



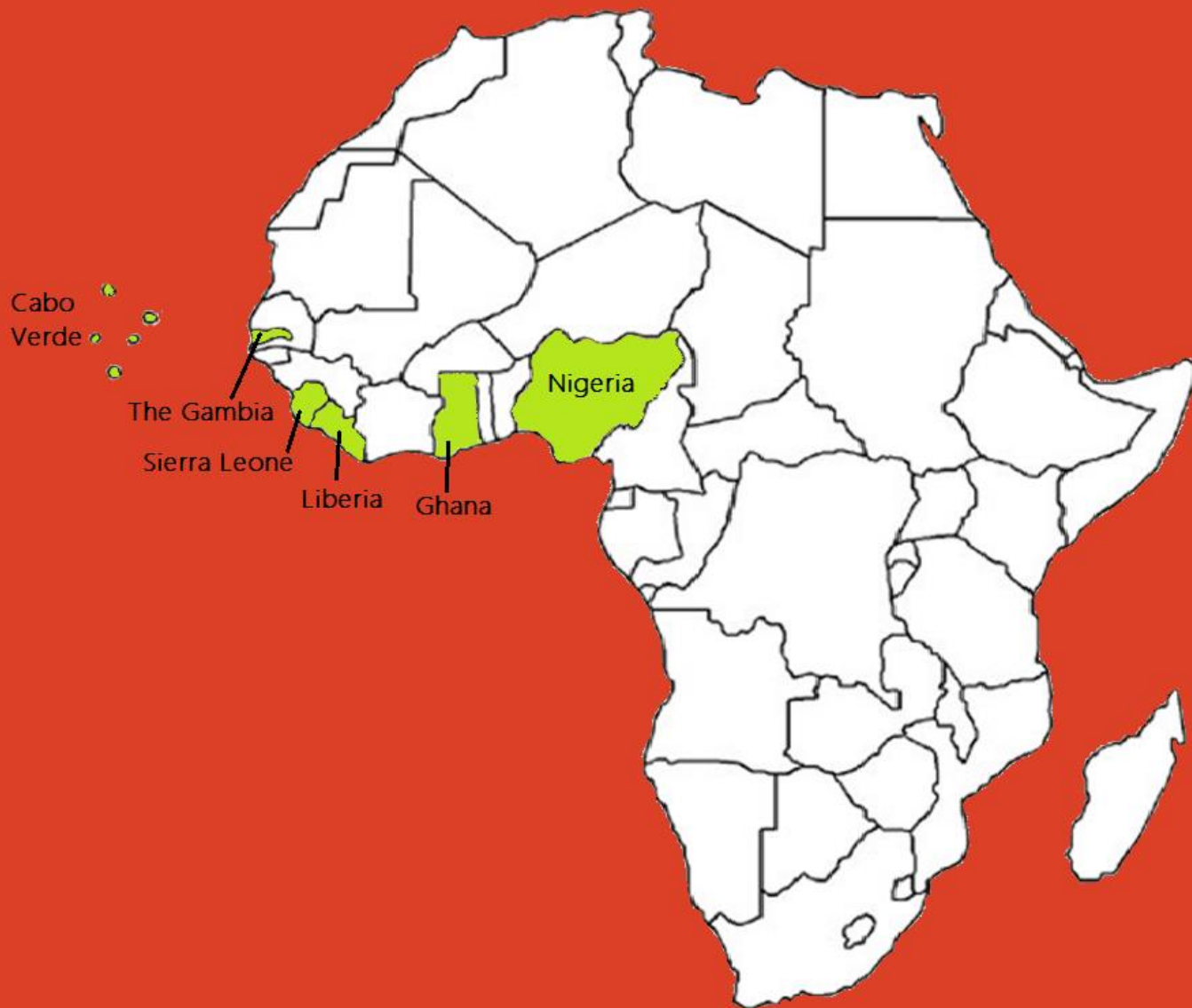
FY2016 Annual Report

August 2016

AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER WEST 2 (AFW2)



AFRITAC WEST 2 MEMBER COUNTRIES



Ghana



Cabo Verde



Liberia



Nigeria



Sierra Leone



The Gambia



A Multi-Donor Initiative supported by Member Countries and the following Development Partners



LIST OF ACRONYMS

AFE	AFRITAC East
AFRITAC	Africa Technical Assistance Center
AFW2	AFRITAC West 2
ANA	Annual National Accounts
ASYCUDA	Automated System for Customs Data
ATAF	African Tax Administrators' Forum
BCP	Basel Core Principles
BCV	Bank of Cabo Verde
BOG	Bank of Ghana
BOP	Balance of Payments
BSD	Banking Supervision Department, Bank of Ghana
CAAT	Computer Assisted Audit Techniques
CAGD	Controller and Accountant General's Department
CB	Central Bank
CBG	Central Bank of The Gambia
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CBSL	Central Bank of Sierra Leone
CD	Capacity Development
CPI	Consumer Price Index
CPMI-IOSCO	Committee on Payment Systems and Market Infrastructures of the International Organization of Securities Commissions
CPSS	Committee on Payment and Settlement Systems
DANIDA	Danish International Development Agency
DFID	Department for International Development of the UK
DNRE	National Directorate of State Revenue of Cabo Verde
ECOWAS	Economic Community of West African States
EDDI	Enhanced Data Dissemination Initiative
e-DDS	Enhanced Data Dissemination System
EVD	Ebola Virus Disease
FAD	Fiscal Affairs Department of IMF
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service of Nigeria
FMF	Federal Ministry of Finance, Nigeria
FMBNP	Federal Ministry of Budget and National Planning, Nigeria
FPAS	Forecasting and Policy Analysis System
FS	Financial Supervision
FSD	Fiscal Strategy Document
FX	Foreign Exchange
FY	Fiscal Year
GBoS	Gambian Bureau of Statistics
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GIFMIS	Ghana Integrated Financial Management Information Systems
GIZ	German Agency for International Cooperation
GRA	Ghana Revenue Authority
HQ	IMF Headquarters



HQ-RES	Research Department of the IMF
ICD	Institute of Capacity Development of the IMF
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
KGN	Kaduna State Government
LEG	Legal Department of the IMF
LRA	Liberian Revenue Authority
LTX	Long Term Experts
MCM	Monetary and Capital Markets Department of IMF
MONOPS	Monetary Operations and Payment System
MNRW-TTF	Managing Natural Resource Wealth Topical Trust Fund
MPC	Monetary Policy Committee
MTEF	Medium Term Expenditure Framework
M&E	Monitoring and Evaluation
NCS	Nigeria Customs Service
NRA	The National Revenue Authority of Sierra Leone
OECD-DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
PBB	Program-Based Budgeting
PCA	Post Clearance Audit
PFM	Public Financial Management
PFMI	Principles for Financial Market Infrastructure
PPI	Producer Price Index
QNA	Quarterly National Accounts
RA	Regional Advisor
RA-FIT	Revenue Administration-Fiscal Information Tool
RBM	Results Based Management
RTAC	Regional Technical Assistance Center
RTGS	Real –Time Gross Settlement
SC	Steering Committee
SDGs	Sustainable Development Goals
SNA	System of National Accounts
SOEs	State Owned Enterprises
SSA	Sub Saharan Africa
STA	Statistics Department of IMF
STX	Short-Term Expert
TA	Technical Assistance
TADAT	Tax Administration Diagnostics Assessment Tool
TGRA	The Gambia Revenue Authority
TPA-TTF	Tax Policy and Administration-Topical Trust Fund
TSA	Treasury Single Account
VAT	Value Added Tax
WAIFEM	West Africa Institute for Financial and Economic Management
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone
WATAF	West African Tax Administrators' Forum
WAUTI	West African Union of Tax Institutes
WCO-ROCB	World Customs Organization Regional Office for Capacity Building

Opening remarks by the Chair of AFRITAC West 2 Steering Committee
-Honorable Abdou Kolley, Minister of Finance and Economic Affairs, The Gambia,
4th Steering Committee Meeting, The Gambia

I would like to welcome the AFRITAC West 2 Steering Committee (SC) to The Gambia, the smiling coast of Africa. It is the pleasure of the Government of The Gambia to host the fourth SC meeting of the Center which also happens to be the first of its kind taking place outside Accra, Ghana.



After two years in operations, you would agree with me that AFRITAC West 2 has gradually established itself as a principal provider of macroeconomic capacity building in our region. This is very significant especially given the peculiar macroeconomic shocks most of our countries are currently experiencing. As you may know, the average growth of AFW2 countries for instance is only projected to pick up to 2.7 percent in 2016 from 1.8 percent in 2015 due to an expected economic recovery in both Liberia and Sierra Leone. The technical assistance (TA) delivered by the Center in various macroeconomic areas thus is not only useful in the management of the current challenges, but also very critical in building strong institutions and by extension, macroeconomic resilience in our respective countries for the future.

It is welcoming that after a very challenging first year of operations, the Center made significant strides in its second year of operations, evidenced by the almost 100 per cent growth in the number of technical assistance missions to member countries as well as regional workshops. In 2016 fiscal year, a total of about 100 TA missions and 9 regional workshops were conducted by the Center across its five sectors of operations and six member countries. This compares with about 50 TA missions and 3 workshops in 2015 fiscal year. It is also encouraging that the Center in the past fiscal year employed some innovative modes of TA delivery; notably peer-to-peer learning; in the case of Nigeria and Ghana on Program-Based Budgeting and a professional attachment for Sierra Leone's National Revenue Authority to the Tanzania Revenue Authority. Such flexibility and innovation are necessary to ensure that capacity development is well-tailored to meet the varying needs of member countries.

The Center's FY 2016 Annual Report showcased some of the success stories of AFRITAC West 2's TA interventions so far which included examples from my country, The Gambia. TA support for the Gambia Revenue Authority helped to strengthen tax and customs administration as well as to embed a strategic planning culture in the organization. I am happy to say that thanks in part to this support, the GRA broadly met its revenue targets for 2015. I would add that in the area of financial supervision, the intensive round of trainings to the Central Bank of The Gambia on the key principles of the International Financial Reporting Standards (IFRS) and risk-based supervision by AFW2 has been well appreciated. We also welcome the technical support provided by the Center so far in the conduct of the economic census which will underpin the rebasing of our GDP in 2017.

It is further notable that the Center made significant inroads in its largest member country Nigeria over the past year; in areas of PFM and Revenue Administration. In the case of Liberia and Sierra Leone which were



unable to receive most of their planned TA in the Center's first year of operation, a key achievement of FY 2016 is that the Center has laid a foundation for an elevated level of capacity development intervention in the near future. In Ghana, the Center has continued to support the implementation of the IMF-supported program, while in Cabo Verde, assistance has been provided notably in the area of Revenue Administration with the newly integrated tax and customs administration.

A carefully designed work program for the fiscal year 2017, which begins in May 2016, has been presented to the SC for consideration. The formulation of this work program I understand has been informed by demands of the various institutions in the member countries and discussed internally within the IMF. Some of the proposed strategic priorities include a further scaling up of capacity development interventions in Liberia and Sierra Leone, the recruitment of an additional Revenue Administration Advisor in the light of increasing needs of member countries on domestic resource mobilization, the implementation of a strategy for deeper engagement with Nigeria and expanding the modes of delivering technical assistance to enhance the effectiveness of capacity development. Let me add that notwithstanding the few teething challenges that the Center continue to face, I have no doubt given the achievements of the FY 2016 that in the coming fiscal year, the Center with the support of the SC and member countries should be able to execute the proposed interventions.

Ladies and Gentlemen of the Steering Committee, while we acknowledge the strides and potential of a relatively young Regional Technical Assistance Center, we also cannot overemphasize the key ingredients that make for successful cooperation in the area of capacity development. As has been stressed in past SC meetings, two common themes that cut across the successful capacity development interventions are strong country ownership on the demand side and strong benefits from the use of hands-on training on the supply side. I would use this opportunity to encourage the Centre to continue to explore more innovative and flexible ways to address pressing capacity needs of member countries while I urge fellow member countries to effectively collaborate with the Centre in addressing those needs, particularly in carrying forward TA recommendations.

To conclude, I would like to thank all members and observers of the Steering Committee, particularly those who have travelled to Banjul for this meeting. The contributions of this Steering Committee has been very useful in shaping the Centre's work and it is my hope that as today's meeting discusses various important issues; you would bring your rich insights and experiences to the table for the ultimate benefit of the member countries. In fact, one of the key recommendations of the last SC meeting in December 2015 was for increased collaboration between the Centre and regional institutions and I am happy to acknowledge the presence of the representatives of three important regional institutions; ECOWAS, WAMI and WAIFEM in this meeting.

Let me express appreciation to our development partners, without whose support the Centre's work would be impossible. Our special thanks go to the Government of Ghana for serving as a generous host for the Center and chairing the first three Steering Committee meetings of AFW2. Thanks also go to the staff of the Centre for their concerted and collaborative efforts as well as to the organizing team for this SC meeting. Let us have productive deliberations over the course of the day and later at the dinner. I wish you a great stay in The Gambia, and encourage you to use the opportunity to explore our beautiful country while you are here.

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I. EXECUTIVE SUMMARY

After a heavily disrupted first year in FY 2015, AFRITAC West 2 (AFW2's) operations normalized in FY 2016 and the Center marked its two-year anniversary in March 2016.

- The Center was officially opened in March 2014 and work started in earnest to serve the six member countries in their capacity development (CD) programs. That effort was overshadowed by the Ebola outbreak which led to a postponement of a significant part of the Center's work plan to affected countries albeit efforts were made to ensure the continuation of service to these countries through innovative ways.
- As the Center marks its two-year anniversary, and despite the challenges faced in the first year, there is evidence of positive outcomes in its work in the region, including on a number of ongoing projects that hold considerable promise as discussed at the 3rd Steering Committee meeting in December 2015.



The macroeconomic outlook facing AFW2 countries continues to define the Center's capacity development work program as informed by member countries' priorities. The countries are facing enormous fiscal challenges against the backdrop of sluggish global growth, weak export demand, falling commodity revenues, and widening fiscal gaps. This challenging outlook reinforces the need for policy upgrades to improve domestic resource mobilization (an important aspect of the Sustainable Development Goals—SDGs, and the UN's Financing for Development Agenda) and strengthen public financial management (PFM), supported by robust monetary-financial sector toolkits. Thus, AFW2's CD work will continue to support member countries in their efforts to pursue fiscal consolidation through both revenue administration and PFM reforms.

The Center had a productive FY 2016 although overall execution rates were below programmed levels. The Center fielded 111 missions including 9 regional workshops in FY 2016. About 40 percent of the FY 2016 milestones were achieved, while about 32¹ percent are in progress and 28 percent have been cancelled or postponed to the next fiscal year (Figures I-3). Total expenditures for FY 2016 was at about \$5.8 million. This is lower than the programmed budget target of about \$9.3 million for the fiscal year (Table I). The outlays remained below target in part because of a lower execution rate in the two fragile states (Liberia and Sierra Leone) as well as significant under-execution of CD delivery to Cabo Verde because of limited availability of Portuguese speaking experts and lack of demand.

The center plans for a higher execution rate in FY 2017. The expansion will reflect member countries' needs, including an ongoing acceleration of the Center's CD intervention in Liberia and Sierra Leone, additional support in the areas of revenue and PFM, and more flexible modes of delivering CD.

¹ For milestones in progress, work has already commenced but they may or may not be completed in the referenced fiscal year.

Financial contributions to the Center have risen in FY 2016. Development partners have disbursed about 87 percent of their pledges and, on the member countries side, The Gambia made its first installment payment of US\$87,500 in August 2015 and Ghana paid its full US\$5 million contribution in December 2015. The Center will intensify its outreach efforts to secure contributions from the remaining members.

