ANNEX

I Excutive Board Perspective on Relevant Issues

This annex provides background on Executive Board discussions of topics covered in the main text. For the most part, it quotes from relevant Chairman's Summings Up and Concluding Remarks. It follows the order of Chapter 2 of the main text—starting first with aid issues, before turning to issues related to the stance of macroeconomic policy, and finally to issues included in the Key Features agenda.[1] Table A1.1 provides a timeline of key events and Board discussions.

Aid and Macroeconomic Stance

The importance of aid to the macroeconomic framework was emphasized early on by the IMF Board. At the inception of the PRSP and PRGF in 1999, "[Directors] agreed that external financing would need to play a crucial role in meeting poverty objectives within a stable macroeconomic environment."[2] And also that aid would have an impact on the fiscal and external stance, but need not compromise stability: "Directors agreed that the policies to meet poverty reduction objectives would have an impact on the design of the macroeconomic framework, and they could have an impact on the level of the fiscal and external deficits. Directors emphasized, however, that government spending would need to be financed in a non-inflationary manner."

The Board recognized in 2003 the importance of accommodating aid, taking into account its terms and impact: "Directors generally agreed that additional aid inflows should be accommodated within PRGF-supported programs if these flows are sufficiently concessional and their use does not endanger overall macroeconomic stability. In particular, such an assessment should be based on an evaluation not only of the macroeconomic impact of increased aid inflows, but also of their effect on competitiveness and on fiscal and external debt sustainability, including the recurrent cost implications of additional aid-financed spending."[3]

In 2005, the Board endorsed management's recommendation on the macroeconomic accommodation of aid: "Directors noted the useful distinction between aid-related 'spending' . . . and 'absorption'. . . . Directors were of the view that, given a large increase in aid inflows, if absorption capacity is adequate and adverse effects on the tradable sector are contained, a spend-and-absorb strategy would be appropriate. Directors considered that, within this scenario, programs should have adjusters to allow higher-than-anticipated aid inflows to be spent, when countries have finance constrained plans for productive spending. Directors also considered that program design could provide greater leeway to draw down reserves when shortfalls in aid materialize, through adjusters on domestic financing, unless reserve levels are inadequate. Directors considered, however, that a more restrained spending policy could be in order if the effectiveness of higher spending is constrained by absorptive capacity, if there is a tension between aid volatility and spending rigidities, or if there is an unacceptable erosion of competitiveness. . . . Directors also encouraged countries in which higher aid-based spending would pose a serious threat to competitiveness to consider using the aid for enhancing productivity and/or removing domestic supply constraints." In this context, Directors highlighted the impact of aid and monetary and fiscal policy coordination on the private sector: "Directors considered that these inflows could help underpin macroeconomic stability, by financing fiscal deficits and crowding in private sector investment through lower interest rates."[4]

Aid: Fund Role in Mobilization and Alternative Scenarios

Aid mobilization

The Board has discussed the IMF's role in the mobilization of aid on several occasions, usually in the context of PRSP and PRGF reviews. Following the Board

[1]See IMF (2000a).
[2]See IMF (1999e).
[3]See IMF (2003a and 2003b).
[4]See IMF (2005k).

Table A1.1. Timeline of Key Events and Executive Board Discussions

Date	Event	Related Documents
August 1999	Enhanced HIPC endorsed by IMF and Bank.	Chairman's Summing Up (IMF, 1999a).
September 1999	Report to Interim Committee on Reform of ESAF.	Report of the Managing Director to the Interim Committee on Reform of ESAF (IMF, 1999b).
December 1999	PRSP approach.	PRSP operational issues (IMF, 1999c).
December 1999	PRGF launched.	PRGF operational issues (IMF, 1999d).
December 1999	Board endorsement of PRSP and PRGF.	Chairman's Concluding Remarks (IMF, 1999e).
August 2000	Key Features of PRGF.	Key Features of PRGF (IMF, 2000a).
March 2002	PRGF Review.	Acting Chair's Summing Up (IMF, 2002a and 2002b).
March 2002	Managing Director's speech at Monterrey.	The Monterrey Consensus and Beyond: Moving from Vision to Action (Köhler, 2002).
April 2003	Board Review of PRGF and PRSP alignment.	Acting Chair's Concluding Remarks (IMF, 2003a and 2003b).
September 2003	Board Review of Role of the Fund in Low-Income Countries.	Chair's Concluding Remarks (IMF, 2003e).
July 2004	IEO Evaluation of PRSP and PRGF.	Report of Independent Evaluation Office (IEO, 2004).
September 2004	Board Review of Role of the Fund in Low-Income Countries.	Acting Chair's Summing Up (IMF, 2004c and 2004d).
September 2004	Board Review of PRSP.	Acting Chair's Summing Up (IMF, 2004b and 2004e).
March 2005	Paris Declaration.	Paris Declaration on Aid Effectiveness (OECD, 2005).
August 2005	Review of PRGF program design.	Review of PRGF program design (IMF, 2005g).
September 2005	Review of PRSP.	Acting Chair's Summing Up (IMF, 2005j and 2005l).
October 2005	PSI launched.	Chair's Summing Up (IMF, 2005m).
December 2005	MDRI.	Acting Chair's Summing Up (IMF, 2005r).
December 2005	Exogenous Shocks Facility launched.	Acting Chair's Summing Up (IMF, 2005r).

discussion of the 1999 paper on PRGF operational issues, the Chairman concluded: "Directors hoped that the PRSP would identify priority program elements for poverty reduction, to guide adjustments in spending should funding differ from what was assumed. Most Directors considered that Bank and Fund staff should take an active role in identifying financing needs and in mobilizing additional donor resources on appropriate terms for the countries that most need and can effectively use such support."[5]

Arguments over the appropriate role for the IMF in helping mobilize aid flows to meet the MDGs were summarized in an August 2004 paper on "The Role of the Fund in Low Income Countries."[6] That paper stated: "The role of the Fund in mobilizing the aid flows needed to meet the MDGs should be elaborated more clearly. . . . Some believe the Fund should help its members present their case for how much aid is necessary to meet the MDGs. While the World Bank and other . . . donors are better equipped to craft estimates, the Fund could provide a coherent macroeconomic and financial framework. . . . Some would have the Fund play an advocacy role in the international community by assessing how much aid has already been pledged, how much more is needed, how much debt a country can afford to service, and how the aid could be timed to minimize the potential for macroeconomic disruption. Others see a more limited role for the Fund, in which it concentrates on its macroeconomic advisory role. . . . The IEO has raised similar issues. With the focus on MDG financing increasing in the international discussions of aid, further clarity will be important." In a parallel paper reviewing progress in PRSP implementation, staff commented on the Fund's wider potential role in the process of donor coordination, alignment and harmonization, noting that "the Bretton Woods Institutions will be expected to play a central role in this effort."[7]

[5]See IMF (1999c, 1999d, and 1999e).
[6]See IMF (2004c and 2004d).
[7]See IMF (2004b).

These arguments were left largely unresolved at the subsequent Board discussion on August 30, 2004. The Acting Chair's Summing Up records that "Directors underscored that it is not the Fund's role to provide long term development assistance but rather to assist members in responding to balance of payments problems. By helping members develop appropriate macroeconomic frameworks, and by providing financial support through the PRGF, the Fund could play an important catalytic role in mobilizing development assistance. Directors agreed, however, that the Fund's role in mobilizing aid on behalf of low-income countries for MDG financing needs to be clarified. Many Directors held the view that the Fund should not play a role in mobilizing aid . . . but rather its contribution in this area lies in providing policy advice based on sound assessments of financing gaps and macroeconomic implications of aid flows, in terms of both levels and variability. Some Directors preferred a broader role of the Fund, including in promoting and coordinating aid inflows for MDG purposes."[8]

Subsequently, in the 2005 review of the PRS approach, the Board agreed on the IMF's critical role in the analysis of the macroeconomic impact of additional aid. The Acting Chair's Summing Up stated: "Directors considered that the Fund would play a critical role in helping countries to analyze this impact and adapt the macroeconomic framework appropriately to accommodate higher aid inflows."[9]

Alternative scenarios

Executive Directors have also discussed alternative scenarios in low-income countries on several occasions, mostly in the context of their periodic reviews of PRSP implementation. What emerges from those discussions is Board encouragement of *countries* to undertake contingency planning and alternative scenario analysis as part of their budget and PRSP preparations, with the IMF extending assistance *where asked* and in close collaboration with the Bank.

For example, at the end of the 2002 Board discussion of the PRSP review, which had focused on country vulnerability to shocks, the Chairman concluded: "Countries should work to incorporate contingency-based alternative macroeconomic scenarios in their PRSPs, with Fund support."[10]

At a 2003 Board seminar on aligning the PRGF and PRSP approach, Executive Directors focused on the disconnect between PRSPs' optimistic projections and PRGFs' realistic projections. The Chairman concluded: "Directors considered that the potential risks and uncertainties, including those resulting from exogenous shocks, should be explicitly identified and taken into account through sensitivity analyses and alternative scenarios. They called for this work to be undertaken in close collaboration with the World Bank, drawing on its particular expertise in this area. . . . More generally, all Directors believed that the PRSP should start from the existing capacity and financial constraints in the current budget, and then set out credible plans on policies that can alleviate these constraints and lead to more ambitious outcomes. This analysis would also need to be reflected in the design of PRGF-supported programs . . . and would require a greater degree of involvement by Fund staff early in the PRSP process."[11]

Directors returned to this topic in the 2004 PRSP review, with the Chairman concluding: "Greater use of contingency planning and alternative scenarios could help make the macroeconomic frameworks more effective, particularly in response to shocks. Some Directors noted that alternative scenarios could also be used to demonstrate how a country would scale up its efforts and use additional external resources to speed up progress toward the MDGs, while maintaining the operational realism of the PRSP framework."[12]

In the 2005 PRSP review, the Chairman concluded: "Directors considered that the use of alternative scenarios in PRSs could bridge the gap between realism and ambition, and provide a credible framework for scaling up assistance at the country level. They concurred that Fund staff should help those countries that sought assistance in preparing such scenarios."[13]

Poverty Reduction and Growth Effects

Poverty and social impact analysis

Social impact analysis was included as one of the key features of PRGF-supported programs.[14] In discussing poverty and social impact analysis (PSIA) in the context of their consideration of the PRGF, the Acting Chair concluded that Directors generally welcomed the progress, "but indicated that there was scope for a more systematic treatment of this issue in PRGF documents. They requested that documents for PRGF-supported programs routinely provide a description of the PSIA being carried out in the country, including a qualitative description of the likely impact of major macroeconomic and structural measures on the poor and a summary of countervailing measures being implemented to offset any adverse effects."[15]

[8]See IMF (2004c and 2004d).
[9]See IMF (2005l).
[10]See IMF (2002e and 2002f).
[11]See IMF (2003a and 2003b).
[12]See IMF (2004b and 2004e).
[13]See IMF (2005j and 2005l).
[14]See IMF (2000a).
[15]See IMF (2002a and 2002b).

Subsequently in the Board's August 2002 discussion of PRSP implementation, the Chairman concluded that "Directors also urged further efforts by the Bank and other donors to help countries undertake PSIA on a more generalized and systematic basis. They reaffirmed that PRGF program design and documentation should continue to incorporate available PSIA."[16]

In the April 2003 Board seminar on aligning the PRSP and PRGF approach, the Chairman concluded that: "Directors agreed on the importance of PSIA for the PRSP process and for the design and evaluation of Fund-supported programs. Several EDs stressed that PSIA of critical reforms should be carried out early in the PRSP and PRGF process, and they urged Fund staff to work closely with the Bank and other donors to assist national authorities in accelerating the pace of this work." In discussing the links between the PRSP and the PRGF, and particularly the options that were considered in PRGF formulation, the Chairman said: "Directors also called for setting out the role of PSIA in informing program design and policy choices. They also welcomed the intention to specify the links between program conditionality and PRSP priorities, and strengthen the reporting on PSIA activities."[17]

More recently, in the September 2004 review of PRSP implementation, the Chairman summed up the discussion of PSIA as follows: "Directors welcomed the rising use of PSIA to inform policy choices and underpin PRS design. They agreed on the need for realistic expectations as to what could be covered by PSIA. . . . They called on Fund staff to step up efforts to integrate PSIA into PRGF program design, focusing Fund efforts on the impact of macroeconomic policy on poverty, and to report regularly on the results of this work in staff reports."[18]

[16]See IMF (2002e and 2002f).
[17]See IMF (2003a and 2003b).
[18]See IMF (2004b and 2004e).

Pro-poor and pro-growth budgets

In the December 1999 discussion of the PRSP and PRGF, the Chairman concluded that: "[Directors] supported the integration into the macroeconomic frameworks of key specific, costed measures to increase growth and reduce poverty, noting that this will enhance existing efforts to increase social and other priority spending where appropriate and to identify targeted social safety nets." But at the same time, the IMF should not venture into areas outside its core responsibilities: "Directors broadly supported the proposed division of labor between the Bank and the IMF in supporting the preparation of PRSPs. They emphasized that Fund staff should not be expected to—and should not—offer assistance in areas that are primarily the responsibility of the Bank."[19]

In 2002, in the context of discussions of the Status of Implementation of the HIPC Initiative, the Board noted in general terms the expected contribution of debt relief to higher poverty-reducing expenditures: "[Directors noted] . . . HIPC debt relief to these countries represents a reduction in their outstanding debt stock by two-thirds. This will reduce debt-service payments for most HIPCs to less than 10 percent of exports, helping these countries to increase substantially their poverty-reducing expenditures."[20]

In 2005, the Board also clarified its views on the role of pro-poor expenditures vis-à-vis the MDGs: "Directors saw a need for increased spending in many low-income countries, in particular for public investments, health care and education, if these countries are to meet the MDGs. However, they emphasized that progress towards the MDGs is not contingent on higher public expenditures alone, noting the potential tensions between higher government spending and both debt sustainability and private sector activity, which could be crowded out."[21]

[19]See IMF (1999e).
[20]See IMF (2002d and 2002g).
[21]See IMF (2005l).

ANNEX

2 Quantitative Analysis

This annex extends and deepens the empirical analysis presented in Chapter 2, the sections on "Accommodation of Aid" and "Analysis of Aid" of the main report. It discusses some developments over time and provides additional evidence on differences between strong and weak performers; between PRGF- and ESAF-supported programs in SSA (SSA PRGF and SSA ESAF); and between programs in SSA and other regions (non-SSA PRGF and non-SSA ESAF). The first section presents the findings. The second section discusses the underlying data and methodology.

Findings

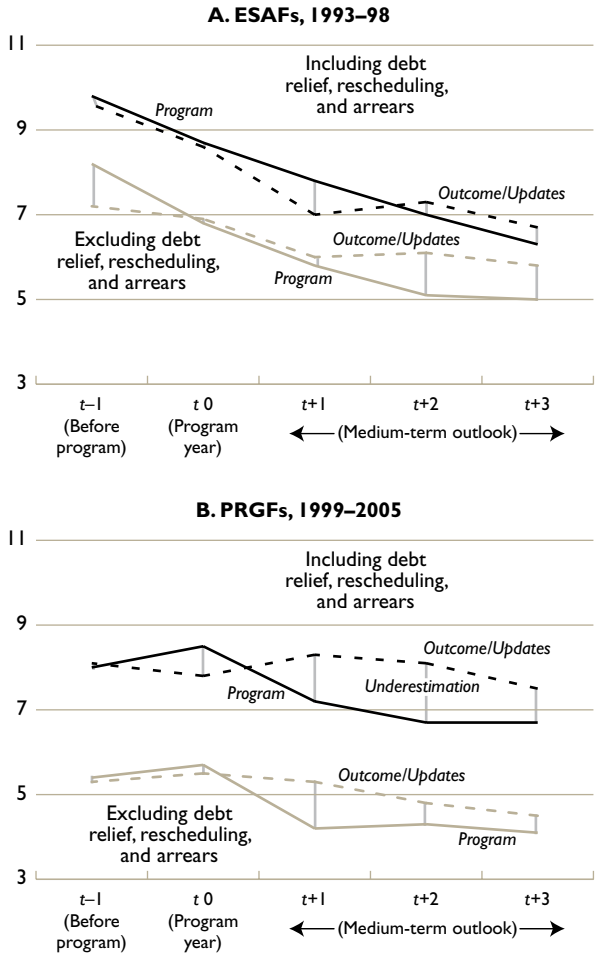
This section is structured as follows. It first discusses trends in program aid forecasts. Next, it examines trends in program design with regard to current account and fiscal deficits. The section concludes with an analysis of the relationship between programmed aid and the programmed current account and fiscal deficit.

