

**REGIONAL TECHNICAL  
ASSISTANCE CENTER  
FOR WEST AFRICA 2**



**AFRITAC**  
West 2

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**ANNUAL  
REPORT  
2019**

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## LIST OF ACRONYMS

AFE	AFRITAC East
AFR	IMF African Department
AFRITAC	Africa Regional Technical Assistance Center
AFS	AFRITAC South
AFW	AFRITAC West
AFW2	AFRITAC West 2
AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism
ANA	Annual National Accounts
ASYCUDA	Automated System of Customs Data
ATI	Africa Training Institute
BoG	Bank of Ghana
BSL	Bank of Sierra Leone
BTO	Back-to-office
CARTAC	Caribbean Regional Technical Assistance Center
CBG	Central Bank of Gambia
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CD	Capacity Development
CET	Common External Tariff
CIEA	Composite Index of Economic Activity
CPI	Consumer Price Index
CPMI-IOSCO	The Committee on Payments and Market Infrastructures International Organization of Securities Commissions
CPMI-BIS	The Committee on Payments and Market Infrastructures Bank for International Settlements
CSN	Country Strategy Note
DFID	United Kingdom's Department for International Development
DP	Development Partner
ECOWAS	Economic Community of West African States
EDDI	Enhanced Data Dissemination Initiative
EU	European Union

FAD	Fiscal Affairs Department
FDI	Foreign Direct Investment
FIRS	Federal Inland Revenue Service (Nigeria)
FMI	Financial market infrastructure
FTE	Fiscal Transparency Evaluation
FTE	Full Time Equivalent
FX	Foreign Exchange
FY	Fiscal Year
GFS	Government Financial Statistics
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation
GRA	Ghana Revenue Authority/The Gambia Revenue Authority
GST	Goods and Service Tax
HQ	IMF Headquarters
ICD	Institute for Capacity Development
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public-Sector Accounting Standards
IT	Information technology
ITAS	Integrated Tax Administration System
KPIs	Key Performance Indicators
LEG	IMF Legal Department
LRA	Liberia Revenue Authority
LTO	Large Taxpayer Office
LTX	Long-Term Expert
M&E	Monitoring and Evaluation
MCM	IMF Monetary and Capital Markets Department
ML/TF	Money Laundering and Terrorist Financing
MOU	Memorandum of Understanding
MONOPS	Monetary Operations and Payment Systems
MPC	Monetary Policy Committee
NAAS	National Accounts Annual Survey
NIC	National Insurance Commission
NPL	Non-performing loan
NRA	National Revenue Authority (Sierra Leone)

NTF	Near-Term Forecasting
PCA	Post Clearance Audit
PFM	Public Financial Management
PFMI	Principles for Financial Market Infrastructures
PFTAC	Pacific Technical Assistance Center
PIMA	Public Investment Management Assessment
PPI	Producer Price Index
QNA	Quarterly national accounts
RAP	Resource Allocation Plan
RBM	Results-Based Management
REER	Real Effective Exchange Rate
RM	Risk Management
RMTF	Revenue Mobilization Trust Fund
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTC	Regional Training Center
SC	Steering Committee
SEC	Securities and Exchange Commission
SECO	Swiss Secretariat for Economic Affairs
SFA	Framework Administered Account of Selected Fund Activities
SME	Small and medium-sized enterprises
SMP	Staff Monitored Program
SNA	System of National Accounts
SOE	State-owned enterprise
SOPs	Standard Operating Procedures
SSA	Sub-Saharan Africa
STA	Statistics Department
STX	Short Term Experts
TA	Technical assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TRIPS	Total Revenue Integrated Processing System
TSA	Treasury Single Account
TTF	Topical Trust Fund
VAT	Value-added tax

WAEMU	The West African Economic and Monetary Union
WAIFEM	West African Institute for Financial and Economic Management
WAMI	West African Monetary Institute
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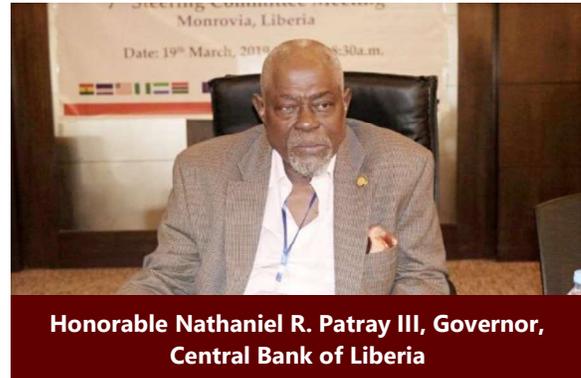
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**OPENING REMARKS BY THE CHAIR OF THE AFRITAC WEST 2 STEERING COMMITTEE, HONORABLE NATHANIEL R. PATRAY III, GOVERNOR, CENTRAL BANK OF LIBERIA, 7<sup>TH</sup> STEERING COMMITTEE MEETING, MONROVIA, LIBERIA**

WELCOME: Ladies and Gentlemen of the AFRITAC West 2 Steering Committee, on behalf of the government of Liberia, it is my pleasure to welcome you to our beautiful country, and the seventh Steering Committee meeting of AFRITAC West 2.



**Honorable Nathaniel R. Patray III, Governor,  
Central Bank of Liberia**

Over the past 5 years, AFRITAC West 2 has supported member countries, including my own, Liberia, to design and implement capacity development programs that are crucial for our macroeconomic stability and growth. Capacity development provided by the Center in the areas of revenue administration, budget planning and execution, central bank monetary and supervisory functions, and statistics has enabled our institutions to make significant progress towards key macroeconomic goals.

AFW2's work across the various sectors led to achievements of several key milestones across member countries. Examples include capacity building in revenue administration to ensure the effective auditing of specialized sectors such as Telecoms in the Gambia, Ghana, and Nigeria. All member countries benefitted from the Tax Administration Diagnostic Assessment Tool (TADAT), which enabled them to develop reforms to strengthen their tax administrations. As we know, revenue mobilization is crucial to addressing large infrastructure gaps and to meet the demand for public services from our growing populations.

Additionally, the Center supported the drafting and review of Public Financial Management regulations that were designed to further strengthen PFM legal frameworks in Ghana and Sierra Leone. The less developed and more vulnerable countries (Liberia, Sierra Leone and The Gambia) benefitted enormously from capacity development in monetary policy analysis. In these cases, key indicators of economic activity were developed to enhance the timeliness of decision making. At the same time, efforts intensified to assist our central banks to adopt best international and risk-based supervisory practices to safeguard financial sector stability. Although



much overlooked, timely and accurate macroeconomic statistics are essential for policy making. To this end, GDP was rebased in Ghana and The Gambia while other member countries benefitted from improvements to the compilation and dissemination of national accounts and price statistics.

The spirit of our engagement with AFRITAC WEST2 is best captured by a well-known African proverb “If you want to go quickly, go alone. If you want to go far, go together.” As you may know Liberia is an intensive user of IMF capacity development and was the largest recipient of such assistance in fiscal year 2018. A lasting achievement in the Center’s work in Liberia includes the support provided in establishing the Liberian Revenue Authority in 2014 and subsequent efforts to strengthen domestic revenue mobilization. The Center provided much needed technical support during the Ebola crisis. Since then, capacity development efforts have focused on giving the LRA the necessary tools to strengthen risk management, improving audit capacity, and developing standard operating procedures for better compliance management. These efforts were complemented by the hands-on assistance of a resident long-term expert who assisted in implementing these reforms.

We have also benefitted from support to improving the integrity and timeliness of fiscal data for decision making. Capacity development in cash forecasting and cash management including closing inactive accounts, have helped us to better manage our scarce resources. We have made strides in addressing an important source of fiscal risk arising from state-owned enterprises. To this end, we have improved our state-owned enterprise oversight function by gathering financial data and moving towards the adoption of international financial reporting standards.

As AFRITAC West 2 comes to the end of Phase I and embarks on a new phase, we continue to see sustained efforts to improve the volume and quality of capacity development activities to member countries. But for Phase II to be sustainable, member countries are encouraged to make their financial contributions. During the current fiscal year, the Center is expected to execute over 145 capacity development activities across member countries. There is a dedication to not only ensure that country needs are served, but to align activities with intended goals and results. In this regard, it is critical that member countries embrace a value for money and



results-based approach to capacity development, given scarce human and financial resources.

Looking ahead, it is my hope that, in future engagements with the Center, member countries will also redouble their efforts to implement capacity development recommendations, highlight lessons learned, and share these experiences through peer-to-peer exchanges. As the Center continues to prioritize regional integration and peer-to-peer learning among us, let us also continue to provide the support and cooperation needed to ensure their success.

It is with pleasure that I welcome you all to this meeting and encourage your enthusiastic participation as we discuss the strategy and vision for Phase II and provide insights that will improve the Center's delivery of capacity development going forward.

Welcome to the 7th AFRITAC West 2 Steering Committee Meeting and welcome to Liberia. I wish you a memorable stay in my home country.



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## I. EXECUTIVE SUMMARY

**For AFRITAC West 2 (AFW2), FY 2019 is a significant year, as it marks the end of Phase I (FY 2014 – FY 2019).** The Center continues to employ expert missions, training, attachments, and peer-to-peer learning to promote capacity development (CD) in the six AFW2 member countries. In FY 2019, significant efforts went into aligning CD even more closely with country needs, collaborating with other development partners and institutions engaged in CD, as well as fostering integration at the regional level. Further emphasis was placed on results-based monitoring and evaluation, and its role in CD delivery, center outreach and communication, and the assessment of achievements going forward.

**Macroeconomic performance was positive, with inflation broadly contained and economic growth sustained in FY 2019, albeit at a slower pace.** This was especially the case in the fragile states, recovering from the impact of the 2014 Ebola outbreak, and Nigeria, in the aftermath of the 2016 oil shock. Fiscal consolidation efforts and lower oil prices jointly contributed to stable inflation levels. Nevertheless, fiscal deficits and debt levels remained elevated for most member countries, albeit stabilized. Risks to the outlook arise from the volatility in commodity prices, rising trade tensions, and tighter global financing conditions.

**The implementation of the work program was affected by staff turnover that impacted execution.** The Center lost four Regional Advisors and its results-based management (RBM) Advisor during FY 2019. While replacements were recruited, two only joined the Center towards the end of the fiscal year. Against this background, the Center implemented 136 capacity development (CD) activities compared with 175 CD activities in FY2018—leading to a budget execution rate of about 77 percent at the end of FY 2019 and overall budget execution of 93 percent for Phase I. (Table 1).

**During FY 2019, member countries achieved the following with support from AFW2:**

- **In tax administration,** Tax Administration Assessment Tool (TADAT) assessments formed the basis of reform and strategic planning for the revenue authorities in the Gambia, Ghana, Nigeria and Sierra Leone.



- **In customs**, capacity was built in risk assessment, intelligence and investigation, in Cabo Verde, Ghana, and Liberia. Modules on induction and cargo inspection have been delivered in the Gambia, training fifteen (15) customs officers as trainers for continuous capacity building. Achievements also included the development of guidelines for the post clearance audit (PCA) units in Nigeria and Sierra Leone.
- **Achievements in PFM** include the formalization of criteria for public project selection and assessing the contingent liabilities of Public-Private Partnership (PPP) Projects in Ghana and a Public Investment Management Assessment (PIMA) in Nigeria. Progress was made towards adopting International Financial Reporting Standards (IFRS) to assist in financial reporting by state-owned enterprises (SOEs) in Liberia and the implementation of a Treasury Single Account (TSA) in Ghana, Sierra Leone, and The Gambia.
- **Work in monetary operations** resulted in the Bank of Ghana pioneering, in the region, an internal review of its real-time gross settlement system against the CPMI-ISOCO principles of financial market infrastructure. AFW2 supported the introduction of new Reuters-based electronic FX auction system in Sierra Leone and overnight lending and deposit facilities in The Gambia.
- **Banking supervision and regulation** CD provided extensive training on IFRS, review of credit risk, review of applications for mergers and acquisition and licensing to supervisory staff, including training of trainers to ensure sustainability of CD.
- **In Statistics**, CD supported the release of rebased annual and quarterly national accounts in Ghana, GDP by product (GDP(P)) estimates in Gambia and a new Consumer Price Index in Cabo Verde. Additionally, Sierra Leone updated and compiled an updated business register, harmonized with the taxpayer register.

**The rest of the FY 2019 Annual Report covers:** Section II lays out strategic issues, including the macroeconomic context informing the CD activities in FY 2019. In Section III, a summary of key achievements is provided while Sections IV and V discuss Phase II strategic priorities.

**Table 1: AFW2 FY 2019 Budget Execution and FY 2020 Budget Plan**

**International Monetary Fund - AFRITAC West II**

Phase - 1: FY 2014 - FY 2019

As of Apr 30, 2019

(In U.S. Dollars)

Project	Phase Summary			Working Budget	FY2019		FY2020 Working Budget
	Program Budget	Working Budget	Expenses		Expenses	Execution (%)	
Public Financial Management	5,291,010	6,800,106	6,173,433	1,984,391	1,357,718	68%	2,224,354
Customs Administration	3,421,848	4,239,878	4,122,008	1,341,210	1,223,340	91%	1,321,039
Tax Administration	5,329,932	5,849,859	5,399,588	1,458,927	1,008,656	69%	1,332,333
Banking Supervision and Regulation	4,403,706	4,943,713	4,507,347	1,132,162	695,797	61%	857,703
Monetary Policy Operations	4,403,706	3,818,646	3,670,088	1,116,707	968,149	87%	833,137
Real Sector Statistics	4,119,102	3,642,659	3,524,989	926,191	808,522	87%	818,199
Financial and Fiscal Law	498,942	187,169	173,009	49,432	35,271	71%	16,645
Admin Project	5,777,388	3,801,675	3,830,214	670,216	698,754	104%	749,749
Customized Training	130,596	154,834	102,050	58,000	5,216	9%	93,355
Training project	1,874,190	240,915	180,425	167,000	106,510	64%	153,938
Governance and Evaluation (including RBM advisor/backstopping)	1,381,296	821,367	751,324	321,275	251,232	78%	309,396
Financial Integrity Group	148,020	23,745	7,827	16,000	82	1%	16,645
<b>Sub Total</b>	<b>36,779,736</b>	<b>34,524,567</b>	<b>32,442,302</b>	<b>9,241,511</b>	<b>7,159,246</b>	<b>77%</b>	<b>8,726,493</b>
Trust Fund Management	2,574,582	2,416,720	2,270,961	646,906	501,147		625,554
<b>Total</b>	<b>39,354,318</b>	<b>36,941,286</b>	<b>34,713,263</b>	<b>9,888,417</b>	<b>7,660,393</b>	<b>77%</b>	<b>9,352,047</b>
Strategic Budget Reserve							150,000
IMF Expenses	3,847,712	3,847,712	1,063,427	641,285			641,285
<b>Total</b>	<b>43,202,030</b>	<b>40,788,998</b>	<b>35,776,690</b>	<b>10,529,702</b>	<b>7,648,743</b>	<b>73%</b>	<b>10,143,332</b>

Source: Capacity Development Information Management System (CDIMS)



## II. STRATEGIC ISSUES

### MACROECONOMIC DEVELOPMENTS IN AFW2 COUNTRIES

**In 2018, despite a weakening in global economic growth, AFW2 member countries demonstrated moderate growth, albeit at a slower pace.** The Gambia was estimated to have achieved the highest growth rate at about 6.6 in 2018. The fragile states served by AFW2—Liberia, Sierra Leone and The Gambia— showed a steady recovery in post Ebola—with growth estimated in the 3–7 percent range. Cabo Verde also experienced a recovery in growth to about 4.7 percent owing to increasing tourist arrivals and stronger consumer and business confidence. Nigeria demonstrated moderate growth following the oil shock in 2016, reflecting the recent uptick in oil prices.

