

ANNUAL REPORT

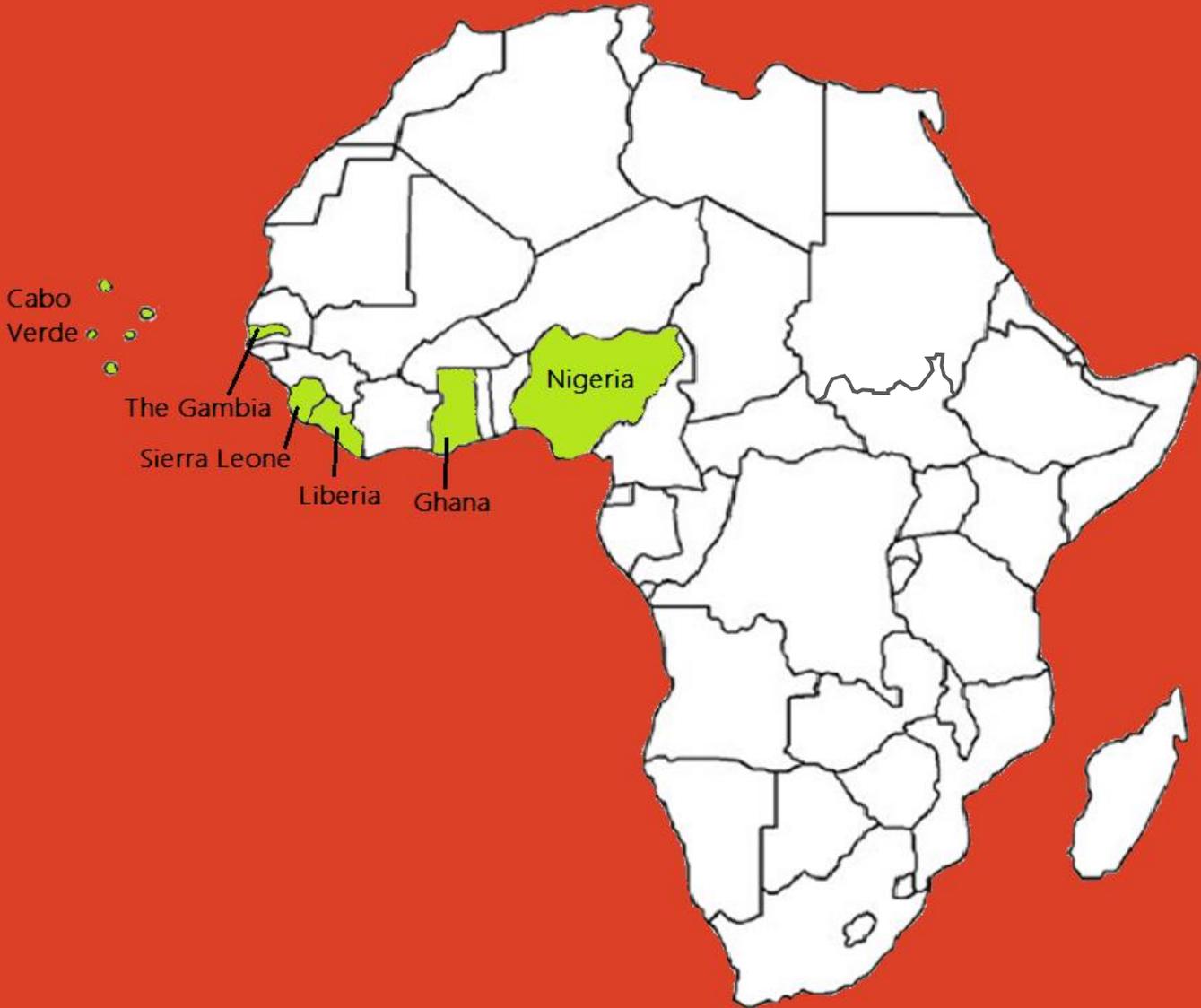
July 2015



AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER WEST 2 (AFW 2)



AFRITAC WEST 2 MEMBER COUNTRIES



Ghana



Cabo Verde



Liberia



Nigeria



Sierra Leone



The Gambia



A Multi-Donor Initiative Supported by Recipient Countries and the Following Donors



European Union



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Affaires étrangères, Commerce
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Schweizerische Eidgenossenschaft
Confédération suisse
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Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO



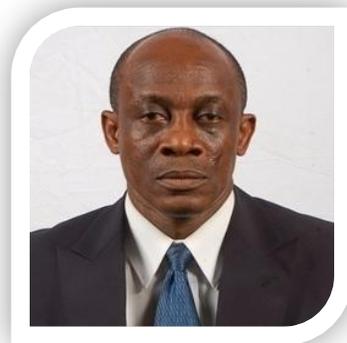
LIST OF ACRONYMS

ANA	Annual National Accounts
ATAF	African Tax Administrators' Forum
AFRITAC	Africa Technical Assistance Center
AFW2	AFRITAC West 2
BCP	Basel Core Principles
CD	Capacity Development
CET	Common External Tariff
CPI	Consumer Price Index
CSWAMZ	College of Supervisors of West African Monetary Zone
DFID	Department for International Development of the UK
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
FMIS	Funds Management Information System
GIZ	German Agency for International Cooperation
GDP	Gross Domestic Product
GDDS	General Data Dissemination System
GIFMIS	Ghana Integrated Financial Management Information Systems
GRA	Ghana Revenue Authority
IFRS	International Financial Reporting Standards
LTX	Long Term Experts
MCM	Monetary and Capital Markets Department of IMF
MONOPS	Monetary Operations and Payment System
MTEF	Medium Term Expenditure Framework
NRA	The National Revenue Authority of Sierra Leone
OTA	US Treasury Office for Technical Assistance
PBB	Program-Based Budgeting
PFM	Public Financial Management
PPI	Producer Price Index
QNA	Quarterly National Accounts
RA-FIT	Revenue Administration-Fiscal Information Tool
RBM	Results Based Management
RTAC	Regional Technical Assistance Center
SC	Steering Committee
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
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



OPENING REMARKS BY AFW2 STEERING COMMITTEE CHAIR--SETH TERKPER, THE MINISTER OF FINANCE AND ECONOMIC PLANNING OF GHANA

I would like to welcome you all to Ghana to this land of gold and gateway to West Africa. For those of you who are visiting Accra for the first time, I encourage you to use this opportunity to see more of our beautiful country.



AFRITAC West 2 (AFW2) has just celebrated its first year of operations and what a year it has been. Just when the Center was finding its feet on the ground, the region was hit by the Ebola Virus Disease (EVD) which severely affected the Center’s operations in two of our member countries. Despite these challenges, progress has been made in the implementation of capacity building projects; and on setting up the basics including through increased funding from donors and the commitment of the Center’s stakeholders to the goals of the Center.

Let me first try to frame today’s discussions in the context of the capacity development needs of the member countries belonging to AFW2. While our countries have made strides over the last decade on improving macroeconomic stability, they continue to face a number of challenges to improve capacity and implement certain economic reforms. In fact, capacity constraints prevail in several levels of government in our countries, especially in the area of public financial management. This limits countries’ resilience to shocks, prospects for regional integration, and potential growth. The establishment of AFW2 is a response to the need to build capacity in the region.

Against this background, the Center conducted a number of technical assistance missions and two training workshops in the 2015 financial year that runs from May 2014 to April 2015. The Center’s approach is demand driven, home backed, and flexible. In the short period of operations since its inception, AFW2 already has helped some countries achieve tangible results. In the area of public financial management and strengthening of medium-term fiscal framework, member countries continue to register steady progress. In the area of revenue administration, our countries are working closely with the Center to develop and implement their strategic plans including risk management to enhance the organizational structures and improve revenue compliance. In the area of financial supervision and regulation, the Center is working closely with central banks on the basic building blocks to gradually align their regulatory frameworks with global standards. On real sector statistics, there was good progress in improving the quality of the underlying data to produce national accounts.



AFW2 First Steering Committee Meeting
Chaired by Ghana’s Finance Minister Seth Terkper

In October 2014, the new Center Coordinator launched an outreach campaign to member countries to seek our authorities’ views on the key priorities for TA in the Center’s core areas of expertise. This initiative was welcomed and the discussions enhanced our authorities’ understandings of what AFW2 does on its CD work



and how they do it. The authorities also provided important inputs into the medium-term program of the Center's capacity development, which is crafted in the context of a result-based management framework (RBM). This framework provides a useful summary of the key medium-term objectives and reflects the reform plans of member countries. The reported good performance under the FY2015 milestones, despite the challenges the Center faced this year, is encouraging.

Of course, there are the long-standing challenges in our joint work and room for improvement to sharpen our capacity development tools and do better. No doubt you will be discussing the issue of effectiveness, efficiency, and sustainability of this work in the course of the day. In some cases, our member countries want "hands on and practical advice" when it comes to technical assistance. To give concrete examples, one area our central banks continue to ask for such support is on the areas of liquidity forecasting, improving the functioning of the interbank market, and Forecasting and Policy Analysis (FPAS). Steady progress is clearly being achieved in some of these areas although gestation periods to observe the results can be subject to variable lags.

The work program for FY2016 has a clear delineation of the short-term planned activities and the objectives. Like other member countries of the Center, Ghana views capacity building to foster regional integration as an area of priority and it is encouraging that some aspects of the work plan go in this direction. The under execution of the budget this year was mostly due to the reduced level of activities in Ebola-affected countries; this is less likely to occur in the next fiscal year as there are signs of improvements in the EVD situation in both Liberia and Sierra Leone. This means that we will need to be ready to adapt our capacity building strategy and efforts in the period ahead, and today's deliberations will touch on this important issue. Lastly, I would like to ask my fellow Steering Committee members to rely on the agreed milestones to sensitize policymakers to the areas where progress with the corresponding reforms is needed.

Before I conclude, let me thank the members of the AFW2 Steering Committee and observers for coming to Accra for this meeting. Your presence here demonstrates the sense of ownership of AFW2 by its member countries and donors. I would like to express my appreciation to AFW2 donors for their generous contributions to the Center and thank the staff of AFW2 for their work and concerted and collaborative efforts. I am also happy to report that Ghana would be shortly paying their pledged contribution to the Center. On behalf of the Steering Committee, I wish you good and productive deliberations over the course of the day and hope you will enjoy your stay here.

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Afrítac West 2 ¹ - 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
<p>Revenue Administration General Objectives: To strengthen revenue administration institutional and operational capacity in member countries for optimal revenue generation and enhance tax and customs compliance while facilitating trade and regional integration as envisaged by ECOWAS.</p>	<ol style="list-style-type: none"> 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. 	<p>Donor 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.</p>
<p>Public Finance Management General Objectives: To strengthen members' capacity in formulating and executing budgets in line with development plans through the provision of technical advice and support to review, design</p>	<ol style="list-style-type: none"> 1. Improved laws and effective PFM institutions.² 2. Comprehensive, credible and policy-based budget preparation. 3. Improved budget execution and control. 4. Improved coverage and quality of fiscal reporting. 5. Improved integration of assets, and 	<p>Government support for PFM reforms is strong enough and high priority is given to improving PFM reforms and annual budget credibility. Donors coordinate their interventions and provide sufficient TA to meet key objectives. Institutional arrangements for implementing and monitoring</p>

¹ 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.

² AFW2's objectives for FY 2016 have now been defined by FAD's draft catalog for RBM to provide consistencies with other RTACS.



<p>and implement strategies to improve 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.</p>	<p>liability management framework. 6. Strengthened identification, monitoring and management of fiscal risks.</p>	<p>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. Lack of agreement on objectives of the PFM Reform strategy, reforms remain IFMIS driven and reform fatigue.</p>
<p>Monetary policy and operation: Support effective monetary policy formulation and implementation.</p>	<ol style="list-style-type: none"> 1. Enhance institutional capacity to effectively monitor and forecast liquidity, and analyze its components. 2. Enhance operational capacity to manage liquidity and conduct monetary policy consistent with monetary policy objectives. 3. Strengthen monetary policy formulation/analysis. 	<p>Monetary operations need to be aligned with monetary policy objectives and also be matched by institutional capacity for liquidity forecasting and analysis.</p>
<p>Payments system: Support implementation of monetary policy and the development of financial markets.</p>	<ol style="list-style-type: none"> 1. Ensure timely settlements. 2. Ensure delivery-versus-payments and address settlement risks. 3. Support transactions in the secondary market. 	<p>Harmonization of the payments systems in the WAMZ area is being supported by donors (e.g., AfDB and IMF). Support of the AFRITAC West 2 needs to be closely coordinated with others.</p>
<p>Financial Supervision and Regulation: To strengthen financial sector regulatory and supervisory frameworks and build compliance with relevant international standards with the aim of protecting depositors, reducing regulatory arbitrage, and promoting stability and growth.</p>	<ol style="list-style-type: none"> 1. Help authorities assess and strengthen compliance with the Basel Core Principles. 2. Enhance the ability to conduct both on and off-site supervision under a risk-focused framework. 3. Enhance the monitoring and reporting of data such as non-performing loans and improve the ability to predict and manage risks. 	<p>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.</p>
<p>Real Sector Statistics General Objectives: To improve the statistical capacity for producing macroeconomic statistics in the framework of the General Data Dissemination System (GDDS).</p>	<ol style="list-style-type: none"> 1. Compilation and dissemination of Annual National Accounts following international standards. 2. Compilation and dissemination of Quarterly National Accounts following international standards. 3. Improved accuracy of price statistics. 	<p>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.</p>

I. EXECUTIVE SUMMARY

The first year of AFW2's operations was a challenging one. By various measures of resource use—field person weeks, missions, technical assistance reports and seminars, the Center had a productive year. Total expenditures in FY2015 at end-February was about \$3 million compared to the original programmed budget target of \$7.87 million. The outlays remained below the programmed target, largely because of the impact of the Ebola Virus Disease (EVD) on the Center's operations. Part of the under spending would likely be reversed in FY2016. On the financing side, over 50 percent of pledges have been received (Box 4). On the member countries side, Ghana signed a letter of understanding amounting to US\$5 million for its contributions as host and member country and efforts are being made to secure pledges from the other AFW2 member countries.