PRGF aid forecasts

Aid projections in SSA PRGFs for the initial program year were slightly optimistic (see the section "Forecasting Aid Inflows" of the main text). In SSA actual aid levels including debt relief have fallen short of aid predictions for the initial program year ($t0$) (see panel B of Figure A2.1).[1] A driver of this could be overoptimism regarding the timing of debt relief, since aid in $t0$ net of debt relief and related actions does not seem to be systematically overestimated. Aid in the initial program year to non-SSA countries is also not overestimated.

However, the IMF underpredicted medium-term aid inflows in SSA PRGFs (see the section "Forecasting Aid Inflows" of the main text). This holds true for aid with or without debt relief (see panel B of Figure A2.1).

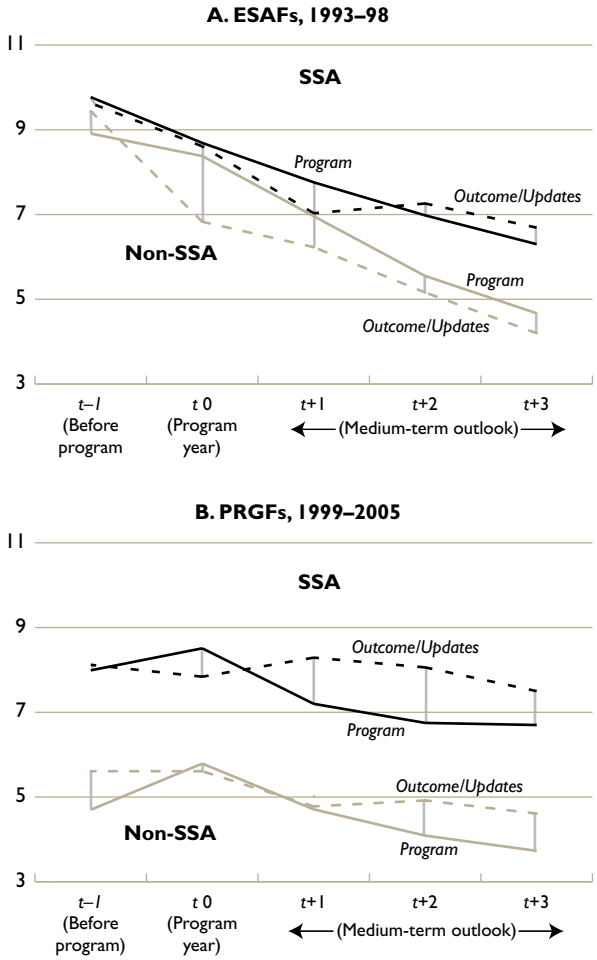
Figure A2.1. Programmed and Actual Aid Levels in Sub-Saharan Africa Programs
(In percent of GDP)



Source: IEO staff estimates based on IMF, MONA database.
Note: Observations: PRGF 26 and ESAF 23; filters: initial error <1, maximum error 20 percent of GDP.

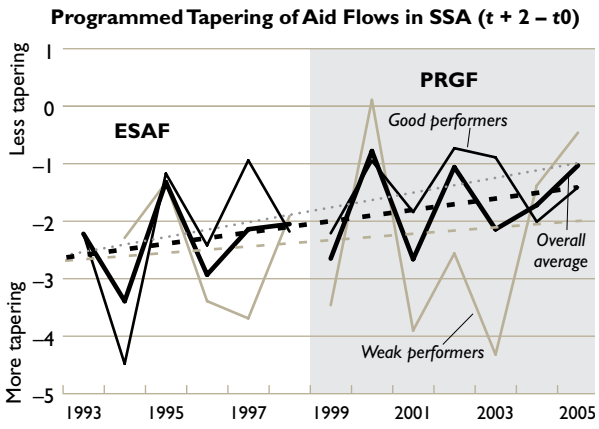
[1]The differences between actuals (or updates) and projections for the program year ($t0$) in SSA PRGFs are significantly smaller than zero at the 5 percent confidence level, even after correcting for optimistic growth forecast errors.

Figure A2.2. Programmed and Actual Aid Levels in Sub-Saharan Africa and Other Regions[1]
(In percent of GDP)



Source: IEO staff estimates based on IMF, MONA database.
Note: Observations: SSA PRGF 26, non-SSA PRGF 9, SSA ESAF 23, and non-SSA ESAF 15; filters: initial error <1, maximum error 20 percent of GDP.
[1]Aid includes debt relief, rescheduling, and arrears.

Figure A2.3. Trends in Programming the Persistence of Aid Flows to Sub-Saharan Africa
(In percentage point of GDP difference)



Source: IEO staff estimates based on IMF, MONA database.
Note: 186 observations spread out over the entire period; filter: aid >0 percent.

ESAFs and PRGFs consistently anticipated medium-term tapering of aid flows (panels A and B of Figure A2.1). However, during the PRGF period, average actual aid flows (or updated projections) to SSA program countries in the three years following the program year turned out to be considerably higher than projected.[2] This was not the case for aid including debt relief during ESAFs.

Medium-term underprediction of aid was not observed outside of SSA. Figure A2.2 shows that in other regions, average outcomes followed PRGF projections for the outer years more closely.[3]

IMF program design appears to have caught up with the increased persistence of aid flows to SSA by reducing programmed tapering in recent years. Figure A2.3 displays annual average differences between aid levels that were projected for the program year and for two years later. It shows the development over time for the overall average and for two groups of countries distinguished by macroeconomic performance.[4] As illustrated, programmed aid tapering in the medium term has decreased over time, especially in programs of countries with good macroeconomic performance.

Program design

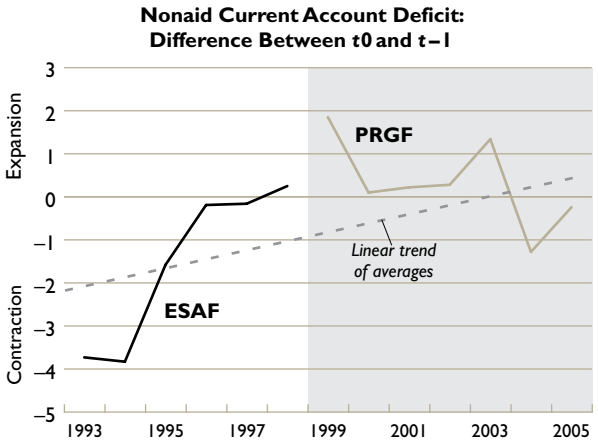
This section discusses programmed current account and fiscal deficits. The discussion of the latter is further disaggregated into programmed public spending and domestic revenue generation. For each of these dimensions, developments over time are discussed as well as how outcomes relate to program design.

[2]All the differences between actuals (or updates) and projections for the three years following the program year ($t + 1$, $t + 2$, $t + 3$) are significantly greater than zero at the 5 percent confidence level even after correcting for optimistic growth forecast errors.

[3]Forecast errors are not significantly different from zero in non-SSA PRGFs. For $t + 1$ and $t + 2$, there is a significant positive difference in forecast errors between SSA and non-SSA PRGFs at the 5 percent confidence level even after correcting for optimistic growth forecast errors.

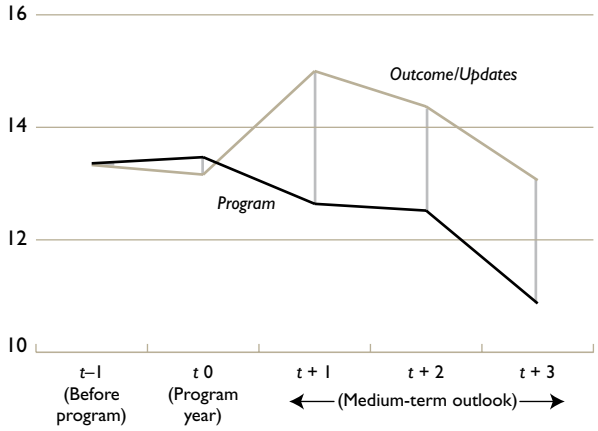
[4]"Good performance" defined as initial conditions of inflation below 10 percent, positive growth, and domestic financing below 1 percent of GDP.

Figure A2.4. Programmed Current Account Adjustments in Sub-Saharan Africa
(In percentage point of GDP difference)



Source: IEO staff estimates based on IMF, MONA database.
Note: 305 observations spread out over the entire period; filter: abs(ΔCA[*t*0–*t*–1]) <20 percent.

Figure A2.5. Average Current Account Deficits in Sub-Saharan Africa PRGF Programs[1]
(In percent of GDP)



Source: IEO staff estimates based on IMF, MONA database.
Note: 34 observations; filters: initial error <2 percent, maximum error <20 percent.
[1]Before grants and interest payments.

Current account

The IMF became more accommodative regarding current account adjustments. Figure A2.4 shows the average programmed change in the nonaid current account during the program year in SSA. While under early ESAFs, sharp adjustments of the current account deficit in the program year were common, average adjustments in PRGFs have hovered around zero.

The typical SSA PRGF envisaged a medium-term consolidation of the nonaid current account deficit. However, Figure A2.5 shows that, in the medium term, realized current account deficits were greater on average than programmed—financed by the higher-than-expected aid inflows discussed above.

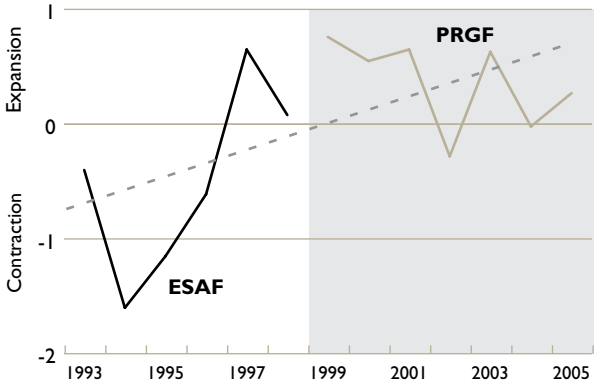
Fiscal balance

SSA PRGFs—in contrast to ESAFs—allowed for increases in expenditures during the program year. Figure A2.6 shows that the programmed difference in expenditures[5] between the program year and the year before has shifted upward from tightening in the earlier ESAF years to accommodation of increased expenditures during PRGF.

But like ESAFs, SSA PRGFs envisaged medium-term consolidation of expenditures (see Figure A2.7). However, outcomes show that this consolidation did not materialize, as expenditures increased instead. This difference between programmed and actual medium-term expenditures was again financed by higher-than-expected aid levels.

Programmed domestic revenue mobilization in SSA PRGFs was both more ambitious and more successful than in ESAFs (see panel B in figure A2.7). The average PRGF-supported program in SSA envisaged a 2 percent increase of revenues as a share of GDP over the course of four years. ESAFs, by contrast, programmed domestic revenues to move largely in line with GDP.

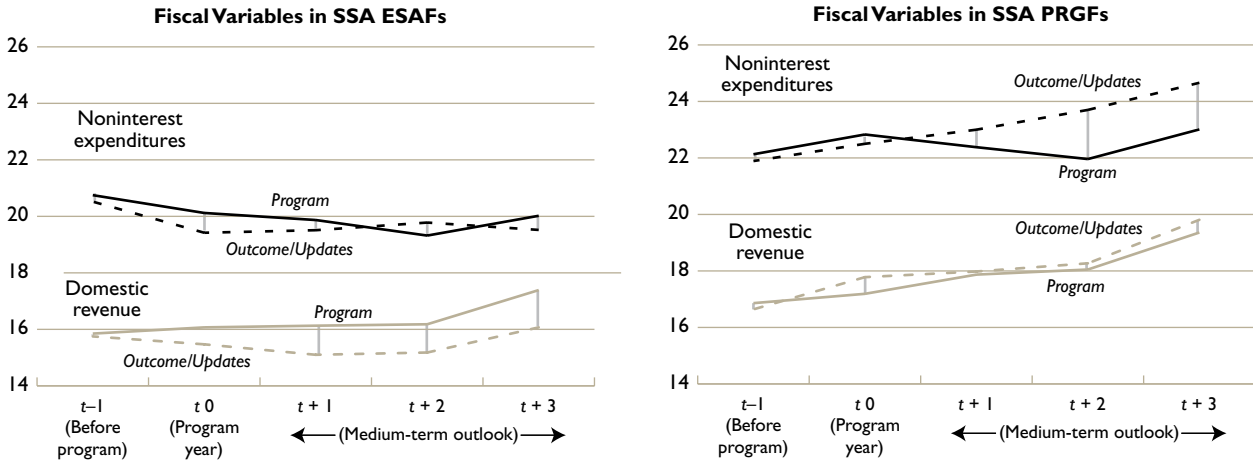
Figure A2.6. Programmed Expenditure Adjustments in Sub-Saharan Africa
(In percentage point of GDP difference)



Source: IEO staff estimates based on IMF, MONA database.
Note: 306 observations spread out over the entire period.

[5]Expenditures exclude interest payments.

Figure A2.7. Programmed and Actual Expenditures and Revenues in Sub-Saharan Africa ESAFs and PRGFs
(In percent of GDP)



Source: IEO staff estimates based on IMF, MONA database.
Note: 27 observations for ESAFs and 28 observations for PRGFs; filter: initial error < 1 percent of GDP.

In terms of outcomes, PRGF programs generated more revenue than ESAFs.

On average, SSA PRGFs envisaged slight increases during the program year in the primary fiscal deficit before grants. As shown in Figure A2.8, some fiscal expansion during the program year was allowed in PRGFs but such expansion was uncommon during the ESAF period.

Programmed use of aid increases

This section looks at the correlation between projected aid increases and the changes in the nonaid current account deficit and the nonaid fiscal deficit. It first introduces the underlying conceptual framework and then discusses the findings.

Conceptual framework: Estimation of "spend" and "absorb" ratios

This section is based on the analytical framework of "spending and absorption of aid increases" suggested by Berg and others[6] and discussed in Box 2.1 of the main report. The analysis starts from the premise that from a *balance of payments perspective* assuming zero nonaid net capital flows, aid increases can either be used to (1) widen the current account deficit before grants and interests (in IMF parlance, this is labeled "*absorption*" of aid); or (2) increase real reserves. From a *fiscal perspective* assuming zero nonaid external financing, the additional resources that come in the form of increased aid can either be used to (1) widen the primary fiscal deficit before grants (in IMF parlance, this is labeled "*spending*" of aid); or (2) substitute for net domestic financing.

The difference between aid spent and aid absorbed determined the envisaged private sector response to aid increases. If the fiscal deficit moves in line with the current account deficit, the increased fiscal demand is balanced by increased net imports. If the widening of the fiscal deficit exceeds that of the current account deficit and the aggregate supply is fixed, this leads to crowding out of the private sector. Correspondingly, a fiscal deficit that widens less than the current account deficit enables crowding-in or, if there is excess domestic demand, allows for disinflation by closing the gap between aggregate demand and aggregate supply.

