

# REGIONAL TECHNICAL ASSISTANCE CENTER FOR WEST AFRICA 2



**AFRITAC**  
West 2

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## PROGRAM DOCUMENT

FOR THE SECOND  
FINANCING PHASE  
(2019-2024)

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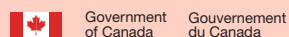
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## EXECUTIVE SUMMARY

**This program document outlines the proposed capacity development strategy (CD) for Phase II of the Regional Technical Assistance Center for West Africa 2 (AFW2).** It highlights the key achievements of Phase I in providing capacity development to Cabo Verde, The Gambia, Ghana, Liberia, Nigeria and Sierra Leone, and the strategic plan for the period 2019–24. These CD interventions are designed to help member countries achieve their Sustainable Development Goals (SDGs) and advance their Financing for Development agenda. In addition, building resilience is critical in helping the more vulnerable member-countries emerge from fragility.

**The external mid-term evaluation of Phase I, rated the Center’s CD interventions positively.** The Center’s relevance to its member countries was rated as “good to excellent” and aligned with the program document; overall effectiveness and sustainability were rated as “good”. Regarding impact, the external evaluators credited the Center’s key role in establishing a treasury single account in Kaduna State (Nigeria), the modernization of monetary policy frameworks in Ghana, and audit and compliance in revenue mobilization. Member country assessments using the Tax Administration Diagnostic Assessment Tool (TADAT), were viewed by Development Partners as being complementary to their efforts in domestic revenue mobilization.

**Implementing the recommendations of the mid-term evaluation will form an integral part of the Phase II strategy.** This will encompass linking outreach activities more systematically with CD interventions by providing debriefs to key stakeholders. In addition, responding with flexibility to the changing needs of member countries, particularly fragile states, will enhance effectiveness. Increased member country participation in the Steering Committee will strengthen accountability and ownership.

**AFW2 will continue to assist member countries to implement outstanding reforms, support the regional integration agenda, and respond to emerging needs.** Member countries have underscored that hands-on training, peer-to-peer learning, professional attachments, and workshops are central to capacity building. During Phase II, greater emphasis will be placed on this modality of knowledge transfer in implementing outstanding reforms and in institutional building. Engagements with regional institutions, ECOWAS, WAMI, and WAIFEM will seek to build synergies in deepening regional integration.

**The Center will deliver CD within a results-based management (RBM) framework.**

This framework is underpinned by multi-year logframes that support the thematic areas governing the Center's CD activities and will guide annual work plans during Phase II.

**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 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:

- Tax and Customs Administration
- Public Financial Management
- Monetary Operations, Policy, and Payment Systems
- Financial Sector Supervision
- Real Sector Statistics
- Legal Frameworks

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## GLOSSARY

AfDB	African Development Bank
AFE	AFRITAC East
AFR	IMF African Department
AFRITAC	Africa Regional Technical Assistance Center
AFS	AFRITAC South
AFW	AFRITAC West
AFW2	AFRITAC West 2
AMCON	Asset Management Company of Nigeria
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ANA	Annual national accounts
ASYCUDA	Automated System of Customs Data
ATI	Africa Training Institute
BoG	Bank of Ghana
BPEMS	Computerized financial management information system
BSL	Bank of Sierra Leone
BTO	Back-to-office
CABRI	Collaborative African Budget Reform Initiative
CBN	Central Bank of Nigeria
CD	Capacity Development
CET	Common external tariff
CPI	Consumer Price Index
DANIDA	Danish International Development Agency
DFID	United Kingdom's Department for International Development
DP	Development Partner
ECOWAS	Economic Community of West African States
EDDI	Enhanced Data Dissemination Initiative
EPA	Economic Partnership Agreement
ESC	Evaluation Sub-Committee
EU	European Union
FAD	Fiscal Affairs Department
FDI	Foreign direct investment
FIRST	Financial Sector Reform and Strengthening

FMI	Financial market infrastructure
FY	Financial year
GDP	Gross domestic product
GEMAP	Government's reform program (Liberia)
GIZ	German Agency for International Cooperation
HQ	IMF Headquarters
ICD	Institute for Capacity Development
IFMIS	Integrated Financial Management System
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information technology
LEG	IMF Legal Department
MCM	IMF Monetary and Capital Markets Department
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MNRW	Managing Natural Resources Wealth
NPL	Nonperforming loan
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
PPI	Producer price index
QNA	Quarterly national accounts
RAP	Resource Allocation Plan
RBM	Results-Based Management
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTC	Regional Training Center
SC	Steering Committee
SECO	Swiss Secretariat for Economic Affairs
SFA	Framework Administered Account of Selected Fund Activities
SME	Small and medium-sized enterprises
SNA	System of National Accounts
SOE	State-owned enterprise
SSA	Sub-Saharan Africa



STA	Statistics Department
TA	Technical assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TPA	Tax Policy and Administration
TSA	Treasury single account
TTF	Topical Trust Fund
USAID	United States Agency for International Development
VAT	Value-added tax
WAEMU	The West African Economic and Monetary Union
WAIFEM	West African Institute for Financial and Economic Management
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

## **I. CONTEXT AND ACHIEVEMENTS**

### **A. Who we are and what we do**

1. **Regional Technical Assistance Centers (RTACs) were established by the International Monetary Fund (IMF) to provide capacity development (CD) on a regional basis.** These interventions comprise technical assistance (TA), training, and strengthening policies to support the stabilization of IMF member countries' economies to promote growth and reduce poverty. RTACs are assigned to specific regions, depending on geographical and economic similarities and linkages, to develop and provide relevant TA in identified thematic areas. This is done in collaboration with the member countries, and development partners (DPs). The objectives and activities of RTACs are linked to the IMF's CD priorities, anchored in the IMF's Results-Based Management (RBM) framework, and are guided by Steering Committees (SC) comprising representatives from development partners, member countries, and the IMF.

2. **AFW2 covers Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone.** These countries are at varying stages of development, comprising both middle-income countries and fragile states. In this context, the content and scope of TA are determined by member-countries' needs, level of development, and the thematic areas served by the Center, namely:

- Tax and Customs Administration
- Financial Sector Supervision
- Public Financial Management
- Monetary Operations, Policy, and Payment Systems
- Real Sector Statistics
- Legal Frameworks

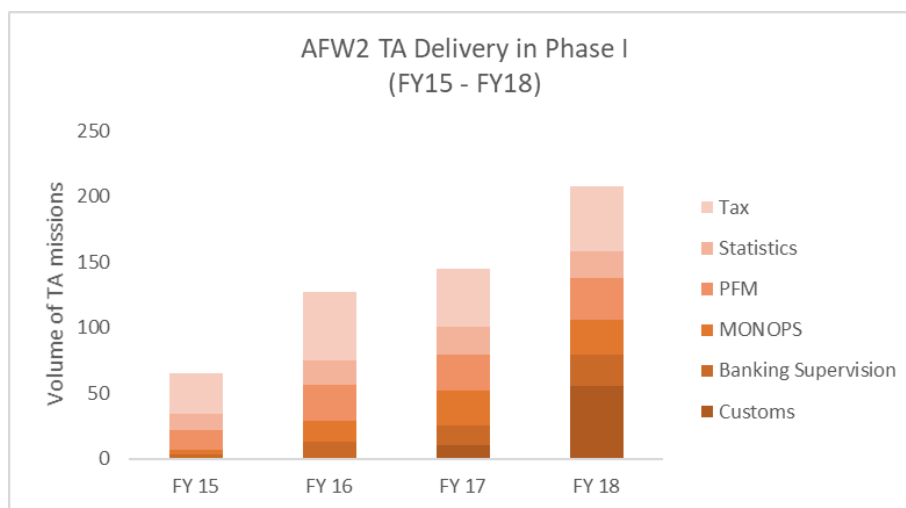
3. **Seven regional advisors supported by short-term experts, and backstopped by IMF Headquarters (HQ), conduct TA activities throughout the region.** The activities are driven by the identified needs of the member countries. This creates an avenue for member country ownership and incentives to follow through with reforms and strategies developed from CD.

4. **AFW2's activities are aligned with the United Nation's Sustainable Development Goals (SDGs) and the Financing for Development agenda.** AFW2 focuses on designing regional and country specific strategies that build stronger

institutions, resilience, foster cooperation, and regional integration. These efforts are geared towards creating a sound macroeconomic environment and sustainable growth that promotes social inclusion and environmental sustainability. Stronger institutions foster investor confidence and strengthen public finances to maintain debt sustainability, while ensuring public spending is efficient and well-targeted. Investing in infrastructure, maintaining debt sustainability, deepening financial markets and access while safeguarding financial stability are critical to ensuring growth is sustained. In addition, emphasis is placed on helping the more vulnerable countries (The Gambia, Liberia and Sierra Leone) emerge from fragility through capacity building across the thematic areas. To this end, AFW2 leverages peer-to-peer learning among member countries through regional workshops, professional attachments, and training-of-trainers as a key tool in capacity building.

5. **AFW2 has increased CD delivery during FY15–FY18.** Interventions (TA missions and regional workshops) peaked in FY18, reflecting increased engagement in post-Ebola virus period, and leveraging the right mix of long-term advisors and short-term experts in conducting activities. Increased buy-in from authorities of beneficiary countries played a significant role in the gradual but steady increase in CD Delivery.

**Figure 1. AFW2 Technical Assistance Delivery During Phase I**



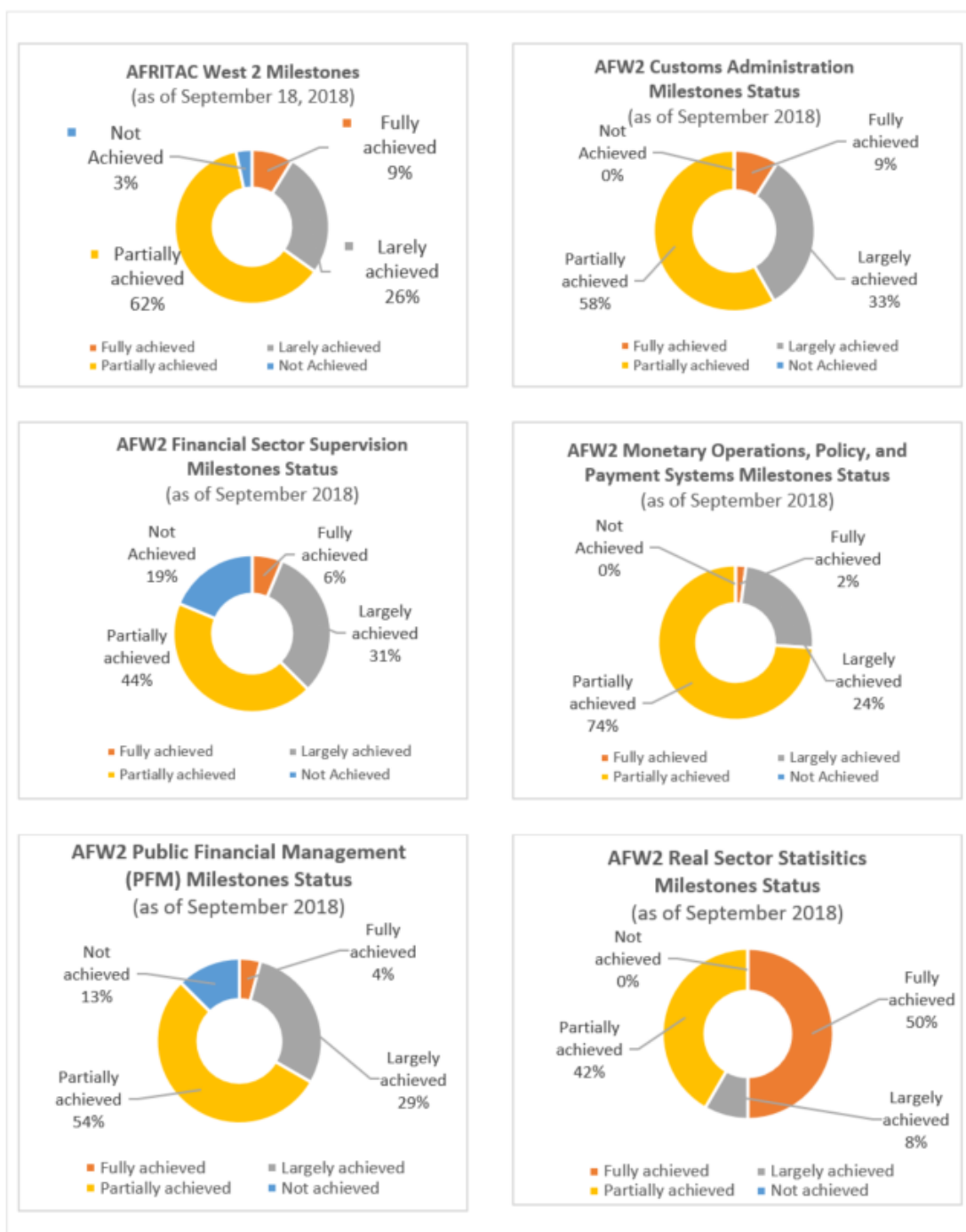
Source: International Monetary Fund/AFRITAC West 2 TA delivery data

## **B. Accomplishments by Operational Area**

6. **In Phase I, AFW2 made strides in providing TA to the various institutions in member countries.** The assessment of these outcomes is linked to the RBM framework developed at the beginning of Phase I. In addition, the RBM framework was key to ensuring key CD activities were completed and the final intended outcomes and objectives linked to them were broadly accomplished. The majority of milestones were either fully achieved, or in the process of being achieved (Figure 2).

7. **Overall, the Center saw marked improvement in the delivery of TA as measured by the volume of TA activities delivered to the member countries.** Despite crises in some of the member countries, such as the Ebola virus outbreak in the early stages of Phase I, the Center's Regional Advisors were able to collaborate with the targeted governmental institutions to execute CD objectives.

**Figure 2. AFW2 Milestones Status (as of September 2018)**

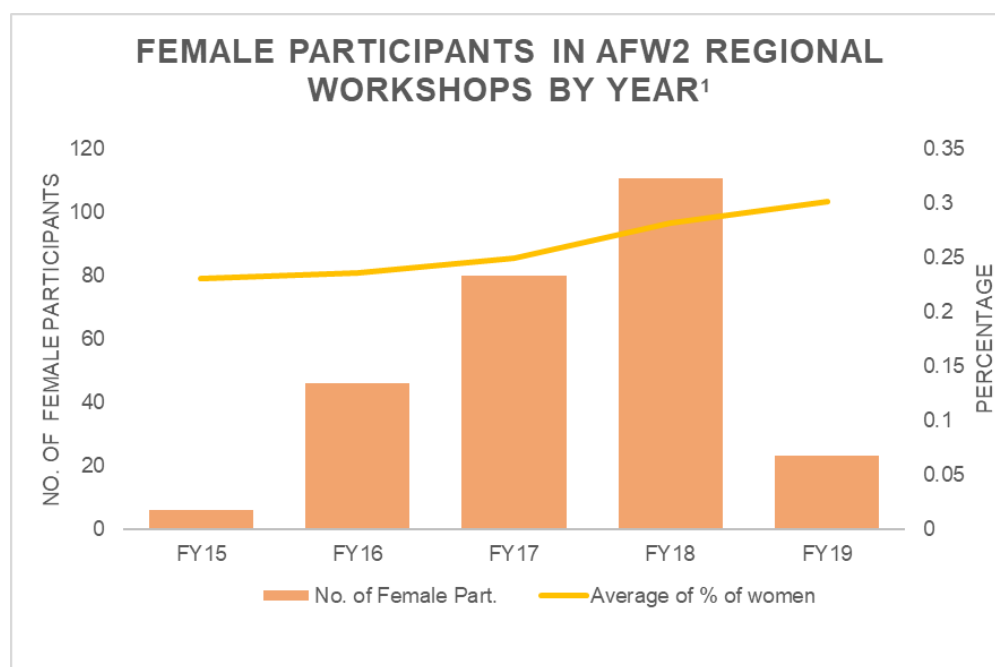


Source: International Monetary Fund, AFRITAC West 2, Results Based Framework Data

Data represents milestones linked to intended outcomes for TA in each sector and their achievement ratings, as of September 13, 2018. These are continually updated as TA is delivered in the respective member countries

8. **AFW2 is proactive in fostering gender inclusion in its CD activities.** The Center specifically encourages the nominations of qualified female officials to participate in regional events. In addition, gender balance is pursued in the formulation of training teams. In this context, the Center requests that member countries nominate qualified female officials to participate in the training of trainers' modules. Female participants increased from FY15 to FY18 in both number and share of total participants (Figure 3). Furthermore, gender issues are an integral part of training materials. For example, in customs administration, gender issues are discussed in themes encompassing legislation, risk management, and operational controls.

**Figure 3. Female Participation in AFW2 Regional Workshops**



Source: International Monetary Fund/AFRITAC West 2 Regional Workshop data

<sup>1</sup>As of September 13, 2018

### ***Revenue Administration (Customs and Tax)***

9. **Phase I focused on practical hands-on assistance for strengthening revenue administration institutional and operational capacity in member countries.** (Details are provided in Annex I). Key achievements include:

- **Support for regional trade integration initiatives was provided,** in partnership with the Economic Community of West African States (ECOWAS) and other agencies such as the World Customs Organization (WCO), through a series of regional workshops on customs risk management, post-clearance audit (PCA), stakeholder engagement, strategic management, and integrity related matters. Over 100 officials from all six AFW2 member countries participated in such workshops which resulted in preparation of work plans and the establishment of partnership arrangements for the exchange of information between administrations.
- **Improved administrative procedures and strengthened compliance strategies.** For example: data matching projects were completed in all member countries which revealed notable non-compliance in both tax and customs and identified several compliance risks. The revenue administrations have planned to follow up to recover the lost revenues. A large pool of staff from member countries were trained as auditors, covering intelligence gathering and investigation techniques. They received training in the use of third-party data and data analysis techniques using computer audit techniques and strengthened capacity to audit specialized sectors in The Gambia, Ghana and Nigeria. Improvements were made in strengthening post-clearance audit and risk management in Cabo Verde, Liberia, and Nigeria.
- **Implementation of efficient organizational structures and effective governance programs.** For example, AFW2 assisted member countries in developing business and operational plans, and monitoring and evaluation frameworks (The Gambia and Nigeria); and strengthening reform implementation through project management and governance (Ghana) and establishing change projects in Liberia; and developing integrity strategies in Cabo Verde, Ghana, and Nigeria. AFW2 also assisted The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone to establish tax administration baselines using the TADAT framework to support reform plans.
- **Fostering voluntary compliance by providing information, tools, and mechanisms for taxpayers to comply.** For example, stakeholder engagement strategies and supporting implementation plans have been developed in The Gambia and Sierra Leone. AFW2 also assisted Cabo Verde to develop a taxpayer service and communication strategy. Workshops and seminars were also used to

promote peer-to-peer learning and capacity enhancement based on good practices in the areas of strategic planning, taxpayer, risk management, and post clearance audit.