In terms of its operations, the Center made some notable contributions to member countries in FY 2016 by:

- **Laying the foundation for an elevated level of CD intervention in Liberia and Sierra Leone:** Since the lifting of the ban on IMF missions in the Ebola affected countries, all the Regional Advisors have visited both countries to reestablish contacts with their key counterparts and confirmed the authorities' priorities. As a result, the stage has been set for a significant pick up in CD delivery to both countries.
- **Intensifying CD delivery to Nigeria, most notably to Kaduna State:** In response to a request from Nigeria, a HQ-led diagnostic mission helped to identify quick-win revenue generation measures in both tax and customs in light of lower oil revenues. AFW2 has developed an excellent partnership with Nigeria's Federal Inland Revenue Service (FIRS) and has been providing CD to develop a strategic plan for the 2016-20 period. In addition, AFW2 technical assistance missions assisted the authorities with the design and implementation of a Treasury Single Account (TSA) and the cash management framework along the lines of similar reforms implemented at the federal level with IMF support.
- **Supporting the implementation of Ghana's economic program:** The Center collaborated closely with development partners working with the Ghana Revenue Authority to strengthen capacity, including in developing its strategic plan. AFW2 also worked closely with the authorities and other development partners to strengthen Ghana's PFM law and improving its macro-fiscal framework and with the Bank of Ghana on modernizing its monetary policy framework.
- **Expanding regional CD delivery and training.** The Center accelerated its delivery of TA and training through its regional workshops with all the Resident Advisors holding a number of workshops in FY 2016. Recognizing the benefits of peer learning and peer support, the Center fostered such activities to discuss best practices on implementing reforms, including in the context of political economy constraints. For example, a learning seminar was conducted between Ghana and Nigeria in Accra in July 2015 to share experiences in introducing program-based budgeting, a key area of on PFM reforms, and the Center arranged for a successful professional attachment for Sierra Leone at the Tanzania Revenue Authority.



AFW2's Joint Training Workshop with Nigeria's FIRS

Building on these solid outcomes, the Center's strategic priorities for FY 2017 are as follows:

- Implementing a work program for FY 2017 that is based on the strategic priorities agreed with member countries and discussed internally among IMF departments (Section V).
- Further scaling up of the CD intervention in Liberia and Sierra Leone, the Center's two fragile states (FS). The recruitment of an additional Resident Advisor in the area of revenue administration (Appendix I) to support member countries. Initially, consistent with the Fund's initiative for fragile states, the advisor will provide intensive support to Liberia and Sierra Leone.
- Implementing the strategy for deeper engagement with Nigeria: Nigeria's presence on and participation in the SC is essential to AFW2 and would be a manifestation of the critical role the country is expected to play within the Center.
- Expanding the mode of CD delivery: The center will continue to explore ways for more flexible modes of CD delivery to enhance effectiveness.

On staff changes, two new Resident Advisors joined the Center during FY 2016 in the areas of public financial management (PFM) and monetary operations and payment system (MONOPs).

The mid-term evaluation of the Center's activities is envisaged to start around May 2017. Traditionally, the mid-term evaluation of an RTAC is held no later than 40 months after the funding cycle has begun, and it is an independent external evaluation. The evaluation, which will be based on the terms and conditions governing the administration of the Center's subaccount, will be conducted along the OECD-DAC criteria and is expected to appraise the **relevance** of the CD provided, the extent to which the RTAC has led to tangible results and is achieving its objectives **efficiently** and **effectively**, whether CD delivered is **sustainable**, and what the **impact** is in the Center's member countries. The evaluation recommendations, lessons learnt, and the IMF's response will be presented to the Steering Committee along with an action plan for implementation of the recommendations. Findings of the external evaluation will also help inform the formulation of the Program Document for the Center's subsequent phase and progress on its implementation will be reported periodically to the Steering Committee.

The rest of this annual report is organized as follows. Section II summarizes the key issues for discussion at the Steering Committee meeting on April 26, 2016. Section III provides the macroeconomic context in AFW2's member countries, which helps to frame the issues in terms of the CD activities in the Center. Section IV summarizes the key CD outcomes in FY 2016 and the sectoral implementation of the FY 2016 work program, while Section V outlines the strategic CD priorities for FY 2017 and the key elements of the Center's work program for FY 2017 (Annex V).

II. ISSUES FOR DISCUSSION AT THE 4TH STEERING COMMITTEE MEETING

Issues	Background and Context
1. Proposed Work Program for FY 2017 I/	The Center seeks the endorsement of the FY 2017 work program by the Steering Committee (SC) (Annex V).
2. An Additional Resident Advisor for the Center on Revenue Administration I/	In light of the emerging and pressing needs by member countries on domestic revenue mobilization , notably in Liberia and Sierra Leone (both fragile states), and to some extent Nigeria, the annual report (Appendix I) provides details of the proposal for adding another Resident Advisor (RA) at the Center. The new Resident Advisor, along with the current RA, could work together along functional lines (tax and customs administration) and as a team help leverage IMF support from the IMF's Fiscal Affairs Department (FAD) to operationalise the tools available to enhance domestic revenue mobilization. The goal is to apply more benchmarking across countries to support efforts to enhance collection given the criticality of domestic revenue mobilization for achieving the SDGs. The SC is being asked to approve the proposal.
3. Nigeria—A concept note that was requested by the SC and outlines the main elements of deepening engagement with the country I/	The Center has crafted a concept note that delineates the key elements of how to deepen engagement with Nigeria taking into account its complex federal structure and its leadership role in the region (Appendix II). The note has benefited from initial input by SC members. In line with its role of providing strategic guidance to AFW2, the Center seeks the endorsement of the SC on the main elements of the proposed strategy.
4. Forthcoming Mid-Term Evaluation of the Center	Consistent with the RTAC policy, there will be a mid-term evaluation for the Center expected to start around May 2017 (Box 2). The Center seeks the views of the SC on what they would expect as the key elements of the evaluation.
5. Chair and Location of the next Steering Committee Meeting in April 2017	The SC will discuss the nomination for the chair and the location of the next SC meeting.

I/ These proposals were approved by the Steering Committee on April 26, 2016.

Table I: IMF Capacity Building Initiative - AFRITAC West 2 Financial Table

	(A)	(B)	(C)	(D)	(E)	(F=B+C+E)	(G)
	FY2014-2019	FY2014	FY2015	FY2016		Total Expenses FY2014-2016	FY2017
	Working Budget	Outturn	Outturn	Budget	Outturn	Outturn	Budget
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Long-term Experts	9,220,472	264,484	1,420,765	1,709,711	1,430,413	3,115,661	2,133,557
Fiscal	4,990,845	138,029	609,057	816,775	625,805	1,372,891	1,231,745
Revenue administration and tax policy	2,400,219	43,811	307,536	257,231	260,345	611,692	597,596
Public financial management	2,590,626	94,218	301,521	559,545	365,460	761,200	634,149
Monetary	2,915,234	84,636	555,200	633,726	547,674	1,187,510	636,381
Banking supervision	1,754,953	84,636	344,850	325,584	331,557	761,042	328,239
Monetary policy and operations	1,160,281	-	210,350	308,142	216,117	426,468	308,142
Statistics	1,314,394	41,819	256,507	259,209	256,934	555,260	265,430
Short-term Experts	8,044,842	43,964	857,236	2,562,285	1,873,040	2,774,239	2,532,597
Fiscal	4,828,809	23,829	655,269	1,539,635	1,060,144	1,739,241	1,499,778
Monetary	2,216,837	-	103,456	550,313	570,992	674,448	770,251
Statistics	694,635	20,135	73,229	308,897	143,458	236,822	143,547
Legal	142,266	-	25,283	84,000	25,171	50,454	30,000
ICD	89,021	-	-	-	-	-	89,021
Research	73,275	-	-	79,440	73,275	73,275	-
Travel	3,022,626	128,105	197,565	605,531	434,299	759,969	844,612
Long-term Expert travel	1,561,027	20,127	112,632	406,463	236,894	369,653	456,329
Center Coordinator travel	200,457	11,063	17,111	31,250	37,669	65,844	31,875
Staff travel	1,261,142	96,915	67,822	167,818	159,737	324,473	356,408
Seminars/Training	2,744,060	-	145,466	1,637,071	329,866	475,332	1,050,000
TA seminars	1,970,081	-	125,957	1,265,000	329,866	455,824	697,961
ICD training	660,808	-	19,509	316,260	-	19,509	299,233
HQ Direct Training	113,170	-	-	55,811	-	-	52,806
Diagnostic Missions	1,302,016	29,570	84,876	510,320	131,927	246,373	551,570
Fiscal	965,767	29,570	76,320	365,839	110,764	216,655	401,310
Monetary	288,458	-	-	129,581	13,538	13,538	134,764
Statistics	47,791	-	8,556	14,900	7,624	16,180	15,496
Backstopping/Project Management	1,861,222	94,171	243,621	341,391	294,918	632,711	514,872
Backstopping	1,150,900	51,006	188,929	258,214	177,377	417,312	299,574
Project Management	710,321	43,166	54,692	83,178	117,541	215,399	215,298
Other	674,976	-	-	123,711	-	-	409,033
Evaluation	280,374	-	-	-	-	-	280,374
Contingency	394,602	-	-	123,711	-	-	128,659
Center management	3,817,838	155,060	491,591	912,241	579,882	1,226,533	950,770
Staff salary	659,754	13,374	68,026	187,865	120,185	201,585	120,819
Staff training	21,029	-	-	4,896	7,942	7,942	5,092
Other-office support/communication	1,132,999	116,877	112,313	220,959	116,309	345,499	306,397
Facilities	2,004,056	24,809	311,251	498,521	335,447	671,507	518,462
Subtotal Donor Expenses	30,688,052	715,354	3,441,120	8,402,261	5,074,345	9,230,819	8,987,011
Trust Fund Management	2,148,164	50,075	240,878	588,158	355,204	646,157	629,091
Total Donor Expenses	32,836,215	765,429	3,681,998	8,990,419	5,429,549	9,876,976	9,616,101
IMF Contribution	3,373,002	1,315,733	414,999	332,350	338,110	2,068,842	412,005
Total West AFRITAC 2	36,209,218	2,081,162	4,096,997	9,322,769	5,767,659	11,945,819	10,028,106

Source: Institute for Capacity Development, IMF.

III. MACROECONOMIC DEVELOPMENTS IN AFW2 COUNTRIES

After a period of subdued economic activity, growth in AFW2 countries is expected to pick up from an average of 1.5 percent in 2015 to 3.3 percent in 2016. In 2015, growth in the region was stalled by domestic developments and a less favorable external environment, notably falling commodity prices. The positive outlook for 2016 is due to an expected economic recovery in both Liberia and Sierra Leone.

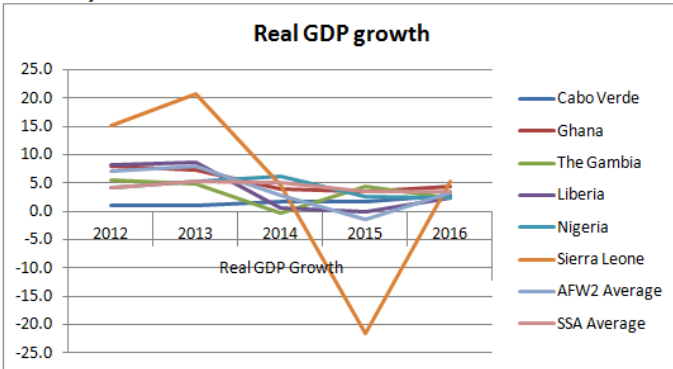
Average inflation in the AFW2 region is expected to remain at around 8.8 percent in 2016. In some countries, inflation is projected to inch upwards while in Ghana inflation is projected to decline from 17 percent to about 15 percent (average inflation in sub-Saharan Africa (SSA) is expected to be about 9 percent in 2016).

Fiscal vulnerabilities remain in the AFW2 region. Some countries widened their fiscal deficits in 2015 as a result of falling commodity prices (Nigeria, Liberia and Sierra Leone—the two latter being further constrained by the lagged impact of the post-Ebola related shocks). Still, countries like Ghana and Cabo Verde made progress towards fiscal consolidation by reducing their fiscal deficits in 2015. For 2016, it is projected that the average fiscal deficit for the region would remain relatively high at 5.8 percent of GDP (above the projected average for SSA of 4.6 percent of GDP). In addition, public debt in AFW2 is expected to rise to an average of 67 percent of GDP in 2016 (Cabo Verde, Ghana and The Gambia have a debt-to-GDP ratio exceeding 60 percent of GDP; with Cabo Verde exceeding 100 percent of GDP).

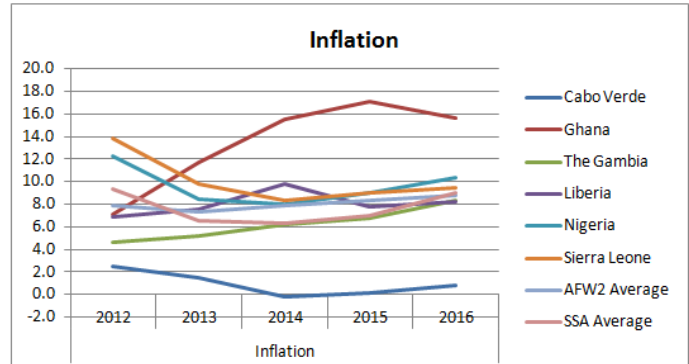
Fiscal and external vulnerabilities in AFW2 countries reaffirm the urgency of structural reforms and effective implementation of CD initiatives. Pressing structural reforms include rationalization of public expenditure, widening the tax bases, enhancing efficiency in revenue collection, and promoting economic diversification. The current macroeconomic context is linked to significant capacity building priorities that, after two years of operations, AFW2 is well-positioned to support, notably in the areas of PFM, revenue administration, monetary operations, financial sector supervision and regulation, and real sector statistics.

Figure I: Macroeconomic developments in AFRITAC West 2 countries

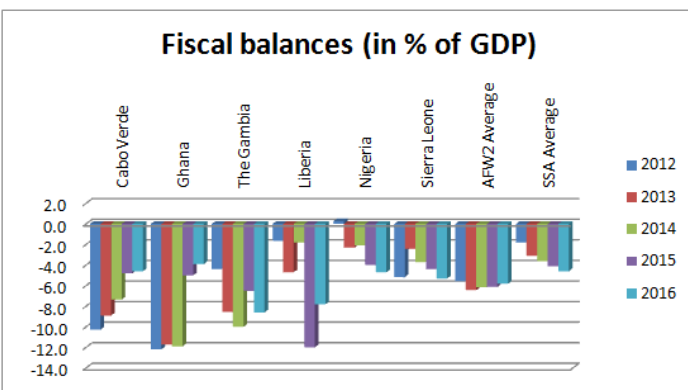
1. A pick up in growth is projected for 2016 following subdued growth in recent years.



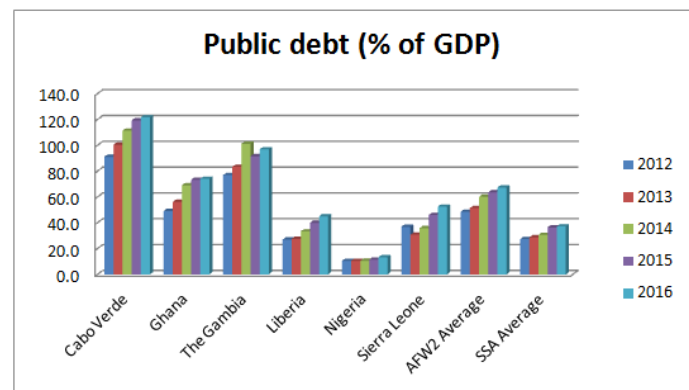
2. Inflation is expected to rise in most countries in the region



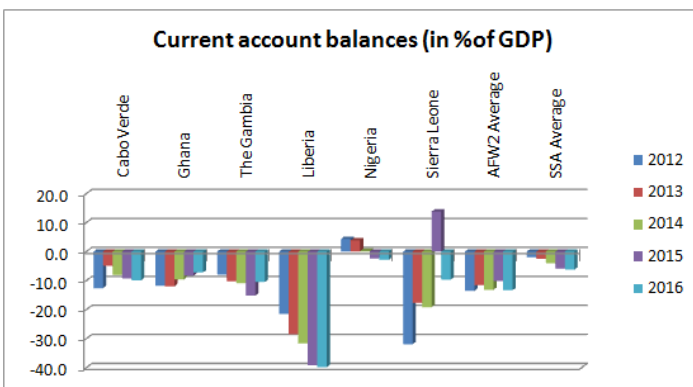
3. The fiscal deficit of AFW2 continues to be higher than the sub Sahara African average, although it is projected to slightly improve in some countries



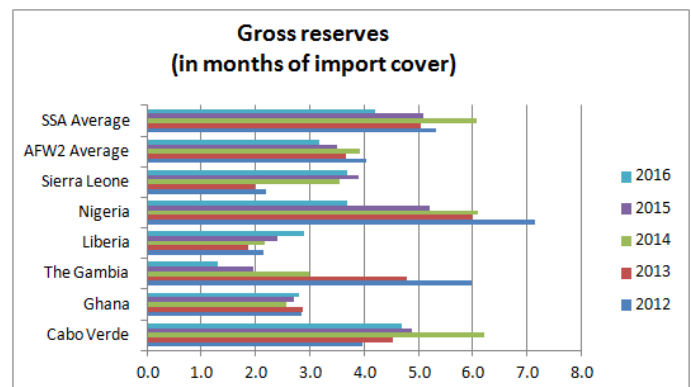
4. The region's average public debt is nearly twice of the sub Sahara African average.



