

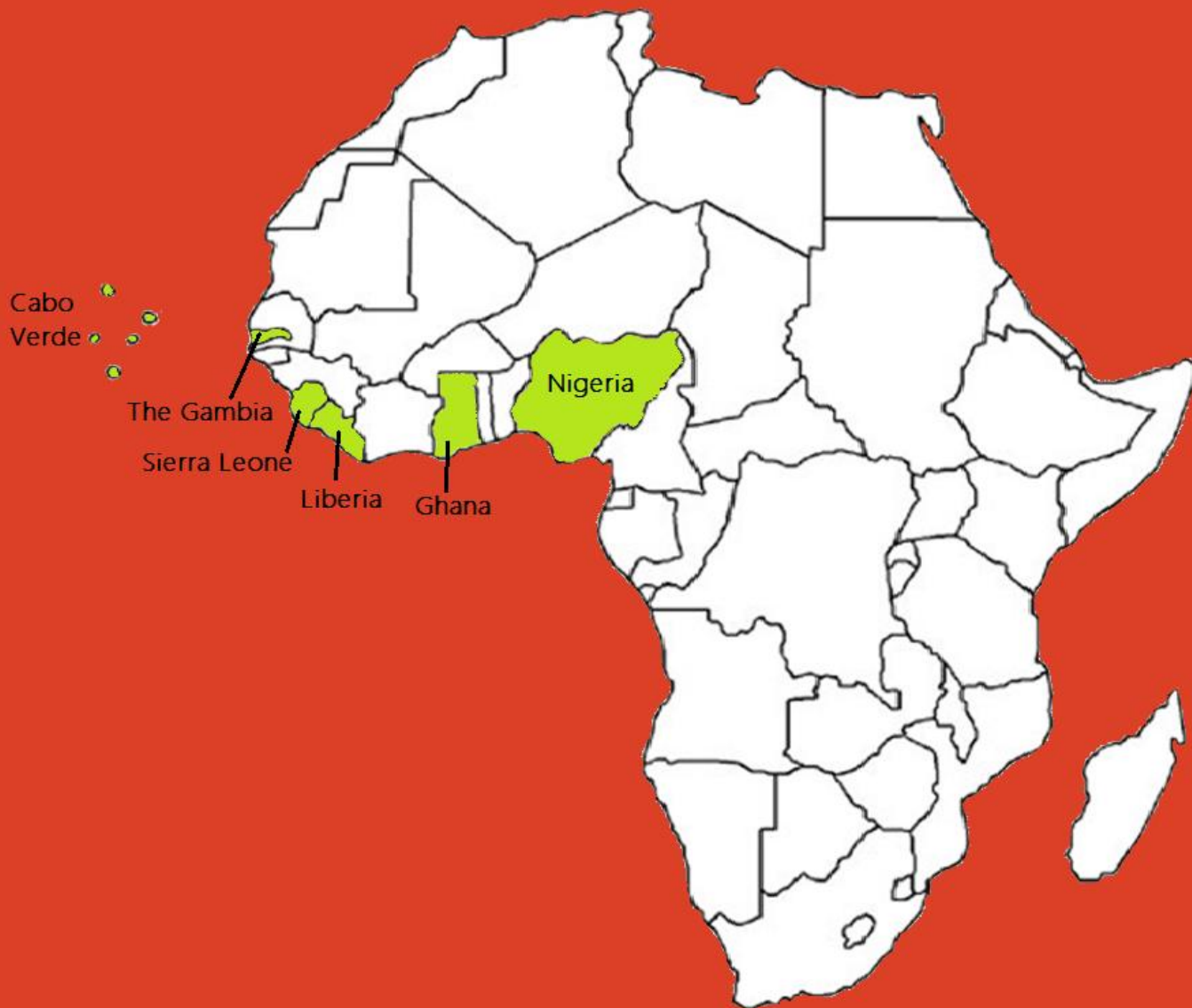


## FY2016 Mid Year Report

# WEST AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER 2 (AFW2)



# AFRITAC WEST 2 MEMBER COUNTRIES



Ghana



Cabo Verde



Liberia



Nigeria



Sierra Leone



The Gambia



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





## LIST OF ACRONYMS

AFRITAC	Africa Technical Assistance Center
AFW2	AFRITAC West 2
ATAF	African Tax Administrators' Forum
ANA	Annual National Accounts
BCP	Basel Core Principles
BOG	Bank of Ghana
CAAT	Computer Assisted Audit Techniques
BOP	Balance of Payments
CB	Central Bank
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CD	Capacity Development
CPI	Consumer Price Index
CPSS	Committee on Payment and Settlement Systems
CSWAMZ	College of Supervisors of West African Monetary Zone
DFID	Department for International Development of the UK
DNRE	National Directorate of State Revenue of Cabo Verde
DPs	Development Partners
ECOWAS	Economic Community of West African States
EDDI	Enhanced Data Dissemination Initiative
EVD	Ebola Virus Disease
FAD	Fiscal Affairs Department of IMF
FIRS	Federal Inland Revenue Service of Nigeria
FPAS	Forecasting and Policy Analysis System
FGN	Federal Government of Nigeria
FS	Financial Supervision
FSD	Fiscal Strategy Document
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
GBoS	Gambian Bureau of Statistics
GIZ	German Agency for International Cooperation
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GIFMIS	Ghana Integrated Financial Management Information Systems
GFS	Government Finance Statistics
GRA	Ghana Revenue Authority
GSS	Ghana Statistical Service
HQ-RES	Research Department of the IMF
KGn	Kaduna State Government
KPIs	Key Performance Indicators
LRA	Liberian Revenue Authority
LTX	Long Term Experts
MCM	Monetary and Capital Markets Department of IMF
MONOPS	Monetary Operations and Payment System
MTEF	Medium Term Expenditure Framework



MPC	Monetary Policy Committee
M&E	Monitoring and Evaluation
NCS	Nigeria Customs Service
NRA	The National Revenue Authority of Sierra Leone
OTA	US Treasury Office for Technical Assistance
PBB	Program-Based Budgeting
PCA	Post Clearance Audit
PFM	Public Financial Management
PFMI	Principles for Financial Market Infrastructure
PPI	Producer Price Index
QNA	Quarterly National Accounts
QPM	Quarterly Projection Model
RA	Regional Advisor
RA-FIT	Revenue Administration-Fiscal Information Tool
RBM	Results Based Management
RTAC	Regional Technical Assistance Center
SC	Steering Committee
SDGs	Sustainable Development Goals
STA	Statistics Department of IMF
STX	Short-Term Expert
TA	Technical Assistance
TGRA	The Gambia Revenue Authority
TPA-TTF	Tax Policy and Administration-Topical Trust Fund
TSA	Treasury Single Account
VAT	Value Added Tax
WAIFEM	West Africa Institute for Financial and Economic Management
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone
WATAF	West African Tax Administrators' Forum
WCO-ROCB	World Customs Organization Regional Office for Capacity Building



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## I. EXECUTIVE SUMMARY

The macroeconomic challenges facing the sub-region continue to define the nature of AFW2's capacity development (CD) work program for its member countries. The countries are facing significant fiscal challenges against the backdrop of falling revenues (especially for commodity producers), sluggish global growth and export demand as well as widening fiscal gaps. The associated pressures for greater policy effort to improve domestic revenue mobilization (an important aspect of the Sustainable Development Goals—SDGs and Financing for Development Agenda) and strengthen public financial management (PFM) supported by robust monetary-financial sector toolkits and high quality macroeconomic data, continue to define the macroeconomic landscape in AFW2 countries. Thus, the Center's CD work focuses on supporting its member countries in their efforts to pursue fiscal consolidation through PFM and revenue administration reforms, modernizing the monetary policy frameworks, strengthening financial sector supervision and regulation, as well as improving macroeconomic statistics.

In the first half of FYI6, the Center proceeded to implement its work program, albeit with a number of lags. The Center fielded 42 missions including three seminars and workshops during FY 2016 H1 (first half of the fiscal year). So far, about 16 percent of the FY 2016 milestones have already been achieved while about 77 percent are work in progress and 7 percent have been cancelled or postponed (Figures I-3). The Center's activity remained below the programmed target, largely because of the lagged impact of the Ebola crisis on AFW2 countries, the Center's operations, as well as significant under-execution of TA delivery in Cabo Verde where, for certain sectors, the limited supply of Portuguese speaking experts has constrained the Center's TA intervention. Both factors were beyond AFW2's control and the latter issue will be addressed with the support of IMF HQ staff. Total expenditures in FY2016 as at end-September<sup>1</sup> were about \$1.93 million compared to the original programmed budget target of about \$4.6 million for the period (see Table I on the annual budget). Given the great strides against the Ebola crisis, part of the under spending is likely to be reversed in the FY2016 H2. On the contributions from development partners, while over 79.5 percent of pledges have been received, the Center continues to make outreach efforts to secure more funds. On the member countries side, The Gambia made its first installment payment of about \$87,500.00 in August. Efforts are also being made to secure outstanding pledges from the other AFW2 member countries.

