeting.

Under the **AFW II,** workshops and trainings, bringing together AFW2 countries and Lusophone African countries have focused on strengthening coordination between the planning and budgeting functions (JC 5.1) and contributed to advancie the preparation of draft planning regulations and a program-based budgeting manual in **Cabo Verde**; In **Gambia**, AFW2 has been supporting the development of a consistent macro-fiscal database and macroeconomic projections for budget planning purposes. In **Ghana**, structural and functional reforms in the Controller and Accountant General's Department were supported as well as the identification of potential sources of discrepancies in fiscal data and the improvement of macro-fiscal framework and fiscal risk analysis. Commitment control and arrears management have been progressively strengthened and the design of the Treasury Single Account have progressed as well as the integration in **Liberia** while arrangements for oversight of federal government owned enterprises and the completion of Treasury Single Account operational manuals for specific States were reviewed and finalised in **Nigeria**. A first fiscal strategy statement was finalised and published by the **Sierra Leone** in 2017 and was since annually published. A Fiscal Risk Management and Fiduciary Oversight of SOEs Division was also established within the Ministry in 2020 and was considered as a major milestone.

The AFWII has also developed significant interventions to addressing fiscal risks in fragile states arising from SOEs and PPPs. AFW2 has provided support to strengthening performance reporting by SOEs and managing PPP in The **Gambia, Sierra Leone, Nigeria and Ghana**, promoting roadmap to adopt SOE performance-based contracts and developed an International Financial Reporting Standards (IFRS)-based training curriculum. CD interventions aimed also at strengthening fiscal reporting in member countries. AFW2 supported the review of the Charts of accounts against the requirements of Government Finance Statistics Manual (GFSM) 2014 and related issues, for advancing the objectives of the improved quality of fiscal reporting (**The Gambia and Sierra Leone**).

**Whereas public procurement management** and transparency of arrangements and competitive processes were not specifically targeted by the RTACs (JC 5.3), they have contributed **to diffuse the PIMA diagnostic** (JC 5.4) and the definition of reform action plan such as in Bangladesh which has triggered a reform process to better integrate the annual development plan with the medium-term budget framework in order to strengthen project planning and funding. Similarly, in Nigeria, AFW II undertook a PIMA in collaboration with the IMF HQ that led to a prioritized reform strategy and action plan.

**Several RTACs have been instrumental in improving debt management and accompanying countries in the adoption process of national debt strategies. (JC 5.5).**

**With the support of AFRITAC West, several countries have consolidated their debt management capacities and modernized their debt management frameworks.** Through TA missions and workshops, AFW contributed to capacity building in the following areas: (i) debt sustainability analysis; (ii) identification of sources of public debt vulnerability; (iii) use of debt management strategy framework developed by the IMF and the World Bank and; (iv) management of government guarantees and on-lending of public loans. Capacity development activities from Afritac West have helped **Burkina Faso, Côte d'Ivoire, Mauritania and Senegal** to design medium-term debt management strategies. **Côte d'Ivoire** has prepared a debt sustainability analysis **whereas Benin, Côte d'Ivoire, and Senegal** have reorganized their public debt management departments using the front, middle, and back office model, and **Benin** adopted a legal framework for public debt management**.**

**India** has sought SARTTAC's support on designing an integrated debt management database for internal and external borrowing and contingent liabilities. SARTTAC has also hosted a course on improving treasury and debt management that was identified as a regional priority**. Dominican Republic** has received support from the CAPTAC to consolidate its national debt statistics.

## *3.4. Effectiveness – Analysis of outcomes*

**EQ6: To what extent have the intended outcomes materialised in terms of improved DRM and public sector management (i.e., fiscal space enlargement; strategic allocation of resources; improved delivery of public services/infrastructure; fairer taxation)? What are the factors that have hindered or facilitated the achievement of these intended outcomes?**

JC6.1 Countries having benefited from EU CMSB support have been able to diversify their internal and external sources of financing, managing any fiscal risk at the same time

JC6.2 Countries having benefited from EU CMSB support have been able to plan and execute the budget in line with government priorities geared to clearly defined policy objectives

JC6.3. Countries having benefited from EU CMSB support have been able to use revenues to achieve the best levels of public services and infrastructure within available resources

JC6.4 Countries having benefited from EU support have been able to gear public revenue and expenditure to enhancing the fairness of the contribution of each individual or corporate taxpayer to the mobilization of revenue, and the redistribution of income to lower-income populations

JC6.5 EU CMSB support has helped steer DRM/PFM systems towards an effective crisis response in the midst of the Covid-19 pandemic, and to a rebalancing of fiscal priorities towards more inclusivity and transparency in the recovery phase (DRM, capital expenditure, debt management, risk management etc.)

**Provision of high-level technical expertise through the RTAC's country-tailored CD and advisory services has promoted the implementation of specific PFM and DRM reforms process and contributed to align these processes with best international practices. However, the extent to which beneficiary institutions have been able to fully institutionalise these capacity building process and experts' recommendations, and apply them to daily operations have varied from country to country (all JC)**.

If RTAC's have worked on the foundations for improved DRM and public sector management skills and practises at country's level, together with other Development Partner CMSB interventions, it has not been always sufficient to ensure the necessary influence, traction and achievement of expected outcomes. Governments' ownership and absorptive capacities as well as sensitivity to domestic institutional tensions and political economy constraints and, more generally, institutional cultural awareness have also conditioned the expected improvements such as presented in the Judgment criteria. **In addition, synergies that may have occurred with the countries under surveillance and lending IMF programs have also impacted the pace of progress achieved and often eased the political economy constraints to reforms' implementation.**

**A recent IMF study[3] has indeed found that close integration between the IMF CD, lending, and surveillance activities can be associated with higher probabilities of achieving IMF CD projects targeted outcomes** with positive correlations between CD project's outcome ratings and the country's concomitant engagement in IMF programs.

However, these complementarities and synergies should not run the risk of undermining domestic ownership of RTAC's advisory services by jeopardising the expected neutrality of RTAC experts that should remain technical trusted advisors for the recipient national administrations and not be considered as potential "Trojan horse" for IMF programmes' conditionalities, as already underlined by the 2018 external mid-term Evaluation of the AFRITAC WEST II.

**All these reforms processes take time to lead to genuine improvement of DRM and public sector management**. According to the above-mentioned IMF Study, "completed IMF CD projects tend to feature higher ratings than ongoing ones, confirming that CD is a complex medium-term process with targeted outcomes taking time to achieve and possible setbacks along the way".

The 2018 external mid-term evaluation of the AFW II underlined some key impacts in terms of efficiency of cash management and budget execution following the achievement of the establishment of the Treasury Single Account in one of the Nigerian's State. However, recent ROM of the AFRITAC WEST II and evaluation of the SARTTAC, while acknowledging evidence that policy reforms and improvement of PFM and DRM have started to materialised, have underlined that these supported processes will take time to be translated into tangible outcomes. A key challenge for the sustainability of these RTAC's CD and technical interventions lies often in the adequate resources available in the member country and its relevant administrations, to undertake the range of recommendations which are often demanding, long and of complex implementation.

The latest SARTTAC evaluation has underlined that "there was no evidence suggesting its work has contributed significantly to allocating the national budgets resources in a more strategic manner particularly in the health and education sectors" or that SARTTAC's supports to more credible and policy-based budgeting have not produced "major positive outcomes such as more credible medium-term budget framework and fiscal strategy statements, and top-down budgeting tools". This evaluation also mentioned that "improvement of accounting and fiscal reporting has mainly been timid" while the institutionalisation of other SARTTAC-supported PFM/DRM reforms like the modernisation of tax administration, the improvement of spending efficiency and commitment control remain a "work in progress".