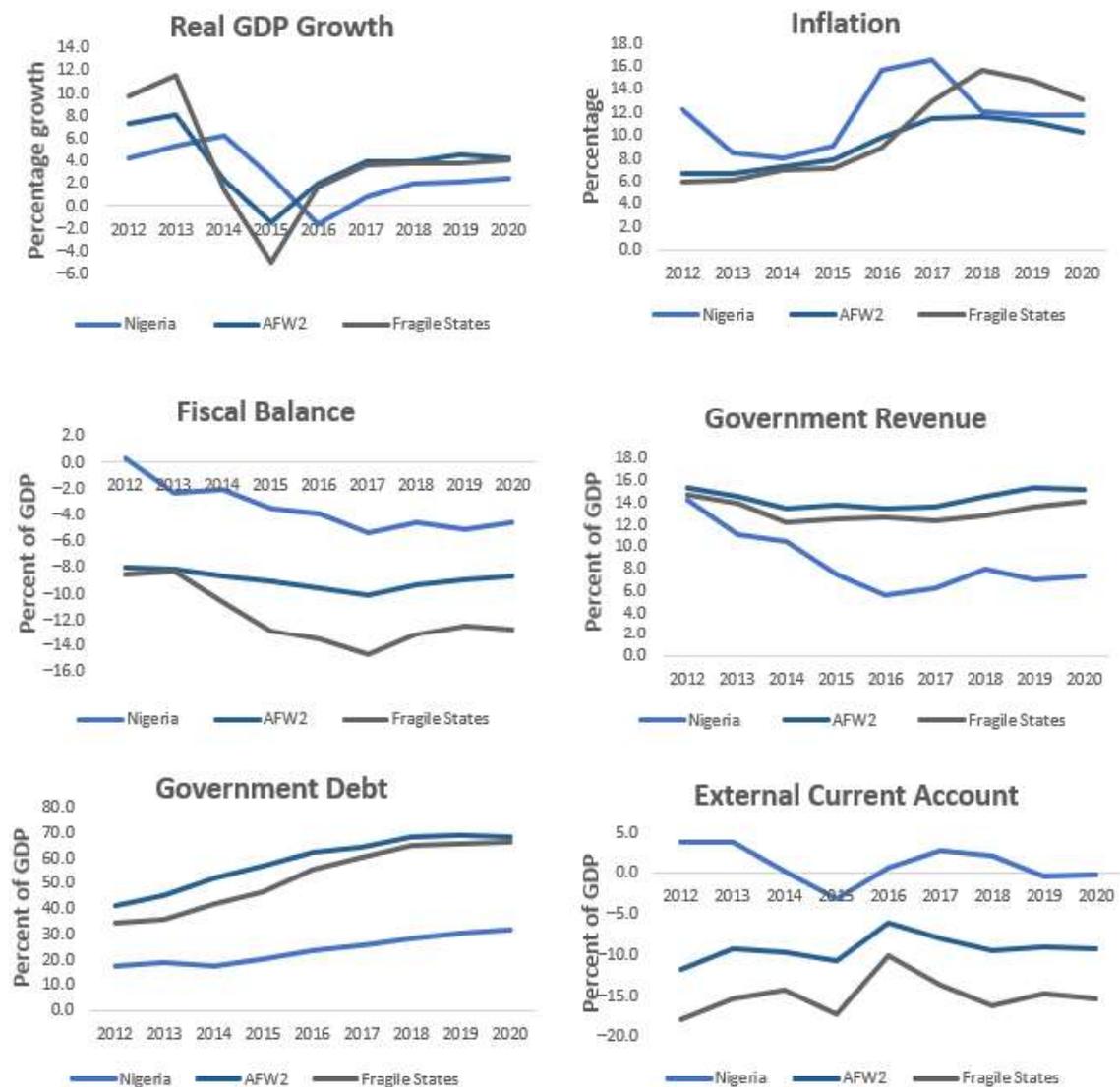
**Inflation has been broadly contained, with a few exceptions among some fragile states.** In 2018, Cabo Verde, Ghana, and The Gambia attained single-digit inflation, while Nigeria's inflation was estimated at a two-year low (around 12 percent), reflecting in part lower food inflation. Both Liberia and Sierra Leone continue to experience double-digit inflation owing to central bank financing of the deficit and exchange rate pass-through respectively. Fiscal consolidation in both Liberia and Sierra Leone, aided by lower oil prices would contribute to achieving lower inflation.

**In 2018, fiscal deficits and debt levels remained elevated in most member countries.** Cabo Verde achieved a fiscal deficit estimated at around 4.6 percent of GDP, at the lower end of the range, in contrast to that of Liberia estimated at about 19.4 percent of GDP. With debt-to-GDP ratios exceeding 50 percent in most member countries, except for Liberia and Nigeria, these outturns underscore the need to step up CD efforts to accelerate domestic revenue mobilization to create fiscal space.

**Several vulnerabilities pose risks to the macroeconomic outlook.** A less supportive external environment could lead to slower-than-expected growth, underscored by recent volatility in commodity prices and rising trade tensions. While lower oil prices would contribute to a deterioration in the terms-of-trade for oil producers (Ghana and Nigeria), non-oil producers could envisage some improvement. The impact of tighter global financing conditions, reflecting the

normalization of monetary policy, will depend on the strength of macroeconomic fundamentals. High non-performing loans (NPLs) in several member countries, constitute a drag on growth as banks tighten credit conditions in the face of growing credit and market risk. This was especially the case in Ghana and Liberia, where some incidences of banking failure were recorded. Challenges in resolving issues with failing banks (Ghana and Liberia) demanded greater time, attention and resources from the authorities, away from other policy areas.

**Figure 1: Macroeconomic developments for AFW2 member countries**



Source: IMF World Economic Outlook, April (2019)



**There was high staff turnover in FY 2019.** Ms. Mensah (Economist) left the Center in May 2018 and was succeeded by Ms. Adu in July 2018. Ms. Grcman (Statistics Advisor) was succeeded by Ms. Pepaj in October 2018, following her departure in September 2018. The Customs Advisor, Mr. Wood, took up a new assignment at AFRITAC South and was replaced by Mr. Smith in October 2018. In November 2019, Ms. Tsegereda (RBM Advisor) left the Center and returned to IMF Headquarters and was replaced by Mr. Darkey. Ms. Bruce completed her assignment in January 2019, and was succeeded by Mr. Ukwuoma in March 2019. Finally, Mr. Grinyer, the PFM Advisor left the Center in early March 2018. Despite new LTXs adapting quickly, CD delivery slowed given the need for familiarization with member-country work programs.

**Change in management, electoral cycles and the limited availability of some short-term experts (STXs) were key challenges in CD implementation.** Election cycles also impacted CD delivery. It was also affected by mission scheduling, slow implementation of recommendations and frequent changes in policy direction, stemming from changes in administrations. Resource and capacity limitations prevent follow through on commitments made during missions, hindering progress towards more intermediate goals and objectives. Finding STXs with the relevant expertise was also a challenge. In statistics, especially in the fragile states, funding delays for economic surveys required to obtain data for rebasing national accounts and price indexes, slowed implementation.

**Given the unfinished agenda from Phase I, the current work streams will constitute the strategic priorities for Phase II.** The RBM framework, recommendations from the independent mid-term evaluation and member country needs continue to inform AFW2's strategy and workplan. The strategy for Phase II (2019-24), aims to address common challenges experienced by member countries. CD activities will continue to support member countries to foster strong fiscal policy, enhance domestic revenue mobilization against stronger PFM frameworks and promote price and financial stability, with the view of ensuring sustainable and inclusive economic growth. The Center aims to be flexible in response to emerging themes identified in each sector (Box 7).



### **The priorities for FY 2020 are as follows:**

- Strengthen revenue administration management and governance arrangements and improve core customs and tax administration functions.
- Improve budget preparation, execution and control; foster better asset and liability management; strengthen the legal framework for PFM; and improve management of fiscal risks.
- Implement risk-based, consolidated and cross-border supervision and enforce prudential norms to safeguard financial sector stability.
- Support effective monetary policy formulation and assist in payments systems modernization.
- Strengthen the compilation of national accounts and price statistics to adhere to international standards.
- Support the regional integration agenda.

### **IMPLEMENTATION OF 6<sup>TH</sup> SC MEETING RECOMMENDATIONS**

At the 6th Steering Committee meeting held in Abuja, Nigeria on March 13th, the Steering Committee endorsed the FY 2019 workplan and the implementation of the recommendations of the mid-term evaluation (Table 2). Consideration, where feasible, was given to the following recommendations:

- Strategies provided by the break out groups on (i) overcoming CD challenges in the region; (ii) Priorities for the next cycle of AFW2; and (iii) strengthening accountability for CD results.
- The need for follow up with member countries regarding financial contributions.
- The selection of either Liberia or Sierra Leone to chair the next Steering Committee meeting in 2019.<sup>1</sup>

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<sup>1</sup> The 7<sup>th</sup> Steering Committee Meeting was held in Monrovia, Liberia on March 19, 2019.



**Table 2: Implementation Status of Mid-Year Evaluation Recommendations**

<p><b>Formalize Agreements with Regional Organizations</b></p> <ul style="list-style-type: none"> <li>• Improved collaboration with ECOWAS through information sharing.</li> <li>• ECOWAS facilitation at AFW2 workshops on regional integration and customs.</li> <li>• WAMI participation in regional workshops and fielding joint workshops with WAIFEM.</li> </ul>
<p><b>Institute Outreach Activities Systematically in Missions</b></p> <ul style="list-style-type: none"> <li>• Regional Advisors in coordination with Resident Representatives arrange regular debriefings for Development Partners (DPs) on major interventions.</li> <li>• Regional Advisors participate in work stream-related Steering Committees where there is a large donor presence (e.g. Ghana).</li> </ul>
<p><b>Reinforce CD Approach in Fragile States</b></p> <ul style="list-style-type: none"> <li>• Country Strategy Notes spearheaded by IMF country teams in coordination with AFW2 ensure the integration of CD with surveillance—a holistic approach.</li> <li>• Thematic Trust Fund CD delivery is also integrated. Resident Advisors compliment CD efforts by providing on the ground presence; revenue mobilization (The Gambia and Liberia), banking supervision (Sierra Leone, Nigeria and Ghana – through October 2018), and PFM (The Gambia).</li> </ul>
<p><b>Strengthening the Role of the Steering Committee</b></p> <ul style="list-style-type: none"> <li>• Wider dissemination of the quarterly newsletter, mid-year and annual reports and frequent Facebook posts have kept stakeholders better informed.</li> <li>• Changes to the format of the Steering Committee agenda involving break-out groups and member-country presentations have fostered greater participation.</li> </ul>
<p><b>Strengthening the Role of the Coordinator</b></p> <ul style="list-style-type: none"> <li>• Coordinators play a lead role in the processes underpinning CD delivery and budget formulation.</li> <li>• Outreach to member countries is coordinated with the Resident Representatives. This involves meeting with country authorities, DPs, and other stakeholders.</li> </ul>
<p><b>Expanding Training Opportunities for Local Staff</b></p> <ul style="list-style-type: none"> <li>• The IMF is conducting a review of employment frameworks for local employees, including training.</li> <li>• Staff leverage online training from the IMF and from leading universities via <i>Coursera</i>.</li> </ul>

### III. KEY CAPACITY DEVELOPMENT OUTCOMES AND A SECTORAL REPORT ON THE IMPLEMENTATION OF THE FY 2019 WORK PROGRAM

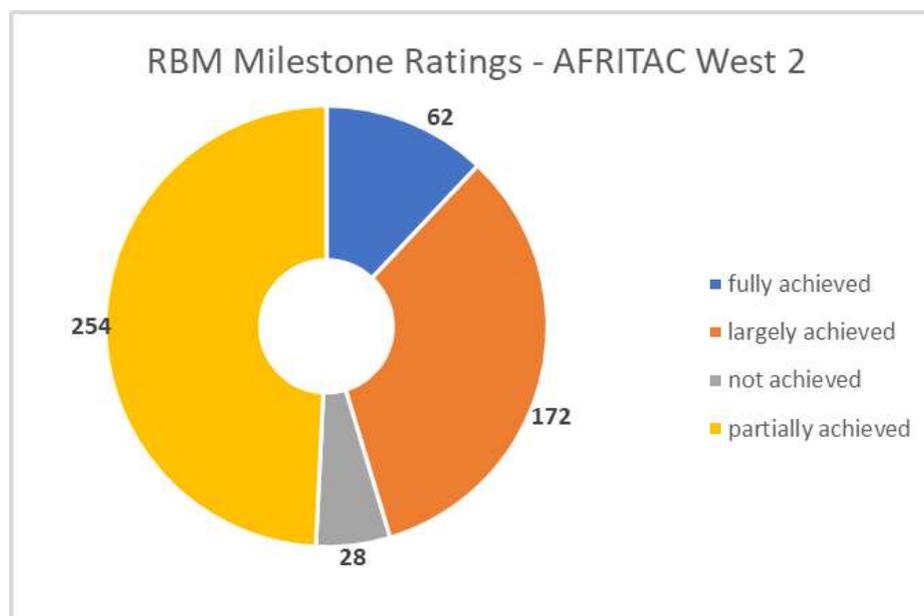
#### **AFRITAC West 2's FY 2019 work program levelled off from its peak in FY 2018.**

AFW2 conducted 136 CD activities (trainings, regional workshops and professional attachments) by the end of the fiscal year. Total budgetary outlays for the Center at the end of the fiscal year is projected to be at about \$8 million out of the budgeted \$10 million (or approximately 77 percent of the total budget for FY 2019).

#### **CD continued to be guided by the RBM framework with sustained progress in the implementation of milestones.**

Despite significant changes in staff between October 2018 and February 2019, progress was sustained in achieving the milestones set out by the RBM framework. These milestones are short term activities that, upon completion, will constitute the achievements of their related outcomes. At February 4, 2019, 234 of all milestones (516) were rated as fully or largely achieved, while 254 were rated as partially achieved. Only 28 milestones were rated as not achieved (Figure 2).

**Figure 2: Status of RBM Milestones for AFW2**



Source: International Monetary Fund/AFRITAC West 2 RBM Data, April 30, 2019



**Some specific achievements realized at the end of Phase I (FY 2014 – FY 2019) included:**

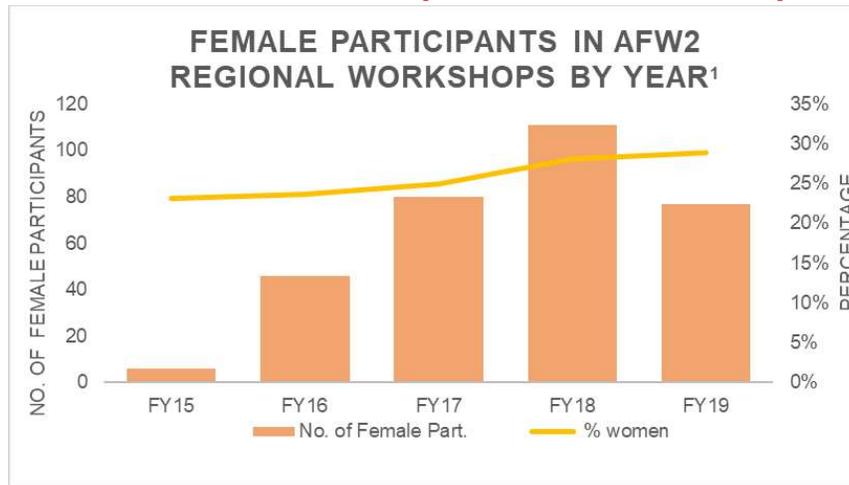
- Increased capacity in data matching and use of third-party information in all member countries.
- Improved specialized audit skills to increase compliance in the telecommunication sector (especially in Ghana and The Gambia).
- A Treasury Single Account (TSA) was established in Kaduna in 2017 and at the Federal level in 2018. Kaduna state transferred about Naira 25 billion (\$67 million) to the TSA and earned Naira 1.2 billion (\$3.3 million) from investments.
- Fragile states (Liberia, Sierra Leone, and The Gambia) introduced new economic indicators to improve monetary policy analyses including the Composite Index of Economic Activity (CIEA), real-effective exchange rate (REER) and different core inflation measures. These developments built a base for a more forward-looking monetary analysis that would include liquidity forecasting and management.
- In the Gambia, prudential guidelines have been updated, and new credit and monitoring systems implemented, after supervisors received extensive training in IFRS, complemented by a professional attachment at the Bank of Ghana.
- CPI was rebased in Cabo Verde and Ghana. Sierra Leone released a recompiled national CPI replacing the two previous CPI releases. Meanwhile national accounts estimates were rebased in Nigeria, Ghana, and The Gambia. Thus, member countries updated their toolkit for budget preparation and the formulation of monetary policy.