The Center made significant progress in key areas of the implementation of the work program namely:

- **Re-engaging Liberia and Sierra Leone post Ebola:** The post-Ebola period presents some pressing CD needs for both Liberia and Sierra Leone, although these needs vary across sectors. Both countries face pressures to increase resource mobilization to finance their post-Ebola strategy and managing those resources would require strengthened PFM. As a result, TA delivery to both countries has improved since the lifting of the mission ban by the IMF in May (Box I).
- **Supporting the implementation of Ghana's IMF-supported program through strengthening capacity:** There has been close collaboration with other development partners working with the Ghana Revenue Authority (GRA) in strengthening capacity in different areas. AFW2 has also

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<sup>1</sup> End-October expenditure figures will be available by the time of the Steering Committee meeting.



- worked closely with the authorities and other development partners in strengthening Ghana's PFM law and improving its macro-fiscal framework and with the Bank of Ghana on modernizing its monetary policy framework to support the reform enshrined in the IMF-supported program.
- **Supported by AFW2 TA interventions, the Gambia Revenue Authority's (TGRA) continued its efforts to strengthen tax and customs administration.** This, in part, is attributable to the fact that the TGRA has made good use of TA support provided by both HQ and AFW2. More recently, AFW2 support has helped the TGRA embed a strategic planning culture in its organization.
  - **Intensification of TA delivery to Nigeria, most notably to Kaduna State:** In response to a request from the Federal Government of Nigeria (FGN), an AFW2-funded HQ-led diagnostic mission helped to identify quick-win revenue generation measures in both tax and customs in the light of falling oil revenues. In addition, an AFW2 technical assistance mission visited Kaduna during September to assist the authorities with (i) reviewing and updating the reform strategy for implementation of a Treasury Single Account (TSA) and cash management framework along the lines of similar reforms being implemented at the federal level with FAD support; and (ii) reviewing their plans for zero-based/results-based budgeting. Success in Kaduna on TSA implementation will likely have positive spillover effects on other states in Nigeria.
  - **Promoting peer learning and support in regional seminars for capacity development.** Recognizing that member countries see merit in pursuing peer learning and peer support—a combination of policy dialogue and capacity development—to help move reforms forward in their countries, the Center fostered and made use of such peer learning to discuss best practices on implementing CD reforms especially in the context of political economy constraints. Such a peer learning seminar was conducted between Ghana and Nigeria in July 2015 on implementing PFM reforms.

**The Center continues to pursue new forms of capacity building delivery within the RBM framework.** On the supply side of CD, the Center is pursuing a process for TA identification and prioritization combined with flexible approaches for TA delivery to meet varying needs including more hands-on TA across sectors to help improve the effectiveness of our CD work. Collaboration with other local TA providers including regional capacity building institutions such as WAMI is also being pursued. On the demand side, recognizing that capacity building is a shared responsibility, the Center is taking initiatives to enhance country ownership; including through more formal country feedback and regular assessment of the implementation of past TA recommendations (Box 3) which are consistent with a more demand driven approach to CD as well as nurturing reform champions in AFW2 member countries.

**These initiatives are being complemented with extensive outreach in the region.** Once the Ebola crisis subsided, AFW2's outreach has focused on informing policy makers and other stakeholders on IMF's contributions to CD—including through new and innovative modes of TA delivery as discussed in detail in the FY 2016 annual report (Box 1). The Centre Coordinator undertook four outreach missions: Liberia (June); Sierra Leone (August -September) and Nigeria (September and November).

**The rest of the report is organized as follows.** Section II summarizes key issues for discussion at the Steering Committee meeting on December 2. Section III provides a report on success stories and Section IV reports on the implementation of the FY2016 work program and the associated amendments.



## II. ISSUES FOR DISCUSSION AT THE STEERING COMMITTEE

Issues	Background and Context
1. Revised Work Program for FY2016	The Center proposes a timely revision of its work program in view of developments in the FY2016 HI and new requests from its members. The Center seeks the endorsement of the revised work program by the Steering Committee (SC) for the remainder of FY2016 (Annex II).
2. An Additional Long-Term Expert for the Center	In light of the emerging and pressing needs by some member countries, notably Liberia and Sierra Leone, consideration is being given to adding another Resident Advisor at the Center to meet the anticipated growth in demand (Box 1). In line with its role of providing strategic guidance to AFW2, the Center welcomes the initial feedback of the SC of this plan. The Center will then present at the next SC meeting in 2016 a more concrete proposal following a more thorough assessment of the needs.
3. Nigeria—A strategic approach	The Center has taken initiatives to tailor its capacity building work on Nigeria so that it complements FAD TA and fit the needs of sub-Saharan Africa's largest economy (Box 2). An effective CD intervention needs to be cognizant of the specifics of the Nigeria case with a federal structure, and its potential leadership role in capacity building in some areas in the region. One example of this tailored approach is the introduction of a TA support program to help extend TSA reforms to sub-national level, starting with the State of Kaduna. In line with its role of providing strategic guidance to AFW2, the Center welcomes the feedback of the SC on tailoring its CD approach to Nigeria.
4. Governance Arrangements and location of the next SC meeting	It was agreed after the April 2015 SC meeting that AFW2 will switch to annual meetings from the calendar year 2016. The Chair and location for the next SC meeting (tentatively April 2016) should be decided by consensus. The Center seeks the endorsement of the SC on the timing and location of its next meeting.

**Table 1. IMF Africa Capacity Building Initiative - AFRITAC West 2**  
(as of September 30, 2015)

	(A)	(B)	(C)	(D)	(E)	(F=B+C+E)	(G=A-F)
	Total Budget FY2014-2019	FY2014	FY2015	FY2016		Total Expenses FY2014-2016	Total Remaining Budget
	US\$	Outturn US\$	Outturn US\$	Budget US\$	Outturn thru Sep 2015 US\$	thru Sep 2015 US\$	US\$
<b>Long-term Experts</b>	<b>8,097,402</b>	<b>264,484</b>	<b>1,420,765</b>	<b>1,709,711</b>	<b>484,211</b>	<b>2,169,460</b>	<b>5,927,943</b>
Fiscal	3,141,467	138,029	609,057	816,775	213,721	960,808	2,180,659
Revenue administration and tax policy	1,570,734	43,811	307,536	257,231	102,979	454,325	1,116,408
Public financial management	1,570,734	94,218	301,521	559,545	110,743	506,483	1,064,251
Monetary	3,412,283	84,636	555,200	633,726	168,839	808,675	2,603,608
Banking supervision	1,706,142	84,636	344,850	325,584	47,999	477,485	1,228,657
Monetary policy and operations	1,706,142	-	210,350	308,142	120,840	331,190	1,374,951
Statistics	1,543,652	41,819	256,507	259,209	101,651	399,977	1,143,675
<b>Short-term Experts</b>	<b>8,797,972</b>	<b>43,964</b>	<b>857,236</b>	<b>2,592,285</b>	<b>608,210</b>	<b>1,509,410</b>	<b>7,288,562</b>
Fiscal	4,970,768	23,829	655,269	1,539,635	348,656	1,027,753	3,943,015
Monetary	2,414,228	-	103,456	580,313	206,303	309,759	2,104,469
Statistics	982,613	20,135	73,229	308,897	27,664	121,028	861,585
Legal	350,923	-	25,283	84,000	-	25,283	325,640
Reesearch	79,440	-	-	79,440	25,587	25,587	53,853
<b>Travel</b>	<b>4,410,312</b>	<b>128,105</b>	<b>197,565</b>	<b>562,605</b>	<b>122,542</b>	<b>448,212</b>	<b>3,962,100</b>
Long-term Expert travel	2,298,255	20,127	112,632	363,537	65,851	198,610	2,099,645
Center Coordinator travel	321,231	11,063	17,111	31,250	18,047	46,221	275,010
Staff travel	1,790,826	96,915	67,822	167,818	38,645	203,381	1,587,445
<b>Training</b>	<b>4,431,059</b>	<b>-</b>	<b>145,466</b>	<b>1,560,404</b>	<b>17,039</b>	<b>162,505</b>	<b>4,268,554</b>
TA seminars	2,567,844	-	125,957	1,188,333	17,039	142,996	2,424,848
ICD Training	1,583,733	-	19,509	316,260	-	19,509	1,564,224
HQ Direct Training	279,482	-	-	55,811	-	-	279,482
<b>Diagnostic Missions</b>	<b>2,461,588</b>	<b>29,570</b>	<b>84,876</b>	<b>510,320</b>	<b>33,862</b>	<b>148,308</b>	<b>2,313,280</b>
Fiscal	1,738,073	29,570	76,320	365,839	33,504	139,395	1,598,678
Monetary	648,903	-	-	129,581	358	358	648,545
Statistics	74,613	-	8,556	14,900	-	8,556	66,057
<b>Backstopping/Project Management</b>	<b>2,584,687</b>	<b>94,171</b>	<b>243,621</b>	<b>341,391</b>	<b>113,789</b>	<b>451,581</b>	<b>2,133,106</b>
Backstopping	1,587,525	51,006	188,929	258,214	82,483	322,418	1,265,107
Project Management	997,162	43,166	54,692	83,178	31,306	129,164	867,998
<b>Other</b>	<b>969,109</b>	<b>-</b>	<b>-</b>	<b>123,711</b>	<b>-</b>	<b>-</b>	<b>969,109</b>
Evaluation	280,374	-	-	-	-	-	280,374
Contingency	688,735	-	-	123,711	-	-	688,735
<b>Center management</b>	<b>5,027,615</b>	<b>155,060</b>	<b>491,591</b>	<b>912,241</b>	<b>299,029</b>	<b>945,679</b>	<b>4,081,935</b>
Staff salary	1,054,784	13,374	68,026	187,865	39,818	121,218	933,567
Staff training	25,000	-	-	4,896	-	-	25,000
Other-office support/communication	1,402,438	116,877	112,313	220,959	34,736	263,927	1,138,512
Facilities	2,545,392	24,809	311,251	498,521	224,475	560,535	1,984,857
<b>Subtotal Donor Expenses</b>	<b>36,779,744</b>	<b>715,354</b>	<b>3,441,120</b>	<b>8,312,668</b>	<b>1,678,681</b>	<b>5,835,155</b>	<b>30,944,590</b>
<b>Trust Fund Management</b>	<b>2,574,582</b>	<b>50,075</b>	<b>240,878</b>	<b>581,887</b>	<b>117,508</b>	<b>408,461</b>	<b>2,166,121</b>
<b>Total Donor Expenses</b>	<b>39,354,327</b>	<b>765,429</b>	<b>3,681,998</b>	<b>8,894,555</b>	<b>1,796,189</b>	<b>6,243,615</b>	<b>33,110,711</b>
IMF Contribution	3,847,712	1,315,733	414,999	332,350	138,479	1,869,211	1,978,501
<b>Total West AFRITAC 2</b>	<b>43,202,039</b>	<b>2,081,162</b>	<b>4,096,997</b>	<b>9,226,905</b>	<b>1,934,668</b>	<b>8,112,827</b>	<b>35,089,212</b>