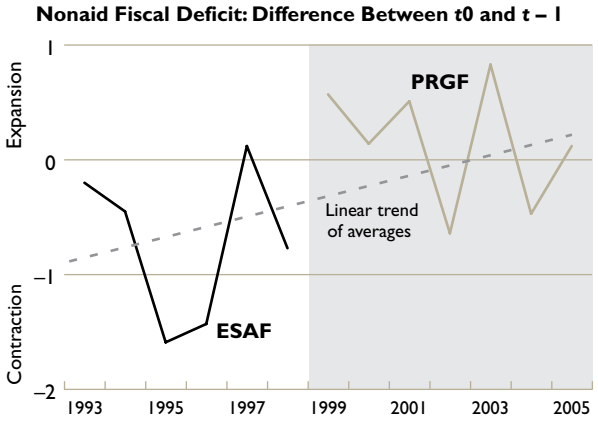
A series of regressions produced estimates of programmed average spending and absorption of aid increases in SSA PRGFs. To illustrate the methodology, Figure A2.9 plots programmed current account and fiscal adjustments[7] against anticipated aid increases. The observations are drawn from PRGF program requests and reviews between 1999 and 2005 for all SSA countries. Regressions on this data with suppressed constants produced slope estimates of the *current account* and *fiscal* responses to increases in aid (see the table

[6]See IMF (2005h).

[7]Programmed changes between one year before the program and the program year.

Figure A2.8. Programmed Fiscal Adjustments in Sub-Saharan Africa

(In percentage point of GDP difference)



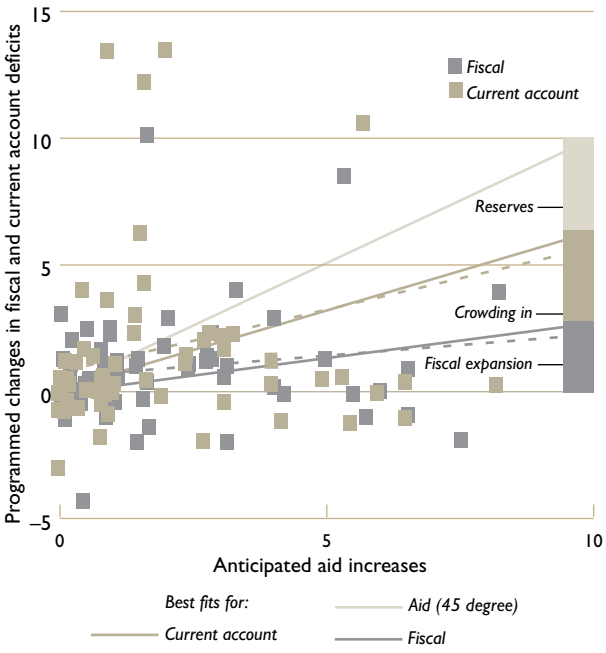
Source: IEO staff estimates based on IMF, MONA database.
Note: 296 observations spread out over entire period; filter: abs(ΔFD[t0 – *t* – 1]) < 20 percent.

in Figure A2.9).[8] These are the basis for *absorption* and *spending* estimates for incremental aid, respectively, used throughout this report.[9] Estimates of the proportion of incremental aid used to *reduce domestic debt* are derived from the difference between spending and absorption, and estimated *reserve accumulation* from the difference between absorption and the aid increase.

Findings

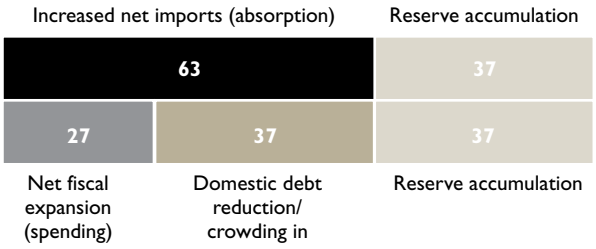
As reported in the section on "Current account adjustment" of the main text, initial levels of reserves were a key driver of differences in programmed absorption of aid increases in SSA PRGFs. Figure A2.10 shows that countries with reserve levels below 2.5 months

Figure A2.9. Derivation of Estimates for Spending and Absorption of Unanticipated Aid in Sub-Saharan Africa PRGFs



Average Programmed Use of Aid Increases in All SSA PRGFs

(In percent of anticipated aid increase)



Regressions. Base Model: SSA PRGFs

	Unconstrained		Suppressed Constant	
	Current account deficit	Fiscal deficit	Current account deficit	Fiscal deficit
Delta aid	**0.503**	0.137	**0.635**	**0.266**
	(0.086)*	(0.237)	**(0.004)*****	**(0.003)*****
Constant	0.601	0.586		
	(0.504)	(0.104)		
Observations	65	65	65	65

Note: *p* values in parentheses; *, **, and *** significant at 10 percent, 5 percent, and 1 percent levels, respectively; filter: 0 < Δ(Aid[t0 – *t* –1] < 10 percent.

Source: IEO staff estimates based on IMF, MONA database.

[8]Obviously, both deficits are influenced by many more factors than the deliberately few variables used in this regression, which serve the purpose of shedding some light on correlations with expected changes in aid rather than testing whether the underlying model is complete. The dashed lines in the graph show the linear estimates for the unconstrained model, while solid lines show these estimates for the constrained model, which by suppressing the constant, forces all changes in the two deficits to be linked to aid increases. The results of the regressions reported in the tables show that the constant was positive but not significantly different from zero. Hence, its suppression had only a limited upward bias on the reported estimates. At the same time, the suppression of the constant helps avoid an underestimation of spending ratios that would arise from measurement errors in the unconstrained model.

[9]All figures presented show only differences found to be significant at least at the 10 percent level in the constrained and/or unconstrained regressions. Significance in one of the two tests sufficed for depiction.

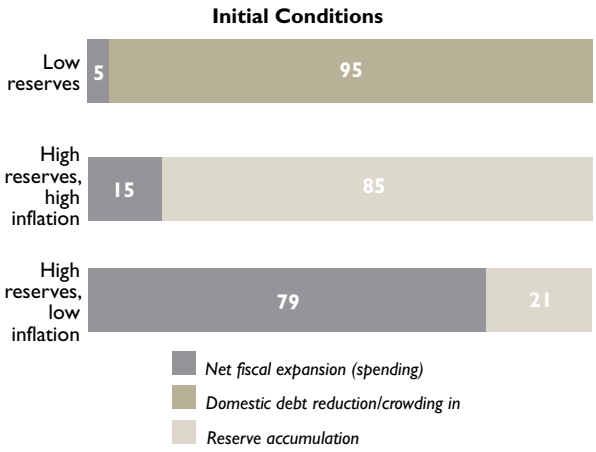
of imports were programmed to use almost all of the anticipated aid increases (95 percent on average[10]) to raise reserve levels. Programs for countries with higher initial reserve stocks, on the other hand, allowed for the full use of the additional resources to increase net imports. The coefficients of the first regression reported in the table in Figure A2.10 show that this difference stems from differences in both adjustments that were independent of changes in aid and from a steeper response to aid increases for countries with high reserves. This adds up to a significant difference between the two groups of countries depending on reserves level in the constrained model.

As reported in Chapter 2, section on "Fiscal adjustment," initial inflation levels were key determinants of SSA PRGF program approaches to the spending of incremental aid. Figure A2.10 illustrates that observed inflation before the start of a program influenced the average programmed spending for countries with high reserves. Countries with inflation levels below 5 percent[11] were allowed to spend almost all the anticipated aid increases (79 percent on average[12]), while countries with higher inflation were programmed to use nearly all incremental aid (85 percent on average[13]) to reduce domestic financing, instead.

The criteria typically used to identify "mature stabilizers" had a significant impact on programmed spending of aid increases but not on their absorption. Programs in countries with initial conditions of single digit inflation, positive growth, and domestic financing below 1 percent of GDP envisage spending increases of about half of anticipated aid increases, on average. This compares with almost no spending of incremental aid increases (17 percent on average[14]) in countries that do not meet these conditions (see Figure A2.11).

There were little differences between average programmed spending and absorption of aid increases in ESAFs and PRGFs in SSA. The negative constant and the positive coefficient of the PRGF dummy in the table in Figure A2.12 suggests that there has been a shift from sharp fiscal adjustments independent from anticipated aid inflows in ESAFs toward less such adjustment in PRGFs. However, differences in the programmed response to aid increases mitigate this difference leading to only slight differences between ESAFs and PRGFs in the average programmed spending (Figure A2.12).[15] Meanwhile, there is no significant difference in aid absorption between ESAFs and PRGFs.

Figure A2.10. Spending and Absorption in Sub-Saharan Africa PRGFs: Importance of Initial Conditions



Regressions. PRGFs in SSA: Importance of Initial Conditions

	All Reserve Levels		High Reserves	
	Current account deficit	Current account deficit	Fiscal deficit	Fiscal deficit
Delta aid	0.323	0.054	0.096	0.147
	(0.501)	(0.868)	(0.631)	(0.240)
High reserves interaction term	0.416	**0.945**		
	(0.484)	**(0.027)****		
Low inflation interaction term			0.488	**0.645**
			(0.279)	**(0.023)****
High reserves dummy	2.442			
	(0.221)			
Low inflation dummy			0.09	
			(0.938)	
Constant	–1.314		0.323	
	(0.442)		(0.739)	
Observations	65	65	46	46

Note: Thresholds are reserves of 2.5 months of imports and inflation of 5 percent; *p* values in parentheses; *, **, and *** significant at 10 percent, 5 percent, and 1 percent levels, respectively; filter: $0 < \Delta Aid[t0 - t - 1] < 10$ percent.

Source: IEO staff estimates based on IMF, MONA database.

[10]Not significantly different from 100 percent.

[11]Five percent was identified by the data as the threshold, which generates the most significant difference between programs with low and high initial inflation. Without controlling for other initial conditions like domestic financing or growth, the highest inflation threshold with significant differences was found to be 7 percent. Once we control for those other conditions, even higher thresholds like 10 percent generate significant differences. However, even then only for programs with initial inflation below 7 percent, the estimated average spending ratio is not significantly different from 100 percent.

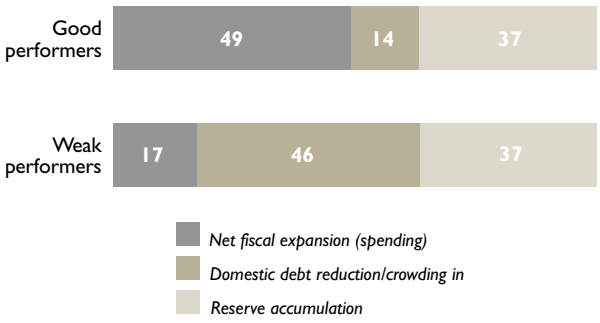
[12]Not significantly different from 100 percent.

[13]The coefficient on the fiscal deficit of 15 percent is not significantly different from zero percent.

[14]Significantly different from zero.

[15]Only the difference in the aid-independent adjustment of the fiscal deficit remains significant when controlling for the inflation threshold of 5 percent.

Figure A2.11. Spending and Absorption in Sub-Saharan Africa: The "Mature Stabilizer" Performance Criteria[1]



Regressions. SSA PRGFs: Influence of Performance

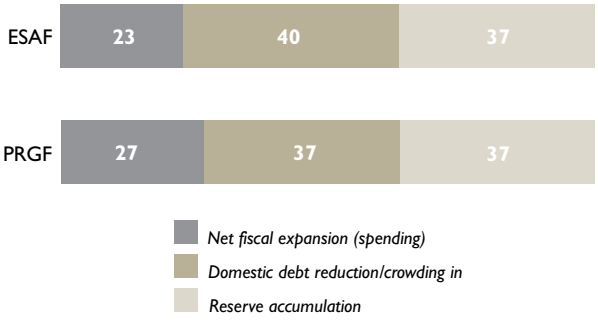
	Fiscal Deficit	Fiscal Deficit
Delta aid	0.228 (0.119)	**0.173** **(0.086)***
Performance interaction	–0.028 (0.907)	**0.319** **(0.087)***
Performance dummy	**1.355** **(0.059)***	
Constant	–0.273 (0.612)	
Observations	65	65

Note: *p* values in parentheses; *, **, and *** significant at 10 percent, 5 percent, and 1 percent levels, respectively; filter: 0 < ΔAid[*t*0 – *t* – 1] < 10 percent.

Source: IEO staff estimates based on IMF, MONA database.

[1]Following the Fund's definition of "mature stabilizers," good performance was defined as inflation below 10 percent, positive growth, and domestic financing below 1 percent before the program.

Figure A2.12. Spending and Absorption in Sub-Saharan Africa: ESAF Versus PRGF



Regressions. SSA: ESAF Versus PRGF

	Differences Between ESAFs and PRGFs in Spending	
	Fiscal deficit	Fiscal deficit
Delta aid	**0.711** **(0.005)***	0.234 (0.132)
PRGF interaction	**–0.574** **(0.036)**	0.032 (0.858)
PRGF dummy	**1.97** **(0.004)***	
Constant	**–1.384** **(0.016)**	
Observations	102	102

Note: *p* values in parentheses; *, **, and *** significant at 10 percent, 5 percent, and 1 percent levels, respectively; filter: 0 < ΔAid[*t*0 – *t* – 1] < 10 percent.

Source: IEO staff estimates based on IMF, MONA database.

The average non-SSA program used a smaller proportion of aid increases to reduce domestic debt and/or for disinflation than its SSA counterpart. Tighter average aid-independent adjustments in the current account and fiscal deficits in non-SSA PRGFs are outweighed by greater responsiveness to aid increases.[16] As illustrated in Figure A2.13, these differences lead to slightly more average spending and less average absorption in non-SSA countries than in SSA.

Programmed responses to anticipated aid reductions depended on initial reserve levels and were asymmetric. Countries with very high initial levels of reserves are, on average, allowed to finance the aid reductions to avoid fiscal adjustments, mainly through the depletion of reserves (Table A2.1). Those with very low initial levels of reserves, by contrast, have to fully bear anticipated reductions in aid, in the form of full fiscal and current account adjustments. The programmed fiscal response to aid reductions does not depend on inflation levels.

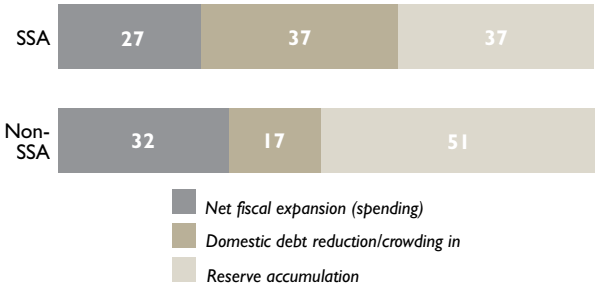
Almost 80 percent of SSA PRGFs limited the possibility of authorities to fully spend unanticipated windfalls in aid or fully finance unanticipated shortfalls. As seen in Figure A2.14, this stance is similar to the Fund's position toward unanticipated changes in aid in other regions.

Methodology and Data

This section discusses data definitions and methodology used to derive the results presented in the evaluation report. MONA, the principal data source used in the analysis, had a break in series in 2001. All programs starting before the break in 2001 plus the 2002

[16]Most regional differences can be explained by differences in compliance with the reserve and inflation thresholds identified above. Only the difference in the aid-independent adjustment of the *fiscal* deficit remains significant when controlling for these dummies.

Figure A2.13. Spending and Absorption in PRGFs: Sub-Saharan Africa Versus Non-Sub-Saharan Africa



Regressions. PRGFs: SSA Versus Non-SSA

	Current Account Deficit		Fiscal Deficit	
Delta aid	**1.062**	0.488	**0.539**	0.315
	(0.024)**	(0.164)	**(0.002)*****	(0.019)
SSA interaction	–0.56	0.147	**–0.402**	–0.049
	(0.303)	(0.718)	**(0.049)****	(0.752)
SSA dummy	**3.03**		**1.534**	
	(0.056)*		**(0.010)****	
Constant	**–2.43**		**–0.947**	
	(0.065)*		**(0.054)***	
Observations	93	93	93	93

Note: *p* values in parentheses; *, **, and *** significant at 10 percent, 5 percent, and 1 percent levels, respectively; filter: 0 < ΔAid[*t*0 – *t* – 1] < 10 percent.

Source: IEO staff estimates based on IMF, MONA database.