Afritac West 2's Offices are located at the 4th Floor of this World Bank Group Building

In terms of results, performance on project milestones in FY2015 was good with $\frac{3}{4}$ of the targets met or in progress. Notable achievements include: assisting Ghana and The Gambia in developing their strategic plans to enhance domestic revenue mobilization from 2015 onwards. For PFM, some progress was made toward the major milestone on developing a basis for a robust reform strategy (Ghana) and laying the foundations for a smooth transition toward program-based budgeting (Cabo Verde). Milestones for banking supervision and regulation were geared toward laying the building blocks for strengthening banking sector regulatory and supervisory environment with good results on enhancing off-site supervision in The Gambia. For real sector statistics, the milestones were geared toward aligning annual or quarterly national accounts and price statistics with international standards and significant progress was made in both respects.

The RBM framework continues to be refined at AFW2 and the information being generated is increasingly informing planning decisions by the Center. Close coordination with donors and other development partners in the different sectors on areas of common interest continued during the year. This has been strengthened further, including through regular contacts with the Center's Advisors and via the quarterly newsletter that reports on recent and forthcoming activities as well as thematic issues the Center plans to consider including in its work program. There was also close collaboration with IMF headquarter-based TA delivery and resident Advisors.³ This has facilitated the



Ms. Antoinette Sayeh, Director of the IMF's African Department, and Ghana's Finance Minister Mr. Seth Terkper at the Opening of the Center in March 2014

³ This takes the form of (i) AFW2 funding HQ-led missions within the member countries; (ii) AFW2 advisors participation in HQ-led missions and (iii) collaboration with other donors and complementary activities on TA.



discussions to focus on areas more beneficial to member countries and avoid the duplication of efforts across various capacity building agencies. In several AFW2 countries, IMF has resident advisors in institutions and coordination with them is an indispensable part of our work. The Center will shortly begin to commence the sharing of TA reports with the Steering Committee members through its recently established secure website consistent with Fund policy on dissemination of TA information.

The Center implemented its two-pronged strategy to the EVD crisis during the year that was articulated in the mid-year report (Box I). In order to keep the Center’s momentum, it became necessary to judiciously respond to the EVD shock by recalibrating the work plan in a two-pronged fashion, which also led to a downward revision in the Center’s budget for missions for FY2015. Specifically the Center used creative ways to deliver some TA including through video and Skype conferences. Some of the unused resources were reoriented to the three non-affected countries (Cabo Verde, Ghana, and The Gambia) and to Nigeria which became Ebola free. This approach took into account the countries’ absorption capacity and their priority needs as well as the availability of short-term experts.



Participants at the First Steering Committee Meeting held in March of 2014

As a new Center, AFW2 continues to work closely with other older RTACs in the region and engage other organizations serving similar capacity building programs that promote regional integration and peer learning and peer support.

- In January 2015, the Center held a video teleconference (VTC) with Afritac South (AFS) on how best to approach CD for a large economy. Nigeria is the largest economy in the region and has relatively well developed institutions compared to the other AFW2 countries. Thus, the authorities argued that traditional RTAC TA delivery methods may not work well for them and a flexible approach oriented towards a large economy would be needed if AFW2 is to become effective. Thus, this VTC focused on what AFW2 could learn from AFS on their flexible approach toward TA delivery for South Africa and what specific capacity building tools and mode of delivery can be developed to best serve the needs of a large economy such as Nigeria. The discussion also touched on what AFW2 could learn from AFS from its efforts to foster regional integration within the SACU and SADC.
- The Center co-sponsored a training workshop with AFS (including Cabo Verde) that provided lessons on how best to explore the synergies between IMF capacity building and surveillance for middle-income countries in the region.⁴
- The Center also held a VTC with Afritac West (AFW). While differences in language and systems limit room for joint work between two Centers covering Anglophone and Francophone West Africa, the two RTACs explored creative ways to strengthen collaboration in our capacity building work program in the region. Joint seminars on key policy reforms

⁴ The seminar was organized by Afritac South and AFW2 and is based a forthcoming book titled *“Africa on the Move: Unlocking the Potential of Small Middle Income Countries (SMICs).”* The event featured 18 senior officials from seven Small middle-income countries in Africa that came together at the Africa Training Institute (ATI) in Mauritius to discuss their common macroeconomic and structural challenges and promote peer learning and peer support.



most notably on regional integration were seen to hold promise as a potential area for collaboration. The Center is doing a presentation on the April 13th Steering Committee meeting that will aim to cover some of the practical building blocks on regional integration that can be filled through capacity building. These include CD aspects of eliminating barriers to trade across borders and harmonizing operational processes across member countries, sharing revenues among countries, strengthening regional surveillance and how to harmonize payments systems, leveraging the Fund's experience with the East African Community (EAC) and other regional blocks.

- As part of its outreach efforts, the Center held close consultations with other regional bodies such as WAIFEM, WAMI and the ECOWAS Multilateral Surveillance Unit. The Center plans to explore ways in which AFW2 could partner with these regional bodies to complement their capacity building effort in the sub-region. In the area of revenue administration, this also included involvement with regional bodies like the Economic Community of West African States (ECOWAS), and the World Customs Organization Regional Office for Capacity Building (WCO-ROCB) who were invited to the Center's recent regional workshop on risk management in customs.

Reflecting a strong demand for CD services from the membership, AFW2 is expected to scale up its operations significantly in FY2016 to a budget of about \$9.2 million relative to the preliminary FY2015 outturn of about \$3 million (Table 5). This reflects the planned gradual normalization of activities in the EVD countries which is expected to accelerate in the second half of FY2016, the resumption of the Center's workshop and seminar programs. There is also increased activity across sectors, including for STX missions but with a focus on consolidating progress under the existing TA projects that had the greatest traction from members.

In the area of revenue administration, the focus is to strengthen institutional and operational capacity in member countries for optimal revenue generation and enhance tax and customs compliance while facilitating trade and regional integration. Thus missions to the member countries will continue to focus on strengthening risk-based approaches to compliance enforcement, developing policies and strategies to deliver on key strategic objectives, including developing strategic plans for revenue administrations and documenting operational processes and procedures in both customs and taxes.

PFM TA will continue to focus on improving the legal, institutional and operational framework for enhanced management of public finances. Therefore, the main thrust of the TA would include: promoting the credibility of the annual budget process and budget, enhancing multi-year planning and budgeting (MTEF), budget execution focusing on cash management and expenditure controls, and accounting and fiscal reporting.

Work on monetary policy and payment system will focus: a) on supporting effective monetary policy formulation and implementation in member countries depending on their level of institutional development and monetary regime. The main focus will be on nurturing a forward looking monetary policy framework and efficient monetary policy decision making process in member countries and b) increasing the efficiency of payment system which should enable better implementation of monetary policy, development of local financial markets and promoting cross-border payments.

CD in the financial sector will build on ongoing work to strengthen financial sector regulatory and supervisory frameworks and build compliance with relevant international standards. The Center is also

exploring which areas of financial inclusion (Box 3) it can assist member countries in over the medium term given the interest expressed by some of them.

Work on real sector statistics will seek to bring ongoing projects in national accounts and price statistics to fruition with some countries working toward the rebasing of annual GDP, development of quarterly national accounts, improving/reweighting CPI and developing PPI. The focus will also continue to be building a robust underlying meta data (Box 6).

On staff changes, the new Center Coordinator officially assumed duty on September 15, 2014 and has conducted outreach missions to member countries to publicize the Center's work in its core area of expertise consistent with the approved work program. From May 2014 through to November 2014, an Australian Volunteer was working within the Center. The role was primarily to support the technical assistance program in statistics in Ghana as well as support the administrative work associated with the Center's work program. The contributions made and outputs produced by the volunteer were considerable and of a very high standard. Overall, it was a very successful initiative. The Advisor on Financial Supervision and Regulation also had to leave unexpectedly in October 2014 and his replacement assumed duty on January 19, 2015. A Special Projects Officer (equivalent to a local economist) was also recruited to support the Center's core work and she assumed duty on February 9, 2015. The Center is proposing and seeking the approval of the Steering Committee to recruit a second PFM Advisor given that this is a key area of demand for fiscal management in AFW2 countries.



AFW2 Staff in March of 2015

The report is organized as follows. Section II summarizes the strategic issues for the Center in terms of CD design and delivery and other structural challenges facing the Center. Section III provides the macroeconomic context in AFW2 countries, which helps to frame the issues for Section IV in terms of the capacity building activities in the Center during FY2015. Section V summarizes the key elements of the Center's work program for FY2016 delineating the planned CD activities both in the short-run and over the medium term which bodes well for CD prioritization. Section VI lays out the options for the governance arrangements for AFW2 member countries. Annex III to this annual report provides the details of the RBM framework consistent with the work program for FY2016. Annex IV provides a detailed update of mission activities across sectors (including plans for FY2016) in all the AFW2 member countries.



II. STRATEGIC ISSUES--“RETHINKING OUR CAPACITY DEVELOPMENT WORK”

The challenges that AFW2 faced in its first year of operations provide opportunities to rethink our strategy and find innovative ways to enhance the overall effectiveness of the Center’s CD.

- **Post-Ebola CD strategy:** Ebola was a shock that the Center had to adjust to in an unanticipated way. Going forward, our capacity building work in a post-Ebola environment would require us to tailor our CD toolkit to the challenging new environment.
- **Traction:** The stepped up outreach activities in the latter part of FY2015 to publicize the Center and increase its visibility has also facilitated candid discussions with member countries in terms of the effectiveness of AFW2’s CD work and the traction it has generated thus far. Member countries noted that Resident Advisors need to focus on practical hands on training and skills transfer which would contribute more to strengthening public institutions rather than spending a large amount of time writing elegant TA reports. That candid feedback has led to internal discussions in the Center to step back and discuss sectors where interventions have been successful and draw lessons from those areas where the Center has so far not been very successful. For the latter, the Center’s strategy discussions have helped to identify bottlenecks and shape an intervention strategy aimed at enhancing the effectiveness of the Center’s CD work.
- **Highly heterogenous group of countries:** AFW2 also faces another challenge on how can the Center deliver TA and training effectively for a highly diverse group of countries largely operating at different levels of CD. This requires fine tuning the Center’s training workshops and seminars so that both the countries that are advanced in some areas of CD and those that are at fairly elementary stages in terms of CD can get the most out of the regional workshops.
- **Donor coordination:** The increased donor support in the region is encouraging. Notwithstanding, the proliferation of donor support for CD in some sector may be giving rise to inadvertent distortions and potentially undermining the overall effectiveness of CD work. Member countries need to play a role here in terms of identifying areas where donors are most effective given the country’s strategic priorities and donor interest and sequencing optimally that donor support through public institutions.

Against this background, the strategic challenges facing the Center fall into four broad themes:

A. Capacity Building in Liberia and Sierra Leone in the post-Ebola period

The international community has marshalled significant resources to help respond to the impact of Ebola on the three affected countries. The next stage would be the post-Ebola preparedness including the capacity building work (Box I). There is a need for a post-Ebola CD strategy and the Center is committed to working with both HQs and the two countries in developing this plan.

AFW2 has continued to institutionalize the Results-Based Management (RBM) framework to set its medium-term priorities for resource allocation and to monitor performance. The AFW2 log frame, which includes the key building blocs of an RBM framework, was used to plan and monitor AFW2 activities for most part of FY2015 (Annex I). However, using this framework for Ebola-affected countries, assessing milestones to guide progress towards medium-term outcomes and resetting targets has become particularly challenging in the two Ebola affected countries whose capacity has to some extent been significantly affected by the EVD shock. The Center had to judiciously set new milestones



for these two countries in FY2016 to guide a pragmatic capacity building work in a post-Ebola period (Box I and Table I). The post-Ebola capacity building program would leverage on some aspects of the tools that were used in the post-conflict cases in the region including those two countries. Experience suggests that care needs to be taken to handle intervention in more than one area at a time in the aftermath of a major shock like EVD that has affected both economic activity and institutions.

B. Enhancing traction in the implementation of CD recommendations

At a recent IMF retreat in Kigali, staff discussed issues related to the effectiveness of the IMF's CD work especially when compared with its lending and surveillance programs. Work is ongoing on at HQ on what can be done to strengthen the effectiveness of CD including in RTACs. One view expressed in Kigali is that the IMF's resident representatives can also play a role in assisting the RTACs to set feasible, measurable outcomes and milestones for CD projects and monitoring their effectiveness.

To operationalize some of the emerging views coming out of the IMF on how we can enhance the effectiveness of CD, AFW2 is considering a pilot on its CD activities. Going forward, upon completing the scoping/diagnostic missions, all the Advisors would present their key findings so that an overall picture on a particular country in relation to CD effectiveness can emerge ahead of the preparation of country strategies and the IMF's Resource Allocation Process Plan (RAP). While scoping missions could aim for longer TA reports as they lay out the diagnostics of the case in its entirety, subsequent TA missions should aim to deliver shorter reports with Resident Advisors and short-term experts spending more time on practical "hands on" advice which will help to transfer skills and over time ensure the sustainability of CD resources. AFW2 plans to consult with functional departments at HQs on how best to prepare more such streamlined and effective TA reports consistent with departments' documentation policy.

Making TA more practical and thus gaining traction would also require greater availability of short-term experts to work in the region. To date the Center has faced more challenges than anticipated to find such experts willing to work in the region part of which was driven by the EVD outbreak. There is high competition among RTACs for a limited pool of short-term experts who often prefer to work in more attractive regions, especially after the EVD outbreak. Thus, creative ways would need to be found to develop a pool of experts dedicated to the region, including suitable regional expertise, to enhance traction on our CD work.

More broadly, AFW2 would strive to devote resources to monitoring the effectiveness of CD and channelling the findings into CD design and allocation. There is a need to remain alert to TA that does not meet the needs or goes beyond the capacity of the authorities to handle or CD that is driven by the availability of financing but does not tackle the IMF's surveillance or program priorities which take into account country needs and priorities.