## *3.5. 3Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.1 EU support to DRM/PFM/Debt management have been coherent and coordinated with other donors and with national authorities

JC8.2 TA/capacity development activities implemented under EU-funded MDTFs, regional organizations (RTAC etc.) and/or national basket/pool funds have been coordinated and complementary with related EU and donor TA/Capacity building interventions in the partner countries

JC8.3. EU contributions and participations to MDTF, international Tax/PFM governance initiatives, global partnerships/fora and is conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

[3] IMF Working Paper 21/285 "When Does Capacity Development Achieve Good Outcomes? Evidence from the IMF Results-Based Management Data" - Antonio Bassanetti. December 2021. This study is considered as a first empirical insight, using for the first time the IMF's RBM dataset, on the impact of IMF CD in building capacity and institutions in member countries. The methodology focuses on correlations rather than on causal relationships.

**Existing evaluation and interviews confirmed that since the establishment of the RTACs, significant progresses were achieved to improve coordination with development partners offering similar CD/TA programmes and/or intervening in the fields of PFM and DRM. However, there is a broad consensus that closer coordination and synergies as well as exchange of information should further improve in order to enhance coordination and overall coherence and complementarity of PFM & DRM DPs' interventions at country's level (JC8.1).**

Usually, donor coordination can occur at three stages: during the annual RTAC Steering Committees, then, when annual workplans are shared and periodic meetings are held to discuss priority CD requirement and also when each RTAC's Resident Advisor representing each region workstream portfolio informs Development Partners of planned missions and invites them to be briefed during or after the RTAC short-term TA/CD missions.

**The main findings of previous mid-term evaluations of AFWII phase I and of AFRITAC EAST from 2018 and 2019 have noticed substantial improvement of coordination of the RTACs with other development partners (JC 8.2)**. RTAC TA and trainings were well coordinated and integrated with the IMF surveillance program activities and complementary to IMF headquarter TA missions, these evaluations underlined that these RTACs have also avoided duplication and overlap of assistance with other TA providers especially from RTAC-funding DP. However, **coordination with other DP's TA or CD interventions could be improved as RTAC could do more to promote donor coordination and reaching out to a wider group of beneficiaries.** In general, and according to the recent SARTTAC evaluation (still on-going), the RTAC CD programmes have not been designed to sufficiently coordinated relevant activities or to define the extent of collaboration with donors' agencies. However, the evaluation also underlined that the most effective donor coordination should rest with the country administrations to establish effective outreach mechanisms to coordinate TA and CD requested form different providers/DP. This may explain why the coordination and exchange of information and synergies were stronger in countries where solid and proactive sector coordination working group on PFM and DRM were established.

**EU Delegations at regional and national level have been instrumental in requesting more transparency, predictability and coordination of RTAC activities at national level and exchange of information on the purposes, planning and outcomes of each RTAC Resident Advisor's work and incoming short-term experts' missions**. Coordination and complementarity issues have been regularly raised by the regional EU Delegations in charge of RTAC projects during the annual RTAC steering committees.

The present evaluation's survey to the EU staff at HQ and in EUD (cf. Evaluation Question n°2 – Survey's question 6.6) has also underlined the need for stronger coordination and exchange of information between the RTAC and the EU interventions.

At national level, the proactivity of EU delegations to request information and briefings to regional EUD or to local IMF offices on incoming RTAC missions and activities have varied country to country. The RTACs activities are not always well known to all the EU Delegations due to staff rotation and HR challenges, and due to the fact that RTAC projects are not included in their portfolio unlike for the EU Delegations in charge of regional programmes (e.g. Nigeria, India…).

Regional EU Delegations have systematically consulted EU Delegations at the time of the finalisation of each RTAC annual work plan in order to receive, prior to the annual Steering Committees, feedbacks and comments on the relevance and coherence of the planned RTAC priorities of interventions and on the potential need for stronger coordination or complementarity with EU in-country interventions. Whereas EU Delegations' effective capacity and proactivity to feed in this consultation process have varied from country to country, the received comments were forwarded to the RTACs and to the EU HQ for transmission to the IFM HQ.

**So far, the RTAC Steering Committees did not generally act as facilitator of dialogue as key DP involved in PFM/DRM CD that do not fund RTAC are not invited as observers**. This issue has been for example raised in Asia with the World Bank and the Asian Development Bank that were key DP involved in PFM and DRM Ta and CD and where further coordination and complementary are required with the SARTTAC's activities in the member countries.

**However, if the governments of RTAC's member countries should have a key role in establishing effective outreach mechanisms to coordinate TA and CD in the area of PFM and DRM, the RTACs have progressively used the existing national coordination mechanisms (sector working group on PFM and DRM) to facilitate exchange of information, coordination and synergies (JC 8.3).**

In several countries, RTAC have provided briefings and debriefing at the beginning and /or at the end of short-term CD missions to these coordination working groups. Similarly, DP's funded IMF long-term expertise have also increasingly provided debriefing or have been invited to participate to these established PFM/DRM sector working groups.

**The expected central role played by the IMF Resident Representative Offices have varied country by country although coordination practices appear to be largely adopted by IMF HQ and Regional Capacity Development Centre to support them**. RTAC's Resident Advisors have played an increasingly positive role in coordination but they are sometimes constrained by their position of trust with the national authorities' administrations (SARTTAC evaluation 2022).

**Efforts have also been made by the RTACs and the IMF HQ to publish more quickly the RTAC annual reports and quarterly newsletters in order to inform on the key interventions of RTAC in each region**. One issue concerns the access for all the EUD to the on-line RTAC project Share Point platform that provides access to the technical reports of each short-term RTAC expert's missions once confidential or disclosure agreements' provisions between the IMF and the Governments are fulfilled. This rather highly technical information can provide useful information to the EUD especially in the framework of its progress monitoring of budget support's PFM eligibility criteria and the EUD related policy dialogue with the national authorities. Seizing this opportunity has been uneven among the EU Delegations. While the Regional EU Delegation and EU Headquarters' relevant units may have access to these share point platforms for each region covered by the RTACs, some EU Delegation still not have access to it or those who have access (directly or through the regional EU Delegations) do not always fully grasp the potential benefit of the technical information available. This would require a reinforced awareness-raising campaign by EU headquarters and regional delegations on the sources of information potentially available to the EUD. In addition, the reports published on the RTAC share point platform often dated back from missions that have occurred several months or years ago. While progresses have been made to update the publication process with more recent reports, an important backlog persists between the end of the RTAC technical in-country/remote missions, the finalisation and validation of the mission reports and their publication in the platform.

According to the 2020 AFRITAC WEST II Annual Report, AFW2 included coordination efforts in tax administration "AFW2 has coordinated and shared experiences with the World Bank (**Nigeria**), EU funded Revenue Authority project (**The Gambia**) and UK DFID/FCDO (**Ghana**). AFW2 has also continued to coordinate efforts with Fiscal Affairs Department/HQ managed RMTFs in Ghana, Liberia and Sierra Leone"; At regional level, in the customs area "detailed discussions on customs regional directives and harmonisation procedures and the implementation of the ASYCUDA system in the ECOWAS region were held with the World Bank (Regional Trade Facilitation Project), the UK DFID/FCDO (in relation to the Ghana program), the World Customs Organization (WCO), as well as with UNCTAD, on the facilitation of COVID-19 related imports".

In the specific country case studies carried out by the present evaluation, some synergies and complementarities have been noted between the EU and the RTAC like in **Dominican Republic** on debt statistics, in **Malawi** on complementary support provided to the Malawi Revenue Authority and to the operationalisation of the new IFMIS and in Cameroun from a general point of view. In other countries, while no potential overlaps between EU and RTAC interventions in CMSB areas were observed, lack of synergies resulted either because RTAC's fields of interventions were not covered by the EU (e.g. in **Niger** on debt management) or because of the absence of genuine mechanism of coordination and exchange of information.