Source: Institute for Capacity Development, IMF.

### III. EXAMPLES OF SUCCESS STORIES ON AFW2'S CD INTERVENTION

AFW2 is nearing its 18 months anniversary and despite the Ebola outbreak and the effect on its operations, there is evidence that the Center is having an impact on capacity building in the region. Consistent with the call by the Steering Committee on the need to focus on results, this section describes the CD interventions that have already led to good outcomes or appear to hold considerable promise. While the nature of successful CD intervention varies across sectors, two common themes that cut across the success stories are strong country ownership on the demand side and the use of hands-on training on the supply side.

#### Revenue Administration: Embedding a Strategic Planning Culture in The Gambia Revenue Authority

Supported by AFW2 TA interventions, the Gambia Revenue Authority's (TGRA) continued efforts to strengthen tax and customs administration, helped to raise the revenue-to-GDP ratio from 14.5 percent in 2012 to 16.1 percent in 2014; it is also on course to meeting the targets for 2015. This, in part, is attributable to the fact that the TGRA has made good use of TA support provided by both HQ and AFW2. More recently, AFW2's support has helped the TGRA embed a strategic planning culture in its organization. AFW2 delivered a number of TA missions with concrete results. TGRA has finalized its Strategic Plan for the period 2015 to 2019 and has developed operational plans with clear performance indicators (KPIs) to monitor performance against set targets for strategic objectives; and the organization's performance is being evaluated on a quarterly basis thus ensuring focus on and delivery of strategic objectives.

In close collaboration with AFW2, TGRA has also subsequently hosted a consultative meeting to share their strategic plans with development partners, thus showing commitment to their reform program. With the clarity of purpose provided by the strategic plan, there is strong indication that the TGRA reform program has taken root and commitments for funding have been received from development partners and the government. AFW2's TA intervention including the use of practical and hands-on support played an important role in this success.



Ms. Faith Mazani (AFW2's advisor for Revenue) with the management of The Gambian Revenue Authority (TGRA)

#### Public Financial Management: Implementation of the Treasury Single Account in Kaduna (Nigeria)

The ongoing TA interventions by AFW2 in Kaduna State aim to help implement reforms in cash management and government banking arrangements, along the lines being implemented at the federal level with FAD support. This TA hold considerable promise and is likely to be replicated in other States

in Nigeria. As more States start implementing such reforms, it will have an appreciable and positive impact on the Federation as a whole. AFW2 also plans to provide some TA to Kaduna State to strengthen budget preparation, in coordination with FAD support in this area.

In July 2015, the Governor of the State of Kaduna announced his intention of implementing a Treasury Single Account (TSA). An implementation plan was quickly developed and fast-tracked with September 1st as the TSA start date. Instructions were given to commercial banks to close all MDAs' accounts and to transfer the deposits to the State account at the Central Bank of Nigeria (CBN). While the authorities deserve full credit for taking the initiative and moving fast to implement this key reform, they benefited from two AFW2 missions in September and October which reviewed the TSA architecture and provided guidance for improving its operability. Earlier, following a request from the Federal Ministry of Finance, FAD and AFW2 had decided to support TSA reforms in Kaduna state in line with similar reforms being implemented at the federal level with FAD support. This would serve as a showcase of reforms at the sub-national level and encourage other states to replicate them. It is expected that all 35 states will start implementing a TSA in the near future using a methodology that is informed by the Kaduna experience. FAD-HQ and AFW2 are jointly planning a workshop in Abuja in late November for the Governors and Finance Commissioners of about 12 states that are interesting in implementing the TSA reform. AFW2 will use this opportunity to provide further support to advance the ongoing TSA reform agenda. AFW2 will continue to combine TA and training in this area as a means to strengthen the effectiveness of CD.



### **Monetary Policy: Enhanced monetary policy formulation in Ghana**

Spearheaded by HQ-RES and AFW2, the ongoing project on improving Forecasting and Policy Analysis System (FPAS) in the Bank of Ghana (BOG) has started to yield some tangible results as the BOG has introduced several changes in its monetary policy formulation and communication in line with the directions suggested by the February and July HQ/AFW2 TA mission. Specifically:

- BOG introduced a pre-Monetary Policy Committee (MPC) meeting to enhance the quality of the policy deliberations allowing two-way interactions between the MPC and the staff and involving the MPC members deeper in the forecasting process.
- The MPC press release was also redesigned, strengthening its emphasis on the reasoning of the policy decisions and outlook for inflation and disclosing most recent macroeconomic data separately, before the press release.



- To increase transparency, BOG begun announcing the calendar of MPC meeting dates in advance.
- BOG started preparatory work to reorganize its Research Department into two separate departments – an Economics Department and a Statistics Department (currently there is no Statistics Department in BOG). While the Statistics Department will be responsible for collecting, maintaining and disseminating economic and survey data, the Economics Department will serve the MPC policymaking needs. It will also further enhance the collaboration between the BOG and the Ghana Statistical Service on the development and use of statistics.

With AFW2 and HQ-RES advice and training, BOG staff were able to improve the BOG's quarterly projection model (QPM). During the workshop, participants developed the BOG's forecasting model further by adjusting the fiscal block with the introduction of a fiscal deficit and fiscal impulse variables. Strengthened liquidity forecasting based on the enhanced QPM will allow the Central Bank Board to make better-informed policy decisions.

### **Financial Supervision: Enhancing Ghana's Risked-based Supervisory Framework**

One month of guided assistance from AFW2; and thanks to the cooperation of senior management of the Banking Supervision Department, the BOG made significant strides in enhancing its risked-based supervisory framework. This was accomplished through one-on-one tutorials with almost all examiners on the onsite team, intensive feedback on reporting framework; and a specially designed workshop to address identified gaps and weakness.



Basel II/III training for the Bank of Ghana, June 15-19, 2015  
Accra, Ghana.

### **Statistics: Strengthening The Gambia's Real Sector Statistics and the Launch of Quarterly National Accounts in Cabo Verde**

The Gambia Bureau of Statistics (GBoS) continues to process the economic survey and collect administrative data to enable the rebasing of the annual national accounts (ANA). GBoS is also working with the Gambia Revenue Authority to obtain data for the development of quarterly national accounts (QNA). The Advisor's hands on support to the officials played an important role in making progress here.