5. Amidst falling commodity prices, most AFW2 countries are externally vulnerable



6. Reserves will hover around an average of 3.2 months of import cover



Source: Regional Economic Outlook, Sub-Saharan Africa (April, 2016).

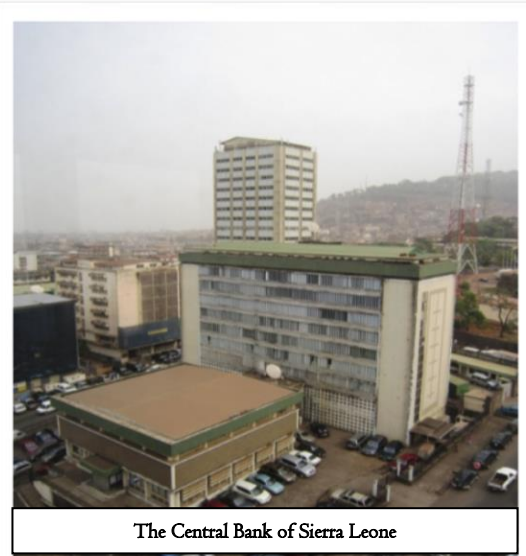
IV. KEY CAPACITY DEVELOPMENT OUTCOMES AND A SECTORAL REPORT ON THE IMPLEMENTATION OF THE FY 2016 WORK PROGRAM

Summary of CD outcomes in FY 2016

During FY 2016, there was a clear pick up in CD activity along with evidence that the Center is having a positive impact in the region. A total of 111 missions of the 165 missions scheduled for the fiscal year were conducted, representing 67 percent of the planned activities. About ¾ of the milestones were either met or are in progress (Figure 2). In particular, significant progress was achieved in the areas of revenue administration, PFM, and real sector statistics. On the financial side, total budgetary outlays for FY2016 was at about \$5.8 million or about 62 percent of the total budget for FY2016 (about \$9.3 million) - Table I.

Consistent with the call by the Steering Committee to focus on results, the Center's CD interventions have already led to some good outcomes. In particular, AFW2 is supporting the implementation of Ghana's economic program and assisting the Nigerian authorities with the design and implementation of a Treasury Single Account (TSA) and the cash management framework. Beyond these, there are other projects that appear to hold considerable promise including the ongoing interventions in Liberia and Sierra Leone. While the nature of successful CD intervention varies across sectors, two common themes that cut across the success stories are strong country ownership on the demand side and strong benefits from the use of hands-on training on the supply side. The Center's close coordination of its CD activities with TA departments at the IMF HQ, also played a critical role in contributing to these successful interventions.

The Center's work in the two fragile states picked up significantly in second half of FY 2016. Two AFW2 missions visited the Liberian Institute of Statistics and Geo-Information Services (LISGIS) to assist the authorities to improve the quality of the national accounts for both production and expenditure. The missions focused on assessing the current situation, reviewing the Household Expenditure and Income Survey data, developing a work plan to guide the authorities, and improving the Consumer Price Index. In Sierra Leone, the AFW2 Statistics Advisor assessed the status of the annual national accounts sources and worked on methods and areas of improvement based on previous recommendations. An FAD mission on VAT implementation, planning and revenue diagnostic mission visited Liberia in September. In September, AFW2 arranged for the attachment of Sierra Leone officials to the Tanzania Revenue Authority to develop an effective monitoring research and planning framework. The Center also provided support to Liberia and Sierra Leone in the areas of PFM and



The Central Bank of Sierra Leone

MONOPs, while the Resident Advisor on Financial Supervision participated in a diagnostic mission to Sierra Leone and Liberia.

Supported by AFW2, the Gambia Revenue Authority (TGRA) continued its efforts to strengthen tax and customs administration. The TGRA appears to have broadly met its targets for 2015. AFW2 has helped the TGRA with strategic planning and the TGRA hosted a consultative meeting to share their strategic plans with development partners. As a result, there is strong indication that the TGRA reform program has taken root and commitments for funding have been received from development partners and the government (AFW2's intervention includes the use of practical and hands-on support).

The ongoing interventions by AFW2 in Nigeria's Kaduna State in the design and implementation of TSA along the lines being implemented at the federal level with FAD support, hold considerable promise. The Kaduna State authorities took the initiative to implement this key reform and benefited from AFW2 support through missions in September and October of 2015. The missions reviewed the TSA architecture and provided guidance for improving its operability. As more states start implementing such reforms, it will have a positive impact on the Federation as a whole. It is expected that many other states will start implementing a TSA in the near future and will benefit from the Kaduna experience, although they will need to develop their own implementation strategies, taking into account their specific characteristics. An FAD-HQ-led mission, in which AFW2 PFM Resident Advisor participated, held a dedicated session on TSA benefits and options for TSA reform at State level during the Federation Account Allocation Committee (FAAC) meeting in Abuja in January 2016, followed by a full day workshop in February in which Accountant Generals from 35 States discussed the concept, design, and implementation strategy for a TSA at the State level. In the period ahead, AFW2 will arrange for this type of intervention combining TA and training in other countries as well.



IMF staff with the Governor, Kaduna State at the Presidential Villa, (Abuja, November 2016)

Spearheaded by the IMF's Research Department and AFW2, the ongoing project on improving Forecasting and Policy Analysis System (FPAS) in the Bank of Ghana (BOG) has started to yield tangible results. In this regard, the BOG has introduced several changes in its monetary policy formulation and communication which has improved the effectiveness of monetary policy and is helping to anchor inflation expectations.

With AFW2 support, the Banking Supervision Department of the BOG made significant strides in enhancing its risk-based supervisory framework. This was accomplished through one-on-one tutorials with almost all the examiners on the onsite team, intensive feedback on reporting framework; and a specially designed workshop to address identified gaps and weakness.



Lastly, AFW2 also assisted the National Institute of Statistics of Cabo Verde in developing and finalizing the country's quarterly national accounts which were disseminated for the first time in April 2015.

A DETAILED REPORT ON THE IMPLEMENTATION OF THE FY 2016 WORK PROGRAM

Revenue Administration

Key deliverables in FY2016

On revenue administration, AFW2 made several inroads with member countries through improved engagement with the authorities and other partners. The TA included support to some member countries in developing strategic plans and priority areas and revealed a number of institutional capacity gaps that should be addressed to gain better traction in future CD delivery. The need for member countries to mobilize domestic revenue resources to support their development programs remains a priority, notably in light of the effects of the Ebola outbreak, the fall in commodity prices, and the need to ensure fiscal sustainability in member countries.

CD on revenue administration also focused on reform implementation at the operational level and compliance improvement. Delivery targeted operational plans to support the delivery of the strategic plan and on monitoring and evaluating project management frameworks to support the different reform projects. Training was provided on compliance skills and risk-based and computer assisted audit skills in both the customs and taxation areas including post-clearance audits. TA work also included reviewing business processes, developing standardized operational manuals, and building compliance monitoring and enforcement capacity.

Progress toward the general objective and performance under milestones in FY 2016

The Center's work focused on the medium term objective to strengthen institutional capacity for optimal revenue generation and enhance tax and customs compliance while facilitating trade integration. The activities aimed at strengthening risk-based approaches to compliance management and enforcement, developing policies and strategies to deliver on key strategic objectives, including developing strategic plans for the revenue administrations and documenting operational processes and procedures in both customs and taxes. Progress was made towards the achievement of the key objectives in all countries.

Several CD missions and two regional workshops were carried out in FY 2016 although factors outside the Center's control prevented additional activities. A total of 41 missions out of the planned 52 were completed in the fiscal year. The Resident Advisor visited all member countries to review progress and give support on the RA-FIT. AFW2 CD in Cabo Verde and Liberia focused on customs administration while assistance in domestic taxes is delivered by FAD through the Tax Policy and Administration – Topical Trust Fund program (TPA-TTF). AFW2 however, continues to support the integration efforts through the Resident Advisor's collaboration with the programs in the two countries. Five missions

planned to assist with management development for the Cabo Verde Directorate of State Revenues (DNRE) integration process in collaboration with the TPA-TTF could not be delivered due to delays in appointing the new director and senior management of the new agency (the appointments have been made and the CD will be delivered under the TTF program in FY2017). CD missions for Sierra Leone and Liberia were back loaded to the second half of the fiscal year because of the Ebola situation.

Country work

Cabo Verde: The integration of tax and customs administration operations under the DNRE was completed during the year with the appointment of the Director and his direct reports as well as managers in different areas. AFW2 funded training on communication to all the DNRE managers from head office and different stations, with special one-on-one training for the National Director and his direct reports (this will be followed up by another mission to develop a corporate communication strategy).



Management training for Cabo Verde's DNRE (January 2016)

AFW2 continued to assist with review missions and hands-on training in implementing the risk management and compliance enforcement program in customs; strengthening post-clearance audits, and designing an Authorized Economic Operator program in accordance with World Customs Organization guidelines. Although progress was initially slow due to lack of supportive legislation, substantial gains have been made more recently. The automated system for customs data (ASYCUDA) World system was implemented in 2015 with support from the European Union and provided the necessary platform for improved risk management and the green channel status was granted based on risk analysis to a few large companies as a pilot to the implementation of the Authorized Economic Operator program.

Ghana: Following the assistance to develop the Ghana Revenue Authority (GRA) Strategic Plan for the period 2015 to 2017, AFW2 focused on strengthening the monitoring and evaluation of the strategic objectives as well as building capacity to implement the identified projects. Three missions were delivered to train the Modernization Program Office staff as well as project owners and managers. This intervention was delivered jointly with the Danish International Development Agency (DANIDA). Following a FAD-led diagnostic mission on indirect taxes, AFW2 provided support on Excise Tax management and is assisting with the development of a tax manual. Training on computer assisted audit techniques (CAAT) was provided to medium tax office auditors. Training on CAAT for the large taxpayer office will be provided by GIZ under the Good Governance program.

Liberia: AFW2 collaborated with FAD's revenue administration division in supporting the setting up of the Liberia Revenue Authority (LRA). AFW2 also funded an FAD-led customs diagnostic mission to

Liberia. The mission identified a number of areas needing AFW2 CD support. A customs operational manual, job profiles for customs officers, and fact sheet for traders were developed remotely to train a core group of customs managers and officers. Two more missions were delivered to strengthen risk management and improve data mining and data matching skills for better compliance management. This culminated in a project for both customs and tax offices to improve results from the joint compliance audits.

Nigeria: AFW2 funded an FAD-led revenue administration mission to identify gaps and propose reforms needed in both the Federal Inland Revenue Service (FIRS) and the Nigeria Customs Service (NCS) to improve performance of non-oil revenue. Subsequently, AFW2 follow-up training and support was provided to compliance enforcement, IT and business analysis staff of both the FIRS and to the NCS on compliance risk management and data analytics. There has been a marked improvement in the engagement with the FIRS and, at the request of the new management, the AFW2 Resident Advisor attended the corporate strategic planning retreat and provided advice to its Planning, Research and Strategy Department to finalize the strategic plan. A follow up mission was provided to ensure that the strategic plan was completed in time for the 2016 first quarter performance review and to operationalize the strategic planning initiatives for the year.

AFW2 also partnered with an HQ Tax Policy and Administration mission to offer support to the NCS on building a compliance risk management strategy. With the mounting pressure to mobilize domestic non-oil revenue on the FIRS, AFW2 is working closely with the authorities to develop and implement the strategic plan for 2016-20 to mobilize much-needed revenues for development programs.



AFW2 Revenue Advisor meets with the management of the Nigerian Customs Service (Abuja, January 2016)

Sierra Leone: After the country was declared Ebola free, AFW2 resumed assistance to review the implementation of the customs compliance risk management strategy and offer hands-on assistance to ensure the use of the ASYCUDA++ selectivity module for improved compliance risk management. A mission trained a team of tax and customs auditors on computer assisted audit techniques for the telecommunication sector and identified six auditors to be trained as trainers for the NRA. Three of the auditors attended the regional workshop on compliance improvement for specialized sectors and will train more auditors. Also, four staff members of the National Revenue Authority (NRA) Monitoring Research and Planning Division undertook a professional attachment at the Tanzania Revenue Authority (TRA). This attachment exposed the team to a number of other areas of good practice like the use by TRA of the Monitoring system (TRAMED), the implementation of Enterprise-wide Risk Management, the Revenue Reconciliation Gateway, and sectoral revenue research and forecasting. The NRA identified

these as possible areas of benchmarking TA in FY 2017. Four of the missions planned for Sierra Leone could not be implemented due to the short time left after the end of the Ebola.

The Gambia: AFW2 continued to give assistance to The Gambia Revenue Authority (TGRA) to develop operational plans and strengthen the monitoring and evaluation (M&E) framework to ensure delivery of the GRA Strategic Plan for the 2015-19 period. A mission trained a team of tax and customs auditors on computer assisted audit techniques for the telecommunication sector and identified auditors to be trained as trainers for TGRA. Five of these auditors attended the regional workshop on compliance improvement for specialized sectors and will work with a follow up mission to train more auditors. Additional support has been given to strengthen customs compliance management, including training on post clearance audit (PCA); developing a PCA manual, a simplified staff handbook for PCA, and communication guidelines for launching a successful PCA program; the development of an Annual Audit Plan for the PCA program; and training on manual and audit tools. Another mission to roll out the taxpayer service strategy to the rest of the TGRA was delivered; key activities included developing standardized operational manuals, preparing a medium term strategic plan, developing a customs risk management strategy, strengthening the PCA functions, and implementing a taxpayer assistance program.

Regional Work

Two Regional Workshops were delivered during the year. The first workshop focused on improving Value Added Tax (VAT) Compliance Management and assisted revenue administrations in AFW2 member countries to implement effective VAT compliance strategies. The workshop, which was delivered in collaboration with the African Tax Administrators Forum and Francophone AFRITAC West I emphasized the emerging role and importance of VAT in domestic revenue mobilization and the need for administrations to implement compliance management strategies. Participants included the Commissioner General of The Gambia's TGRA and senior management from member countries who deliberated and shared experiences on VAT administration including cross border transactions, exchange of information between ECOWAS member countries, and developing audit skills to manage VAT for specialized sectors like e-Commerce, imported services, financial services and telecommunications.



A second workshop on compliance improvement was held in collaboration with the Managing Natural Resources Wealth Topical Trust Fund (MNRW-TTF) and the West Africa Tax Administrators Forum (WATAF). This workshop focused on the telecommunication sector and the extractive industry. It was attended mainly by participants who were trained on computer assisted audit techniques and at least two trainers from each country were identified to develop regional trainers for exchange audit training programs in the region in FY 2017. The key achievement for the region in revenue administration in FY 2016 is the strengthening of audit capacity in both customs and tax and the building of a base for combined risk-based audits. Member countries appreciated the focus on VAT and building compliance management capacity for specialized sectors.



Female participants at the regional workshop for specialized sectors were acknowledged on the occasion of International Women's Day, (Monrovia, March 2016)

Public Financial Management (PFM)

Key deliverables in FY 2016

For FY 2016, AFW2 set the following objectives to support PFM reforms in its member countries: (i) having comprehensive PFM reform plans in place in all countries; (ii) strengthening macro-fiscal planning; (iii) strengthening expenditure controls to eliminate arrears; and (iv) establishing good cash management practices. It also set itself medium term objectives modeled along the lines of the FAD draft RBM catalog for PFM, namely: (i) improved laws and effective PFM institutions; (ii) comprehensive, credible and policy based budget preparation; (iii) improved budget execution and control; (iv) improved coverage and quality of fiscal reporting; (v) improved integration of the assets and liability management framework; and (vi) strengthened identification, monitoring and management of fiscal risks. The work undertaken by the Center throughout the year was guided by these objectives.

In pursuing these objectives, AFW2 worked closely with country authorities in identifying and executing specific interventions including through HQ support and participation. The Center also saw a mid-year transition of personnel, with the replacement of the PFM Resident Advisor in November 2015. The transition was smooth and the Center's PFM work continued apace. The easing of travel restrictions in the post-Ebola period also contributed to a scaling up of activity amongst the affected member countries.

Country work

Cabo Verde: At the request of the authorities, AFW2 started work on documenting and assessing PFM reforms for the period from 2000 to 2015 as a precursor to preparation of a successor PFM reform

strategy. AFW2 also started preparation of a Program-Based Budgeting (PBB) Manual. Both these activities are currently in progress and require additional effort to bring them to completion.