## **Public Finance Management**

10. **Phase I began with a focus on reviewing past reforms to identify continuing gaps before moving to more practical hands-on advice and training.** This included undertaking selective diagnostic activities and assisting some countries to prepare or finalize their respective PFM reform strategies. The latter stages of Phase 1 have seen a focus on tailored training and practical advice to support specific areas where assistance has been requested.

11. **Common themes across countries have included:** a lack of realism in government budgeting; fiscal risks originating from state-owned enterprises (SOEs); inefficiencies in cash management; and weaknesses in commitment controls and financial reporting. Key achievements include:

- **The drafting of the new PFM regulations for Ghana and Sierra Leone under their respective PFM Acts.**
- **Strengthening the reporting on SOEs finances.** Central to this stream of work has been to support initial steps in the adoption of International Financial Reporting Standards, including reviews of SOEs accounting practices, assisting central SOEs oversight bodies, and providing training to finance ministry and SOEs staff. This work has been most focused in Cabo Verde, The Gambia and Liberia;
- **Reinforcing macro-fiscal and budgeting capacity.** In The Gambia, a macro-fiscal database and forecasting framework has been established and is beginning to be used to assist in the preparation of the annual budget; in Sierra Leone the macro-fiscal function has been strengthened, and flagship Fiscal Strategy Statement finalized and published; in Cabo Verde the preparation of the draft planning regulations and a program-based budgeting manual have been advanced;



- **Supporting budget execution and treasury management.** Efforts focused on advancing Treasury Single Account implementation in Cabo Verde, Ghana, Liberia and Nigeria (including at the sub-national level in Kaduna state); establishing cash management institutions, structures and functions in The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone; and the strengthening of commitment control and arrears management in Liberia.
- **Hosting regional workshops and seminars to promote peer-to-peer learning.** Given the common challenges in the region with SOE oversight and reporting, Treasury Single Account and cash management, and strategic planning and budget formulation, a series of workshops hosted across the region brought together government officials from member countries to learn from each other's experiences and share good practices.

### ***Monetary Operations, Policy, and Payments Systems***

#### **12. In Phase I, notable achievements in monetary policy analysis comprised:**

- **The introduction of a consistent analytical framework and developing key leading indicators.** To improve monetary policy analysis, a new research data warehouse was set up with a regular issue calendar and linked to the central bank's website (The Gambia). New economic indicators were introduced such as a composite index of economic activity and the breakdown of the inflation index into administered and market prices and, for this latest one, into tradeable and non-tradeable components (The Gambia, Sierra Leone, and Liberia). Internal decision-making materials shared with the Monetary Policy Committees (MPCs) were streamlined and short-term forecasting techniques developed. Most of the necessary groundwork was done to continue with more forward-looking analysis including medium-term forecasting. Interest rate corridors were established in The Gambia and Sierra Leone.
- **Advancing the monetary operations framework through strengthening the regulatory and liquidity forecasting framework, and expansion of instruments in the toolkit.** New comprehensive reserve requirement regulations were developed and the main parameters such as length of maintenance period and averaging facilities were revised. Complete monetary toolboxes were designed, new liquidity management instruments such as

overnight standing facilities were introduced in some countries (The Gambia, and Sierra Leone). Up-to date liquidity forecasting templates have been introduced in most and countries, forecasting of currency in circulation is now supported by short-term ARIMA<sup>1</sup> models. Foreign exchange (FX) auctions and interbank market guidelines were reviewed, and surrender requirements lifted in Ghana. Central bank staff were trained in money- and FX-market instruments in close to real-life simulation exercises.

- **Member-country central banks became more conversant with CPSS-IOSCO<sup>2</sup> principles and the methodology.** Central banks are now able to conduct assessments of their main financial market infrastructures against this methodology. AFW2 has started the first risk assessment exercise with Ghana. AFW2 provided detailed legal advice on draft payment system regulations for Cabo Verde and Ghana, in collaboration with the Legal Department. Staff from The Gambia, Ghana, Liberia and Sierra Leone benefitted from professional attachments at central banks within the region. AFW2 worked closely with authorities in the setting up of new payment system oversight units (Liberia and Sierra Leone).

### ***Financial Sector Supervision***

#### **13. In Phase I, key achievements in financial sector supervision included:**

- **Aligning member-countries' practices with accepted international standards.** Almost all member countries received TA on Risk-based Supervision, though areas of focus varied. Overall, TA covered areas such as enhancements to off-site reporting frameworks; financial analysis, oversight of banks' loan portfolios/credit risk; consolidated supervision; and updates to policies and manuals. For more advanced members such as Ghana, TA also focused on liquidity and market risks. To complement the risk-based processes, some member countries advanced work on the Basel II processes. Here, the main areas of focus were introducing the key concepts; and guiding how supervisors

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<sup>1</sup> ARIMA denotes autoregressive integrated moving average.

<sup>2</sup> Committee on Payment and Settlement Systems (CPSS) and ISOCO (International Organization of Securities Commission)

(Nigeria) review and respond to models which banks develop to calculate the adequacy of their capital through the Internal Capital Adequacy Assessment Plans and the Supervisory Review and Evaluation Process. The latter was supported by the professional attachments of examiners from both the Central Banks of Nigeria and Ghana to the Central Bank of Ireland, to gain practical insights on the day-to-day operations of such reviews.

- **Extensive training on the International Financial Reporting Standards (IFRS) and IFRS 9 for Nigeria.** All AFW2 member countries except Cabo Verde received guidance on understanding the key principles of the IFRS standards, with the Ghana program complemented by training-of-trainers' modules to address the much larger size of the department, and the number of examiners with advanced accounting qualifications. Cabo Verde continued to receive FSS technical assistance from Brazil and Portugal. For Nigeria, TA went further to provide guidance on how examiners review banks' models on provisioning for bad loans, as required by the IFRS 9 standard which became effective in January 2018. On a regional basis, workshops complemented these overall topics and facilitated peer-to-peer exchanges on issues such as high non-performing loans; assessment of the Basel Core Principles; and ensuring that supervision went beyond the micro review of individuals banks and maintained a macroprudential policy outlook.
- **Supporting newly appointed senior supervisory management on enhancing key planning and strategic management skills.** A high-level forum, geared towards Heads, Deputy Heads, Deputy Governors and members of the Board of Directors was therefore organized. Discussions focused on issues such as international developments in banking supervision, leadership and negotiation skills, and dealing with politicians and senior government officials.

### ***Real Sector Statistics***

14. **There were improvements in economic statistics compilation and dissemination.** At the regional level, the rebasing of GDP, the development of quarterly national accounts, the rebasing of the consumer price index (CPI), the development of the producer price index (PPI), the improvement in the quality of surveys and censuses, the improvement of administrative data, and the dissemination of statistics are key

achievements in Phase I. Better macroeconomic statistics are essential in the formulation and impact assessment of economic policies as rebasing national accounts regularly provides a more accurate assessment of the size and structure of the economy. Collaboration across sectors and data compiling agencies have improved with CD delivery. Regional workshops have been very successful in building the networks between statistical offices as well as improving conceptual knowledge.

15. **The level of achievements in statistics differ from country to country.** At the country level in statistics, Nigeria has recently completed the back-casting of the annual national accounts time series which was disseminated in April 2018. Planning for the rebasing of the national accounts has commenced. The development of quarterly GDP by the expenditure approach and the development of a PPI in line with international best practices have commenced. Liberia has completed the fieldwork for the national economic census which is the first phase of the national accounts rebasing. Cabo Verde has started the data collection for the rebasing of the annual national accounts with a release scheduled for 2020. The rebasing of the CPI has commenced with an expected release in early 2019. The Gambia released the rebased estimates of GDP by production in July 2018.

### ***Legal Frameworks***

16. **Legal technical assistance revolved around law reform and capacity building in legal frameworks related to the specific sectors served by AFW2.** Interventions supported the central bank and payment system law reform, specifically in Sierra Leone (central banking), Liberia (central banking) and Ghana (payment system regulations).<sup>3</sup> TA was also provided on banking law and regulation in Sierra Leone, with a seminar on banking resolution law in Accra. Further assistance was provided in PFM law (Sierra Leone), tax law in Nigeria, and tax procedures in Liberia.

17. **Supervisory tools for banks, in accordance with risk assessment and risk management for financial institutions, were developed in line with legal requirements.** Off-site and on-site anti-money laundering and combatting the financing of terrorism (AML/CFT) supervisory tools for banks for the Bank of Sierra Leone (BSL) were developed and implemented (*i.e.* template for institutional profiles,

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<sup>3</sup> TA provided by the IMF's Legal Department to AFW2 member countries was organized and financed by AFW2.

data-collection tools for the financial institutions' inherent AML/CTF risk, and risk management questionnaire for financial institutions). Risk matrix and instructions were developed for BSL to allow for scoring inherent risk and the quality of risk management by financial institutions. Further, TA increased capacity of the BSL to determine the relative levels of net ML/TF risk across institutions and to make decisions with respect to prioritizing institutions for supervisory oversight and the allocation of supervisory resources.

## **Other topics**

18. **Customized training delivered by the IMF's Institute for Capacity Development (ICD) department achieved strong traction and made progress in enhancing the Bank of Ghana's (BoG) monetary policy formulation.** During Phase I, as part of a joint capacity building project by AFW2 and the United Kingdom's Department for International Development (DFID), the BoG received technical support from the IMF's Research Department (RES) and customized training from ICD to enhance its monetary policy formulation process and communication. As a result, the BoG's decision-making process has been reorganized, more structured, and better aligned with best practices in inflation targeting. Specifically, the model-based forecasting framework has been streamlined and medium-term macroeconomic forecasts now play an anchoring role in the decision-making process and policy debates. Staff have been routinely trained in developing and operating semi-structural macroeconomic models and conducting model-based policy analysis and forecast. Additionally, the communication function of the BoG has been enhanced and regular publications streamlined, with the bi-annual Monetary Policy Report becoming the flagship policy communication tool.

## **C. Mid-Term External Evaluation—Lessons Learned**

19. **The findings of the independent mid-term evaluation of the Center's CD interventions during 2014–18, were positive.** The scope of the evaluation assessed the Center's relevance, efficiency, effectiveness, sustainability, and impact of its capacity development activities, using selected case studies. The evaluation noted that the Center's relevance to its member countries was good to excellent and aligned with the Phase I Program Document. Overall efficiency and effectiveness were rated as good, underscoring that internal processes were well established and CD delivery was aligned with workplans. The sustainability of the Center's accomplishments was viewed as good

based on country ownership and the leveraging of regional expertise. Although evaluators had difficulty measuring impact on a broader scale given the short time frame of the Center's operation, they attributed a key role to AFW2 in a number of specific examples, including (i) the Treasury Single Account in Kaduna State; (ii) modernization of monetary policy frameworks in Ghana; and (iii) audit and compliance in revenue administration.

20. **The evaluation made five key recommendations.** These pertained to (i) formalizing arrangements between the IMF and regional organizations, and agreement on specific activities; (ii) instituting outreach activities systematically in activities; (iii) reinforcing the CD approach for engagement in fragile states and extend it to the other CD areas, and use modes of capacity building that have proven to be very effective; (iv) strengthening the Steering Committee and the participation of member countries; and (v) reinforce the function of the Center Coordinator. Annex II provides an update on their status of implementation.

21. **Additional lessons arose from CD interventions during Phase I.** Member countries stressed that the greatest value added was obtained through a peer-to-peer learning and practical hands-on experience in CD delivery. Regarding ownership and the effectiveness of monitoring and implementation, AFW2 found discussions need to take place at both the policy and technical levels to ensure accountability for the CD priorities and outcomes. In addition, clear governance guidelines are critical for the effectiveness of the results-based management framework. A mapping of development partners involvement in the same work stream and regular end-of-mission debriefings helped to mitigate risks associated with duplication of effort. With respect to sustainability of the CD activities, member countries need to contribute more reliably in financing the Center's operations.

22. **The Center's response to the recommendations were addressed at the Steering Committee in March 2018.** AFW2 welcomed and shared most of the evaluation's insights and recommendations, specifically the emphasis on outreach and strengthened assistance to fragile states. However, some proposals were beyond the Center's direct control, such as, for example, which agency should represent member countries at the Steering Committee. Others such as formalization of memoranda of understanding with regional organizations are predicated on agreements to be reached with IMF Headquarters.

## D. Risks to CD Delivery and their Mitigation

### *Political and economic environment*

23. **Changing priorities created the need for flexible CD delivery.** During the implementation of Phase I, four member-countries (The Gambia, Ghana, Liberia, and Sierra Leone) experienced changes in administrations. In the case of fragile states characterized by weaker institutional capacity and staff attrition, the Center's engagement required greater flexibility in remaining relevant. Consequently, priorities changed and in some instances the appointment of new counterparts affected both the pace and effectiveness of CD delivery.

24. **Both internal and external shocks affected CD delivery in member countries.** The Ebola Virus Disease (EVD) outbreak in Liberia and Sierra Leone seriously constrained CD delivery in the early years of the Center's operation and resulted in a major revamping of the work program. Alternative delivery modalities such video conferencing, remote activities, and other online tools were explored to safeguard delivery and maintain traction. All member countries remain vulnerable to external shocks that impact economic activity, government revenues, exchange rates, debt dynamics and financial sector stability. In some instances, fiscal frameworks had to be revisited to focus on addressing revenue shortfalls (The Gambia and Ghana) and the emergence of fiscal risks in state-owned enterprises (Cabo Verde, Ghana, and Sierra Leone).

### *Coordination and alignment of priorities*

25. **AFW2 identified the need for coordination and engagement with key stakeholders to ensure successful CD delivery.** This encompasses leveraging the role of the IMF's Resident Representatives as trusted advisors in facilitating debriefings to development partners at the end of key TA activities. Resident Representatives will also play a critical role in ensuring that CD continues to be integrated with surveillance through the follow up on key recommendations and in policy engagements with country authorities. The Center's participation in donor mapping exercises augurs well for mitigating the duplication of efforts and for forging synergies in the delivery of CD activities. Regarding strengthening oversight by the SC, early engagement with member country representatives will facilitate greater familiarity with their respective country's CD activities and foster a rich discussion on priorities.

## II. MACROECONOMIC OUTLOOK AND CHALLENGES

26. **AFW2 member countries display varying macroeconomic and financial conditions, vulnerability to shocks, and degrees of resilience (Figure 4).** The Gambia, Liberia and Sierra Leone, are low-income, fragile states, while Cabo Verde, Ghana, and Nigeria are categorized as middle-income countries. Sierra Leone and Liberia experienced a major loss in output during the Ebola outbreak between 2014 and 2015. During 2015–17, Nigeria also experienced an oil-price shock induced recession, and this affected average regional performance within the period. Average real GDP growth increased from 2.8 percent in 2014 to an estimated 4.1 percent in 2018 but has been insufficient to significantly reduce poverty and boost employment.

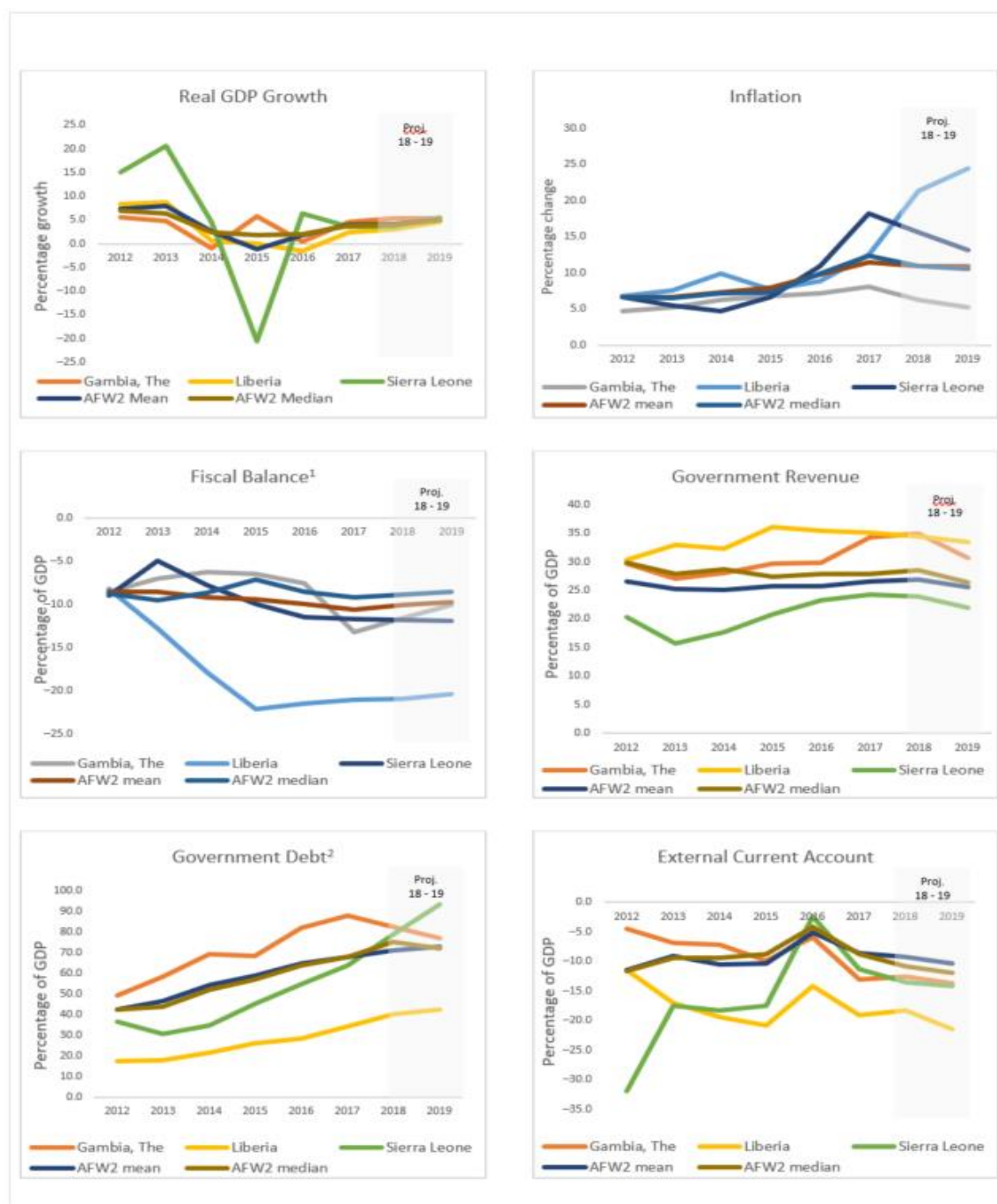
27. **The macroeconomic outlook is expected to strengthen over the medium term, yet vulnerabilities remain.** This reflects a supportive global recovery and domestic policy adjustments involving fiscal consolidation and the abatement in inflation. The favorable external environment, combined with the recent conclusion of several political cycles, bodes well for the consolidation of achievements under Phase I. External current accounts, while remaining in double digits on average, are expected to be financed by grants, foreign direct investment, and portfolio flows. Tighter global financial conditions, as quantitative easing is unwound, could lead to pressures on financial accounts in frontier markets (Ghana and Nigeria) and exchange rates. Public debt remains elevated, averaging around 71 percent over the medium term. In particular, debt vulnerabilities persist in Cabo Verde, The Gambia and Ghana which remain at high risk of debt distress.