PRGF for the Democratic Republic of the Congo are captured in MONA I. MONA II, which has a different set of macroeconomic variables, captures all other programs.

Table A2.1. Regressions. PRGFs: Sub-Saharan Africa Versus Non-Sub-Saharan Africa

	Aid Increases		Aid Reductions	
	Current account deficit	Fiscal deficit	Current account deficit	Fiscal deficit
Delta aid	0.382	**0.531**	**0.928**	**1.045**
	(0.549)	**(0.038)****	**(0.003)*****	**(0.000)*****
Interaction with[1]				
Reserve levels	0.15	0.005	**–0.073**	**–0.125**
	(0.201)	(0.921)	**(0.099)***	**(0.000)*****
Initial inflation	–0.018	**–0.017**	–0.008	–0.011
	(0.354)	**(0.024)****	(0.572)	(0.276)
Observations	93	93	93	93

Source: IEO staff estimates based on IMF, MONA database.

Note: *p* values in parentheses; *, **, and *** significant at 10 percent, 5 percent, and 1 percent levels, respectively; filter: 0 < ΔAid[*t*0 – *t* – 1] < 10 percent.

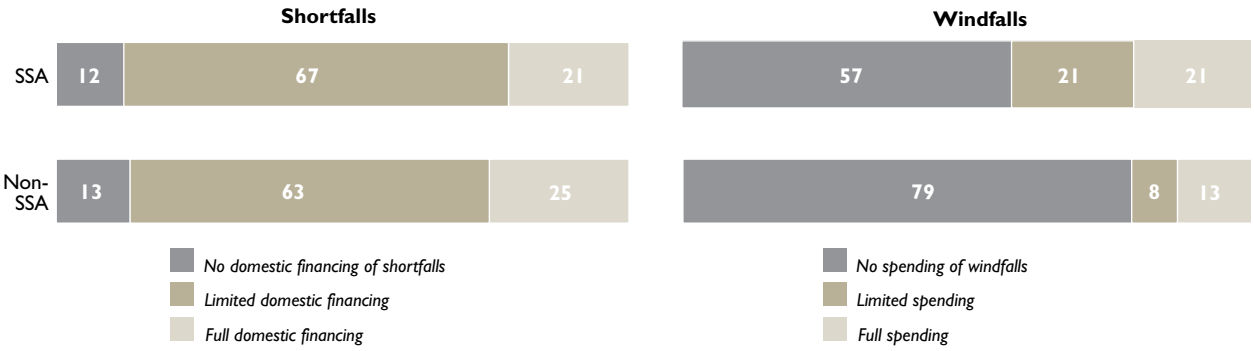
[1]In contrast to other tables, these interaction terms are based in levels and not on dummies indicating compliance with thresholds.

The proxy variable for net aid inflows was derived from balance of payments data by adding changes in liabilities to official creditors (disbursements – amortization) to official current transfers and capital transfers, deducting external interest payments and—where applicable—adding the programmed financing gap and external arrears (Table A2.2).[17] The variables "projected new rescheduling" and "other balance of payments support" were often not available in the database. In these cases, the value was assumed to be either

[17]To check whether there is a systematic bias of the estimated spending ratios given that the proxy for aid inflows was derived from balance of payments data and the fiscal deficit was derived from fiscal data, fiscal aid data compiled from the case studies was compared with the balance of payments derived proxy from MONA. Both were highly correlated and without a significant bias.

Figure A2.14. Treatment of Unanticipated Aid Inflows in Sub-Saharan Africa PRGFs

(In percent of programs)



Sources: IMF staff reports; and IEO staff estimates based on IMF, MONA database.
Note: Figure depicts percentages of different adjusters as observed in the initial request.

Table A2.2. Proxies for "Net Aid" Per GDP

MONA I	MONA II
(Official transfers, net + other balance of payments support – scheduled net interest payments + official borrowing from multilateral and bilateral lenders (excluding Fund) – scheduled principal payments (excluding Fund) + rescheduling contracted before program + projected new rescheduling + increases in external payments arrears + programmed financing gap) / GDP	(Official current transfers, net – interest payments + capital account balance + [changes in] liabilities to official creditors – [of which:] credit and loans from IMF (excludes reserve position in the Fund) + arrears, net change (in the financial account) (+ increase) + programmed financing gap) / GDP

Table A2.3. Proxies for "Nonaid Fiscal Deficit" Per GDP

MONA I	MONA II
– Fiscal balance including grants (percent of GDP) + grants (percent of GDP) – interest payments (percent of GDP)	(Total expenditures and net lending – total revenues and grants + grants – interest payments) / GDP

Table A2.4. Proxies for "Nonaid Current Account Deficit" Per GDP

MONA I	MONA II
(– Current account, excluding official transfers – net interest payments) / GDP	(– Balance on current account + official current transfers (net) – interest payments) / GDP

zero or captured by some other variables. Hence, they were omitted in the calculations.

The nonaid fiscal deficit was derived from the difference between expenditures excluding interest payments and domestic revenue (Table A2.3). One challenge in constructing the variable was the very poor data on grants in MONA II. When no data on grants were reported, the balance of payments entry for official current transfers and capital transfers (as captured by the reported capital account balance) was used as a proxy for grants.

The nonaid current account deficit was derived by netting official current transfers and interest payments from the current account balance (Table A2.4). Of all variables, this had the best data availability in MONA.

The dummy variable "good macroeconomic performance" was defined to be 1 if in the year prior to the program (t – 1) inflation was below 10 percent, real growth was greater than zero, and domestic financing was 1 percent of GDP or less. All three variables were derived from the MONA database in order to capture estimates about the past year's performance at the time of program design. While the first two variables were readily available, domestic financing was estimated by deducting the external financing proxy (net aid) from the nonaid fiscal deficit.

The program year (t0) was defined as that calendar year with the greatest overlap with the actual program year from the program request or subsequent reviews. For example, if the actual program year with conditionality that was agreed upon in a review lasted from November 2003 to October 2004, 2004 was defined as the program year for that review.

MONA is not subjected to the same level of scrutiny as published databases of the Fund. It has a number of errors and inconsistencies. The most obvious errors—such as mixed-up currency denomination—were corrected manually. Others, such as discrepancies between reported actuals and obviously erroneous zeros, led to omission of the observation. To the extent possible, some omitted variables were reconstructed from other observations. Remaining errors were assumed to be unsystematic and, thus, without significant influence on the findings except for a reduction of their robustness.

To ensure consistency, programs and outcomes were compared within the MONA database. Since variable definitions in MONA I were very different from those in the World Economic Outlook or other databases, programmed values from MONA were not compared with estimates derived from other databases. Instead, data from the program request were compared to data from the latest available review for the respective years. This approach minimized errors stemming from differences in data definitions.

ANNEX

3 Country Desk Reviews: Methodology and Summary Findings

This annex presents evidence gathered during desk review work on 14 SSA countries with PRGF-supported programs. It also outlines the methodology used by the evaluation team to collect and analyze the information. The desk review work was designed to complement the results emerging from the quantitative analyses and surveys, which covered a broader sample of 29 SSA countries with PRGF-supported programs. It focused on reviews of PRGF program documents, supplemented at a later stage by staff interviews and six country visits (Table A3.1). The evidence emerging from the desk reviews was important in establishing working hypotheses for the evaluation and in testing emerging conclusions.

Methodological Background and Sources of Information

The criteria for selecting the 14 countries (out of the broader sample of 29 SSA countries with PRGF-supported programs) for in-depth desk review included economic and institutional performance, representativity, donor presence, and modalities for aid delivery (Table A3.1). Ten of the 14 countries had had long program engagement with the IMF, without serious interruption (Burkina Faso, the Democratic Republic of the Congo, Ethiopia, Ghana, Mozambique, Rwanda, Senegal, Tanzania, Uganda, and Zambia); the other 4 had experienced serious recent program interruptions (Cameroon, the Central African Republic, Guinea-Bissau, and Malawi).

To ensure consistency of treatment across country cases, a common set of templates was used to gather evidence from PRGF program documents. Individual templates covered the following subjects, with focus on identifying program objectives, use of program instruments, and the evolution of program implementation over time: (1) aid forecasting; (2) fiscal expenditure; (3) current account absorption; (4) stability considerations (inflation, domestic financing); (5) wage bill ceilings; (6) priority expenditures; and (7) domestic resource mobilization.

The evaluation team reviewed documents that are also available, in most cases, to the broader public on the IMF's external website[1]—such as PRGF-supported program documents, Article IV surveillance reports, and Selected Issues papers. The evaluation team also had access to internal Fund documents—such as mission briefing papers and comments made during the internal review process. Reviewers focused on PRGF-supported programs, including of recent vintage, in order to examine the extent to which staff assessments, objectives, and program design itself have changed during program implementation. Sample program periods varied by country, while some reviews included two fully-fledged PRGF-supported programs.

Summary of Findings

The findings are organized along the lines of the main report: aid context, stance of macroeconomic policies, and social impact. These findings complement Chapter 2 of the main report.

Aid issues

Program documents revealed similarities in aid discussions with countries. The early PRGF-supported programs cautioned against indefinite aid dependence (Burkina Faso, Malawi, Mozambique, and Tanzania) linking it often to the need to improve domestic resource mobilization. Prudence in program aid was based on discussions with donors (Malawi, Mozambique, and Rwanda). There were general references to the need for higher aid flows to enable countries to achieve poverty and development goals (the Democratic Republic of the Congo, Ethiopia, Mozambique, and Senegal). Aid issues are discussed in Chapter 2, section on "Analysis of Aid."

Aid predictability and its potential implications were frequent program themes (the Democratic Republic of the Congo, Ghana, Guinea-Bissau, Malawi, Mozambique, Senegal, Tanzania, and Uganda). However, links to aid forecasting were rare (Ghana, Malawi, and

[1]See www.imf.org/external/country/index.htm.

Table A3.1. Desk Review Country Sample

SSA PRGF Countries	Desk Review	Country Visit	Program Relations[1]	Country Policy and Institutional Assessment Quintile, 2004	Population, 2005 (In millions)	Real GDP Per Capita, 2002–05 (Constant 2000 U.S. dollars)
Benin			U	2	8.4	324.4
Burkina Faso	X	X	U	1	13.2	246.5
Cameroon	X		I	3	16.3	727.9
Cape Verde			U	1	0.5	1277.8
Central African Republic	X		I	5	4.0	231.1
Chad			U	4	9.8	230.8
Congo, Democratic Republic of	X		U	5	57.6	86.8
Côte d'Ivoire			I	5	18.2	575.8
Djibouti			U	4	0.8	786.0
Ethiopia	X		U	3	71.3	129.5
Gambia, The			I	4	1.5	322.7
Ghana	X	X	U	2	22.1	274.3
Guinea			I	4	9.4	381.8
Guinea-Bissau	X		I	5	1.6	135.5
Kenya			I	2	34.3	422.1
Lesotho			U	2	1.8	532.3
Madagascar			U	2	18.6	223.8
Malawi	X		I	3	12.9	148.8
Mali			U	1	13.5	236.5
Mauritania			I	4	3.1	428.6
Mozambique	X	X	U	3	19.8	269.2
Niger			U	3	14.0	157.1
Rwanda	X	X	U	3	9.0	249.1
São Tomé and Príncipe			I	4	0.2	350.7
Senegal	X		U	1	11.7	453.0
Sierra Leone			U	4	5.5	206.5
Tanzania	X	X	U	1	38.3	307.5
Uganda	X		U	1	28.8	260.5
Zambia	X	X	U	3	11.7	332.9

Sources: World Bank, World Development Indicators database; and World Bank (2004).
[1] "I" indicates major PRGF program interruption, measured by nondisbursement; "U" indicates nonprogram interruption.

Mozambique), the tendency of discussions focusing on aid predictability or volatility for the current year of the program.

There was little transparency in how programs forecasted aid. There was generally very little information on the methodology, key assumptions, and discount factors used to forecast aid. Explicit references to past aid forecasting errors figured in only half of the cases reviewed (Burkina Faso, the Democratic Republic of the Congo, Ghana, Malawi, Mozambique, Tanzania, and Zambia). Discussions of how these translated into current forecasts were not explicit or remained at a general level.

Current account issues

Current account absorption issues were addressed in connection with international reserves positions and Dutch disease. These issues are discussed in Chapter 2, section on "Accommodation of Aid."

Discussions of the treatment of international reserves were prevalent in PRGF-supported programs (except for CFA franc zone countries). Document reviews showed that for many countries in the sample, programs had, at some point in time, targeted higher net international reserves (NIRs) in order to reduce vulnerabilities to external shocks—including terms of trade and aid volatility—but with differences in emphasis. For cases with low NIR positions (Cameroon, the Democratic Republic of the Congo, Ethiopia, Ghana, Malawi, and Zambia) programs underlined the need to raise international reserves. For countries where NIRs were at an appropriate level, the focus was on maintaining reserves at such levels (Tanzania and Uganda). In a few cases, reserve accumulation was considered to have been excessive (as in Rwanda) and programs dwelt on the issues of excessive reserves accumulation and insufficient aid absorption.

Dutch disease was not a major concern—although the exchange rate and issues of competitiveness were common themes in program discussions. Table A3.2 shows that there was some early program concern regarding exchange rate appreciation and possible Dutch disease, which gave way to concerns about aid underutilization in Tanzania; while in Rwanda Duch disease concerns persisted, albeit with reduced implications for the

Table A3.2. Spending and Absorption Issues[1]

Case	Spending		Dutch Disease
	Microeconomic issues	Macroeconomic issues	
Burkina Faso (2003)	General absorptive capacity concerns.	Rather liberal stance throughout program.	Not an issue.
Cameroon (2000)	Weak spending capacity limited HIPC-related spending. FAD also expressed concerns over capacity to absorb large spending increase in investment at program request.	Program aimed at consolidating fiscal adjustment achieved in previous program.	No overvaluation of real effective exchange rate. Acknowledged that Cameroon maintained large competitiveness gains that resulted from the 1994 devaluation of the CFA franc.
Central African Republic (1998)	Only micro issues are mentioned.	Weak administrative capacity of government is named as risk to program but is not explicitly related to spending limits.	
Democratic Republic of the Congo (2002)	No specific discussion of limitations to spending aid.	Focus on stabilization.	
Ethiopia (2001)		Program aims at limiting inflation to low single digits while rebuilding international reserves.	Although authorities argued for weaker exchange rate, in face of increasing aid flows, staff noted that case was not compelling.
Ghana (1999, 2003)	Absorption issues not a significant concern.	Fiscal consolidation and containing domestic debt.	No reference.
Guinea-Bissau (2000)	Weak administrative capacity of government mentioned but not explicitly linked to spending limits.		
Malawi (2000)	Program allowed higher expenditure if foreign financing is available (PDR showed concerns over capacity to implement an expenditure increase in PRSP priority areas).	Program aimed at fiscal consolidation throughout entire program period.	No explicit concerns over appreciation pressures.
Mozambique (1999, 2004)	Absorptive capacity limitations called for saving exceptional or peak aid flows (1999) and posed challenges for achieving Millennium Development Goals (2004).	Overall program context in 1999 and 2004 one of maintaining macroeconomic stability and fiscal consolidation. By fourth review of 2004, broad program context highlighted better-than-programmed fiscal situation.	No overvaluation of exchange rate (according to various measures and export volumes).
Rwanda (2002)	Continuous concerns about expenditure transparency and allocation of resources toward military spending led to program that was inflexible regarding spending of unanticipated resources without prior discussion with IMF.		Dutch disease concerns discussed in 2002 program; also in fourth review (2005), along with underabsorption concerns.
Senegal (1998, 2003)	Capacity constraints in finance and spending ministries, in spite of ambitious spending plans.	Fiscal consolidation program objectives.	Not a concern at prevailing aid level, analysis needed of potential Dutch disease effects of higher aid (2003 program).
Tanzania (2000, 2003)	Budget system inefficient—i.e., unable to absorb all aid resources available. Need to enhance fiscal transparency.		Initial Dutch disease concerns expressed in 2000 program, but no longer a concern by 2003 program.
Uganda (1997, 2002)	Limited expenditure efficiency—capacity and governance issues in social spending, notably universal primary education.	Program objectives maintain low inflation (5 percent) and comfortable level of international reserves.	During first two years of program, aid inflows (and high level of remittances) led to currency appreciation (1997). Liquidity injected into economy by donor-funded poverty reduction spending posed threat to price stability (2002).
Zambia (2004)	Need to strengthen budgetary processes and public expenditure management.	Centerpiece of policy framework is strong, front-loaded fiscal adjustment to halt unsustainable rise of domestic debt and interest payments, and increase poverty-reducing spending.	Appreciation pressures not yet a concern.