Ghana: During FY 2016, AFW2 provided support on the finalization of the PFM Reform Strategy with the development of an action plan and of a monitoring and evaluation matrix. As a follow-up to the last FAD mission on the revision of the PFM law, support was provided to develop a template for a Fiscal Strategy Document (FSD) whose introduction could contribute to top-down fiscal discipline, better enforcement of fiscal targets, and greater transparency and predictability in the fiscal strategy. AFW2 also supported TSA implementation, specifically through the review of the TSA Strategy and other recommendations in order to accelerate implementation. In addition, the AFW2 Resident Advisor participated in an HQ-led Public Investment Management Assessment (PIMA) mission.

Liberia: AFW2 provided training on budget formulation and investment management to the Ministry of Finance and helped to identify priority areas of future support on cash management, public investment, fiscal reporting, and SOE oversight.

Nigeria: An AFW2 mission reviewed progress made in implementing recommendations made by an earlier HQ mission in the areas of TSA implementation and cash management and provided technical assistance combined with training to develop a cash forecasting framework. The mission also designed a capacity development program. The AFW2 Resident Advisor also participated in an FAD-led mission in January/February 2016 on budget preparation, expenditure review, TSA, and cash management reforms. At the sub-national level, the Kaduna State authorities started the implementation of a TSA during FY 2016. AFW2 assisted the State with reviewing progress in TSA and cash management reforms to commence drafting a TSA operations manual and advised on further measures. The expectation is that once Kaduna is able to establish a TSA system with the operational issues addressed, it would serve as a model for other states.



Sierra Leone: During the fiscal year, AFW2 financed an FAD/LEG mission that reviewed regulations to support the draft PFM Bill. The enactment of this Bill will be important in determining both the focus of the authorities' reform efforts as well as the priorities for IMF's CD engagement with the country.

The Gambia: AFW2 (jointly with HQ) helped the authorities to review budget execution, cash management, and work on an arrears management policy. AFW2 also supported inter-agency coordination and work on budget preparation within a medium term framework and on strengthening the macro-fiscal forecasting function by resolving inter-account inconsistencies in the database. On cash

management, AFW2 supported efforts to strengthen the cash management framework, a line of work expected to continue through FY 2017.

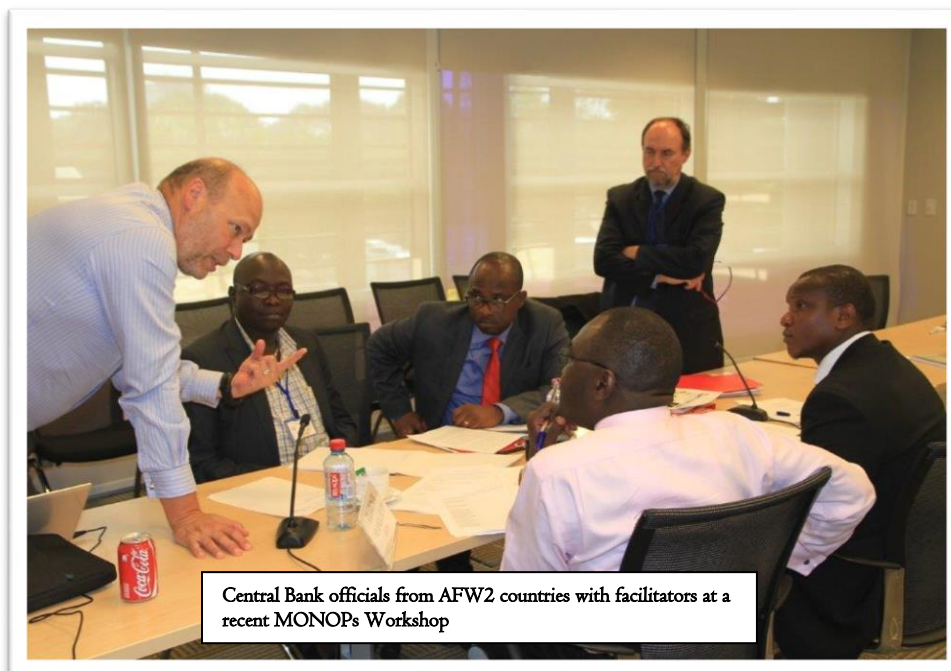
Regional Work

Two regional workshops were carried out during the fiscal year. The first, a peer to peer workshop, brought together the authorities of Nigeria and Ghana to share experiences on the introduction and implementation of program-based budgeting (PBB). The second, which took place in April 2015, brought together officials of all AFW2 countries on the subject of fiscal reporting and budget transparency and provided participants with an opportunity to identify areas for improvement and become better acquainted with international standards and best practice for fiscal reporting.

Monetary Operations and Payment Systems (MONOPS)

Key deliverables in FY 2016

The main goal of the Center's CD interventions in MONOPS is to assist each country in improving the efficiency of monetary policy formulation and implementation. In several AFW2 countries, this also meant working on better liquidity forecasting and management skills. There was a clear need in almost all countries to craft a work program for the future with the goal of eventually moving toward a forward looking monetary policy framework. Another objective was to have further discussion at a regional workshop of the negative impact of fiscal dominance on monetary policy and the interconnectedness of monetary and fiscal policies. In the payment systems area, the objective was to assist central banks to further improve and consolidate their reforms.



Central Bank officials from AFW2 countries with facilitators at a recent MONOPS Workshop

Progress toward the general objective and performance under milestones in FY 2016.

The overall progress against these objectives has been good. The broad objectives of the work plan were largely achieved in most countries. CD delivery picked up in Liberia and Sierra Leone as soon as travel restrictions were lifted with initial support on forward looking monetary analyses. The ongoing FPAS project entered into a new phase in Ghana covering the whole IT framework including organizational and communication issues as well. There were no activities in Nigeria, however, mainly due to the extended transition to a new administration.

Most countries made progress in the area of liquidity monitoring and forecasting. This has become regular part of central banks daily operations in almost all the AFW2 countries. On payments systems, AFW2 established a forum in the form of a regional workshop to exchange experiences about recent reforms in payment systems. During the discussions, strengthening of central banks' domestic and cross-border oversight function emerged as the main area for future work.

Country work

Cabo Verde: A mission took place in April 2016 to assess the status of previous recommendations on liquidity forecasting and management. The AFW2 Resident Advisor used the visit to review the Bank of Cabo Verde's monetary operations and identify areas for further assistance.

Ghana: The intervention on Strengthening the Forecasting and Policy Analysis (FPAS) in the Bank of Ghana (BOG) continued to gather momentum. Tangible results were registered in a number of areas including forecasting model build-up, organizational changes, and central bank communication. The timetable of the Monetary Policy Committee, the structure and content of MPC press releases, and decision making support materials were renewed. The BOG has also set-up separate Economics and Statistics departments. In August 2015, eight BOG Research department employees participated in a modeling workshop in Washington where they further developed the BOG's forecasting model. The AFW2 Resident Advisor contributed to an HQ led mission on deepening the domestic FX market and elimination of compulsory FX surrender requirements. The purpose was to increase FX market liquidity by better enforcement of export repatriation regulations, promoting inward FX remittances, and phasing out compulsory export surrender requirements. Working closely with the BOG, a detailed path towards lifting oil surrender requirement and stop supporting privileged import items was laid out.

Liberia: CD delivery resumed in August 2015, with the first mission focusing on strengthening the quality of liquidity forecasting. Together with local Central Bank of Liberia (CBL) staff, the mission carried out a full illustrative liquidity forecast for the rest of 2015 and prepared detailed work flow descriptions and templates with CBL for its daily use. The authorities appreciated the "hands-on" nature of the exercise. A follow-up mission in January 2016 found that CBL made progress as liquidity is continuously being monitored and forecasts are regularly updated. Cash Management Committee meetings (with the participation of MoF, CAGD) have become regular practice and a forum for discussion among the authorities. The quality of forecasts can be further improved by better estimates of government cash flows and results of such forecasts could be used more actively for liquidity

management. Lastly, AFW2 helped the CBL to improve its monetary policy analysis by taking stock of the available data, the current level of monetary analysis, and IT and human capacities and by laying down a work plan that the authorities are committed to implementing.

Nigeria: An MCM/AFW2 mission to reassess the monetary policy framework and propose changes in the framework for monetary policy could not take place owing to a number of factors including the transition to a new government and the macroeconomic challenges facing the new administration.

Sierra Leone: CD delivery resumed in November 2015. In line with the work plan, the first mission carried out a stock-taking exercise, assessing the currently available data, quality of decision support materials, external reports and existing human capacities for conducting monetary policy analysis. The mission reviewed the monetary policy toolkit, laid down a detailed work plan towards a forward looking monetary policy framework, and left recommendations concerning the introduction of new liquidity management instruments, reserve requirement regulation, net open currency position limits, FX auction design and setting of the BSL's reference exchange rate. Additional support from AFW2 comprised proposals for changes in the framework for monetary policy and tools for effecting policy shifts. Lastly, AFW2 found clear progress in liquidity forecasting in the past year as the BSL set up a properly staffed liquidity forecasting unit (through which liquidity is continuously being monitored and 4-weeks forecasts are updated) and suggested further enhancements such as analysis of seasonality in cash flows and integration of forecasts into daily liquidity management decisions.

The Gambia: In line with the work plan, a follow-up mission visited Banjul in June 2015 to improve the efficiency of existing liquidity forecasting techniques by implementing an improved liquidity forecasting model at the Central Bank. The monetary authorities welcomed the hands-on exercises carried out to utilize all available data and develop liquidity monitoring and forecasting templates.

Regional work

In February 2016, AFW2 organized a regional payment system workshop to assist central banks in the region to adopt the new CPMI-IOSCO² payment system standards and develop their own payment system strategies. The main goal was to provide a forum for senior central bank staff involved in payment systems operation and oversight to discuss the application of the new standards guided by payment systems experts who are familiar with PFMI. Current issues of mobile payment and financial inclusion were also covered. Altogether 18 senior level



MONOPS Regional Workshop on compliance with CPMI-ISOCO (Accra, February 2016)

² The committee on Payments and Market Infrastructures and International Organization of Securities Commission issued its 24 principles in 2012.

participants from 4 countries (Ghana, Liberia, Sierra Leone and The Gambia) attended and appreciated the practical case studies approach.

Financial Supervision and Regulation

Key deliverables in FY 2016

During FY 2016, AFW2 helped countries accelerate the implementation of regulation and supervision reforms. On the whole, there was a greater recourse to the Center's resources; fuller cooperation and commitment among regulatory authorities, and a stronger recognition of the support that AFW2 could bring in addressing needs and gaps. As such, CD delivery was largely successful with program targets met for around half of the membership. The Center made strong efforts to engage with the Ebola-affected countries and was able to provide CD remotely where applicable. Once the Ebola-related restrictions were lifted, AFW2 was able to push implementation forward, by opening up delivery through regional workshops and bringing to fruition planned CD. A drawback in the program was the failure to secure an appropriate consultant to assist with a development of an Early Warning System for Nigeria.

AFW2 continues to implement its work program through a variety of mediums and cooperation with regional goals, partly through coordination with the West African Monetary Institute (WAMI). Discussions with the authorities seek to determine needs; gauge the effectiveness of programs being delivered; and assess whether further assistance is required. On average, survey responses rate workshops as very good or excellent; and participants indicate that they feel much better placed to take forward the recommendations within a reasonable period of time. Surveys also help point to areas of improvement. Taken together, there is clear evidence that CD is yielding some of the desired fruit and helping to fill core gaps among regulatory authorities relative to international standards and best practices.

Progress toward the general objective and performance under milestones in FY2016

The Resident Advisor participated in diagnostic missions, bi-lateral CD missions and regional workshops during FY 2016. Work began to pick up pace as member countries began accessing CD and all but one saw a need for continued support and guidance from the Center.

Country work

Cabo Verde: There has been no CD request from Cabo Verde although AFW2 stands ready to assist. The Center understands that the Bank of Cabo Verde operates with tight resource constraints and is undertaking a comprehensive review of CD needs. AFW2 is also aware that it would have to design its program of delivery around other CD being offered to Cabo Verde.

Ghana: The Banking Supervision Department (BSD) of the Bank of Ghana (BOG) engaged actively with AFW2. BSD participated in a one week workshop on Basel II, which aimed at sensitizing examiners to the key concepts of the Standardized approach and provide guidance on Operational Risks. The workshop also aimed at incentivizing the authorities to make progress in the implementation of

previously initiated measures. Around 35 staff took part in this workshop which included participation from senior managers responsible for implementation.

The BSD then benefited from intensive CD on risk-based off-site supervision that included reviews of policies, tools, reports, feedback to senior management and staff of the BSD, and training on Consolidated Supervision within a risk-based supervisory framework. The BOG immediately accepted and implemented the recommendations made and staff completed reports based on the newer templates and guides recommended. Follow-up on this work is expected to continue in FY 2017.



Basel II workshop for the Bank of Ghana
(Accra, July 2015)

Liberia: AFW2 was able to meet all of its planned commitments to Liberia despite the interruptions caused by the Ebola outbreak and bans on travel. A key outcome was garnering a more in-depth understanding of the International Financial Reporting Standards (IFRS) accounting principles. AFW2 helped the authorities to review the supervisory manual on IFRS and apply the principles.

Nigeria: The envisaged support to the Central Bank of Nigeria (CBN) in building an Early Warning System (EWS) to signal stress within the financial system and failing banks has been delayed because of a failure to secure a short-term expert (STX), but AFW2 continues to work with the CBN and the resident long-term expert (LTX) posted there in order to address this need in the near future.

Sierra Leone: For the BSL, the key area of support was in relation to a Risk Based Supervisory framework in terms of both on and offsite supervision. Although delivery was planned and an expert secured, circumstances warranted some adjustment to delivery. Ebola impacted economic growth bringing negative spillovers to the financial sector which witnessed higher than normal levels of non-performing loans and severe stress among some banks. The BSL needed to broaden its range of skills in addressing these issues and requested a diagnostic mission of key departments to prioritize CD needs. The Resident Advisor co-lead a mission with a staff at IMF-HQ, which led to a wider range of assistance identified. One of the activities for AFW2 support involves training on report writing and financial analysis to be provided in April 2016.

The Gambia: As with Ghana and Liberia, bi-lateral CD to the Central Bank of the Gambia (CBG) was delivered as planned for FY 2016. Experts led the CBG through an intense round of training on key principles of IFRS and risk-based on-site supervision. Although the meeting mainly comprised of examiners, there was also participation from the Finance and Audit



IFRS training for staff of the Central Bank of The Gambia
(Banjul, July/August 2015)

Departments; and externally, from commercial banks, tax authorities and auditing firms. The majority of participants expressed sound appreciation for the training and felt better placed to conduct their reviews based on the information disseminated. An STX also reviewed processes related to onsite supervision and worked with the CBG to implement an RBS framework. Support on the latter is expected to continue into FY 2017.

Regional work

AFW2's regional work consisted of cooperation with regional bodies such as the West African Monetary Institute (WAMI)-the regional grouping of supervisors; and hosting of regional workshops for member countries with participation from WAMI. The first regional workshop centered on the theme 'Consolidated Supervision', and took place in Ghana. The workshop was of particular importance to member countries, given the inter-linkages and cross border activity among banks in the region. The Center hosted its second regional financial-sector workshop on the theme 'Deposit Insurance and Banking Resolution' in April. For the regional grouping of supervisors, promotion of a Deposit Insurance Corporation is a key concern and the workshop provided the conceptual framework for laying such a foundation while sharing the experiences of Nigeria, which is the only member that reported having such a framework. AFW2 recognizes that some member countries are not yet at the stage where they should implement such a scheme, given factors such as a lack of effective legal regime and moral hazard concerns. The workshop covered all these aspects.



Real Sector Statistics

Key deliverables in FY2016

AFW2's objective in the area of statistics is to improve member countries' statistical capacity for producing real sector statistics in the framework of the Enhanced General Data Dissemination System (e-GDDS). The achievement of this general objective is underpinned by three specific objectives measured by verifiable indicators. This will bring member countries closer to compliance with international standards in the compilation of annual and quarterly national accounts and towards more accurate price statistics.

Progress toward the general objective and performance under milestones in FY2016

The overall progress against these objectives has been good for all countries with the exception of Sierra Leone. There were seventeen actual in-country activities undertaken, ten on national accounts and seven on prices. Sierra Leone has made limited progress due to the delay in resuming activities since the outbreak of the Ebola Virus.