**The Center continued to further incorporate regional integration in CD delivery and center outreach, in response to recommendations from the FY 2017 mid-term evaluation.** More joint regional workshops were organized, especially in the area of Monetary Operations and Payment Systems (MONOPS). In June 2018, AFW2, AFE and AFS jointly hosted a regional workshop in South Africa on *FX Spot and Swap Market Dealing Simulation for Central Banks*. Additionally, another workshop brought AFW2 and AFE countries together for a regional workshop on Compliance with CPSS-IOSCO PFMI in October 2018. AFW2, in partnership with the IMF ICD, conducted a course on the Economic Issues of Regional Integration, with a focus on the Economic Community of West African States (ECOWAS). Participants from the Ministry of Finance and Central Banks of the member countries and the West African Monetary Institute were immersed in a one-week intensive course to deepen their understanding of costs and benefits of regional integration. A joint workshop with

ECOWAS and the World Customs Organization (WCO) on customs integrity was also conducted.

**In FY 2019, AFW2 continued to foster peer-to-peer learning and sponsored a total of 15 workshops, training and professional attachments.** The Center sought to encourage balanced gender representation in the nomination of participants for the regional activities. Female participation has shown steady growth, reaching 30 percent in FY 2019 (Figure 3, Figure 4).

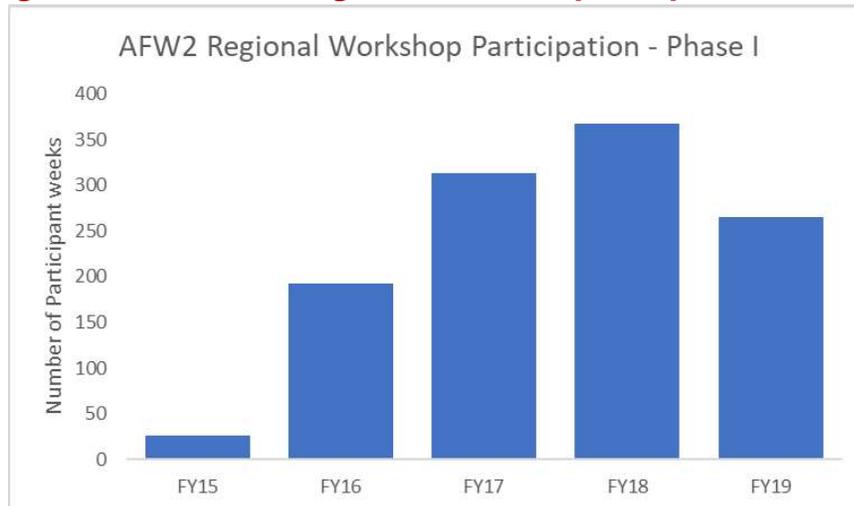
**Figure 3: Gender Breakdown of Participants in AFW2 workshops and trainings**



¹as of April 30, 2019

Source: International Monetary Fund/AFRITAC West 2 Regional Workshop Data, 2019

**Figure 4: AFW2 Training in FY 2019 (in participation weeks)**



Source: International Monetary Fund/AFRITAC West 2 Regional Workshop Data, 2019

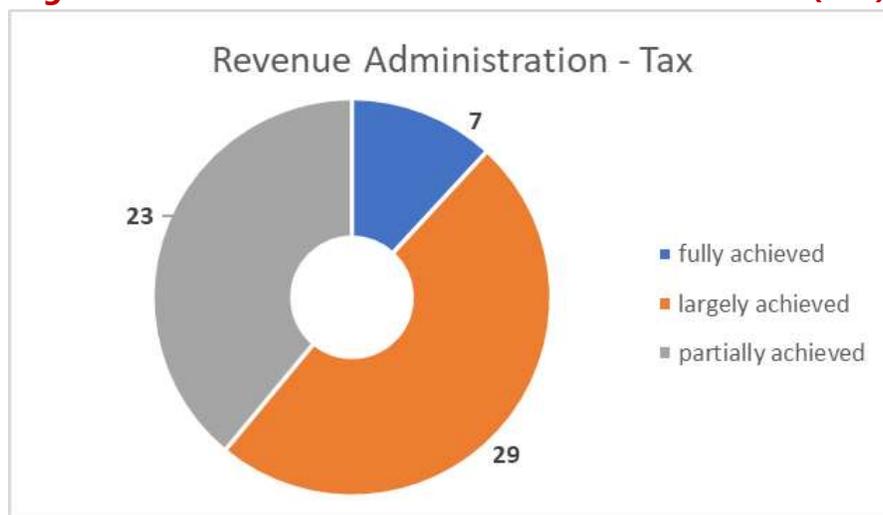
## REVENUE ADMINISTRATION (DOMESTIC TAX)

### Overall progress in the implementation of the FY 2019 Work program

In FY 2019, AFW2 concentrated on delivering CD programs designed to build institutional capacity for effective domestic revenue mobilization. Efforts focused on systematic planning and implementation of revenue reforms, building risk-based compliance and enforcement strategies, and promoting voluntary compliance through improved service delivery. AFW2 worked with member countries to strengthen revenue administration, management and governance arrangements as well as core tax administration functions. In the Gambia, Ghana, Nigeria and Sierra Leone, the Center coordinated with other development partners (DPs) to optimize the impact of TA delivery to member countries.

AFW2 assisted member countries to achieve the following key objectives: (i) establish structures and processes that support effective revenue administration; (ii) develop appropriate strategies informed by the TADAT country assessments and results from data matching exercises to address shortcomings in revenue mobilization; and (iii) equip revenue administrations with the skills to effectively use audit techniques, data matching, and intelligence to maximize tax compliance. Of 49 milestones, 36 were either fully or largely achieved and 23 partially achieved as at April 2019 (Figure 5).

**Figure 5: Milestone Status – Revenue Administration (Tax)**



Source: International Monetary Fund/AFRITAC West 2 RBM Data, April 30, 2019



## Key achievements for the year in FY 2019 (by country)

**Cabo Verde:** Capacity building efforts were directed to improving the effectiveness of the audit function, including sharpening audit skills and developing supportive guidance tools such as the audit manual. In addition, AFW2 supported a senior member of Cabo Verde's tax administration to attend a joint PFTAC and CARTAC revenue mobilization conference in July at IMF Headquarters. The conference brought together tax administration heads from 18 Caribbean, 12 Pacific, and other small island states (Cabo Verde, Maldives, Mauritius, and the Seychelles). Cabo Verde also hosted and participated in a regional workshop on risk management.

**Ghana:** Following the Ghana Revenue Authority's (GRA) TADAT Assessment in 2017 and the expiration of the GRA 2<sup>nd</sup> Strategic Plan at the end of 2017, the GRA has drafted a new strategic plan. AFW2 provided guidance to the GRA during the preparation and consultation phase of developing the strategic plan. Further support has been provided towards improving value added tax (VAT) compliance, audit and management of excise duties, and data matching.

**Liberia:** AFW2 and the Revenue Mobilization Thematic Fund (RMTF)/Fiscal Affairs Department (FAD) project coordinated closely to optimize CD delivery. The RMTF mainly supported the Large Taxpayer Office (LTO) while AFW2 worked with the Medium Taxpayer Office (MTO) to build capacity for audit and intelligence gathering. AFW2 also assisted the Liberia Revenue Authority (LRA) to strengthen capacity to administer domestic excise duties. Following the appointment of a new commissioner general and other members of the LRA senior management, a joint staff (AFW2 and FAD-RMTF) mission to validate the LRA priorities was conducted in November 2018. Furthermore, a review mission co-led by FAD and AFW2 was conducted in March 2019. The two missions led to the re-sequencing and reprioritization of the LRA capacity building needs and fine-tuning the FY 2019 work plan. They also informed the development of FY 2020 work plan.

**Nigeria:** The TADAT Assessment report was issued in July 2018. An FAD-led and AFW2-sponsored post-TADAT follow-up mission was conducted in July 2018 to assist the Federal Inland Revenue Service (FIRS) to develop a reform plan to address key weaknesses identified by the TADAT. FIRS prioritized addressing weaknesses in the foundational areas of tax administration, namely: registration, filing and payments. FIRS is already implementing some of the identified actions. AFW2 also provided TA to improve VAT compliance and data matching capacity.



**Sierra Leone:** The National Revenue Authority (NRA) was assisted in strengthening tax compliance by improving the integrity of the taxpayer register and enhancing capacity to manage tax arrears. AFW2 and RMTF/FAD jointly conducted a review and agreed with the new leadership of the NRA the re-sequenced delivery and milestones to align with the NRA new reform priorities. The agreed priority recommendations were: (i) to validate, approve and implement strategies and plans developed over the past two years; (ii) prioritize and operationalize the Integrated Tax Administration System (ITAS) and ASYCUDA World projects; (iii) ensure adequate staffing was aligned with strategic priorities; and (iv) implement revenue generation measures by reactivating the data-matching project. AFW2 has subsequently assisted the NRA to strengthen its capacity to administer domestic excise duties and deepen its Goods and Services Tax (GST) compliance and data matching capacity.

**The Gambia:** The TADAT Assessment report was issued in July 2018. An FAD-led and AFW2 sponsored post-TADAT follow-up mission was conducted in September 2018 to assist the Gambia Revenue Authority (GRA) undertake a comprehensive review and prioritization of the main weaknesses identified by the TADAT assessment and draft a plan of action to move the tax administration reform program forward. The GRA reform plan focuses on the critical areas of taxpayer registration, filing and payment of taxes. This plan of action has formed the basis for further FAD TA under the tax administration stream of the EU Financed project. AFW2 also provided TA to strengthen the capacity of the GRA to audit the telecommunication sector and improve compliance management including building capacity to use computer assisted audit techniques and software for data analysis (IDEA).

**Regional work:** A regional workshop on *“Implementing Successful Risk Management Programs in Revenue Administrations”* was delivered in Cabo Verde. The objective was to improve the capacity of participants to implement successful risk-based management programs. The workshop also facilitated networking between executives and managers in the region and sharing of good practices. Twenty-six revenue administration (tax and customs) officials comprising nineteen middle level and senior managers, and seven officers from all AFW2 member countries attended the workshop. The workshop discussed the fundamental challenges and causes related to the member countries’ failure in implementing their respective risk management programs.



### Box 1: Phase I—Selected Revenue Mobilization Success Stories

**The Gambia:** The institutional diagnostic tool (TADAT) guided reforms to strengthen tax administration functions, including capacity to audit the telecoms sector. For customs, transit systems and procedures are better aligned with best practice standards. Valuation and classification systems and procedures that are better aligned with WTO rules. Audit and anti-smuggling functions were strengthened through the implementation of post clearance audit guidelines and standard operating procedures. Customs capacity to monitor and enforce exemptions from import duties and taxes were strengthened.

**Ghana:** In addition to strengthened audit and data analysis capacity, the GRA received advice in formulating its strategic plan. Other key achievements included (i) bolstering the audit capacity of the telecommunications sector and the identification of revenue recovery measures; (ii) evaluating the functionality of the tax registry—the Total Revenue Integrated Processing System (TRIPS); iv) increasing skills of the customs intelligence and investigation functions; and (v) reviewing the structure of excise taxes and updating the excise manual.

**Liberia:** AFW2 spearheaded the establishment of the revenue authority, in the aftermath of the conflict and provided key support during the Ebola crisis. Resident Advisors provided CD covering developing standard operating procedures, promoting more effective operations management and governance. In customs, training was provided on strengthening integrity, post clearance audit, and developing a modernization plan and unit. A reform strategy and strategic management framework have now been adopted and institutionalized.

**Nigeria:** Following the TADAT assessment in 2018, Nigeria has developed a reform plan and is engaging development partners to assist in its implementation. In addition, specialized skills have been built, through audit and data matching training, to support more effective audits in in the telecom sector.

**Sierra Leone:** Leveraging institutional diagnostics (TADAT) helped to improve tax compliance. Data and audit analysis supported revenue recovery. Other key milestones include improving the integrity of the tax register and tax arrears management. Revenues have increased by three percentage points of GDP since 2014.



## Implementation challenges experienced in CD work during FY 2019

The major challenge in tax administration is the frequent change of the heads of revenue organizations. This often results in abrupt changes in strategic direction and ultimately negatively affects the implementation of recommendations and the realization of agreed milestones. Other significant challenges include: (i) a low level of staff skills and limited ability to absorb TA; (ii) understaffing; (iii) inadequate resources required for a tax administration to function efficiently and effectively; and (iv) limited levels of digitization and limited use of third-party information to improve compliance. Country specific challenges are highlighted below:

- **Availability of Portuguese-speaking STXs:** In Cabo Verde, the authorities expressed preference for Portuguese-speaking STXs. The limited pool of these STXs on the roster impacted TA delivery.
- **Strategic plans and digitization:** Several countries are yet to finalize strategic plans (Nigeria, Sierra Leone, and The Gambia) which will articulate key near-to-medium term priorities. There is scope to improve the level of digitization and quality of data (Ghana, Liberia and Nigeria).
- **New administrations:** In Liberia and Sierra Leone, where the senior management team is new, more time may be needed to internalize how the organization operates. Understaffing is also proving to be a constraint in several countries.
- **Legal frameworks.** In Ghana and Nigeria, the legal framework needs to be updated, and tax administration and policy streamlined to fight corruption, limit tax exemptions, and mitigate the negative impacts of tax amnesties.

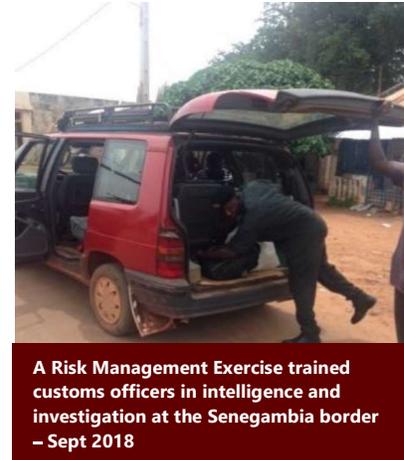
## Measures to address identified challenges in the next fiscal year (FY 2020)

- Whenever change in the top leadership occurs, AFW2 conducts timely visits and coordinates with the new leadership to validate their reform priorities and fine-tune the workplan accordingly. Recent cases include: Ghana, Liberia, and Sierra Leone.
- AFW2 will support the authorities to finalize and commence implementation of their strategic and compliance improvement plans.
- Coordinate with FAD/RMTF projects (Cabo Verde, Liberia, Sierra Leone and The Gambia) to optimize TA delivery and deliver seamless strategic and tactical support, especially, in ITAS implementation and human capacity aligned to the institutional objectives.
- Coordinate with other DPs to optimize TA delivery and avoid duplication.