The inaugural launch of the quarterly national accounts in Cabo Verde, April 24, 2015

AFW2's work with the "Instituto Nacional de Estatística de Cabo Verde"- National Institute of Statistics of Cabo Verde assisted in developing and finalizing Cabo Verde's QNA. They were disseminated for the first time in April 2015.

#### IV. IMPLEMENTATION OF THE WORK PROGRAM FOR THE FY2016 (MAY –OCTOBER 2015) AND PROPOSED AMENDMENTS

##### SECTORAL UPDATES

##### Revenue Administration

##### Overview

The implementation of the Revenue Administration work-plan for FY2016 took off on a high note and is well on track. Member countries have received TA support on revenue compliance risk management very positively and are keen to implement recommended strategies against the backdrop of falling revenues and widening fiscal gaps. TA support has also focused on strengthening strategic and operational planning, performance monitoring and evaluation.

##### Country work

- **Cabo Verde:** TA delivery during the first half of FY2016 continued under the TPA-TTF program by the Fund's FAD to support the implementation of managerial reforms and preparation of the DNRE's 2016 operational plans and preparation of performance indicator framework. However, the respective activities were undertaken late in the period thus delaying follow-up support and linkages planned via AFW2. Also, a number of missions planned for the first quarter were deferred due to challenges in securing Portuguese speaking experts on time. As a result of these two factors, there were no AFW2 TA missions to Cabo Verde during the first half of FY2016. However, regular contact was maintained to monitor progress on the implementation of the agreed plan on Customs Risk Management.
- **Ghana:** The Advisor participated actively in the Steering Committee of Development Partners working with the Ghana Revenue Authority (GRA) which was formed to coordinate reform programs for the GRA. Through this forum and bilaterally with the respective development partners, collaboration focused on strengthening capacity in different areas. These included



- strengthening strategic planning as well as putting in place proper planning structures for 2016 operational plans, project management on monitoring and evaluation effectiveness and governance reform. Following earlier missions on VAT and excise, AFW2 assisted the GRA in developing and enhancing operational manuals for excise and VAT management.
- **Liberia:** The Liberia Revenue Authority (LRA) has been very receptive to TA delivery in response to the revenue pressures exacerbated by the Ebola crisis and weak economic performance. AFW2 assisted the Liberia Customs in reviewing customs operating manuals and developing job profiles for all key positions. This should give clarity to operations and assist with better performance monitoring. Customs staff will be trained on the developed manuals by end of December and this should contribute to improved revenue performance. The training of auditors continues under the TPA-TTF program together with the implementation of an HR performance management system and strategic planning.
  - **Nigeria:** AFW2 funded an FAD-led diagnostic mission to help identify quick-win non-oil revenue generation measures in both tax and customs in the light of low oil prices and the impact on oil revenues. The mission proposed a comprehensive set of reforms focusing on reform of the tax policy and legislative regime (based on previous FAD advice) and improving the general effectiveness of the tax and customs administration. The proposals will form the basis for further AFW2 support. Training on Compliance risk management and data analytics was also provided to both the Nigeria Customs Service (NCS) and the Federal Inland Revenue Service (FIRS). This training will continue in the fourth quarter in order to strengthen compliance risk management units and control over field offices.
  - **Sierra Leone:** TA delivery in the field has resumed since the lifting of the IMF's travel ban on missions. The Advisor has agreed with the National Revenue Authority (NRA) management on their areas of priority to boost revenue generation which has been negatively impacted by the Ebola crisis, slow economic activity and the slump in iron-ore output, following the closure of the dominant mining operators. TA support has been given to improve compliance management and strengthen computer assisted audit capacity in domestic taxes and risk management in Customs. A professional attachment was organized in September-October 2015 for the Monitoring Research and Planning Unit of the NRA to the Tanzania Revenue Authority in order to improve their delivery of the strategic plans.
  - **The Gambia:** Following assistance in developing the Strategic Plan for 2015 to 2017, AFW2 continued its support in developing the operational plans and strengthening the Monitoring and Evaluation (M&E) Framework. The TGRA held a briefing session for development partners to solicit support for their strategic plan and operation plans for 2015/16 and AFW2 played a key role here. TA support also helped to improve both the customs post clearance audit (PCA) function and introduce staff to the use of Computer Assisted Audits Techniques (CAAT).



## Progress towards AFW2 FY 2016 Milestones

Figure 1

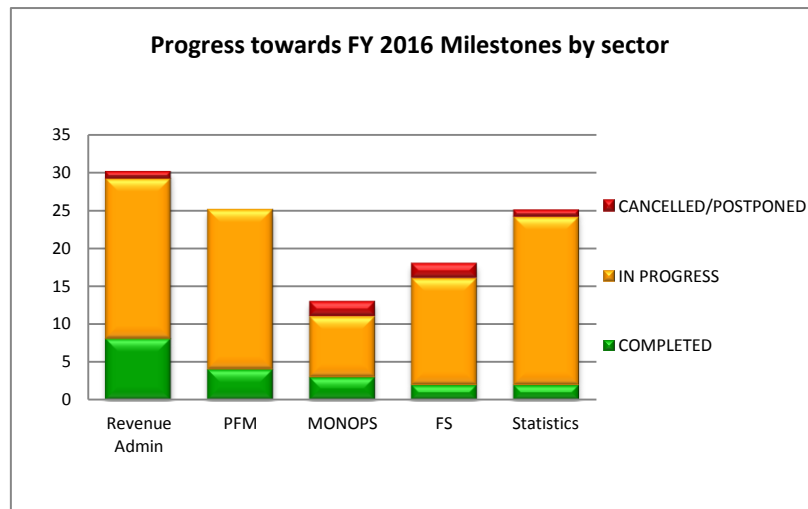


Figure 2

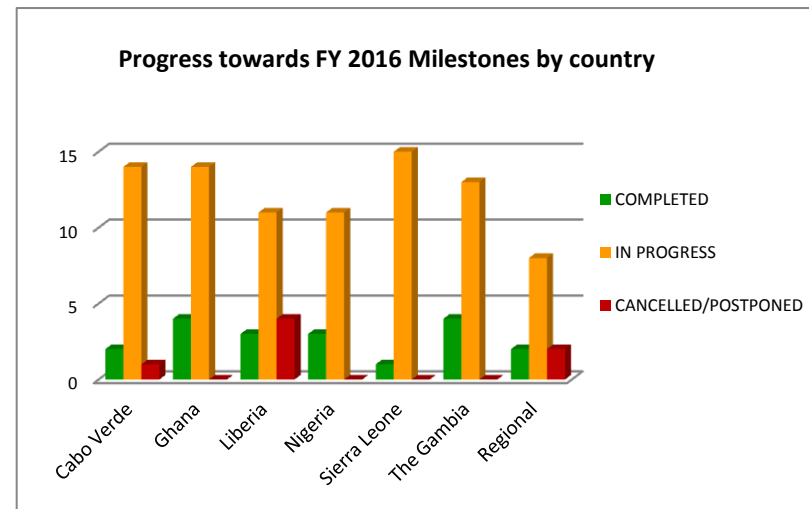
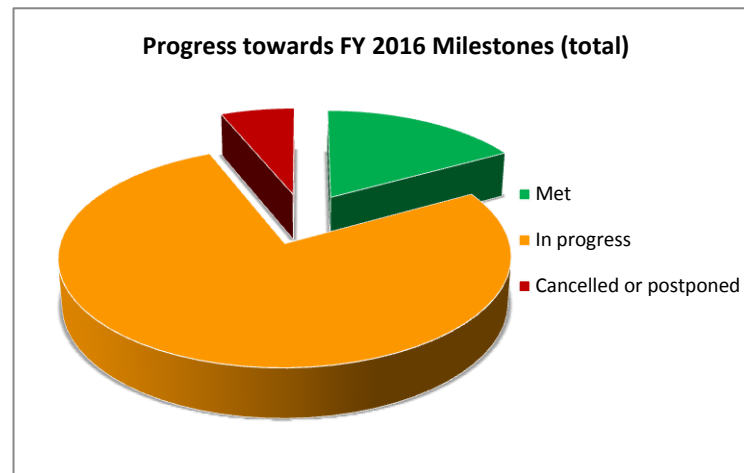


Figure 3







### **Amendments to the FY 2016 work plan (see Annex II)**

There have not been major changes in the work plan that was presented in April 2015, except in the timing of the TA delivery depending on the availability of experts. The main changes which reflect the Center's ability to address emerging needs are:

- The dropping of the work on the taxpayer registration drive in **Liberia**, as the proposed scope involved support to field registration program which is outside the scope of AFW2 work. Instead, more support will now be given in the preparation for the implementation of VAT which will be done jointly with FAD under the TPA-TTF program.
- The pace of implementation of TA delivery in **Nigeria** is likely to be slower than originally planned due to the ongoing transition by the new administration and the need to engage the new management of the FIRS and NCS. Accordingly, we have amended the phasing of TA delivery to take into account these factors.
- A significant part of the planned TA intervention in **Cabo Verde** has been deferred to the second half of FY 2016 due to challenges in obtaining Portuguese speaking experts. The challenge related to the recruitment of Portuguese speaking experts is expected to be addressed with the support of HQ.