[1]The base for the evidence presented in the table is PRGF documentation, except for additional information as indicated, including comments from the internal review process. The year indicated in parentheses identifies the program (and subsequent reviews) analyzed. Specific review information is given when appropriate.

programmed absorption of aid. Program discussions on exchange rate issues relied on indicators of competitiveness and real exchange rates (Ghana, Mozambique, and Zambia), with competitiveness sometimes framed in terms of enhancing productivity, efficiency, and growth through structural reforms and infrastructure investment (Ethiopia and Zambia).

Fiscal issues

The document review focused on issues of domestic financing of the fiscal deficit, domestic resource mobilization, the public sector wage bill, and fiscal governance. These issues are discussed in Chapter 2, sections on "Accommodation of Aid" and "Key Features Agenda."

Domestic financing was a key program parameter, linked to macroeconomic stability and private sector crowding in or crowding out. Most PRGFs limited domestic financing of the fiscal deficit. The size of the fiscal deficit or domestic financing was typically used as a performance criterion (Ethiopia, Ghana, Guinea-Bissau, Malawi, Mozambique, Rwanda, Senegal, Tanzania, Uganda, and Zambia). PRGF documents often justified this on (1) limited capacity to borrow domestically without significant negative impact on macro stability and growth—crowding out private sector investment and other spending (Cameroon, the Central African Republic, the Democratic Republic of the Congo, Ethiopia, Ghana, Guinea-Bissau, Malawi, Mozambique, Rwanda, Tanzania, Uganda, and Zambia); (2) domestic demand pressures (Ethiopia, Guinea-Bissau, and Mozambique); and (3) need to reduce domestic debt and large debt-service burdens (Ghana, Malawi, Rwanda, and Senegal).

Revenue mobilization was a frequent program theme in PRGFs. Many programs had tax revenue targets, mostly in the form of indicative targets or benchmarks (Burkina Faso, Cameroon, the Central African Republic, Ghana, Guinea-Bissau, Mozambique, Senegal, Tanzania, and Uganda). However, discussions of the rationale for greater tax revenue mobilization have evolved over the years from the early "aid dependency" reduction motive (Burkina Faso, Malawi, and Mozambique) to creating fiscal space for priority expenditures (the Central African Republic, Ghana, Mozambique, and Uganda) and building adequate capacity for government operations (Tanzania and Uganda) in recent years.

Wage bill targets were common in PRGFs, stemming from fiscal concerns as well as macroeconomic stability considerations. Wage bill conditionality has featured widely—5 of the 14 cases reviewed had performance criteria (PCs) at some point in time, 8 had indicative targets or benchmarks, and Malawi had both in various program reviews (Table A3.4). In some cases, repeated slippages led to strengthened conditionality (from indicative targets to PCs in Malawi), while in others with good performance, targets were downgraded (from PC to benchmark in the Central African Republic). In two cases, the wage bill target was eliminated altogether (Mozambique in 2006 in the context of better-than-expected fiscal performance, and Tanzania in 2003 with the focus having shifted to civil service pay reform). In terms of rationale, documents revealed that program targets on the wage bill stemmed from macroeconomic stability concerns, in most cases with reference to large wage bill increases in the immediate past (Ethiopia, Guinea-Bissau, Ghana, Malawi, Mozambique, and Zambia). Additional motivation included the need to free up fiscal space for other expenditures, including poverty-reducing expenditure (PRE) (the Central African Republic and Mozambique). Wage bill ceilings were also linked frequently to discussions of civil service reforms (the Democratic Republic of the Congo, Ghana, Mozambique, Senegal, Tanzania, and Uganda). The latter was especially important in Mozambique and Tanzania, in connection with the aforementioned elimination of the wage bill targets.

Fiscal governance and transparency were important pillars of PRGFs. Discussions of public expenditure management and financial accountability (PEFA) issues centered around fiscal governance and transparency issues, including budgetary frameworks, budget execution, monitoring and reporting, and financial management and information systems. The use of structural conditionality in PEFA was extensive (as in Cameroon, the Central African Republic, the Democratic Republic of the Congo, Ghana, Malawi, Mozambique, Rwanda, Tanzania, Uganda, and Zambia), covering expenditure execution, monitoring and control (including on commitments), coverage and timing of budget reporting, information systems (including on public sector payrolls), and in some instances more specific areas—public procurement, auditing, code of ethics in civil service. The program focus on PEFA has been complemented by extensive technical assistance from the Fund, notably in public expenditure management and financial accountability (Burkina Faso, the Democratic Republic of the Congo, Ghana, Mozambique, Rwanda, Senegal, Tanzania, Uganda, and Zambia), including budget preparation and execution, expenditure monitoring and control, and information systems (including for tracking PRE).[2]

[2]Recent evaluations of the effectiveness of Fund technical assistance in the PEFA area indicate a mixed picture, mirroring the performance of IMF-supported programs (IMF, 2004a and 2005i). Countries further ahead in the reform process (e.g., Cameroon, Uganda, Tanzania, and Rwanda) showed greater progress in the PEFA area than those where the reform pace had been slower (e.g., Côte d'Ivoire, the Central African Republic, Malawi, and Zambia). On the effectiveness of technical assistance delivery in PEFA, a recent IEO evaluation (IEO, 2005b) noted that longer-term, resident technical assistance was more effective than shorter-term interventions, because of greater access to expertise and training possibilities.

Table A3.3. Evidence on Adjusters[1]

Case	Aid Shortfall Financing	Rationale	Aid Windfall Spending or Absorption	Rationale
Burkina Faso (1999, 2003)	Limited financing.	No explicit rationale.	Full spending was replaced by full saving in 2001. Full saving was replaced by limited spending on social sectors in 2005.	No explicit rationale.
Cameroon (2000)	Domestic financing for 50 percent of shortfall.	No explicit rationale.	Reduce domestic financing for full amount of excess.	For crowding-in.
Central African Republic (1998)	Limited financing.	No explicit rationale.	Equivalent amount deducted from government borrowing. Adjusters in 2004 and 2006 Emergency Post-Conflict Assistance allowed use for priority spending or reduction of debt—no proportions specified.	No explicit rationale.
Democratic Republic of the Congo (2002)	No financing until third review, which stated that 50 percent of any foreign financing shortfall could be financed. By fifth review, full financing was allowed.	No explicit rationale.	Excess foreign financing to be used to finance poverty reduction expenditure. Subsequent reviews added need to use excess external assistance to reduce net banking system credit to the government.	Government's ambition to reach HIPC completion point was a factor in targeting pro-poor spending. Subsequent focus on reducing banking system credit to government was to ensure success of stabilization effort.
Ethiopia (2001)	50 percent financing up to $20 million.	Restrain demand pressures.	Full saving for any amounts exceeding those programmed. By fourth review limited use for poverty reduction expenditures.	Build reserves—which staff noted were precarious, given needs and shocks.
Ghana (1999, 2003)	Full financing (1999), from third review, limited financing. Limited financing continued in 2003 program but from third review, no financing allowed.	No explicit rationale.	Equivalent amount deducted from limit on government borrowing. From third review of 2003 PRGF, full use.	No explicit rationale.
Guinea-Bissau (2000)	Financing of 50 percent.	No explicit rationale.	50 percent can be used for priority spending on social and infrastructure areas.	Pressing nature of social needs.
Malawi (2000)	Initially a maximum of $50 million financing but reduced to zero at the time of Emergency Assistance (2002) and first review (2003).	Need to reduce domestic debt to lower interest rates. Strengthened over time in response to repeated slippages.	Initially a maximum of $50 million could be used but raised to unlimited.	Need to reduce domestic debt.
Mozambique (2004)	Initially no domestic financing. By fourth review, partial financing.	Maintain pace of fiscal consolidation and create room for private sector. Context of change in adjusters (fourth review) was one of better than expected fiscal performance, with aid decline no longer perceived a risk to the program.	Initially partial use (on capital expenditures) and absorption. By fourth review, full use (on priority spending) and absorption.	Justified initially on high yearly volatility of aid.
Rwanda (2002)	Initially no domestic financing, then changed to limited financing in 2003.	No explicit rationale.	Full saving.	Concern that resources would be diverted to military spending.
Senegal (1998, 2003)	Limited financing to CFAF 20 billion.	Level of adjustment had to be consistent with regional protocol on monetary policy and fixed exchange rate.	No use of excess funds allowed.	Level of adjustment had to be consistent with regional protocol on monetary policy and fixed exchange rate.

Table A3.3 *(concluded)*

Case	Aid Shortfall Financing	Rationale	Aid Windfall Spending or Absorption	Rationale
Tanzania (2000, 2003)	Initially limited (to $60 million). By third review (2000), full financing allowed and retained in following program.	Initially to safeguard international reserves—relaxed as reserves increased to give government more flexibility in making financing and spending decisions.	Initially no use of excess foreign financing allowed. By fourth review (2000), full use allowed which continued in 2003 program.	Initially to build international reserves, but use of excess resources later left to government discretion.
Uganda (1997, 2002)	Full financing allowed (with the exception of the second review in the first PRGF).	Enable government to meet commitments, notably those of Poverty Action Fund (PAF). Net credit to government ceiling would be lowered for any unspent PAF commitments.	Full saving for any excess, throughout programs.	Enable country to meet debt payments, especially arrears.
Zambia (2004)	Partial financing (initially $14 million increased to $20 million)		Full saving of windfalls, except to reduce domestic debt.	

[1]The base for the evidence presented in the table is PRGF documentation, except for additional information as indicated, including comments from the internal review process. The year indicated in parentheses identifies the program (and subsequent reviews) analyzed. Specific review information is given when appropriate.

Social impact

With respect to priority PRE, the focus of PRGF-supported programs was generally on tracking activities, and less so on program adjusters or conditionality. Documents reviewed showed that direct program targets on priority expenditures (PCs in Rwanda and Uganda, indicative targets in Ghana and Malawi) were infrequent (Table A3.5). But programs did track priority expenditures, with tables dedicated to this in staff reports. In some instances, documents described in general terms recent developments with priority expenditures and government plans going forward (e.g., Mozambique and Zambia). As discussed in Chapter 2, the section on "Key Features Agenda," program adjusters for incremental aid were linked to priority expenditures in 8 of the 14 cases reviewed. But, except in a few instances (the Democratic Republic of the Congo, Guinea-Bissau, and Uganda) where the pressing nature of social needs and protecting government commitments were noted, there was little explicit rationale for linking adjusters to priority expenditures.

Wage bill ceilings were often set without consideration of the impact on expenditures in priority areas. In only a few cases (the Central African Republic, Guinea-Bissau, and Mozambique) did documents acknowledge explicitly that program design took priority sectors into account while setting wage bill ceilings (and not throughout the evaluation period but only more recently, as in the case of Mozambique). Only in the case of Malawi were adjusters included to allow additional aid to be used to increase wages in priority areas. In Zambia, the PRGF was adjusted in the context of the program review to accommodate additional employment in priority sectors, when the wage bill ceiling proved binding.

PSIA results were frequently reported but rarely informed PRGF programs. Since the creation of the PSIA group in FAD in 2004, the Fund has conducted nine assessments (Table A3.6); six were focused on subsidies (electricity, petroleum, agriculture, and fertilizers) and the rest on other macroeconomic areas (taxation, devaluation, and external shocks). The results from PSIAs were generally presented in program documents (except in Mali and Malawi), but were rarely part of appraisals (except for Burkina Faso and Djibouti). Program documents indicated no specific countervailing measures linked to the PSIAs, in some cases because the recommendations were not adopted (Malawi and Uganda). In two instances, programs noted that the resulting fiscal space would be used by the authorities to increase priority expenditures (Ghana and Mali).

Other issues

Bank-Fund collaboration was most frequently noted on PEFA and financial sector work. Program documents reported frequently, but not always, on the division of labor between the Bank and the Fund, specifying the lead institution as well as areas requiring joint work (Burkina Faso, Ghana, Mozambique, Rwanda, Senegal, Tanzania, and Zambia). In general, PRGF programs put macroeconomic issues within the IMF's core areas of responsibility and sectoral and social issues within those of the World Bank. As noted above, the IMF and the World Bank shared responsibilities for PEFA and financial sector work. More specific delineations of inputs into the collaborative effort were sometimes indicated. For example, in some programs the IMF would

Table A3.4. Wage Bill Ceilings[1]

Country	Instrument[2]	Rationale	Consideration of Impact on Priority Sectors in Design	Adjustment in Context of Program Review
Burkina Faso (2003)	Indicative target.	Contain medium-term pressures on expenditures.		
Cameroon (2000)	No formal conditionality. But program underlined importance of containing wage escalation.	Ensure targeted noninterest expenditure and aimed at containing large wage increase at beginning of the program.		Stronger program wording reflecting repeated fiscal slippages.
Central African Republic (1998)	PC. In addition, civil service positions (including military and security forces) were not to grow (PA).	Ceiling is part of an effort to ensure that adequate resources are available for social spending and critical infrastructure investment.	Ceiling allowed for recruitment of 880 new personnel in priority sectors of education and health.	PC was turned into a benchmark for the second annual program, with actual wage and salaries in 1998 sectors programmed.
Democratic Republic of the Congo (2002)	Ceiling on wage arrears for civil service (kept at zero).	Raise morale in civil service.	Not explicit—but implication on efficiency in public sector and service delivery.	
Ethiopia (2001)	Indicative targets.	Limit size of wage bill.		Program concerns with wage bill eased as issues of macroeconomic management took hold.
Ghana (1999, 2003)	In 1999, no target. In 2003, a PA was used in second review, and a PC was used from third review onward. In addition, two structural PCs were introduced relating to civil service reform.	Past increases in wage bill that contributed to noncompletion of fifth review of 1999 program.		
Guinea-Bissau (2000)	Performance indicator.	Ceiling is part of fiscal consolidation, reflecting demobilization of troops.	Ceiling allowed for an increase in number of civil servants.	
Malawi (2000)	Benchmark (first review).	Need tight stance in order to restore fiscal discipline. Also aimed at containing large wage increase at beginning of program.	In 2005, wage bill for priority sector protected by ceiling adjuster (linked to additional aid for health SWAp).	Stronger form of conditionality toward end of program in response to repeated fiscal slippages.
Mozambique (1999, 2004)	In 1999 no target, in 2004 indicative target. Target abandoned in fourth review.	In 2004, in the context of fiscal consolidation and past large wage increases and need of public sector reform (ghost workers). Target abandoned in fourth review (2006) in the context of better than expected fiscal position.	Target set with explicit reference to greater employment in health and education.	
Rwanda (2002)	None.			
Senegal (2003)	PC.	Contain impact on expenditure.	Not explicit. But program anticipated that improvements in wage reform would have positive impact on social service delivery.	No change. Monitoring included monthly reporting to Fund on changes in wage bill.
Tanzania (2000, 2003)	Indicative targets.	Contain expenditure on wages, rationalize wage bill.	Compensation and wage incentives identified as key for public service delivery.	
Uganda (2002)	No wage ceilings.			
Zambia (2004)	Benchmark.	Limit wage increases of recent past.		Program modified in the course of first review—in coordination with additional donor assistance—to allow for additional hiring in priority sectors.