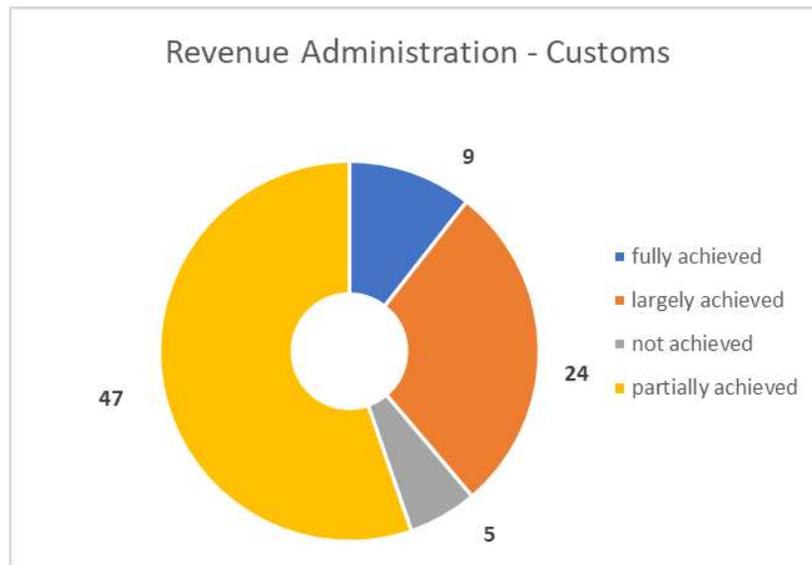
## REVENUE ADMINISTRATION (CUSTOMS)

### Overall progress in the implementation of the FY 2019 Work program

The customs area has been very active and successful in achieving its goals of improving custom administration functions. A total of 32 missions were delivered against an initial plan of 33. That is one fewer mission than in FY 2018 but with an almost identical completion rate of 97 percent. This included the delivery of two regional workshops and missions were undertaken in all member countries. Out of 85 milestones, 33 were fully or largely achieved and 47 partially achieved as at April 2019 (Figure 6).



**Figure 6: Milestone status – Revenue Administrations (Customs)**



Source: International Monetary Fund/AFRITAC West 2 RBM Data, 2019

### Key achievements for the year in FY 2019 (by country)

#### Cabo Verde:

- An integrity strategy and supporting action plan has been developed.
- Capacity in risk management has been increased through the delivery of specialist technical training.



- Mentoring and support on risk management, intelligence and investigation has been delivered.
- Assistance has been provided in mapping of business processes and the drafting of standard operating procedures.

### **Ghana:**

- Draft intelligence and investigation strategies have been prepared. Key procedures have been documented and a set of agreed standard operating procedures (SOPs) has been prepared. Staff in the intelligence unit have also been trained.
- An integrity strategy and supporting implementation plan have been drafted.
- Support has been provided through training and mentoring of the post clearance audit unit.

### **Liberia:**

- Capacity in Post Clearance Audit (PCA) and risk management has been increased through the delivery of specialist technical training, mentoring and support.
- Revised risk profiles have been developed and implemented.
- SOPs for the control of exemptions from customs duties and taxes have been developed.
- A National Integrated Border Management Strategy has been developed with support from the United Nations Mission in Liberia (UNMIL). The strategy includes provisions for the development of coordinating structures along with outline plans and a monitoring and evaluation (M&E) framework.
- Action to align the process of valuation queries with the requirements of the WTO Valuation Agreement requirements for Appeals (Art 16) and cases of Reasonable Doubt (Art 17) has now been completed.
- SOPs for the central assessment unit have been developed.

### **Nigeria:**

- Training on strategic management was delivered to over 20 officers from each department within the Nigeria Customs Service (NCS).
- Mentoring support has been provided to the Strategic Research and Planning Department on the best practice procedures for the development and implementation of the NCS Strategic Plan.
- A strategic planning committee has been established and a draft strategic plan, with supporting key performance indicators (KPIs) has been developed.



- PCA guidelines and SOPs have been established together with follow-up mentoring of the PCA unit.
- An integrity strategy and supporting implementation plan have been drafted.

### **Sierra Leone:**

- Capacity in PCA has been increased through the delivery of TA support.
- A PCA manual has been prepared and partially implemented.
- Training module for inspection and examination skills has been developed and delivered in partnership with the NRA Training Unit.
- The Customs Division now has a draft operational unit plan which is aligned with the organization's strategic goals and objectives.
- KPIs have been established for the Customs Division and are to be incorporated into the wider NRA Monitoring and Evaluation Plan.
- A risk management strategy has been developed.
- A training needs analysis has been completed in the areas of classification and valuation

### **The Gambia:**

- Capacity in the development and implementation of transit procedures and risk management has been increased through the delivery of TA support.
- A transit working group has been established to design and implement revised control procedures.
- Induction and cargo inspection training modules have been developed and delivered to customs officers (90 officers have successfully completed the training program).
- The GRA now has a fully functioning training suite and a technical training team comprising 15 officers.
- A draft risk management strategy and supporting framework has been prepared.
- A review of the customs monitoring, and enforcement of exemptions has been undertaken and a series of recommendations made to strengthen customs performance.

### **Regional work**

A regional workshop was held in Cabo Verde at which best practice in risk management was shared with 20 officers. The workshop included technical inputs from the Nacional de Receitas do Estado (Cabo Verde), Ghana Revenue Authority, National Revenue Authority (Sierra Leone), Nigeria Customs Service and The Gambia



Revenue Authority. Work plans were agreed and partnership arrangements for the exchange of information between administrations were confirmed.

A regional workshop was held in Ghana to support the development of a regional customs integrity framework. This event was organized jointly with the ECOWAS Secretariat and the World Customs Organization (WCO) and was attended by all 15 ECOWAS members, plus Mauritania. The workshop produced an expert-level paper, setting out the key components of an effective customs integrity framework. This paper has been submitted to the ECOWAS Secretariat as the basis for the drafting of a directive on this subject to be issued by the Council of Ministers.

### **Implementation challenges experienced in CD work during FY 2019**

#### **The major challenges include:**

- **Communication problems**, including delays in receiving replies and feedback to requests and notifications. Key messages did not always get through to those who need to know within the organizations. Misunderstandings arose with respect to what actions needed to be undertaken.
- **The need for strengthening donor coordination in some areas.** This included the need for better coordination between delivery partners and the revenue authorities who are usually the best placed to know what activities are ongoing or planned with their delivery partners.
- **Lack of follow-through by authorities on work plans and commitments made between missions.** In many cases a series of recommendations are made, and/or an action plan is agreed, but often the progress made has been limited and commitments have not been delivered upon.
- **Lack of capacity to follow-up on missions** in terms of ongoing support in specific areas where required or requested.

#### **Country specific challenges are highlighted below:**

**Cabo Verde:** Progress has been mixed, with some very effective missions completed but two missions cancelled. Finding suitable Portuguese speakers is an ongoing challenge.

**Ghana:** There is the potential for duplication and strains in absorptive capacity because of the high level of assistance being provided by delivery partners.



**Nigeria:** The rotation of staff poses a challenge to the continuity of interventions in some cases.

**The Gambia:** Follow-up and the effective monitoring of progress needs to be sustained.

### **Measures to address identified challenges in the next fiscal year (FY 2020)**

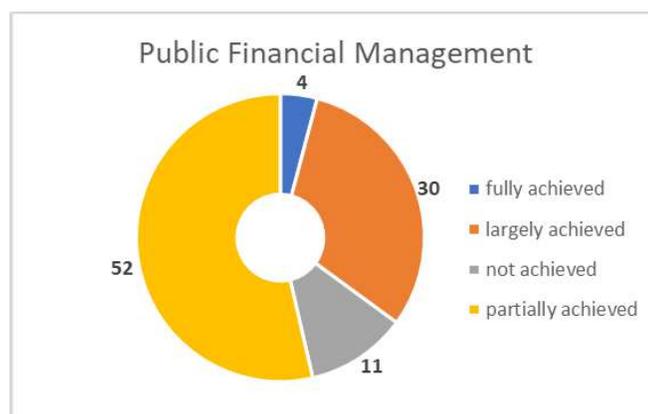
- Closer communication, coordination and monitoring structures will be put in place, particularly linking the resident advisor with the key coordination points in the customs departments. This will provide for a monthly review of progress against the core workplan and against any agreed actions defined in specific mission reports
- The national workplans will provide for a more focused series of missions in specific work areas so that the majority of missions will have planned follow up activities to support and monitor implementation.
- Delivery partner coordination will be prioritized and the potential for jointly organized activities will be actively explored.

## **PUBLIC FINANCIAL MANAGEMENT**

### **Overall progress in the implementation of the FY 2019 Work program**

CD delivery in public financial management (PFM) quickened during FY 2019, with 28 missions undertaken by end-January. Steady progress has been made against strategic objectives so far in FY 2019; of the 97 milestones targeted to be achieved by the end of April 2019, 86 have been partially, largely or fully achieved (Figure 7). Nevertheless, progress in Cabo Verde, and to a lesser extent Sierra Leone, has been lower than anticipated owing to lags in agreeing to missions.

**Figure 7: Milestone status – Public Financial Management**



Source: International Monetary Fund/AFRITAC West 2 RBM Data, April 30, 2019

**Key achievements for the year in FY 2019 (by country)**

**Ghana:** The Ministry of Finance has received CD in several areas, including assistance on fiscal risk management and oversight of SOEs, and restructuring and business process reengineering for the Budget Division. Training to Ministry staff has been provided on strengthening the budget function, project appraisal and selection and the fiscal risks associated with PPPs. These activities laid the groundwork for the achievement of FY 2019 milestones such as formalizing the criteria for project selection decisions and assessing the contingent liabilities of PPP Projects for the FY 2019 budget.



**Liberia:** There was a particularly high level of traction in Liberia with missions undertaken on: fiscal reporting, advancing reforms and strengthening fiscal data integrity and the quality of fiscal reporting pertaining to coverage, timing and accounting; advancing the implementation of the Treasury Single Account (TSA) by determining its design, architecture and coverage along with the roadmap of advancing cash forecasting systems and processes. The Center also participated in an HQ mission focusing on expenditure controls, with an emphasis on integrating these with the Financial Management Information System (FMIS) besides following up on cash management and TSA reforms. For SOEs progress was made towards adopting International Financial Reporting Standards (IFRS) to assist in financial reporting.

**Nigeria:** The Center undertook a Public Investment Management Assessment (PIMA) in collaboration with HQ, providing a diagnostic report on which a prioritized reform



strategy and action plan for strengthening the management of public investment has been proposed.

**Sierra Leone:** Training was provided on macro-fiscal forecasting techniques to the Ministry of Finance to help strengthen budget credibility. Following earlier support provided by the Center and HQ, a Fiscal Risk Management and Fiduciary Oversight of SOEs Division has been established within the Ministry, which is a major milestone. A TA mission to support the government of Sierra Leone in achieving compliance with the recently revised cash basis International Public-Sector Accounting Standards (IPSAS), and government financial statistics (GFS) reporting guidelines was conducted along with lending support in the revision of chart of accounts.

**The Gambia:** To compliment the staff monitored program (SMP), the Center provided support through a mission focusing on advancing the implementation of a TSA roadmap. The Center's long-running assistance to the Ministry of Finance on macro-fiscal forecasting is coming to fruition with the macro-fiscal framework being used for the first time to set some of the parameters for the annual budget. Assistance for advancing cash management functions was also provided. To help the Ministry of Finance's oversight function of SOEs, a database has been established allowing consolidated analysis of the sector to be undertaken. CD contributed to the Accountant General's revision of the chart of accounts and the implementation of IPSAS cash-based financial reporting system.

#### **Box 2: Phase I—Selected Public Financial Management Interventions**

**Cabo Verde, Ghana, Sierra Leone, and The Gambia:** The identification and mitigation of fiscal risks arising from SOEs are critical to preserving fiscal sustainability. Interventions in these countries, included implementing a monitoring and reporting framework for SOE finances, gap analysis for IFRS, and in the case of Ghana and Sierra Leone, the establishment of a fiscal risk unit.

**Ghana and Sierra Leone:** In Ghana, new PFM regulations (under the 2016 PFM Act) were drafted and submitted to parliament. This initiative aimed at strengthening the legal framework governing the budget. A review of the functions of the Ministry of Finance culminated in the re-organization of the Ministry with a view to improve coordination along functional lines. Both interventions were executed as HQ-led missions in 2017. The authorities have now passed a fiscal responsibility act, establishing fiscal rules on the deficit and debt levels, and have embarked on setting up a fiscal council for ensuring



macroeconomic stability and debt sustainability. Sierra Leone also benefited from CD in developing a new PFM Act and regulations.

**Nigeria:** The Federal Government commenced the implementation of a TSA in 2012 with an e-payment module. This was later reinforced by a Presidential directive in 2015. AFW2 provided intensive capacity development at both the Federal and sub-national levels (Kaduna state) in implementing the pre-requisite steps for TSA adoption. These comprised, auditing and closing bank accounts, forecasting and cash management, and standard operating procedures in TSA management. A TSA was established in Kaduna in 2017 and at the Federal level in 2018. Kaduna state transferred about Naira 25 billion (\$67 million) to the TSA and earned Naira 1.2 billion (\$3.3 million) from investments.

### **Implementation challenges experienced in CD work during FY 2019 (by country)**

**All countries:** Unrealistic budgeting, with overly optimistic revenue projections and underbudgeted expenditures, remains a fundamental PFM issue for many AFW2 members from which other subsequent challenges arise. These include cash shortages, arrears accumulation, and stalled investment spending. These short-term emergencies in turn divert technical and managerial attention away from long-term PFM reform activities toward short-term cash shortage “fire-fighting”.

**All countries:** The scheduling of AFW2 activities in the PFM area continues to be challenging. The postponement or cancellation of planned activities arose due to: (i) accommodating the timing of the budget cycle; (ii) elections and other priorities coupled with a small pool of preferred short-term experts (who are also in demand with other centers); and (iii) requests for additional unplanned missions.

Ministry of Finance and Treasury authorities can encounter tough tradeoffs in managing immediate work priorities and sustaining reforms. This, coupled with the lack of assigned responsibility and capacity constraints, are some major implementation challenges that impeded the achievement of milestones.

**Cabo Verde and Sierra Leone:** There were occasional challenges in obtaining agreement of the authorities on the scope and timing of missions.



## **Measures to address identified challenges in the next fiscal year (FY 2020)**

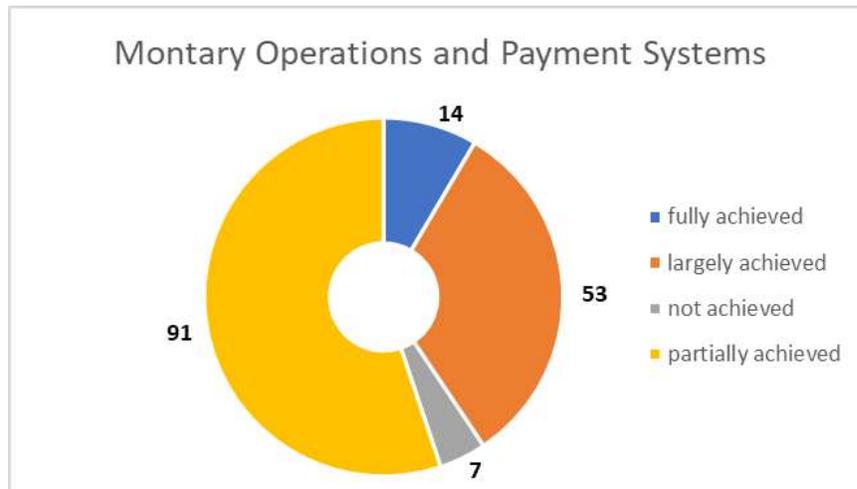
- AFW2 will continue to build personal relationships with key counterparts in member countries, including by leveraging in country presence during CD missions and coordination with Resident Representatives.
- Strengthening macro-fiscal forecasting and medium-term budgeting can help to address the challenge of unrealistic budgeting. However technical solutions need to be complemented by promoting dialogue between budgeting stakeholders, including parliaments and state legislatures, to highlight the consequences of overly optimistic national budgets.
- Attempts to widen the pool of experts and making greater use of peripatetic multi-mission contracts will strengthen the forward pipeline of TA activities. This will also assist in overcoming some of the difficulties faced in sourcing expertise in certain PFM areas. This approach does come with the additional risks associated with using new experts, while peripatetic contracts reduce flexibility regarding timing and TA topics.