The scope for a further expansion of CD activities—TA and training—in the sub-Saharan Africa in coming years will be limited by the constrained IMF wide budget environment. Thus, in the context of the slow growth of CD activities and strong demand for CD in SSA it is of paramount importance to encourage the authorities to identify and empower reform champions to implement TA recommendations to help foster sustainability of capacity development. In their work, AFW2 Advisors



could contribute to identifying such high performing public officials in the region to help facilitate the transfer of skills which would over time reduce the countries' reliance on certain type of TA.

C. Delivering TA and training to a highly diverse group of countries in AFW2

AFW2 countries are very diverse: the group comprise three middle-income countries (one of which is a small-island economy), three low-income countries (two of which are fragile states) and two oil producing countries. Capacity varies across countries in AFW2 and across sectors. This heterogeneity poses challenges for delivering TA and training including using peer-to-peer learning and support in AFW2 workshops. Beyond that, for a large country such as Nigeria where in some sectors institutions are relatively stronger than other AFW2 countries, a case can be made for a more tailored approach to CD. In response to this tailored CD for a large economy, Nigeria would like to play a bigger role in assisting the Center in its seminars and workshops by co-hosting some of them. To this end, AFW2 is refining its training workshops to better tailor them to the country needs by taking into account the differences in capacity levels among the six AFW2 countries (Box 2).

D. Coordinating capacity building with donors, other development partners and training providers in the region

Coordinating with donors and other CD providers continues to be a high priority for the Center. Overall, there has been regular flow of information to the Steering Committee (SC) and country officials on the Center's activities and upcoming plans, including through the Center's quarterly newsletter. AFW2 has started including a summary of all TA reports in its quarterly newsletter and will share TA reports with development partners with legitimate interest. All final TA reports where TA recipients have not objected to dissemination would be made available through the recently established secure website to those SC members that have signed confidentiality agreements.

Areas of strategic importance to both member countries and the donor community have started to emerge and the Center is being guided by these to put adequate resources in advancing work in these areas. One such area that falls within public finance management and revenue administration is the management of natural resources revenues. The recent collapse in oil prices and the associated impact on the public finances and budgets highlight the vulnerability of AFW2 member-countries to commodity price fluctuations. The AFW2 plans to assist these countries in integrating this dimension in their macro-fiscal planning and will support on-going FAD- led capacity building in the enhancement of their fiscal framework covering such areas as: fiscal rules and stabilization and investment funds.

On revenue administration, the Advisor worked closely with the GIZ to move forward the preparations for the development of the Ghana's Revenue Authority's (GRA) Strategic Plan for 2015 to 2017. This culminated into the joint missions in July and November 2014. AFW2 attended three meetings of the main development partners supporting GRA which were hosted by GIZ, the Danish International Development Agency (DANIDA) and the Swiss Embassy. In The Gambia, the Advisor met with the EU who is funding the VAT implementation project.



On PFM, AFW2 has collaborated with donors and other development partners involved in PFM including sharing information on pending PFM missions and providing debriefs at the conclusions of the missions. The Centre works closely with working group of donors on PFM in Ghana, the Resident Advisors on both the EU-funded MTEF project in the Gambia and the EU-sida PFM project in Liberia.

On financial sector issues, on the whole support from donors is strong, though there is lesser interaction on programs related to regulation and supervision. SECO however, has shown a special interest in this area of work and has met with the Center to discuss programs going forward.

For the real sector statistics, activities have been carried during FY2015 in conjunction with the Enhanced Data Dissemination Initiative (EDDI) supported by the UK Department for International Development (DIFD). AFW2 and DFID coordinated their effort in assisting Nigeria in the rebasing exercise. AFW2 and DFID are also coordinating work on the CPI statistics over the medium term.

AFW2 is also exploring avenues for collaboration with other CD providers to collaborate on training including facilitating experts for courses in these institutions and training centers. AFW2 held a meeting with West African Institute for Financial and Economic Management (WAIFEM) to explore common areas of interest in capacity building work. WAIFEM's mission is to develop, on a sustainable basis, competencies in the fields of macroeconomic, debt and financial sector management among the staff of central banks, ministries of finance, and other public sector and private institutions. In keeping with the objective of obtaining as comprehensive an assessment as possible on the needs of the region, AFW2 met with the West African Monetary Institute (WAMI) to discuss the latter's work plans for member countries. WAMI's vision, in terms of training and capacity building, was very closely aligned to AFW2's and thus an agreement was formed to partner on the delivery of selected regional training. Given the role it plays in promoting the harmonization of financial sector policies and operations within the region, WAMI also requested assistance with the training of their own staff on topics of their concern. WAMI has invited AFW2 to sit as an observer in its next meeting of regional supervisors. AFW2 is also exploring with the ECOWAS multilateral surveillance unit on how capacity building can foster regional integration (Box 3). Meetings were also held with other regional bodies to identify areas of collaboration in capacity building including harmonization in revenue administration.



Box I: The Ebola Shock and AFW2's Response

Prior to the EVD outbreak, the center's CD intervention baseline and logic for Liberia and Sierra Leone envisaged a relatively more ambitious work plan for both countries. Most notably, in the area of PFM, the Center's key focus was improving budget preparation over the medium term. The EVD shock led to a reexamination of the Center's CD broad strategy for the two countries.

The EVD crisis had a significant impact on the operations of AFW2. Having started operations in January 2014, AFW2's Regional Advisors had planned missions to member countries to assess the most critical needs and establish working relations. Some follow-up missions and regional workshops had also been anticipated. However, the various measures adopted by the national and regional authorities to contain the spread of the disease affected the work of the Centre including the postponement of regional workshops and missions to the affected countries.

The Centre responded to the EVD shock by recalibrating the 2015 work plan which also led to a downward revision of the Center's budget for missions for FY 2015. AFW2 explored creative ways to deliver some TA through the use of skype and video conferences to the affected countries. Also, some of the unused resources were reoriented to the non-affected countries. The Centre has since late 2014 reached out to Liberia and Sierra Leone mainly via emails and video conferencing. In the area of Revenue Administration which saw the most progress in this regard, there was a remote mission with Sierra Leone in December 2014 to develop a strategy for Customs Risk Management. Another remote mission assisted the newly-established Liberian Revenue Authority to develop management reports. A regional workshop on customs risk management was also conducted in Accra also in March 2015, which included participants from Sierra Leone and Liberia. For the other sectors, contacts were established with the authorities in the two countries which should facilitate work in the coming fiscal year. Overall, not all the foreseen TA activities for the two countries in the recalibrated 2015 work program could be undertaken. This was mainly because of the short-comings of delivering TA remotely and the difficulty in establishing contacts with some of the public institutions and agencies in the two countries. As a result, only ½ of the milestones targeted in the recalibrated work plan for both countries were achieved.

The EVD crisis has wreaked havoc in Liberia and Sierra Leone with a broad-ranging short-term impact affecting economic and social outcomes of the two countries. It is also expected to have lingering effects on the medium term prospects of these countries. AFW2 has considered these implications vis-à-vis the institutional needs as provided by the authorities in formulating the FY2016 work program. It has been noted for instance that in spite of the EVD shock, the Liberian authorities were able to set up a Revenue Authority in 2014. Further recognizing the peculiarities across the various sectors, the Centre's milestones for these countries for FY2016 emphasizes on one hand, returning to the fundamentals in sectors where required (PFM), and on another hand, building on low hanging fruits in sectors such as Revenue (Table I). Ultimately, the Centre's goal is to position its CD activities for these countries in support of their stabilization and recovery in the post-ebola era.

As uncertainties about the EVD situation remain in the near term, there are risks to AFW2's ability to deliver TA to the two countries, especially through missions. That said, with the sharp decline in the incidence of Ebola in recent weeks, the Fund has adopted a gradual normalization of its engagement with affected countries. The resumption of missions is expected shortly after the IMF Spring Meetings for Liberia, and a couple of months later for Sierra Leone.

Table 1. Ebola Affected Countries: Amendment of the Milestones in the RBM Framework

LIBERIA		SIERRA LEONE	
Previous Milestones	New Milestones	Previous Milestones	New Milestones
<p>(1) Taxpayer service program launched;</p> <p>(2) VAT implementation plan developed and resources identified;</p> <p>(3) Revenue Authority set up and operational structures in place;</p> <p>(4) Customs procedures Guide developed and validation workshop held for staff and stakeholders.</p>	<p>(1) An effective management reporting and performance tracking system established;</p> <p>(2) Customs policies and procedures manuals and guidelines developed;</p> <p>(3) Effective investigation and intelligence gathering function set up;</p> <p>(4) A strong risk based post-clearance audit and Customs enforcement framework in place.</p>	<p>(1) An effective Monitoring Research and Planning structure approved and adopted;</p> <p>(2) Risk based audit framework developed;</p> <p>(3) Risk management strategy developed and implemented.</p>	<p>(1) Efficient and effective operational procedures in place;</p> <p>(2) Organization wide risk-based compliance enforcement framework fully developed</p> <p>(3) A strong Monitoring, Research and Planning (MRP) function set up.</p> <p>(4) Effective joint customs and tax audit programs delivered.</p>
Revenue Admin	<p>The LRA was established in July 2014 with assistance from FAD under the TPA-TTF program but scheduled missions for customs could not be delivered. The implementation of VAT was deferred. Delivery of the new milestones will depend on how soon the Ebola situation is contained so staff can be trained on the tools developed. Until then TA will focus on developing manuals and other work that can be done remotely. Delivery will also partly depend on TA recipient country TA absorption capacity and resource availability.</p>	<p>Work on developing the Risk Management Strategy was started in 2014 before the Ebola situation escalated. Delivery of the new milestones will depend on how soon the Ebola situation is contained so staff can be trained on the tools developed. Until then TA will focus on developing policies and procedures manuals and other work that can be done remotely. Delivery will also partly depend on TA recipient country absorption capacity and resource availability.</p>	Remarks

	LIBERIA		SIERRA LEONE	
	Previous Milestones	New Milestones	Remarks	
PFM	All MDAs use a simplified Medium Term Expenditure Framework for budget preparation that provides a credible medium term perspective.	1) MTEF reflect accurately revenue projections and adequately captures multilateral and bilateral assistance. 2) Treasury Single Account implementation, cash forecasting (including emergency liquidity provision) and cash management are strengthened to provide reliable monthly cash ceilings to Ministries, Departments and Agencies (MDAs).	Donors' assistance, including IMF budget support, will partly offset revenue decline while the country is facing increased needs for Ebola-related spending, infrastructure investments and support to the economy. The fiscal framework for government spending needs to be redefined to provide MDAs with realistic MDAs with realistic fiscal envelopes and to avoid the accumulation of arrears. The Government is currently using the World Bank supported Project Monitoring Unit in the Ministry of Finance and Economic Planning to coordinate the mobilization, execution, and accountability for select Ebola-related activities. TA should be used to strengthen liquidity forecasting, including emergency liquidity provision, cash management, accountability of government expenditures, as well as coverage, quality, reliability, and timeliness of the fiscal reports.	Donors' assistance, including IMF budget support, will partly offset revenue decline while the country is facing increased needs for Ebola-related spending, infrastructure investments and support to the economy. The fiscal framework for government spending needs to be redefined to provide MDAs with realistic fiscal envelopes and to avoid the accumulation of arrears. The government has appointed a fiduciary agent to supervise the utilization of Ebola-related funds and agreed on a joint reporting framework with all development partners. TA will focus on the enhancement of capacity for planning and budget formulation, extension of the Treasury Single Account coverage, strengthening of liquidity forecasting, including emergency liquidity provision, and cash management, as well as coverage, quality, reliability, and timeliness of the fiscal reports.
			Formation of working groups for the preparation of a new PFM Strategy.	MTFF reflect accurately revenue projections and adequately captures multilateral and bilateral assistance. 2) Liquidity forecasting (including emergency liquidity provision) and cash management are strengthened to provide reliable monthly cash ceilings to MDAs.

	LIBERIA		SIERRA LEONE	
	Previous Milestones	New Milestones	Remarks	
Banking supervision	<p>Authorities helped to implement risk-based supervision and adopt IFRS accounting frameworks.</p>	<p>Authorities helped to: 1) validate their self assessment of the Basel Core Principles ; 2) classify and provision for non-performing loans, 3) improve the collection, compilation and analysis of data.</p>	<p>New milestones seen as key building blocks to implementing more advanced/complex frameworks.</p>	<p>Remarks</p> <p>New milestones seen as key building blocks to implementing more advanced/complex frameworks.</p>
Monetary	<p>1. Identified TA needs for the next period, work plan</p> <p>2) Increased capacity at the central bank to forecast liquidity</p>	<p>1. Increased capacity of the central bank to forecast liquidity</p> <p>2. Progress toward building a useful framework for better monetary policy decisions.</p>	<p>1. Identified TA needs for the next period, work plan</p> <p>2. Increased capacity at the Central bank to forecast liquidity</p>	<p>Improved liquidity forecasting at the central bank and better monetary policy decision making</p> <p>No missions to Sierra Leone were possible so far. Fulfillment of this milestone will depend crucially on the institutional capacity at the Central bank of Sierra Leone and on when travel to Sierra Leone will be possible.</p>

LIBERIA		SIERRA LEONE			
Previous Milestones	New Milestones	Remarks	Previous Milestones	New Milestones	Remarks
(1) NAAS results are finalized for incorporation in the ANA and (2) Preliminary GDP (expenditure) estimates are produced and reviewed	(1) NAAS results are finalized for incorporation in the ANA; (2) Preliminary GDP (expenditure) estimates are produced and reviewed; (3) Data sources and methods are identified and documented for the CPI	The carry over of national accounts activities not as a result of Ebola issue rather the lack of receipt of data. CPI development is a new activity once the household survey is available, expected late FY2016. Discussing with STA ways to progress quickly.	(1) ANA estimates are released and data sources and methods are documented; (2) Feasibility ascertained for producing QNA; (3) CPI is released and data sources and methods are documented; and (4) Data sources and methods are identified and documented for PPI	(1) ANA estimates are released and data sources and methods are documented; (2) Feasibility ascertained for producing QNA; (3) CPI is released and data sources and methods are documented; and (4) Data sources and methods are identified and documented for PPI	Carry over from FY2015. I was unable to visit Sierra Leone before the suspension took place so the first mission will be critical to build the network and understand the situation there and requirements they have. I have done some work remotely on reviewing their methods and sources but without the data this can be limited.
Statistics					

Box 2: Commencement of AFW2's Workshops and Seminars and New Innovations

In March 2015, AFW2 resumed its workshops shortly after Ghana lifted its ban on international conferences related to EVD. A workshop on Customs Risk Management took place in Accra, Ghana from 16th-20th March with 26 participants from the six AFW2 countries including representatives from the ECOWAS Secretariat. The preparation of the workshop afforded AFW2 an opportunity to introduce innovations to it going forward, with a view to improving its outcomes.