28. **AFW2 countries need to implement a number of reforms to address macroeconomic vulnerabilities.** Key reforms include boosting domestic revenue mobilization, while strengthening PFM systems. This can help to improve the efficiency of public spending and help reduce debt vulnerabilities, creating the fiscal space needed to meet the increased demand for public services from a growing population, and address the infrastructure gaps common in the region. Adequate reserve cover would provide some insurance to smooth the volatility in commodity prices (The Gambia, Ghana, Liberia and Nigeria). The legacy of high non-performing loans has constrained credit to the private sector and limited access to finance, which are instrumental in unlocking growth and fostering inclusion. Financial sector vulnerabilities can be addressed through implementing a risk-based approach to banking supervision, improving asset classification, and increased provisioning for bad assets. Deeper



regional integration in the context of ECOWAS and the African Continental Free Trade Area could create jobs and leverage the demographic dividend from a young population.

**Figure 4. AFW2: Macroeconomic Indicators**



Source: Regional Economic Outlook: Sub-Saharan Africa, International Monetary Fund, 2018

1/Overall fiscal deficit (excluding grants) as a percentage of GDP.

2/Debt stock as a percentage of GDP.

### III. THE NEXT FIVE YEARS 2019–24

#### A. Policy Priorities

29. **AFW2 will continue to respond with flexibility and nimbleness in addressing the CD needs of its member countries.** To this end, the Center will consolidate the gains in Phase I to strengthen institutions through CD, allocate resources efficiently, and ultimately foster greater economic resilience through upgrading policy frameworks. Common challenges faced by member countries include:

- **Inclusive growth:** Demographic trends suggest that the working age population (15–64) among Sub-Saharan African countries will exceed that of the rest of the world by 2035. In order to benefit from this demographic dividend, AFW2 countries will have to boost potential output through more efficient investments, robust policy frameworks, and greater inclusion in order to absorb new market entrants. In addition to policies that foster structural transformation—through greater investment in physical and human capital—there is scope to make growth more inclusive by fostering job creation, financial inclusion, and raising productivity in the agricultural sector.
- **Fiscal policy:** Fiscal policy plays a critical role in addressing large infrastructure gaps, meeting the rising demand for public services from a growing population, and building fiscal space to respond to shocks. These objectives are aligned with the sustainable development goals (SDGs) and the Financing for Development agenda. In this regard, boosting domestic revenue mobilization constitutes a key objective over the medium term. The Center will build on the outcomes from institutional diagnostics from the TADAT assessments, complemented with audit and data analysis (data matching) and compliance management. At the same time, stronger PFM laws and institutions, better budget preparation execution, and control, improved asset and liability management, and strengthened identification, monitoring and management of fiscal risks bode well for the efficient use of financial resources.
- **Monetary policy:** Monetary policy should not be overburdened with achieving multiple objectives such as price stability and growth which could impede its effectiveness and may compromise central bank credibility. In view of the different stages of development of member countries' monetary frameworks, the strategy is to strengthen policy formulation, liquidity forecasting, information

flow, and communications to avoid engendering policy confusion. In this regard, the appropriate policy framework lies along a continuum using money aggregates as an anchor at one extreme, hybrid frameworks with a significant role for inflation and the exchange rate (depending on a country's structural characteristics) in between, and formal inflation targeting at the other extreme.

- **Financial sector:** CD activities will address gaps in the regulatory framework including the need for consolidated supervision and build on past recommendations. In addition to strengthening the central banks' conformity with international best practices and standards such as IFRS 9, efforts would further concentrate on strengthening a consolidated and risk-based approach to banking supervision. CD engagements will build on this platform to extend the scope of activities to include addressing challenges in asset classification and reviewing regulation governing provisioning for impaired assets.
- **Statistics:** There is an ongoing need to strengthen the compilation and dissemination of data on macroeconomic and financial statistics according to relevant internationally accepted statistical standards. The goal is to improve the quality and timeliness of data for policy making.
- **Regional integration:** AFW2 members aim to strengthen economic and financial integration through increased trade and investment within the ECOWAS framework. To this end, improvements in customs (trade facilitation) and revenue administration and fostering a more resilient and sound financial sector and payments system that are conducive to private sector development and financial inclusion, are envisaged.

## **B. Integration and synergies with regional partners**

30. **AFW2 CD activities will complement interventions by other regional partners and through bilateral agreements and thematic trust funds (TTFs).** The holistic approach to CD delivery, comprising complementarities with IMF headquarters, has enabled TTFs to address member-country needs in specialized areas. This approach will be continued during Phase II. For example, Managing Natural Resource Wealth (MNRW) TTF during Phase I was leveraged to address the needs of Ghana and the Tax Policy and Administration (TPA) in Liberia. Other development partners (DFID, EU, and

SECO) have financed resident long-term experts (LTXs) in Ghana, Nigeria, and Sierra Leone to strengthen banking supervision and regulation, and central bank modernization and financial stability. Embedding a resident LTX has proven to be effective in ensuring that key reforms are pursued through persistent following up.

31. **AFW2 will continue to partner with other RTACS and regional training institutes in the provision of peer-to-peer learning.** AFW2 already cooperates closely with regional organizations across a range of areas and will continue these engagements during Phase II. In particular, the Center has worked with the Customs Directorate of ECOWAS and more generally in strengthening revenue administration in member states. This engagement has included workshops on customs risk management, customs integrity, and VAT compliance. The Center has also collaborated closely with the West African Monetary Institute (WAMI) in providing expertise in reviewing their proposed model financial sector act, and in joint workshops on financial sector issues such as Basel Core Principles. The Center will also continue to conduct joint regional workshops across its areas of expertise with the West African Institute for Financial and Economic Management (WAIFEM). ECOWAS, WAMI, and WAIFEM are represented on the AFW2's Steering Committee.

#### **IV. PHASE II PROGRAMMING BY OPERATING AREA/ STRATEGIC AND OPERATIONAL LOGFRAMES**

##### **A. Customs and Tax Program**

32. **The overall engagement strategy for Phase II in tax and customs administration will be to** strengthen revenue administration management and governance arrangements and to improve core administration functions. The methodology to be adopted is as follows:

- Carry out assessments of countries against best practice standards and design tailored Medium-Term Revenue Strategies (MTRS) to improve domestic revenue mobilization capacities;
- Assess capacity of revenue authorities to implement reforms and provide technical assistance to develop and implement effective reform and modernization programs;

- Work with revenue administrations to entrench self-assessment, strengthen segmentation of tax and trader populations and to introduce efficient and effective risk-based compliance management strategies;
- Assess support functions with a view to improving their ability to support customs administration operations;
- Support countries to progressively adapt to any emerging (socio-economic, political, and technological) needs and challenges in revenue administration, for example, implementing the WTO Trade Facilitation Agreement and regional agreements on matters such as transit, exchange of information and data agreements, cross-border VAT and the implementation of the Common External Tariff; and
- Continue with skills development through mentoring, training, sharing of good practices, peer-to-peer learning, and attachment programs.

### Emerging themes

33. **AFW2 will also support member countries to address emerging challenges to revenue administration arising from the changing political and economic conditions that may occur over the next phase.** Such challenges may include:

- **Enhancing domestic revenue mobilization to compensate for revenue losses from the implementation of international and regional trade agreements and for financing the SDGs.** This may lead to the need to strengthen legislation and supporting policies and procedures with a view to improving compliance;
- **Improving compliance through more efficient revenue administration.** This will require revenue authorities to develop and implement risk-based compliance management strategies; and,
- **Improved cross-border trade facilitation and regional integration.** This will necessitate a commitment by customs administrations to implement coordinated border management (CBM) with a view to improve the flow of trade across borders whilst optimizing revenue collection.

## Expected outcomes during Phase II

34. **Achievement of the broad outcomes set out below would hinge on the following interventions:**

- **Developing a clear reform strategy and a strategic management framework adopted and institutionalized.** Strategic and operational plans are prepared, adopted, monitored and regularly updated. Multi-year reform implementation plans, with supporting resource plans, are developed and implemented. Reform management capacity is strengthened or in place for reform implementation, including dedicated resources and key performance indicators are established, regularly reported, and monitored.
- **Implementing medium-term revenue strategies (MTRS) in most of the member countries.** Detailed MTRS, will help to build more effective and efficient tax systems and deliver improved revenue efforts, are developed using a participatory approach to include all stakeholders.
- **Reinforcing organizational arrangements to enable more effective delivery of strategy and reforms.** There is a clearly defined separation of roles and responsibilities between headquarters (definition of standard operation procedures, planning, and monitoring) and operational branches (execution).
- **Bolstering support functions to enable more effective delivery of strategy and reforms.** Appropriate support functions and policies are in place, including infrastructure, finance, legal, research, and communications. Improved human resource and information and communication technologies (ICT) strategies and working practices are developed and implemented to support the achievement of strategic goals.
- **Updating and simplifying tax and customs laws to be better aligned with modern standards and international protocols.** Substantive provisions of the tax and customs laws are aligned with modern standards and/or international protocols. Legislation is widely communicated and consistently applied. Administrative provisions are harmonized and consolidated.

- **Strengthening taxpayer service and trade facilitation initiatives to better support voluntary compliance.** Tax and customs laws, regulations, and guidelines are simplified and are easily accessible to the trading community and public. There is regular consultation with the business community to encourage and support voluntary compliance. New initiatives, such as call centers, Single Window, coordinated border management, and Authorized Economic Operator schemes are implemented.
- **Ensuring that foreign trade operators better comply with their reporting and payment obligations.** Customs procedures (including transit) are aligned with international standards and regional integration objectives. An increasing percentage of cargo manifests and declarations are electronically received and processed by customs and reconciliation procedures are strengthened. Improvements are made to the traceability of goods and customs actions in the relevant customs processing systems.
- **Regularizing tax and customs processes to effectively ensure accuracy of returns and declarations.** Risk-based control selectivity of interventions is applied more consistently, and in the case of customs, the volume of physical inspections decreases over time and the effective application of procedures based on international standards for valuation, origin and the tariff classification of goods are consistently applied.
- **Enforcing audit and anti-fraud programs to effectively ensure enforcement of tax and customs laws.** Most taxpayers are administered through properly designed risk-based compliance programs. In the case of customs, a larger share of trade is to be controlled through a properly designed post-clearance audit program. The frameworks to control special regimes and exemptions are strengthened. The legal base, procedures and capacities are strengthened to support the exchange of information with the tax department, other government agencies, and neighboring customs authorities.

## **B. PFM Program**

35. **The strategic objective for Phase II is to build on progress made in Phase I with the aim of ensuring sustainable PFM reform outcomes.** While significant progress has been made in a number of the areas, sustained support is needed if

tangible and lasting improvements are to be realized. Phase II will focus on delivering this sustained support to help achieve improved outcomes across the Fund's RBM framework in all streams of PFM work in member countries.

### **Emerging themes**

- **Infrastructure governance.** With Public Investment Management Assessments (PIMA) now complete in three AFW2 member countries (Ghana, Liberia, Nigeria), common gaps in the management of public investment in infrastructure are emerging. These gaps can be addressed using a common approach adapted to country specific circumstances.
- **Governance and combating corruption.** Develop stronger fiscal institutions and build capacity for promoting good governance to contribute to the advancement of the Fund's framework for engagement on governance and combating corruption.
- **Promoting gender equality.** Gender responsive budget analysis can be used to provide information necessary for promoting gender equality and more effective equality policies. Gender-based budget allocation, management, and reporting tools can be integrated into PFM systems to make them more gender responsive. In addition, there is scope to disseminate gender-based outcomes in tandem with IMF research on gender issues in the region.
- **Fiscal transparency.** No member country has yet undertaken a Fiscal Transparency Evaluation (FTE). This provides an opportunity for the Center to help build awareness of the value of this diagnostic instrument. Greater transparency helps ensure that governments have an accurate picture of their finances when making economic decisions, including of the costs and benefits of policy changes and potential risks to public finances, whilst also providing legislatures, markets and citizens the information they need to hold governments accountable.

### **Expected outcomes during Phase II**

36. **AFW2 has assisted member countries to strengthen PFM systems and will continue to build on the achievements of the first phase. Interventions would encompass:**



- **PFM laws and institutions.** Advancing gains made in updating laws and regulations and reorganizing ministries of finance where needed.
- **Budget preparation and execution.** Improving the credibility of government budgets through enhancing macro-fiscal forecasting and analysis and strengthening the link between medium-term fiscal objectives and forecasts and the annual budget.
- **Public investment management.** Addressing gaps in public investment management, identified through the PIMA conducted by HQ-led activities. PIMAs have been conducted in Ghana, The Gambia Liberia and Nigeria with a view to improving infrastructure governance.
- **Asset and liability management.** Expand treasury single account (TSA) coverage, improve cash forecasting systems and capabilities, and improve coordination between cash management and debt management.
- **Fiscal reporting.** Establishing robust financial reporting systems in terms of coverage and quality in accordance with the Fiscal Transparency Code to aid budget decisions and help mitigate fiscal risks.
- **SOEs and fiscal risks.** Improving oversight of SOEs and reporting on the financial performance of the SOE sector, as a first step to improve managing of fiscal risks arising from the sector, along with more robust and systematic identification, reporting and management of fiscal risks from all sources.
- **Fiscal transparency.** Promote transparency by improving the quality and coverage of budget documentation, as well as the timeliness, quality, and availability of fiscal reports.

### C. Financial Sector Supervision

37. **Capacity development in financial sector supervision will continue to be geared towards enhancing risk-based supervision, cross-border and consolidated supervision, Basel II/III, and IFRS.** The region continues to witness changes in governments and to senior figures at central banks. Addressing mergers and acquisitions and dealing with failing banks emerged as an issue of increasing

importance during the tail end of Phase I and may attain greater importance during Phase II. Demand for CD assistance in the non-banking sector is also growing, particularly in relation to guiding risk-based supervision; even though work focused predominantly on banking sector issues during Phase I.

38. **During Phase II, CD will build on the progress made in aligning supervisory policies and processes with international standards and best practices.** It is envisioned that the areas of CD focus would continue to expand, as demand is growing for support in issues such as IT supervision, cybersecurity, AML/CFT, and enhancing soft skills such as strategic planning and management. Delivery will continue to be uneven for some topic areas as some member countries such as Nigeria are ahead of the curve on issues such as Basel II/III while others such as Sierra Leone are still aligning processes to graduate to more advanced capital adequacy requirements. The Center will continue to work closely with member countries to meet these varying and evolving needs.

39. **CD support will continue to guide supervisory authorities on effectively overseeing the key risks in the banking sector.** Risk-based supervision will remain the key focus with delivery expanding to incorporate monitoring tools for credit, market, liquidity, and operational risks. Updated on- and off-site manuals and procedures, and improved information reporting systems for off-site monitoring are also a necessity. Deepening understanding of the accounting standards and more importantly, the requirements and modelling required to comply with IFRS 9 will maintain strategic importance within the region.

40. **The Basel capital adequacy standards will feature prominently during Phase II,** as authorities move to deepen the implementation of the Basel II processes and comply with the fuller definition of capital under Basel III. Half of the membership will be guided to move beyond the more simplistic Basel I calculation of capital to the more risk-focused definitions presented under Basel II/III. As such, CD work will involve defining weights and assessing the impacts of new measures on the financial sector before agreeing a final adoption. This would be complemented by advancing the Pillar II processes among all member countries. For more advanced members in the group, work will further concentrate on liquidity and other capital buffers. These measures will help authorities align their risk-focused processes and allow for a more comprehensive review and assessment of the key threats to individual banks and the sector. The provision of guidance on the enhanced use of stress testing will also help support these measures.

41. **AFW2 will continue to utilize a variety of media to meet the varying needs of the membership.** In addition to bi-lateral CD delivery, AFW2 will continue to help members learn from each other's experiences through regional workshops and attachments. Promoting learning through e-technologies will also gain more relevance.

42. **At the regional level there are several cross-cutting themes encompassing consolidated supervision.** As newer governments and authorities seek to address the legacy of failing banks and problem loans which weigh down on banking operations, the need for regional cooperation and deepening dialogue among related institutions will gain deeper prominence. As such, cross cutting issues in need of a deeper focus will include consolidated and cross-border supervision, credit risk, and Basel II, Pillar II. More in depth analysis is needed for the review of the interconnectivity of groups, the risks posed and the possible need for enhanced capital requirements for some group structures. Regulators need to strengthen consolidated supervision and corporate governance, underscored by the presence of Pan-African banks and interconnectedness among conglomerates.

43. **The Center's CD will also leverage IMF knowledge** resources and will closely coordinate activities with IMF HQ and the resident long-term advisors that have been placed in-country. Cooperation will also continue with other multi-lateral institutions such as the World Bank and more recent CD entrants such as the Bank of England.

### **Emerging themes**

44. **There is potential demand for TA in a number of areas.** These comprise work on AML/CFT, mobile and Islamic banking, and non-bank supervision though these are not reflected in the corresponding logframes. AFW2 will collaborate with the IMF's Legal Department in addressing potential demand for AML/CFT -related CD. During Phase II, engagement on these issues could arise as there is consistent demand for work in many of these areas. Issues such as mobile banking are becoming more topical, speak to the Fund's own focus, and represent areas that allow for a deeper focus on women as this is becoming more important to the Fund and other strategic partners. Given demographic trends, socio, economic and political factors may likely push for more work on Islamic banking as well as financial inclusion.

45. **Deteriorating asset quality constitutes another cross-cutting theme.** The banking sector is also encumbered by high levels of non-performing loans and CD will build on work already aimed at enhancing on- and off- site reviews and reporting, analysis of loan files and bank's underwriting skills, and ratio and financial analysis. For all countries, deepening the review of Internal Capital Adequacy Assessment Plans and the supervisory reviewing process remain important.