## **MONETARY OPERATIONS AND PAYMENT SYSTEMS**

### **Overall progress in the implementation of the FY 2019 Work program**

The progress on the monetary operations and payments systems work plan for FY 2019 was steady, almost all scheduled activities were carried out as planned. A new activity was a joint AFE-AFW2 Principles for Financial Market Infrastructures (PFMI) regional workshop in Accra. Work had commenced toward the achievement of all milestones, with 67 of them fully or largely achieved and 91 partially achieved as at April 2019 (Figure 8).

**Figure 8: Milestone status – Monetary Operations and Payment Systems**



Source: International Monetary Fund/AFRITAC West 2 RBM Data, April 30, 2019

**Key achievements for the year in FY 2019 (by country)**

**Ghana:** As a continuation of the capacity building provided in the payment systems oversight area, the Bank of Ghana started an internal review of its real-time gross settlement system against the CPSS-IOSCO<sup>2</sup> principles of financial market infrastructure, which is the first such exercise in the region. As part of cooperation and promoting peer-to-peer learning, a lead BOG payment system expert provided technical assistance to the Central Bank of Liberia to improve its oversight function.



Participants at the CPSS-IOSCO PFMI Workshop held in Ghana – October 2018

**Liberia:** The Central Bank of Liberia (CBL) is reviewing its monetary policy framework, setting up a Monetary Policy Committee (MPC), introducing a key monetary policy interest rate and starting an active liquidity management. AFW2 organized a professional attachment for two CBL staff to study the functioning of the MPC of the Central Bank of Nigeria (CBN), in Abuja. AFW2 experts reviewed and provided comments to the draft of the planned new central bank act, the new monetary policy framework document, the draft charter of the MPC and the terms of conditions of the new liquidity management instruments. In the area of payment system oversight,

<sup>2</sup> Committee on Payments and Settlement Systems and International Organization of Securities Commissions.



with contributions from a Bank of Ghana (BOG) payment system expert, AFW2 developed for CBL, detailed reporting templates for data collection and analysis, in line with the international standards (CPMI-BIS Red Book<sup>3</sup>). Detailed comments were provided for CBL's draft Electronic Payment Services Regulation and charter for the planned Payment Systems Council.

**Nigeria:** A three-year work program has been agreed and is being delivered to the CBN on improving its monetary policy analysis function. The main elements of the program are: (i) improving data management and availability; (ii) strengthening the macroeconomic diagnostics and presentation skills of CBN staff; (iii) widening the near-term forecasting toolkit; and (iv) development of a medium-term forecasting model, related skills, organization and technical infrastructure. During the first follow-up mission, experts reviewed the CBN's measure of its composite index of economic activity (CIEA) and provided recommendations for methodological improvements; introduced new analytical measures of inflation such as administered and market prices, non-tradable and tradable prices; and delivered a number of hands-on workshops on strategies for the assessment of real sector. In addition, AFW2 has reviewed CBN's full monetary operations toolbox and provided detailed recommendations for its development.

**Sierra Leone:** An AFW2 TA mission reviewed the Bank of Sierra Leone's (BSL) FX operations and the planned guidelines governing the operations of the interbank foreign exchange market, which was issued by the BSL later in the year. A major milestone was achieved when the BSL successfully introduced a new Reuters-based electronic FX auction system. This development enhances efficiency and increases transparency. Another milestone was achieved when the BSL, in reviewing its reserve requirement framework, increased the maintenance period from one to two weeks. Regarding monetary policy analysis, the Center provided additional production templates for calculating a CIEA utilizing dynamic factor models and proposed a suite of CIEA indices. The staff now have the capability to produce the CIEA using econometric software. The mission also drafted a data release calendar for 2018 and continued the development of BSL staff's forecasting and analytical skills. In the run-up to an upcoming MPC meeting, the mission helped the Research Department team to (i) prepare the assessment of economic conditions in Q3, 2018; (ii) prepare a one-year outlook for inflation and its components; and (iii) redesign and simulate presentations for MPC members.

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<sup>3</sup> The Committee on Payments and Market Infrastructures (CPMI) Bank for International Settlements (BIS).



**The Gambia:** An important milestone was achieved when the Central Bank of The Gambia (CBG) introduced overnight lending and deposit facilities, a longstanding IMF recommendation. In line with AFW2's recommendations, CBG moved to a more active liquidity management by issuing its own short-term bills. A new CBG Act was passed by parliament which also incorporates AFW2's suggestions to increase the strength of the central bank balance sheet. In the area of monetary policy analysis, a TA mission focused on: (i) macroeconomic data management practices, data availability, and validation; (ii) sectoral composite indices of economic activity; and (iii) near-term forecasting. The mission gave specific feedback on briefing materials for an MPC meeting. An additional milestone is close to achievement, as the web-based data warehouse is beginning to deliver expected results. The time spent on answering data requests by CBG staff has fallen considerably. AFW2 conducted its first on-site capacity building in the area of payment systems oversight. The mission developed a medium-term work-plan and provided CBG with initial recommendations in order to kick-start activity.

**Four regional MONOPS workshops were held in the areas of payment systems, foreign exchange market operations, and monetary policy analysis and communication.**

- For the first time, East AFRITAC (AFE) and AFW2 held a joint Principles for Financial Market Infrastructures (PFMI) workshop in Accra. Through presentations, discussions and case study exercises, 25 officials from 11 central banks and the West African Monetary Institute (WAMI) learned how to apply the standards in practical ways to, inter alia, assess the referenced principles and develop risk management frameworks; mitigate cyber risk; and enhance their legal frameworks.
- The monetary policy communication workshop held in CBN's modern International Training Institute in Abuja proved to be a major success. For the first time, it brought together all heads of communication units from the respective central banks and a number of head/deputy heads of monetary policy departments also attended. Based on a fictional African country's case study, the participants had the opportunity to (i) discuss the main elements of a communication strategy; (ii) draft an MPC press release; (iii) prepare for and deliver an MPC press conference; and (iv) draft an action plan and a central bank (CB) communique in a fictitious crises situation.
- The joint AFW2-AFE-AFS Advanced FX Market Simulation Workshop brought together 27 financial market experts from 15 Sub-Saharan countries. The core of



the program was the close-to-real life FX market simulation exercise carried out via electronic trading platforms and voice brokers. The other part of the workshop covered presentations on interbank market conventions, psychology of trading, central banks' role, main characteristics of spot and forward markets, FX swap price calculation, fundamental and technical analysis of price developments, and risk management. At the end of the program, the participants completed a test to assess what they had learned.

- Finally, AFW2 financed the participation of 8 analysts from 5 central banks in the Model Based Policy Analysis and Forecasting course of IMF African Training Institute, Mauritius.

### **Box 3: Phase I—Selected Interventions in Monetary Operations and Policy**

- **Kick-starting the capacity building in the payment systems area.** With limited CD delivered in this area, the Center capitalized on the recent implementation of the main elements of the modern payment systems infrastructures and rapid developments in mobile money, FinTech, and cybersecurity. Support was provided with a wide range of methods in selected areas: (i) regional workshops on PFMI principles; (ii) professional attachment programs (Ghana, Liberia, Sierra Leone, and The Gambia); (iii) providing legal opinions on draft payment system regulation (Ghana, and Cabo Verde) and delivering on-site CD on improving the central banks' payment system oversight activity (Ghana, Liberia, Sierra Leone and The Gambia)
- **Fragile states (Liberia, Sierra Leone, and The Gambia): Introducing new economic indicators to improve monetary policy analyses.** In the context of data deficiencies and outdated GDP series, central banks urgently needed indicators of economic activity for improving policy making. Innovations encompassed the development of a CIEA, real-effective exchange rate (REER), different core inflation measures and breaking down CPI inflation into components such as administered and market prices. Measures of tradeable and non-tradable inflation were also developed. These developments established a base for a more forward-looking monetary analysis that would include liquidity forecasting and management.



- **Forward-Looking Policy Analysis (Ghana).** The main emphasis was on strengthening the inflation targeting framework. CD aimed to improve monetary policy formulation/implementation, communications policy and developing a forecasting and policy analysis system (FPAS) to support monetary policy analysis including through peer-to-peer learning. Key milestones comprised improvements in the quality of FPAS applications in decision making at the MPC, renewal of the central bank's inflation report and the establishment of a new communication unit.
- **Capacity building in understanding FX markets.** The objective was for central banks to develop capacity to implement FX operations efficiently. Building on CD in liquidity management and forecasting, three FX-market simulations were organized jointly with sister RTACS (AFE and AFS) to foster peer-to-peer learning. These simulations enhanced practitioners understanding of market dynamics and conventions, in addition to combining on- and off-site support. Sierra Leone which had embarked on developing its FX markets, conducted its first automated FX market auction at end-2018.

### **Implementation challenges experienced in CD work**

Elections and subsequent changes in the central bank governor position (Sierra Leone and Liberia) slowed down CD implementation temporarily. Due to perceived weak balance sheets, central banks may be reluctant to carry out open market operations to sterilize excess liquidity.

### **Measures to address identified challenges in the next fiscal year (FY 2020)**

Subsequent missions should strive to strengthen relationships with new management. New central bank laws are being formulated and accepted in several countries (Liberia, Sierra Leone and The Gambia), which, among others, aim at increasing independence and strengthening the balance sheets of the central banks. The implementation of these reforms would weaken fiscal dominance and complement CD efforts to improve monetary policy and operations.

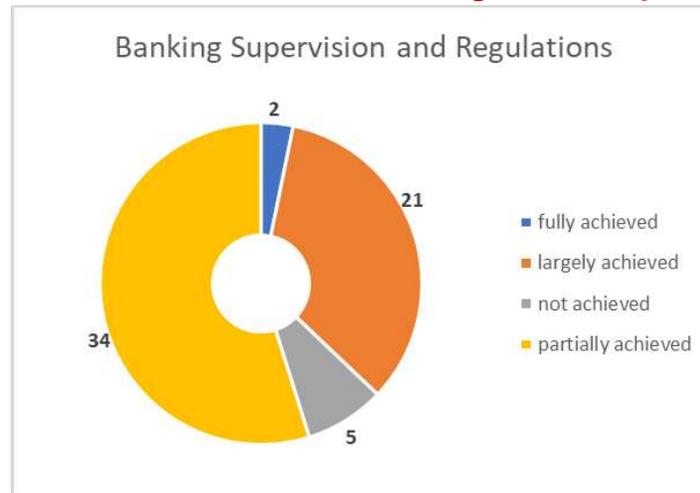
## BANKING SUPERVISION AND REGULATION

### Overall progress in the implementation of the FY 2019 Work program

In general, delivery was also slow, as countries such as Ghana and Liberia faced banking failures and changes in governments and senior management, while some like Sierra Leone and Cabo-Verde faced CD saturation. These circumstances forced a number of plans to be postponed and in some cases at short notice. Member countries continued to cooperate fully in terms of facilitating delivery. As at April 2019, 23 of 62 milestones were rated fully or largely achieved and 34 partially achieved (Figure 9).



**Figure 9: Milestone status – Banking Sector Supervision**



Source: International Monetary Fund/AFRITAC West 2 RBM Data, April 30, 2019

### Key achievements for the year in FY 2019 (by country)

**Cabo Verde:** There was no delivery of bilateral TA to Cabo-Verde reflecting in part a small number of staff and the presence of other providers of CD delivery. AFW2 hosted a regional meeting on stress testing in Praia during December to meet Cabo Verde's and other members' specific demand for this area of work. All member countries were present and were joined by the WAMI which oversees the regional



supervisory college. The workshop took place over two weeks and allowed participants to gain fundamental insights into designing and testing models. Using their own data, participants presented on the impact of various scenarios on the banking sector and justified their chosen methodologies to critical peers.

**Liberia:** A newly elected government and changes to both the Governor and senior management of the central bank led to requests to postpone planned activities. Considering the departure of the advisor in financial sector supervision and regulation in mid-January 2019, several planned missions for FY 2019 were rolled over to FY 2020. Training on IT fraud and supervision took place in early FY 2019 with a view to help examiners identify weaknesses in bank's portfolios credit and recommend appropriate remediation actions.

**The Gambia:** AFW2 began the background review for the mission on Basel II/III which would take place in early November 2019. The TA formed a preliminary assessment of both the CBG and the banking sector's readiness to progress to Basel II/III and included meetings with examiners, senior officials of the CBG and the banking sector. It allowed banks an insight into anticipated measures and encouraged training and preparation for the migration. Two participants also took part in the training on IT fraud and supervision in Liberia.

**Ghana:** The Central Bank of Ghana received CD on how to review applications for mergers and acquisitions, a timely TA given the recent increase in capital requirements which some banks were unable to meet. The TA sought to ensure that clear supervisory processes were in place to review and communicate on licensing applications on a timely basis; and included feedback on recently disseminated industry guideline, and a one-week workshop to around 35 examiners. Meetings were also held with senior management to foster a deeper focus on key recommendations. Examiners took part in a training on how to review provisioning models under IFRS 9. The TA included guidance on model-risk, testing of assumptions and providing feedback to authorities on models developed.

**Nigeria:** A mission on enhancing the review of credit risks worked with around thirty senior managers on the Lagos onsite team to ensure that the inspection reports of individual banks were more risk-focused and identified key qualitative and quantitative credit risks. The workshop fostered intense debate over current



practices and the CBN has subsequently embarked on implementing the recommendations to be more proactive and comprehensive in its credit risk identification practices.

**Sierra Leone:** The BSL received guidance on IT supervision through a one-week workshop which also provided references on enhancing their policy framework, developing a policy manual and further training for staff.

**Box 4: Phase I—Banking Supervision Highlights in Improving Financial Reporting**

*CD was provided to Ghana, Nigeria and The Gambia, to assist with the adoption of the new international financial reporting standards (IFRS) to improve supervisory effectiveness and prudential provisioning.*

**Ghana:** A train the trainers approach was adopted in Ghana given a large number of supervisory staff. Seasoned accountants once trained, were tasked with training their peers. The novel approach was extended to the non-bank supervisors at the Bank of Ghana. Training received has been instrumental to the implementation of a large-scale consolidation of the banking sector and a clean-up of non-bank specialized deposit-taking institutions.

**Nigeria:** The main outcome was the implementation of the provisioning guidelines commensurate with credit risk and capital adequacy. Key milestones included: (i) stocktaking of current NPL accounting practices and capital positions completed and capital impact assessed; (ii) producing draft guidelines/regulations amendments compliant with best practices and (iii) consultations with industry stakeholders.

**The Gambia:** Supervisors received extensive training in IFRS which was complemented by a professional attachment at the Bank of Ghana to understudy how they analyzed annual reports submitted using the standards. Prudential guidelines have been updated and new credit and monitoring systems implemented. Progress was made toward increasing provisioning for bad loans.



## Implementation challenges experienced in CD work during FY 2019 (by country)

- **Impact of elections:** In Liberia and Sierra Leone, changes in government were associated with the appointment of new senior management, including governors and heads of supervision, of central banks. This affected CD delivery and implementation of recommendations.
- **Inadequate staff:** Central Banks in Liberia, The Gambia and Sierra Leone face significant shortfalls in terms of staff complement and examiners are stretched with the various projects and training on the ground.
- **TA saturation:** Cabo Verde, Sierra Leone, and The Gambia appear to face TA saturation which warrants a review of further delivery. Given that these countries have a small staff complement, there is a need to ensure the delivery of core supervisory functions and the follow-through on previous TA recommendations.