Country work

Cabo Verde: AFW2's support to Cabo Verde in the last 12 months has focused on the implementation of the quarterly national accounts (QNA) which was released in April 2015. Support is now turning to rebasing the annual national accounts and a plan has been established. Statistics Portugal has had a prices program with them since 2012. This program has seen the development of a producer price index. AFW2 has had regular updates on progress being made on this work.

Ghana: Ghana updated its annual national accounts (ANA) expenditure estimates following AFW2 support. These need to be reviewed to enable the development of the QNA compilation by the expenditure approach. CD has also been provided in relation to the development of the Integrated Business Economic Survey and on the rebasing of the CPI.

Liberia: The development of the annual national accounts (ANA) has continued to be the focus of CD for Liberia in FY 2016. An STX was contracted to work remotely to review the GDP estimates and develop a methodology for the ongoing estimation. In support of this work, there were three in country missions to identify source data, and a draft report with revised estimates and methodology was prepared in December 2015. Some remaining issues are now being reviewed. AFW2 also assisted the authorities to produce the CPI based on the results of the 6 month household survey undertaken in 2014. A full 12 month household survey is currently being finalized and the CPI will be revised once those results become available in 2017.

Nigeria: Technical assistance, both in-country and remotely, has been provided to finalize Supply and Use Tables (SUT) related to the work on rebasing of the national accounts. AFW2 has also provided advice on how the data series should be backcast and on how the reweighted CPI should be aligned with international best practice. This mission also reviewed the data collection manual being prepared for the training of enumerators.

Sierra Leone: The entire national accounts team is new and thus require considerable training. AFW2 helped review current methods and data sources and recommended that an Economic Census be undertaken as soon as possible to rebase the GDP and improve data sources and methods used for the compilation of the ANA. In addition, a mission identified several areas of improvement on CPI compilation and a follow up mission will be undertaken shortly.

The Gambia: The Gambia has commenced its Economic Census which will underpin the rebasing of the ANA in 2017. CD has been and will continue to be provided to ensure that the output of the Economic

Census meets the requirements of the ANA via missions as well as remote assistance. An MoU has been signed with the Gambian Revenue Authority and work has commenced on industry coding of the tax data which will be used in both ANA and QNA compilation. Technical assistance has been provided to reweigh and rebase the PPI.

Regional Work

During FY 2016 two regional workshops were well received by member countries. One workshop on national accounts was conducted in January 2016 to develop a harmonization program for national accounts statistics for member countries within the next 5 years. Another workshop on prices took place in April 2016 which trained the member countries in reweighting and rebasing techniques for both the CPI and PPI. In addition, the United Kingdom's Department for International Development (DFID) funded EDDI 2 program conducted two workshops in Ghana to launch the prices module and the improved data sources for the national accounts module.



Regional Workshop on the Harmonization of National Accounts Statistics (Accra, January 2016)

Figures 2-4: Performance of milestones in the FY 2016 work program

Figure 2

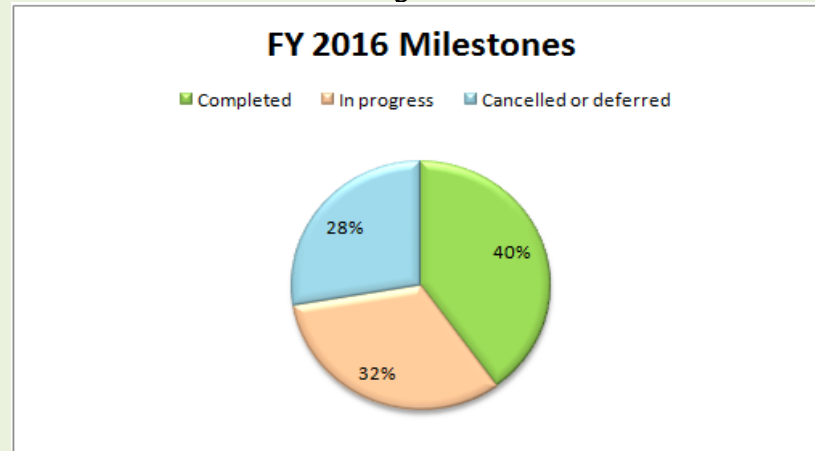


Figure 3

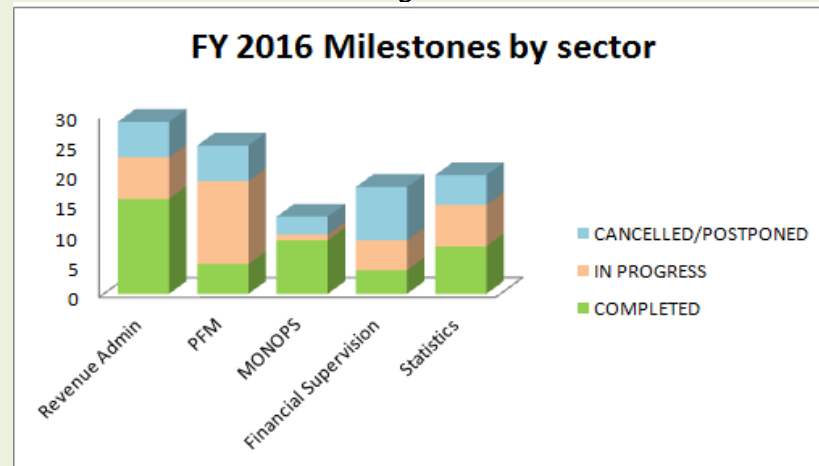
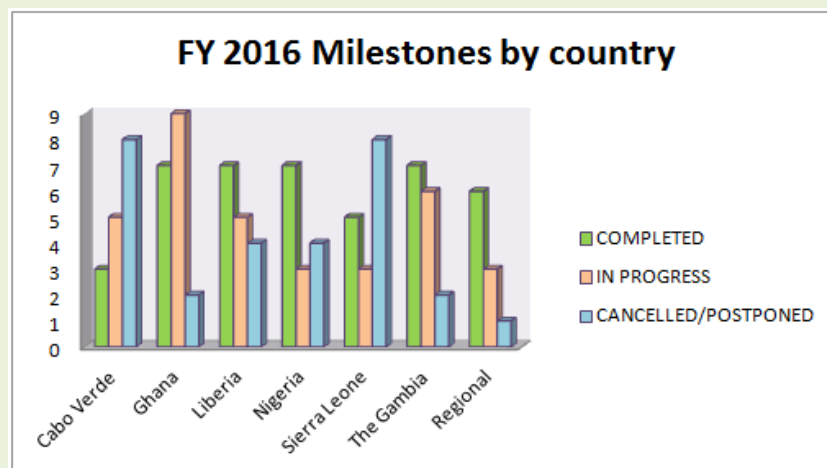


Figure 4



The 3rd AFW2 Steering Committee Meeting in Pictures (December 2, 2015)



Table II: Implementation of the recommendations of the 3rd Steering Committee Meeting

SC Recommendation	Actions taken by the Center
AFW2 to work on regional topics relevant for ECOWAS and also link its activities with relevant ECOWAS protocols and objectives.	The Center has initiated contact with the Multilateral Surveillance Unit of the ECOWAS Commission. The Center held a videoconference with this unit at the ECOWAS Commission where it was agreed that two bodies would explore various regional topics to enhance cooperation between them. This unit at ECOWAS has also confirmed its participation in the forthcoming AFW2 SC meeting.
AFW2 to partner with other CD institutions in the region.	The Center sees the West African Institute for Financial and Economic Management (WAIFEM) as a potential partner in this regard and will take the discussions with WAIFEM forward in FY 2017.
AFW2 to consider a TADAT assessment for Ghana.	AFW2 does not have responsibility for the TADAT as it is a multi-donor project being rolled out from the IMF HQ. It has been piloted in Zambia and Ghana, with other countries to benefit from it in coming years such as Nigeria and Liberia.
Courtesy visit to Nigeria's Minister of Finance by Mr. Seth Terkper and AFW2 CC in early 2016 to deepen the Center's engagement with the country.	The Minister of Finance for Ghana and the AFW2 Center Coordinator undertook a joint mission to Nigeria on February 24, 2016 where they met with the Minister of Finance and the Governor of the Central Bank of Nigeria to discuss ways to deepen Nigeria's engagement with the Center.
A concrete proposal on how AFW2 would engage with Nigeria including an identification of the interlocutors to be used; as soon as possible.	A concept note on a strategy for engagement with Nigeria has been prepared and shared with the SC for feedback and input. The comments received have been incorporated into the strategy note (Appendix 2).
Detailed proposal for recruiting an additional Resident Advisor at the Center be presented at the April 2016 SC meeting	It is proposed that an additional Resident Advisor be recruited in the area of revenue administration given the demand from member countries on CD for boosting domestic revenue mobilization and its importance for achieving the SDGs as laid out in Addis in July 2015 during the UN conference for Financing for Development (see Appendix I).
Consider longer duration of CD missions in some areas.	The Center is rethinking its current modes of delivering CD and, on a case by case basis, will consider doing CD missions of longer duration where there are strong justifications for this.
Member countries to honor their funding commitments.	Cabo Verde: no payment as yet Ghana: full payment of \$5 million has been received Liberia: no payment as yet Nigeria: no payment as yet Sierra Leone: no payment as yet The Gambia: partial payment of about \$87,500 has been received.



V. STRATEGIC PRIORITIES FOR CAPACITY DEVELOPMENT AND SECTORAL WORK PROGRAM FOR FY 2017

The Center's Strategic Priorities for CD in FY 2017

Building on the CD outcomes and successful interventions registered in FY 2016 and reported in Section IV, the Center's strategic priorities during FY2017 are as follows:

- **Implementing a work program in FY 2017 that is consistent with the strategic priorities of member countries.** For the first time, as part of the Fund-wide preparation of its CD support for FY2017, the IMF's African department country teams, in consultation with resident representatives, AFRITACs, TA departments, and country authorities engaged in a consultation process to ensure that forthcoming CD better align to countries' priorities. The process is aimed at refining efforts to build institutions, exploit complementarities and avoid duplication with other CD providers, and tilt support towards countries with ownership and commitment to implement CD recommendations.
- **Scaling up CD interventions, especially in the Center's two fragile states:** A number of member countries have signalled the need for additional CD support from the Center in the coming year, especially Liberia and Sierra Leone. Regarding the latter countries, the IMF plans to pilot the implementation of a Capacity Building Framework for Fragile States which will include the expansion of support to the countries in line with a plan agreed with the authorities. In this regard, and following the lifting of travel restrictions to these countries, AFW2 plans to increase its support including through longer missions. Given this, together with the more general need to boost revenue mobilization in all member countries, the Center is proposing a recruitment of an additional Resident Advisor in this area (Appendix 1).
- **Implementing a strategy for deeper engagement with Nigeria:** Despite its global and regional prominence, Nigeria's participation in the governance of AFW2 has been quite limited and its engagement with the Center very low. Nigeria's presence on and participation in the AFW2 Steering Committee (SC) is essential to the legitimacy of AFW2. Largely as a result of the size and complexity of its economy, Nigeria has accumulated experience and developed capacity in some areas which are advanced relative to other AFW2 countries and could also be shared with these countries. This has resulted in the AFW2 SC requesting that the Center prepare a strategy note specifically on deepening its engagement with Nigeria. These engagement elements include identifying the main interlocutors/counterparts in Nigeria; improving coordination with other CD providers; and leveraging Nigeria's prominence and leadership in the region as a means of scaling up the engagement with AFW2 including the possibility of making use of Nigerian officials as resource persons in regional events in sectors where they have strong capacity (Appendix 2).



- Expanding the mode of CD delivery beyond the traditional tools:** AFW2 will aim to continue pursuing flexible modes of CD delivery and alternative types of output from TA missions in consultation with country authorities and IMF HQ. This may imply shorter/streamlined TA reports and more direct engagement with the authorities through workshops, power-points, training, outreach, mapping out training needs, and professional attachments. The Center has identified the West African Institute for Financial and Economic Management (WAIFEM) as a potential partner in this regard and will take the discussions with WAIFEM forward in FY 2017. Based on the feedback received from AFW2 countries that some of the CD reports are too long and at times take too much of the time of the LTX and STX, the focus of CD delivery would be on the transfer of skills.
- CD intervention being cognizant of the fact that effective macroeconomic policies require better data:** The production and dissemination of quality and timely data on the economy is essential for policy making, but it also requires considerable resource and capacity investments as well as a close collaboration between various institutions in a country. In many sub-Saharan African Countries, including the AFW2 countries, there continue to be significant limitations to compiling, processing and disseminating quality data on a timely basis mainly on account of limited financial resources, low technical capacity and a weak statistical infrastructure. The IMF remains committed to supporting governments to improve their capacity to produce and utilize data, a commitment was reiterated in a recently held high-level conference on Statistics for Policy Makers organised by the Fund in partnership with DFID (<http://www.imf.org/external/np/sec/pr/2016/pr1639.htm>) - Box I. Within the AFW2 region, the Center will continue to provide the necessary CD assistance to build institutional capacity in the area of real sector statistics. For these efforts to succeed, a strong commitment is needed from member countries to support these efforts, especially by providing the necessary resources at national statistical offices.
- Aim to harness the results of the forthcoming mid-term evaluation of the Center's activities:** A detailed background to mid-term evaluations is provided in Box 2.



The Center's work program for FY2017 (Annex III) costed in US\$ terms envisages a broadly unchanged budgetary allocation relative to FY 2016 Budget, albeit with a slightly different composition across sectors and countries.

- While the FY 2016 Budget was under-executed reflecting the lagged impact of the Ebola activities on the Center's operations and challenges in CD delivery in Cabo Verde, the former will not likely play out in FY 2017. The Center's CD intervention in Liberia and Sierra Leone has picked up significantly already and is expected to accelerate in FY 2017.

AW2 Costing for Missions		
Sector	FY2017	FY2016
(In U.S. Dollars)		
Public financial management	570,925	914,241
National accounts	370,911	468,524
Revenue administration	1,235,060	749,257
Banking Supervision	509,427	516,627
Monetary Operations	560,221	278,436
Regional Integration	115,000	115,000
Total	3,361,543	3,042,085

Based on current information and member countries' demand, a substantial number of projects planned for FY 2017 have been identified. The allocation of resources across countries show a shift of resources toward the two Ebola affected countries as well as Nigeria with the former reflecting the normalization of CD missions to those two countries and the latter driven by the expected deepening of engagement with that country across all sectors. Note that the FY 2016 column in the above text table refers to FY 2016 Budget and not sectoral actuals which will only be available in early FY 2017. As noted in the report actual expenditures in FY 2016 are significantly lower than Budget.

Box I: Effective Macroeconomic Policies require Better Data

"All of our efforts to strengthen our statistical framework contribute to enhancing our capacity to implement better policies. It also enhances our relationship with credit rating agencies and markets, allowing us to improve our access to financing."



*Seth Terkper
Minister of Finance, Ghana
Welcoming remarks, Enhanced
Data for Better Macro-Policies
Conference, 02/02/16*

Accurate and timely data provide policy makers with a better understanding of economic



developments and allow them to design better policies. In the light of this, the timely development and dissemination of quality statistics on national accounts, prices, government finance, external sector as well as on the monetary and financial sectors are crucial for sound macroeconomic management. Beyond this, many sub-regions in sub Saharan Africa are pursuing currency unions whose convergence criteria also require that countries are able to produce data that is timely, comprehensive, of high quality, and comparable among the countries in the union.

In many countries on the continent however, the ability to produce data that meet evolving international statistical standards is severely constrained. In the case of national accounts, while the conceptual framework of the latest version of the System of National Accounts (i.e. SNA 2008) is well defined, several African countries are still in the early stages of its development. The constraints include inadequate staffing in the relevant institutions, weak capacity of available staff, limited financial resources, as well as a weak statistical infrastructure. Moreover, limitations in source data could also undermine the statistics produced (see Box 6, page 58 of the FY 2015 annual report).

These issues were highlighted in the recent high-level conference organized by the IMF in partnership with the United Kingdom's Department for International Development (DFID) held in Accra in February 2016 on 'Enhanced Data for better macro policies'. In the key note address at the conference, Min Zhu, Deputy Managing of the IMF indicated: "In Africa, as elsewhere, we need to jump ahead of crisis management when it comes to data, and seek to enhance the gathering, processing, dissemination and analysis of data to help us formulate and implement the best possible set of economic and financial policies".