### **Expected outcomes during Phase II**

46. **Implement and strengthen current supervisory policies and practices so that they align more closely with international best practices in financial supervision and regulation.** These include:

- **Adopting clear supervisory processes to review submissions**, on a timely basis, and ensure that they align with regulations and best practices, implemented.
- **Strengthening bank risk assessment frameworks** (a) Quality, timeliness, and analysis of regulatory data enhanced; and (b) On- and off-site reports improved (c) Key risks identified in reports and recommendations made and followed up on.
- **Addressing unsafe and unsound practices or activities** that could pose risks to banks or to the banking system in a timely manner.

### **D. Monetary Operations, Policy, and Payment Systems**

47. **AFW2 will continue to support effective monetary policy formulation and implementation in AFW2 member countries and assist them in payments systems modernization.** The specific strategic objectives will be the following:

#### **Improve economic analysis and forecasting capabilities at the central bank so that:**

- Effective data management and compilations systems are in place with seasonally adjusted data, updated and published based on a data release calendar;
- Monetary Policy Committee (MPC) decision-making materials and presentations are streamlined to include more analysis and forecasts, and less simple listing of past events and data;
- MPC work processes are reformed to enhance interaction between staff of different departments, and between staff and management;

- Near-term forecasting techniques are developed, and forecasts are an integral part of MPC materials;
- Forecasting teams are formed and the forecasting system is used on a regular basis as an input to monetary policy decisions; and
- Central bank monetary policy communication effectively supports the success of the implemented monetary policy.

**Strengthen the capacity of the central bank to implement monetary policy effectively in the context of the given monetary policy regime:**

- The central bank has a sufficiently accurate liquidity forecasting framework in daily use to guide active liquidity management operations;
- The central bank has in place standing overnight facilities, forming an interest rate corridor in order to prevent excessive interest rate volatility;
- The central bank has in place main sterilization and refinancing operations such as short-term central bank bills and repo tenders for regular liquidity adjustment purposes;
- Short-term ad hoc fine-tuning tenders are available to address short-term unforeseen liquidity shocks;
- Working out foreign exchange (FX) intervention strategies aimed at smoothing market volatility, intermediation of FX flows, and reserve accumulation through market approaches. AFW2 is ready to organize closed-door round-table discussions including field experts between countries to encourage peer-to-peer learning; and

**Strengthen the functioning of the primary and secondary markets to ensure that:**

- The financial system has supportive infrastructure and instruments (such as repos and FX forwards) for interbank trading;
- The interbank FX, money- and government bond markets have sufficient liquidity at standard maturities (spot and overnight) to help monetary transmission and also to support government debt management;
- Central bank staff's capacity is further developed on FX and money market conventions and instruments in order to better understand market dynamics;
- Market information is available on a real-time basis to the central bank for market intelligence purposes and to disseminate (in aggregate form) on a timely basis to market participants for more transparency;
- Reference interbank FX and money market rates better reflecting actual market conditions are calculated.

### **Develop the central banks' payment systems oversight function:**

- Assist central banks in the development of oversight policy frameworks and payment system strategies for Financial Market Infrastructure (FMI) in accordance with their statutory powers;
- Strengthen the legal frameworks for the national payments system so that the laws and regulations are adequate to support the operation and oversight of the FMIs;
- Provide training and guidance to build proficiency to conduct assessments of the FMIs against the Principles for Financial Market Infrastructures (PFMI) and enhance compliance;
- Foster compliance with the disclosure requirements of the PFMI; and
- Support member countries to address emerging challenges, including: (i) cyber resiliency of FMIs; (ii) critical service providers and concentration risks; (iii) central bank digital currencies; and (iv) distributed ledger technology in payment, clearing, and settlement arrangements.

### **Outstanding Reform Issues**

#### **48. Key reform issues carried over from Phase I will include the following:**

- **There is need to continue building strong short-term forecasting systems** and move toward introducing medium-term forecasting models, covering the monetary policy decision making horizon. Enhance MPC processes and workflows, and improve monetary policy communication;
- **CD on the calibration of operations—particularly use of instruments, timing, incorporating liquidity forecasts—is needed to support these new frameworks.** This activity should be done in tandem with the market development work that may be considered for debt management as well. Several of the monetary policy instruments worked out in Phase I still need to be made more operational (e.g., regular issuance of short-term central bank bills, carrying out fine-tuning operations in case of liquidity shocks). Liquidity forecasting templates should be updated and used in decision-making more regularly, and there is a need to work on forecasting government cash flows. Interbank FX and money market liquidity is gradually improving but further efforts are needed to develop repo markets and work out central bank intervention policies; and

- **In the area of payment systems**, more efforts are needed in setting up payment systems oversight units, build oversight frameworks, collecting and analyzing all relevant information, and also reaching out to stakeholders in order to increase financial inclusion.

**Challenges due to regulatory/supervisory, political and socio-economic developments are likely to include:**

- Strengthening central banks' financial strength as weak balance sheets make central banks reluctant to undertake the necessary costs of running an effective monetary policy;
- Increasing foreign reserves in some fragile states without the corresponding increase in reserve, and risk management guidelines and practices make these countries vulnerable to sudden losses;
- Promoting money and government securities market development not only for better monetary policy transmission mechanism, but for more effective debt management which can indirectly lead to lower fiscal dominance;
- Increasing transparency, credibility, and accountability by implementing standards and procedures in communication; and
- Monitoring a fast-changing payment system landscape with challenges due to cyber risk, crypto currencies, and Fintech.

**Expected outcomes during Phase II**

- **Improving the economic analysis and forecasting** capabilities at central banks for the monetary policy decision-making process tailored to the specific monetary and exchange rate policy regime.
- **Strengthening the capacity of central banks** to implement monetary policy effectively in the context of the given monetary policy regime.
- **Implementing FX operations efficiently** and in a manner consistent with their chosen monetary policy and FX regime.
- Assisting member countries to **develop and reform their national payment system**.

## E. Real Sector Statistics

49. **AFW2 will build upon progress already achieved.** The Center will continue to assist member countries to improve national accounts and price statistics to adhere to international standards, while recognizing the diversity of situations in recipient countries. In addition, an increased focus will also be on compiling statistics that facilitate policy decision makers on a timely basis, such as quarterly national accounts (QNA). Improving economic data is very relevant to monitor progress towards the SDGs as around 40 percent of the SDG indicators include economic variables.

50. **The objective of TA in macroeconomic statistics in Phase II, will be to strengthen the methodological soundness to ensure data quality for policy decisions.** This will encompass the accuracy in compilation, and the timely dissemination of macroeconomic statistics, especially national accounts and price statistics. Strengthened methodological processes from data compilation to indicator derivation will ensure the viability of data used for impact assessment and monitoring of outcomes. The main components of TA will include these elements, while also focusing on strengthening statistical serviceability and accessibility.

51. **AFW2 will continue to assess the level of development of statistics, resources, and absorption capacity.** Against this background, AFW2 will consolidate the production of core statistics such as annual GDP and CPI, while continuing to expand the range and timeliness of economic statistics such as QNA statistics or other relevant price indices such as PPI.

52. **AFW2 will emphasize improving methodological soundness.** AFW2 will assist countries to meet the latest international recommendations, namely the System of National Accounts 2008, and to regularly update the base year used to measure GDP estimates in volumes. Improvements in the CPI, based on the *Practical Guide to Producing Consumer Price Indices 2009* and on the updated CPI Manual, once finalized, will include working towards more regular updates of the basket of goods and services and further enhancements of compilation procedures. AFW2 will assist countries to develop PPIs and to expand the coverage of existing indexes.

53. **AFW2 will continue to support the expansion of data coverage, periodicity, and timeliness of macroeconomic statistics according to the international dissemination standards.** These efforts will be guided by the IMF Enhanced General



Data Dissemination System (e-GDDS) in order to strengthen statistical serviceability and accessibility. A timely release of relevant data and metadata is a key aspect to ensure proper and efficient use of national accounts and price statistics to support policy making and to provide high quality economic statistics to the community. Regular updates of the methodological information reported in the e-GDDS describing statistical characteristics, scope, and limitations will be further encouraged and supported.

**54. Local needs and capacities will continue to be considered in TA plans, to ensure the sustainability of statistical developments.** Capacity building will be supported by formal and hands-on training. TA will be carried out in close coordination with other TA providers, both among IMF TA providers and with other development partners, to create synergy and enhance the effectiveness of TA delivery. AFW2 statistics work will be coordinated with other relevant AFW2 TA sectors and IMF headquarters projects (e.g., STA DFID project). Other coordination with development partners will include the World Bank and relevant regional organizations (such as WAIFEM and ECOWAS) through complementary assistance, training, and funding of exchange programs between national statistics offices.

## **F. Training**

**55. The content of the training will reflect the identified technical assistance priorities.** Training will be conducted through both AFW2 and ICD. It will address training needs in domestic revenue mobilization, public expenditure management, debt management, and banking supervision. The program will also include ICD training courses covering topical issues of the revamped curriculum.<sup>4</sup> At the same time, efforts designed to improve synergies between the technical assistance and training are essential. Accordingly, the technical assistance activities will intensify efforts to ensure follow up to the training needs, including the training modules and workshops on the delivery of technical assistance.

**56. The Center will continue to emphasize hands-on training in its CD delivery to enhance overall capacity of member countries.** Member countries have stressed that the greatest value added is obtained through a peer-to-peer learning and practical

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<sup>4</sup> [www.imf.org/external/np/INS/english/pdf/catalog2018.pdf](http://www.imf.org/external/np/INS/english/pdf/catalog2018.pdf)

hands-on experience. In addition to workshops linked to the major work streams, AFW2 will collaborate with ICD in offering customized training, for example in areas such as monetary policy / forecasting and policy analysis system (FPAS), macroeconomic management / frameworks, and debt sustainability analysis. For the fragile countries, efforts will continue to be made to provide additional training through the AFW2 resident advisors and through technical assistance activities provided by the Center to these countries.

**57. Ongoing cooperation with ATI, WAIFEM, the IMF ICD, and AFW2 is envisaged during Phase II.** A past regional course on monetary policy covered institutional frameworks and monetary policy regimes, transmission mechanisms, the role of a forecasting and policy analysis system, various case studies, a parsimonious model for monetary policy analysis, and included considerable time for peer exchanges. Participant highly valued the course, reflected in an overall value of the course of 4.9 (out of 5) and an excellent learning gain, measured by a comparison of tests prior to the course and at the end of the course. As a result, AFW2 envisages the continuation of similar collaboration, co-organizing courses and other peer-learning opportunities. A course on Economic Issues in Regional Integration to discuss international experience, identify challenges, and support ongoing integration efforts is envisaged in 2019.

**58. Building on these successes, and in line with the experience of other RTACs, the IMF's ICD will also offer selected regional training courses.** About one regional training course a year is envisaged which will also foster peer-exchanges. The regional courses will draw on the revamped curriculum of the IMF's ICD, adjusted to the specific needs of the region. The topics will be aligned with priority needs related to technical assistance and surveillance, such as macroeconomics (e.g., Financial Programming and Policies, Macroeconomic Diagnostics), fiscal topics (Fiscal Policy Analysis, Fiscal Frameworks, Fiscal Sustainability), monetary and exchange rate policy, financial sector issues or regional integration and inclusive growth, including governance, and gender-related issues.

**59. Technology is helping address constraints in delivery.** Face-to-face training will be complemented by relevant online courses, which are free to all officials. Taking relevant online courses or specific modules prior to a regional training course or technical assistance delivery will enhance the effectiveness of capacity development.

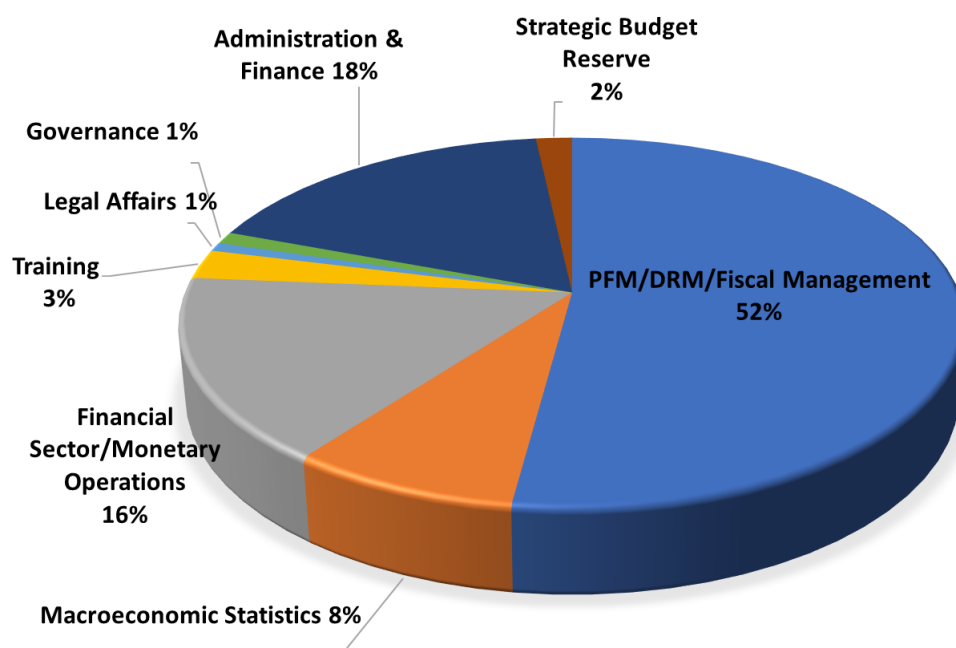
## V. FINANCING REQUIREMENTS FOR PHASE II

### A. Budget

60. **AFW2's Phase II five-year budget envelope will be \$49 million.** The allocation of resources among work streams will be similar as in Phase I (Figure 5). It is expected that the current level of CD delivery will be maintained during the new Phase, with a moderate scale-back in the areas of monetary policy operations and financial sector supervision. Following consultations with member countries and departments, Phase II plans to maintain seven resident advisors, covering the main priority areas identified in Section I, at a delivery volume roughly in line with FY19. Management of the RBM framework—including regular tracking of milestones and results is expected to be supported by a locally recruited RBM Officer for another two years.

61. **Budget envelopes in the program document (PD) will be indicative.** The medium-term budget allocations will be indicative at this stage. They may be adjusted in line with the Resource Allocation Plan (RAP) and annual budget priorities, although the broad allocation between activities is not expected to change in a major way. To further enhance flexibility, the Phase II program budget is expected to include a contingency reserve at about 2 percent of the total budget. Such flexibility will allow the Center to remain agile in addressing member country needs as they arise.

**Figure 5. AFRITAC WEST 2: Projected Expenditure Composition for Phase II by Operational Area (US \$48.9 million)**



Source: IMF's Capacity Development Information System (CDIMS).

62. **Contributions of development partners, the host country, and member countries will be crucial for covering about \$47 million of the budget.** The remaining \$2 million will be provided by the IMF. To enhance sustainability and ownership, the Center will encourage increasing the total of member country contributions—in line with other RTACs—to \$500,000 and would welcome larger individual country contributions from AFW2 member countries with higher financial capacity. Member country contributions are essential to demonstrate ownership of the Center's work and for continued donor support, and to secure the long-term financial viability of the Center. However, the fragile situation of some of the member countries will also be considered.

**Table 1. AFRITAC WEST 2 Budget: Phase I and Phase II Projected  
(U.S. dollars, millions)**

<b>Description</b>	<b>Phase I Est. Execution (FY14-FY18)</b>	<b>Phase II Indicative Envelope</b>
<i>CD Delivery</i>	27.0	38.9
PFM/DRM/Fiscal Management	15.0	25.5
Macroeconomic Statistics	3.4	4.0
Financial Sector/Monetary Operations	7.6	7.8
Training	0.8	1.3
Legal Affairs	0.2	0.4
<i>Governance and administration</i>	4.0	3.8
Governance	0.7	0.5
Finance	0.1	0.1
Administration	3.2	3.2
Contingency ( <i>unallocated</i> )	0.8	0.9
<b>Subtotal</b>	<b>31.7</b>	<b>43.5</b>
<i>Trust fund management fee (7%)</i>	2.2	3.0
<b>Total external funding (IMF02)</b>	<b>34.0</b>	<b>46.6</b>
<b>In-kind contributions</b>	<b>3.8</b>	<b>2.4</b>
<i>IMF</i>	3.8	2.4
<i>Host country</i>	0.0	0.0
<b>Total</b>	<b>37.8</b>	<b>48.9</b>

Source: IMF's Capacity Development Information System.

<sup>1</sup>/Estimated using FY18 actual expenses and decreasing STX execution for TA departments.

## **B. Cost Savings and Financial Return**

63. **AFW2, as part of a network of ten RTACs, operates in accordance with IMF standardized rules and procedures** in the areas of procurement, operations, and financial rules and procedures <sup>5</sup>. These procedures stipulate that contracts must be granted on a competitive basis by seeking the best cost–effectiveness ratio, while

<sup>5</sup> These rules and procedures were recently documented in a manual for the regional technical assistance centers, which defines and compiles the full range of IMF policies and standards for their operation.

ensuring that the clearly specified standards be rigorously respected and submitted for examination and review. Travel and lodging allowances must comply with the IMF standard rules, and the remuneration AFW2 pays to resident and short-term advisors must be based on comparative international figures. A substantial effort is made to attract experienced and competent experts from within the region.

64. **A number of institutional arrangements ensure support services meet a high standard of quality at competitive cost.** The administrative staff of the Center will ensure, on an ongoing basis the pursuit of the best cost-effectiveness ratio from service providers, particularly in the following areas:

- **Organizing of training workshops.** Venues are selected based on the price/quality comparison for the services, as well as security in compliance with IMF's requirements, so that the most competitive proposals are selected. The same approach is used for overhead expenditure for training activities, including administrative and travel costs for the AFW2 experts and travel and lodging expenses for the participants. These factors will be regularly examined and analyzed to serve as a basis for budgeting and planning.
- **For short-term experts** who are not from the region, travel expenses are optimized whenever possible through organizing back-to-back activities.
- **Optimization of the advance organizing of activities** to ensure that the experts are available, and to minimize as much as possible the expenditure on airline tickets and accommodation costs. This advance organization makes it possible to avoid any additional costs that may derive from unexpected changes.
- **Linkages with the activities of the other institutions** that provide technical assistance, and with other development partners, so as to generate synergies and savings.

65. **All other measures permitting savings to be made will be studied.** These include enhanced use of information technologies for (such as videoconferencing and Skype) meetings, particularly for follow-up activities, when possible, and for seminars with presentations of one hour or less.