## Measures to address identified challenges in the next fiscal year (FY 2020)

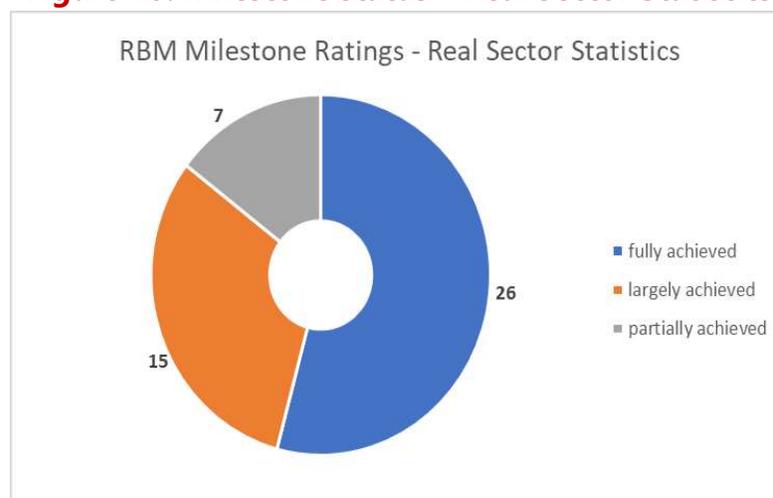
Many of the challenges identified are beyond the reach of AFW2 in terms of solutions, as governments lack core funding for delivery on budgets. No significant increase in staff is envisioned over the next six months. AFW2 will work more closely with authorities, set shorter time frames for recommendations, and following up more closely on progress.

## REAL SECTOR STATISTICS

### Overall progress in the implementation of the FY 2019 Work program

AFW2's objective for real sector statistics is to strengthen the compilation and dissemination of data on macroeconomic and financial statistics according to the relevant internationally accepted statistical standards. The real sector statistics work plan for FY 2019 progressed well. Significant progress was made towards rebasing of the national accounts in Nigeria, Ghana and The Gambia, and of consumer price statistics in Cabo Verde, Ghana and Sierra Leone. Work has commenced toward the achievement of all milestones, with 41 rated fully or largely achieved and 7 rated partially achieved as of April 2019 (Figure 10).

**Figure 10: Milestone status – Real Sector Statistics**



Source: International Monetary Fund/AFRITAC West 2 RBM Data, April 30, 2019

### **Key achievements for the year in FY 2019 (by country)**

**Cabo Verde:** Data collection continued for the rebasing of the annual national accounts with a release scheduled for 2021. The rebasing of the CPI is completed and was released in February 2019.

**Ghana:** The rebase of annual and quarterly national accounts was completed and preliminary time-series for the period 2013–18 were released in September 2018. Meanwhile, the final estimates are expected to be released in April 2019. The rebasing of the CPI is in the last stage, following intensive technical assistance, and is expected to be released shortly.

**Liberia:** The fieldwork for the National Accounts Annual Survey (NAAS) is almost completed and data processing is ongoing. This is the second phase rebasing of the national accounts. Regarding the areas of the economy not covered by the NAAS, administrative data sources were identified and provided to the Liberia Institute of Statistics and Geo-Information Services (LISGIS) to cover those sectors in the course of GDP rebasing.

**Nigeria:** Backcasting and dissemination of the annual national accounts time series were completed in late April 2018. The National Bureau of Statistics has commenced developing of the quarterly GDP by expenditure estimates, leading to more timely data publication.

**Sierra Leone:** Statistics Sierra Leone (SSL) have compiled and updated the business register which will be used as a sampling frame and prepared the questionnaires for



the Economic Survey. The business register has been harmonized and cross checked against the National Revenue Authority taxpayer list. The SSL has finalized the Sierra Leone Integrated Household Survey (SLIHS) in conjunction with the World Bank. The results will be used for rebasing GDP and CPI.

**The Gambia:** The rebasing of the GDP by the production approach has been finalized and was released in July 2018. Backcasting of the GDP by the production approach is expected to be disseminated in late April 2019, along with improved rebased GDP figures.

**Regional work:** A regional national accounts workshop and a regional price statistics workshop were held in September. Managers and compilers of statistics had the opportunity to share their views throughout the workshops. There was considerable discussion during the workshops, demonstrating a good understanding of the concepts by some compilers. Both workshops will improve the ongoing rebase of national accounts and prices statistics, as well as compilation process of Supply and Use Tables within the region.

#### **Box 5: Phase I—Statistics Achievements**

*Timely and accurate statistics are essential for the formulation and assessment of the impact of macroeconomic policies.*

**National accounts.** At the regional level, collaboration with WAIFEM focused on the delivery of regional workshops on the main concepts and principles in compiling the national accounts (i.e. GDP) as well as on the overall structure of the System of National Accounts.

Rebasing national accounts regularly provides a more accurate assessment of the size and structure of the economy. This was achieved in Nigeria, Ghana, and The Gambia. Nigeria recently completed the back-casting of the annual national accounts time series which were disseminated. Quarterly national accounts by the expenditure approach has commenced leading to more timely data publication. Cabo Verde, Liberia and Sierra Leone have started data collection for the rebasing of the annual national accounts and implementation of SNA 2008.

**Prices:** An updated consumer price index (CPI) is an important tool for budget preparation and the formulation of monetary policy. To this end, the CPI was rebased and released in Cabo Verde. Sierra Leone released a recompiled national CPI replacing the two previous CPI releases by one single national index. The



LISGIS, with TA from the United Kingdom’s Department for International Development (DFID) project and in close coordination with AFW2, will shortly introduce the rebased CPI using weights from the 2016 household income and expenditure survey (HIES). Ghana is expected to release the rebased CPI.

### **Implementation challenges experienced in CD work during FY 2019**

Funding of several economic surveys, which are key data sources for rebasing the national accounts and price indices, is the main challenge faced by Sierra Leone, Nigeria, and The Gambia. The fieldwork for the annual economic survey (AES) in Sierra Leone was postponed due to lack of funding. World Bank funding for the AES is expected by mid-2019 leading to a review of the work program. One national account mission to Sierra Leone will move into FY 2020. There has been one in-country workshop cancelled in Cape Verde due to lack of funds. A prices mission was cancelled in Nigeria as producer price index (PPI) development depends on funds to collect the data. The CPI rebase was postponed until after the completion of the next household survey in mid-2019. The national accounts missions were postponed to FY 2020 for Liberia and The Gambia, as the data and funds were not available as expected.

### **Measures to address identified challenges in the next fiscal year (FY 2020)**

AFW2 has highlighted this funding issue with both the IMF’s African and Statistics Departments as well as with the World Bank. It is a high priority for timely rebasing of the national accounts. In the meantime, AFW2 will be working on other aspects of undertaking the economic surveys so that if funding becomes available they can proceed quickly.

## **LEGAL DEPARTMENT**

**During Phase I, AFW2 and the IMF’s Legal Department (LEG) CD aimed at strengthening central banks’ legal frameworks (Box 6).**

### **Box 6: Phase I—Strengthening Central Banks’ Legal Frameworks**

**Ghana:** Legal reforms in the financial sector focused on assisting the Central Bank of Ghana, the Securities and Exchange Commission (SEC), and the National Insurance Commission (NIC) in developing a risk-based approach to anti-money laundering and combatting the financing of terrorism (AML/CFT) supervision. Risk

assessments inherent to money laundering and financing of terrorism and AML/CFT controls, were conducted. Both on and off-site tools were updated.

**Liberia:** Advice provided to the central bank, addressed legal reforms needed to make AML/CFT laws and offsite supervisory tools compliant with best practices for banks and forex bureaus. All banks have been risk-rated, and reports prepared, with data collected from 120 forex bureaus. LEG provided advice to the Financial Intelligence Agency (FIA) regarding enhancements to its IT systems and operations.

**Sierra Leone:** Both off-site and on-site AML/CFT supervisory tools for banks were developed and implemented. The central bank increased its capacity to determine the relative levels of net AML/CTF risk across institutions and to make decisions with respect to prioritizing institutions for supervisory oversight and the allocation of supervisory resources.

### CENTER OUTREACH ACTIVITIES

**In implementing the recommendations of the mid-term evaluation, the Center stepped up its outreach activities.** This comprised visits to several member countries; Cabo Verde, Liberia and Sierra Leone. The occasion was used to discuss achievements during Phase I, challenges, priorities for Phase II, and financial contributions, with Ministers, Governors and Heads of Institutions. Member countries provided feedback on the effectiveness of CD and emerging needs. Consultations were also held with the European Union representations at both the regional and headquarters level.



Mr. Williams, AFW2 Center Director, with the Deputy Governor and Director of Research of the Central Bank of Liberia, and the IMF Resident Representative in Liberia

**Outreach efforts also focused on informing the wider public of the Center's activities.** To this end, the Center Director gave the feature address at the Ghana Garden and Flower Show which underscored the role of CD in achieving Ghana's Sustainable Development Goals (SDGs). Specifically, emphasis was placed on how CD could help member countries mitigate the effects of climate change through building fiscal buffers and strengthening policy frameworks. The Center in



collaboration with the World Bank, hosted a charity dinner to raise funds for The Enhanced Learning and Play in Africa Learning Center—established by Regional Advisor, Ms. Bruce—and which supported 400 children from low-income households.

**The Center continued disseminating key achievements and provided a platform for partners' visibility.** This year, the effort focused on the dissemination of TA reports and intensified consultations with external partners. The Center also leveraged a combination of communication tools to showcase the relevance of TA projects and training events in building capacity for policy formulation and highlighting the support of external partners. Dissemination of information involved the publication and sharing of annual and mid-year reports and quarterly newsletters which highlight progress and key achievements in the implementation of yearly workplans. These were shared regularly with development partners, member countries and other key stakeholders. The newsletter was well-received following the refocusing of content to highlight results instead of activities.

**Digital outreach was instrumental in improving AFW2 visibility in FY 2019.**

Online media platforms, specifically the AFW2 website and Facebook page, were regularly updated to document TA implementation in the various member countries, and the Center's outreach activities. The AFW2 Facebook page, with over 20,000 followers, has been instrumental in encouraging interaction with public observers as well as other RTACs and showcasing key events. Over the course of FY 2019, AFW2 increased posting frequency, averaging one post per week by the third quarter. The highest engagement was recorded on (i) a video showcasing a joint AFW2, AFE and AFS workshop on Foreign Exchange (FX) auctions (ii) a post highlighting a five-month capacity building effort on Money Market and FX Markets and (iii) a post about a Credit workshop at the Central Bank of Ghana.

**Fundraising activities to ensure financing for Phase II were ramped up.** The Center Coordinator joined a HQ fundraising mission to the Nordics and also presented the Center's work at the annual IMF-Germany consultations. Discussions were held with the German delegation during the Ghana-Germany Investment Conference to discuss avenues for collaboration and further funding.

## IV. STRATEGIC PRIORITIES FOR PHASE II

### STRATEGY FOR THE NEXT FIVE YEARS

**A program document governing Phase II (2019–24) of the Center’s operations has been finalized.** It highlights the achievements during Phase I and underscores how CD interventions are aligned with member-country SDGs and Financing for Development agenda. The independent mid-term evaluation of the Center’s activities has informed the design of the Phase II program strategy. The strategy proposes that the Center continues to implement CD activities in the current five workstreams given more interventions are needed to deepen and consolidate earlier achievements. At the same time the strategy recognizes there are a number of emerging issues (Box 7).

**AFW2’s phase II budget envelope will be about \$49 million.** Of this amount, \$46.6 million is expected from external sources (development partners, host and member-country contributions). The remainder will be provided by the IMF. The funding status is summarized in Table 2 below. The proposed financing will support the current level of CD delivery established during Phase I. AFW2 will maintain the seven resident advisors who will deliver CD in the current priority areas.

**Table 3: AFRITAC West 2 Phase II Funding Status**

<b>Received</b>	
China	4.0
European Union	5.6
Germany	5.7
United Kingdom	5.3
<b>Pledged/Under Negotiation</b>	
Denmark	1.5
Switzerland	
Host country	5.0
Member countries (signed)	0.5
Member countries (pledged)	2.0
IMF	2.4
<b>Program/working budget</b>	<b>48.9</b>
<b>Funding commitments</b>	<b>31.9</b>
Funding gap	17.0



**The strategy highlights the common challenges facing AFW2 member countries and the role of CD in surmounting them.** Durable and inclusive growth would foster job creation and financial inclusion. At the same time, fiscal policy will continue to play a critical role in addressing large infrastructure gaps and meeting the rising demand for public services. To this end, domestic revenue mobilization and stronger PFM frameworks are essential to ensuring that these demands are met. Bolstering monetary and financial policies will foster price and financial stability required to support investment and financial inclusion. The timeliness and quality of statistics remain key to policy making as member countries seek to strengthen economic and financial integration through increased trade and investment.

**The work program during Phase II will be anchored in the results-based management (RBM) framework.** The framework is underpinned by multi-year log frames that support the thematic areas governing the Center’s activities. As in Phase I, the RBM framework will be critical to ensuring key CD activities are completed and the final intended outcomes and objectives linked to them broadly accomplished.

#### **Box 7: Phase II—Emerging Themes**

**Several emerging themes are envisaged during Phase II across the various sectors.**

##### ***Tax and Customs:***

- Strengthening legislation and supporting policies and procedures with a view to improve compliance.
- Improving compliance through more efficient revenue administration. This will require revenue authorities to develop and implement risk-based compliance management strategies.
- Enhancing domestic revenue mobilization to compensate for revenue shortfalls arising from trade agreements.
- Improving cross-border trade facilitation and regional integration to enhance trade flows and revenue collections.

##### ***Public Financial Management:***

- Improving infrastructure governance by addressing gaps in the management of public investment.
- Strengthening governance and combatting corruption by developing stronger fiscal institutions and by advancing the Fund’s framework for engagement on these subjects.



- Promoting gender equality, including through the implementation of gender responsive budget analysis.
- Reinforcing fiscal transparency by encouraging member countries to undertake a Fiscal Transparency Evaluation.

### ***Banking Supervision and Regulation***

- Addressing a growing stock of non-performing loans through regional and central bank-specific workshops.
- Exploring the potential for engagement on AML/CFT, Cyber Security, Mobile and Islamic Banking, Shadow Banking and non-bank supervision for greater deepening of financial regulation and supervision.
- Strengthening examiners and bankers understanding of the IFRS models.
- Enhancing examiners understanding of cross-border supervision.
- Encouraging more sequencing in adopting new supervisory standards to maximize the benefits of TA deliveries.

### ***Monetary Policy Operations***

- Strengthening central banks' balance sheets to undertake effective monetary policy.
- Bolstering foreign reserve management in fragile states to mitigate potential losses.
- Promoting monetary and security markets development to improve monetary policy transmission and debt management.
- Enhancing surveillance to monitor developments in crypto currencies, cyber risks, and Fintech.



## V. SUMMARY OF CAPACITY DEVELOPMENT AND SECTORAL WORK PROGRAM FOR FY 2020

The Center's Strategic Priorities for CD in FY 2020 are in line with the RBM framework, Phase I mid-term evaluation recommendations and Phase II strategy. The workplan, summarized in this section, was developed in agreement with country authorities (Annex VI). The following strategy was developed:

- **Delivering CD that will improve revenue administration structures leading to** improved domestic revenue mobilization. Activities slated for FY 2020 in revenue administration will target the development and implementation of compliance frameworks and building capacity to enact effective risk assessment, audit, and reporting procedures. The development and operation of reliable databases for taxpayer registers are also a priority.
- **Supporting the implementation of CD recommendations.** This is especially the case following diagnostics by the PIMA and TADAT, which identify structural gaps that need to be addressed prior to the implementation of new reform and achievement of medium-term objectives and sustainability of CD efforts.
- **Forecasting and analysis continues to be a focus for the PFM and monetary operations (MONOPS) thematic areas.** FY 2020 capacity building efforts will address the use of macroeconomic data for policy analysis, modelling and improved medium-term planning.
- **Enhancing the generation of macroeconomic statistics** to ensure the availability of quality and reliable macroeconomic data to support analysis and policy decisions.
- **Collaborating on regional integration remains a key feature of AFW2 activities for FY 2020.** Joint workshops, regional trainings and workshops in collaboration with IMF training institutions, are found in the work plan.
- **Managing financial sector risks.** All AFW2 member countries will receive CD in enhancing risk-based supervision systems at various levels, especially in credit risk assessment in the banking sector.