### **“Quick wins” that countries can focus on in terms of capacity building**

Most of the work planned for FY2016 for all member countries focused on improving revenue compliance and hence generation of the much needed revenue to close the fiscal gaps. This is to be delivered through developing and implementing risk-based compliance management strategies, including improved service delivery and simplification of procedures for both officers and taxpayers and building audit capacity. A regional workshop was held in March 2015 on these issues (see Box 2 of the FY2015 annual report). In order to make revenue delivery more sustainable, revenue administrations in almost all member countries need to improve their strategic frameworks by developing clear and measurable strategic objectives, ensuring their delivery through robust M&E frameworks that are supported by strong management structures. Accordingly, the above reforms will remain the focus of AFW2's delivery in revenue administration.

### **Risks**

Weak management capacity compounded by high staff turnover (and attrition) including changes in leadership and lack of succession planning remain an area of concern. The low level of staff development in a number of administrations inhibits the implementation of reform initiatives. The Center's general approach to combining TA and training will to some extent address some of these challenges. That said; excessive focus on revenue generation by governments often takes away management focus on the much needed core institutional reforms as the counterparts concentrate on short term revenue gains or at times “bad quick wins” that are not sustainable over the medium term. Beyond these risks to CD, the biggest risk to revenue mobilization is the slow economic growth and the continuous lagged economic impact of the Ebola crisis in a number of countries. In addition, countries relying on oil and other natural resources revenue have been negatively impacted by the drop



in commodity prices, and prospects remain highly uncertain, warranting a continued focus on mobilizing non-resource revenues.

## Public Financial Management (PFM)

### Overview

The delivery of TA in the region gathered momentum during the first half of FY 2016. TA delivery remains focused on macro-fiscal planning, budget reforms and cash management. Overall, there has also been some progress on the implementation of past TA recommendations on PFM by AFW2 member countries. However, this implementation has been negatively impacted by the slow-down in the economies due to a decline in commodity prices that put strains on budgets and exacerbated the problem of budget credibility. The negative impact of these shocks has revealed new weaknesses in the PFM system, in particular in the area of macro-fiscal planning where difficulties in producing realistic adjustments in economic and revenue forecasts continue to be a major area of challenge.

### Country work

- **Cabo Verde:** The implementation of AFW2 work program has met with an unexpected challenge resulting in the missions planned for the first part of FY 2016 being postponed to November. At the authorities' request, AFW2 is working on the documentation and assessment of PFM Reforms for the period 2000-2015 as a preparation for planning the next PFM reform strategy. The second leg of this assignment was delayed due to scheduling difficulties. A second mission on the preparation of a Program-Based Budgeting Manual was delayed for a similar reason. Meanwhile, AFW2 provided remote support and a partial draft of the manual has been submitted to the authorities.
- **Ghana:** In June 2015, AFW2 provided support to the finalization of the PFM Reform strategy with the development of an action plan and of a monitoring and evaluation matrix that was completed in August. As a follow-up to the last FAD mission on the revision of the PFM Law, AFW2 provided TA to introduce fiscal principles into the draft law that aims to support a rule-based Medium Term Fiscal Framework. The mission also provided a template for the introduction of a Fiscal Strategy Document (FSD) that could be used as an instrument of top-down fiscal discipline to enforce fiscal targets during budget preparation.
- **Liberia:** In June 2015, AFW2 conducted its first post-Ebola outreach mission to discuss with the authorities the implementation of its TA work program. Priorities of the work program (revision of the macro-fiscal framework, cash management and fiscal reporting) were confirmed. Meanwhile, the Advisor provided support to an FAD capacity building program at the Ministry of Finance by delivering training on budget formulation and investment management.
- **Nigeria (Federation):** In September 2015, an AFW2 mission reviewed progress made in implementing the February 2015 FAD mission recommendations in the areas of Treasury Single Account and cash management and provided technical assistance combined with training to develop a cash forecasting framework. The mission designed a capacity development program that will be implemented in the forthcoming months. Plans for the deployment of program-based budgeting have been delayed by the authorities and the Budget



Office is in the process of revising its strategy to give a higher priority to the restoration of budget credibility.

- **Nigeria (Kaduna State):** The Kaduna State authorities started the implementation of a Treasury Single Account (TSA) in July/August 2015 and completed cash centralization within one month. In response to a request by the federal authorities, AFW2 fielded two missions in September and October 2015 to assist the State of Kaduna with reviewing progress in TSA and cash management reforms and advise on further measures. The expectation is that once Kaduna is able to successfully establish a TSA system with all the operational issues addressed, it would serve as a good model to roll out to other states in Nigeria. During the September mission, AFW2 also took stock of the authorities' plans for budgeting reforms. Further support from AFW2 is planned in coordination with FAD to help advance budgeting reforms.
- **Sierra Leone:** During the first half of FY 2016, AFW2 continued to maintain contact with the authorities to support the drafting of regulations and the draft PFM Act. AFW2 financed and supported a joint FAD-LEG mission to review the drafting of the regulations to support the draft PFM law. Technical assistance in areas such as macro-fiscal planning, fiscal risk management, TSA and cash management, as well as accounting reforms remain focal areas of CD. The passage of the new Bill will introduce a number of obligations and responsibilities that the Center will look to provide support and TA on as required by the authorities. AFW2's strategy remains unchanged and its primary focus will be to support cash management and macro-fiscal planning.
- **The Gambia:** Facing a cyclical downturn, the authorities have set an ambitious objective of reducing net domestic borrowing to 1 percent of GDP in 2015, down from 12¼ percent in 2014. This policy has put considerable pressure on the budget. AFW2 participated in a joint mission with FAD to review budget execution, put in place an arrears management policy and developed the cash management function. AFW2 plans to support ongoing reforms and TA on cash management will be delivered as and when needed.

#### **Amendments to the FY2016 work plan (see Annex II)**

The thrust of the work plan approved in April 2015 remains valid. The main adjustments are

- PFM reforms in **Nigeria** are receiving a new impetus under the new administration. Being the largest economy in sub-Saharan Africa, a tailored TA intervention by AFW2 that complements FAD support is considered a high priority to support economic reforms in the country. One example of this tailored approach is the introduction of a new TA support program to help extend the TSA reforms to sub-national level, starting with the State of Kaduna, along the lines of similar reforms being implemented at the federal level with FAD support. Budget reforms which are being experimented in Kaduna could also inform similar reforms planned at the Federal level. A joint outreach workshop in Abuja is planned by FAD and AFW2 for November 20 for the Governors and Finance Commissioners of about 12 states. If we consider that the main purpose of PFM reforms is to improve the delivery of public services, PFM reforms at the sub-national level appear essential.



- Other changes in FY2016 PFM work program are largely related to the timing of TA delivery and adjustments that try to tailor TA delivery to the absorption capacity of member countries.

### **“Quick wins” that countries can focus on in terms of capacity building**

In a context of increased fiscal pressure on the budget and reduced fiscal space, the implementation of cash management techniques can help smooth budget execution and prevent formation of arrears. With most member countries of the region facing serious budget credibility issues (the exception being Cabo Verde), the focus of short term reforms should be on cash planning, cash management and upstream reforms that can bring quick improvement in budget execution.

### **Risks**

The acceleration of TA intervention in post-Ebola countries is turning out to be more difficult than anticipated owing to several factors. The countries are overwhelmed by competitive offers of development partners while capacity is already severely taxed by reconstruction projects, and there is uncertainty about priorities. In Nigeria, the late appointment of the Cabinet may lead to delays in implementation of key reforms that are needed to improve its PFM system.

## **Monetary Operations and Payment Systems (MONOPS)**

### **Overview**

Although the implementation of the work plan that was approved in April was initially on track, it slowed down following the departure of the MONOPS Advisor in June 2015. The new Resident Advisor only assumed duty in mid-September. Ghana, Liberia and The Gambia have shown considerable interest on TA in this area. Consistent with the Center’s plans to normalise its work on Liberia and Sierra Leone, the focus in the second half of FY 2016 will be on those two countries as well as on Ghana. The Gambia received TA in the first part of the year, while in the case of Cabo Verde there is a need for more diagnostics. TA missions to Nigeria have been partly delayed due to the ongoing political transition.