The innovations in AFW2's workshop plan aim to address the following issues:

- **Diversity of the countries:** AFW2 countries do not only have different profile but also are at different levels of their capacity development. AFW2 has taken into account this diversity, and will prepare its regional workshops with the aim of making them beneficial for all countries to the extent possible. The Centre's approach includes a proactive communication with the country authorities to effectively target the right level of officials for the workshops, utilizing countries in the region that may be more advanced in the subject area as resources, and also giving opportunities to other member countries to share their experiences. The countries that are deemed to be operating at higher capacity would be show cased in the workshops/seminars to facilitate peer learning and peer support.
- **Skill Mix of Instructors:** To enrich the quality of the workshops, the Centre will ensure that the set of instructors will have an appropriate blend of expertise and experiences. As much as possible, the instructors should altogether bring to the workshop an in-depth knowledge of the subject matter, cognizance of the AFW2 region and sub-Sahara Africa, and the perspectives from advanced countries.
- **Pre-Workshop preparation:** It is important that all parties are adequately prepared for the workshop in order to maximize its benefits. Using various channels, the Centre will communicate workshop objectives and pre-requisites with country authorities to guide the selection of participants, as well as all relevant information including reading materials to participants in good time. The Resident Advisors will also work with the various presenters and instructors to prepare and validate the workshop materials ahead of the workshop.
- **A Secure Website for the Center's workshops:** To boost AFW2's pre-workshop preparations, the Center has created a Moodle website where pre-workshop reading materials will be posted if deemed critical to the success of the workshop. Only the participants, the Resident Advisor and dedicated AFW2 staff members who assist in organizing all the logistics will have access to this secure website. Once the workshop is concluded, the Center will also post key workshop materials in this secure website and keep the website life for 6-12 months in case participants from member countries have additional input and feedback for the Center on the workshop.
- **Enhancing the visibility of AFW2's workshops and seminars:** As part of the Center's stepped up outreach efforts to publicize its work, going forward, where appropriate, workshops and seminars will publish a short podcast a day prior to the commencement of the workshop and a press release or an IMF survey article after the concluding session. Where appropriate, the release of the press statement on the workshop could be done via a press conference by the Center Coordinator and the relevant TA Advisor who organized the workshop/seminar.



AFW2's first Regional Workshop in 2015 on Customs Risk Management held in Accra, Ghana, March 16-20, 2015



The Center's First
Public Finance Management Workshop held in Accra in June of 2014



Foreign Exchange Management Training Workshop
held at the Bank of Ghana in June 2014



Box 3: Fostering Regional Integration through Capacity Building in AFW2 Countries

Leveraging on the IMF's CD work in the East African Community (EAC)

Regional integration is often credited with aiding economic progress and bringing wider social benefits. In the 2013 Africa Competitiveness Report entitled *Connecting Africa's Markets in a Sustainable Way*, regional integration was seen as a key vehicle to helping Africa raise competitiveness, diversify its economic base and create much needed jobs for the young and increasingly urban population. That said, achieving an economically meaningful regional integration is a complex, demanding and prolonged process. Strong political will is a necessary but not a sufficient condition to achieving the goals associated with regional integration. Supply-side constraints within countries often slow down integration and as a consequence the benefits that can be derived from integration can be subject to long and variable lags.

Although regional integration was not a key focus of AFW2's work program, there are areas of work at the country level which can add value to the regional goal of pursuing the same. As a Center, AFW2 focuses on capacity development the member countries in specific fiscal management and financial sector issues. In this regard, AFW2 can assist with two of the four areas identified as key to helping regional integration in the 2013 Competitiveness Report as well as two additional areas. These are as follows:

1. Closing the competitiveness gap. Most of sub-Saharan Africa trails behind emerging markets and so does West Africa. AFW2 with its country work can contribute to improving the quality of institutions which together with sound macroeconomic policies (most notably fiscal discipline) and promoting good governance in member countries are key to closing the competitiveness gap and promoting regional integration.

2. Helping to Improve the Flow of Trade. In building regional integration, there is a need to deepen inter-African regional trade and promote greater trade in services as against mainly goods. The ability to do so in a more seamless fashion is often limited by factors such as foreign exchange payments, delays in payment systems, and customs and other tax barriers. In addressing these issues, AFW2's ongoing CD work at the country level can contribute to: a) harmonize taxation and customs policies which can promote trade creation and decrease incidences of smuggling, b) harmonize of real sector statistics, c) convergence of fiscal policies through harmonization of PFM policies over the medium-term, d) through increasing the efficiency of monetary policy frameworks and monetary policy implementation, e) enhancing payment systems interconnectivity to enable more efficient and modern cross-border payments and settlement systems and f) helping regulatory and supervisory authorities meet international standards, reduce regulatory arbitrage and co-operate in terms of the oversight of institutions which operate cross borders and pose systemic risks. Ultimately regulatory authorities would need to work towards some degree of harmonization of legislation and policies.

3. Financial integration is a key aspect of regional integration. Lack of financial depth, measured by share of private sector credit relative to GDP, is one of the features of financial systems which hamper the efficiency of monetary policy. Another one is relatively large interest rate margins. This is usually the result of the lack of competition on the banking market, lack of financial infrastructure and increased credit risks in general (sometimes linked with inadequate property rights). So more regional financial integration could increase the financial depth of economies and thus increase growth rates in the region, which are necessary for faster development and reducing poverty. Stability friendly forms of financial inclusion (FI) also broadens access to financial services, mobilizes household savings, harnesses capital for investment; and as a consequence enhances inter-regional trade and thus regional integration. AFW2 plans to explore with its members possible areas to work on FI at the country level (Box 5) over the medium term.



4.Enforcement of a fiscal convergence criterion can foster fiscal discipline among member countries. Common PFM reform strategies and common standards of fiscal reporting can facilitate the coordination of policies and the convergence of PFM systems that will become more aligned on jointly defined best practices.

Overall, AFW2's ongoing capacity building work at the country/national level can help foster regional integration and the Center is seeking the guidance from the Steering Committee on how best to take this work forward through collaboration with regional bodies and RTACs. In addition to its current CD sectoral work at the national level, modest deliverables by AFW2 could include: 1) doing joint seminars with other RTACs including Afritac West as well as the ATI on capacity building and regional integration;⁵ 2) co-sponsoring workshops with other regional bodies (WAIFEM, WAMI, ECOWAS) for all member-countries on a broad scope of regional integration topics, 3) facilitating secondments and peer-to-peer learning experiences on regional integration issues. WAMZ, WAMI, WAIFEM and ECOWAS are also pursuing a few ongoing initiatives including on cross-border issues. There is no standardized model for fostering regional integration through CD that can be readily applied across the board. As Cristina Duarte (Finance Minister of Cabo Verde) said in her Op ed piece (Ghanaian Times, January 19, 2015) *"We need to significantly strengthen our institutions—both regional and national in order to bring about regional integration"*. The Center would like to follow the lead of member countries in trying to identify capacity building priorities that are needed to facilitate regional integration process. To help plant that seed, the Center is proposing a modest step through a one-day seminar later in the year which will bring practitioners in both the region and outside the region and regional bodies on how best to foster regional integration through capacity building over the medium term leveraging on the IMF's experience on fostering regional integration through its CD work in the EAC. To help manage expectations, while CD on regional issues can be provided to members help build capacity at the country/national level and also enhance regional harmonization and promote efficiency, approval by the IMF Board is required to provide TA and training to certain regional organizations such as EAC.⁷

⁵ About fifty percent of Afritac West activities are related to regional integration issues within the WAEMU. These include assistance/training to the regional institutions such as BCEAO, WAMU banking commission and Agence UMOA-Titres, a regional agency promoting coordination of government bond issuances and integration of bond markets.

⁶ The ATI plans to do a course on regional integration and partner with AFW2 in October, 2015.

⁷ In response to a request by the EAC, the Executive Board authorized in 2011 the Managing Director to approve the provision of Fund TA in the areas of fiscal and monetary policy, macroeconomic convergence, banking, financial supervision and regulation and statistics, including training programs and assistance that strengthen the legal, institutional, and administrative framework in these areas. A memorandum of understanding (MoU) between the Fund and the EAC was signed in September 2011 to facilitate the provision of Fund TA and training at the EAC level and granted observer status to each institution in the other's key meetings.



III. MACROECONOMIC DEVELOPMENTS IN AFW2 COUNTRIES

Based on the April 2015 World Economic Outlook (WEO) forecast, the sub-Saharan Africa (SSA) and the AFW2 countries are projected to grow by 4.5 and 0.4 respectively in 2015 compared to 5.0 percent and 3.0 percent in 2014. The EVD crisis has significantly affected not only the Liberian and Sierra Leonean economies, but also, the tourism industries of Cabo Verde and The Gambia. With the exception of Nigeria, economic growth declined in all the AFW2 countries in 2014. In spite the projected pickup in global growth in 2015, growth prospects remain subdued for AFW2 countries. The main near-term risks to the AFW2 countries' outlook include the lagged spillover of the EVD crisis and volatility of commodity prices for oil and iron ore.

Inflation is expected to increase slightly in AFW2 countries to an average of 8.4 percent in 2015 from 8.0 percent in 2014 and will remain above the SSA average. The impact of the decline in oil prices on inflation is expected to be small for most AFW2 countries due to limited pass through.

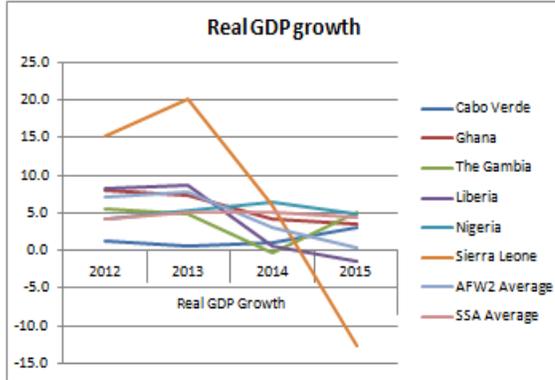
With an average fiscal deficit of 6.2 percent of GDP in 2014, the region has a deficit higher than the SSA average of 3.3 percent of GDP. The average fiscal balance of AFW2 countries is projected to remain broadly unchanged in 2015. On the one hand, Ghana and The Gambia are expected narrow their deficits with fiscal consolidation measures. In the case of Ghana IMF Board in April 2015, approved a three-year Fund-supported program in which the main priority is to restore debt sustainability through sustained fiscal consolidation measures. On the other hand, the deficits of Liberia and Sierra Leone which widened in 2014 are likely to deteriorate further in 2015 due to declining revenues and increasing spending reflecting the impact of Ebola on the economy.

On average, the debt burden for AFW2 countries is projected to be 64.8 percent of GDP in 2015 compared to 32.0 percent of GDP for the SSA average. In line with the fiscal challenges identified, the debt-to-GDP ratio of most AFW2 countries is expected to rise.

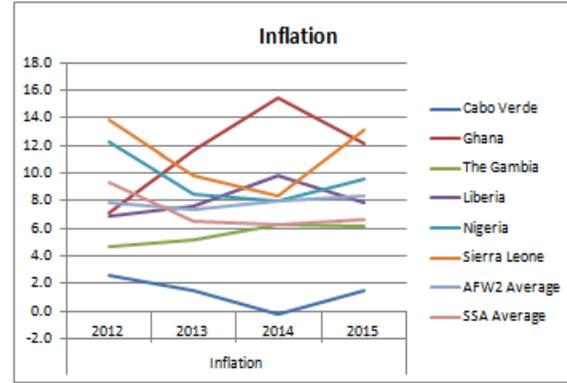
Thus, the overall picture is that AFW2 countries continue to face enormous fiscal challenges which are being translated into their large capacity development needs. The authorities' objective of raising potential growth in a sustainable manner will require significant capacity building efforts across a number of areas. AFW2 CD work will continue to support its member countries in its efforts to continue with fiscal consolidation through both PFM and revenue administration reforms, modernization of the monetary policy framework, the strengthening of financial sector supervision and regulation, and improvements in real sector statistics.