## *3.6. Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

Existing evaluations have confirmed the satisfaction on RTAC quality of expertise from several member countries/national beneficiaries. Indeed, RTACs' most important asset has been its experts. Working with RTACs also provided several advantages with regional centres located close to countries with a team of resident advisor specialised on advisory and capacity development for PFM and DRM reforms process in developing countries.

**Responsiveness and ability to quickly mobilise in-country expertise and capacity development missions with good technical and institutional knowledge have been appreciated (JC 9.1 & JC 9.2)**. The RTACs are seen as able to provide practical, hands-on inputs to member countries and national beneficiaries acknowledged RTAC Centres' and Regional Advisors' competency and flexible capacity to deal with rapidly emerging needs, and ensure field visits on short notice. The IMF/RTACs have often emerged as preferred development partners in CD activities on Tax and PFM reforms, allowing recipient countries being exposed to modern practised and high-level quality trainings and advisory services for their staff.  For the EU, the flexibility and adaptability of the RTAC model has been instrumental to respond to changing circumstances and redirecting (or creating new) programmes relevant to the highest reform priorities. The model of a core group of Resident Advisors complemented by short-term experts, working in close collaboration with IMF Headquarters and with the national administrations through a demand-driven and consultative planning process, meant that RTACs were well placed to reorient its focus to address emerging and urgent issues. A recent IMF Study[4] has also found positive correlation between the outcome ratings of IMF CD projects and the services provided by both RTAC and in-country resident advisors as part of the broader integrated IMF CD delivery whereas "continued engagement with the recipient country can be an important ingredient for impactful CD by favouring country-tailoring, enhancing responsiveness to changing needs and circumstances, facilitating hands-on support, and fostering the IMF's role as a trusted advisor".

The RTACs' interventions have also been supported by solid diagnostic and analytical capacities from the IMF HQ's technical services including from country's teams in charge of monitoring surveillance and lending IMF bilateral operations. **RTACs have been widely recognised as a priority in the area of international cooperation on PFM and DRM national reform processes, as a mean to bring**

[4] IMF Working Paper, December 2021, Ibid.

**solutions and needed supports to the concerned national public institutions with an adaptability capacity to each national context (JC 9.2)**. Margins of manoeuvre remain regarding the appropriateness of the length of short-term expertise and CD missions, the needed mix with long-term country-based expertise and the assessment of the appropriation and national institutional absorptive capacities as well as the follow-up of recommendations' implementation.

A logical framework approach as a way to measure and track the outcomes of RTAC interventions is still a work in progress. The expected implementation of a Result Based Management[5] approach to adequately measure RTAC performances of TA and training delivered services has been progressively implemented but still lagged behind and led to several EU's requests during Steering Committees to better track the in-country impacts of RTAC CD/training overtime and the specific outcomes of provided advisory services.

The EU is mainly involved in the RTAC through its participation to annual steering committees, as well as its active participation in the consultations process at the time of the finalisation of the annual work plan and its annual implementation review and monitoring. While it may have varied across the regions, the EU has been seen by the IMF as an increasingly active donors in the technical areas covered by the RTAC, especially on PFM.

According to interviews, EU capacities at HQ level to interact or exchange on technical PFM/DRM issues and RTACs' strategic orientations with the IMF HQ are stronger today, which has had a positive impact on the level of EU involvement and collaboration with the IMF.

The involvement of EUD at country level has varied from region to region. While progress was made to provide more predictability in informing the EUD, especially the regional EUD in charge of managing the RTAC regional projects on missions and outcome of provided TA and CD, EUD level of knowledge and involvement in the monitoring/analysis of RTAC country programmes is sometimes more limited, depending on the proactivity of each EU Delegation to have access to the needed information, the technical nature of the issues addressed, and the availability of PFM/DRM specialised EU staff.

But globally, since the last few years, the EU has been increasingly active in the governance bodies of the RTACs, especially during the annual Steering Committees as well as through a more EUD's active communication with regional centres and IMF Resident Representative Offices on interventions priorities of annual work plans, as well as on the need to promote stronger exchange of information, coordination and synergies of RTAC interventions with the DP community.

The RTAC partners, including the EU which remain one of the main RTAC funding donors, are mentioned and displayed on the RTAC reports and in the dedicated IMF/RTAC website but the global visibility of the EU has been limited to these areas (JC 9.4). Progress were however achieved in communication and visibility through digital outreach tools (RTAC websites), more regular issuance of RTAC newsletters and shorter delay in the publication of RTACs annual work plans and implementation reports. On the ground, EU involvement has often been limited to high level representation at the opening or closing events. The EU regional and national Delegations have however been increasingly active in asking for better communication and exchange of information.

[5] The IMF has piloted results-based monitoring since the mid-2000s and has worked on a standardized RBM framework being intensified following the 2013 Fund's CD Strategy. Since May 2017, the adoption of a harmonized RBM framework has been required for all the Fund's CD operations, thereby further enhancing the systematic gathering and monitoring of information at the project level (source: IMF Working Paper, Ibid)

# 4. Main lessons: contribution to key outcomes and good practices

**EU contributions to the RTACs have aimed at mobilising high level expertise on key CMSB related areas that the EU would not have easy access otherwise**, especially as **EU TAIEX and Twinning cooperation** instruments that are also considered very efficient tools for peer exchanges and provision of high level institutional and technical expertise, including best international practices, **were not always well developed in all the cooperation portfolio of EU's partners countries.**

**The available IMF HQ and RTAC's top-level expertise, the demand-driven and international normative PFM diagnostics-based approach have ensured the provision of relevant and efficient capacity development, technical assistance and guidance that acted as catalyst** to promote adoption of international standards and good practises as well as stewardship of key institutional, legislative, administrative and technical reform processes in the PFM, DRM, government financial statistics and debt management areas.

**The legitimacy of the IMF's expertise**, training and advisory services, supported by IMF HQ competent services (Fiscal Affair Department, Capacity Development Department…) has ensured **a high degree of satisfaction from the recipient countries and the perceived benefits of expected outputs and outcomes have remained very high especially in terms of dynamic and traction for tax and public expenditure management reforms**, improvement and dissemination of key government financial statistics and development of transparent and strengthened debt management strategies.

**The RTACs have also endowed recipient government with appropriate and relevant strategic and technical advises** as well as capacity development and training support to advance on key and sometimes highly demanding technical and strategic PFM and DRM reform processes aimed at consolidating the national public financial and macroeconomic governance systems on which the CMSB agenda is grounded. Consequently, **the EU's financial contribution to the RTAC has also indirectly contribute to the sound implementation of EU budget support operations**, among others, by **enhancing the capacities of the EU's partner countries to fulfil the BS modality's eligibility criteria on PFM and macroeconomic**.

**RTAC assistance was not sufficiently designed to manage potential risks of overlap with other relevant DPs.** This may prove particularly problematic in countries where there is a lack of formal PFM coordination mechanism managed by the national authorities or the DPs themselves.

**The EU, due to its position of main contributor to the RTAC, has promoted an active dialogue with the IMF HQ, the RTAC and the IMF Resident representative offices to promote a stronger coordination and exchange of information** of the RTAC work with the other active DPs in the area of public financial governance and improve predictability and synergies.

If the **EU's involvement in the monitoring and governance structure of the RTACs has increased** especially on discussions and decisions surrounding the strategic priorities, relevance and coherence of the RTAC interventions, **efforts should be made to further strengthen the capacities of EU Delegations to prolongate and consolidate these interaction and coordination processes at country level**. But globally, EU has been seen by the IMF and the RTAC as an increasingly active donors in the PFM and DRM technical cooperation.