### **Country work**

- **Cabo Verde:** There was no TA in the first half of the fiscal year. TA on improving the monetary transmission channel is scheduled for 2016 Q1. This mission would also provide an opportunity to conduct further analysis of the authorities’ needs and priorities.
- **Ghana:** Two MCM missions with the active contribution of AFW2 advisor were delivered to the Bank of Ghana (BOG) one on further improvements in FPAS Framework in July and another on foreign exchange operations, market deepening and surrender requirements took place in September. Positive outcomes included the renewal of the MPC time table, press release and decision support materials.





### BOX I: AFW2's Capacity Building in Liberia and Sierra Leone Post Ebola

The Center's TA delivery to both countries has improved since the lifting of the Fund's ban on missions in May 2015. Two AFW2 TA missions visited the Liberian Institute of Statistics and Geo-Information Services (LISGIS) to assist the authorities to improve the quality of the national accounts for both production and expenditure. AFW2 also provided TA on Consumer Price Index (CPI) to the LISGIS. This TA mission focused on assessing the current situation, reviewing the Household Expenditure and Income Survey data, and developing a work plan to guide the authorities. On Sierra Leone, the AFW2 Statistics Adviser undertook an introductory mission to Freetown to assess the status of the annual national accounts sources and methods and identify areas of improvement based on previous mission recommendations. An FAD-led TTF mission on VAT Implementation, Planning and Revenue Diagnostic mission visited Liberia in September. In September, AFW2 also arranged the attachment of officials from the National Revenue Authority to the Tanzania Revenue Authority on developing an effective monitoring research and planning framework.

Going forward, AFW2 plans to adopt a holistic approach that strengthens the planning, delivery, coordination, monitoring and follow through on our CD in the two countries. AFW2 plans for intervention in the post Ebola period contain four elements with the goal of achieving lasting institutional change: (i) capacity building tailored more closely to the countries' absorptive capacity and administrative constraints including where feasible and warranted, more intensive work to be done through the recruitment of an additional Resident Advisor in the Center (ii) balancing the need for "quick win" interventions and medium-term systematic organization reforms (iii) ensuring TA intervention has input from broad range of domestic stakeholders and (iv) pursuing new modes of TA delivery with a focus on practical hands-on training to assist in implementing priority reforms and nurturing those through peer learning and peer support.

Both countries face an urgent need to increase domestic resource mobilization to finance the country's post Ebola strategy, with donor resources to complement domestic resources. Thus, the revenue authorities would focus on identifying avenues for "quick wins" on revenue mobilization. Short-term measures, identified with close collaboration with other TA providers, can deliver early successes. Emphasis would also continue to be put on systematic organization reforms. Thus, for both countries, this would help solidify the revenue authorities in the medium-to long term and put the country in good stead to enhance revenue mobilization on a sustained basis.

There is also a need for increased information sharing among the relevant stakeholders on TA delivery. Given that developments in some sectors may impact other sectors and inter-agency coordination is challenging, it will be important for the Center to liaise with other relevant institutions outside the main beneficiary institution where necessary--for instance TA on national accounts and the consumer price index (CPI) cut across many ministries and agencies beyond the national statistics offices in both Liberia and Sierra Leone.



**BOX 2: AFW2's CD work on Nigeria with a special focus on-going Public Financial Management (PFM) support  
(Federal Government and the State of Kaduna)**

**Nigeria seems to be at a turning point in its history and thus supporting key PFM reforms could be important at this juncture.** The new administration has given signs that it is ready to implement significant reforms on the model of what is being done in Kaduna State on the Treasury Single Account (TSA). The authorities deserve full credit for taking the initiative and moving fast to implement this key reform.

**Against this backdrop, in close collaboration with FAD-HQ, the Center is taking initiatives to tailor its capacity building work to fit Nigeria.** The Center's approach is that effective CD intervention needs to be cognizant of the special needs of Nigeria and its leadership role in certain capacity building areas. The complexities of CD intervention manifest itself in several ways including through lack of uniformity of capacity across sectors. These differences also play out at the state level in a country of 36 states and their link to capacity building at the federal level. In some cases, Nigeria also has the capacity to provide "best practice" support to the other six AFW2 countries. In this regard, the Nigerian authorities have suggested partnering with AFW2 in organizing workshops and seminars and share international expertise within the region in the spirit of peer learning and peer support. All these argue for a more tailored approach to CD work in Nigeria taking into account the country's absorptive capacity. One example of this tailored approach is the introduction of a new TA support program to help extend the TSA reforms to sub-national level, starting with the State of Kaduna.

**Significant progress has been made by the Kaduna State Government (KSG) on the implementation of the TSA in a relatively short time resulting in the recovery of a significant amount of idle funds.** Progress to date was reviewed in September by an AFW2 mission and resulted in a number of recommendations regarding the implementation of the next phase, including the development of the new cash management function. This mission also provided initial guidance on the introduction of a new budget methodology based on Zero-Based-Budgeting. A follow-up mission took place in October to review and provide practical advice on the operational arrangements for the TSA.

**FAD-AFW2 should continue to support not only the TSA project, but invest also in fiscal policy formulation and budgeting.** Budget reforms are likely to be the center of the debate around PFM reforms. Zero-based budgeting can only be a transitory approach of Nigeria fiscal problems and a more advanced method of budgeting should be put in place within a time horizon of one-two years. FAD-HQ and AFW2 together could be the catalyst of this transformation while continuing its strategy of leveraging on the good TA outcomes in the State of Kaduna.



- **Liberia:** The liquidity forecasting mission incorporated in the work plan was delivered in August by a short-term expert (STX) in the temporary absence of an AFW2 advisor. Together with the Central Bank of Liberia (CBL) staff, the mission carried out a full illustrative liquidity forecast for the rest of 2015 and left detailed work flow descriptions and templates for daily use. The authorities appreciated the “hands-on “nature of the TA intervention. In coordination with MCM, the new Advisor will join the next and final follow-up liquidity forecasting visit in February 2016 to do a full review of the monetary policy toolkit.
- **Nigeria:** Due to an ongoing transition by the new administration, the mission on Monetary Policy Framework will likely be delayed to the tail end of FY 2016.
- **Sierra Leone:** There was no TA in the first half of the year due to the Ebola crisis and the departure of the former MONOPS Advisor. The new Advisor will visit Sierra Leone in the second half of November to deliver TA on liquidity forecasting and to help strengthen the monetary policy toolkit as the pent-up demand in this area is clearly high.
- **The Gambia:** TA was delivered in June 2015 on the operational implementation of previous recommendations on liquidity forecasting. The authorities appreciated the hands-on support to strengthen the operational aspects of liquidity forecasting at the central bank. Together with Central Bank (CB) staff, AFW2 short-term experts have already started to fill templates with actual data. Further TA is planned in the next few months to consolidate the progress made in this area.

#### **Amendments to the FY 2016 work plan (see Annex II)**

The main areas of adjustments in the MONOPS work program relate to including an overview of the full monetary policy toolkit and complementing the liquidity forecasting TA with a review of liquidity management practices.

- Direct on-site and off-site AFW2 TA missions to **Nigeria** will be discussed with the Central Bank in the coming weeks. Due to the ongoing transition by the new administration and the associated policy uncertainty, the HQ-led mission on the Monetary Policy Framework (with AFW2 participation) is now expected to take place at the tail end of FY2016.
- **Liberia:** TA to the CBL on the modernization of the national payment system has been postponed until FY 2017. The proposed payment system seminar can provide a good forum for the CBL to start working on the issue. This event can be used to work out the details of subsequent missions.
- The **regional workshop on monetary-fiscal policy coordination** has been moved to FY 2017 as it requires more preparation.
- A new **regional workshop has been added on CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs)**. The purpose is to provide a forum for senior staff involved in payment systems operation and oversight to discuss issues related to application of the new standards, guided by payment systems experts who are familiar with PFMIs. As this is forward-looking in nature, it will likely add value to the existing payment systems in AFW2 member countries. In this respect, the experiences of very successful recent workshops in Afritac East would be incorporated in the design of this regional workshop.



### **“Quick wins” that AFW2 countries can focus on in terms of capacity building**

In several countries there are ongoing programs that seem to be gaining traction with country (recent liquidity forecasting exercises in Gambia and Liberia and the FPAS-improving project in Ghana are good examples of this). Using the current momentum, the relevant recommendations to strengthen liquidity forecasting at these central banks and the monetary policy framework could be turned into tangible and sustainable medium-to-long-term outcome. Furthermore, in most countries, central banks face challenges with managing excess banking sector liquidity and foreign exchange volatility due in part to inadequate monetary policy tools. These areas could provide quick wins and lend support for advancement of the medium-term objectives of the MONOPS work program.