**Table 2. AFRITAC WEST2 Phase II Program Document Budget**  
**May 2019–April 2024**  
**(U.S. dollars, millions)**

<b>AFRITAC WEST II Phase II Program Document Budget</b> May 2019 - April 2024 <i>(in millions of U.S. dollars)</i>	
<b>Project / Activity</b>	<b>Budget</b>
<b>Customs Administration</b>	<b>6.7</b>
Long-term Advisors	2.9
HQ Led Missions	0.8
Short-term Advisors	1.9
Seminars & Study Tours	0.3
Other <sup>1</sup>	0.8
<b>Public Financial Management</b>	<b>12.2</b>
Long-term Advisors	5.7
HQ Led Missions	1.5
Short-term Advisors	2.9
Seminars & Study Tours	0.8
Other <sup>1</sup>	1.4
<b>Tax Administration</b>	<b>6.6</b>
Long-term Advisors	2.9
HQ Led Missions	0.8
Short-term Advisors	1.9
Seminars & Study Tours	0.3
Other <sup>1</sup>	0.8
<b>Banking Supervision and Regulation</b>	<b>4</b>
Long-term Advisors	1.8
Short-term Advisors	1.2
Seminars & Study Tours	0.2
Other <sup>1</sup>	0.7
<b>Monetary Policy Operations</b>	<b>3.9</b>
Long-term Advisors	1.9
Short-term Advisors	1.2
Seminars & Study Tours	0.2
Other <sup>1</sup>	0.6
<b>Real Sector Statistics</b>	<b>4.0</b>
Long-term Advisors	1.8
Short-term Advisors	1.2
Seminars & Study Tours	0.6
Other <sup>1</sup>	0.4
<b>Financial and Fiscal Law</b>	<b>0.4</b>
<b>Administration<sup>2</sup></b>	<b>3.2</b>
<b>Training</b>	<b>1.3</b>
<b>Governance and Evaluation</b>	<b>0.5</b>
<b>Contingency</b>	<b>0.9</b>
<b>Subtotal</b>	<b>43.5</b>
<i>Trust Fund Management</i>	<i>3.0</i>
<b>Total</b>	<b>46.6</b>
<b>IMF Contribution</b>	<b>2.4</b>
<b>Host Country In-Kind Contribution</b>	
<b>Grand Total</b>	<b>48.9</b>

Source: IMF's Capacity Development Information System.

<sup>1</sup> May include backstopping, project management, language services, security, and governance costs under CD departments.

<sup>2</sup> Administration comprises FIN and AFR project management, as well as Center Coordinator travel, local staff, and local office operations costs.

## VI. AFW2 GOVERNANCE, OPERATIONAL AND FINANCIAL MANAGEMENT, AND EVALUATION

### A. Governance

66. **AFW2's operations are supervised by a Steering Committee made up of representatives from the AFW2 member countries, external partners, and the IMF.** Consultations and cooperation with regional organizations such as ECOWAS, WAMI, and WAIFEM will also be intensified by means of inviting them to these meetings as an observer. The SC meets once a year and provides strategic guidance to the Center, specifically through the approval of its program of work and budget. The SC also comments on the consistency and quality of the CD interventions provided by the Center. The SC is chaired on a rotating basis by the principal representative of one of the beneficiary countries (e.g., the deputy governor of the central bank).

67. **The Center Coordinator is responsible for management of the Center's operations, in accordance with strategic guidelines given by the Steering Committee, and under the supervision of the IMF.** S/he reports to AFR and ensures that the Center's work corresponds to the IMF's overall capacity building strategy. The Coordinator is in regular contact with the members of the Steering Committee, AFR, and the departments responsible for technical assistance, so as to identify the major strategic priorities as well as any new developments related to the technical assistance to be provided by the Center.

68. **In addition to its financial contribution, the IMF ensures that the technical assistance provided is focused and targeted, and that it meets the highest standard of quality.** The combined responsibilities of the Committee on Capacity Building (CCB)<sup>6</sup>, the African Department, and the technical assistance departments of the IMF, constitute a framework for institutional support to build capacities in the field. All capacity building activities regardless of source of financing receive the same support.

### B. Operational Management

#### *Work Plan*

69. **The annual AFW2 work plan will reflect member-countries' priorities.** This will be facilitated within the framework of the IMF's TA prioritization processes

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<sup>6</sup> THE CCB is a high-level committee to organize the IMF's policy work in capacity building and to implement the Managing Director's strategic directions.



comprising Country and Regional Strategy Notes and the Resource Allocation Plan (RAP). This process considers each beneficiary country's reform strategies. Work plans are formulated based on the capacity development needs identified by each country, anchored within the IMFs RBM framework. Drawing on this and the continuous dialogue between the IMF and beneficiary countries, TA priorities are determined, and detailed country TA programs, formulated jointly by AFW2 and IMF HQ. The work plan also accounts for AFR surveillance/program priorities, as they align with CD activities. This ensures that the activities of both are fully integrated with each other and with country reform agendas. The development of the annual work plan is also coordinated with the IMF's budget cycle and the resource allocation processes to ensure timely and predictable delivery of planned TA. In parallel, the development of multiyear projects will facilitate the planning and reporting of longer-term interventions, with their implementation subject to endorsement in annual work plans.

70. **Prioritization of the work program is critical for the efficient allocation of resources.** Given the limited resources available to AFW2, a main criterion in prioritizing the work plan is each beneficiary country's record of making effective use of previous TA. This review will reflect the ratings of milestones and outcomes in the RBM framework and reported to the SC. Peer review by the country representatives on the SC should therefore reinforce cooperation, accountability, and the effective use of resources.

71. **The AFW2 work plan consists of the TA programs for each member country, some of which may form part of broader regional projects.** The AFW2 Coordinator will seek strategic guidance from SC members on the work plan before seeking their formal endorsement. At each SC meeting, the Coordinator delivers a report on the progress of the activities outlined in the workplan.

### **C. Accountability Requirements**

72. **It is a core objective of AFW2 that its activities reflect the ownership and commitment of its members.** This helps to ensure the continued effectiveness and sustainability of the TA delivered. Like the overall network of RTACs, AFW2 operates to ensure that IMF technical assistance meets the needs of its member countries. In this context, the Center ensures that the technical assistance provided is compatible with the high-quality standards expected from IMF technical assistance. The IMF's most recently

revised policy<sup>7</sup> on the sharing of technical assistance reports will help strengthen the accountability requirements and facilitate coordination. In the context of this policy, technical assistance reports may be disclosed to members of the Steering Committee, with the consent of the technical assistance recipient, on a “no objection” basis, with the understanding that the reports must remain confidential and that the recipient must sign a letter of understanding and confidentiality agreement.

**73. The decision to disclose technical assistance reports to development partners outside of the Steering Committee is normally made on a case-by-case basis.** This is predicated on if the development partner concerned has a legitimate interest in the technical assistance report in question. For example, legitimate interest would arise from its participation in activities related to the country in question, and subject to the signing of a confidentiality agreement. The member countries are also encouraged to make their final technical assistance reports public through their own institution’s website as well as the IMF’s external website. The latter requires the TA recipient’s specific consent to publish.

**74. AFW2 will use a results-based management system to track the progress of TA projects and activities in each country.** Monitoring against pre-set objectives and outcomes contributes to timely and effective TA, RBM provides consistency, coherence, and predictability in the planning and execution of AFW2 TA. Monitoring reports further increase accountability to country authorities, development partners, and other TA providers.

#### **D. Quality Control**

**75. Maintaining the quality of AFW2 TA advice and activities is the responsibility of the staff at IMF HQ and AFW2.** The process, in some cases, begins when the TA departments screen and appoint AFW2’s resident advisors from a pool of vetted experts. IMF HQ supports AFW2 by backstopping its staff and operations. Combining the recommendations of previous surveillance and TA activities with the needs of the country, the TA departments discuss with the resident advisors the objectives and outcomes of each mission. At this early stage what is important is the strategizing and sequencing of TA to ensure that activities and outcomes build the capacity of the recipient country in a cumulative and logical manner. Throughout, the TA

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<sup>7</sup> See <http://www.imf.org/external/np/pp/eng/2013/061013.pdf>

departments provide supervision and support to both short-term experts and resident advisors. This is a dynamic and fluid process that is shaped by country circumstances.

**76. TA departments review and approve the reports produced by resident advisors.** The departments also work with country authorities to ensure follow up on the recommendations of TA activities. The authorities also provide feedback on the value and efficacy of the TA received. At all stages of each mission, TA consistency and quality across countries are also ensured. TA departments also occasionally conduct evaluation activities to review the work of the resident advisor and solicit the member countries' views on the level and type of engagement the resident advisor has with the country and their take on the technical advice the LTX provides to the country

**77. RTAC coordinators add another layer of TA quality control in their management of center day-to-day operations and their close relationship with country authorities.** As they are present in the region for extended periods, they monitor the progress of beneficiary countries in implementing reforms supported by the RTAC.

### **E. Framework for Monitoring Performance**

**78. The next external evaluation of the Center will take place three years following the launch of Phase II.** It will address: (i) the pertinence of the technical assistance advice provided by the Center; (ii) the efficacy and impact of the Center's technical assistance; (iii) the impact of the technical assistance in relation to the established objectives; and (iv) the sustainability of the outcomes of the technical assistance. It is important to emphasize that the evaluation will provide targeted, feasible recommendations, with the associated priorities and costs. These recommendations will frame the discussions on AFW2's future operations.

**79. The Center relies on an RBM framework to track implementation of CD projects.** Member countries and the Center agree on a logframe for each project, establishing a set of customized milestones to be progressively implemented by member countries to achieve the strategic and topic objectives. Logframes are based on the IMF's RBM catalog of standard objectives, outcomes, and verifiable indicators which harmonize all CD services delivered by the IMF. This system provides consistency and predictability to the design, planning, monitoring and reporting of CD delivery by the Center.

80. **Monitoring of the technical assistance results will be enhanced further during Phase II with the implementation of a new RBM IT system that will be used by the IMF.** This system (CDMAP) is currently being designed to highlight the impact of the technical assistance training activities on macroeconomic policy making and management, and builds on the lessons learned during the first round of Fund-wide RBM implementation launched midway during AFW2's Phase I.

## **F. Financial Management**

81. **For Phase II, contributions from the development partners and member countries will be paid into an AFW2 multi-partner account** under the Selected Fund Activities (SFA) instrument<sup>8</sup>, which is a framework account administered by the IMF to finance certain activities. This subaccount will be used to collect and disburse financial contributions for the Center's activities. All financial resources in this subaccount will be for the exclusive use of AFW2. Financial commitments undertaken by member countries and development partners will be the object of a memorandum of understanding with the IMF. The memorandum of understanding will define the purpose of the contributions in relation to this Program Document, subject to the terms and conditions of the SFA instrument and subaccount.

82. **The IMF will manage the trust fund in accordance with its financial regulations and its other relevant practices and procedures.** It will report on AFW2 sub-account expenditure and commitments through a secure external portal. The annual report on execution of the plan of work and annual AFW2 budget will be submitted to the Steering Committee. Expenditure will be reported on an actual basis. Operations and transactions carried out through the subaccount will be subject to an audit under the IMF's administered framework account, and the report of the external audit firm will be posted to the AFW2 website in the framework of distribution of its annual report.

## **G. Communication and Visibility**

83. **In Phase II, AFW2 will attach utmost importance to strengthened communication and partner visibility.** The Center has already introduced LTX de-briefings of development partners upon completion of key activities and intends to

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<sup>8</sup> See <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>

further enhance CD coordination. In addition, development partners will occasionally be invited to participate in workshops and seminars, with the objective of enhancing visibility.

84. **Communication and visibility activities will be based on a proactive strategy that will be updated regularly and presented in the Center's activity reports.** The main pillars of this strategy will be:

- **The AFW2 website.** In preparation for this phase, the Center will make full use of its website, which has recently been made more attractive and easier to navigate. In terms of its contents, the Center undertakes to carry out updates to make the website more dynamic and to expand its audience.
- **SharePoint** (secure sharing area). This is a secure private website, offered by the IMF and reserved for the members of the SC. The Center uses this space to publish its work programs, quarterly newsletters, annual reports, evaluation reports, and SC documents. In addition, several of these documents are disseminated more widely through the Center's webpage.
- **The quarterly newsletter**, which provides regular updates on the Center's activities and achievements and provides information on the activities planned for the coming month. The newsletter will continue to be distributed to members of the Steering Committee through the secure sharing area (*SharePoint*). It will also continue be published on the Center's website and social media, to enable news of the Center's achievements and results to reach a broader audience. There are plans to improve the newsletter during this phase, to further highlight the results of AFW2 activity within member countries.
- **Meetings with development partners and with the authorities.** The Center Coordinator will conduct regular activities in the member countries to meet with all stakeholders. The technical assistance activities and regional seminars will be used more intensively to promote the distribution of information on the Center's activities.
- **Meetings with the media in member countries.** The Center Coordinator will periodically meet the press, particularly at the opening of seminars/workshops or Steering Committee meetings.
- **Fund-wide CD platforms and social medias.** AFW2 news will be communicated to a wider audience leveraging the IMF corporate digital platforms and social media

accounts, notably [www.imf.org/capacitydevelopment](http://www.imf.org/capacitydevelopment) and the @IMFCapDev Twitter and Facebook accounts.

AFRITAC WEST2 PHASE II  
PROGRAM DOCUMENT  
ANNEXES

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**GLOSSARY**

AfDB	African Development Bank
AFE	AFRITAC East
AFR	IMF African Department
AFRITAC	AFRITAC Africa Regional Technical Assistance Center
AFS	AFRITAC South
AFW	AFRITAC West
AFW2	AFRITAC West 2
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ASYCUDA	Automated System of Customs Data
BoG	Bank of Ghana
BSL	Bank of Sierra Leone
BTO	Back-to-office
CAAT	computer assisted audit techniques
CBN	Central Bank of Nigeria
CPI	Consumer Price Index
CPSS	Committee on Payment and Settlement Systems
DANIDA	Danish International Development Agency
DFID	United Kingdom's Department for International Development
DCI	Directorates of Contributions and Taxes
DNRE	National Directorate of State Revenue, Cabo Verde
ECOWAS	Economic Community of West African States
ESC	Evaluation Sub-Committee
EU	European Union
FAD	Fiscal Affairs Department
FDI	Foreign direct investment
FMI	Financial market infrastructure
FPP	Financial programming and policies
FPAS	Forecasting and policy analysis system
FRL	Fiscal responsibility law
FY	Financial year
GDDS	General Data Dissemination Standard
GDP	Gross domestic product

GEMAP	Government's reform program (Liberia)
GFS	Government Financial Statistics
GIFMIS	Ghana Integrated Financial Management Information System
GFSM	Government Financial Statistics Manual
GIZ	German Agency for International Cooperation
GRA	The Gambia Revenue Authority
HIPC	Heavily indebted poor countries
HQ	IMF Headquarters
ICD	Institute for Capacity Development
ICD	Institute for Capacity Development
IFMIS	Integrated Financial Management System
IFRS	International Financial Reporting Standards
IFS	International Financial Statistics
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPSAS	International Public Sector Accounting Standards
IT	Information technology
LEG	IMF Legal Department
MCM	IMF Monetary and Capital Markets Department
MTEF	Medium-term expenditure framework
NCS	Nigeria Customs Service
NPL	Nonperforming loan
NRA	Sierra Leone National Revenue Authority
PCA	Post Clearance Audit
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMI	Principles for Financial Market Infrastructures
PIMA	Public Investment Management Assessment
PPI	Producer price index
QNA	Quarterly national accounts
RAP	Resource Allocation Plan
RBM	Results-Based Management
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTC	Regional Training Center

SC	Steering committee
SECO	Swiss Secretariat for Economic Affairs
SFA	Framework Administered Account of Selected Fund Activities
SME	Small and medium-sized enterprises
SOE	State-owned enterprise
SOP	Standard operating procedures
SSA	Sub-Saharan Africa
STA	Statistics Department
TA	Technical assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TRA	Tanzania Revenue Authority
TRIPS	Total Revenue Integrated Processing System
TSA	Treasury single account
TTF	Topical Trust Fund
USAID	United States Agency for International Development
VAT	Value-added tax
WAEMU	The West African Economic and Monetary Union
WAIFEM	West African Institute for Financial and Economic Management
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

## **ANNEX I: AFW2 Key Achievements in Phase I by Country**

AFW2 CD interventions covered five work streams with a view to be agile, integrated, and member-focused. These comprised (i) revenue mobilization (ii) public financial management (PFM); (iii) financial sector supervision and regulation (FSS); (iv) monetary operations/monetary policy/payments systems; and (v) statistics. Key highlights per country reflecting the five key work streams include:

### **Cabo Verde:**

#### **Revenue:**

- Efforts focused on integrating Directorates of Contributions and Taxes (DCI) and Customs operations (DC) under the National Directorate of State Revenue (DNRE). Technical assistance (TA) included, hands-on training in implementing the risk management and compliance enforcement program; strengthening post-clearance audits; and developing customs integrity and tax payer service strategies. The Customs Division has an internal governance framework in place that includes risk assessments, management assurance programs and business continuity plans. Data matching to identify compliance gaps was conducted.
- Assisted the DNRE to develop a Taxpayer Service and Communication Strategy.
- AFW2 funded training on communication to all the DNRE managers from head office and different stations, with special one-on-one training for the National Director and his direct reports.
- In the area of trade facilitation and compliance, MOUs are in place for the exchange of data with other customs administrations and agencies working at the points of entry/exit
- Supported developing capacity in tax audit and tax debt management.

#### **PFM:**

- Supported the drafting of new planning regulations under the national planning system law; and conducted a desk review of the draft new organic budget law.
- Supported the development of the medium-term fiscal framework that would underpin the 2018 budget.
- Drafted a manual for program-based budgeting and made recommendations for strengthening the PBB model.

- Advice was provided on operationalizing the new Public Enterprise Monitoring Unit (UASE), and on introducing a basic SOE oversight and reporting function to strengthen reporting on fiscal risks arising from state-owned enterprises.
- Put forward recommendations on the steps required to be taken for fully implementing the Treasury Single Account and for strengthening cash forecasting and cash management. This resulted in the Treasury Department implementing a cash flow forecasting tool, leading to better information flows with the Debt Management Unit and the DNRE

#### **Banking supervision/monetary operations:**

- The Banco de Cabo Verde receives most of its technical assistance (TA) from the central banks of Brazil and Portugal. Nevertheless, AFW2'S CD activities concentrated on strengthening the liquidity forecasting framework; improving the monetary policy toolkit through better analysis of macroeconomic data; reviewing the payment systems law; and peer-to-peer learning on macroprudential tools.