[1]The base for the evidence presented in the table is PRGF documentation, except for additional information as indicated, including comments from the internal review process. The year indicated in parentheses identifies the program (and subsequent reviews) analyzed. Specific review information is given when appropriate.

[2]Prior action (PA); performance criterion (PC).

Table A3.5. Priority Poverty-Reducing Expenditures[1]

Country	Instrument	Aid Shortfall Adjuster: Link to Priority Expenditure	Aid Windfalls Adjuster: Link to Priority Expenditure
Burkina Faso (2003)	No conditionality.	No link to priority expenditure	Adjuster allowing limited spending of windfalls only on poverty reduction and special programs as defined by HIPC/PRSP process.
Cameroon (2000)	No conditionality.		
Central African Republic (1998)	No conditionality.	No link to priority expenditure.	No link to priority expenditure in 1998 program. The adjusters on windfalls in 2004 and 2006 Emergency Post-Conflict Assistance allow for priority public spending or reduction of domestic arrears or reduction of domestic and/or external debt—but no proportions specified.
Democratic Republic of the Congo (2002)		Ceiling on net credit to government raised to meet programmed financing of poverty reduction.	Excess to be used for poverty reduction spending.
Ethiopia (2001)		No link to priority expenditures	Up to $50 million of excess foreign financing (including HIPC relief) would be targeted at poverty reduction, and a similar amount on "special programs" (fourth review).
Ghana (1999, 2003)	Indicative target.		
Guinea-Bissau (2000)	No conditionality.	No link to priority expenditure.	Given pressing nature of social needs, adjusters were to partially allow for increased directed spending with 50 percent of resources to be spent on social and infrastructure projects identified in collaboration with World Bank.
Malawi (2000, 2005)	Indicative target on pro-poor expenditure, first review, 2003.	No adjusters on indicative targets on pro-poor expenditure.	No adjusters on indicative targets on pro-poor expenditure.
Mozambique (2004)	No program targets on PRSP expenditures, but tracking of developments and government plans.	In fourth review, partial financing of shortfalls. No link to priority expenditure.	Limited accommodation for additional capital outlays financed by budgetary grants. By fourth review, full accommodation to be used in priority expenditures identified in budget.
Rwanda (2002)	Performance criteria on broadly defined "priority spending" (mainly social and infrastructure) and "exceptional expenditures" (mainly post-genocide-related expenditures).		
Senegal (2003)	Indicative targets on programmed spending of HIPC debt relief—but sectors of focus not specified.	Ceiling on net cumulative change on credit to government to be raised for aid shortfalls on HIPC-related (i.e., priority) expenditure from programmed levels.	Ceiling to be lowered from higher HIPC-related (i.e., priority) expenditure than programmed levels.
Tanzania (2003)	No conditionality.	No link to priority expenditure.	No adjuster on excess financing—use left to government's direction.
Uganda (2002)	A performance criterion on minimum expenditures under Poverty Action Fund (including universal primary education). An adjuster indicated that any amounts falling below those programmed would lead to lowering of the ceiling on net government credit.	No link to priority expenditure.	Ceiling on net credit to the government was to be lowered (raised) by shortfall (excess) expenditure on areas in Poverty Action Fund—universal education, primary healthcare, access to clean water, and so on.
Zambia (2004)	No program target.		

[1]The base for the evidence presented in the table is PRGF documentation, except for additional information as indicated, including comments from the internal review process. The year indicated in parentheses identifies the program (and subsequent reviews) analyzed. Specific review information is given when appropriate.

Table A3.6. Poverty and Social Impact Analysis Conducted by Fiscal Affairs Department[1]

Country (PSIA Completion Date)	Sector or Topic	Discussion in PRGF Documents	Countervailing Measures
Burkina Faso[2] (2006)	Electricity tariff reform.	PSIA recommendation on electricity tariffs reflected in sixth review of PRGF in 2006 (recommendation was to raise tariffs because of marginal impact on the poor).	No explicit countervailing measures in PRGF for increase in electricity tariffs. PSIA report had argued that few poor households were connected to electricity grid.
Djibouti[3] (2005)	Devaluation.	PSIA finding that devaluation would be disruptive because of import dependence, featured prominently in the Staff Report for the 2005 Article IV consultation and staff monitored program. Board discussions also alluded to PSIA findings.	No devaluation suggested by the staff-monitored program. Concerned over competitiveness, the staff-monitored program suggested lowering government wages—taking into account poorest households.
Ghana[4] (2005)	Petroleum pricing.	PSIA was done before a number of petroleum pricing reforms were undertaken in February 2005, notably implementation of a new automatic price adjustment mechanism (see Staff Report for the 2005 Article IV consultation).	The "fiscal space" created, inter alia, by removal of petroleum price subsidies was to be spent on health and education and infrastructure in rural areas (Memorandum of Economic and Financial Policies in Staff Report for 2005 Article IV consultation).
Madagascar[5] (2006)	Rice subsidies.	. . .	
Malawi[6] (2006)	Fertilizer subsidies.	PSIA pricing reforms not explicitly reflected in August 2006 PRGF review. Reforms put off by drought and food crisis.	PSIA report had no policy impact on fertilizer subsidy, and so no mitigation in PRGF required.
Mali[7] (2006)	Petroleum pricing.	The fourth review of PRGF (June 2006) mentions that "external" studies were crucial in determining petroleum pricing mechanism.	No special measures for mitigation considered in PRGF—but authorities indicated that the resulting fiscal space was to be used to develop infrastructure and transport networks to address poverty.
Mali[8] (2005)	Impact of external shocks and macro responses on poverty.	No explicit reference to PSIA exercise in subsequent staff reports, but general reference to strategies for poverty reduction (see fourth review, June 2006).	
Senegal[9] (2005)	Reform of groundnut marketing.	Groundnut sector reform was an ongoing process before PSIA. But groundnut parastatal was privatized after PSIA (had failed before), although there was little change in edible oil pricing policies (private company still a protected monopoly). This was discussed in third and fourth reviews (December 2005).	No countervailing measures in PRGF (PSIA measures not implemented).
Uganda[10] (2005)	Value-added tax (VAT).	PSIA analysis used in staff report of May 2005 to suggest two alternative means of raising revenue with minimum negative impact on poor: change VAT rate (from 17 percent to 18 percent) and increased excise taxes (on petroleum).	No countervailing measures in PRGF as tax changes were not adopted by government.

[1]The base for the evidence presented in the table is PRGF documentation, except for additional information as indicated, including comments from the internal review process. The year indicated in parentheses identifies the program (and subsequent reviews) analyzed. Specific review information is given when appropriate.
[2]See Newhouse (2006).
[3]See Newhouse and Simone (2005).
[4]See Coady and Newhouse (2005).
[5]See Coady (2006).
[6]See Gillingham and Mishra (2006).
[7]See Kpodar (2006).
[8]See Simone (2004).
[9]See Gillingham and Newhouse (2005).
[10]See El-Said and Gillingham (2005).

focus on financial management information systems or medium-term expenditure frameworks and the Bank on other areas of PEFA (Mozambique and Zambia). With respect to alternative scenarios, and with the exception of Ethiopia, program documents were not clear on the role collaboration with the Bank played.

Table A3.7. Public Expenditure Management and Financial Accountability[1]

Case	Structural Conditionality[2]	Technical Assistance
Burkina Faso (1999, 2003)	Computerized monitoring of investment expenditure execution (IT). Specific codes for identifying social expenditure and expenditure financed under the HIPC Initiative (IT).	Strengthening budget preparation and expenditure control. Strengthening system to track poverty-reducing public expenditures.
Cameroon (2000)	Render operational the interim system for public procurement (PC). Issue quarterly reports on budgetary execution (B).	Review of public expenditure management.
Central African Republic (1998)	Complete validation process for domestic debt (B).	No technical assistance (TA) related to public expenditure management and financial accountability (PEFA).
Democratic Republic of the Congo (2002)	Introduce code of ethics for civil service (PC)	Expenditure management.
Ethiopia (2001)	No PEM-related conditionality.	No PEFA-related TA.
Ghana (2003)	Publish past month's fiscal report (PA). Payroll information system (PC). Monthly fiscal report (B).	Five instances of TA on public expenditure management.
Guinea-Bissau (2000)	No structural conditionality specified.	Strengthening fiscal controls; assessing budget management and tax system.
Malawi (2000)	Effective implementation of expenditure monitoring and control (PA). Monthly reports on commitment levels (PC). Launch of Ministry of Finance unit to monitor parastatal spending (PC). Commitment controls; reports on proverty-reducing expenditure (PRE); anti-corruption; parastatal borrowing (B).	Budget management, expenditure control, and expenditure management.
Mozambique (2004)	Quarterly budget reporting (PA). Implement integrated financial management system (B).	Seven instances of TA on public expenditure management.
Rwanda (2002)	Incorporate any extrabudgetary and off-budget projects and transactions into the budget to the extent appropriate (PC).	Budget execution; expenditure management; tax policy; assessment of tracking of poverty-reducing expenditure.
Senegal (2003)	Adopt WAEMU expenditure management directives (PA). Undertake pilot on monthly treasury accounts (PC). Auditing of treasury accounts (B).	Capacity to track PPE.
Tanzania (2003)	Identify budget codes for PRE (PC). Quarterly reports from spending agencies (B).	Public expenditure management and fiscal decentralization.
Uganda (2002)	Submit plan for implementation of report on public administration budgeting to cabinet (PC).	Local government budgeting; budgeting and commitment control; public expenditure management.
Zambia (2004)	Approval of PEFA program (PA). Publication of quarterly budget execution plans; introduction of financial information system (PC).	Six instances of TA on public expenditure management.

[1]The base for the evidence presented in the table is PRGF documentation, except for additional information as indicated, including comments from the internal review process. The year indicated in parentheses identifies the program (and subsequent reviews) analyzed. Specific review information is given when appropriate.

[2]Benchmarks (B), indicative targets (IT), performance criterion (PC), and prior action (PA).

Private sector development and its contribution to economic development and growth were frequent themes in PRGF-supported programs. It was discussed in relation to removing obstacles to private sector growth by improving the business climate, including the regulatory and judicial environment, and basic infrastructure. But programs left specific work to the World Bank. PRGFs rarely included structural condi-

tionality in these areas and the IMF did not provide technical assistance. The main channel through which the Fund addressed private sector development issues in program design was in the context of crowding-out considerations when setting fiscal targets (as discussed above), and in a few instances through structural conditionality in the financial sector (Mozambique, Tanzania, and Zambia). The latter especially related to the regulatory and supervisory infrastructure—including for microfinance. The IMF has also provided significant technical assistance for financial sector issues, including through Financial Sector Assessment Programs (as in Ghana, Rwanda, Tanzania, Uganda, and Zambia).

ANNEX

4 Country Case Studies: Program Change in Major Aid Recipients

This annex describes the context and evolution of program design in five major aid recipients: Burkina Faso, Ghana, Mozambique, Rwanda, and Tanzania.[1] It complements the desk review analysis set out in Annex 3. It begins with a description of a framework for analyzing the evolution of program design in PRGFs and concludes with specific examples of program change from each of the five case study countries.

Framework

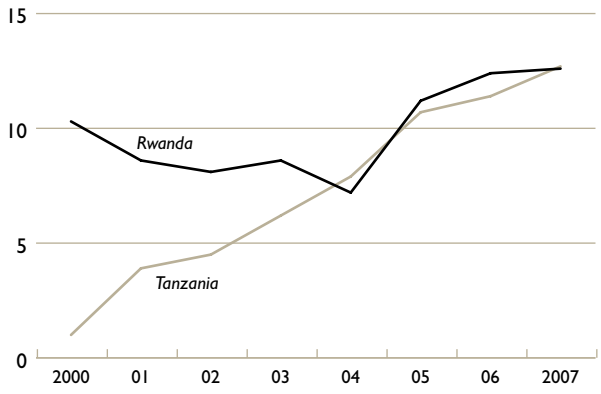
This section highlights three sources of change in program design. The changes all took place against the backdrop of improving macroeconomic policies and outcomes.

The first is a relaxation of fiscal policy in Tanzania and Rwanda to allow greater use of available aid. In both countries, the relaxation occurred at the same time as improving macroeconomic conditions and in the context of discussions with donors and the authorities. The programmed fiscal deficit increased both as a share of GDP (Figure A4.1) and as a share of total expected aid (Figure A4.2).

The second is a change in the medium-term forecasting of aid and the fiscal deficit.[2] As discussed in the main text, throughout the early PRGF period the IMF generally forecast the tapering of aid beyond the program year, in line with experience with actual aid flows. But this has begun to change, with recent medium-term aid forecasts catching up with ongoing changes in the aid environment. Figure A4.3 shows the difference between the medium-term forecast of aid ($t + 1$) and the aid projection for the program year ($t0$). As seen, programs forecast a decline in aid flows over the medium term before 2005, but started to project less or no tapering by 2006. At the same time programs have also begun to project less tapering of the fiscal deficit. Figure A4.4 shows the trend for the medium-term forecast of the fiscal deficit. Before 2005, programs generally forecast a medium-term tightening of the fiscal deficit compared to the program year, but by 2006 they assume less tapering beyond the program year.[3]

The third is a change in program adjusters to give countries more flexibility in responding to unanticipated changes in aid flows. Figure A4.5 shows the programmed reaction, through program target adjusters, to shortfalls in aid before and after changes in program design.[4] Before the changes, three out of the

Figure A4.1. Programmed Fiscal Deficit
(In percent of GDP)



Source: IEO staff estimates based on IMF staff reports.
Note: Fiscal deficit defined as the difference between expenditures (excluding interest payments) and revenues (excluding grants). Dates indicate year for which program targets apply.

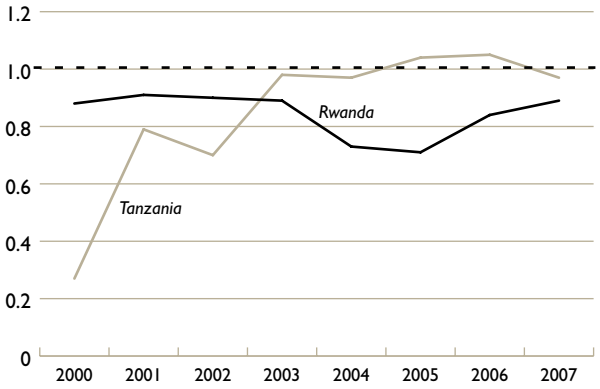
[1]Each of the five case studies included a country visit by the evaluation team.

[2]This aspect of change in program design was not observed in other desk review cases, including those with more pressing macroeconomic performance issues (e.g., Cameroon, the Central African Republic, and Zambia) and in mature cases where programs had already been forecasting more stable aid and spending (e.g., Senegal and Uganda).

[3]This change in both figures is reflected by a forecast difference between $t+1$ and $t0$ that begins negative and moves toward zero.

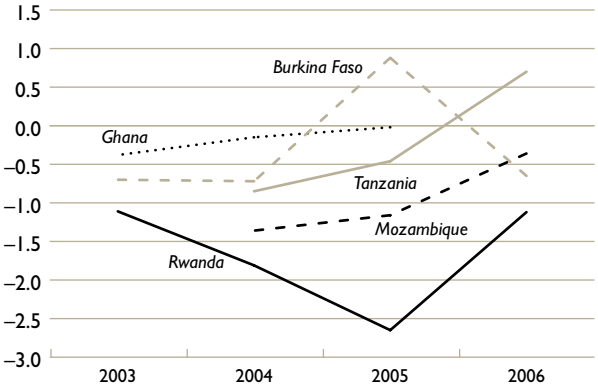
[4]The change in program design did not occur at the same time in all five countries. The year of program change for each country is listed at the bottom of Figure A4.5.

Figure A4.2. Programmed Ratio of Fiscal Deficit to Aid
(Fiscal deficit/aid)



Source: IEO staff estimates based on IMF staff reports.
Note: Fiscal deficit defined as the difference between expenditures (excluding interest payments) and revenues (excluding grants). Aid defined as the sum of grants, net foreign financing, financing gap, and the net change in external arrears, minus external interest payments. Dates indicate year for which program targets apply.