Figure I: Recent Macroeconomic Developments in AFW2 Countries

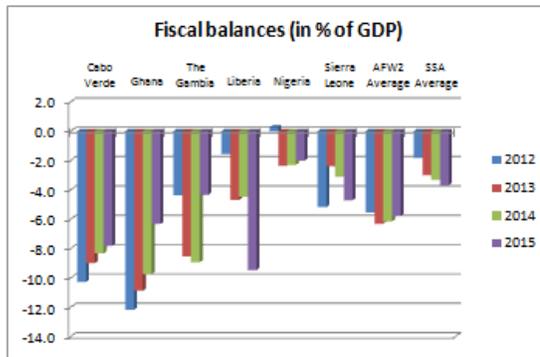
1. Economic growth declined in most AFW2 countries in 2014. Growth prospects for 2015 remain subdued



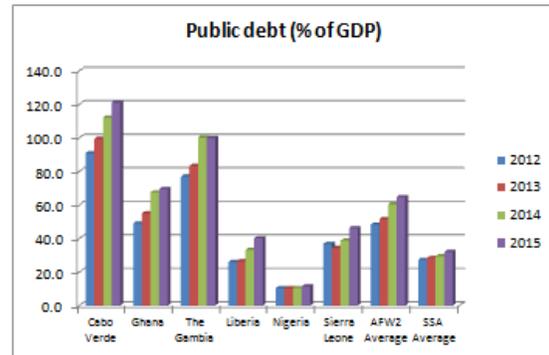
2. Inflation is broadly expected to rise slightly in the region in 2015



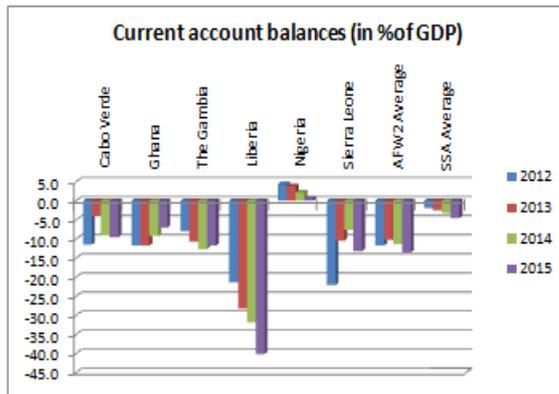
3. The region has an average fiscal deficit higher than the SSA Average. The average deficit will be broadly unchanged in 2015



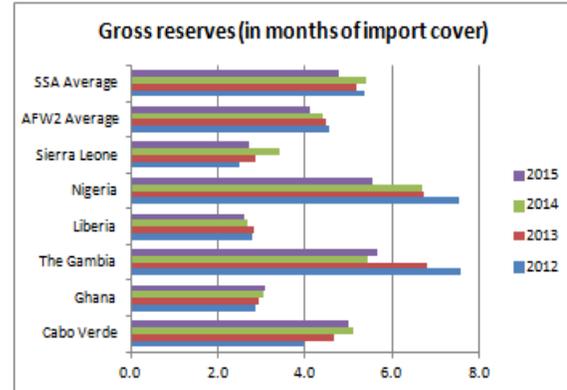
4. Reflecting the fiscal situation, the public debt of most AFW2 countries will rise in 2015



5. Most of AFW2 countries are externally vulnerable



6. Reserves will hover around an average of 4.4 of import cover in 2015



Source: Based on the April 2015 WEO update.



IV. REPORT ON ACTIVITIES DURING FY2015

A. OVERVIEW

Given the strong demand for the Center's capacity building activities, progress was made in implementing the activities in the work program. The Centre's CD activities were respectable despite the effect of the Ebola on its operations and the staffing changes that occurred during the year. A total of 48 missions of the 93 missions scheduled for FY2015 were achieved by end of the period, representing just over 50 percent of the planned activities. About ¾ of the milestones were either met or are in progress. In particular, significant progress was achieved in the areas of revenue administration, PFM and real sector statistics. The strong performance is explained by a number of factors. First increased level of engagement through stepped up outreach activities by the Center and the close working relations with our members contributed to increased level of CD activity and delivery. Furthermore, the diagnostic and needs assessment made it easier to plan capacity building activities in the second half of FY2015. Third, some of the postponed and cancelled activities in Liberia and Sierra Leone due to EVD were reoriented to the non-Ebola affected countries (Cabo Verde, Ghana and The Gambia).

There was also close collaboration with IMF headquarter-based technical assistance delivery, resident advisors and donors as well as with other development partners in the different sectors on areas of common interest. This has facilitated the discussion to focus on areas more beneficial to member countries and avoid the duplication of efforts across various capacity building agencies. For example, in several AFW2 countries, IMF has resident advisors in institutions and coordination with them is an indispensable part of our work. Areas of strategic importance to both member countries and the donor community have also started to emerge, and the Center will be guided by these to put adequate resources in advancing work in these areas. One such area that falls within public finance and revenue administration is the management of natural resources revenues.

On the financial side, total budgetary outlays for FY2015 were about \$3 million or 38 percent of the total budget for FY2015 (\$7.87 million)—Table 5. This largely reflected the impact of EVD on the Center's mission activities as well as its workshops and seminars.

The Center views close coordination with functional departments at HQ, in particular FAD, to be critical in its CD work. FAD (HQs) also has an ongoing program of TA on natural resource fiscal regimes to several AFW2 countries, and is planning to explore the possibility of conducting a West African regional workshop on natural resources during FY2016. In fact, FAD has also been providing TA to AFW2 countries to strengthen government capacity for resource revenue forecasting (e.g. in Liberia and Sierra Leone) both involving ministries of finance and revenue authorities. In general, AFW2 will strive to coordinate and collaborate with FAD (HQs) on TA on natural resource management in those countries.

Box 4: Program Budget, FY2015 Expenses, FY2016 Budget and Fund Raising

The Center's 5-year program budget was originally estimated at about \$43 million (Table 5). Actual expenditures for FY2015 amounted to about \$3 million compared to \$7.87 million programmed for the year. Notwithstanding the lower-than-programmed expenditure, the rate of implementation of the planned work for the year was respectable.

The increased AFW2 activities envisaged in FY2016 is based on the assumption that the Center would most likely be able to return to active mission status in the two Ebola affected countries (Box I) in the second half of FY2016. In particular the level of activity in PFM is likely to see a significant scaling up in FY2016 with the expected gradual normalization of missions to Liberia and Sierra Leone. The resumption of the Center's workshops and seminars would also have implications for the demand for resources in FY2016. Given the high demand AFW2 countries have for PFM TA, and the likelihood that a lot of work would need to be done in both Liberia and Sierra Leone in the post-Ebola period, the Center is proposing to recruit a second PFM Advisor. Table 5 at the end of the report provides the Center's latest financial statement as of end-February 2015.

On fundraising, significant progress has been made relative to the funding level that was envisaged in the original program budget documents (text Table below). At end-February 2015, total contributions secured and pledged, including IMF funding, amounted to \$45.19 million for the five-year funding cycle. AFW2's level of funding reflects contributions from donors: the African Development Bank, Australia, Canada, China, the European Union, the European Investment Bank and Switzerland. For member countries, Ghana—the host country signed a letter of understanding amounting to \$5 million and the Center has been in touch with other AFW2 member countries on their pledges.

Status of Financial Contributions						
As of 28 February, 2015						
	Donor currency	Pledges		Received	Expected	
		(In donor currency)	(In U.S. dollars)	(In U.S. dollars)	Requested	Future installments
Donors (secured)						
African Development Bank (AfDB)	U.S. dollar	1,500,000	1,500,000	-	-	1,500,000
Australia	U.S. dollar	1,500,000	1,500,000	1,500,000	-	-
Canada	Canadian dollar	2,000,000	2,077,650	2,077,650	-	-
China	SDR	650,000	1,006,209	297,054	-	709,155
European Investment Bank (EIB)	Euro	250,000	331,425	331,425	-	-
European Commission (EC/ regional)	Euro	10,000,000	13,029,604	11,588,400	-	1,441,204
European Commission (EC/ACP)	Euro	4,000,000	5,200,000	2,782,800	-	2,417,200
Switzerland	U.S. dollar	5,000,000	5,000,000	5,000,000	-	-
<i>Subtotal - secured donors</i>			<i>29,644,887</i>	<i>23,577,329</i>	-	<i>6,067,559</i>
Donors (pledged)						
United Kingdom	British Pound	-	8,800,000	-	-	8,800,000
<i>Subtotal - pledged donors</i>			<i>8,800,000</i>	-	-	<i>8,800,000</i>
Recipient Countries (secured)						
Ghana (host)	U.S. dollar	5,000,000	5,000,000	-	5,000,000	-
<i>Subtotal - secured recipient countries</i>	U.S. dollar		<i>5,000,000</i>	-	<i>5,000,000</i>	-
Recipient Countries (pledged)						
Cabo Verde	U.S. dollar	350,000	350,000	-	-	350,000
The Gambia	U.S. dollar	350,000	350,000	-	-	350,000
Liberia	U.S. dollar	350,000	350,000	-	-	350,000
Nigeria	U.S. dollar	350,000	350,000	-	-	350,000
Sierra Leone	U.S. dollar	350,000	350,000	-	-	350,000
<i>Subtotal - recipients (under discussion)</i>			<i>1,750,000</i>	-	-	<i>1,750,000</i>
Total			45,194,887	23,577,329	5,000,000	16,617,559
Memorandum Item:						
IMF	U.S. dollar	3,847,712				

Source: Institute of Capacity Development, IMF.

Table 2

Table 1: AFRJTAC West 2 Activities, FY 2015			
	Planned	Completed	Fulfilled
AFW2 Missions	93	48	52%
AFW2 Regional Workshop	7	3	50%

Source: AFRJTAC West 2 Revised Workplan

Table 3

Table 2: AFRJTAC West 2 Activities by Work Area, FY2015				
	Missions		Workshops	
	Planned	Completed	Planned	Completed
Revenue Administration	34	23	2	1
Public Financial Management	28	11	2	1
Banking Supervision	9	4	1	1
Monetary Operations and Payment Systems	8	3	1	0
Real Sector Statistics	14	7	1	0
AFRTIAC West 2 Total	93	48	7	3

Source: AFRJTAC West 2 Revised Workplan

Figure 2

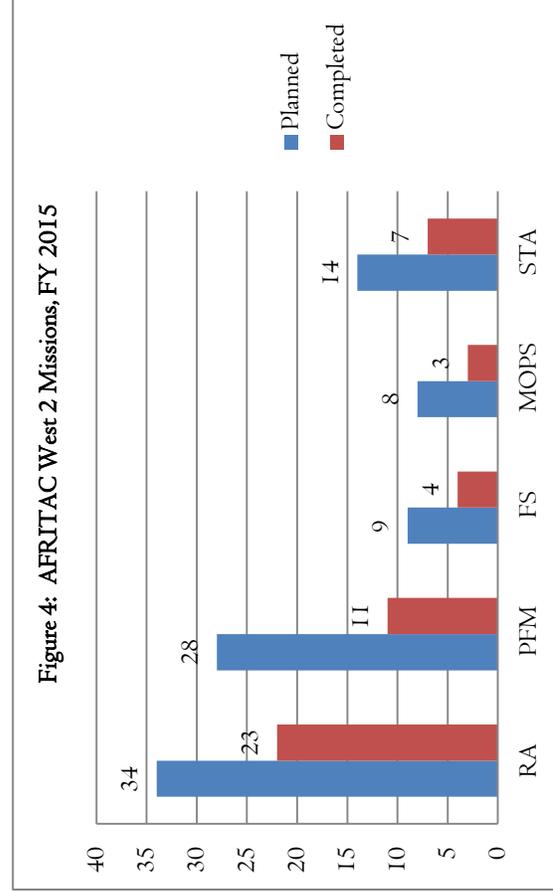


Figure 4: AFRJTAC West 2 Missions, FY 2015

Figure 3

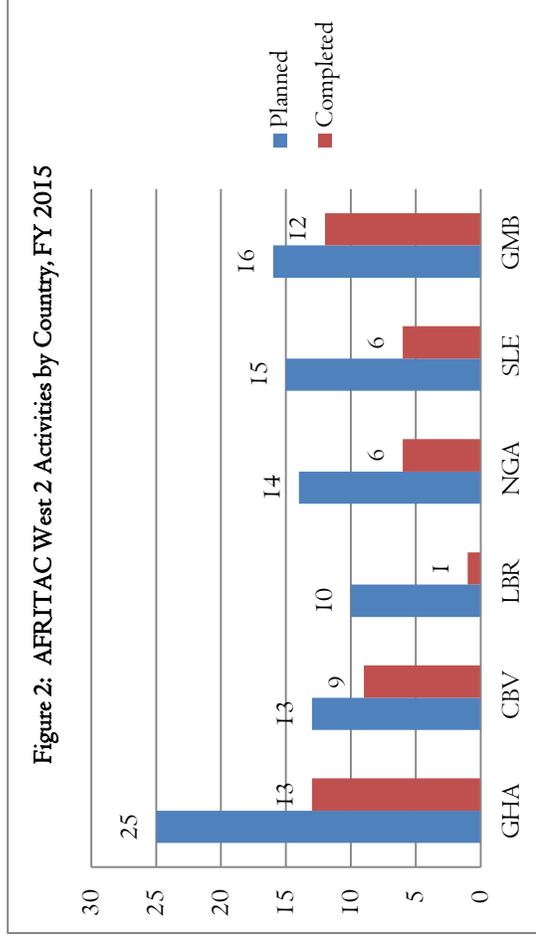
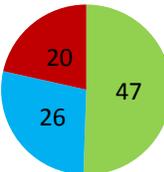


Figure 2: AFRJTAC West 2 Activities by Country, FY 2015



Figure 4: AFW2 Performance on Milestones by Work Area, FY2015

AFW2 Work Area	Number of Milestones
Revenue Administration	
Public Financial Management	
Banking Supervision	
Monetary Operations and Payment Systems	
Real Sector Statistics	
AFW2 Total	

Legend ■ Met ■ In Progress ■ Cancelled



Figure 5: AFW2 Performance on Milestones by Country FY2015

AFW2 Member Country	Number of Milestones
Cabo Verde	
The Gambia	
Ghana	
Liberia	
Nigeria	
Sierra Leone	
AFW2 Total	

Legend ■ Met ■ In Progress ■ Cancelled



B. Sectoral Activities During FY2015

Revenue Administration

Key deliverables in FY2015

At the inception of the Center, TA in revenue administration was designed to build capacity for member countries and mobilize domestic resources to support their development programs, building on ongoing work that had been initiated by the FAD through previous missions. An in-depth analysis of capacity gaps was done through diagnostic missions to assess the capacity of customs and tax management and the status of implementation of the respective reform programs. Reform progress made in some countries, through the Center's TA, include: planning of the reform program and developing medium term objectives, goals and strategies; reviewing core business processes and developing standardized operational manuals; and building compliance monitoring and enforcement capacity, including developing risk based and computer assisted audit skills in both customs and taxes.