Progress has been made towards **the introduction and effective use of a result-based management framework** and the development of supporting monitoring tools. **This new governance framework,** that aims at better monitoring and measuring the results of RTAC TA and training interventions in terms of PFM & DRM enhanced capacity and governance performances, **still needs to be strengthened.** This is all the more important for:

1. future strategic guidance of RTAC interventions and improved capacity to better (i) understand the mechanisms underlying some of the results (ii) identify and address potential (non-macro-economic)

limiting factors (such as governments' ownership and absorptive capacities, sensitivity to domestic institutional tensions and political economy constraints) that have so far impacted the RTAC's contributions to the expected outcomes in terms of improved DRM and public sector management.

2. foster accountability, knowledge-sharing and reporting on EU financial support to the RTAC and its contribution to improved CD and better public financial governance in EU's partners countries.

## Annex 1: List of institutions met

| Institution type | Institution / Minister | Service |
|---|---|---|
| European Union | European Commission DGINTPA | |
| | EU Delegations Nigeria & India | Sections In charge of regional projects |
| IMF | IMF Europe office in Brussels | Liaison office with the EC DG INTPA |
| | Institute for CD | |
| AFRITAC WEST II | Regional Centre (Ghana) | Director and Resident Advisors |

# INTERNATIONAL PARTNERSHIP CASE STUDY NOTE – UN-OECD

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**THE PURPOSE OF THIS NOTE IS TO INFORM THE EVALUATION OF THE EU'S SUPPORT TO THE "COLLECT MORE, SPEND BETTER" APPROACH. IT IS NOT DESIGNED TO BE AN ASSESSMENT OF THE EU'S PARTNERSHIP WITH THE UN AND OECD.**

## List of acronyms

| | |
|---|---|
| ATAF | African Tax Administration Forum |
| BEPS | Base Erosion and Profit Shifting |
| CMSB | Collect More, Spend Better |
| CTPA | Centre for Tax Policy and Administration |
| DESA | Department of Economic and Social Affairs |
| DRM | Domestic Resource Mobilisation |
| EC | European Commission |
| EU | European Union |
| EU MS | European Union Member State |
| EQ | Evaluation Question |
| GF | Global Forum |
| IF | Inclusive Framework |
| IFF | Illicit Financial Flows |
| IMF | International Monetary Fund |
| INTPA | Directorate General for International Partnerships of the European Commission |
| IP | International Partnership |
| MDTF | Multi-Donor Trust Fund |
| MNE | Multinational Enterprise |
| MS | Member State |
| OECD | Organisation for Economic and Cooperation and Development |
| PEFA | Public Expenditure and Financial Accountability Assessment |
| PFM | Public Finance Management |
| TAXUD | Directorate General for Taxation and Customs Union of the European Commission |
| TIWB | Tax Inspectors Without Borders |
| UN | United Nations |
| UNTC | United Nations Tax Committee |
| WBG | World Bank Group |

# 1 Introduction and choice of the UN-OECD international partnership as a case study

## *1.1. Scope and objectives of this case study*

This "International Partnership" desk note is part of the evaluation of the EU's support to the CMSB agenda over the period 2015-2020/21. The CMSB agenda covers the area encompassing Domestic Resource Mobilisation (DRM), budget management (programming and execution) as well as debt management and transparency and accountability. This case study covers the support provided by the European Commission to the UN-OECD international partnership, and more specifically support to the UN Tax Committee, the OECD/G20 Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes.

The analysis builds on a desk review of documents (e.g., EC strategy-level documents, PFM strategies/plans linked to the international partnership, international studies, EC intervention documents incl. EU funding agreements). To complement this desk work, the team also conducted a few remote interviews with key international stakeholders to collect the views of DG TAXUD, the OECD's Centre for Tax Policy and Administration and Global Forum Secretariat, and the UN Department for Economic and Social Affairs (see list in Annex 1).

The UN-OECD international partnership has been chosen as one out of the four "international partnerships" case studies of the CMSB evaluation for several reasons. Firstly, it was chosen for the topics covered by the initiatives supported, which focus on international tax issues such as tax evasion, tax avoidance, international tax standard-setting and exchange of information. Secondly, the Inclusive Framework (IF) on BEPS and the UN Tax Committee (UNTC) have the particularity to promote the participation of developing countries on these issues. Finally, it was interesting to study the EU's partnership with the UN-OECD to provide a point of comparison with the IMF and the World Bank mechanisms and show a different approach to PFM.

Through its support to this international partnership with the UN-OECD, the EU aimed to address several challenges related to the CMSB agenda at international level, including in particular:

- Promoting the principles of good tax governance at national and international level and developing international standards;
- Promoting global transparency and exchange of information standards around the world;
- Elimination of international drivers of the tax gap (harmful or unfair tax competition, illicit financial flows), including through improved exchange of information and administrative cooperation between States; and
- Tackle multinational enterprises' tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity.

This note follows the set of evaluation questions (EQs) around which data collection and analysis were structured for the evaluation. This set covers the relevance, internal and external coherence, efficiency, effectiveness and impact of the EU support provided to the CMSB agenda. Since only a few evaluation questions (EQs) are relevant to the analysis of the international partnerships supported by the EU, this note does not cover the full set of EQs.

## *1.2. Limitations*

This note is based on desk work, complemented by a few remote interviews. Given the wideness of the topics under review, this note does not claim to give an exhaustive view nor to provide a general assessment of all the EU support to the UN-OECD international partnership. It aims at identifying key strengths and weaknesses of EU interventions deployed in public finance in the frame of the international partnership with the UN-OECD.

## 2. Context and EU interventions supporting the CMSB agenda

Since 2008, considerable strides have been made in global tax cooperation, focused on tax avoidance by multinational enterprises (MNEs) and tax evasion through the use of 'tax havens'. Two bodies have been created under the auspices of the OECD to involve a wider set of countries and jurisdictions in responding to these challenges.

The first is the **Global Forum on Transparency and Exchange of Information (GF)**, with a wide membership including offshore financial centres and developing countries. The mission of the Forum is to "ensure a rapid and an effective global implementation of the standards of transparency and exchange of information for tax purposes (…) by monitoring implementation of the standards, undertaking peer reviews, developing tools and assisting members to implement the standards effectively."[1] The 165 Global Forum members are committed to complying with these standards. Compliance is monitored through a peer review process, on which the OECD reports to the G20.[2] The Forum operates on an "equal footing",[3] though its work is steered by decisions taken in the G20. For example, the Common Reporting Standard (CRS) for automatic exchange of information responded to a decision by G20 members in 2013, welcomed that same year by the European Council.[4] It was "developed by the OECD, working with G20 countries, and subsequently endorsed by the Global Forum."[5] An exception was introduced for developing countries with no financial centre when the CRS was adopted: unlike other GF members, they were not expected to commit to implementing it by 2018.