### **Risks**

The main risk in the implementation of MONOPS work plan is the policy uncertainty related to the ongoing transition of the new administration in Nigeria. This will likely affect the timing of the TA mission on strengthening the Monetary Policy Framework.

## **Financial Sector Supervision**

### **Overview**

The volume and speed of Financial Sector Supervision TA delivery picked up positively during the first half of FY 2016, with almost immediate implementation of recommendations in some cases. AFW2 continues to actively engage with almost all the regulatory authorities in our member countries; consultants have been sourced for the majority of agreed programs and delivery dates timetabled. Consequently, the program is on track.

### **Implementation of the FY 2016 Work Plan**

- **Cabo Verde:** So far TA delivery to Cabo Verde has somewhat stalled, as the authorities seem to be effectively served by other TA providers. AFW2 stands ready to be of service when needed.
- **Ghana:** TA delivery has helped shape positive results within the Bank of Ghana (BOG); with key recommendations being acted upon almost immediately; and committees set up to further progress on those requiring more in-depth work. Following training on Basel II, examiners indicated that they were better placed to understand the key concepts of the capital adequacy framework; and the BOG set up a committee to monitor the supervision of operational risks. Similarly, following an in-depth mission on Enhancing Offsite supervision, the BOG immediately moved to revamp periodic off-site reports, in order to broaden analysis and focus on key risks. Indications are that there has been a marked improvement in the quality of analysis. The authorities are also working to improve the collection of prudential data.
- **Liberia:** AFW2 continues to work with the Central Bank of Liberia (CBL) to deliver TA on the International Financial Reporting Standards (IFRS). By the end of the fiscal year, the Bank would have completed an intensive four-week course covering key financial and non-financial accounting principles; leaving examiners better placed to review financial statements and guide





- senior management in making informed decisions. An offsite desk review is also helping the CBL to finalize its IFRS manual and guidelines to the industry. When completed, the latter will help improve compliance and oversight within the CBL and the external banking sector and facilitate more independent analyses. These outcomes would mark the achievement of the authorities' and AFW2's TA goals and objectives.
- **Nigeria:** The CBN is working with AFW2 to implement an early warning system to enhance off-site risk-monitoring processes. The bank began mapping out its key requirements and is currently working to advance the model. The latter aims to complement the CBN's monitoring tools and provide additional pointers to key risks the CBN faces; and to help minimize the likelihood of failures or contagion resulting from the same. AFW2 is also seeking to provide further training on the implementation of the Pillar 2 aspects of Basel II capital adequacy measures to help enhance its supervision.
  - **Sierra Leone:** While in field mission work has been delayed due to the Ebola crisis, the Advisor has maintained regular contact with the authorities and has already identified consultants to address agreed TA needs. As a result, the Central Bank of Sierra Leone's program remains on track, with delivery of the first mission on Onsite Supervision, expected to take place in January 2016.
  - **The Gambia:** Like Liberia, AFW2 is working actively with the Central Bank of the Gambia to enhance the understanding and oversight of the IFRS principles. In addition to key banking supervision representatives, the intensive four-week IFRS program included representatives from commercial banks and the auditing industry. Participants welcomed the hands-on approach of the program which afforded ample opportunity to cement learning through worked examples with participants seeing themselves as better placed to analyze key balance sheets and accounting data as well as guide management. Such an outcome implies that the TA is on its way to meet its objectives.

#### **Amendments to the FY2016 work plan (see Annex II)**

Changes in the work plan that was approved in April have been agreed with authorities. Specifically:

- **Liberia:** The area of focus has changed from the classification and provisioning of loans to a more detailed three part mission on IFRS.
- **Nigeria:** A one week Basel II training has been added to the FY 2016 work program.

#### **"Quick wins" that countries can focus on in terms of capacity building**

Much of the TA planned for the region speaks to deliverables that can be progressed with almost immediate effect, subject to timing and availability of personnel. While there are few recommendations related to the Basel II process which require more intensive dialogue and legislative changes; planned TA aim to enhance existing procedures and should be relatively easy to deliver. To some extent, this explains the ease with which the BOG was able to make a seamless change-over to new quarterly reporting formats and begin work to refresh prudential reporting forms. Similarly, the IFRS training which has built on existing knowledge of the principles is expected to facilitate the analysis of accounting information.



## Risks

Key risks relate to staffing, in terms of possible losses to the private sector and rotation within the regulatory authorities. The lagged impact of the Ebola virus also presents risks as some consultants are concerned about travelling to countries were another outbreak to develop.

## Real Sector Statistics

### Overview

The real sector statistics work plan for FY2016 is on track. Thus far all national account activities planned have been undertaken with some notable achievements. Price statistic activities have been reviewed in light of the commencement of the second Enhanced Data Dissemination Initiative (EDDI 2) supported by the UK's Department for International Development (DFID) in September, 2015.

The EDDI 2 program covers the period, from April 1, 2015 to March 31, 2020. It supports technical assistance (TA) missions and workshops by the IMF's Statistics Department (STA) on behalf of the 25 participating African countries. The TA and training have been delivered through modules structured around groups of countries with similar needs in the four main areas of macroeconomic statistics: monetary and financial (MFS) statistics, government finance statistics (GFS), balance of payments statistics (BOP), and real sector statistics comprising national accounts and price statistics.<sup>2</sup>

### Country work

- **Cabo Verde** successfully released their inaugural QNA by production on 24 April, 2015. Development on the expenditure approach will commence shortly once the production estimates are backcast. A broad plan for the rebasing of the ANA has been developed with a release scheduled for 2018.
- **Ghana** has commenced the development of QNA by the expenditure approach. They continue to be involved in the integrated business establishment survey which will underpin the rebasing of the ANA.
- **Liberia** has sourced considerable data from administrative sources which has fed into the compilation of the ANA. They will be releasing a revised timeseries (from 2008-2013) in December 2015. The consumer price index (CPI) will be reweighted for the first time since 1968 in early 2016.
- **Nigeria** has finalized the supply and use tables underpinning the ANA. They are in the process of backcasting the timeseries.

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<sup>2</sup> The EDDI 2 modules directly related to AW2 are (1) the development and enhancement of price statistics (countries included are Ghana, Liberia, Nigeria, Sierra Leone and The Gambia) and (2) the improvement of data sources for the national accounts (countries included are Liberia, Nigeria, Sierra Leone and The Gambia). There is very strong collaboration between AFW2 and the STA department to ensure optimal outcomes are achieved on this project.



- **Sierra Leone** has a new national accounts team who have compiled the ANA for the first time. Plans have commenced for rebasing the ANA with an expected release in 2018. The CPI is currently being reweighted with the release expected during 2016.
- **The Gambia** is processing the economic survey and collecting administrative data to enable the rebasing of the ANA. These are due for release in early 2017. The weights for the CPI are being updated along with a new elementary index formula. This is also expected to be introduced from January 2016.

#### **Amendments to the FY 2016 work plan (see Annex II)**

- **Liberia** – an additional mission on national accounts has been added;<sup>3</sup>
- **The Gambia** – an additional week of national accounts mission has been added;
- **CPI** – some AFW2 missions on the CPI to Ghana, Sierra Leone and The Gambia have been cancelled due to funding from the EDDI 2 program.

#### **“Quick wins” that AFW2 countries can focus on in terms of capacity building**

The development and maintenance of the sources and methods documentation associated with the statistics produced will considerably enhance the quality of the national accounts and price statistics.

#### **Risks**

The lack of quality source data on a regular and consistent basis continues to impact negatively the quality of statistics. Another risk is the lack of adequate IT resources to support the production of high quality statistics. Improvements, via an increase in budgetary resources, in these areas will have a positive impact on the capacity of the statistics offices to deliver quality statistics.

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<sup>3</sup> For both Liberia and The Gambia, the rationale behind the additional week of mission is that work on the national accounts has been progressing for both more than what was expected and therefore some additional TA is required to maintain momentum.



### **Box 3: Tracking the implementation of past TA recommendations in the AFRITAC West 2 (AFW2) region**

One of the main conclusions of the IEO evaluation of Technical Assistance (2005) was that *“while TA was generally effective in improving technical capabilities of recipient agencies; there was significant variability in the extent to which recipient agencies were able to make full use of the increased capacities in order to have an impact on the ground”*. The report explained that political interference, high staff turnover and a weak judicial framework were among the factors that constrained agencies from using their knowledge. This finding underscores the fact that developments on the demand side play an essential role in capacity building outcomes. Furthermore, capacity building is a shared responsibility between TA providers and the beneficiary authorities.

**As a relatively new Center, AFW2 is keen to learn about demand and supply side issues that impact on the effectiveness of capacity development in this region.** The interest of the Center in this quest is to be able to devise appropriate strategies and intervention in its TA delivery in order to maximize its effectiveness.