Progress toward the general objective and performance under milestones in FY2015

AFW2's objective in revenue administration is to strengthen institutional and operational capacity of member countries for optimal revenue generation and enhance tax and customs compliance while facilitating trade and regional integration. TA missions to the member countries converged around strengthening risk-based approaches to compliance enforcement, developing policies and strategies to deliver on key strategic objectives, including developing strategic plans for the Revenue Administrations and documenting operational processes and procedures in both customs and taxes. A lot of progress was made towards the achievement of the key objectives in three countries but work was affected by the EVD crisis in Sierra Leone and Liberia and very little was achieved in Nigeria due to the precarious security situation. Thus, at the request of the authorities, additional TA was provided to revenue administrations in The Gambia and Ghana in the first three quarters of FY2015 to help develop or fine tune their Strategic Plans.

A total of thirty four missions and one workshop were planned at the time of the mid-year review of FY2015 across the six member countries. In terms of actual, there were twenty-three missions delivered during the year, including the Advisor's visits to member countries. During the Advisor's scoping missions to member countries additional work was identified by administrations, either to implement previous mission recommendations or strengthen new priority areas. AFW2's TA in Cabo Verde and Liberia focused on Customs administration while assistance in domestic taxes was delivered by the FAD through the Tax Policy and Administration – Topical Trust Fund program (TPA-TTF). TPA-TTF's work in Liberia included supporting the setting up of the Revenue Authority. Two missions were conducted to Sierra Leone to review and strengthen their risk management functions before the Ebola outbreak and the work had to be finalized through a remote mission. All missions scheduled for Liberia were suspended but two experts worked remotely with the Liberia Revenue Authority to develop management reports for customs and domestic taxes for the newly integrated revenue administration.

The regional workshop on Customs Risk Management planned for September 2014 had to be suspended due to the EVD crisis. The workshop was later conducted in March 2015. A second workshop on VAT was cancelled and rescheduled for 2016.

Country work

Cabo Verde: The country has been in the process of integrating its Directorates of Contributions and Taxes (DCI) and Customs operations (DC) under the National Directorate of State Revenue (DNRE). TA in domestic tax administration was provided by FAD under the TPA-TTF program and focused on supporting the integration process. Thus, the focus of AFW2 TA was in the following areas in customs administration: a diagnosis of customs operations; risk management and compliance enforcement in Customs; and post clearance audit and preparations for designing an Authorized Economic Operator Program for key importers. Key achievements include developing a strategy for customs administration reform and the clear articulation of TA requirements.

Ghana: The main focus of TA in Ghana was to assist the Ghana Revenue Authority (GRA) develop its Strategic Plan for the period 2015 to 2017. Two short term missions were conducted (jointly with the GIZ) in the development of the strategic plan, followed by an FAD-led mission to review the plan. A mission to strengthen risk management and train staff in the risk management unit and other tax and customs officials was conducted for the GRA. The Advisor worked closely with the Modernization Program Office to monitor implementation of the reform programs. Training on auditing the telecommunications sector was also conducted and focused on computer assisted audit techniques. An FAD-led revenue administration mission on Indirect Taxes was also conducted to review the GRA's administration of VAT and Excise duties. Key developments to date include: preparing a medium term strategic plan, training staff and identifying a small number of staff that can be developed into trainers in the area of computer assisted audit, and improving planning and reform monitoring capabilities.



Risk Management Training at the
The Ghana Revenue Authority in 2014



Liberia: The Liberia Revenue Authority (LRA) was established in July 2014. FAD Revenue Administration assisted with the setting up of the revenue authority under the TPA-TTF program. An AFW2 mission had been planned to support the new authority develop and implement a taxpayer registration program but it was cancelled due to the public health situation in the country. TA was however provided remotely by two short term experts who assisted the LRA to develop a suit of management reports on their customs and tax IT systems.

Nigeria: Two missions had been planned for Nigeria on compliance risk management and self Assessment in the period under review but were deferred indefinitely initially pending improvement in the security situation as short term experts were not keen to take the risk. The Advisor visited the country in November 2014 as part of the Coordinator’s outreach mission. Following AFW2’s outreach, the authorities submitted a request for a diagnostic mission on tax policy and administration which was forwarded to HQ. Current plans are that a mission will be conducted in April to review the Federal Inland Revenue Service (FIRS) strategic plan and operational plans but this will depend on the security situation after the elections.

Sierra Leone: A mission on compliance risk management was conducted initially to strengthen the Sierra Leone National Revenue Authority (NRA) risk management function and was followed by a remote mission to develop a risk management strategy for Customs.

The Gambia: A short term mission assisted The Gambia Revenue Authority (GRA) to develop a collections and enforcement manual and conduct training for the staff in the Debt Management Unit. An FAD-led mission provided assistance to develop the Strategic Plan for GRA for the period 2015 to 2019 and carried out a diagnostic of customs operations. A number of areas needing TA support were identified during the mission. Two missions, one on customs risk management and another to develop a taxpayer assistance program were later conducted in Q3. GRA was also supported in conducting a stakeholder consultation workshop on the strategic plan. Key developments to date include: developing standardized operational manuals, preparing a medium term strategic plan, developing a customs risk management strategy, and implementing a taxpayer assistance program.



The Gambia Revenue Authority’s Executive Management and Board Strategic Planning Workshop in 2014

Regional Work

In March 2015, a Regional Workshop on Customs Risk Management was organized for the six member countries which will help to promote regional trade integration initiatives as envisaged by ECOWAS by minimizing barriers to trade and reducing costs and time of trading across borders. Meetings were also held with different regional bodies to identify areas of collaboration in enhancing regional integration and harmonization in revenue administration. These include the Customs



Directorate in the Economic Community of West African States (ECOWAS), the African Tax Administrators' Forum (ATAF) and its West African wing WATAF, as well as the World Customs Organization Regional Office for Capacity Building (WCO-ROCB). Cooperation with these bodies will be further consolidated during FY2016. Work identified for possible cooperation includes the simplification and harmonization of customs processes.

Public Financial Management (PFM)

Key deliverables in FY2015

The Center's initial objectives "*to provide TA to strengthen members' capacity in formulating and executing budgets in line with economic development plans and to review, design and implement strategies for improving the PFM legal frameworks, institutions, procedures, and systems in order to foster fiscal sustainability, enhance budget credibility, strengthen expenditure control, and enhance fiscal reporting and oversight*" has proved a good guideline for selecting TA and setting up the PFM sector work program on a medium term basis. In the short term, the Center has chosen to focus on improving budget credibility of all six member-countries in the region as a first priority and as a pre-condition for moving to more ambitious reforms such as appropriation by program within the framework of Program-Based Budgeting (PBB).

Areas of intervention and progress toward the general objective

Areas of intervention originally selected for AFW2's first work program (i.e. FY 2016) were structured along six areas of intervention:

- Development of PFM reform strategy and action plan
- Revision and update of the legislative and regulatory framework
- Improved medium term expenditure framework and budget methodology
- Expenditure management, cash management and internal controls
- Accounting, reporting and budget transparency
- Natural resource expenditure management

All requested TA has fallen into these categories. Considering that AFW2 first priority is to assist member-countries in establishing budget credibility and enforcing fiscal discipline AFW2's TA has focused during this first year mainly on strengthening medium term expenditure framework, improving budget formulation, and strengthening budget controls. This focus will remain unchanged during the next fiscal year. The FY 2016 work program will be structured along seven new TA categories aligned with the FAD draft catalog for RBM which is also used by other RTACs.

Milestones of the PFM sector for FY2015 were geared toward improving a) PFM indicators across the region, notably those related to budget credibility, b) introducing better sequencing of PFM reforms, and c) strengthening budget control and enhancing fiscal reporting. The development of a PFM Reform Strategy was the main milestone for Ghana. In Cabo Verde, the main milestone was the production of a procedural manual to ensure the smooth transition toward program-based budgeting with production of a PFM Reform Strategy being the milestone for the next fiscal year. In Gambia, AFW2's main objective was the strengthening of budget execution and expenditure management and the main milestone is a strategy for reducing expenditure arrears. In Sierra Leone, reforms are driven by the promulgation of a new legislation and production of secondary legislation and regulation was the



most important milestone. For Nigeria, the focus is on accounting reforms and in the case of Liberia improving budget preparation over the medium term was the main priority. Significant progress has been made in many of these areas although work on Liberia and Sierra Leone were hampered by the EVD outbreak.

Country work

Cabo Verde: AFW2 interventions in Cabo Verde focus on Program-Based Budgeting and the review of ongoing PFM reforms to establish a logical framework for their monitoring. The Advisor did a first introductory visit in April 2014 to prepare a scoping of TA needs. During this visit the authorities indicated that their priority for TA was the preparation of the roll out of Performance-Based Budgeting and the revision of the performance framework. During the following 2014 annual meetings, the Minister requested the preparation of a PBB Manual for Ministries, Departments and Agencies. The first mission was conducted in November and a partial first draft of the manual is being prepared with a new mission scheduled in April 2015. Meanwhile, FAD with the participation of the PFM Advisor conducted a mission on progress made on PFM reforms, including on the readiness for PBB rollout. The mission concluded that PBB is still at an early stage of development. Additionally, AFW2 undertook a mission in March 2015 to assist the authorities in documenting and reviewing PFM reforms since 2005 with the objective of assessing progress to date and identifying bottlenecks. These activities are expected to continue during the first quarter of the next fiscal year.

Ghana: The PFM Advisor's activities in 2014-2015, included: the preparation of a new phase for further development of the GIFMIS, contribution to formulation of a draft PFM reform strategy and contributions to the negotiation of an IMF program with a strong PFM component. These activities were undertaken in close cooperation with the World Bank. The advisor worked closely with the World Bank consultant and assisted in the development of an interim draft PFM Reform Strategy for 2015-2017 within a short span of time. It is envisaged that government will launch a more consultative process to produce a comprehensive strategy by the end of 2015. At the request of the Minister and Budget Director, a September AFW2 mission conducted a review of the new Budget Preparation System, budget classification, chart of accounts and reporting. It also reviewed progress made on Program-Based Budgeting and provide some recommendations for the reengineering of the budget execution function. The 2015 budget was prepared using the new system with satisfactory results and the Ministry of Finance is in the process of reviewing the mission's recommendations for the next budget cycle. Within the framework of negotiations of the IMF program, the PFM Advisor worked on the development of a PFM reform matrix (distinct from the previous Interim PFM Reform Strategy) that will underpin the program's milestones. The advisor will participate fully in an FAD led mission to review the PFM legal framework in April 2015.

Liberia: Due to the outbreak of the Ebola Virus Disease (EVD) the planned outreach mission was cancelled and the IMF Resident Advisor who had been instrumental in crafting AFW2's work program was evacuated.

Nigeria: The advisor joined an FAD mission in March 2014 that was used as an introductory mission. However, due to a subsequent travel ban to Nigeria for security reasons and the need for a more detailed assessment of TA needs, there was no further engagement until November 2014. During this mission more specific needs in cash management, as identified by the previous FAD mission, were discussed with the authorities, including the need to change the cash plan table format to better capture



cash flows and the need to improve cash forecasts at the level of revenue agencies and MDAs. The authorities also shared with us their intention to reform their accounting policy and to adopt IPSAS standards. A more detailed analysis of TA needs was done in February 2015 during an FAD mission. Based on this, a work plan for AFW2 TA during FY16 was developed jointly by the FAD mission and AFW2 PFM advisor and agreed with the authorities. TA for cash management will be provided as soon as the expert is available (probably not before July 2015). On the accounting side, a common strategy has been put in place with FAD that will start with a gap analysis after the finalization of 2014 accounts to develop a sequenced action plan for IPSAS implementation. New discussions also took place with the Director General of Budget about the authorities' plans to start piloting Program Based Budgeting (PBB). A common strategy was discussed with FAD to provide TA through AFW2 short-term experts to review the PBB concept development and pilot ministries' program formats and facilitate sharing of experience by the Ghanaian authorities in this area.

Sierra Leone: With FAD assistance, a draft PFM law was finalized in November 2014 and is being discussed by the Parliament. Since the development of the supporting regulations could take several years, it was decided to start the preparation process before Parliamentary approval of the law. Following the EVD outbreak, a remote program of AFW2 TA assistance was designed to assist the authorities in developing secondary legislation and regulations to support the implementation of the PFM law. The draft law is being reviewed by AFW2 to determine the sequencing of the secondary legislation and preparing terms of reference for an expert to work on specific parts of the regulations.

The Gambia: The PFM Advisor participated in an FAD mission in March 2014 that examined the progress in introducing the MTEF and suggested areas for improvement in macro economic and fiscal planning, budget preparation, budget execution procedures and controls and gradual introduction of program-based budgeting. As a follow-up a joint diagnostic mission by FAD-AFW2 in July 2014 reviewed the budget execution and submitted recommendation to enhance expenditure management so as to enhance the credibility of the annual budget as a critical foundation for an MTEF. The authorities agreed on priority TA areas, namely medium-term strategic planning for selected sectors, cash management, control of domestic arrears accumulation, and commitment controls that would be funded by AFW2.

Regional Seminars

Due to the outbreak of Ebola Virus Disease (EVD) and travel bans across the region, only one seminar out of the two planned could be delivered. AFW2's first regional PFM seminar took place in Accra from June 2nd to June 6th on the theme "Strengthening Medium Term Budget Framework". The seminar, based on a FAD developed workshop previously successfully delivered in AFRITACs South and East, was attended by twenty two participants from the six member-countries.

Monetary Operations and Payment System

Key deliverables in FY2015

The monetary operations and payment system (MONOPS) objective is to promote capacity building to ensure effective monetary policy making, monetary policy implementation and the developments of financial markets. In the area of payments systems, the objective of MONOPS is to enhance the functioning of the payments systems to support monetary policy implementation, to develop local



financial markets and facilitate regional integration in financial services. Due to the late arrival of the Advisor to the Center, key deliverables in FY2015 were: a) informing the authorities on AFW2 activities and MONOPS function, b) learning about countries needs in the MONOPS area and c) establishing working relations with the central banks.

Progress toward the general objective and performance under milestones in FY2015.