Figure A4.3. Change in Medium-Term Aid Forecasting over Program Year
(Aid/GDP in (t +1) – (t0))



Source: IEO staff estimates based on IMF staff reports.
Note: Difference between aid forecasts (as percent of GDP) in *t* + 1 and *t*0 (the program year).

five programs did not permit domestic financing of aid shortfalls. After the changes, all programs but Ghana's provided flexibility to finance shortfalls, at least partially. Figure A4.5 also presents adjusters for aid windfalls, and again shows greater flexibility in more recent programs. Before the programs changed, none of the five countries could fully spend aid windfalls before the next review. But after the changes, three of the five countries could fully spend aid windfalls—with Rwanda the only country that could not spend any.

Country Evidence

This section gives specific examples of how program design has changed in each of the five case study countries. (For each case, the year of program design change is in parentheses.)

Tanzania (2000 and 2005)

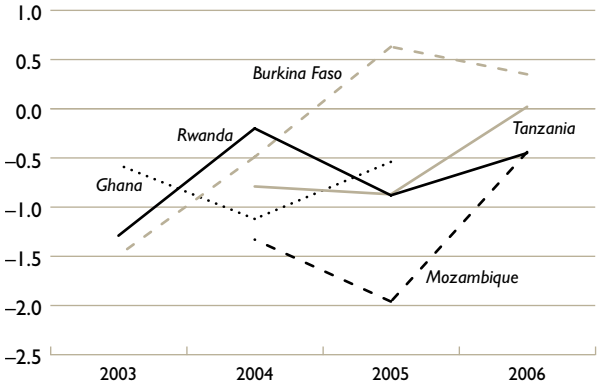
Prior to the 2000 PRGF, Tanzania's programmed fiscal policy stance assumed a substantial reduction of net domestic debt of the government, which meant that a significant share of available aid could not be spent. Programs justified this fiscal stance as necessary to correct the fiscal slippages incurred at the end of the previous ESAF program and to build up reserves, and out of concerns about macroeconomic stability and Dutch disease. The continued compression of public expenditures, even after a degree of macro stability had been achieved in 2000–01, triggered a debate between the Fund and the authorities, donors, and civil society.[5] As discussed in a previous IEO evaluation of the PRSP and PRGF process, these discussions took place in the context of the public expenditure reviews (PERs) initiated by the World Bank and were informed by donor-financed studies done by an outside academic.[6]

In the context of more predictable aid and sustained macroeconomic stability, PRGF programs began to relax the fiscal policy stance in 2001, allowing for greater programmed expenditure of projected aid.[7] This is illustrated in Figure A4.2. By the end of 2001, IMF internal reviews were calling for more ambitious government expenditure, and programs started subsequently to project less tapering of expenditures beyond the first program year as well. Although the discussions with donors and the authorities that preceded the changes in Fund stance did not feature prominently in mission briefs or the internal review process, internal correspondence between IMF and World Bank staff shows that the debate on fiscal policy was very active.

Program adjusters were also changed in 2001 to allow for the full use of aid windfalls and the full

[5]See IEO (2004).
[6]Bevan (2000 and 2001).
[7]The 2006 EPA for Tanzania was silent on the discussions about fiscal stance in the early programs and subsequent program design changes (see IMF, 2006c). It noted that the design of programs had been broadly appropriate: programs were appropriately anchored on strengthening fiscal performance, sufficiently flexible to accommodate large aid inflows, and adapted to facilitate greater absorption.

Figure A4.4. Change in Medium-Term Fiscal Deficit over Program Year
(Fiscal deficit in (t +1) – (t0))



Source: IEO staff estimates based on IMF staff reports.
Note: Difference between forecasts for fiscal deficit (as percent of GDP) in *t* + 1 and *t*0 (the program year).

financing of aid shortfalls (see Figure A4.5). Prior to this change, Tanzania had been unable to finance any aid shortfalls and allowed to partially spend windfalls.

PRGF programs started to forecast less tapering of aid over the medium term in the third PRGF review of 2005 (see Figure A4.3 above). This change was underpinned by Tanzania's strong performance in core structural areas in 2003 and 2004, the finalization of the second generation PRSP in 2005, and the continued stability of aid inflows between 2003 and 2004. Program concerns about Dutch disease, which had been present in previous years, were no longer considered an issue, despite the sustained aid.

Rwanda (2005)

The 2002 PRGF request and subsequent reviews were guided by concerns over external debt sustainability, which led to a decrease in programmed spending of aid in 2003 and 2004 (see Figure A4.2). As in Tanzania, this fiscal stance generated significant debate between the IMF and the authorities, donors, and other multilateral organizations. A donor-financed PSIA was conducted in 2003 that focused on the sustainability of substantially higher fiscal deficits financed by additional external borrowing.[8] According to that assessment, Rwanda could expand fiscal spending and the deficit, if financed on concessional terms. The influence of the PSIA in the discussions about fiscal stance is itself a matter of controversy. IMF staff contend that it played no role in the assessment of underlying conditions (as they considered the quality of the analysis to be subpar),[9] while many donors considered the PSIA a relevant and influential analysis.[10]

Rwanda's PRGF began programming greater absorption and expenditure of aid in the fourth review of 2005, amid reduced concerns over debt sustainability.[11] The program change coincided with discussions to top up debt relief under HIPC in 2004 in advance of the country's reaching the completion point in early 2005. At the same time, programs started to forecast less tapering of aid, the fiscal deficit, and absorption beyond the first program year.[12] (These changes were preceded by a change in adjusters in the first review in 2003 to allow partial domestic financing of aid shortfalls.)[13]

With debt sustainability less of a concern, PRGF program assessments in 2005 focused on the underutilization of aid. In the 2005 program, IMF staff's concerns of previous years gave way to concerns about the underutilization of aid. But, *in practice*, aid absorption was limited by the Central Bank, because of its concerns about exchange rate appreciation. In the program documentation, IMF staff argued for limiting reserve accumulation to allow for greater aid absorption (but stopped short of using conditionality). This new policy stance was supported by the IMF internal review process.

Burkina Faso (2005)

Driven by a long record of macroeconomic stability, PRGFs had long allowed the use of anticipated aid in Burkina Faso. This was noted by the 2006 EPA,

[8]Mackinnon and others (2003).

[9]Staff did inform management of the results of the PSIA and their disagreement with donors, and internal review comments supported the prudent policy stance taken by staff, highlighting the debt sustainability concerns.

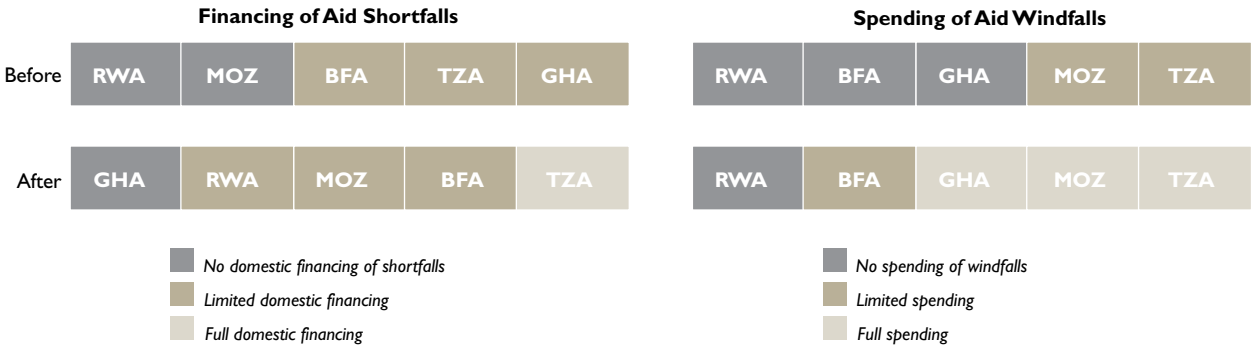
[10]A recent ODI review of DFID's PSIA notes that "The immediate outcome was not sufficiently robust for the IMF to change their policy on the limit for the fiscal deficit of Rwanda. . . . However, subsequently it appears that PSIA has had an impact on IMF thinking, at least in terms of their rhetoric." See Bird and others (2005).

[11]IMF (2005b).

[12]Rwanda's 2006 EPA did not cover the debate about tight fiscal policy and the subsequent program design changes (see IMF, 2006b). Noting that the design was largely appropriate to achieve macroeconomic stability, with appropriate flexibility to aid in conditionality through adjusters and target definitions, it found that implementation (reviews) accommodated a fiscal stance that was "probably looser than necessary to increase priority spending." Moreover, programs did not adequately address the continuous deterioration in debt sustainability.

[13]The use of aid windfalls—unlike in Tanzania—continued to be disallowed.

Figure A4.5. Program Adjusters for Spending of Unanticipated Shortfalls or Windfalls of Aid



Note: Year of change: Tanzania (TZA): 2001/02; Rwanda (RWA): 2003; Burkina Faso (BFA): 2005; Ghana (GHA): 2005; and Mozambique (MOZ): 2006.

which highlighted the strong economic performance and record of program implementation.[14]

By the combined second and third review of the PRGF in 2005, program design changed to forecasting less tapering of aid and the fiscal deficit over the medium term. The program also started to correct for past overestimation of aid at the first program year.[15] With the change in medium-term forecasts of aid, projected spending also became more stable with less programmed tapering off.

Adjusters also changed in 2005 to allow greater program flexibility in the spending of aid windfalls. The switch to more accurate aid projections for the initial program year was accompanied by a change in program adjusters. In contrast to previous programs where all aid windfalls had to be saved until the next review, adjusters now allowed for limited use of such windfalls for priority spending. As before, adjusters continued to allow for limited financing of aid shortfalls.

Ghana (2005)

The 2003 PRGF program request was concerned with macroeconomic stability, through containing both domestic debt and the rapid expansion of public expenditures. The program stance was influenced by the serious fiscal and quasifiscal slippages in 2002 that precluded the completion of the fifth and final review of the 1999–2002 PRGF arrangement. The budget slippages related to, inter alia, large public sector wage bill overruns, nonimplementation of revenue measures, delays with the divestiture program of public enterprises, and shortfalls in donor financing related to country performance.[16]

The third PRGF review in 2005 started to forecast less tapering of aid and the fiscal deficit over the medium term. This program change stemmed from improved macroeconomic performance during 2003/04, including contained domestic government borrowing.

Program adjusters were also changed in 2005 to allow for the full use of aid windfalls. But, as before, financing of aid shortfalls was not allowed, reflecting lingering concerns over domestic debt.

The restriction on nonconcessional borrowing has been the subject of an ongoing debate in Ghana between the authorities and the Fund and donors. The program has maintained throughout this period limits on nonconcessional borrowing, which the authorities describe as overly restrictive of their infrastructure investment plans. The discussions between the authorities and donors and the Fund on nonconcessional borrowing have taken place for example in the context of the Consultative Group meetings. A waiver on the related performance criteria was granted during the third review in 2005 when conditionality was breached for unintended reasons. The authorities were expecting concessional financing that did not materialize, and to avoid a sizable penalty under previous investment

[14]However the EPA was silent about the program design changes that ensued, highlighting strong program implementation and "exemplary" observance of conditionality. Program design was found to be broadly adequate, including pointing out limited absorptive capacity (but with greater attention needed on tax collection). See IMF (2006j).

[15]Due to limited documentation, it is not possible to identify why actual aid flows have constantly fallen behind aid projections until this change beyond the observed basic pattern of programs usually projecting aid increases for the initial program year while actuals remain flat.

[16]A background paper to the 2005 PRGF review examined the macroeconomics of managing increased aid inflows, focusing on the *actual* use of *incremental aid* for the period 2001–03. It found for Ghana that in practice there was neither spending nor absorption of additional aid for that period as a whole. Moreover, program design allowed absorption but only partial spending of expected incremental aid. See IMF (2005h).

commitments by the government, alternative financing arrangements were made.[17]

Mozambique (2006)

In line with earlier programs, the 2004 PRGF request was concerned with macroeconomic stability, fiscal consolidation, and growth-enhancing structural reforms.[18] The program placed special emphasis on strengthening government revenues and improving public expenditure management. These concerns, combined with an expected reduction in aid flows, led to a programmed reduction of the domestic primary fiscal deficit (moving to a surplus over the medium term). The program rationale for the fiscal policy stance included the reduction of pressures on domestic interest rates.[19]

In the fourth PRGF review in 2006, the program projected higher aid and expenditure for the program year, and forecast less tapering of aid and spending beyond the program horizon. These changes arose from the explicit program recognition that macroeconomic and fiscal performance had been better than expected, even in the face of revenue shortfalls. In addition, the program also noted the recent increase in aid and the expectation that it would be sustained. The latter was reflected in the program appraisal, with aid flows no longer considered a main risk to the program as in previous years.

Program adjusters were also changed in 2006 to allow for the full use of aid windfalls and the partial financing of aid shortfalls. Prior to these changes, the program design was a matter of controversy in 2005, with nongovernmental organizations arguing that program targets and adjusters restricted the use of additional aid.[20] The Fund responded publicly in 2006 on the use of adjusters and program reviews with respect to aid.[21] In due course, the fourth PRGF review in 2006 adjusted the definition of fiscal targets in the program to focus on domestic financing rather than the primary deficit, as was the case in previous programs and reviews.

[17]Ghana obtained a $40 million loan from Nigeria to finance its participation in the West Africa Gas Pipeline.

[18]Mozambique's EPA took place in December 2003 (IMF, 2003h). It called for sustaining the efforts to consolidating macroeconomic stability and deepening structural reforms. The aforementioned background paper to the 2005 PRGF review found that Mozambique in practice mostly spent and absorbed additional aid for that period as a whole. IMF (2005h).

[19]But the program made also a general reference that to achieve poverty and development goals a significant scaling up of aid would be required, noting also that sectoral absorptive capacity needed to be improved.

[20]Hanlon (2006).

[21]Perone (2006).

ANNEX

5 Evaluation Survey

This annex provides background on the evaluation survey. It first provides an overview of the approach followed in preparing the questionnaire and in identifying recipients. The following two sections, respectively, profile survey recipients and respondents. The final section presents selected survey results and findings.

Approach

The survey aimed to collect views on IMF activities in SSA from the authorities in the 29 PRGF countries, local donor representatives, local civil society representatives, and the staffs of the AfDB, IMF, UNDP, and World Bank. A Washington-based research firm, Fusion Analytics (Fusion), assisted in the preparation of the questionnaire and administered the survey. To protect the anonymity of the respondents, all survey responses were handled by Fusion, and survey recipients were advised of the confidentiality of their responses. The survey was developed in English and translated into French and Portuguese.

The survey had four main parts. An introductory section sought information on respondents' background, including the nature and timing of any engagement with a PRGF-supported program. The second part of the survey posed questions about PRGF program design and its impact on economic outcomes and aid mobilization. The third part looked at specific aspects of PRGF preparation, including the extent to which it was grounded in national processes and whether it took into account the analytical work and experience of other stakeholders. This section also included questions relating to IMF missions and quality of dialogue with the authorities and other stakeholders, including civil society. The fourth part asked respondents' views on the evolution of the IMF's approach on a range of issues such as macroeconomic stability and the MDGs.

Survey Recipients

The evaluation team relied on a variety of methods to obtain the initial list of survey recipients and to secure adequate response rates. As part of its design, the survey targeted groups expected to be knowledgeable about the IMF and its operations.

The survey was sent to 100 government representatives from the 29 PRGF countries. Survey recipients were drawn mostly from ministry of finance (50 recipients) and central bank staff (30 recipients). There were 20 recipients from ministries of health, education, and infrastructure. Government representatives were identified on the basis of lists provided by the offices of the three IMF Executive Directors representing SSA countries and IMF and World Bank staff (both in operational departments and external relations). In the event, some 50 recipients responded to the survey, representing 25 (or 86 percent) of the 29 PRGF countries under study. Of this, 25 came from finance ministries, 20 from central banks and 5 from sector ministries—suggesting some selection bias in favor of ministries of finance.