In terms of tax avoidance by MNEs, the main effort in recent years began with the G20/OECD Base Erosion and Profit Shifting (BEPS) project from 2013 to 2015. "In response to the call of the G20 Leaders", this led in 2016 to the creation of the **Inclusive Framework on BEPS (IF)**, which **"**allows interested countries and jurisdictions to work with OECD and G20 members on developing standards on BEPS related issues and reviewing and monitoring the implementation of the whole BEPS Package."[6] All 141 members of the IF are expected to comply with the minimum standards set by the G-20 and OECD members during the original BEPS project, though 40 eligible countries have taken up the option to defer peer review against the minimum standard on dispute resolution.[7]

The progressive adoption of international tax standards by developing countries, and their participation in the GF and IF, has been driven by a combination of increased emphasis on revenue collection, and, in some cases, external pressure. Firstly, the domestic resource mobilisation agenda – as reflected in the the Addis Ababa Agenda for Action and the Sustainable Development Goals – has put broader emphasis on international taxation and on the fight against illicit financial flows. There has also been strong demand from developing countries to benefit from support in this area, as can be seen for example in the report of the High-Level Panel on Illicit Financial Flows convened under the auspices of the African Union.[8] This makes it a logical component of EU CMSB support. A second driver is represented by the initiatives taken by some states to encourage other jurisdictions to adopt the minimum standards relating to tax avoidance and evasion. The most powerful of these has been the European Union's list of non-cooperative jurisdictions for tax purposes, first adopted by the Council in November 2017 after a screening process.

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[1] OECD, "Mandate Of The Global Forum On Transparency And Exchange Of Information For Tax Purposes", 2020. On-line Guide to OECD Intergovernmental Activity. https://oecdgroups.oecd.org/

[2] See for example OECD, "OECD Secretary-General Tax Report to G20 Leaders", October 2021, p8-9.

[3] OECD, "Mandate Of The Global Forum On Transparency And Exchange Of Information For Tax Purposes", 2020. On-line Guide to OECD Intergovernmental Activity. https://oecdgroups.oecd.org/

[4] OECD, *Standard for Automatic Exchange of Financial Account Information in Tax Matters, Second Edition*, 2017, pp9-10.

[5] Global Forum. *The framework for the full AEOI reviews: the Terms of Reference,* 2018, p2.

[6] OECD, note headed "Inclusive framework on BEPS", undated, attached to the "Mandate of the Committee on Fiscal Affairs," 2013. On-line Guide to OECD Intergovernmental Activity. https://oecdgroups.oecd.org/

[7] OECD, "Developing Countries and the OECD/G20 Inclusive Framework on BEPS". October 2021, p20

[8] High-Level Panel on Illicit Financial Flows from Africa, *Illicit Financial Flows* (Addis Ababa: United Nations Economic Commission for Africa, 2015).

At the same time, there has been a growing debate about the appropriateness of international standards developed by the G20 and OECD for developing countries, and the legitimacy of the OECD as a convening body for global standard-setting.[9] The **UN Committee of Experts on International Cooperation in Tax Matters (UNTC),** originally created in 1968 as an ad hoc committee, currently has a mandate to "give special attention to developing countries and countries with economies in transition."[10] At the 2015 Addis Ababa conference on Financing for Development, the status of the UN committee was the subject of considerable tension between developed and developing countries, with the latter, though the G77, seeking to create a UN body with intergovernmental status.[11] That year, the European Union expressed support for the committee in its current form, but scepticism about any institutional strengthening, stating: "We firmly believe that, before considering options for setting-up new intergovernmental bodies or upgrading the existing structures, every effort should be made to ensure that the existing Committee and sub-committees function in the most effective way."[12] The Committee continues to have limited resources, although it has recently benefitted from financial support to its secretariat from India, Norway and the European Commission.

The context for the EU's development cooperation work in this area is therefore a delicate balance between several drivers: demand from developing countries for support on international tax issues, member states' positioning in the debate surrounding the multilateral institutional architecture, developing countries' desire to see the UN work strengthened as well as to avail themselves of support from the OECD, and the EU's promotion of global standards through the EU listing process.

This case study analyses the contribution of the EU support to the UN-OECD international partnership during 2015-2020/21, more specifically the UN Tax Committee, the OECD/G20 Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes. The table below presents the main characteristics of the support provided and is followed by a rapid summary of the main achievements of these three interventions.

| | UN Tax Committee | BEPS | Global Forum |
|---|---|---|---|
| EU committed amount (initial + riders if any) | EUR 130.370,05 (initial)<br>EUR 130.379,05 (rider 1) | EUR 1.000.000 | EUR 2.000.000 |
| EU disbursed amount | EUR 83.405,00 | N/A | N/A |
| Starting date | 02/10/2017 | 16/08/2017 | 28/11/2019 |
| Program duration | 20 months | 2 years | 4 years |
| Total program budget | EUR 130.370,05 | EUR 9.610.392 | EUR 9.202.467 |
| % of EU contribution in total program budget | 100% | 10% | 22% |
| Partners involved | UN DESA | OECD CTPA | OECD CTPA |

9 ATAF, The Place of Africa in the Shift towards Global Tax Governance: Can the Taxation of the Digitalised Economy Be an Opportunity for More Inclusiveness? (Pretoria: African Tax Administration Forum, 2019). High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, Financial Integrity for Sustainable Development (New York: United Nations, 2021).

10 ECOSOC Resolution 2004/69.

11 Eliza Anyangew, Glee, relief and regret: Addis Ababa outcome receives mixed reception. *The Guardian*, 16 July 2015.

12 European Union And Its Members States Position On Options For Further Strengthening The Work And Operational Capacity Of The Committee Of Experts On International Tax Cooperation, With An Emphasis On Better Integrating Its Work Into The Programme Of Work Of The Council Following Its Reform And Effectively Contributing To The Financing For Development Process And To The Post- 2015 Development Agenda. New York, 10 February 2015

**Main achievements of the program UN Tax Committee**

Across 11 meetings, 50 participants were sponsored (some individuals multiple times within this number). Six (12%) from LICs, 10 (20%) from lower-middle income countries, 22 (44%) from upper-middle income countries and one (2%) from the African Tax Administration Forum (ATAF). The remaining 10 (20%) were from the UN secretariat.

The sub-committee meetings contributed to the development of the following:

- UN Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries (2021 update);
- UN Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries (2019 update);
- UN Practical Manual on Transfer Pricing for Developing Countries (2021 update);
- UN Handbook on Dispute Avoidance and Resolution (2021);
- UN Handbook on Carbon Taxation for Developing Countries (2021);
- UN Guidelines on the Tax Treatment of Government-to-Government Aid Projects (2021); and
- The UN Model Double Taxation Convention between Developed and Developing Countries (2021 update), notably article 12B on the taxation of automated digital services.

**Main achievements of the program BEPS**

The detailed reporting of the OECD's Centre for Tax Policy and Administration (CTPA) demonstrates that most of the milestones set in its original proposal were met or exceeded.[13] To summarise the key themes:

- More developing countries continued to join the Inclusive Framework, beginning to adopt its minimum standards and participate in peer review mechanisms. Induction and capacity building initiatives were developed.
- The report points to several instances of developing country influence over international tax standards.
- The CTPA participated in the development of toolkits on issues of concern to developing countries, in particular on the Taxation of Offshore Indirect Transfers and on Transfer Pricing Documentation.
- Increases in revenue raised and in auditing activity could be traced to the capacity building provided directly by the OECD secretariat, and to the Tax Inspectors Without Borders (TIWB) programme.

Taking a longer view, both independent research published in 2020, and the CTPA's own evaluation published in 2021, suggests that many developing countries still struggle to exert adequate influence in the Inclusive Framework.[14] According to the CTPA, "effective participation and full integration into this new architecture by lower-capacity countries continue to be a challenge, in spite of the support of many development partners."[15] As group, African states in particular have achieved some negotiating successes. Commenting on the Two Pilar Solution on the tax challenges of the digitalisation of the economy, agreed at political level in October 2021, the African Tax Administration Forum (ATAF) stated that, "ATAF and African members of the Inclusive Framework have been heavily involved in the negotiations (…) for the first time, Africa has been able to fight to have its tax policy objectives better reflected in the global tax rules," adding that "if the process is to produce an equitable outcome, it will be important to ensure that all countries both developed and developing have an equal and inclusive voice in that work, than has been displayed so far."[16]

13 Annual reports to donors were issued by the OECD Centre for Tax Policy and Administration as annual "BEPS and Developing Countries" reports, later subsumed into wider "CTPA Tax and Development" reports.