The attached workplan details the CD strategy and workplan, in line with the objectives and outcomes highlighted in the RBM log frame (Annex VI). For FY 2020, the Center estimates a budget of about \$10 million. Table 1 summarizes the budget



allocation for FY 2020, based on the initial costing of the proposed workplan and available resources for Phase II.

## **REVENUE ADMINISTRATION (TAX)**

### **Overall Objectives**

AFW2's overall objectives for the domestic revenue administration, will follow the RBM monitoring and evaluation frameworks. The overall aim is to enable country revenue authorities to strengthen core administration and governance functions to improve revenue mobilization (Annex VI).

### **Medium-term Objectives**

In the medium term, CD will be directed towards helping countries to manage the integrity of tax records, audit and verify claims according to international standards and implement compliance guidelines. Revenue authorities will be able to implement reforms based on their respective robust tax administration strategy and mitigate risk.

### **Short – term Objectives by Country**

In the short term, work will be geared toward the development and implementation of a compliance management framework in all countries, the enhancement of the structure and processes for intelligence and investigation to support its implementation, building capacity in data analysis and the strengthening of risk-based audit plans and procedures.

In Ghana, Liberia, Nigeria and Sierra, the implementation of an enterprise risk strategy is envisaged. AFW2 aims to support the improvement of the integrity of the registered taxpayer base and ledger in The Gambia, Nigeria and Sierra Leone, with guidelines and relevant training of staff, and the implementation of efficient debt management systems supported by up-to-date operational manuals in Liberia and Sierra Leone.

### **Country work: Inputs and Milestones for FY 2020**

In FY 2020, support will focus on activities to improve compliance management and taxpayer services delivery capacity. By strategy objective:

- **Strengthened Revenue Administration and Governance Arrangements:**



AFW2 will support each member country to improve management of its corporate priorities through effective risk management, including assisting each country to develop or update its compliance risk management framework and related implementation plan. There will be additional help to strengthen structures and processes for intelligence and investigation (**Cabo Verde**) and capacity to conduct revenue analysis and forecasting to support government target setting (**Nigeria**).

In **Ghana** and **Sierra Leone**, support functions will be assisted to enable more effective delivery of strategy and reforms by improving information communication technology (ICT) strategies and systems to support the tax administration. Processes will be reviewed and standard operating procedures for core functions documented.

In **Ghana**, efforts will be directed to improving capacity by supporting the revenue authority to adopt and institutionalize a clear reform strategy and strategic management framework. AFW2 will strengthen management's capacity to prepare and implement their strategic plan.

- **Strengthened Core Tax Administration Functions:**

AFW2 will provide support to strengthen the integrity of the registered taxpayer base and ledger. In **Cabo Verde, Nigeria** and **The Gambia**, AFW2 will help to develop and implement guidelines for registration of new taxpayers and maintaining complete and accurate taxpayer records that are in line with good practices.

All member countries will be assisted to strengthen audit and other verification programs to ensure accuracy of reporting. It will involve capacity development in a range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud and ensuring that up-to-date audit manuals are in place. In **Ghana, Liberia, Nigeria, Sierra Leone, The Gambia**, AFW2 will help to increase capacity to audit identified specialized sectors (such as telecommunications and financial sector). **Ghana, Liberia, Nigeria, Sierra Leone** will be supported to develop their capacity to effectively manage excise duties.

AFW2 will continue to assist **Ghana, Liberia, Nigeria, Sierra Leone, The Gambia** to develop capacity to source and use third-party data and establish risk-based compliance management plans informed by identified risks and results of data analysis (including data matching) results.



Finally, **Liberia** and **Sierra Leone** will be supported to develop capacity to ensure that a larger proportion of taxpayers meet their payment obligations as required by law. It will include improving capacity to manage tax arrears and refunds.

### **Regional work**

Two regional workshops will be organized by the Center: (i) strengthening capacity to effectively manage the audit function and (ii) leveraging on technology to deliver effective taxpayer service and improve taxpayer compliance. The first workshop will be organized in collaboration with AFRITAC East and AFRITAC South.

## **REVENUE ADMINISTRATION (CUSTOMS)**

### **Overall Objectives**

The core objectives within the sector are:

- Strengthened revenue administration, management and governance arrangements.
- Improved customs administration core functions.

### **Medium-term Objectives for FY 2020**

In the medium term, CD will be directed towards helping countries effectively support transparency and accountability with independent external oversight and internal controls. Support will be given to put in place trade facilitation initiatives to encourage voluntary compliance. Efforts will be made towards building more effective customs control to ensure the accuracy of declarations and risk-based control. Further objectives include effectively enforcing custom law to fight anti-smuggling, via established intelligence and investigations strategy, strengthened PCA systems and procedures, as well as the review of special exemptions. In Nigeria and Sierra Leone specifically, further work will go into increasing capacity and improve organization structure to establish and implement reform of the revenue administration.

### **Short-term Objectives by Country**

**Cabo Verde:**

- A customs integrity framework is developed in line with regional and international standards and best practice.
- A risk management strategy is developed and implemented, supported by an effective implementation plan and the operation of a risk management committee.
- The system for review and updating of risk profiles is strengthened.
- The systems and procedures for customs monitoring and enforcement of exemptions are enhanced.

**The Gambia:**

- A customs integrity framework is developed in line with regional and international standards and best practice.
- A risk management strategy is developed and implemented, supported by an effective implementation plan and the operation of a risk management committee.
- The systems and procedures for customs monitoring and enforcement of exemptions are enhanced.
- A stakeholder engagement strategy and implementation plan are developed and applied.
- Capacity to more effectively value and classify goods at import is increased through targeted and advanced training.

**Ghana:**

- A customs integrity framework is developed in line with regional and international standards and best practice.
- A risk management strategy is developed and implemented, supported by an effective implementation plan and the operation of a risk management committee.
- The system for review and updating of risk profiles is strengthened.
- SOPs for customs valuation and classification are put in place.
- A system for developing and implementing MoUs with other border agencies and with other customs organizations is developed.



### **Liberia:**

- A customs integrity framework is developed in line with regional and international standards and best practice.
- A stakeholder engagement strategy and implementation plan are developed and applied.
- The systems and procedures for customs monitoring and enforcement of exemptions are enhanced.
- Senior managers' strategic skills are improved.

### **Nigeria:**

- A customs reform strategy, action plan and implementation unit are established, with operational KPIs developed.
- A customs integrity framework is developed in line with regional and international standards and best practice.
- Organizational structures and roles are reviewed and enhanced.
- SOPs for PCA are developed and the skills of the PCA unit enhanced.

### **Sierra Leone:**

- A customs reform strategy and action plan are prepared and operational KPIs developed.
- Management reporting by customs is made more transparent.
- A customs integrity framework is developed in line with regional and international standards and best practice.
- A stakeholder engagement strategy and implementation plan are developed and applied.
- A risk management strategy is developed and implemented.
- A system for developing and implementing MoUs with other border agencies and with other customs organizations is developed.

## **Country work: Inputs and Milestones for FY 2020**

### **Cabo Verde:**

- **Internal governance.** The Center will provide technical assistance to develop a customs integrity framework.
- **Memorandum of Understanding (MoU).** The Center will provide technical assistance to establish a program of MoUs.



- **Improving risk management.** The Center will support the development of a risk management strategy, action plan, a risk management committee and a system for reviewing and updating risk profiles.
- **Controlling exemptions.** The Center will provide technical assistance to develop a system and procedures for customs to monitor and enforce the exemptions regime.

#### **The Gambia:**

- **Strengthening governance arrangements.** A new milestone and activity have been developed to assist in the development of a customs integrity framework.
- **Valuation and classification.** The Center will provide training to customs staff in some intermediate and advanced valuation and classification issues.
- **Improving risk management.** The Center will assist in the development of a risk management strategy, action plan, and a risk management committee.
- **Controlling exemptions.** The Center will provide technical assistance to develop a system and procedures for customs to monitor and enforce the exemptions regime.
- **Developing a stakeholder engagement strategy.** The Center will provide technical assistance on the development of the strategy, implementation plan and monitoring and evaluation tools. Training will also be delivered to staff on the new strategy.

#### **Ghana:**

- **Developing an Integrity strategy.** The Center will provide technical assistance to develop a strategy and implementation plan and deliver training to staff on the new strategy.
- **Developing valuation and classification SOPs.** The Center will provide technical assistance to develop SOPs and supporting policies.
- **Improving risk management.** The Center will assist in the development of a risk management strategy, action plan and a risk management committee. Assistance will also be provided to review and update risk profiles.
- **Developing PCA SOPs.** The Center will provide technical assistance to draft SOPs and supporting policies.
- In support of the milestone to put in place a program of MoUs, the Center will provide technical assistance on the development of such a program.



### **Liberia:**

- **Implementing an integrity strategy.** The Center will provide technical assistance to develop a strategy and implementation plan and train staff on the new strategy.
- **Implementing a stakeholder engagement strategy.** The Center will provide technical assistance on the development of the strategy, implementation plan and M&E tools. AFW2 will also deliver training to staff on the new strategy.
- In support of the milestone to develop the skills of senior managers, the center will deliver training on leadership and decision-making (jointly with the tax work plan).
- **Controlling exemptions.** The Center will provide technical assistance to develop a system and procedures for customs to monitor and enforce the exemptions regime.

### **Nigeria:**

- **Implementing a reform strategy.** The Center will provide technical assistance to develop a strategy and implementation plan, establish a management unit and develop appropriate key performance indicators (KPIs)
- **Implementing an integrity strategy.** The Center will provide technical assistance to develop a strategy and implementation plan.
- **Improving the organizational structure.** The Center will provide technical assistance to review and improve the structure and to develop role profiles for new units.
- **Developing PCA SOPs.** The Center will provide technical assistance to draft SOPs and supporting policies.
- **Developing PCA capabilities.** The Center will provide training in data extraction, data analysis and the undertaking of risk-based audits.

### **Sierra Leone:**

- **Implementing and monitoring a strategic plan.** The Center will provide technical assistance to mentor senior managers and to develop suitable KPIs.
- **Enhancing transparency.** The Center will provide technical assistance in the development of systems and procedures to improve information reporting to stakeholders.
- **Strengthening integrity.** CD will aim to develop effective systems and procedures to support customs integrity.

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- **Developing and implementing a stakeholder engagement strategy.** The Center will provide technical assistance on the development of the strategy, implementation plan and monitoring and evaluation and also deliver training to staff on the new strategy.
  - **Improving risk management.** The Center will assist in the development of a risk management strategy, action plan, and a risk management committee.
  - **Establishing a program of MoUs.** The Center will provide technical assistance on the development of such a program.

## Regional work

**The Center plans to organize a regional workshop on *Risk Management* during the year:** This workshop will provide a forum for customs risk management professionals and managers to identify issues of common concern and interest in terms of the effective implementation and application of risk management strategies in the region. The aim is to exchange experiences, discuss the barriers and develop potential solutions to include in a best practice guide to customs risk management.

## PUBLIC FINANCIAL MANAGEMENT

### Overall Objectives

The FY 2020 work plan is oriented towards the strategic objectives covering PFM laws and institutions, budget preparation, budget execution and controls, fiscal risks, fiscal reporting and asset and liability management.

### Medium- and Short-term Objectives by Country

**Cabo Verde:** (i) To strengthen identification, monitoring and management of fiscal risks arising from SOEs and PPPs and ensuring adequate capacity development; (ii) improve coverage, quality and timeliness of fiscal reporting; and (iii) to advance cash forecasting and planning systems.

**Ghana:** To establish robust public investment management systems and ensure adequate fiscal risk assessment, besides continuing with the institutional and business process reforms for efficient budget execution and control.



**Liberia:** To enhance budget credibility through training on budget costing and monitoring budget implementation. Other areas include managing the SOE-related fiscal risks; to expedite the cash management and TSA reforms; and implementation of the adopted standards on financial reporting.

**Nigeria:** To ensure prompt follow up on the PIMA findings that identified gaps in the evaluation and execution of public investments as well as the need for better cash management. With regard to accounting reforms, support development of an asset management policy and initiate measures for preparing comprehensive non-financial assets inventory.

**Sierra Leone:** To support improved macro-fiscal forecasting through review of the existing model and training on excel based modelling techniques; to support credible expenditure and revenue forecasting; to improve medium-term planning; and advance cash management and TSA reforms.

**The Gambia:** To support preparation of an SOE database and SOE annual performance report and implementation of IFRS by SOEs; support establishment of cash management institutions and functions; support revision of the government chart of accounts and prepare the roadmap for gradual transition to accrual-based accounting; and improve commitment controls to prevent creation of arrears.

### **Country work: Inputs and Milestones for FY 2020**

**Cabo Verde:** The Center's support will be directed towards strengthening the monitoring and management of fiscal risks pertaining to SOEs and PPP projects while assisting the development of suitable monitoring and reporting templates. In addition, the Center will also provide TA to enhance cash forecasting and cash management systems and aid in improved fiscal reporting, focusing on enhanced coverage and timely finalization.

**The Gambia:** TA support to enhance Central fiscal oversight and strengthen the analysis of public corporations is planned through a series of quarterly training to introduce International Financial Reporting Standards for SOEs and support development of SOE database and annual performance report. The Center, in partnership with HQ, will also provide follow up support in implementing the ongoing reforms on TSA and cash management for improved asset and liability



management. In pursuing the accounting reforms on implementation of IPSAS, the Center will support the revision of the chart of accounts, besides aiding enhancement of budget execution functions. A new EU-financed LTX has also been installed in the Ministry of Finance to provide on-site macro-fiscal support.

**Ghana:** CD in Ghana will support improving the appraisal, selection, and implementation of public investments and strengthening the management of fiscal risks focusing on assessment and budgeting for fiscal commitments and contingent liabilities. In addition, a performance monitoring framework for Ministries, Departments and Agencies (MDAs) will be developed. In other PFM areas, the Center will support a review of functions and business processes in the Controller and Accountant General's Department, supporting development of internal auditing skills, besides aiding cash forecasting, and planning skills entrusted to the newly created Treasury Division.

**Liberia:** The Center will assist through training to MDAs in costing the budget and budget performance evaluation by the Ministry of Finance and Development Planning. Training support for production of periodic IFRS based financial reports by SOEs and enhancing the expertise of SOE Financial Reporting Unit (MFDP) to monitor and produce consolidated financial reports is also planned. In other areas, TA support will sustain reform efforts on implementation of TSA and cash forecasting. Planning and preparation of the Government Financial Reports on cash-based IPSAS will continue in FY 2020.

**Nigeria:** Following up on the PIMA, the Center will support improved budget performance alongside enhanced fiscal risk management, assisting in the establishment of a data bank of government investments and investment evaluations. A new stream of work for development of assets maintenance policy, whilst supporting preparation of a comprehensive non-financial assets inventory, has been included in the workplan for FY 2020. In addition, CD will support enhancing cash management functions which was a priority area identified from PIMA. The follow up mission to review and enhance TSA in Kaduna is also planned.

**Sierra Leone:** The Center will provide technical support in reviewing/reconstructing the Sierra Leone Integrated Macroeconomic Model and provide training on excel-based modelling techniques for improved macro fiscal forecasting, budget strategic



planning, programming and medium-term planning and revenue and expenditure forecasting. The other areas of PFM CD will include follow up support in the implementation of cash management and TSA reforms, implementation of IPSAS cash based financial reporting with review of the chart of accounts based on GFS 2014 and implementing commitment controls to strengthen budget execution systems.