The role of governments in the development and dissemination of statistics in their respective countries is pivotal. Producing quality data is costly, and it is important that governments dedicate resources to statistical institutions for the collection, processing and transparent dissemination of the data needed by policy makers. Equally important is the need to improve data sources to enhance the quality of data produced which calls for stronger inter-agency collaboration. To compile national accounts for instance, considerable amount of data is required from a wide range of sources. It is thus vital that institutions such as Central Banks, Revenue Authorities, line Ministries and private sector institutions collaborate to improve the data collection.

Continued capacity building of the statistical institutions remains crucial given the weakness noted above. The IMF's Statistics Department (STA), sometimes in partnership with other Development Partners such as DFID has provided support to various African countries on improving data production and dissemination including through the Regional Technical Assistance Centers (RTACs). Among the AFW2 countries, the Centre is supporting the various national statistics offices in the areas of national accounts and price statistics.

The IMF/DFID High Level Conference on Statistics (February 2, 2016) where the IMF's Deputy Managing Director Min Zhu delivered the Keynote Address





Box 2: RTAC Mid-Term Evaluations

Background:

The Terms and Conditions governing the administration of AFRITAC West 2 mandate an independent external evaluation of its activities no later than 40 months after the start of the program phase. The evaluation assesses the Center and its Capacity Development (CD) activities along the OECD-DAC criteria. Evaluators appraise the relevance of the CD provided, the extent to which the RTAC has led to tangible results and is achieving its objectives efficiently and effectively, whether CD delivered is sustainable, and what the impact is in the Center's member countries.

Evaluators assess whether the objectives of the RTAC, as set out in the Program Document, have been met and what lessons have been learned. They are expected to recommend measures to improve relevance, efficiency, effectiveness, sustainability, and impact. Evaluators analyze the challenges and known risks the Center faced in providing CD services and what has been done to address the challenges and mitigate the risks. The findings of the external evaluation help inform the formulation of the Program Document for the Center's subsequent phase.

Recently completed evaluations

The recently completed mid-term evaluations of RTACs³ looked at both operational and strategic issues. Operational recommendations included strengthening the design and implementation of Results-based Management (RBM); strengthening monitoring and reporting by emphasizing results; strengthening budgeting practices; improving RTACs financial sustainability and insuring funding predictability for next phases; streamlining operations and improving standardization of practices, reporting and knowledge sharing between RTACs; as well as coordinating with development partners to support CD in member countries. Strategic recommendations proposed developing country strategies or overall CD assistance strategies to member countries; focusing on or expanding regional harmonization and integration objectives; reinforcing the CD approach for engagement in fragile states; improving RTAC governance arrangements, including strengthening the role of the SC; as well as improving synergies between RTACs and other modes of IMF CD delivery.

General conclusion from RTAC evaluations

Overall, RTAC mid-term evaluations concluded that RTACs are successful in delivering results and contributing to building capacity in their member countries, despite often challenging circumstances in which they operate. There is a general consensus that RTACs meet critical economic development and institution-building needs of their member countries, and that their work is highly relevant to the needs and priorities of member governments.

³ Recent RTAC mid-term evaluations in the order of completion: AFRITAC West (2013), AFRITAC East (2013), CAPTAC-DR (2013), METAC (2014), PFTAC (2015), CARTAC (2015), AFRITAC South (2015), and AFRITAC Central (2015).



DETAILED SECTORAL WORK PLAN FOR FY 2017

Revenue Administration

Objectives

AFW2 aims to deliver sustainable capacity building that will enable revenue administrations of member countries to implement reforms that will enhance domestic revenue mobilization and support fiscal sustainability in member countries while facilitating trade and regional integration.

The FY 2017 work program aims to achieve the following key objectives in the short term:

Short – Term

Developing a competent regional pool of training resources among member countries to deliver sustainable compliance management capacity and operational systems and tools.

1. Entrenching a culture of business planning and performance monitoring and reporting to improve operational efficiency and deliver on the medium term strategic reforms.
2. Developing operational manuals and tools to support modern business processes and procedures.
3. Building project management capabilities to support ongoing revenue reforms and inculcating a culture of continuous improvement in management and business process re-engineering.

AFW2 revenue administration will also work with other development partners and pay particular attention to assisting the two fragile states of Liberia and Sierra Leone in building compliance management capabilities to generate the much needed revenues to address their large development needs after the EVD epidemic.

Medium-term

1. Supporting regional trade integration initiatives at the country level as envisaged by ECOWAS by eliminating barriers to trade across borders, minimizing costs of trading and harmonizing operational processes across member countries.
2. Enhancing revenue collections from improved and cost effective administration procedures and strengthened compliance strategies, while promoting the exchange of information and skills across member countries in the region.
3. Implementing efficient organizational structures and effective governance programs.
4. Promote voluntary compliance through a fair and transparent tax system that provides the information, tools, and mechanisms for taxpayers and reduce the cost and burden of compliance.



Country work: Inputs and Milestones for FY2017

Cabo Verde: AFW2's CD will support the Cabo Verde DNRE Customs in implementing the compliance management program developed in previous missions. TA interventions will aim to expand the roll out of the compliance risk management program by fully implementing the ASYCUDA World selectivity and risk management for compliance targeting; strengthening the post clearance audit operations; carrying out a full roll out of the WCO Authorized Economic Operator Program and build valuation skills for special imports like petroleum products. AFW2 revenue administration will continue to support and supplement the assistance being provided to the integration process under the TPA-TTF program. The assistance will aim at strengthening management capacity and implementing a successful customs reform program in line with the WCO principles and tools.

Ghana: AFW2 has provided a lot of CD in collaboration with other development partners like GIZ and DANIDA. Other DPs are launching programs that will continue to support the work identified in the strategic plan for 2015 to 2017. AFW2 will continue to collaborate and supplement efforts to complete the delivery of these key initiatives, but focusing mainly on the institutional foundations for implementation of the strategy. This will include the development of operational manuals, specifically for Excise Tax, quality review of the implementation of the Total Revenue Integrated Processing System (TRIPS) in domestic taxes, and implementing business process reengineering (BPR). Work on building audit capacity that started in the large taxpayer office (LTO) will be continued by developing a pool of audit trainers and improving computer audit skills in specialized sectors and process audits for the medium taxpayer offices (MTO). As part of a wider regional program, AFW2 will continue this work by developing computer audit and data matching and analyzing skills that can be used in joint audits between tax and customs.

Liberia: A number of areas were identified during the Customs diagnostic mission in November 2015 and these will inform the CD delivery by AFW2 revenue administration in FY 2017. These include developing compliance risk management capacity in Customs; developing good intelligence gathering and investigation methodologies for better anti-smuggling and fraud detection and targeting techniques; and developing post clearance audit and data mining and analysis tools as well as making an effective use of the latest version of the customs management systems-ASYCUDA World. AFW2 will train customs officers on core customs functions like valuation and classification. Assistance will also be given to provide peer learning attachments and exchange programs with other countries that have successfully implemented customs reforms like Kenya, Nigeria, Rwanda and Uganda.

Nigeria: AFW2 gave assistance in developing the FIRS strategic plan for 2016 to 2020. In FY 2017, support will be given to strengthen the planning process and help to entrench a strong planning culture and performance monitoring and evaluation. Capacity will also be developed in performance management, project management, and change management, while giving assistance to the operational planning and monitoring and evaluation processes. AFW2 will fund a follow up headquarters-led mission to assess reform progress made and advise on ways of improving non-oil revenues, including own-source revenue at the state level. While building capacity in taxpayer risk profiling and risk based tax audit techniques, efforts will be made to tap on the capacity of Nigeria as the biggest economy in



the region by using the FIRS and NCS resources in areas where they have a capacity advantage, to promote exchange of information and peer learning and peer support with other member countries. Specific assistance will be given to strengthen the compliance improvement program in response to the revenue pressures and the need to improve non-oil revenue collections. This will be done initially in tax data exchange and analysis for better audit performance in specialized sectors and post clearance audit.

Sierra Leone: During the year, AFW2 will support a diagnostic HQ mission to advice on the reform strategy. The Center will also support the building of sustainable audit and compliance enforcement capacity in both tax and customs and complete the training given in CAATs, focusing on developing trainers that will participate in exchange programs with other member countries. Training will be designed to support the carrying out of joint audits between customs and tax, targeting specialized areas and enhancing sharing of information and gathering intelligence on fraud and tax evasion. Assistance will also be given to the monitoring, research and planning (MRP) department of the NRA to conduct industry research and analyze sector revenue performance and identify revenue gaps that will inform their compliance management strategies. CD will also be given to develop an NRA wide taxpayer service and engagement strategy and promote voluntary compliance. In customs, assistance will be given to strengthen the risk management function in support of a strong post-clearance audit program.

The Gambia: The Gambia Revenue Authority will continue to benefit in implementing their strategic plan for the period 2015-19 and building a strong monitoring and evaluation framework and capacity for the authority. CD will focus on developing a corporate wide risk management policy and compliance management strategy for both customs and tax. Assistance will be given in developing a tax audit manual and strengthening the post-clearance audit function.

Regional work

Regional workshops have highlighted the need for cooperation between member countries in the region and exchange of information using different regional protocols under the ECOWAS, ATAF and the WCO. Such information will enhance the quality of compliance management programs and improve trade facilitation. AFW2's revenue administration work will therefore build on the training done on computer assisted audit techniques, data matching and data analysis; and post clearance audits to identify and further train regional trainers that can be used in country exchange programs and joint audits. This work will be shared by member countries through a regional workshop on PCA and exchange programs in audits of specialized sectors. This type of exchange programs will necessitate collaborating with other RTACs, in particular Francophone AFRITAC West I, regional bodies like ECOWAS, ATAF, WATAF, the WCO-ROCBs and their respective supporting DPs. With the need to strengthen performance monitoring in revenue operations, member countries will need to put more focus on the use of their performance data and reporting through the newly developed International Survey on Revenue Administration (ISORA) hosted on the Revenue Administration Fiscal Information Tool (RA-FIT) Data Collection Platform. A workshop to launch this program will be conducted for the region and highlights the importance of data in measuring performance across the breadth of revenue administration rather than the usual revenue collection focus adopted by many



administrations. The workshop will also discuss the principles of the Tax Administration Diagnostic Assessment Tool (TADAT) in preparation for possible assessments in some of the member countries.

Public Financial Management (PFM)

During FY 2017, AFW2's PFM work agenda will continue to be guided by member countries' needs. In this regard, the agenda will benefit from the recent draft of the RBM catalog prepared by FAD which comprises six broad objectives organized around PFM laws and institutions, budget preparation, budget execution, fiscal reporting, asset and liability management, and fiscal risks. The AFW2 work program has been determined in consultation with country authorities and guided by this framework, and has been closely coordinated with the IMF's African Department as part of the consultative process on regional and country strategies for capacity development that was launched this year.

Country work: Inputs and Milestones for FY 2017

Cabo Verde: During FY 2017, AFW2's focus in its engagement with Cabo Verde will continue to be on the roll-out of PBB with the completion of the manual and the delivery of dissemination and training activities, and on completing the documentation on PFM reforms in recent years, identifying achievements to date, pending issues and bottlenecks, and priorities for the next generation of reforms. The latter will, in turn, inform the development of a new PFM reform strategy to be supported in collaboration with FAD. Key milestones expected to be achieved include completion of the PBB manual, delivery of training on it, as well as completion of the documentation on PFM reforms to date.

Ghana: Engagement during FY 2017 will focus on three main broad areas, specifically the legal framework, budget preparation, and cash and debt management. In relation to the legislative framework, AFW2 will continue to provide support in updating the framework, including in drafting implementing regulations, and supporting the operationalizing of the new framework. On budget preparation, AFW2 will continue work on the fiscal strategy document, including refining the proposed format and building awareness of the value of its preparation and publication. In addition, support will be provided as needed on strengthening budget preparation within a medium term context. Work on supporting TSA implementation will continue, both with delivery of CD and with the possible execution of a professional attachment once such an assignment can be structured and demonstrated to add value. Furthermore, support will be provided to improve coordination between the cash management and debt management functions and to implement recent CD recommendations to resolve inefficiencies in debt service payments. In these areas, key milestones will include implementation of regulations in support of the new PFM Act, preparation of the fiscal strategy document, and progress in resolving TSA implementation issues.

Liberia: It is expected that FY 2017 will witness a significant increase in support to Liberia. The priority areas identified include cash management and TSA implementation, commitment control and arrears management, project execution monitoring, and fiscal reporting. The development of a concept note and phased implementation plan for TSA implementation, and improved capacity to prepare cash flow forecasts are key targeted milestones. In relation to commitment control and arrears management,



support will be provided to quantify the stock of arrears, analyze the stock by age, and develop a strategy for its reduction and eventual elimination. In addition, support will be provided in developing a system for monitoring project execution and in bringing this system into operation.

Nigeria: The focal areas for AFW2's work in Nigeria in FY 2017 will be budget preparation, cash management, and TSA implementation. In budget preparation, support will be provided in initiating the transition of the budget to a simple programmatic structure, which will be required for advancing the Nigerian approach to zero-based budgeting. Support will also be provided in developing a historical database on government cash flows and strengthening/improving cash forecasting methodologies and templates, as well as concluding a memorandum of understanding with the CBN for TSA operation at the federal level. Key targeted milestones include finalization of the programmatic structure for the budget, budget preparation instructions and guidelines, and cash flow forecasting templates and tools for analysis of variance between cash forecasts and outturns. At the sub-national level, support will continue to be provided in the area of TSA implementation in Kaduna State, including with the finalization and implementation of the TSA operations manual.

Sierra Leone: The focus of the engagement with Sierra Leone will depend much on how the new PFM legislation evolves. The AFW2 work plan assumes enactment of this legislation, in which case support will be provided to finalize previously drafted implementing regulations and operationalize these together with the new Act. In addition, provision is made for support to be provided to update the PFM reform strategy, which will be needed in response to the emerging priorities that will arise from the new legislative framework. In addition, provision is made for support to be provided in improving budget execution and control.

The Gambia: AFW2's work in The Gambia will focus on two main areas, cash and debt management and SOE oversight. In cash management, strengthening cash flow forecasting capacity, preparation of consolidated cash plans, and integration of the cash management function with the debt management function will be supported. In addition, improved identification, monitoring, and management of fiscal risks will also be supported, particularly in relation to SOE oversight.

Regional Work

In FY 2017, AFW2 will convene two regional workshops. The first will address TSA Design and Implementation, a particularly topical issue given the fact that most AFW2 countries are currently at one stage or another in implementing a TSA. This workshop will allow for sharing of experiences—including by countries that have made very good progress in this area (e.g., Nigeria)—and comparative approaches to overcoming similar challenges being encountered. This workshop will allow for sharing of experiences and comparative approaches to overcoming similar challenges being encountered. The second will address improved coordination between the strategic planning and budget preparation functions. In this case, a number of AFW2 countries are currently realigning the planning and finance ministerial portfolios, either by merger or demerger of the two ministries. Irrespective of the distribution of the functions within and across ministries, there is need for these two functions to be closely coordinated. This workshop will facilitate experience sharing.



Monetary Operations and Payment Systems (MONOPS)

Objectives

The general objective of the Center's work in the area of monetary policy and operations and payment system is to continue supporting effective monetary policy formulation and implementation in member countries and assist them in payments system modernization.

- On monetary policy formulation, the objective is to steer member countries towards adopting best practices for monetary policy framework and supporting monetary policy decision-making process. More formally, this means assisting central banks in introducing or strengthening their forward-looking framework for monetary policy which represents a sound and consistent analytical foundation for decision making process. Part of this broad objective is improved liquidity forecasting and liquidity management skills at central banks as well as increasing the efficiency of the interest rate transmission channel. In the area of monetary policy implementation the main objective is to increase the efficiency of the use of indirect instruments of monetary policy, depending on conditions in individual countries.
- With regards to payments system, AFW2 intends to support member countries in their payment system modernization efforts. This is relevant as harmonization of payments system is important in their long-term quest for greater monetary integration and could also improve interregional trade and deepen financial inclusion.

Short term

The main goal here is to assist countries improve the efficiency of monetary policy formulation and implementation. In several AFW2 countries this would mean working on better liquidity forecasting and management skills. In some countries, the objective will mean crafting a work program with the goal of gradually moving toward a forward looking monetary policy framework, while in other countries the goal will be to improve the current framework. In the Center's two fragile states (Liberia and Sierra Leone), a strong need emerged to establish a solid foreign exchange reserves management framework to contain risks.

In the payment system area, the objective is to assist central banks to continue their reforms in a balanced way, especially by supporting strategy formulation, organizing peer review visits, and improving internal organization.