14 Christensen, Rasmus Corlin, Martin Hearson, and Tovony Randriamanalina. *At the Table, Off the Menu? Assessing the Participation of Lower-Income Countries in Global Tax Negotiations.* (ICTD Working Paper 115, Institute of Development Studies, 2020). OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021).

15 OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS*, p44

16 African Tax Administration Forum, A new era of international taxation rules – What does this mean for Africa? ATAF Communication, Oct 08, 2021

**Main achievements of the program Global Forum**

EC funds for the GF secretariat support technical assistance to developing countries within the listing process. The GF's progress report to the EC on this action lists its support to 21 listed and 10 in-scope jurisdictions. It does not categorise these recipients by whether or not they are developing countries, but 22 of the total 31 were on the OECD DAC's list of ODA recipients applicable in 2020.[17] Of the 21 listed jurisdictions, seven (six of which were on the DAC list) were removed from the EU's list with support from the GF secretariat, while another 13 (nine on the DAC list) made progress.

The GF secretariat's 2020 report on the whole of its work with developing countries mentions trainings delivered for tax auditors to explain how to make use of the EOI infrastructure, as well as national capacity building programmes in Colombia, Indonesia and Peru. It documents a significant increase in the number of exchange of information requests made by developing countries. According to the 2022 Tax Transparency in Africa report, 21 out of 36 countries receiving assistance from the GF secretariat have made some effective requests for information over the last three years, although of these only two – Kenya and Uganda – have identified revenue gains as a result.[18] Six African countries are in scope or listed by the EU, and of these, four had made effective requests for information over the last three years.

The GF secretariat collaborated in the production of toolkits to help countries benefit from exchange of information: Toolkit for Becoming a Party to the MAAC13; Confidentiality and Information Security Management Toolkit; and Toolkit on Establishing and Running an Effective EOI Function.

# 3. Answers to the Evaluation Questions

## *3.1 Relevance*

**EQ1: To what extent has EU support to DRM/PFM/debt addressed the objectives of the CMSB approach and followed the 2017 EU BS guidelines while taking into account the needs of beneficiary countries and international tax and PFM standards? To what extent has the EU CMSB support integrated cross-cutting issues (gender equality, digitalisation, greener economies)?**

JC1.1. EU support in the area of DRM/PFM/debt has addressed the key objectives promoted by the CMSB agenda

JC1.3. EU CMSB support to reinforce tax (and fiscal) governance at international level has addressed the current challenges and needs of developing and emerging countries

JC1.5 EU CMSB support has addressed cross-cutting issues (gender equality, digitalization, greener economies)

**The majority of the work pursued in the OECD BEPS and GF programmes has been organised around integrating developing countries into international standards and institutions, though some of these standards are not a high priority for many developing countries (JC1.1).** The OECD secretariat points to some significant gains resulting from policy and administrative reforms adopted at country level.[19] These are seen most clearly in the reporting on the Tax Inspectors Without

[17] Listed developing countries: Armenia, Bosnia and Herzegovina, Botswana, Cabo Verde, Eswatini, Fiji, Jordan, Maldives, Mongolia, Montenegro, Namibia, Palau, Panama, Thailand, Vanuatu, Viet Nam. Listed others: Anguilla, Barbados, Oman, Seychelles, Trinidad and Tobago. Unlisted in scope developing countries: Albania, Georgia, Grenada, Jamaica, Morocco, Tunisia. Others unlisted in scope: British Virgin Islands, Cook Islands, Faroe Islands, Greenland.

[18] African Union Commission, African Tax Administration Forum and Global Forum, *Tax Transparency in Africa 2022*. 2022.

[19] OECD, Annual CTPA BEPS and Developing Country / Tax and Development reports, 2017 – 2020.

Borders technical assistance programme, which formed part of the EC-funded BEPS action and was operated jointly by the OECD secretariat and the United Nations Development Programme. Its annual report indicated that by 30 June 2020, “additional tax revenues raised by developing countries in connection with TIWB programmes amounted to USD 537 million.”[20] In contrast, uptake of BEPS initiatives such as Country-by-Country reporting (CBCR) and the Multilateral Instrument (MLI) has been slower. An OECD review in June 2021 stated that only three developing countries were able to receive CBCR reports from abroad, and 11 had ratified the MLI.[21] As the OECD secretariat states, “feedback from developing countries indicates strong support for the BEPS agenda, although some have noted that the BEPS Actions may not reflect their highest priorities given that they were not able to participate fully in the process prior to the establishment of the Inclusive Framework.”[22]

**"Effective participation of developing countries in BEPS standard setting” was a key part of the EU-funded OECD BEPS project[23], but success here has been limited (JC 1.3).** The OECD secretariat observes that “effective participation and full integration into this new architecture by lower-capacity countries continue to be a challenge, in spite of the support of many development partners.”[24] It cites recent negotiations on digitalisation of the economy as an example of standard-setting that was “heavily influenced by developing country priorities.”[25] While most developing country IF members endorsed the political agreement reached in the IF on this issue in 2021, Kenya, Nigeria, Pakistan and Sri Lanka did not. Nigeria’s lead negotiator, also co-chair of the UN tax committee and vice chair of the OECD’s Working Party 6 on transfer pricing, claimed that “there’s little or no money coming from [it] to developing countries. We shouldn’t deceive ourselves.”[26]

**The EU listing process has been cited by some developing countries as a driver of their adoption of international standards.** Many developing countries wanted to develop their international tax policy and administration informed by OECD standards, and have joined the IF and GF for this purpose. It should be noted that Least Developed Countries (LDCs) without financial centres were automatically excluded from the screening process for the EU list of non-cooperative tax jurisdictions, while other developing countries without financial centres were given more time to address their shortcomings.[27] Collaboration with the OECD/GF under the auspices of CMSB funding was conducive to gain a better understanding of the capacity constraints of some developing countries, for example for the application of the criterion on country-by-country reporting.[28] Still, for some developing countries, the listing process has been a factor in the decision to adopt some international tax standards, as much as the desire to Collect More. The OECD secretariat notes that some developing countries “have expressed concern that the BEPS standards may be used for purposes for which they were not intended, especially where these may have negative impacts on developing countries (e.g. listing).”[29]

**EU CMSB support has targeted the three key multilateral bodies where support was needed to increase the involvement of developing and emerging countries into international standards (JC1.3).** In the case of the UNTC and BEPS projects, the EU recognised a capacity building need quickly.[30] During the period under evaluation, EC funding to the UNTC was much lower than that to the OECD bodies, and covered travel and meeting costs only. The UNTC secretariat recognised this as a

[20] OECD/UNDP, Tax Inspectors Without Borders Annual Report 2020 (OECD/UNDP, 2020).
[21] OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021).
[22] OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021). p17
[23] OECD, BEPS and Developing Countries: An OECD Proposal (OECD, 2017)
[24] OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021). P44
[25] OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021). P21
[26] Remarks at the 7th Annual Tax Summit, Nairobi, October 2021. Reported in https://qz.com/africa/2082754/why-kenya-and-nigeria-havent-agreed-to-global-corporate-tax-deal/
27 European Commission, Questions and Answers on the EU list of non-cooperative tax jurisdictions. Press memo, 5 December 2017.
28 Email correspondence with European Commission staff
[29] OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021). p17
[30] UNDESA and OECD CTPA interviews

pragmatic approach given the challenges of funding the UN secretariat directly.[31] Nonetheless, it is worth querying this balance, because in 2017 when these contracts were concluded, the UNTC was the only body with a proven track record and longstanding mandate in standard-setting that takes into account the current challenges and needs of developing and emerging countries. In contrast, the OECD's ambitious BEPS funding plan was described by its secretariat as an experimental programme whose components had different levels of success, and adapted during the period of CMSB funding as the secretariat gained experience working with developing countries.[32] That said, there has been strong demand from developing countries for the OECD's capacity building initiatives on policy and administration, and the secretariat has been able to identify numerous country-level successes to which it has contributed.[33] In December 2021 the EC signed a contract to finance the UNTC's MDTF with an amount of EUR 500.000, i.e., 3.6% of the total cost of the 36-month action (this can be compared to EUR 1M over 24 months for the IF).