#### **Statistics:**

- TA was delivered to produce quarterly national accounts. TA now focused on rebasing national accounts and the consumer price index (CPI).

#### **The Gambia**

##### **Revenue:**

- Conducted institutional diagnostics using the TADAT assessment and followed-up to develop a reform plan to improve tax compliance management. The TADAT assessment complemented by audit and data analysis (data matching) identified gaps in tax administration and strengthened capacity to audit the telecoms sector.
- Developed capacity for data analysis and use of third party information to improve tax compliance management.
- Strengthened audit capacity for specialized sectors, including the telecommunication sector.
- Supported the GRA to develop a strategic plan, a collections and enforcement manual, standard operating procedures and implement a risk-based approach to revenue collection.
- Provided assistance to develop operational plans and strengthen the monitoring and evaluation (M&E) framework to ensure delivery of the GRA strategic plan.

Assisted the Gambia Revenue Authority (GRA) to develop a collections and enforcement manual and conduct training for the staff in the Debt Management Unit.

- Trained a team of tax and customs auditors on computer assisted audit techniques for the telecommunication sector and identified auditors to be trained as trainers. For 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 are implemented. Audit and anti-smuggling functions strengthened through the implementation of PCA guidelines and standard operating procedures. The PCA Unit has the necessary technical knowledge and skills to undertake risk-based audits in high risk sectors.

#### **PFM:**

- Providing long-term support to the Ministry of Finance and Economic Affairs (MoFEA) in strengthening its macro-fiscal forecasting capabilities, both through a macro-fiscal database and forecasting model, and the institutional arrangements for coordinating the preparation of the annual budget and ensuring internal consistency.
- Fiscal and financial reporting: AFW2 has been supporting the efforts to improve fiscal data integrity and reporting including for donor grants and loans and the contingent liabilities, besides the implementation of the International Public Sector Accounting Standards (IPSAS)
- Supporting the development of an SOE oversight function, advising on legal and institutional arrangements, and developing templates and a central database for collecting financial information from SOEs.
- The Centre extended support in implementing the TSA, including meeting the Staff Monitored Program targets through designing a TSA Action Plan and supporting its implementation.
- Strengthening expenditure control measures and developing a mechanism and strategy for the assessment, verification and settlement of old arrears and preventing the formation of new arrears

#### **Monetary operations:**

- To improve monetary policy analysis a new research data warehouse was set up with a regular issuance calendar, linked to the central bank's website.

- New economic indicators were introduced such as composite index of economic activity and the breakdown of the inflation index to administered and market prices and this latter one into tradeable and non-tradable components. This was complemented by customized training on understanding monetary policy transmission, analytical underpinnings to support the Monetary Policy Committee (MPC).
- Improving the liquidity forecasting framework was central to strengthening monetary operations.
- To improve payment system oversight function, central bank staff were trained how to apply the Principals for Financial Market Infrastructure to their own payment systems and participated in a professional attachment program to the Bank of Ghana.

### **Banking supervision:**

- CD activities focused on helping to progress risk-based supervision, particularly on an offsite basis. This included, reviewing and updating policy, restructuring offsite reports and enhancing financial analysis.
- Bank staff also benefited from attachments to the Bank of Ghana on IFRS and participating in regional workshops on credit risk and macroprudential analysis.

### **Statistics:**

- TA provided on rebasing and backcasting the GDP which were released in 2018. Improvements to tax data are continuing in order to develop quarterly national accounts as well as commencing the next GDP rebase.
- The rebase of the CPI and PPI development were also achieved.

## **Ghana**

### **Revenue:**

- Coordination with DANIDA and GIZ was leveraged in the areas of the modernization reform and auditing medium-sized tax payers. Other key milestones included (i) bolstering the audit capacity of the telecommunications sector and the identification of revenue recovery measures; (ii) evaluating the functionality of tax registry—the Total Revenue Integrated Processing System (TRIPS); and (v) reviewing the structure of excise taxes and updating the excise manual.

- Conducted institutional diagnostics using the TADAT assessment and followed-up to develop a reform plan to improve tax compliance management.
- Assisted GRA to develop tax audit and data analysis (data matching) capacity and implementation of data matching project.
- Reviewed the GRA's administration of VAT and Excise duties and provided follow-up support to improve VAT and Excise duties compliance management.
- Assisted GRA to develop its strategic plan and strengthening the modernization office.
- Other key milestones included (i) bolstering the audit capacity of the telecommunications sector and the identification of revenue recovery measures; (ii) evaluating the functionality of tax registry—the Total Revenue Integrated Processing System (TRIPS); and (iii) reviewing the structure of excise taxes and updating the excise manual.
- In the area of customs, an integrity strategy has been developed, a supporting implementation plan and M&E framework are in place and officers have the necessary skills. A risk management (RM) strategy has been implemented, RM committee established, and risk profiles reviewed periodically.
- Trained tax auditors on computer assisted audit techniques (CAAT).

#### **PFM:**

- The center collaborated closely with the World Bank in developing a PFM reform strategy and assisting with improvements to GIFMIS.
- AFW2 has been supporting the implementation of a TSA through advising the authorities on the impact on commercial banks liquidity in moving forward with the TSA
- AFW2 has provided guidance in setting up the cash management institutions and structures for improved cash forecasting and cash management
- AFW2 provided support in strengthening fiscal data integrity and fiscal reporting, specifically addressing the concerns relating to data discrepancies
- AFW2 funded and participated in an HQ-led mission to prepare a draft of the new PFM regulations, required under the 2016 PFM Act, and a review of the functions



of the Ministry of Finance and subsequent follow-up support to implement the recommendations, specifically in relation to the budget division

- Tailored training was provided to the Budget and Public Investment Management Divisions on strengthening the budget challenge function and on project prioritization and selection, responding to recommendations made in the functional review and PIMA assessment.

### **Monetary operations:**

- The main emphasis was on strengthening 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.
- TA also covered deepening the domestic debt market, debt management, (a collaborative effort during which money markets/repo instrument markets were introduced) improving liquidity forecasting and the elimination of surrender requirements to increase FX market liquidity. Staff was trained in compliance with the Principles for Financial Market Infrastructures (PFMI), issued by Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO).
- Staff benefited from attachments to Bank of Tanzania and South Africa Reserve Bank.
- A legal review was provided to BOG's draft Payment Services Regulation.

### **Banking supervision:**

- CD activities concentrated on implementing internationally accepted best practices and adopting a risk-based approach to banking supervision.
- TA was provided enhancing offsite reporting, Consolidated Supervision, managing FX and market risks, implementation of International Financial Reporting Standards (IFRS9).
- Emergency assistance was provided from IMF headquarters on strengthening the banking resolution framework to address vulnerabilities in the banking sector.
- Staff attachments to the Bank of Ireland focused on Basel II principles.

**Statistics:**

- CD interventions were targeted at improving the compilation of quarterly national accounts, in particular the expenditure measure, and the rebasing of GDP and CPI.

**Liberia****Revenue:**

- Activities got off to a slow start owing to the outbreak of the Ebola virus. The center assisted in the establishment of the Liberia Revenue Authority in mid-2014. Further assistance was provided to the LRA to develop a suite of management reports on their customs and tax IT systems to ensure effective management reporting and performance tracking.
- CD efforts strengthened and built capacity in risk management; improved the audit function' improved data quality, provision, and analysis; and developed standard operating procedures for better compliance management. A Tax Administration Diagnostic Assessment Tool (TADAT) analysis was conducted to evaluate the effectiveness of tax administration.
- Assistance to LRA was provided to develop standard operating procedures (SOPs), with CD covering the building of local capacity aimed at 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.
- A resident long-term expert was installed to assist with implementing reforms. Institutional diagnostics were conducted using the TADAT assessment and this was followed by development of a reform plan to improve tax compliance management.

**PFM:**

- Provided ongoing support for improving fiscal data integrity and the timeliness and quality of fiscal and financial reporting systems, and providing support for implementation of the IPSAS adopted by the government
- Regular support has been provided to set up cash management structures and institutions and establishing cash forecasting and planning systems besides expanding the coverage and implementation of the TSA

- Provided ongoing support for improved budget execution and establishing commitment control and arrears management systems
- Provided ongoing support to the Ministry of Finance and Development Planning (MFDP) on the strengthening of the SOE oversight function, including the development of templates for gathering SOE financial data, assessing and providing training on the adoption of International Financial Reporting Standards in Liberia's public enterprises.
- Provided advice to the MFDP on the implementation of a unified database for public investment projects, as a follow-up to the recommendations made in the 2016 Public Investment Management Assessment.

### **Monetary operations:**

- The center provided assistance in improving liquidity management and liquidity forecasting and is helping to develop a new set of monetary tools.
- Concerning monetary policy analysis, the effort focused on strengthening data management processes. developing economic indicators and fostering analytical skills. AFW2 provided capacity building to develop the central bank's payment system oversight function for the recently established financial market infrastructure unit. CBL staff received training on how to implement the Principals for Financial Market Infrastructures and participated in attachments to the Bank of Ghana.

### **Banking supervision:**

- CD served to strengthen onsite and offsite banking supervision, and associated reporting.
- Staff received training in assessing credit risk and in analyzing the prevalence of high non-performing loans.
- Guidance on addressing cybersecurity was also provided.

### **Statistics:**

- CD has been extensive in developing annual national accounts and in dealing with data deficiencies in a post-conflict setting.
- CD has also supported rebasing the CPI.

## **Nigeria**

### **Revenue:**

- CD efforts identified gaps (TADAT) and proposed reforms for the Federal Inland Revenue Service and the Nigeria Customs Service (NCS) to improve performance of non-oil revenue. Audit capacity for specialized sectors, including the telecommunication sector was strengthened; (ii) data matching project was conducted and (iii) a compliance program for large taxpayers was developed.
- In customs, risk management capacity was increased such that a risk management strategy has been developed, the risk management committee was re-established, and revised risk profiles have been developed and implemented. An integrity strategy has been developed, a supporting implementation plan and monitoring and evaluation framework are in place and officers have started to build necessary skills that form the foundation for further capacity development. NCS demonstrating greater accountability and transparency to stakeholders in its Annual Reports. Improved Board and NCS management focus on key performance indicators.
- Assisted the FIRS to improve its data analysis capacity to improve tax compliance management, especially for large taxpayers. Reviewed and strengthened capacity to manage VAT compliance.

### **PFM.**

- At the Federal level support has been directed towards cash management, including training CMU staff in cash planning and forecasting.
- Supporting the Federal government in their adoption of accrual based IPSAS, including identifying gaps with respect to IPSAS compliance
- AFW2 funded and participated in an HQ-led Public Investment Management Assessment, providing the foundations for future PIM technical assistance at the federal level.
- Two missions on strengthening oversight of Federal Government-Owned Enterprises were funded by AFW2, supporting an area of growing importance for the Nigeria authorities
- Besides the federal government, at the sub-national level AFW2 worked with Kaduna State, the third largest in Nigeria by population, to establish a treasury

single account and accompanying procedures manual. This project offers an important opportunity for reflection on the potential role that RTACs can play in providing support at the sub-national level, especially in countries with a strong federal system such as Nigeria.

### **Monetary operations:**

- Engagement in this area was limited to a 2017 scoping mission to identify priorities. Officials however participated in regional workshops and peer-to-peer learning events and during the 2018 SC meeting the central bank expressed readiness to receive the center's full TA services.

### **Banking supervision:**

- Central Bank officials were leveraged as trainers, given advances in adopting international standards.
- A key milestone was the development of an early warning system to identify stresses in the financial sector.
- The Bank was also guided on assessing IFRS 9 models; and reviewing Internal Capital Adequacy Assessment Plans submitted by banks and undertaking the Supervisory Review and Evaluation Process.
- Officials benefited from the installation of long-term expert and attachments to the Bank of Ireland on Basel II.

### **Statistics:**

- Notable achievements were backcasting the annual national accounts time series after completing the rebase of the GDP.
- TA is focused on the development of the quarterly GDP by expenditure estimates and the producer price index (PPI) as well as rebasing the CPI.

### **Sierra Leone**

#### **Revenue:**

- Post-Ebola, TA was provided on customs compliance risk management strategy and hands-on assistance to ensure the use of the ASYCUDA. Conducted

institutional diagnostics using the TADAT assessment and followed-up to develop a reform plan for Sierra Leone National Revenue Authority (NRA) to improve tax compliance management Building on the TADAT assessment, further training was provided through regional peer-to-peer learning.

- Audit and data analysis through data matching was conducted to support revenue recovery and a compliance management program was developed. Trained a team of tax and customs auditors on computer assisted audit techniques for the telecommunication sector and identified six auditors to be trained as trainers for the NRA. Management monitoring focused on achievement of annual operational plans that derive from the NRA Strategic Plan and included set targets.
- Provided further training through regional peer-to-peer learning. AFW2 supported some staff members of the NRA in the Monitoring Research and Planning Division to undertake a professional attachment at the Tanzania Revenue Authority (TRA) for exposure to areas of good practice such as the use by TRA of the Monitoring system, the implementation of enterprise-wide risk management, the Revenue Reconciliation Gateway, and sectoral revenue research and forecasting.
- Supported NRA to improve the integrity of the taxpayer register and tax debt management capacity.

#### **PFM:**

- Support was extended to help with the drafting of the new PFM Act and accompanying PFM regulations which underpin Sierra Leone's ongoing PFM reforms.
- TSA implementation has been supported through expanding its coverage and guiding the structure and framework of TSA implementation.
- Cash management systems and practices have been developed, including designing templates for cash forecasting and reporting, so to help improve cash planning and budget execution.
- AFW2 has helped strengthen expenditure controls and improve arrears assessment and verification while developing a mechanism for discharging existing arrears and controlling further arrears accumulation.
- Implementing IPSAS on a cash basis has been supported and a mission was undertaken to identify the gaps in the annual financial statements for advancing the reform activity.

- Provided guidance on the preparation of a pre-budget fiscal strategy document (FSD) as required by the new PFM Act. This led to the finalization and tabling in parliament of an FSD for the first time in 2016 for the 2017 budget cycle.
- Supporting the adoption of cash based IPSAS reporting, including identifying gaps in the annual financial statements and providing recommendations, and hosting a follow-up national training workshop on “Making IPSAS Work in Sierra Leone” for 30 officials from across the government and audit agencies.

### **Monetary operations:**

- CD delivery centered on improving macroeconomic and monetary policy analysis. A data warehouse for the research area was set up, new economic indicators such as composite index of economic activity and analytical breakdown of inflation indices were introduced and workflows for the Monetary Policy Committee meetings were improved.
- The introduction of new liquidity management instruments such as the O/N lending and borrowing standing facilities, an updated reserve requirement regulation with an extended reserve maintenance period, and a new FX auction design supported the central bank’s operational framework.
- Bank staff benefited from attachments to Ghana to study the Bank of Ghana’s financial market operations and the oversight of the payments systems.

### **Banking supervision:**

- Some of the core CD delivery included extensive training on IFRS and impairment of loans; and Credit and Loan analysis and monitoring.
- A resident long-term expert was embedded in the central bank to support implementation of reforms encompassing IT oversight and examinations,

### **Statistics:**

- Efforts focused on rebasing national accounts but funding for surveys remains an issue.
- CPI rebasing has also been a focus of TA.

**Collaboration with CD partners**

- Participated in the Development Partner (DPs) meetings for the provision of TA support to the Ghana Revenue Authority (meetings involved over fifteen representatives from DPs including GiZ, DANIDA, EU, USAID, World Bank, AfDB).
- Participated in the DPs meetings for the Nigeria Federal Inland Revenue Service (FIRS) (representatives involved include DfID, GiZ, Norway, Bill and Melinda Foundation, DANIDA, EU, USAID, World Bank and AfDB).
- In the Gambia, the Revenue Advisor collaborated with the EU who funded the VAT implementation project.



**ANNEX II: AFW2 Mid-Term Evaluation Responses**

Recommendation	IMF Staff Response	Actions	Timing	Responsibility
1. Formalize arrangements between IMF and regional organizations and agree specific activities.	Depends on willingness of regional organizations to meet criteria.	A formalization of agreements between the IMF and regional bodies would require approval by the IMF's Executive Board. In the absence of a formal arrangement, AFW2 continues to cooperate closely with regional organizations across a range of areas. To make the collaboration more effective, AFW2 will focus on more targeted interventions in areas in which it has expertise.	Phase I and II	AFW2
2. Institute outreach activities systematically in the missions.	Agree	<p>The center envisages a multipronged approach involving the Center Coordinator (CC), Regional Advisors (RAs), and Resident Representatives (Res Reps) in member countries.</p> <p>RAs and Res Reps will be encouraged to collaborate in providing feedback to stakeholders at the end of key CD missions on the objectives and findings,</p>	Phase I and II	AFW2

Recommendation	IMF Staff Response	Actions	Timing	Responsibility
		<p>subject to guidance from relevant departments.</p> <p>The center will continue to leverage digital tools for outreach, disseminate annual report and newsletters, and awareness-raising among member countries, partners, and the public.</p>		
3. Reinforce the CD approach for engagement in fragile states and extend it to the other CD areas and use modes of capacity building that have proven to be very effective.	Agree	AFW2 will collaborate closely with AFR country teams and CD departments in setting CD priorities and in responding to changing needs, in particular, among the more fragile countries (the Gambia, Liberia, and Sierra Leone). This cooperation is framed within a more structured approach for CD activities in fragile states—the Capacity Building Framework.	Phase I and II	AFW2
4. Strengthen the Steering Committee and particularly the participation of Member Countries.	Agree	Step up contact/outreach with member country authorities to explain work program objectives and outcomes. Push for greater accountability in CD delivery within the RBM framework.	Phase I and II	AFW2

Recommendation	IMF Staff Response	Actions	Timing	Responsibility
		<p>Innovate the structure the agenda/format of the Steering Committee meetings that foster greater advocacy and interventions by member countries.</p>		
<p>5. Reinforce the function of the Center Coordinator and strengthening training.</p>	<p>Agree</p>	<p>Center Coordinator's role strengthened in the review process. Responsible for signing off on briefing papers governing AFW2-financed CD missions to member countries.</p> <p>The Center Director will participate in Article IV wrap meetings on request, to ensure better integration of TA and surveillance.</p> <p>The training budget is limited but local staff are leveraging free online courses through the IMF institute and a Coursera-a consortium of universities.</p>	<p>Phase I and II</p>	<p>AFW2</p>