Medium term:

Central banks in the region are transitioning from a traditional monetary approach to a more modern monetary policy framework, albeit at different stages. Addressing the challenges of this process, in October 2015, the IMF published a policy paper "Evolving Monetary Policy Frameworks in Low-Income and Other Developing Countries". The main medium term objective of AFW2 is to provide assistance in this



transition to enable countries to increase the efficiency of their monetary policy framework and implementation. In the payment system area, the objective is to assist central banks to consolidate reforms in payment system modernization, promote the financial inclusion element of payment systems and deepen the effectiveness of their oversight function.

Country work: Inputs and milestones for FY 2017

Cabo Verde: The main milestone is to start working on a forward looking monetary policy decision making process by setting up a detailed work plan based on a stock taking exercise. The focus will be to assess the available data and existing internal capacities of the Bank of Cabo Verde (BCV) as these are the main factors influencing the speed of possible development. The next would be to carry out a full review of the monetary policy toolkit given the challenges posed by the persistent excess liquidity situation. The work will assess progress in previous CD recommendations in the area of liquidity forecasting and management. An additional target is to support the BCV in setting up a modern collateral evaluation and management system. Lastly, the BCV has expressed strong interest for internal capacity building in foreign exchange reserve management as higher reserves and low interest rate environment have increased the need for more efficient management of FX reserves. This is important given the need to maintain adequate reserves and liquidity to support monetary policy operations, especially under the exchange rate peg. CD work would be carried out in the form of an in-house hands-on training covering main front-, mid- and back office aspects of FX reserve management.

Ghana: The main priority is to continue the current project on improving the inflation targeting framework. During FY 2016 the program gained momentum and now encompasses organizational issues (which includes the building up of an economics department) and communication of monetary policy as well. To this end, the BOG has requested that MCM posts a LTX on the specific issue of building up the new economics department and MCM and BOG are working on this project and two donors have expressed their interest in financing the project. In FY 2017, AFW2 will collaborate closely with IMF HQ to deliver further CD in this area. The milestones for the next period will aim for a continuous improvements in the quality of inflation targeting framework: elaborating a new communication strategy for the BOG; setting up a new communication unit; continue the build-up of the newly established Economics and Statistics departments, and extending the forecasting model with endogenous credibility and international commodity prices. AFW2 will also support the BOG efforts to strengthen the liquidity forecasting framework and introduce a short term ad-hoc liquidity management instrument to fine tune interbank liquidity. Lastly, on payment system modernization, the goal is the help BOG in developing payment system oversight function by carrying out an internal self assessment on compliance with CPMI-IOSCO principles in local RTGS system.

Liberia: The main focus will be to improve the monetary policy analysis function of the CBL, as outlined by the January 2016 scoping CD mission. The achievable milestones are the renewed internal reporting, improved short term forecasting techniques and better technical skills in using EViews application in different monetary policy analysis. In the area of liquidity management, the milestone is to work out new short term liquidity management instruments like repos and reverse repos. In addition, a new milestone is a review of foreign exchange reserves management policies and guidelines



of CBL. The goal is to review the guidelines, the internal organization and workflows of reserve management activity and based on the findings, lay down a work plan on how to build up the reserve management function in CBL. Lastly, on payment systems, the country is in the process of introducing all the major elements of a modern payment system infrastructure and successful implementation can boost financial market development and the efficiency of monetary operations. AFW2 will support CBL in the implementation process by organizing professional attachments to countries which have already established this infrastructure.

Nigeria: The main activity in Nigeria would be for the Resident Advisor to participate in an IMF MCM diagnostic mission to Nigeria to conduct a thorough assessment of the monetary policy framework. Depending on the findings of this mission and cooperation of the authorities, additional milestones will be developed later in the year.

Sierra Leone: The main focus is to continue the groundwork for the build-up of forward looking monetary analysis framework. In line with the suggestions of the November 2015 stock taking mission, the milestones here are a renewed structure of internal reporting and MPC presentations and improved time series analysis and short term forecasting techniques. In the area of liquidity management the milestone is to work on the introduction of a short term BSL bill as the main liquidity absorbing instrument and a repo instrument to limit interest rate volatility. A new proposed milestone is to review foreign exchange reserves management policies and guidelines of the BSL. BSL strongly expressed its need to improve its reserve management operations, and the plan is to review the guidelines, the internal organization and workflows of reserve management activity and to lay down a work plan on how to build up the reserve management function at the BSL. Regarding payment systems, Sierra Leone has implemented the main elements of a modern infrastructure under the WAMZ payment system development project during recent years and AFW2 provides CD support to establish an efficient internal organizational structure for the oversight of the new infrastructure. As a next step, BSL has started a new project to implement a national switch platform which AFW2 plans to support by organizing professional attachments.

The Gambia: A previous milestone from FY 2016 was to work on a better conceptual foundation for monetary policy decision making. The milestone in this area should be a comprehensive action plan to support the authorities' efforts in strengthening their monetary policy framework and operations. A new objective is a review of the full monetary policy toolkit, including CBG's FX market operations and liquidity management operations as well. Parallel to this, a follow up on progress made on the CD recommendations of the previous recommendations on liquidity forecasting will be done. CBG also showed interest in participation of AFW2's personal attachment program in the field of payment systems.

Regional work

AFW2 plans to organize an FX market simulation workshop jointly with IMF AFRITAC East (AFE). Recent experience of exchange rate volatility has forced many central banks to rethink their foreign exchange market operations, and there is a general need to move away from pure administrative



measures toward more market conforming methods and to deepen the understanding of money and foreign exchange market dynamics. The course is based on close-to-real life foreign exchange market simulation exercises and also covers interbank market conventions, central bank intervention strategies, main characteristics of spot and forward markets, fundamental and technical analysis of price developments. It will help central banks to deepen their understanding of market behavior, conventions and instruments, and lead to improved efficiency of the central bank operations.

In addition, AFW2 plans to organize a 2-day high level conference for policy makers (CB governors, deputy governors, directors, Monetary Policy Committee members) to gain and strengthen their commitment in modernizing their monetary policy framework.

A follow up workshop on Compliance with CPMI-IOSCO Principles for Payment System Infrastructures will be organized. The workshop will aim to consolidate the gains made and address issues related to mobile payment and financial inclusion and cover principles not discussed at the previous workshop. The focus would be again to carry out assessment exercises on the main elements of the financial market infrastructure based on case studies.

Financial Supervision and Regulation

Objectives

For FY 2017, AFW2 aims to cement much of the learning which has taken place during FY 2016. AFW2 will also continue to help plug gaps that exist in the supervisory frameworks of member countries and work towards more fuller compliance with international standards and best practices. The Centre hopes to achieve these objectives through a range of techniques which include the use of professional attachments and a deeper focus on practical hands-on learning. Regional meetings and an exchange of experiences will also support the work of individual STXs in bringing about changed processes and practices.

Country Work: Inputs and Milestones for FY2016

Cabo Verde: AFW2 is waiting for Bank of Cabo Verde to engage on CD needs.

Ghana: During FY2016, AFW2 plans to continue the CD on enhancing offsite supervision within a RBS framework. For this, missions are planned to follow-up on the progress of the exercise on enhancing prudential data; assess the continued development of analytical skills; and ensure a continued focus on identifying and highlighting key risks arising with groups using related concepts of consolidated supervision. The BOG would also like to enhance examiners knowledge of IFRS; mainly for fair value measurement and determining expected credit losses on loan and debt instruments as per IFRS 9 which is due to be implemented from 2018. The AFW2's Resident Advisor will continue to work closely with the IMF's bilateral Long-Term Expert (LTX) stationed at the BOG to support the implementation of Basel II and ensure complementarities between their work.



Liberia: The CBL has begun working on the institution of a DIC and has requested assistance in setting up the required framework. AFW2 will provide an expert to assess the work undertaken and help chart the way forward. In addition, the planned regional seminar in April 2016 would provide the main pillars for undertaking such a scheme. For the CBL, implementing the Standardized Approach of Basel II is also important and AFW2 will guide examiners on the concepts, requirements and tools which help frame the roadmap. As a first step, AFW2 will work on a one-week training in Basel II.

Nigeria: AFW2 is close to securing an expert to help guide the development of an Early Warning System which would act as a supporting tool to highlight problem banks and likelihood of failures. A key aspect of this framework is ensuring the availability and integrity of required data and the Bank is working with its Research Department, the Ministry of Finance and commercial banks to pool and data for the model. As a first step, the expert will review the progress of work already undertaken by the team; ensure that necessary conditions are in place to effectively review and apply the model; work alongside the CBN team to frame and build the model, and help fine-tune the product. Three to four missions are targeted for this review. AFW2 will also provide CD on Basel II/III to enhance policies and procedures which the CBN has in place.

Sierra Leone: The placement of a resident LTX in financial sector supervision at the BSL is currently under consideration. To complement this work, AFW2 will work with the LTX and aim at meeting related substantive requests in the area of supervision, including guidance on credit risk, IT oversight and examinations, IFRS and impairment of loans, and the impact of macroeconomic indicators on the performance of the financial sector.

The Gambia: The CBG will continue to look at techniques for enhancing onsite RBS and AFW2 will include two more of these missions to help fine-tune implementation. Also, given that most examiners have completed the AFW2 intensive training in IFRS, The Gambia is requesting an attachment which allows for some hands-on review. The CBG is aiming to prioritize the implementation of a Deposit Insurance Corporation and AFW2 aims to provide experts to guide them on this. Moving to Basel II, sometime in the near future, is also seen as key to enhancing the CBG's supervisory toolkit and AFW2 will deliver a workshop which outlines the key aspects of the standardized approach

Regional Work

Two regional workshops are planned in FY 2017. One relates to providing guidance on the assessment of the Basel Core Principles and the other on macro-prudential indicators.

Real Sector Statistics

Objectives:

Short-term: The short-term objectives for AFW2 member countries are:

- Cabo Verde – assistance in the implementation of SNA 2008 in its annual national accounts (ANA); improving its quarterly national accounts (QNA); and planning the rebase of its CPI.



- Ghana – the rebasing of the annual national accounts (ANA).
- Liberia – the rebasing of ANA.
- Nigeria – continue the development of the QNA; and improve CPI to reflect international standards and best practice and revise weights.
- Sierra Leone – the rebasing of ANA.
- The Gambia – continue its rebasing of the ANA; and developing the QNA.

Medium-term: Being cognizant of the fact that better data enhance the quality of macroeconomic policies (Box I), AFW2's medium-term objective in the area of statistics is to bring member countries closer to compliance with international standards for the compilation of better quality national accounts (annual and quarterly) and price statistics. That is, continue to assist member countries to improve the coverage, accuracy, reliability, frequency and timeliness of real sector statistics as well as support them with the implementation of the latest international statistical standards and classifications. The second EDDI program (EDDI2) supported by DFID will be working in partnership with the Center in the provision of TA on national accounts and price statistics from April 2015 to March 2020. The program is funded by DFID but managed by IMF HQ. EDDI2 will strongly support AFW2 countries on improvements to and development of CPI and PPI statistics. In particular, it will be undertaking the price statistics TA for Ghana, Liberia, Sierra Leone and The Gambia. EDDI2 also has a national accounts source data component. AFW2 will also be coordinating with EDDI2 in this area.

Country: Inputs and Milestones for FY2017

Cabo Verde: Cabo Verde will receive assistance in the implementation of the 2008 SNA as part of the rebase of its ANA. They will commence the process of re-weighting its CPI with assistance from the Center. Statistics Portugal may also continue to support Cabo Verde with its price statistics work. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

Ghana: The country will continue to receive technical assistance and training on the rebasing of the annual GDP during FY2017. In addition, they will receive technical assistance in the development of an ongoing strategy for the production of an independent ANA. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

Liberia: The continued development of the methods and identification of data sources for the production of ANA on an ongoing basis will be the focus in Liberia. It is hoped that funding will be secured in order for an Economic Census to be undertaken resulting in a rebased GDP being published in 2018. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.



Nigeria: The main focus will shift from ANA to the QNA as they will be assisted in the development of quarterly GDP by the expenditure approach. However, there will be TA to review the backcasted GDP series. They will also be assisted in the development of a PPI. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

Sierra Leone: CD will focus on the ANA with an Economic Census commencing in late 2016. This activity will also identify data sources and develop methodology for the ongoing compilation of the ANA. The rebased GDP should be released in 2018. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

The Gambia: In FY 2016, The Gambia will continue to receive assistance, advice and training on the rebasing of the annual GDP which is expected to be finalized in FY 2017. It will also continue with the development of its QNA with data sources and methods being identified and assessed. The Gambia will continue to be provided assistance in the rebasing of its CPI. Assistance in the production and dissemination of metadata (namely sources and methods documentation) will also be provided.



APPENDIX I:

A Proposal for Recruiting An Additional Resident Advisor (RA) in the Area of Revenue Administration at AFW2

Background:

AFW2's member countries have faced significant fiscal challenges in the past few years. Falling commodity prices compounded by other expenditure shocks have led to a widening of the fiscal gaps in member countries over the last few years. The current macroeconomic context calls for various policy responses, particularly the need to boost **domestic revenue mobilization**. As emphasized in the third UN financing for development conference held in Addis Ababa in July 2015, where agreement was reached on a global framework for financing the sustainable development goals (SDGs), improving domestic resource mobilization is critical for financing the development agenda of these countries as well as the pursuit of the SDGs.

One important element of boosting domestic revenue mobilization in AFW2 countries is the VAT. The importance of VAT in domestic resource mobilization is attested by the significant worldwide acceptance of the tax. Five out of the six of the AFW2 member countries are already implementing VAT. VAT revenues currently represent on average about 25 percent of taxes in AFW2 countries. Amidst the fiscal challenges, many countries have already, or are in the process of considering various VAT reforms as a means to broaden the revenue base and raise additional revenues. This is because VAT is generally regarded as an easier tax to administer and less detrimental to economic growth than income tax.

From the regional perspective, VAT also plays an important role. In fact, the harmonization of indirect taxes including VAT has become a central consideration in the discourse on regional integration. The experience of other regions such as the EU and SACU shows that as countries work to achieve a true regional market, it also becomes necessary to harmonize their VAT and excise taxes as differences in the tax regimes across the countries could affect the free movement of goods and services within a region. It is in this vein that ECOWAS has proposed to harmonize VAT but progress on this has been slow. As such, VAT has become an important topic, not only for the benefit of individual countries in the region, but for regional integration within ECOWAS.

The case for recruiting an additional Resident Advisor (RA) at AFW2 on revenue administration:

- The current RA on revenue administration is overly stretched at a time when domestic revenue mobilization is at the fore of member countries capacity building needs and when the pent-up demand, especially from our two Fragile States (Liberia and Sierra Leone) post Ebola is increasing significantly and the Center's work is moving toward sub-national entities in Nigeria. Over time, Nigeria alone will likely take a significant part of the time of the current RA. The Center is also being asked to include CD activities in its work plans that would help foster regional integration within ECOWAS.



- Both Liberia and Sierra Leone have emphasized the importance of revenue mobilization for their capacity building priorities. Liberia is embarking on steps to introduce the VAT and is focusing on how to generate enough revenues for its large development needs post Ebola. For Sierra Leone, the focus is expected to now turn to non-resource revenue mobilization, given the impact of the decline in resource export commodity prices.
- In other AFW2 countries, domestic revenue mobilization remains an important area of capacity building. In Ghana, tax policy with a review of the overall tax system to reform existing tax incentives remains a key objective. Specifically, the goal is to review existing system of tax expenditures to broaden the tax base and continue improving revenue forecasting capacity through the adoption of the FARI model. The Gambia's experience with the VAT is still at its infancy stage. For Nigeria, revenue mobilization (an increase in VAT rate; tax base, increase in efficiency of collection, close leakages through exemptions) is a key priority area for capacity development emphasizing the renewed importance of TA on non-oil revenue mobilization. Cabo Verde has its demand too on revenue mobilization.
- The above factors provide sufficient justification for recruiting an additional RA at the Center for revenue administration. Initially, the proposed new RA on revenue administration will focus on Sierra Leone and complement the work of the newly recruited dedicated long-term expert (LTX) in Liberia whose terms of reference are very specific and focus primarily on supporting the LRA in its compliance management efforts of the large taxpayer segment. The new RA will also likely support the planned work on revenue administration in Nigeria at both the sub-national and federal level. Over time, the new RA will transition to covering all AFW2 countries given the criticality of domestic resource mobilization for financing the development agenda and the pursuit of the SDGs in these countries.