**Digitalisation became a huge area of negotiation in the international corporate tax regime from 2018 onwards (JC1.5).** Both the OECD BEPS and UNTC interventions included work on this. Two of the UNTC subgroup meetings supported by the EC contributed to the development of a handbook on carbon taxation. Going forward, both the UN and OECD are likely to work more on this topic.

## *3.2 (Internal) coherence of EU actions related to CMSB*

**EQ 2: To what extent has EU support to DRM/PFM/Debt been coherent between them and been consistent with other EU policies/actions, both at the international level and in the partner countries? To what extent has the mix of aid modalities used been adapted to facilitate achieving the intended results?**

JC2.1 EU CMSB support provided at international level to reinforce international governance and implemented through international partneships has been coherent across those partnerships and with the support provided at country level

JC2.4 EU CMSB support has been coherent with other EU external policies

**There has been some overlap between the agendas of the OECD and the UN in terms of cooperation on corporation tax, as the IF has expanded its membership from developing countries. Duplication has been minimised through the auspices of the Platform for Collaboration on Tax (JC2.1).** For example, the agendas of the OECD and the UN have workstreams on tax challenges of digitalisation of the economy, which have produced different results (notably the two-pillar solution and article 12B of the UN model, which propose different policy solutions). Since 2016, to minimise duplication and maximise coherence, the OECD and the UN have begun to collaborate through the Platform for Collaboration on Tax (PCT), which also includes the IMF and the WBG. EC funding through the BEPS and GF programmes has supported the elaboration of toolkits, some of which have been developed jointly by these organisations through the auspices of the Platform.

**In the case of the GF, the main purpose of the EU's funding was "To support developing countries that committed to comply with the EU transparency criteria,"[34] which would result in stronger tax administration though not necessarily in more revenue collected (JC 2.1).** The contract states that the funding should "prioritise developing countries that were screened, or will be screened, by the EU during the listing of non-cooperative jurisdictions process."[35] Other developing countries could be supported "In case the request of support to those prioritised countries leave a budget

[31] UNDESA interview
[32] OECD CTPA interview
[33] Annual CTPA Tax and Development reports, OECD CTPA interview
[34] Annex 1 to the contract ref HUM/2019/408-169
[35] Annex 1 to the contract ref HUM/2019/408-169

margin."[36] The GF secretariat's report to the EC notes that its assistance was "aimed at helping these jurisdictions meet the tax transparency criteria."[37] Nonetheless, the EC funding clearly complements the broader work programme, providing indirect support for domestic resource mobilisation in all developing countries receiving technical assistance from the GF secretariat. This is because (1) compliance with the listing criteria helps countries meet the preconditions for receiving and using tax information, (2) dedicated EC funding allows the GF secretariat to avoid using its larger pooled fund for technical assistance connected to EC list compliance, and (3) in the case of an underspend of the EC budget by the GF secretariat, its financial support would also contribute directly to this work.

**There has been good collaboration between the EC and the UNTC, OECD IF and GF, which ensured strong coherence (JC2.4**). In particular, interviews and the GF reporting to the EC highlight the important role of monthly meetings between the GF secretariat and the EC, which ensure a smooth and comprehensive updating of the EU list as the GF's technical assistance bears fruit. In email correspondence, Commission staff highlighted the exemption for least developed countries in the listing process as an example of policy coherence, as well as the Commission's longstanding work on spill over analysis in respect of member states' double taxation agreements.

## *3.3 Effectiveness – Analysis of outputs and intermediary outcomes*

*Contribution of EU CMSB support to revenue generation and reduced revenue gaps (EQ4)*

| **EQ4: To what extent have the expected outputs of EU CMSB support related to "collect more" contributed to revenue generation and reduced revenue gaps?** |
| --- |
| JC4.1 EU CMSB support has contributed to improved tax policy |
| JC4.2 EU CMSB support has contributed to improved tax administration |
| JC4.3. EU CMSB support has contributed to improved management of Non-Tax Revenue (NTR) |
| JC4.4 EU CMSB support has contributed to revenue effort |

**Some developing countries have begun to adopt the BEPS instruments in their tax laws, supported by the EC-funded OECD BEPS and Developing Countries programme (JC4.1).** By June 2021, the OECD reports that 11 developing countries had ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI).[38] In 2020, 13 developing countries passed BEPS-related legislation, mostly on transfer pricing.[39] This still leaves a majority of IF-member developing countries outside the MLI, and in other areas, progress has been slower, for example only three developing countries were able to receive country-by-country financial reporting on MNEs in 2020.[40]

**According to OECD reporting, technical assistance on BEPS – especially transfer pricing – and Exchange of Information has contributed to strengthen tax administration in several developing countries (JC4.2).** The GF secretariat's 2020 report on the whole of its work with developing countries mentions trainings delivered for tax auditors to explain how to make use of the EOI infrastructure, as well as national capacity building programmes in Colombia, Indonesia and Peru. It documents a significant increase in the number of exchange of information requests made by developing countries. According to the 2022 Tax Transparency in Africa report, 21 out of 36 countries receiving GF

36 Annex 1 to the contract ref HUM/2019/408-169

37 Global Forum, *European Union support to the Global Forum on Transparency and Exchange of Information for Tax Purposes: 2020 Progress Report*, September 2021.

38 OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021).

39 OECD tax and development report 2020

40 OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (OECD Publishing, 2021).

secretariat assistance have made some effective requests for information over the last three years, although of these only two – Kenya and Uganda – have identified revenue gains as a result. Six African countries are in scope or listed by the EU, and of these four had made effective requests for information over the last three years.

**There have been steps at the UN and OECD to tailor international standards to the needs of developing countries, and to fill in gaps in guidance through toolkits, handbooks, manuals etc. (JC4.1 & JC4.2).** The figures for uptake of BEPS instruments, in particular, indicate that each has been adopted by a minority of developing countries. As noted under 3.1 above, the OECD secretariat suggests that slow uptake reflects that these standards do not match the priorities of some developing countries. Other EU-supported initiatives are more explicitly designed with developing countries in mind: the growing number of UN handbooks and instruments, the toolkits developed by the OECD, UN and other organisations through the Platform for Collaboration on Tax, and capacity building measures delivered by the OECD secretariat and through Tax Inspectors Without Borders. Active participation by lower-income countries – as opposed to emerging countries – has been quite limited in both the OECD and UN committee, but is improving.[41] By increasing adherence to international standards on both BEPS and exchange of information, CMSB support contributes to an international environment that is more hostile to Illicit Financial Flows (IFFs). Developing countries should benefit from this, even where they do not immediately adopt or make use of standards themselves.