## ANNEX III: Macroeconomic Indicators for AFW2 Member Countries

Country	2012	2013	2014	2015	2016	2017	2018	2019
<b>Real GDP Growth</b>								
Cabo Verde	1.1	0.8	0.6	1.0	3.8	3.9	4.3	4.0
Gambia, The	5.6	4.8	-0.9	5.9	0.4	4.6	5.4	5.4
Ghana	9.3	7.3	4.0	3.8	3.7	8.4	6.3	7.6
Liberia	8.4	8.8	0.7	0.0	-1.6	2.5	3.0	4.5
Nigeria	4.3	5.4	6.3	2.7	-1.6	0.8	1.9	2.3
Sierra Leone	15.2	20.7	4.6	-20.5	6.3	3.7	3.7	5.5
<b>AFW2 Average</b>	<b>7.3</b>	<b>8.0</b>	<b>2.5</b>	<b>-1.2</b>	<b>1.8</b>	<b>4.0</b>	<b>4.1</b>	<b>4.9</b>
<b>Inflation</b>								
Cabo Verde	2.5	1.5	-0.2	0.1	-1.4	0.8	1.0	1.6
Gambia, The	4.6	5.2	6.3	6.8	7.2	8.0	6.2	5.3
Ghana	7.1	11.7	15.5	17.2	17.5	12.4	9.5	8.0
Liberia	6.8	7.6	9.9	7.7	8.8	12.4	21.3	24.5
Nigeria	12.2	8.5	8.0	9.0	15.7	16.5	12.4	13.5
Sierra Leone	6.6	5.5	4.6	6.7	10.9	18.2	15.6	13.1
<b>AFW2 Average</b>	<b>6.7</b>	<b>6.7</b>	<b>7.3</b>	<b>7.9</b>	<b>9.8</b>	<b>11.4</b>	<b>11.0</b>	<b>11.0</b>
<b>Overall Fiscal Balance, Excluding Grants</b>								
Cabo Verde	-13.1	-11.9	-9.4	-7.0	-5.8	-6.7	-5.0	-7.1
Gambia, The	-8.5	-7.1	-6.3	-6.5	-7.6	-13.2	-11.6	-10.1
Ghana	-12.8	-12.5	-11.7	-7.3	-9.5	-5.8	-6.2	-4.1
Liberia	-8.2	-12.8	-17.9	-22.2	-21.5	-21.1	-20.9	-20.4
Nigeria	0.2	-2.3	-2.1	-3.5	-3.9	-5.3	-5.1	-4.5
Sierra Leone	-9.0	-5.0	-7.8	-9.9	-11.5	-11.7	-11.8	-11.9
<b>AFW2 Average</b>	<b>-8.6</b>	<b>-8.6</b>	<b>-9.2</b>	<b>-9.4</b>	<b>-10.0</b>	<b>-10.6</b>	<b>-10.1</b>	<b>-9.7</b>

Country	2012	2013	2014	2015	2016	2017	2018	2019
<b>Government Revenue, Excluding Grants</b>								
Cabo Verde	21.6	21.9	21.1	24.4	24.2	25.2	27.7	26.7
Gambia, The	10.5	10.7	12.2	12.8	12.3	11.4	12.7	13.8
Ghana	17.0	16.3	17.7	17.6	16.6	16.7	17.3	17.6
Liberia	22.1	20.3	14.5	14.0	14.0	13.6	13.6	14.3
Nigeria	14.3	11.0	10.5	7.6	5.6	6.2	8.5	8.4
Sierra Leone	11.3	10.7	9.8	10.8	11.9	12.5	12.9	12.8
<b>AFW2 Average</b>	<b>16.1</b>	<b>15.2</b>	<b>14.3</b>	<b>14.5</b>	<b>14.1</b>	<b>14.3</b>	<b>15.5</b>	<b>15.6</b>
<b>Government Debt</b>								
Cabo Verde	91.1	102.5	115.9	126.0	129.5	127.1	130.0	130.6
Gambia, The	49.2	58.6	69.4	68.6	82.3	88.0	82.8	77.1
Ghana	47.9	57.2	70.2	72.2	73.4	71.8	71.2	67.1
Liberia	17.6	17.9	21.7	25.9	28.3	34.4	40.1	42.5
Nigeria	12.7	12.9	13.1	16.0	19.6	21.8	24.8	26.8
Sierra Leone	36.8	30.5	35.0	45.3	54.9	63.9	79.2	93.4
<b>AFW2 Average</b>	<b>42.6</b>	<b>46.6</b>	<b>54.2</b>	<b>59.0</b>	<b>64.7</b>	<b>67.9</b>	<b>71.3</b>	<b>72.9</b>
<b>External Current Account</b>								
Cabo Verde	-12.6	-4.9	-9.1	-3.2	-2.4	-6.2	-9.1	-10.2
Gambia, The	-4.5	-6.8	-7.2	-9.8	-5.9	-13.1	-12.5	-13.6
Ghana	-11.7	-11.9	-9.5	-7.7	-6.7	-4.5	-4.1	-4.0
Liberia	-11.4	-17.0	-19.4	-20.8	-14.1	-19.1	-18.3	-21.4
Nigeria	3.8	3.7	0.2	-3.2	0.7	2.8	2.0	1.0
Sierra Leone	-31.8	-17.5	-18.2	-17.4	-2.3	-11.3	-13.4	-14.1
<b>AFW2 Average</b>	<b>-11.4</b>	<b>-9.1</b>	<b>-10.5</b>	<b>-10.3</b>	<b>-5.1</b>	<b>-8.6</b>	<b>-9.2</b>	<b>-10.4</b>

Source: Regional Economic Outlook; Sub-Saharan Africa, International Monetary Fund, 2018

## ANNEX IV: AFW2 Strategic Logframe for Phase II

### AFW2 Strategic Logframe for Phase II

#### AFW2 Strategic Logframe for **Revenue Administration – Customs**

**Advisor: Philip Wood**

**Department/ Area: Fiscal Affairs Department - Customs**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
<b>Strengthened revenue administration management and governance arrangements</b>	Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1. Strategic and operational plans prepared and adopted 2. Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated. 3. Reform management capacity strengthened or in place for reform implementation, including dedicated resources. 4. Key performance indicators established, regularly reported and monitored	Currently there are large variations between the revenue administrations. The key weaknesses are in the areas of activity planning, M&E and project management.	Strategic Plans and supporting operational unit/business plans in place. M&E frameworks established, and progress reports completed. Reform & Modernization Units resourced, trained and fully operational.	Annual reports, copies of strategic plans and related documentation (activity plans, progress reports etc.).	1. Political support (change in Minister of Finance and/or Director/Commissioner-General)  2. Management support & commitment (lack of management capacity)  3. Sustainability (inadequate resources)  4. Capacity to achieve results (limited change and project management capability)  5. Timeliness (limited planning and delivery capacity)

### AFW2 Strategic Logframe for Revenue Administration – Customs

Advisor: **Philip Wood**

Department/ Area: **Fiscal Affairs Department - Customs**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	Organizational arrangements enable more effective delivery of strategy and reforms	1. Appropriate institutional settings in place. 2. Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened. 3. Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning and monitoring) and local branches (execution) adopted.	Key weaknesses include the failure to implement a functional organization structure, lack of clear lines of accountability, no clear mandates for individual units, and limited HQ functions/resources.	Organizational structure implemented in accordance with best practice standards. Roles and responsibilities clearly defined and agreed for all units.	Annual reports, copies of strategic plans and related documentation (activity plans, progress reports etc.). Copies of job descriptions, SOPs, management assurance programs etc.	

## AFW2 Strategic Logframe for Revenue Administration – Customs

Advisor: **Philip Wood**

Department/ Area: **Fiscal Affairs Department - Customs**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	Support functions enable more effective delivery of strategy and reforms	1. Support functions and policies strengthened or in place, including infrastructure, finance, legal, research, and communications 2. Improved human resources strategies and practices to support the RA 3. Improved ICT strategies and systems to support the RA	RAs lack the necessary technical skills in areas such as HR, legal, ICT and financial management. There are few BCPs and Disaster Recovery plans in place.	Roles and responsibilities clearly defined and agreed for all units. Administrative strategies (Risk, Policy, HR, ICT etc.) are implemented along with supporting organizational frameworks that are in accordance with best practice standards.	Annual reports, copies of strategic plans and related documentation (activity plans, progress reports etc.). Copies of administrative strategies, BCPs etc.	
	Customs laws are updated, simplified, and better aligned with modern standards and international protocols	1. Substantive provisions of the customs laws are better aligned with modern standards and/or protocols, and are widely communicated, and applied 2. Administrative provisions are harmonized and consolidated	Several RAs are yet to implement legislation that complies with the requirements of the WTO TFA (based on the provisions from the Revised Kyoto Convention).	Legislation is designed, approved and implemented in accordance with the requirements of the WTO TFA.	Copies of legislation, procedure codes, SOPs, guidance materials etc.	



## AFW2 Strategic Logframe for Revenue Administration – Customs

Advisor: **Philip Wood**

Department/ Area: **Fiscal Affairs Department - Customs**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
<b>Strengthened core customs administration functions</b>	Trade facilitation and service initiatives better support voluntary compliance	1. Customs laws, regulations, and guidelines simplified and easily accessible 2. Active engagement with the trade community supports voluntary compliance 3. Implementation of new initiatives, such as Single Window, coordinated border management, and Authorized Economic Operator	RAs do not have a stakeholder engagement strategy and lack the skills and resources to share information and to engage effectively with internal and external stakeholders. They also lack capacity in areas such as ICT, audit and RM which are required to support implementation of CBM, AEO programs etc.	Communication pathways are established, and stakeholders are identified and involved (as appropriate) in all change projects. The RA has the necessary technical skills to support the delivery of trade facilitation measures.	Copies of legislation, project management documentation, TORs for consultative groups, copies of minutes of meetings and action plans etc. Feedback from internal and external stakeholders.	

### AFW2 Strategic Logframe for Revenue Administration – Customs

Advisor: **Philip Wood**

Department/ Area: **Fiscal Affairs Department - Customs**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	Foreign trade operators better comply with their reporting and payment obligations	1. Alignment of customs procedures (including transit) with international standards and regional integration objective improved 2. An increasing percentage of cargo manifests and declarations electronically received and processed by customs and reconciliation procedures strengthened 3. Traceability of goods and customs actions in the customs systems strengthened	There are few checks and controls in place to ensure that customs procedures are implemented in accordance with agreed SOPs. There is limited advance information available for compliance assessment purposes. Transit procedures are not consistently applied in accordance with agreed regional protocols.	Customs procedures are documented and aligned with best practice standards. Management assurance programs are designed and implemented. RAs have access to advance copies of cargo manifest etc.	Copies of compliance management strategies, audit reports, SOPs, management information reports (no of examinations, detections, percentage red, green, yellow and purple lanes etc.). Number of appeals and complaints.	

### AFW2 Strategic Logframe for Revenue Administration – Customs

Advisor: **Philip Wood**

Department/ Area: **Fiscal Affairs Department - Customs**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	Customs control during the clearance process more effectively ensures accuracy of declarations	1. Risk-based control selectivity applied more consistently 2. Rate of physical inspections decreased 3. Effective application of procedures based on international standards for valuation, origin and the tariff classification of goods improved	Several RAs lack risk-based compliance strategies and supporting RM frameworks. RM units lack resources and access to the necessary analytical tools. Examination rates are consistently in excess of 90% with hit rates in the region of 2%. The results of examinations are often not recorded in the customs processing systems and there is limited transparency on the application of WTO rules on valuation, classification and origin.	Risk-based compliance strategies are designed, agreed and implemented. RM units are established, adequately resourced and equipped. RAs have access to advance copies of cargo manifest etc. Results of all intervention and decisions are recorded in accordance with agreed procedures.	Copies of compliance management strategies, audit reports, SOPs, management information reports (no of examinations, detections, percentage red, green, yellow and purple lanes etc.). Number of appeals and complaints.	

## AFW2 Strategic Logframe for Revenue Administration – Customs

Advisor: **Philip Wood**

Department/ Area: **Fiscal Affairs Department - Customs**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1. A larger share of trade controlled progressively through a properly designed post clearance audit program 2. Framework to control special regimes and exemptions strengthened 3. Effectiveness of the fight against fraud and smuggling increased 4. Legal base, procedures and capacities strengthened to exchange information with the tax department, other government agencies and foreign customs	RAs lack the necessary skills and resources to implement effective PCA controls. RAs are often not consulted on the granting of exemptions and waivers and have limited information available to support the application of appropriate controls. Legislation provides little scope for the proportionate use of penalties and other sanctions. Facilities for the exchange of information between customs authorities are limited.	MOUs are in place for the exchange of information between customs authorities and other relevant stakeholders. PCA units are established, adequately resourced and equipped. A range of penalties and proportionate sanctions are available and applied in accordance with agreed SOPs.	Copies of MOUs, SOPs and management information reports (number of penalties issued etc.). SOPs for PCA and copies of audit reports.	

### AFW2 Strategic Logframe for **Revenue Administration – Tax**

**Advisor: Henry Gaperi**

**Department/Area: Fiscal Affairs Department - Tax**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
<b>Strengthened revenue administration management and governance arrangements</b>	Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1. Strategic and operational plans prepared and adopted 2. Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated. 3. Reform management capacity strengthened or in place for reform implementation, including dedicated resources. 4. Key performance indicators established, regularly reported and monitored	Currently there are large variations between the revenue administrations. The key weaknesses are in the areas of activity planning, M&E and project management.	Strategic Plans (including reform plans and MTRS) and supporting operational unit/business plans in place. M&E frameworks established, and progress reports completed. Reform & Modernization Units resourced, trained and fully operational.	Annual reports, copies of strategic plans and related documentation (activity plans, progress reports etc.).	1. Political support (change in Minister of Finance and/or Director/Commissioner-General)  2. Management support & commitment (lack of management capacity)  3. Sustainability (inadequate resources)  4. Capacity to achieve results (limited change and project management capability)  5. Timeliness (limited planning and delivery capacity)

### AFW2 Strategic Logframe for **Revenue Administration – Tax**

**Advisor: Henry Gaperi**

**Department/Area: Fiscal Affairs Department - Tax**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	Organizational arrangements enable more effective delivery of strategy and reforms	1. Appropriate institutional settings in place. 2. Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened. 3. Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning and monitoring) and local branches (execution) adopted.	Key weaknesses include the failure to implement a functional organization structure, lack of clear lines of accountability, no clear mandates for individual units, and limited HQ functions/resources.	Organizational structure implemented in accordance with best practice standards. Roles and responsibilities clearly defined and agreed for all units.	Annual reports, copies of strategic plans and related documentation (activity plans, progress reports etc.). Copies of job descriptions, SOPs, management assurance programs etc.	
	Support functions enable more effective	1. Support functions and policies strengthened or in place, including	RAs lack the necessary technical skills in areas such as HR, legal, ICT	Roles and responsibilities clearly defined and agreed for all units.	Annual reports, copies of strategic plans and related documentation	

### AFW2 Strategic Logframe for **Revenue Administration – Tax**

**Advisor: Henry Gaperi**

**Department/Area: Fiscal Affairs Department - Tax**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	delivery of strategy and reforms	infrastructure, finance, legal, research, and communications 2. Improved human resources strategies and practices to support the RA 3. Improved ICT strategies and systems to support the RA	and financial management. There are few BCPs and Disaster Recovery plans in place.	Administrative strategies (Risk, Policy, HR, ICT etc.) are implemented along with supporting organizational frameworks that are in accordance with best practice standards.	(activity plans, progress reports etc.). Copies of administrative strategies, BCPs etc.	
	Tax laws are updated, simplified, and better aligned with modern standards and international good practices.	1. Substantive provisions of the tax laws are better aligned with modern standards and/or protocols, and are widely communicated, and applied 2. Administrative provisions are harmonized and consolidated	Several RAs are yet to implement legislation that complies with the requirements of the international good practices.	Legislation is designed, approved and implemented in accordance with the requirements of international best practices and IMF recommendations.	Copies of legislation, procedure codes, SOPs, guidance materials etc.	

## AFW2 Strategic Logframe for Revenue Administration – Tax

Advisor: **Henry Gaperi**

Department/Area: **Fiscal Affairs Department - Tax**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
<b>Strengthened core tax administration functions</b>	Taxpayer facilitation and services initiatives better support voluntary tax compliance.	1. Tax laws, regulations, and guidelines simplified and easily accessible 2. Active engagement with the taxpayers and other stakeholders supports voluntary tax compliance 3. Implementation of new initiatives, New initiatives, such as high integrity register, e-filing and e-payment, debt and refund management, self-assessment and automated large scale third party data matching are implemented.	RAs do not have a stakeholder engagement strategy and lack the skills and resources to share information and to engage effectively with internal and external stakeholders. They also lack capacity in areas such as ICT, audit and RM which are required to support implementation programs that promote voluntary tax compliance.	Communication pathways are established, and stakeholders are identified and involved (as appropriate) in all change projects. The RA has the necessary technical skills to support the delivery of trade facilitation measures.	Copies of legislation, project management documentation, TORs for consultative groups, copies of minutes of meetings and action plans etc. Feedback from internal and external stakeholders.	
	Better use of risk management and re-engineered business	1. Risk-based audit selection selectivity applied more consistently 2. Use of appropriate technology	Several RAs lack risk-based compliance strategies and supporting RM frameworks. RM	Risk-based compliance strategies are designed, agreed and implemented. RM units are	Copies of compliance management strategies, audit reports, SOPs, management	



### AFW2 Strategic Logframe for **Revenue Administration – Tax**

**Advisor: Henry Gaperi**

**Department/Area: Fiscal Affairs Department - Tax**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	processes to improve return filing, payment and accuracy of reporting.	3. Effective application of procedures based on international standards and good practices	units lack resources and access to the necessary analytical tools. classification and origin.	established, adequately resourced and equipped. RAs have access to adequate third-party information etc. Results of all intervention and decisions are recorded in accordance with agreed procedures.	information reports (no of examinations, detections etc.). Number of appeals and complaints.	
	Audit and anti-tax evasion programs more effectively ensure enforcement of tax laws	1. Framework to control tax expenditures and exemptions strengthened 2. Effectiveness of the fight against fraud and tax evasion increased 3. Legal base, procedures and capacities strengthened to exchange information with the tax	RAs lack the necessary skills and resources to implement effective compliance improvement initiatives. RAs are often not consulted on the granting of exemptions and waivers and have limited information available to support the application of appropriate	MOUs are in place for the exchange of information between tax and customs authorities and other relevant stakeholders. Implementation support units are established, adequately resourced and equipped. A range of penalties and proportionate	Copies of MOUs, SOPs and management information reports (number of penalties issued etc.). SOPs and copies of audit reports.	