**Regional work.** The Center will actively collaborate with the Fiscal Affairs Department (FAD) in various workshops and seminars organized in the region with AFW2 member country participation.

## **MONETARY OPERATIONS AND PAYMENT SYSTEMS**

### **Overall Objectives**

The overall objective of the Center's work in monetary policy and operations and payment system is to continue supporting effective monetary policy formulation and implementation in AFW2 member countries. Member countries will also be assisted in strengthening their payments system oversight function.

### **Medium- and Short-term Objectives**

The main objective for FY 2020 is to continue improving the economic analysis and forecasting capabilities of the central banks which would better support monetary policy decision making tailored to the specific monetary and exchange rate policy regime. Efforts in FY 2020 will be directed towards developing economic indicators e.g. breaking down inflation data into different sub-components, constructing composite indexes of economic activity that underpin the monetary policy toolkit, analyzing monetary transmission and monetary stance. A continued focus will be to observe and help enhance pre-MPC work processes and improve the quality of MPC briefings. Based on the progress during Phase I, a new focus will be to start building medium-term forecasting models.

All member countries' financial systems face challenges with substantial excess liquidity. Against this background, it is important that central banks strengthen liquidity management by introducing more active liquidity management, based on a robust internal liquidity forecasting function. A further objective relates to foreign exchange operations, whereby countries with floating and managed float regimes



need to develop the capacity to implement FX operations efficiently, and in a manner consistent with their chosen monetary policy and FX regime. As several of the central banks have established the main elements of payment systems, further CD is envisaged to develop the national payment systems and improving oversight functions. This should aim to ensure their safety and efficiency, and compliance with international standards. In promoting peer-to-peer learning, the Center will continue organizing professional attachments and employ regional experts in their mission where possible.

### **Country Work: Inputs and Milestones for FY 2020**

**Cabo Verde:** In monetary operations, the goals are to follow up on the functioning of the liquidity absorbing and injecting instruments and suggest refinements, if necessary. AFW2 is ready to provide further support in developing new payment systems regulations based on the new legislation and to improve the central bank's internal payment system oversight function.

**The Gambia:** The main priority of CD work in FY 2020 will be to further improve forward looking monetary analysis in the CBG. Efforts will begin on extending the experimental CIEA to sub-indices e.g. CIEA for agricultural, industry, and service sectors. Further efforts will be devoted to broadening the suite of models used for near-term-forecasting (NTF) and place them on an econometric platform, which will allow NTF automation in the future. AFW2 will organize a professional attachment for CBG officials to the Bank of Ghana to study the functioning of the BOG's forecasting and policy analysis system. Regarding monetary operations, efforts will be made to refine the parameters of the newly introduced overnight deposit and lending facilities and the short CBG-bills and complement them with short liquidity-providing repo tender. Further enhancement in liquidity forecasting is needed to fully operationalize the liquidity monitoring and forecasting templates. Regarding payment systems, AFW2 will follow up on the recommendations of the scoping mission in the previous financial year. Efforts will focus on setting up a payment system oversight unit separate from operations, formulating payment systems oversight framework, and collecting and analyzing payment system data.



**Ghana:** The main priority will be to revive AFW2's support on improving BOG's forecasting and policy analysis system (FPAS). It includes reviewing the set of current economic indicators and refining the medium-term model's main parameters. AFW2 will also provide capacity building to BOG staff on how to code a structural model using the MATLAB/IRIS software, as well as how to parametrize, numerically solve and simulate the model. AFW2 will support building the BOG's liquidity forecasting framework by operationalizing the new monitoring and forecasting tables, minimizing manual data input and implementing a short-term forecasting model for currency in circulation. Lastly, on payment system modernization, the goal is to help the BOG in developing the payment system oversight function and continue with the internal assessment of the BOG's Real Time Gross Settlement System against CPMI-IOSCO principles of financial market infrastructure.

**Liberia:** The main priority in FY 2020 is to support the Central Bank of Liberia to establish a Monetary Policy Committee and update its monetary policy framework. In cooperation with CBL staff, AFW2 will flesh out the internal MPC decision-making workflows, improve the quality of internal reporting and start an analysis on transmission channels relevant for price level stabilization. AFW2 will continue to work on the CBL's macroeconomic data warehouse, produce a data catalogue and establish a data release calendar. The program also aims at extending the experimental CIEA compilation procedures for the dynamic factor methodology, evaluating its performance, and complete documentation. Once appropriate liquidity management instruments which best serve the management of excess liquidity have been developed, the focus will be to assist CBL in the implementation. Further enhancement of the currency in circulation forecasting model is necessary owing to the challenges arising from the dual currency. In payment systems, AFW2 will assist CBL to design and develop the data collection and reporting framework and review and provide input on the National Payment Systems Council charter to establish the National Payment System Council.

**Nigeria:** Concerning monetary policy analysis, AFW2 will continue to carry out the medium-term work plan agreed and started in FY 2019. The program for FY 2020 includes: (i) improving data management and availability; (ii) strengthening the macroeconomic diagnostics and presentation skills of the CBN staff; and (iii) widening the near-term forecasting toolkit. Efforts include improving the model for



forecasting currency in circulation and the management of monthly liquidity shocks induced by budget distribution to individual states. Regarding payments systems, AFW2 plans to organize a professional attachment for CBN staff to visit the Bank of Ghana to study the Ghanaian payment system landscape and oversight function of the BOG. To facilitate the build-up of the newly established Payments System Management Department, AFW2 will deliver a scoping mission to review of CBN's payment system oversight function.

**Sierra Leone:** Concerning forward looking monetary analysis, the focus will gradually move toward medium-term modeling and forecasting. In addition, capacity development will continue (i) the development of economic indicators such as the composite index of economic activity, measures of effective exchange rates, and measures of monetary policy stance; (ii) to review of the pre-MPC workflows and quality of MPC briefing materials; and (iii) the development of analytical and economic skills of the research staff. In liquidity management, AFW2 will assist BSL to introduce more active liquidity management instruments, such as BSL-bills, short term liquidity providing repos, and further enhance BSL's liquidity forecasting system to support decision making. Regarding payment systems, AFW2 will work with BSL on formulating payment systems oversight framework, collecting and analyzing payment system data and reviewing draft payment system regulation.

## **Regional Work**

### **AFW2 will organize a workshop on central bank monetary policy**

**communication.** Based on case studies, the participants will (i) discuss the main elements of a communication strategy; (ii) draft a Monetary Policy Committee press release; (iii) prepare for and deliver an MPC press conference; and (iv) draft an action plan and a central bank communique in a crisis situation. The program will incorporate peer to peer discussions about the role of communications units, how to reach out to stakeholders, how to communicate in plain language and to plan strategic communication.

**AFW2 will continue its practice-oriented capacity building program on money- and foreign exchange market instruments.** The program consists of two parts, a remote training where the participants will study the materials with online support of an expert. The other part will be a one-week practical oriented workshop which covers money and FX market products, the global FX code, risk management and



settlement issues. The program includes regular tests to measure progress and help in the preparation for the AFW2-recommended ACI Dealing Certificate exam.

**Recognizing the demand for understanding risks in the fast-evolving financial market infrastructure landscape, AFW2 will continue organizing its flagship payment systems workshop in FY 2020.** This time, cyber risk will be the central focus of the workshop. The program will cover information risk management fundamentals; cyber risk management frameworks and methodologies; and cyber security management and operations. The participants will also be able to discuss recent trends in payment system development, including Fintech, cryptocurrencies and developments of mobile payments in the region.

## **BANKING SUPERVISION AND REGULATION**

### **Overall Objectives**

AFW2's objective in banking supervision is to support countries to strengthen supervisory effectiveness through the improvement of accounting and reporting processing, focusing on risk and compliance to international standards. This will be guided according to Basel II/III standards, including developing or improving central banks' ability to analyze and assess risk within the financial system, to inform key decisions regarding the financial sector.

### **Medium-term Objectives**

**Cabo Verde:** To implement a risk-based supervision system through the strengthening of risk-assessment frameworks. The development of databases for relevant data capture, to support the quality and flexibility of the reporting structure, is a key objective, to enable effective risk assessment.

**The Gambia:** The Center aims to strengthen institutional, operational and legal/regulatory structures to implement risk-based supervision and improve supervisory effectiveness of the Central Bank of Gambia. Aligning legislation and regulation for banks with Basel II and III standards continues to be a focus in The Gambia

**Ghana:** Enhanced risk-based supervision and the implementation of Basel II and III also remain key objectives for banking supervision work. Additionally, strengthening



of regulations and prudential norms and improved implementing of on-site and off-site supervision of banks implementing IFRS will be addressed.

**Liberia:** The objective is to achieve significant progress on the implementation of Basel II and III and a risk-based supervision system and strengthening Central Bank of Liberia's ability to effectively analyze and assess risk.

**Nigeria:** As with most AFW2 member countries, progress on the implementation of Basel II and III and the risk-based supervision system remains a key objective for Nigeria. Additionally, work in this area aims to improve regulation and guidelines for credit risk capturing.

**Sierra Leone:** To improve database and management practices needed to support effective risk-based supervision and other supervisory processes. Further, to improve Bank of Sierra Leone's ability to supervise banks' compliance with IFRS and NPL regulations and map out steps to align legislation and regulation with Basel II and III.

### **Short-term objectives by country**

**Cabo Verde:** Databases capturing bank data for the risk-based supervision system are reviewed.

**The Gambia:** The RBS manual and timetable for inspection are developed. Legislation and regulation for RBS and Basel is drafted and reviewed, and supervisory capacity is built to implement both systems.

**Ghana:** The Center will help draft applicable RBS and Basel II/III guidelines for supervisors to enforce and banks to implement, build capacity of staff and enhance organizational structures. Bank boards will develop action plans for the implementation of new rules for on- and off-site supervision.

**Liberia:** Efforts will be made by authorities to assess the impact of Basel II/III and determine the approach to adapt requirements to local conditions. Guidelines and processes for on- and off-site supervision are developed and implemented, and supervisors are trained on them. Further assistance will result in capacity built for the financial supervision unit in terms of the development of operational guidelines and staff enhancement.



**Nigeria:** Supervisors provide guidance to banks on Internal Capital Adequacy Assessment Process (ICAAP) submissions and development of internal processes to stress test capital, determine optimal capital ratios and set capital requirements based on banks' reports. Organizational structures and processes, manuals and timetables for RBS are developed and implemented. Additionally, the credit risk guidelines are drafted, reviewed, and compliant with TA recommendations. The Center aims to meet these objectives in collaboration with the LTX in the CBN.

**Sierra Leone:** Tools and databases for monitoring and analysis of risk are revised and enhanced. Supervisors are trained in monitoring and control concepts and existing gaps in credit risk processes and on-and off-site supervision are addressed. Requirements for Basel II/III are assessed, and a roadmap is put in place to determine the appropriate approach. In addition, the updating of legislation and regulation, in consultation with banks, is envisaged.

### **Country work: Inputs and Milestones for FY 2020**

**Cabo Verde:** The Center will continue to provide support to enhance financial stability frameworks in the central bank.

**The Gambia:** There will be follow-up missions to assess progress on implemented risk-based supervisions structures, as well as Basel II and II. Workshops on IFRS model validation will be conducted to assess progress on reform to reporting structures.

**Ghana:** Workshops will include training examiners to take early enforcement action to address supervisory weakness, adequately supervise bank mergers and acquisitions and use financial analysis and risk identification processes in offsite monitoring. Missions will support further progress in implementing Basel II and III and IFRS9, as well as the review of the existing licensing guideline for banks and database management.

**Liberia:** The missions in Liberia will target Basel II and II implementation, as a follow up to work done in FY 2019, as well as improve structures to enhance credit risk analysis.



**Nigeria:** A number of workshops will review and update supervisory guidelines, in line with best practices, train a working group on problem loan identification, analysis and writeup and model evaluations for IFRS9. There will be another workshop to build capacity on assessing risk related to cyber security and IT fraud, in addition to the regional one. Missions will continue follow-up on Basel II and II implementation.

**Sierra Leone:** Missions to Sierra Leone will involve training examiners on credit risk identification and analysis, and offsite supervision. Support will also be provided in preparing a road-map to begin migration to Basel II and III. A professional attachment will place Bank of Sierra Leone staff in either the Central Bank of Nigeria or the Bank of Ghana to observe risk-based supervision processes.

### **Regional work**

A joint regional workshop with MONOPs in Cabo Verde will also focus on building capacity for reviewing cyber/ICT risks, while another will regional workshop will focus on improving supervisory understanding of potential risks arising from intergroup cross-border operations, given the spread of subsidiaries of foreign banks in the region.

## **STATISTICS**

### **Overall Objectives**

AFW2's objective in real sector statistics is to strengthen the compilation and dissemination of data on macroeconomic and financial statistics. This will be guided by relevant internationally accepted statistical standards in developing or improving statistical infrastructure, source data, serviceability and/or metadata. It also aims to improve member countries' statistical capacity for producing real sector statistics in the framework of the Enhanced General Data Dissemination System (e-GDDS).

### **Medium-term Objectives**

AFW2's medium-term objective is to bring member countries closer in 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 Center continues to work with DFID in its second EDDI program (EDDI2) in the provision of TA on national accounts and price statistics. The program, which runs from April 2015 to March 2020, is funded by DFID but managed by IMF Headquarters. EDDI2 will strongly support AFW2 countries on improvements to and development of CPI and PPI statistics. In particular, it will fund the price statistics TA for Liberia and Sierra Leone, whilst AFW2 will fund TA for Ghana, Nigeria and The Gambia. EDDI2 also has a national accounts source data component and coordination of activities continues across The Gambia and Liberia.

### **Short-term Objectives by country**

**National accounts:** The center will continue to work towards: the current rebasing of national accounts, including supply and use tables (**Cabo Verde, Liberia, and Sierra Leone**); development of Quarterly National Accounts (**Cabo Verde, Ghana, and Nigeria**); the next rebasing of the annual national accounts (**Ghana, Nigeria, and The Gambia**).

**Prices:** short term objectives will focus on the rebasing of Producer Price Index (**Ghana, Nigeria**) and Consumer price index (**Nigeria and The Gambia**) in line with international best practices.

Regionally, the center aims to assist in increasing staff capacity on the implementation of System of National Accounts 2008 in their national accounts estimates.

### **Country work: Inputs and Milestones for FY 2020**

**Cabo Verde:** Cabo Verde will receive assistance in the implementation of the 2008 SNA as part of the rebasing of its annual national accounts (ANA). It is expected that the rebased estimates will be released in early 2021.

**The Gambia:** In FY 2020, The Gambia will be finalizing and publishing its rebased annual GDP by the expenditure approach. The country will continue work for the next rebase of the ANA and CPI. It will continue with the development of its QNA



with data sources and methods to be identified and assessed.

**Ghana:** The country will continue to receive technical assistance on the rebasing of the annual GDP during FY 2020. They will also commence the work for the next rebase of the ANA and Price statistics. In addition, they will receive technical assistance in the development of QNA by expenditure approach. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

**Liberia:** The development of the methods and identification of data sources to produce ANA on an ongoing basis will continue to be the focus in Liberia. The results in a rebased GDP being published in 2021. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

**Nigeria:** The focus will be to commence the next rebasing of the ANA and continue the work on QNA improvements. They will also continue to be assisted in the development of a PPI and rebase of CPI. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

**Sierra Leone:** The focus will be the rebasing of its ANA and implementation of SNA 2008. This activity will also identify data sources and develop methodology for the ongoing compilation of the ANA. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

### **Regional work**

One regional national accounts workshop on the system of national accounts (SNA 2008) is planned for FY 2020.





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