**One important indicator to gauge the outcome of TA delivery is the extent to which TA recommendations are implemented by the authorities.** The Center plans to periodically track the progress on the implementation of TA recommendations to enrich its RBM framework. Guided by the fact that the Center is relatively new and there were significant disruptions in its first year of operations, it proposes to conduct this assessment starting next fiscal year.

**Another important aspect of this exercise is receiving feedback from authorities.** The Center will approach AFW2 member countries in early 2016 with a questionnaire to better understand the experiences, expectations and challenges.

**In the mean time, the Center also welcomes the feedback from the Steering Committee on the factors that affect implementation of TA recommendations on both the demand and supply side of TA.** The goal is to inform strategies to be deployed by the Center with a view to improving the overall outcome of its capacity building work in the region consistent with a demand-driven approach.



**Table 2: Recently completed AFW2 Technical Assistance (TA) Reports**

REVENUE ADMINISTRATION		
Title of Report	Country	Date sent to Authorities
LTO Training on Telecommunication Audit	Ghana	February 2015
Developing management reports for LRA	Liberia	February 2015
Developing a Tax Payers Assistance Program and Reviewing the Strategic Plan	The Gambia	March 2015
Developing Compliance Enforcement Strategy & Risk Management Framework	The Gambia	March 2015
Selected Issues in Revenue Administration: Implementation of the 2015–2017 Strategic Plan and VAT and Excise Compliance and Administration	Ghana	March 2015
LTO Training on Telecommunication Audits 2	Ghana	June 2015
Post Clearance Audit (PCA) Training for GRA	Ghana	June 2015
Post Clearance Audit (PCA) Training for The Gambia	The Gambia	August 2015
Tax and Customs Administrations Reform Priorities	Nigeria	September 2015
Operational Planning and Performance Management	Ghana	November 2015
Remote Mission on Customs Operational Manuals	Liberia	October 2015
PUBLIC FINANCIAL MANAGEMENT		
Title of Report	Country	Date sent to Authorities
Review of Hyperion Systems set up and Configuration	Ghana	April 2015
The Development of Government Cash Management	Nigeria	October 2015
Strengthening the Macro-fiscal Planning process	Ghana	October 2015
MONETARY POLICY AND PAYMENT SYSTEMS		
Title of Report	Country	Date sent to Authorities
Next steps in the implementation of Monetary Policy	The Gambia	July 2015
FINANCIAL SUPERVISION		
Title of Report	Country	Date sent to Authorities
Enhancing Banking Supervision III	The Gambia	June 2015
Enhancing off-site Supervision	Ghana	September 2015
REAL SECTOR STATISTICS		
Title of Report	Country	Date sent to Authorities
Report on Consumer Price Inflation Mission	Ghana	March 2015
Report on National Accounts Mission	Nigeria	April 2015
Report on National Accounts Mission	The Gambia	April 2015
Report on Quarterly National Annual Mission	Ghana	July 2015
Report on National Accounts Mission	Sierra Leone	August 2015
Report on National Accounts Mission	Liberia	August 2015
Report on Consumer Price Inflation Mission	Liberia	August 2015
Report on National Accounts Mission	Cabo Verde	September 2015
Report on National Accounts Mission	The Gambia	November 2015
Report on National Accounts Mission	Liberia	November 2015



Afritag West 2 <sup>+</sup> - Logical Framework 2015-2016		
Mission Statement		
Help member countries strengthen their human and institutional capacity to design and implement macroeconomic and financial policies that promote growth and reduce poverty in its member countries		
Policy Framework		
Main Objectives by Area of Intervention	Secondary Objectives and Outcomes	Assumptions, Prerequisites and Risks
<b>Revenue Administration General Objectives:</b> To strengthen revenue administration institutional and operational capacity in member countries for optimal revenue generation and enhance tax and customs compliance while facilitating trade and regional integration as envisaged by ECOWAS.	1. Supporting regional trade integration initiatives as envisaged by ECOWAS by eliminating barriers to trade across borders, minimizing costs of trading and harmonizing operational processes across member countries. 2. Enhancing revenue collections from improved and cost effective administration procedures and strengthened compliance strategies. 3. Implement efficient organizational structures and effective governance programs. 4. Fostering voluntary compliance through a fair and transparent tax system that provides the information, tools, and mechanisms for taxpayers and reduce the cost and burden of compliance.	Donor partner support is available for reform programs in most AFW2 member countries, but administrations may not have adequate capacity to implement the reforms. There is a critical need to balance reform pressures and high demand for revenue to support fiscal deficits. Countries are at different levels of capacity development and so require tailored approaches to capacity building.
<b>Public Finance Management General Objectives:</b> To strengthen members' capacity in formulating and executing budgets in line with development plans through the provision of technical advice and support to review, design and implement strategies to improve	1. Improved laws and effective PFM institutions. <sup>5</sup> 2. Comprehensive, credible and policy-based budget preparation. 3. Improved budget execution and control. 4. Improved coverage and quality of fiscal reporting.	Government support for PFM reforms is strong enough and high priority is given to improving PFM reforms and annual budget credibility. Development partners coordinate their interventions with AFW2 to meet key objectives. Institutional arrangements for

<sup>4</sup> The Regional Technical Assistance Center (RTAC) in West Africa (AFRITAC West 2 – AFW 2) is a collaborative effort between the International Monetary Fund (IMF) and several bilateral and multilateral donors aimed at providing Technical Assistance (TA) and training to Ghana, Nigeria, Sierra Leone, Liberia, The Gambia and Cabo Verde. The Center, which became operational in January 2014, complements four other centers the IMF has in sub-Saharan Africa. It offers capacity building services to member countries in its core area of expertise: revenue administration, management of public finances, monetary operations and payment system, financial sector supervision and regulation and macroeconomic statistics.

<sup>5</sup> AFW2's objectives for FY 2016 have now been defined by FAD's draft catalog for RBM to provide consistencies with other RTACS.



the PFM legal frameworks, institutions, procedures, and systems in order to improve fiscal sustainability, enhance budget credibility, strengthen expenditure control, and enhance fiscal reporting and oversight.	<ol style="list-style-type: none"> <li>Improved integration of assets, and liability management framework.</li> <li>Strengthened identification, monitoring and management of fiscal risks.</li> </ol>	implementing and monitoring reforms are in place and reform plans are prepared with the proper prioritization and sequencing. Sufficient capacity is already in place to initiate the reforms and enough efforts are invested in capacity building. Risk: Lack of agreement on objectives of the PFM Reform strategy, reforms remains IFMIS driven and reform fatigue.
<b>Monetary policy and operation:</b> Support effective monetary policy formulation and implementation.	<ol style="list-style-type: none"> <li>Enhance institutional capacity to effectively monitor and forecast liquidity, and analyze its components.</li> <li>Enhance operational capacity to manage liquidity and conduct monetary policy consistent with monetary policy objectives.</li> <li>Strengthen monetary policy formulation/analysis.</li> </ol>	Monetary operations need to be aligned with monetary policy objectives and also be matched by institutional capacity for liquidity forecasting and analysis.
<b>Payments system:</b> Support implementation of monetary policy and the development of financial markets.	<ol style="list-style-type: none"> <li>Ensure timely settlements.</li> <li>Ensure delivery-versus-payments and address settlement risks.</li> <li>Support transactions in the secondary market.</li> </ol>	Harmonization of the payments systems in the WAMZ area is being supported by development partners (e.g., AfDB and IMF). Support of the AFRITAC West 2 needs to be closely coordinated with others.
<b>Financial Supervision and Regulation:</b> To strengthen financial sector regulatory and supervisory frameworks and build compliance with relevant international standards with the aim of protecting depositors, reducing regulatory arbitrage, and promoting stability and growth.	<ol style="list-style-type: none"> <li>Help authorities assess and strengthen compliance with the Basel Core Principles.</li> <li>Enhance the ability to conduct both on and off-site supervision under a risk-focused framework.</li> </ol>	Regulatory authorities must have basic frameworks in place and officials who drive changes must buy into recommendations. The main threats relate to lack of implementation of recommendations due to resource constraints, conflicting priorities or an overburdening of personnel. Experts should present information in a manner that guides and influences change.
<b>Real Sector Statistics General Objectives:</b> To improve the statistical capacity for producing macroeconomic statistics in the framework of the General Data Dissemination System (GDDS).	<ol style="list-style-type: none"> <li>Compilation and dissemination of Annual National Accounts following international standards.</li> <li>Compilation and dissemination of Quarterly National Accounts following international standards.</li> <li>Improved accuracy of price statistics.</li> </ol>	Government support is obtained and maintained for the delivery of the statistics. Adequate resources are made available for the production of National Accounts and Price statistics.