**The OECD's 2020 report cites some large figures for revenue raised directly and indirectly by developing countries as a result of exchange of information and associated voluntary disclosure programmes, and through the Tax Inspectors Without Borders programme (JC4.4).** These are outcomes of the OECD's EC-funded GF and BEPS programmes, respectively. It claims: **"**USD 29 billion raised as a result of voluntary compliance schemes in developing countries (cumulative total as of end 2020), 17,830 requests for information made by developing countries (2019 data from 2020 survey), USD 775 million in additional revenues raised through Tax Inspectors Without Borders (TIWB) programme (...) (cumulative total as of end 2020)."[42]

## *3.4 3Cs: External coherence, coordination & complementarity (EQ8)*

**EQ8: To what extent has EU CMSB support been consistent and coordinated with other donor support at the international level and in partner countries?**

JC8.3. EU contributions and participations to Multi Donor Trust Funds, international Tax/PFM governance initiatives, global partnerships/fora has been conducive to better coherence between donors on PFM/Tax cooperation objectives in the partner countries and on international tax/PFM governance standards.

**With the exception of the first funding to the UN during the evaluation period, EC funding has been through Multi-Donor Trust Funds (MDTFs) (JC8.3).** This includes the second funding agreement with the UN secretariat in December 2021. In the case of the GF, contributing through the MDTF allowed the EC to leverage its own support specifically orientated towards countries affected by the listing process, while also contributing to the wider multi-donor efforts led by the GF secretariat. The OECD CTPA and GF secretariats are well able to organise donor coordination and create MDTFs that give them the flexibility they need to follow their organisational priorities. The EU financial contribution to the UNTC work during the evaluation period consisted of direct funding for travel costs through a travel

[41] Christensen, Rasmus Corlin, Martin Hearson, and Tovony Randriamanalina. *At the Table, Off the Menu? Assessing the Participation of Lower-Income Countries in Global Tax Negotiations.* (ICTD Working Paper 115, Institute of Development Studies, 2020).

[42] OECD tax and development report 2020, P13

agency.[43] This was regarded by the UNTC secretariat as a creative solution to work around funding constraints, identifying a key need (travel funding) that could be funded directly. The UN secretariat hoped that the EC support would help to crowd in other donors.[44] Indeed, in December 2021 the EC contributed EUR 500.000 to the UN DESA's MDTF, adding to donations from the governments of India and Norway.

## *3.5 Efficiency of EU CMSB support in the country (EQ9)*

**EQ9: To what extent have the EC institutional framework and the human and technical resources deployed by the EU to support CMSB facilitated the achievement of the intended outcomes on time and at a reasonable cost?**

JC9.1 EU CMSB support has been implemented on schedule, providing enough flexibility to adapt to changing contexts

JC9.2 EC human resources and guidance tools facilitated the achievement of intended outcomes on time and at reasonable cost

JC9.3 EU CMSB interventions have been satisfactorily owned by the partners, who have been involved from the beginning and have devoted sufficient resources to manage and monitor the support

JC 9.4 The Commission has ensured adequate visibility of EU CMSB support to the general public, including the results achieved

**The EU funding covered in this review was made available in a timely manner (JC 9.1).** Recipients did not in general raise concerns about the time taken to approve projects or to change budget lines. One recipient stated that the EC's involvement in a MDTF had made it more challenging to gain approval to adapt the programme as it went along, but it had not in the end prevented such adaptations being made.[45]

**Partner organisations expressed the desire for more involvement by the Commission in its areas of fiscal policy expertise (JC 9.2).** The EC is a member of several international bodies that are key influences on the agenda followed in the OECD and UN, in particular the G20 and Addis Tax Initiative (the Commission sits on the Steering Committee of the latter). It also acts as an observer in the OECD and its associated tax bodies, and at the UN tax committee. During the evaluation period, an EC official participated in the UN subcommittee on environmental taxation. It was noted by the OECD secretariat that opportunities to collaborate with the Commission across the full range of CMSB activities had not been followed up by either side as much as they could have been.[46] The UN secretariat stated that it had requested more engagement from the policy side of the EC, partly in the Commission's areas of expertise, but also making reference to developing country concerns about the listing process.[47] Similarly, an EC interviewee highlighted that coordination between work on fiscal policy and international partnerships could be more systematic, and additional human resources devoted to this could maximise its impact in this policy area.[48]

**The three international initiatives under review have been responsive to demand from the organisations funded, and ownership by their secretariats is underscored by the use of MDTFs (JC9.3). All three organisations acknowledge EU funding in the relevant publications (JC9.4).**

43 UNDESA interview
44 UNDESA interview
45 Interview, anonymised
46 CTPA interview
47 UN interview
48 EC interview

## Main lessons for the EU CMSB evaluation: contribution to key outcomes and good practices

- By contributing to the IFs, the EC aimed to ensure that developing countries integrate successfully in international multilateral fora and are sufficiently supported to implement relevant standards. For this reason, 1) EC funding to the GF has prioritised supporting developing countries to meet the criteria of the EU listing process and to comply with the EU transparency criteria, which would result in stronger tax administration and some more revenue collection; 2) EC funding to BEPS aimed at supporting developing countries implementing and making best use of the BEPS agenda.
- There has been strong demand from developing countries for the OECD's capacity building initiatives on policy and administration. Overall, developing countries are increasingly asking to be involved in international tax initiatives and to adapt international standards to their needs. The EC funding to the IF and the UN tax committee supported this, but the success of involving Developing Countries in BEPS standard setting remained limited to certain policy areas (e.g. on minimum taxation).
- Technical assistance on BEPS – especially transfer pricing – and Exchange of Information has contributed to strengthen tax administration in several developing countries. Some BEPS instruments, have nevertheless been adopted by a minority of developing countries, reflecting that these standards have proven less relevant for some developing countries.
- Tailoring international standards to developing countries' needs to be further strengthened. Work of the Platform for Collaboration on Tax, the toolkits supported by EU CMSB interventions and the work of the UN committee played an important role. When supporting developing countries to meet international minimum standards, the "collect more" dimensions needs to be focused on.
- The TIWB programme which benefitted from part of the EU funding to BEPS has provided direct support to countries in tax audits and claims to have supported countries to raise an additional $775 million in tax revenue since 2012. The GF also points to USD 29 billion raised as a result of voluntary compliance schemes in developing countries.
- There has been some overlap between the agendas of the OECD and the UN on corporation tax, e.g., both institutions have had similar workstreams on tax challenges of digitalisation of the economy. This can be productive, given the different remits of the OECD and UN, but there may also be some competition between them for funds. In prioritising between the two, the following should be considered: added-value of EU funds given alternative sources available (UN has historically faced greater capacity constraints) ; demonstrable impact in developing countries contributing to Collect More objectives in the long term (both organisations now have a track record to analyse) ; and adaptation to the needs and demands of developing countries (as opposed to implementation of G20/OECD-led global standards).
- There has been good collaboration between the EC and the UNTC, OECD IF and GF, which ensured strong coherence. The complementarities with EU CMSB support provided at country and international level through cooperation programme were not clearly established and exploited. There is room to further promote policy coherence for development in the tax area by integrating more all European Commission supports provided at country level and establishing feedback mechanisms to the CMSB-funded work.
- Overall, the EC has responded progressively and appropriately to the growing need for digitalisation which became a huge area of negotiation in the international corporate tax regime from 2018 onwards.
- It is key to dedicate more capacity to building connections between European Commission own areas of fiscal policy expertise and CMSB-funded international partners' work on those topics.

# Annex 1: List of institutions interviewed

| Institution type | Institution | Service |
|---|---|---|
| European Union | European Commission | Directorate General (DG) for Taxation and Customs Union (TAXUD) |
| Other international organizations | Organisation for Economic Cooperation and Development (OECD) | Centre for Tax Policy and Administration |
| | | Global Forum Secretariat |
| | United Nations (UN) | Department for Economic and Social Affairs |

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