The outreach to central banks on the role of AFW2 and specifically the MONOPS Advisor and establishing working relations with them was a necessary milestone in MONOPS work. MONOPS area is broad and diverse and there is uneven demand by AFW2 central banks for its services. That particular milestone was achieved in almost all the countries.

Country work

Cabo Verde: Cabo Verde's monetary framework is a peg to the Euro. Earlier in FY2015, several areas were identified that would benefit from improvements: a) coordination of foreign exchange market interventions with liquidity management, b) development of government securities market and c) improvement in overall liquidity management and this was expected to form the basis of future work.

Ghana: During FY 2015 the Advisor participated in two missions to Ghana. The first one was with IMF's Research department on monetary policy formulation, communications policy and developing a forecasting and policy analysis system (FPAS) to support monetary policy analysis. The second one was by the IMF's MCM on monetary policy implementation, deepening the domestic debt market and debt management. In March, 2015, AFW2 sponsored three staff from the Central bank to a seminar on *Forecasting Frameworks for Forward-Looking Monetary Policy* in Ebene, Mauritius.

Liberia: Due to EVD outbreak, planned scoping mission to Liberia had to be postponed. The Advisor held initial discussions with the authorities remotely to understand their needs in MONOPS. This paved the way for the establishing of good working relations with the Central bank of Liberia.

Nigeria: The Advisor had a scoping mission to Nigeria from November 25 to November 27, 2014 as part of the AFW2 outreach team which helped to establish good working relations with the Central Bank. The authorities expressed readiness to cooperate with AFW2 on regional integration issues like a seminar on the relations between monetary and fiscal policy. In March 2015, AFW2 sponsored three staff from the Central bank to a seminar on *Forecasting Frameworks for Forward-Looking Monetary Policy* in Ebene, Mauritius.

Sierra Leone: The Advisor was planning a scoping mission to Sierra Leone to introduce the AFW2 and the MONOPS function, but this was cancelled due to the EVD outbreak. AFW2 organized a VTC with representatives of Bank of Sierra Leone where the issues of how to improve traction were discussed as well as their future capacity building needs and which helped to establish good working relations with the Central Bank.

The Gambia: An introductory and outreach mission to the Central bank of The Gambia was undertaken from January 12-16, 2015. On balance, the authorities view missions that are geared toward giving them practical guidance on implementing past TA recommendations as most useful. The mission succeeded in establishing good working relations with the Central Bank.



Regional Activities: Initially in the draft work program, AFW2 was supposed to hold two seminars in FY2015 at the regional level in the area of monetary operations. The first one was to be on how these countries would transition away from reserve money targeting to a framework where the use of policy interest rates to signal the monetary policy stance and guide movements in market interest rates would begin to play more important role. The second seminar was supposed to focus on the monetary authorities' capacity to forecast and analyze macroeconomic and financial market developments with the view to strengthen monetary policy formulation. Due to EVD outbreak both seminars were postponed. The Advisor also participated in the meetings with the regional bodies that work on capacity building and surveillance: WAIFEM, WAMI, and ECOWAS's multilateral surveillance unit.

Banking Supervision and Regulation

Key deliverables in FY2015

As a newly formed centre, AFW2's key focus, in terms of deliverables, was to analyze the gaps that existed with respect to the regulation and supervision of the banking sector; and to determine where best the centre could add value to Central Banks in the region. AFW2's first priority was therefore to liaise with regulators; outline the centre's roles and objective in terms of TA delivery; and allow the Central Banks an opportunity to outline their key priorities and needs. The findings from these discussions fed into AFW2's immediate and medium term work plans; and guided the framework for both country and regional CD.

The assessments undertaken by AFW2 deepened the understanding of the specific stages of development and particular needs of the different jurisdictions in the region AFW2 took cognizance of key obstacles, which in turn guided the priorities set by individual jurisdictions. While the authorities were very keen to enhance compliance with the relevant international standards; progress had been slowed by factors such as high rates of attrition and/or staff turnover; the lack of IT equipment and the consequent processing of data manually; and for some, the need to enhance the analysis of data. Stronger efforts were also required to enhance accountability and transparency by placing more information in the public domain.

Though not discussed in further detail, AFW2 noted that the microfinance sector was expanding across countries indicating a corollary need to implement a solid regulatory framework. Several microfinance institutions were deemed to be financially weak and undercapitalized and borrowers were assessed as being highly indebted. Additionally, there is a need to effectively monitor and supervise the growing number of institutions offering Islamic financing.

Progress toward the general objective and performance under milestones in FY2015

AFW2 collated information from various sources and worked to understand overarching trends, needs and priorities. In addition to face to face discussions with senior authorities, the centre's research focused on the existing Financial Stability Assessments and more recent IMF Technical Assessment reviews. Unfortunately, unplanned and unforeseen events, during the course of the first year, significantly hampered the delivery of the planned work program.



The assessments of gaps and priorities yielded the following findings:

Compliance with the Basel Core Principles. For some countries, the level of non-compliance with the Basel Core Principles was deemed high; and as a first priority, the authorities recognized the value of conducting their own self assessments of the principles. Given the need for a comprehensive review, a large cross-section of authorities requested the procurement of a short term expert who could evaluate progress of work undertaken; validate results; and propel the evaluation further, as needed.

Enhancing the Supervisory Framework for Offsite Surveillance. For some supervisory authorities within the AFW2 grouping, there was a strong indication that offsite monitoring frameworks required a more dedicated focus, both in terms of securing information and in developing the expertise to analyze the results of the same. While the gaps varied and were wide-ranging, the need for streamlining reporting forms, computerizing returns and conducting more in-depth analyses stood out as being in need of immediate attention.

Consolidated and Cross Border Supervision. In 2013, the IMF hosted a regional conference for the West African region, advocating a focus on consolidated and cross border supervision given the increasing linkages among banking groups in the region. AFW2's assessments re-affirmed the importance of such a progress, as several jurisdictions identified the need to implement a legal and regulatory framework for consolidated and cross-border supervision among the countries in the group. As a first step, AFW2 made plans to host a workshop in late 2014, to disseminate the key foundations of the framework. However, the planned workshop was postponed on account of the EVD outbreak and subsequent travel bans.

Risk Based Supervision. While one or two countries were more advanced than others in implementing risk-based supervision (RBS); inter alia, needs were identified in: (i) drafting a risk-based supervision framework, policy paper, examination procedures and manuals; (ii) securing guidance on the development and use of RBS tools (iii) implementing a more comprehensive risk-based senior management reporting; and (iv) the setting of risk based capital requirements.

Non- Performing Loans (NPLs). There was some evidence that a few countries in the AFW2 region had responded well to the recommendations to enhance data quality on NPLs. Nevertheless, for some, analysis remained lacking in terms of capital adequacy, the stock of non-performing loans, and earnings quality. Moreover, there is still need for some to enforce a sounder loan classification regime; and reflect restructured loans as part of impaired assets.

Bank Licensing Procedures. For some countries, the need to improve licensing processes is still of paramount concern. Indeed IMF assessments noted the need to strengthen licensing procedures to allow entry of only sound and healthy banks with “supervisable” structures or strong home supervisors.

Basel II/III. Almost all countries within the region expressed a desire to move towards the implementation of the Basel II/III frameworks. IMF reports sounded the need to give priority to integrating pillar 2 and consolidated supervision into the risk based supervisory approach; and advised the adoption of standard approaches unless there was a strong capacity in place. The advanced approaches require that certain pre-requisites be in place, not least including data collection standards.



Given the need to complete a Quantitative Impact Study; refresh and finalize regulations/guidelines; and implement and enforce the revised regulatory framework *before* transitioning to Basel II; the authorities sought assistance both in terms of training workshops and targeted guidance by an expert.

Country Work

For reasons identified above, bilateral assistance to member countries was limited during the AFW2's initial year of operations. AFW2 was however able to identify the key priority for each member country; and in a few cases to commence the design of programs for onward delivery. The long-term Advisor participated in a diagnostic mission to Cabo Verde in April 2014; and two technical assistance missions were delivered as outlined below.

Cabo Verde: Over the past couple years, the Bank of Cabo Verde has enjoyed a fruitful partnership with the Central Bank of Brazil; and together, both have worked to improve operations in areas such as off-site monitoring and the implementation of Basel II. A key focal issue for the FY2015 was enhancing licensing procedures as a whole. A decision was taken to allow HQ to address this need, while AFW2 continued to liaise with the authorities on a best-fit approach.

Ghana: In August 2014, the Bank of Ghana received training on analyzing foreign exchange risks, particularly within the framework of an onsite examination. The Bank also identified the implementation of Basel II as a key priority; and AFW2 engaged a short term consultant to deliver a conceptual workshop to staff. This was postponed.

Liberia: The strengthening off-site surveillance was marked as a key priority. As a first step, technical assistance was aimed at reviewing prudential reports and identifying gaps that could be filled to aid the risk-based supervisory framework. Although two missions were scheduled to address these needs, the EVD outbreak forced a postponement.

Nigeria: Within the regional group, the Central Bank of Nigeria is viewed as being more advanced in terms of implementing international standards and plays a constructive role in facilitating guidance, training and attachments for less advanced members. On a bilateral basis, HQ worked with the authorities to implement a very successful hands-on training on adopting the IFRS accounting standards.

Sierra Leone: As a first step, activity was geared towards assisting authorities with the conduct and validation of a Basel Core Principles self-assessment, while working to identify other areas in which AFW2 could add value. However, like Liberia, assistance was severely hindered by the EVD outbreak.

The Gambia: Like Liberia, a major priority for the FY2015 was to enhance offsite surveillance, reporting systems and the expertise in analyzing data. To some extent, this was aided by the provision of a short term expert who began work to address identified deficiencies in August 2014. The original intention was for the expert to complete two other missions to advance the process; however, this was temporarily shelved with the departure of the AFW2's long-term Adviser.



Regional Level

In keeping with the objective of obtaining as comprehensive an assessment as possible on the needs of the region, AFW2 held meetings with the West African Monetary Institute (WAMI) to discuss the latter's work plans for member countries. WAMI's vision, in terms of training and capacity building, was very closely aligned to AFW2's; and as a consequence, an agreement was formed to partner on the delivery of selected regional training. When listing priorities, WAMI identified the need to help countries conduct and evaluate their own self assessments of the Basel Core Principles – a task deemed to be of paramount importance among the group of West African supervisors. Given the role it plays in promoting the harmonization of financial sector policies and operations within the region, WAMI also requested assistance with the training of their own staff on topics of concern. WAMI has invited AFW2 to sit as an observer to the next meeting of regional supervisors.

Statistics

Key deliverables in FY2015

AFW2's objective in the area of statistics is to improve member countries' statistical capacity for producing real sector statistics in the framework of the General Data Dissemination System (GDSS). The achievement of this general objective is underpinned by three specific objectives which are measured by a number of verifiable indicators. These objectives are to bring member countries closer to compliance with international standards in the compilation of annual and quarterly national accounts and improving the accuracy of price statistics.

Progress toward the general objective and performance under milestones in FY2015

The overall progress against these objectives has been good for all countries with the exception of Sierra Leone and Liberia due to the outbreak of the Ebola Virus. Offsetting this, the regional advisor has been providing additional national accounts TA to The Gambia and Ghana and additional national accounts missions to Nigeria, provided by a short term expert.

At the start of the year there were fifteen planned country activities focusing on national accounts. There were thirteen actual country activities undertaken, ten on national accounts and three on prices. The Ebola outbreak resulted in only one of the five planned activities being undertaken in Liberia and Sierra Leone. Consequently, Nigeria received three additional missions (two on national accounts and one on prices). The Gambia and Ghana were planned to have three national accounts missions but the authorities requested a prices mission instead of one of the national accounts missions. Ghana received ongoing assistance to significantly improve the quality of the QNA in lieu of the additional national accounts mission.

Country work

Cabo Verde: Cabo Verde's main area of focus in the last 12 months has been the development of QNA. It is due to release its first QNA in April 2015. TA was provided to review and assess the QNA estimates. Improving the timeliness of dissemination of the ANA will be a key outcome of this development as well.



Ghana: Ghana has made significant improvements to its QNA compilation by the production approach. TA has been provided on an ongoing basis as a significant amount of revised data was received and needed processing in a short period of time. The revised estimates were released in January 2015 and were of high quality—a very good outcome. They have commenced the planning for rebasing the CPI, due for release in 2017. TA was provided to Ghana to assess current methods as well as develop a broad work program for the rebasing exercise.

Liberia: ANA development was the focus for Liberia in FY 2015. A consultant who was to prepare an initial data set was to resolve outstanding issues identified from a mission undertaken in July in conjunction with the Regional Advisor and was to be undertaken in Accra. This work is ongoing.

Nigeria: Nigeria disseminated its rebased GDP estimates in July 2014 and is currently finalizing its Supply and Use Tables (SUT) for publication in May 2015. The Center provided assistance and training on the compilation of SUT and data quality assurance over three TA missions. Nigeria postponed its activities in QNA to concentrate on the rebasing of the ANA. AFW2 coordinated with EDDI on the rebasing exercise and the SUT compilation.

Sierra Leone: Technical assistance started being provided remotely in February 2015. The methodology being used by Sierra Leone to compile its ANA is being assessed and discussions are held via email, skype and video conference. They are in the very early stages of development of QNA. Remote assistance is being provided to identify and assess indicators to be used for the compilation of the QNA. They were to commence the development of a PPI but due to the Ebola outbreak, TA has not been provided. The development of a PPI commenced in 2012 with the support of EDDI. The first series of the PPI was not released due to data issues and they need assistance to finalize this work.

The Gambia: The Gambia has commenced its Economic Census which will underpin the rebasing of the ANA in 2017. TA has been and will continue to be provided to ensure that the output of the Economic Census meets the requirements of the ANA via missions as well as remote assistance. They are at the very early stages of development of the QNA where the focus is primarily on identifying possible data sources, in particular VAT data.