### AFW2 Strategic Logframe for **Revenue Administration – Tax**

**Advisor: Henry Gaperi**

**Department/Area: Fiscal Affairs Department - Tax**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
		department, other government agencies and foreign tax agencies.	controls. Legislation provides little scope for the proportionate use of penalties and other sanctions. Facilities for the exchange of information between tax authorities and other agencies are limited.	sanctions are available and applied in accordance with agreed SOPs.		

### AFW2 Strategic Logframe for **Public Financial Management (PFM)**

**Advisors: John Grinyer and Naresh Jha**

**Department/Area: Fiscal Affairs Department - Public Financial Management**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes/comments
<b>IV.1 PFM Laws and Institutions - Improved laws and effective PFM institutions</b>	1. The capacity of the ministry of finance to meet its PFM responsibilities is enhanced	Strategic and/or operational PFM action plans	No overarching strategy that guides the reform effort and its sequencing.	PFM reform programs in place	PFM Reform program documents	1. Political support (change in Minister of Finance)  2. Management support & commitment (lack of management capacity)	
		Reformed organizational structure	Diagnostic studies and recommendation s exist for revised organizational structures. However, champions of and capacity for reform lacking.	Change in organizational structures formulized	Ministry internal documents / annual report / organogram	3. Sustainability (inadequate resources)	
<b>IV.2 Budget Preparation - Comprehensive , credible, and policy-based</b>	1. A more credible medium-term macro-fiscal framework that supports budget preparation	Percentage variation between aggregate expenditure outturn and approved budget (PEFA PI-1)	Generally unrealistic revenue forecasts underpinning the annual budget.	Revised processes to agree revenue forecasts to discourage optimism biases	Government budget documents and revenue outturn data	4. Capacity to achieve results (limited change and project	

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Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes/comments
<b>budget preparation</b>	2. A more credible medium-term budget framework is integrated with the annual budget process	PEFA PI-1: Percentage variation between aggregate expenditure outturn and approved budget  PEFA PI-3: Percentage variation between revenue outturn and approved budget  Percentage variation between forecast and actuals of the main macroeconomic variables	Technical tools to provide macro-fiscal forecasts to underpin the annual budget exist but are not well-linked to the budget process. Discretionary changes to budget aggregates undermining credibility of annual budgets.  PEFA scores, where they exist, are generally 'D' for these indicators.	Institutional links between technical tools, working groups and annual budget preparation developed	Internal Ministry of Finance documents	management capability)  5. Timeliness (limited planning and delivery capacity)	
<b>IV.3 Better budget execution and control</b>	1. Appraisal, selection, and implementation of public investments is improved	Appraisal, selection, costing and monitoring of public investment projects (PEFA PI-11, PIMA 9, PIMA 10, PIMA 13, PIMA 14, FTC 2.1.4)	PIMA studies all give 'low' scores for Design and Effectiveness for project appraisal and selection	Standard project selection methodology adopted	Internal Ministry of Finance / Planning documents		

### AFW2 Strategic Logframe for **Public Financial Management (PFM)**

**Advisors: John Grinyer and Naresh Jha**

**Department/Area: Fiscal Affairs Department - Public Financial Management**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes/comments
	2. Controls over expenditure commitments and payments are strengthened	PI22. Expenditure arrears	Due to unrealistic budgeting and allotments in excess of actual resources, expenditure arrears are created. However, stocks of arrears and monitoring mechanisms vary in AFW2 countries	Stock of expenditure arrears are reduced and monitored regularly	Audit and financial reports	Inadequate capacity and lack of political support to audit compliance	
IV.4 Fiscal Reporting- Improved Coverage and Quality of Fiscal Reporting	1. Enhanced coverage and implementation of internal audits and reporting including risk-based auditing systems	PI26. Internal audit	The internal audit systems and practices are weak	Coverage and implementation of internal audit systems; following international standards; and improved compliance to audit observations	CAG/Auditor General's reports		While Cabo Verde, Nigeria and Ghana have better audit systems in terms of coverage and quality there is scope for advancement in terms of following

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Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes/comments
	2. Enhanced quality of external audits, timely submission to legislature and their implementation	PI30. External audit	The external audit agencies are existing but performance in terms of coverage, standards and timely submission to the legislature need to improve	Following international standards; improvements in timeliness of presentation to legislature and review by them	AG Reports	Lack of capacity, weaknesses in the IFMIS/IT systems and challenges in complying with IPSAS requirements	international standards, timely review by legislature and compliance to the audit observations
	3. Comprehensiveness and quality of fiscal reports is enhanced	PI27. Financial data integrity	The bank account reconciliations are generally irregular, incomplete and delayed. The in-year budget and annual financial reporting systems are weak in terms of comprehensiveness	Bank account reconciliation systems and processes are in place and conducted regularly	In-year and annual financial reports/AG's Report		There is substantial gap between the countries ticked and the others though there is scope for improvement on comprehensiveness and quality of fiscal reports in all AFW countries
		PI28. In-year budget reports		Improvements in comprehensiveness , timeliness and quality of reports			

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**Department/Area: Fiscal Affairs Department - Public Financial Management**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes/comments
		PI29. Annual financial reports	ess of coverage, timeliness and accuracy. Compliance to adopted accounting standards (IPSAS) needs to develop	Completeness of financial reports, timely submission to auditor general and implementation of international standards/IPSAS		Unrealistic resource assessment and budgeting; weak capacity	
IV.5 Asset and Liability Management-Improved Asset and Liability Management	1. More central government revenues and expenditure are deposited and disbursed through a Treasury Single Account	PI20. Accounting for revenue	<b>AFW2 countries are at various stages of TSA implementation in terms of:</b> availability of timely and accurate revenue data; direct transfer of revenues to treasury/daily sweeping and complete and timely reconciliations	Number of bank accounts in public entities are rationalized and linked to TSA	Level of aggregation of government revenues in TSA/Review of number of public entity bank accounts		The countries that are not ticked have advanced significantly on TSA implementation, but full TSA is still a target

### AFW2 Strategic Logframe for **Public Financial Management (PFM)**

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**Department/Area: Fiscal Affairs Department - Public Financial Management**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes/comments
	2. Cash flow forecasts for all of central government are more accurate and timely	PI21. Predictability of in-year resource allocation	Cash management institutions and structures are mostly in place, but cash forecasting and planning practices are weak in most AFW2 countries, impacted by unrealistic budgeting and cash rationing systems	(i) Cash management institutions and structures are in place (ii) Cash forecasting systems and practices are institutionalized and based on realistic/actual flows for use in cash planning (iii) cash forecast projections are used for debt/short term borrowings to smoothen budget implementation	Review of cash forecasting systems, use of cash forecasts by the management and the budget outturn reports		
<b>IV.6 Fiscal Risks - Strengthened Identification, Monitoring, and Management of Fiscal Risks</b>	1. Central fiscal oversight and analysis of public corporations is strengthened	Comprehensiveness and timeliness of monitoring and reporting public corporation's fiscal risks (PEFA PI-10.1, FTC 3.3.2)	PEFA scores, where they exist, are generally 'D'. Efforts are beginning in some AW2 countries for adoption of International Financial	Establishment of Fiscal Risk Unit or similar institution	Ministry internal documents / annual report / organogram		



### AFW2 Strategic Logframe for **Public Financial Management (PFM)**

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Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes/comments
			Reporting Standards (IFRS) adoption by SoEs to assist in their fiscal reporting				
	2. Disclosure and management of contingent liabilities and other specific fiscal risks is more comprehensive	Reporting contingent liabilities and other risks (PEFA PI-10.3, OBI 42)	Fiscal Risk Units are being established. PEFA scores are 'B's	Fiscal Risk Statement drafted and published	Ministry of Finance publications / annual budget documents		

## AFW2 Strategic Logframe for Monetary Operations, Policy, and Payment Systems

**Advisor: Zsolt Ersek**

**Department/ Area: Monetary and Capital Markets Department – Monetary Operations, Policy, and Payment Systems**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
I. Improving the economic analysis and forecasting capabilities at the CB for the monetary policy decision-making process tailored to the specific monetary and exchange rate policy regime.	I/1 Improved economic data management, monetary policy analysis and forecasting capabilities at the CB.	Functioning data warehouses with data calendar, new economic indicators such as composite index of economic activity and new analytical measures of inflation worked out	A systematic work has started to build data warehouses, develop economic indicators and improve internal reporting which are now partly functional	Data regularly updated as per data release calendar and available on CB website, new indicators are regular part of MPC decision making materials	CB website, MPC reports	Data quality and quantity still need to be improved
	I/2 Forward-looking policy analysis and forecasting are integrated into the monetary policy decision-making process	A near term forecasting toolkit is operational, used in the regular forecasting exercise rounds; A quarterly projection model (QPM) is operational, used in used in the regular forecasting exercise rounds.	Basic near-term forecasting capacities; medium term forecasting only in Ghana. MPC work processes not streamlined yet.	A structured forecasting process and forecasting schedule in place with specified responsibilities and work process defined	Internal and external reports	Understaffing partly due to insufficient HR management and lack of technical skills in research areas

## AFW2 Strategic Logframe for Monetary Operations, Policy, and Payment Systems

**Advisor: Zsolt Ersek**

**Department/ Area: Monetary and Capital Markets Department – Monetary Operations, Policy, and Payment Systems**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
II. To strengthen the capacity of the central bank to implement monetary policy effectively in the context of the given monetary policy regime	II/1. The central bank has a sufficiently accurate liquidity forecasting framework to guide the liquidity management operations	A consistent liquidity table is constructed daily; liquidity forecasting is derived from the liquidity table; liquidity forecasting can be used to plan the type, amount and tenor of liquidity management instruments	Liquidity tables and currency in circulation models developed; update is not regular everywhere; limited use of forecast in practice	Liquidity templates are updated regularly, forecasting errors are back tested and forecasts are used in decision making	Updated CB liquidity monitoring and forecasting templates, written analysis on forecast accuracy, internal reports	Government cash flow forecast challenging, insufficient IT support to decrease manual inputs
	II/2 The central bank has adequate operational instruments and is able to formulate operational strategy to deal with changing liquidity conditions	Appropriate reserve requirement (RR) system, standing facilities and Open Market Operations (OMO) instruments are available to deal with different liquidity conditions (cyclical/ structural, excess/shortage)	Room to improve RR system parameters to allow more flexibility; O/N standing facilities introduced but not yet fully operational; general lack of short CB bill and repo tenders as main liquidity management	Functional O/N standing facilities, CB bill issuance, repo tenders and fine-tuning tenders, terms and conditions are worked out and published	CB website, existing of elaborated terms and conditions document	perception of weak CB balance sheet makes CBs reluctant to undertake necessary costs of operation; unjustified mistrust in banks to allow more flexibility in their liquidity management

### AFW2 Strategic Logframe for **Monetary Operations, Policy, and Payment Systems**

**Advisor: Zsolt Ersek**

**Department/ Area: Monetary and Capital Markets Department – Monetary Operations, Policy, and Payment Systems**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
			instruments, lack of fine tuning operations			
III. To develop the capacity of the authorities to implement FX operations efficiently and in a manner consistent with their chosen monetary policy and FX regime.	III/1 . The authorities have a clear FX intervention policy that is consistent with the chosen FX regime and its well understood by markets and the public	An internal FX intervention policy document and operational procedures exists; Appropriate instruments are available for the conduct of FX intervention	Followed FX intervention practices typically not for smoothing volatility; interventions mainly based on usual practice not on guidelines or formal procedures; basic instruments to transact with market are available	Written internal FX intervention guidelines with operational procedures; improved and published FX auction procedures (where applicable),	Central bank and central bank website	CBs consider it as very sensitive area; fear of float; fiscal dominance/government pressure on micro managing exchange rate

## AFW2 Strategic Logframe for **Monetary Operations, Policy, and Payment Systems**

**Advisor: Zsolt Ersek**

**Department/ Area: Monetary and Capital Markets Department – Monetary Operations, Policy, and Payment Systems**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	III.2 The interbank market has adequate breadth and depth to facilitate monetary policy transmission	The range of FX hedging instruments is developed to allow agents to adequate manage FX risks; Prudential regulations are developed to ensure FX risks are adequately monitored and managed.	NOP regulations are in place but loosely followed by the CBs; illiquid spot markets with sufficient price discovery function exist but only limited activity in forwards and swaps; CBs market intelligence at basic level	NOP reported daily and enforced strictly, NOP data analyzed as part of market intelligence. Market data reporting and analysis developed, regulations supportive for FX hedging transactions	central bank's daily reporting system, regular internal reports for management,	Electronic data reporting systems not functional; illiquid markets, lack of understanding of market dynamics and instruments
IV. To advise and assist the central bank (CB) and other relevant authorities in developing and reforming the national payment system	IV/1 The oversight and supervisory framework for FMIs is set up by the relevant authorities according to their statutory powers	The authorities' organizational setup supports the oversight and supervision functions; they collect relevant information about the FMIs on an ongoing basis and conduct assessment against the CPSS-IOSCO principles for FMIs	Authorities have recently started to set up their payment system units; operations and oversight not yet fully separated everywhere; CBs make efforts to collect	Payment system oversight unit set up separate from operations; Info collection is timely and comprehensive, payment systems reports annually published, assessment against	Operation manual of payment systems oversight unit, CB website for report and CB internal project documents concerning assessment	As it is a relatively new area, lack of expertise about payment systems oversight; understaffed units

## AFW2 Strategic Logframe for **Monetary Operations, Policy, and Payment Systems**

**Advisor: Zsolt Ersek**

**Department/ Area: Monetary and Capital Markets Department – Monetary Operations, Policy, and Payment Systems**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
			information but analysis of data lagging behind; staff trained for assessment against CPSS-ISOCO, but formal assessment started only in Ghana	CPSS-ISOCO principals started		
	IV/2 FMIs operate on the basis of a sound, transparent and enforceable legal and regulatory environment that is able to support the efficiency and the safety of payment arrangements	Central Bank Law establishes its operational and oversight responsibilities for the payment system; There are adequate regulations issued governing FMIs.	Central law includes CBs' operational and oversight responsibilities; CBs continuously updating their payment system regulations	Updated payment system laws, existing regulations coverings all FMIs, including electronic payment service providers, list of approved providers regularly updated on CB website	CB website	Lack of legal expertise, fast changing payment system landscape

### AFW2 Strategic Logframe for **Financial Sector Supervision**

**Advisor:** Cheryl Bruce

**Department/Area:** Financial Sector Supervision

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes /comments
<b>Implement and strengthen current supervisory policies and practices so that they align more closely with international best practices in financial supervision and regulation, including risk-based supervision, consolidated and cross-border supervision, and Basel II/III, IFRS 9</b>	Clear supervisory process to review submissions, <i>on a timely basis</i> , and ensure that they align with regulations and best practices, implemented.	Regulations, manuals and policy guidelines are revised, adopted, and effectively enforced by authorities.	Supervisory authorities have compliance-based manuals together with legislation and policy guidelines in place to guide supervisory processes and the oversight of financial institutions.	Updated supervisory manuals are approved and implemented. Legislation drafted, reviewed and passed, guidelines and policies updated.	Financial Sector Legislation and Policy Guidelines. Supervisory Manuals and policies.	Governments do not pass or adopt recommended changes in legislation. Manuals are revised but practices remain unchanged.	

### AFW2 Strategic Logframe for **Financial Sector Supervision**

**Advisor:** Cheryl Bruce

**Department/Area:** Financial Sector Supervision

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes /comments
	Bank risk assessment frameworks strengthened: a) Quality, timeliness and analysis of regulatory data enhanced; and b) On and offsite reports improved c) Key risks identified in reports and recommendations made and followed up on.	Regulatory and supervisory frameworks are more closely aligned with RBS; processes and manuals for key supervisory functions are established and effectively implemented. • Basel II/III requirements are incorporated in laws and regulations; and banks comply with them. • Provisioning guidelines are more closely in line with IFRS	During Phase I member countries received CD on enhancing Risk-based frameworks and have already begun making changes towards enhancing processes. Some member countries are also progressing work in meeting the Basel II/III requirements.	Revised reporting templates developed and put into practice, Capital is calculated and implemented in line with Basel II/III frameworks, Banks provision for loan losses in line with IFRS 9 requirements.	On and offsite reporting templates, Databases for calculating capital requirements, Models submitted and reviewed for provisioning.	Inadequate ownership by authorities. Insufficient supervisory capacity, Poor IT systems in need of refresh and upgrades, High staff turnover and loss of trained staff; poor and/or unreliable data capture	Relevant to all countries though some have not yet started, and some are at more advanced stage of implementation.



<b>AFW2 Strategic Logframe for Financial Sector Supervision</b> <b>Advisor: Cheryl Bruce</b> <b>Department/Area: Financial Sector Supervision</b>							
Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)	Notes /comments
	Supervisors timely address unsafe and unsound practices or activities that could pose risks to banks or to the banking system.	Supervisors follow up on breaches, apply sanctions as needed and keep relevant records on sanctions applied.	Legislation and guidelines outline applicable sanctions for various breaches to legislation and guidelines.	Supervisory processes are amended to address existing gaps; Enforcement processes are formalized and documented.	On and Offsite reports, Register of Sanctions.	Political interference; insufficient supervisory capacity, lack of willpower by senior management.	

### AFW2 Strategic Logframe for Real Sector Statistics

Advisor: **Donna Grcman**

Department/Area: **Real Sector Statistics**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
<b>Strengthen compilation and dissemination of data on macroeconomic and financial statistics decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata</b>	Data are compiled and disseminated using the concepts and definitions of the latest manual/guide	Rebasing the annual national accounts	Base years are not released within the international standard of every 5 years	Rebase every 5 years	Statistical data	Lack of political commitment from authorities to implement TA recommendations.  Inadequate resourcing including funding to undertake the functions.  Insufficient and/or out of date IT systems.
		Rebasing Consumer Price Index (CPI)	Countries in various stages of rebasing depending on the household budget survey	Release update of CPI soon after completion of household budget survey		
		Development or updating of Producer Price Index (PPI)	Countries are yet to develop or update the PPI depending on the economic survey	Release update of PPI soon after completion of economic survey		
	Higher frequency data has been compiled and disseminated internally and/or to the public	Development of quarterly national accounts	Partial or no development of QNA	High frequency data for QNA required to assist in policy making		

### AFW2 Strategic Logframe for Real Sector Statistics

Advisor: **Donna Grcman**

Department/Area: **Real Sector Statistics**

Strategic Objective (high-level objective)	Outcome (Expected Results)	Verifiable Indicators	Baseline	Milestone (high-level, to be achieved by country authorities)	Source (to verify achievement of outcome)	Risks and Assumptions (general, high-level)
	Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs	Development of a business register in conjunction with Revenue Authorities	No business register currently	Business register required to obtain data for surveys as well as administrative data is developed.		





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