The division of labor between the current RA and proposed new RA on revenue administration:

- The new Resident Advisor along with the current RA could work together along functional lines (tax and customs administration) and as a team help leverage FAD's work and seek help from FAD to operationalise the tools available to enhance domestic revenue mobilization. The Center's goal is to apply more benchmarking across countries to support efforts to enhance revenue collection, especially in the fragile countries.
- Tax and customs administration operations are different, with customs dealing mainly with real time processes. Experience with other RTACs shows there is high added value of having Resident Advisors specialized in tax and customs administration, respectively. In particular, backstopping of experts in the field, interactions with managers in the administrations and field experts from other donor agencies (and of course direct TA delivery by the Advisor) are carried out better when there is a RA who is fully knowledgeable of the field covered (tax or customs).
- In terms of revenue, customs administrations represent almost as much as tax administrations in low capacity countries (often around 40 percent of total tax revenue). This amount, which includes VAT and excise on imports, justifies giving equivalent attention to modernizing



- customs. Mobilizing non-oil revenue, especially in Nigeria, requires strong efforts in customs in addition to domestic tax administration.
- The TA provided in each area, tax and customs administration, is already unbalanced since the TPA-TTF and other HQ programs do not cover customs administration. The presence of a dedicated customs resident Advisor at AFW 2 would help address this imbalance.
 - The scope of customs administration work in AFW 2 countries warrants the assignment of an advisor concentrated on customs. In all AFW2 member countries there is a need to address serious weaknesses in core areas of customs that directly affect revenue mobilization. These include import valuation and tariff classification, risk management, exemption monitoring, and full automation of cargo reporting and clearance procedures. The authorities of several countries, e.g. Liberia recently, have expressed specific TA needs in these customs areas. The forthcoming IMF-World Bank Spring Meetings are a good opportunity to sound out the authorities of the various AFW2 countries on the specific demand for more TA in customs.
 - In addition to reforms that target revenue increases, the new RA in AFW2 could work on customs modernization that should support the critical objectives of regional integration (proper implementation of the new ECOWAS common external tariff, smooth and secure customs transit procedures from and to the major ports of Lagos, Tema, and trade facilitation in the context of the WTO Bali Trade facilitation Agreement of 2013, which will need to be implemented in the coming years. A specialized customs Resident Advisor is better placed to deal with these issues too.

Cost of Recruiting the new Resident Advisor (RA) and financing:

- The recruitment of the new RA, in addition to the RA's salary and benefits, will necessitate complimentary activities – short-term experts, regional travel, seminars/workshops, diagnostic missions and other indirect activities, such as backstopping and project – resulting in incremental cost of about US\$1.04 million annually for AFW2 (see text table below). The recruitment will be financed from savings made at the Center due to the lower-than-programmed execution rates in both FY 2015 and FY 2016. Thus, the Center will not need any extra funding to cover this cost.

AFRITAC West 2 - Incremental Cost - Additional Resident Advisor on Revenue Administration

Salary and Benefits	334,191
Short-term Expert	337,493
Regional Travel	78,021
Seminar/Workshop	87,500
Diagnostic Missions	66,885
Backstopping/Project Management	71,157
Subtotal	975,246
Trust Fund Management Fee	68,267.23
Total Incremental Cost	1,043,513.44



APPENDIX II: A STRATEGY FOR DEEPENING AFRITAC WEST 2'S CAPACITY DEVELOPMENT ENGAGEMENT WITH NIGERIA

Introduction

Nigeria is the most populous country and the largest economy in Africa. Its population and gross domestic product (GDP) both exceed those of the other five AFRITAC West 2 (AFW2) countries combined. Despite its global and regional prominence, Nigeria's participation in the governance of AFW2 has been extremely limited, and its engagement with the Center on capacity development (CD) initiatives disproportionately low. This has resulted in the AFW2 Steering Committee (SC) requesting that the Center prepare a strategy note specifically on scaling up its engagement with Nigeria.

There are a number of factors that set Nigeria apart from the other AFW2 members. Beyond size, Nigeria's constitutional arrangements provide for a more complex governance structure than elsewhere, with a well entrenched system of federalism and significant devolution of powers to the States. In addition, largely as a result of the size and complexity of its economy, Nigeria has accumulated experience and developed capacity in some areas which are advanced relative to other AFW2 countries. For example, it has the potential to be a regional leader in implementing a Treasury Single Account (TSA). On the other hand, significant capacity deficiencies remain in other areas.

In addition, now that the new Cabinet as well as heads of various institutions have been appointed in Nigeria, it is an opportune time for AFW2 to examine ways in which it can build on its modest successes thus far, such as in working with the Federal Inland Revenue Service (FIRS) and with TSA implementation, and prepare to provide suitably scaled-up service to its largest member and the most systemically important economy in sub-Saharan Africa.

Against this backdrop, the Minister of Finance for Ghana and the AFW2 Center Coordinator (CC) visited Abuja on February 24, 2016 where they met with the Minister of Finance and the Governor of the Central Bank of Nigeria to discuss ways to deepen Nigeria's engagement with AFW2 issues. The delegation presented key elements of engagement presented below that could help to enhance Nigeria's participation in the Center's activities as well as in the AFW2 Steering Committee. The Nigerian authorities are deliberating on these engagement proposals.

Coordination with HQ TA departments will be critical in implementing this strategy and engagement elements. This is important, particularly in the PFM area where most of the CD successes so far in Nigeria are due to excellent collaboration between FAD and AFW2. Therefore, to ensure this continuity of FAD's guidance in the PFM area, the Center will strive to effectively leverage and coordinate with FAD in the implementation of these engagement elements in Nigeria.



Engagement Elements

Securing representation in the Steering Committee

Nigeria's presence on and participation in the SC is essential to the legitimacy of AFW2 as the IMF's frontline field provider of technical assistance to non-Francophone West Africa. Full participation by Nigeria would afford SC and AFW2 the opportunity to benefit from the richness of Nigeria's inputs, it would bring to the Center important visibility given Nigeria's global presence, it would bolster Nigeria's ownership of the Center's activities, and would be yet another manifestation of Nigeria's playing the leadership role it is expected to occupy in this sub-region whose economies are so closely intertwined.

Identifying main and multiple interlocutors and counterparts

Given the peculiarities and complexities of the Nigerian administrative structure, it is clear that some creativity will be required in identifying relevant interlocutors and counterparts with whom to engage, including the possibility of multiple focal points for each sector.

An example that suggests itself is in the public finance management (PFM) sector. The obvious interlocutor would be the Federal Ministry of Finance (FMF), and this clearly needs to continue being the case. However, the recent establishment of a Federal Ministry of Budget and National Planning (FMBNP), which subsumes the long established National Planning Commission (NPC) and now includes the Budget Office of the Federation which was previously within the FMF, creates opportunities for engagement with other potential interlocutors in this sector. On revenue administration, the Center has already established a close working relationship with the Federal Inland Revenue Service (FIRS).

Following the visit to Abuja, it is proposed that the principal interlocutors be the FMF and the Central Bank of Nigeria (CBN), as well as the FMBNP. The FMBNP needs to be a key interlocutor given that they will be the key institution for budget planning and preparation, an area in which AFW2 plans to provide TA during FY 2017. Within each of these counterpart institutions, at the sectoral level, AFW2 Resident Advisors should actively aim to cultivate closer working relationships with senior technicians as a means of promoting stronger ownership of the Center amongst Nigerian officials.

Determining the level of government on which to focus and with which to engage will require similar examination. The obvious and traditional engagement has been at the federal level. However, Nigeria has demonstrated both appetite and capacity for sub-national reform, resulting in significant work by AFW2 with the Kaduna State Government (KDSG) on TSA design and implementation. The Fund is also currently discussing the possibility of doing work on revenue issues at the sub-national level in Nigeria, although this is highly preliminary at this stage. These developments notwithstanding, the view was expressed at SC that it is not financially viable to provide support to all of Nigeria's 36 states, as a result of which this issue now requires determination.



It is proposed that, while the focus of AFW2's work will continue to be at the federal level of government, the Center will continue its work at the sub-national level on a pilot and demonstration basis, as with Kaduna, and will continue to leverage that work to help guide other states where there is demonstrated demand for support and traction in reform.

Improving coordination with other CD/TA suppliers

A number of other development partners have ongoing activities in Nigeria (e.g., World Bank, AfDB, EU, DfID, GIZ) working in the same CD sectors as AFW2 (especially PFM and Revenue Administration). This presents an opportunity for closer collaboration by AFW2 with the other development partners. In particular, at state level in some cases other donors are generally better placed to assist, and AFW2 could concentrate on the replication of best practices (i.e. Treasury Single Account) from one state to another. It is proposed that this collaboration be promoted through such deliberate action as:

1. Outreach to other development partners, especially those resident in Nigeria; and
2. Participating in donor coordination groups where they exist and, where they do not exist, maintaining close communication and cooperation with other donors.

In improving coordination with other development partners, AFW2 would need to be careful not to compromise or undermine its position as a trusted advisor and provider of technical assistance to its membership. Many authorities are known to have reservations regarding the interaction between CD providers and other development partners, with the traditional concerns being that CD recommendations can evolve into donor conditionality and that donor interest can dominate genuine country capacity building needs, resulting in reluctance to accept TA.

Other institutions with whom AFW2 should also reach out to cultivate partnerships in this regard are regional institutions resident in Nigeria and Nigerian training and capacity building institutions. These include the Economic Community of West African States (ECOWAS), West African Institute for Financial and Economic Management (WAIFEM), West Africa Tax Administration Forum (WATAF) and the West Africa Union of Tax Institutes (WAUTI).

Showcasing and replicating existing successes

Notwithstanding the relatively limited scope of the engagement thus far, there have been some areas of success in CD delivery by FAD and AFW2 to Nigeria. As mentioned previously, TSA implementation at the federal level with FAD support and at the Kaduna State level with AFW2 support stand out as an example of TA effectiveness. Some measure of elevated public information and dissemination on the CD successes in Nigeria, in coordination with FAD, is proposed as a means of elevating visibility in Nigeria and opening the possibility of spillover benefits of state level initiatives at the federal level and vice versa, as well as laterally across states.



Leveraging Nigerian leadership

There are a number of possibilities for leveraging Nigeria's prominence and leadership in the region as a means of scaling up the engagement with AFW2. Amongst these is the possibility of making use of Nigerian officials as resource persons in regional events in sectors where they may have stronger capacity (e.g., as presenters/speakers at regional workshops). Liberia has expressed interest in such a peer-to-peer learning and support exchange program.

The Center also proposes to use Nigeria more frequently as a host location for regional events, including workshops and peer-to-peer activities where appropriate particularly in reform areas in which Nigeria is a regional leader. This proposal would need the clearance of IMF HQs given the associated security risks of organizing large meetings of this scale in Abuja.⁴

Specific interventions in this regard include:

1. Hosting at least one regional event (e.g., training workshop on a Center-wide issue) in Nigeria during FY 2017, including the use of Nigerian officials as resource persons;
2. Arranging selected professional attachments at the CBN for officials of other AFW2 countries in such areas as payment systems and financial sector supervision and regulation; and
3. Identifying and executing specific peer learning activities to be hosted by Nigeria.

Implementation Steps

The following steps are anticipated in implementing this strategy:

1. Following up on the high level outreach mission by the Minister of Finance of Ghana and the AFW2 CC and on the steps discussed with the Nigerian authorities;
2. Endorsement of this engagement strategy by the SC in its April 26, 2016 meeting; and
3. Implementing the strategy, including hosting in Nigeria at least one AFW2 event during FY 2017.

⁴ While due to its location holding such regional workshops and conferences in Abuja would have need to weigh in the security risks, Lagos is viewed less of a security risk and thus could be considered as an alternative location of such meetings.



Afritag West 2 ⁵ - Logical Framework 2016-2017		
Mission Statement		
Help member countries strengthen their human and institutional capacity to design and implement macroeconomic and financial policies that promote growth and reduce poverty in its member countries		
Policy Framework		
Main Objectives by Area of Intervention	Secondary Objectives and Outcomes	Assumptions, Prerequisites and Risks
Revenue Administration General Objectives: To strengthen revenue administration institutional and operational capacity in member countries for optimal revenue generation and enhance tax and customs compliance while facilitating trade and regional integration as envisaged by ECOWAS.	1. Supporting regional trade integration initiatives as envisaged by ECOWAS by eliminating barriers to trade across borders, minimizing costs of trading and harmonizing operational processes across member countries. 2. Enhancing revenue collections from improved and cost effective administration procedures and strengthened compliance strategies. 3. Implement efficient organizational structures and effective governance programs. 4. Fostering voluntary compliance through a fair and transparent tax system that provides the information, tools, and mechanisms for taxpayers and reduce the cost and burden of compliance.	Donor partner support is available for reform programs in most AFW2 member countries, but administrations may not have adequate capacity to implement the reforms. There is a critical need to balance reform pressures and high demand for revenue to support fiscal deficits. Countries are at different levels of capacity development and so require tailored approaches to capacity building.
Public Finance Management General Objectives: To strengthen members' capacity in formulating and executing budgets in line with development plans through the provision of technical advice and support to review, design and implement strategies to improve the PFM legal frameworks, institutions, procedures, and	1. Improved laws and effective PFM institutions. ⁶ 2. Comprehensive, credible and policy-based budget preparation. 3. Improved budget execution and control. 4. Improved coverage and quality of fiscal reporting. 5. Improved integration of assets, and liability management framework.	Government support for PFM reforms is strong enough and high priority is given to improving PFM reforms and annual budget credibility. Development partners coordinate their interventions with AFW2 to meet key objectives. Institutional arrangements for implementing and monitoring reforms are in place and reform plans are

⁵ The Regional Technical Assistance Center (RTAC) in West Africa (AFRITAC West 2 – AFW 2) is a collaborative effort between the International Monetary Fund (IMF) and several bilateral and multilateral donors aimed at providing Technical Assistance (TA) and training to Ghana, Nigeria, Sierra Leone, Liberia, The Gambia and Cabo Verde. The Center, which became operational in January 2014, complements four other centers the IMF has in sub-Saharan Africa. It offers capacity building services to member countries in its core area of expertise: revenue administration, management of public finances, monetary operations and payment system, financial sector supervision and regulation and macroeconomic statistics.

⁶ AFW2's objectives for FY 2017 have now been defined by FAD's draft catalog for RBM to provide consistencies with other RTACS.



systems in order to improve fiscal sustainability, enhance budget credibility, strengthen expenditure control, and enhance fiscal reporting and oversight.	6. Strengthened identification, monitoring and management of fiscal risks.	prepared with the proper prioritization and sequencing. Sufficient capacity is already in place to initiate the reforms and enough efforts are invested in capacity building. Risk: Lack of agreement on objectives of the PFM Reform strategy, reforms remains IFMIS driven and reform fatigue.
Monetary policy and operation: Support effective monetary policy formulation and implementation.	1. Enhance institutional capacity to effectively monitor and forecast liquidity, and analyze its components. 2. Enhance operational capacity to manage liquidity and conduct monetary policy consistent with monetary policy objectives. 3. Strengthen monetary policy formulation/analysis.	Monetary operations need to be aligned with monetary policy objectives and also be matched by institutional capacity for liquidity forecasting and analysis.
Payments system: Support implementation of monetary policy and the development of financial markets.	1. Ensure timely settlements. 2. Ensure delivery-versus-payments and address settlement risks. 3. Support transactions in the secondary market.	Harmonization of the payments systems in the WAMZ area is being supported by development partners (e.g., AfDB and IMF). Support of the AFRITAC West 2 needs to be closely coordinated with others.
Financial Supervision and Regulation: To strengthen financial sector regulatory and supervisory frameworks and build compliance with relevant international standards with the aim of protecting depositors, reducing regulatory arbitrage, and promoting stability and growth.	1. Help authorities assess and strengthen compliance with the Basel Core Principles. 2. Enhance the ability to conduct both on and off-site supervision under a risk-focused framework.	Regulatory authorities must have basic frameworks in place and officials who drive changes must buy into recommendations. The main threats relate to lack of implementation of recommendations due to resource constraints, conflicting priorities or an overburdening of personnel. Experts should present information in a manner that guides and influences change.
Real Sector Statistics General Objectives: To improve the statistical capacity for producing macroeconomic statistics in the framework of the General Data Dissemination System (GDDS).	1. Compilation and dissemination of Annual National Accounts following international standards. 2. Compilation and dissemination of Quarterly National Accounts following international standards. 3. Improved accuracy of price statistics.	Government support is obtained and maintained for the delivery of the statistics. Adequate resources are made available for the production of National Accounts and Price statistics.