The evaluation team aimed to reach donor representatives resident in SSA countries. Contact information was gathered from agency headquarters, agency websites, and IMF and World Bank sources, including Executive Directors' offices. The donor sample of 92 survey recipients included staff from the aid agencies

Table A5.1. Evaluation Survey Responses

	Authorities	Donors	AfDB	IMF	UNDP	World Bank	Civil Society	Total
Number of survey recipients	100	92	26	71	22	71	87	469
Number of respondents	50	52	20	44	11	44	46	266
Percent response rate	50	57	77	62	50	62	53	57

Note: For the authorities, the 50 responses covered 25 of the 29 PRGF countries under study, or about 86 percent.

Table A5.2. Selected Survey Results

	Percent "Agree" or "Strongly			
	IMF	Authorities	World Bank	Donors
I. Design of PRGF programs				
1 PRGF program design focused on macro stability	100	98	98	97
2 PRGF program design focused on economic growth	55	57	20	53
3 PRGF program design focused on poverty reduction	38	36	12	23
4 PRGF program design focused on MDGs	13	26	3	13
5 PRSP provided the basis for PRGF analysis and design	37	62	28	48
6 PRGF provided framework for PRSP implementation in terms of macro policies	78	59	59	76
7 PRGF program design reflect an integrated assessment of constraints to aid absorptive capacity	38	58	22	26
8 IMF has increased importance of PSIAs in PRGF program design	74	50	37	41
9 IMF has increased importance of additional policy scenarios in PRGF program design	59	50	24	33
10 IMF has increased importance of additional aid scenarios in PRGF program design	88	47	32	33
11 IMF should attach more importance in the next five years to PSIAs	74	92	87	86
12 IMF should attach more importance in the next five years to additional policy scenarios	88	89	87	83
13 IMF should attach more importance in the next five years to additional aid scenarios	85	89	90	59
II. Effectiveness and influence				
14 PRGF influenced government's policies affecting macro stability	95	93	85	91
15 PRGF influenced government's policies affecting economic growth	61	49	23	50
16 PRGF influenced government's policies affecting poverty reduction	40	28	21	9
17 PRGF influenced government's policies affecting MDGs	29	15	11	7
18 When PRGF was off track, program aid flows decreased	77	74	73	46
III. Role in aid moblization and use				
19 IMF adequately anticipated future financing needs	76	66	32	24
20 IMF catalyzed the availability of additional aid	73	75	46	39
21 IMF proactively engaged in CG and other formal meetings	54	69	18	28
22 IMF proactively engaged in informal consultations with local donors' groups	68	65	24	29
23 IMF proactively engaged in one-on-one consultations with lead donors	68	48	28	29
24 PRGF monetary and fiscal policies accomodated the use of available aid	90	60	42	61
25 PRGF monetary and fiscal policies accomodated the use of aid earmarked for health	80	53	37	32
26 PRGF monetary and fiscal policies accomodated the use of aid earmarked for education	83	63	38	32
27 PRGF monetary and fiscal policies accomodated the use of aid earmarked for infrastructure	79	38	24	33
IV. Communications and relationships				
(A) Authorities				
28 IMF missions took place at an appropriate time for government's work on budget	83	74	61	72
29 IMF missions took place at an appropriate time for government's work on aid mobilization	66	62	43	41
30 Meetings between IMF and authorities were full and candid exchange of views with respect to policies	95	82	56	71
31 Meetings between IMF and authorities were full and candid exchange of views with respect to mobilization of aid	76	68	30	65
(B) Donors				
32 IMF missions took place at an appropriate time for donor decisions on aid	56	51	20	15
33 IMF discussed with donors external financing gaps	90	92	59	32
34 IMF discussed with donors the country's absorptive capacity for utilizing aid flows	61	64	24	22
35 IMF discussed with donors external financing gaps, highlighting situations in which the country's absorptive capacity for aid flows exceeded the amount of aid coming in	50	39	22	4
36 Meetings between IMF and donors were full and candid exchange of views with respect to aid	73	75	37	43
(C) Civil society				
37 IMF missions took place at an appropriate time for national dialogues with civil society, the authorities, and donors	47	37	13	22
38 Meetings between IMF and civil society were full and candid exchange of views	30	38	9	17
39 IMF has increased the level of importance attached to listening to the views of civil society	82	44	50	43
40 IMF has increased the level of importance attached to explaining IMF views to civil society	85	48	52	48
41 IMF has increased the level of importance attached to increasing the transparency of IMF policies	79	52	48	48
42 IMF should attach more importance in the next five years to listening to civil society	77	86	72	65
43 IMF should attach more importance in the next five years to explaining IMF views to civil society	83	92	88	74
44 IMF should attach more importance in the next five years to increasing the transparency of IMF policies	74	100	88	87

Notes: * significant at the 10 percent level; . . . question not included in the civil society survey.

[1]There were not enough responses from AfDB and UNDP to conduct meaningful significance tests.

Agree" (4 or 5)			Difference of Means *t*-Tests[1]									
			IMF				Authorities			World Bank		Donors
Civil society	AfDB	UNDP	Authorities	World Bank	Donors	Civil society	World Bank	Donors	Civil society	Donors	Civil society	Civil society
71	89	75	1.01	1.01	1.17	4.13*	0.00	0.20	3.51*	0.20	3.51*	2.95*
49	78	75	–0.22	3.43*	0.14	0.54	3.68*	0.34	0.74	–3.08*	–2.71*	0.37
14	22	25	0.20	2.81*	1.41	2.46*	2.56*	1.20	2.23*	–1.17	–0.22	0.92
13	0	0	–1.49	1.68*	–0.10	0.00	3.06*	1.26	1.38	–1.72*	–1.64	0.10
50	56	25	–2.28*	0.87	–0.94	–1.15	3.20*	1.07	0.97	–1.74*	–1.99*	–0.14
66	78	50	1.86*	1.86*	0.21	1.18	0.00	–1.46	–0.57	–1.46	–0.57	0.87
33	44	25	–1.73*	1.60	0.99	0.45	3.41*	2.51*	2.12*	–0.39	–1.09	–0.57
…	29	67	2.12*	3.25*	2.63*	…	1.07	0.66	…	–0.30	…	…
…	43	33	0.72	2.91*	1.86*	…	2.15*	1.20	…	–0.70	…	…
…	29	33	3.98*	5.48*	5.03*	…	1.19	0.99	…	–0.09	…	…
…	100	100	–2.04*	–1.30	–1.23	…	0.65	0.70	…	0.05	…	…
…	86	100	–0.08	0.19	0.61	…	0.27	0.70	…	0.41	…	…
…	100	100	–0.40	–0.56	2.45*	…	–0.18	2.89*	…	2.92*	…	…
69	90	75	0.48	1.53	0.78	3.20*	1.05	0.31	2.73*	–0.67	1.69*	2.20*
41	60	0	1.10	3.76*	0.93	1.80*	2.53*	–0.10	0.69	–2.51*	–1.78*	0.75
13	10	25	1.24	1.89*	3.14*	2.83*	0.66	1.96*	1.57	1.34	0.91	–0.49
9	29	0	1.44	2.05*	2.38*	2.26*	0.63	1.12	0.89	0.55	0.28	–0.28
…	100	0	0.26	0.34	1.92*	…	0.07	1.59	…	1.58	…	…
36	75	50	0.96	4.39*	4.88*	3.65*	3.25*	3.72*	2.61*	0.68	–0.42	–1.03
24	63	25	–0.19	2.54*	3.09*	4.86*	2.72*	3.27*	5.07*	0.64	2.08*	1.32
…	80	50	–1.32	3.49*	2.20*	…	5.27*	3.67*	…	–0.94	…	…
…	80	75	0.24	4.27*	3.48*	…	3.89*	3.15*	…	–0.48	…	…
…	50	50	1.74*	3.86*	3.53*	…	1.79*	1.60	…	–0.07	…	…
21	75	50	3.26*	5.14*	3.11*	8.34*	1.59	–0.05	3.68*	–1.56	1.98*	3.60*
29	50	25	2.64*	4.25*	4.46*	5.02*	1.38	1.67*	2.02*	0.39	0.66	0.23
29	50	33	1.95*	4.43*	4.82*	5.54*	2.21*	2.58*	3.11*	0.53	0.89	0.30
33	38	0	4.02*	5.83*	4.20*	4.41*	1.33	0.37	0.39	–0.85	–0.89	0.00
48	100	75	0.93	2.26*	1.05	3.26*	1.29	0.18	2.26*	–1.01	0.99	1.91*
37	71	25	0.32	1.99*	2.03*	2.46*	1.65*	1.71*	2.11*	0.16	0.50	0.31
52	83	50	1.87*	4.51*	2.75*	4.82*	2.52*	0.94	2.73*	–1.13	0.36	1.37
44	83	0	0.71	4.51*	0.84	2.69*	3.59*	0.27	1.95*	–2.53*	–1.15	1.31
54	63	50	0.37	3.26*	3.56*	0.18	2.86*	3.18*	–0.17	0.52	–2.92*	–3.25*
…	25	25	–0.28	3.35*	6.12*	…	3.53*	6.36*	…	2.22*	…	…
…	25	25	–0.21	3.38*	3.28*	…	3.56*	3.47*	…	0.19	…	…
…	14	0	0.81	2.51*	4.35*	…	1.56	3.39*	…	2.02*	…	…
61	86	0	–0.17	3.44*	2.63*	1.01	3.40*	2.64*	1.11	–0.54	–1.85*	–1.26
10	29	25	0.85	3.20*	2.08*	3.61*	2.30*	1.26	2.70*	–0.93	0.40	1.31
21	33	0	–0.68	2.25*	1.06	0.84	2.84*	1.56	1.45	–0.79	–1.37	–0.38
21	0	50	3.41*	2.80*	3.19*	6.10*	–0.46	0.05	2.03*	0.46	2.47*	1.80*
24	17	0	3.43*	3.11*	3.25*	6.27*	–0.25	0.05	2.08*	0.27	2.32*	1.86*
25	14	0	2.39*	2.63*	2.50*	5.07*	0.25	0.27	2.25*	0.04	1.96*	1.77*
91	75	100	–0.97	0.49	1.12	–1.55	1.45	2.10*	–0.61	0.62	–2.01*	–2.65*
91	88	100	–1.15	–0.58	0.85	–0.97	0.55	2.00*	0.14	1.40	–0.39	–1.79*
91	88	100	–3.53*	–1.42	–1.30	–1.81*	2.23*	2.31*	1.90*	0.09	–0.39	–0.48

of Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Switzerland, the United Kingdom, and the United States. For each SSA country, the choice of included donors was based on their relative importance in terms of aid flows to that country.[1] Fifty-two donor representatives (or 57 percent) responded.

The list of survey recipients from the AfDB comprised all 26 of the Bank's country economists working on SSA PRGF countries. The AfDB response rate was high, with 20 economists (or 77 percent) responding.

The IMF staff survey recipient list was extracted from an IMF database of resident representatives, mission chiefs, and country desk economists for ESAF and PRGF countries from 1998 to the present. The IMF sample was set at 71, including only current or former mission members with at least three missions and IMF resident representatives. IMF staff answered the survey online, with 44 total responses (62 percent of the sample). Of those, slightly over one-half were mission chiefs and 40 percent resident representatives.

The UNDP staff survey recipient list was developed from UNDP country websites, validated through discussions with UNDP Africa Bureau staff. In all, 22 UNDP offices were included in the sample, with 11 responses.

The list of 71 World Bank staff recipients was extracted from country team lists from 1998 to the present, augmented by informal contacts with World Bank sources. Of 44 (or 62 percent) responding World Bank staff, about half were country managers or country directors and the other half country or sector economists.

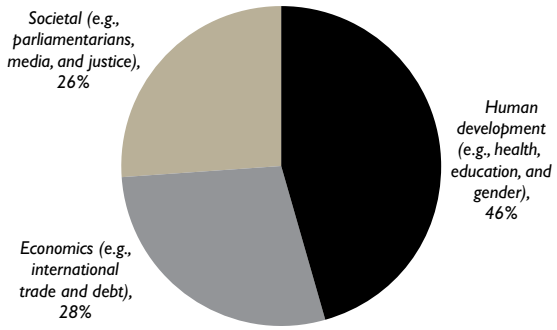
The evaluation team used information and contacts from several sources to construct the survey recipient list for civil society. These included the external relations departments of the IMF and the World Bank; IMF resident representatives and World Bank staff from the Africa Region; and staff of international CSOs, including ActionAid, Christian Aid, EURODAD, Save the Children, Trocaire, and VSO International. A total of 87 civil society recipients were identified and 46 responses received for a response rate of 53 percent. Of the civil society respondents, 23 answered in English, 18 in French, and 5 in Portuguese.

Respondent Characteristics

The evaluation team sent questionnaires to 469 people. Out of these, 266 people responded, for an overall response rate of 57 percent (Table A5.1 on page 63).

[1]Generally, the donors to whom surveys were sent were among the five top providers of aid to the country in question. Aid disbursements were calculated using the most recent OECD-DAC data. See OECD-DAC (2006).

Figure A5.1. Characteristics of Civil Society Representatives
(n = 46)



The total sample of responses was fairly evenly distributed across the authorities, donors, civil society, and IMF and World Bank staff. Responses from UNDP and AfDB comprised small shares of the total. The response rate for each of the seven categories of survey recipients was at least 50 percent. These response rates are broadly comparable to those from surveys used in other IMF reports and evaluations.[2]

Respondents from all non-IMF groups expressed familiarity with the IMF's work in SSA, including the PRGF process. Excluding civil society representatives (who were not asked specifically about the PRGF), a majority of respondents were actively involved in the PRGF process; over half were involved in the design and 68 percent took part in implementation. Twenty-three percent of respondents reported no involvement with PRGF processes.

While civil society representatives were not asked directly about their involvement with PRGFs, they were asked about their familiarity with the work of the IMF. Specifically, respondents were asked about their main sources of information on IMF activities. The most common source of IMF information was participation in national consultation processes (around one-third of respondents). Figure A5.1 also shows the main sectors of civil society respondents' work. As illustrated, those focused on human development issues (including health, education, and gender advocacy) had the highest representation in the sample.

Other Issues

The main text presents the survey results in the form of simple figures. This section provides details on significance tests and a summary table of survey results.

[2]See, for example, IMF (2005m), IMF and World Bank (2004), and IEO (2006a).

Despite the statistical tests suggesting significance for a number of questions, the survey results should be interpreted with caution and as indicative of the views of the relevant respondent groups. There is, of course, no way to completely remove selection bias from the choice of recipients, or from the responses received, which are more likely to come from those familiar with the work of the IMF and from those with strong opinions on Fund activities in SSA—both positive and negative.

To strengthen the interpretation of the results, tests examined the statistical significance of within-group and between-groups' differences in responses. The evaluation team used two tests for the purpose: (1) a *t*-test for the difference of means—used to compare two group responses—with the null hypothesis that the difference between the two means is zero; and (2) construction of confidence intervals around the responses of each individual group.

Table A5.2 on pages 64–65 provides details on responses by all seven groups to a broad range of survey questions, including results of the difference of means *t*-tests described above. The questions listed are divided along thematic lines, and include queries on the IMF's influence and effectiveness, the Fund's role in the mobilization and use of aid, the design of PRGF programs, and communications and relationships with other stakeholders. As shown in the table, there are statistically significant differences between IMF staff and civil society responses for most questions, especially on issues of aid mobilization, IMF mission outreach, and concern for poverty issues. There are also significant differences between IMF staff and World Bank staff and between IMF staff and donor responses on many issues, including aid mobilization, the influence of PRGF programs, and the effectiveness of Fund communications. IMF staff responses are statistically closer to those of the authorities than to the other groups for many questions, though these two also differ significantly on issues of aid mobilization and use. UNDP and AfDB staff responses were generally not high enough for meaningful significance tests.