The Gambia's National Accounts Office Staff and the AFW2 Real Sector Advisor during a Recent Mission to Baniul

Regional Work

Two planned regional workshops were cancelled due to the EVD outbreak. The aims of the workshops were to develop a harmonization program for (1) national accounts and (2) price statistics for the member countries over the next 5 years. Furthermore, it has been agreed that AFW2 will invite the ECOWAS Commission to its regional seminars and workshops, and vice versa, and define an action plan for harmonization of real sector statistics strategies and intervention programs for member states.



V. Work Program for FY2016

A. Overview

The Center’s work program for FY2016 (Annex III) envisages a substantial increase in activities relative to the revised FY2015 budget that was approved at mid-year which reflected the impact of EVD on the Center’s operations .

- The increase in activities would help further meet the pent up demand for capacity building services in AFW2’s area of expertise, most notably from the two EVD affected countries both of which are also fragile states and deserve high priority. Thus, part of the increase in activities in FY2016 represents a carryover of activities that were planned for in the original FY2015 budget and postponed at mid-year due to the EVD crisis.

AW2 Costing for Missions (Budget)		
Sector	FY2016	FY2015
(In U.S. Dollars)		
Public financial management	914,241	587,091
National accounts	468,524	229,259
Revenue administration	749,257	551,907
Banking Supervision	516,627	180,802
Monetary Operations	278,436	29,916
Total	2,927,085	1,578,974

- Based on current information, a substantial number of projects planned for FY2016 have been identified. The allocation of resources across countries show a shift of resources toward the two Ebola affected countries as well as Ghana with the former reflecting the normalization of TA missions to those two countries and the latter driven by the recent staff-level agreement on a Fund-supported program and the associated expected CD needs that would help program implementation.

Planned Missions and Workshops in FY2016

Revenue Administration	
Missions	Workshops
33	1
PFM	
Missions	Workshops
32	3
Monetary Operations	
Missions	Workshops
9	1
Financial Supervision	
Missions	Workshops
20	2
Statistics	
Missions	Workshops
22	2
Totals	
Missions	Workshops
116	9

The FY 2016 work program was largely based on the needs assessment provided by the country authorities. The Center had to prioritise these needs in consultation with HQ. Some of the key needs for the various countries identified in this process include:

- Cabo Verde: supporting the implementation of Program Based Budgeting as part of PFM reforms
- Ghana: addressing weaknesses in macroeconomic forecasting with a more robust Medium Term Fiscal Framework to improve budget credibility.
- Liberia: strengthening the newly-established Liberian Revenue Authority.



- Nigeria: supporting the Central Bank to construct a predictive model on deterioration among banks.
- Sierra Leone: increasing the efficiency of Liquidity forecasting techniques.
- Gambia: addressing the issue of arrears to improve budget credibility and control

B. CD allocation and prioritization

Given that the Center puts a lot of emphasis on better monitoring of results through the RBM framework (Annex III), prioritization of CD will be essential in the period ahead. Thus, in developing the work program for FY2016, Resident Advisors clearly delineated what they view as short-term objectives in their sectors and what are deemed to be medium-term priorities. A case in point is that for PFM while in many of our AFW2 countries the short-term priority is adopting a credible PFM Reform Strategy and expenditure controls, while the medium-term goal is to guide them to Program-Based Budgeting. In the monetary sector, adopting a forward-looking framework for monetary policy is clearly a medium-term goal. In contrast, in the area of financial sector regulation and supervision, the short-term priority for some AFW2 countries is to fill the gaps in the basics to prepare them better foundations for medium-term CD and avoid countries being overwhelmed by the amount of CD that does not commensurate with their capacity level. Given this, the Center's key goal is to monitor the effectiveness of CD and channel any future diagnostic/scoping missions and evaluation findings into CD design and allocation.

C. Work Plans across Sectors

Revenue Administration

Main Objectives

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

The FY2016 work program is aimed at achieving the following key objectives:

Short – Term Objectives

1. Developing competent pool of training resources among staff to deliver organization-wide operational training on developed tools.
2. Entrenching a culture of business planning and performance reporting and monitoring to improve operational efficiency.
3. Developing operational manuals and tools to support modern business processes and procedures.
4. Building project management capabilities to support ongoing revenue reforms and inculcating a culture of continuous improvement in management and business process re-engineering.

The focus of the Center's TA to Ebola affected countries will aim to help generate the much needed revenues to address the development needs during and after the epidemic, while building capacity to utilize the support available from other development partners.



Medium-term Objectives

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. Implementing efficient organizational structures and effective governance programs.
4. Promote voluntary compliance through a fair and transparent tax system that provides the information, tools, and mechanisms for taxpayers and reduce the cost and burden of compliance.

Country work: Inputs and Milestones for FY2016

Cabo Verde: AFW2 will provide TA mainly to Cabo Verde Customs while supporting and supplementing assistance being provided to the tax administration and the integration process under the TPA-TTF program. The assistance will be aimed at strengthening management capacity by developing tools for performance monitoring and developing customs compliance enforcement capacity through effective implementation of risk management, post clearance audit and Anti-Fraud services. Customs operations will also be enhanced through the promotion of voluntary compliance for importers and traders by promoting initiatives like the Authorized Economic Operator program developed by the WCO. AFW2 will assist Customs in implementing similar initiatives. TA will also be given to update customs processes and procedures for enhanced IT operational systems like the ASYCUDA World. This program is likely to extend beyond FY2016.

Ghana: The GRA received a lot of assistance in developing the strategic plan for the period 2015 to 2017. A number of priority initiatives to support the revenue reforms emerged and these will inform the TA programs that AFW2 will support. Work on building audit capacity that started in the large taxpayer office (LTO) will be continued in FY2016 period, and extended to cover the medium and small taxpayers offices (MTO and STO). This will be achieved mainly by providing practical hands-on training of LTO auditors and selecting a core group of auditors to be developed as trainers. Gaps were also identified in Value Added Tax and Excise Tax management and compliance which will inform TA in FY2016 and beyond. Processes and procedures are not fully developed or updated and there are no materials for taxpayer engagement to support self-assessment and voluntary compliance. Special attention will therefore be given to developing these internal and external compliance tools to improve revenue mobilization. With an even bigger and more ambitious reform program to deliver on modernization programs that were not implemented in the last plan, GRA will need to build project management skills across the organization, and assistance will be given in this area throughout the strategic planning period. Assistance will be given to GRA customs to strengthen its core functions of valuation and classification and take over from the Destination Inspection companies (DICs).

Liberia: AFW2 will assist the LRA to implement risk management in Customs by developing an organization-wide risk management policy and compliance strategy. This will be supported by good intelligence gathering and investigation methodologies which are valuable inputs into anti-smuggling



and fraud detection and targeting techniques. Some of this work can be done remotely if the current EVD situation turns out to be protracted. The LRA has rolled out the latest version of the customs management systems, ASYCUDA World, and will need a lot of assistance in updating customs procedures and manuals as well as performance reporting and monitoring standards and tools. This will also be a key area of AFW2 TA focus. The developed policies, procedures and guidelines will be used to train staff. Once the EVD situation improves, the Center will explore the possibility of a diagnostic mission on customs. Resources will be devoted to training of customs staff in the core functions of valuation and classification, with particular focus on specialized areas like valuation of precious metals. Assistance will also be given to provide peer learning attachments to other regional countries that have successfully implemented the different customs reforms like Kenya, Nigeria, Rwanda and Uganda.

Nigeria: The assistance for the FIRS will be focused on building capacity in taxpayer risk profiling and risk based tax audit techniques, developing and updating business processes and operational procedures manuals and guidelines for taxpayers. The FIRS is in the process of developing their next strategic plan. AFW2 will give assistance in this process in order to strengthen the planning culture and performance monitoring. A headquarters-led joint tax policy and administration mission will be conducted to review the revenue reforms and identify ways of improving non-oil revenues.

Sierra Leone: The initial TA for the NRA will focus on developing operational procedure manuals for both customs and taxes as well as developing an NRA wide taxpayer service and engagement strategy. This work can be done remotely in the short term if the Ebola situation persists. In the medium to long term, AFW2 will support the building of sustainable audit and compliance enforcement capacity in both tax and customs. Training will be designed to support the carrying out of joint audits between customs and tax, targeting specialized areas and enhancing sharing of information and gathering intelligence on fraud and tax evasion. Assistance will also be given to the monitoring, research and planning (MRP) department of the NRA to conduct industry research and analyze sector revenue performance and identify revenue gaps that will inform their compliance management strategies.

The Gambia: The TGRA will continue to be assisted in developing and implementing their strategic plan for the period 2015-19 and building a strong monitoring and evaluation framework and capacity for the authority. TA will focus on developing a corporate wide risk management policy and compliance management strategy for both customs and tax. Assistance will be given in developing a tax audit manual and post clearance audit procedures and guidelines. Building on work that started in 2014, TA will be given to develop an organization-wide and comprehensive taxpayer service strategy and developing taxpayer information brochures and guidelines. Sustainable training capacity will be given with a focus on developing in-house resources in the manuals developed and audit techniques.

Public Financial Management

Main Objectives:

- **Short-term objectives:**
 - Having comprehensive PFM reforms plans in place in all countries



- Strengthening macro-fiscal planning
- Strengthening expenditure controls to eliminate arrears, and
- Establishing good cash management practices.

- **Medium-term objectives:**

The new medium-term objectives which are modeled along the FAD draft catalog for RBM are:

- Improved laws and effective PFM institutions;
- Comprehensive, credible and policy based budget preparation;
- Improved budget execution and control;
- Improved coverage and quality of fiscal reporting;
- Improved integration of assets, and liability management framework, and
- Strengthened identification, monitoring and management of fiscal risks.

PFM remains the sector with the highest TA demand in the Center given the fiscal situation in AFW2 countries. Thus the Center is recruiting a second PFM Advisor in FY2016.

Country work: Inputs and Milestones for FY2016

Cabo Verde: TA will focus on supporting the roll-out of Program-Based Budgeting (PBB) by producing the necessary tools and defining the institutional framework to support the reform within the entire civil service. This would involve (i) preparation of roadmap for PBB rollout ; (ii) finalization of the PBB manual which was initiated in January 2015, (iii) revision of the performance framework, and (iv) development of management rules for programs. Further work will be undertaken to complete the review of the PFM reform agenda started in March 2015 to produce a documentation that articulates the reforms over the last decade, achievements to date and identification of pending issues and bottlenecks –providing a foundation for prioritization and sequencing of the second (next) generation of the reform agenda.

Ghana: Supporting the development of a secondary legislation will be a key area of focus. In April 2015, an FAD mission will review existing legislation with the participation of the PFM advisor. Based on the recommendations of that mission, AFW2 will identify areas where TA can be provided for immediately improving secondary legislation and regulation. The completion of the review of existing legislation and the development of the regulation is the milestone for this TA component. The Center will support the strengthening of macro-fiscal planning with the objective of producing realistic ceilings. The government is planning to introduce a Budget Framework Paper that will include sector ceilings which need to be supported by reliable revenue forecasts and a new methodology for the prioritization of spending. On streamlining of the budget execution process, a previous AFW2 mission has identified a number of unnecessary or cumbersome procedures that slowdown budget execution. The objective is to integrate the budget execution with GIFMIS so as to eliminate as much as possible unnecessary manual intervention and duplication of tasks. The milestone for this TA component is a revised procedure for the issuance of warrants. Improving cash management procedures will also be another area of focus. Cash management plans by line-ministries are weak and do not provide reliable information while cash ceilings issued by the budget division do not guarantee the availability of cash. The milestone is the issuance of monthly cash ceilings that can be fully executed.



Liberia: After the EVD crisis, the economy of Liberia suffered a severe recession that has impacted the government's revenue. At the same time, the country benefits from an aid influx that will tax its absorption capacity. Box I and Table I articulate the strategy for Liberia and the new milestones (based on HQ input) which will form the main thrust of the Center's CD intervention approach in FY2016. In particular, the goal is for the MTFE to reflect accurately revenue projections and adequately capture multilateral and bilateral assistance. Furthermore, liquidity forecasting (including emergency liquidity provision) and cash management should be strengthened to provide reliable monthly cash ceilings to Ministries, Departments and Agencies (MDAs).

Nigeria: Strengthening cash management will be a key area of focus in FY2016. With the decline in oil prices the country is facing increasing difficulties to finance its budget. TA will aim to develop the cash forecasting framework, improve the mechanism for preparing and collecting cash forecast from MDAs, and develop the capacity for analyzing information flows. On assisting in the development and implementation of new accounting and reporting standards, a joint FAD/AFW2 mission is planned in September 2015 to review compliance of 2014 financial statement with cash-based IPSAS and conduct a gap analysis for transition to accrual-based IPSAS. Based on the findings of the gap analysis, a sequenced action plan for IPSAS implementation will be developed by the mission and further TA will be provided by AFW2 for its implementation. With regards to establishing a roadmap for the introduction of Program-Based Budgeting, AFW2 will provide short-term experts twice this year to review the final draft of the PBB Concept Paper prepared by the Budget Office of the Federation and after the pilot ministries have developed the 2015 budget into the PBB format.

Sierra Leone: Strengthening the development of the Medium Term Expenditure Framework will be a key focus in FY2016. After the EVD crisis the economy of Sierra Leone has suffered a contraction that has impacted the government's revenue. Box I and Table I articulate the strategy for Sierra Leone and the new milestones (based on HQ input) which will form the main thrust of the Center's intervention approach in FY2016. In particular, the goal is for the MTFE reflect accurately revenue projections and adequately captures multilateral and bilateral assistance. Furthermore, liquidity forecasting (including emergency liquidity provision) and cash management should be strengthened to develop the treasury Single Account and provide reliable monthly cash ceilings to MDAs priority. In a context of revenue shortfall, cash management plays an essential role to guide the budget execution process. The objective of the TA is to ensure that reliable cash management tools are in place. Another area of focus is the development of secondary legislation. The authorities are in the process of passing a new PFM law in Parliament. The process of developing secondary legislation for making the law applicable can be long, and the authorities are considering plans to start the drafting of some application decrees. AFW2 is the process of sequencing the tasks and identifying priorities and will commit resources as soon as this preparation work is completed.

The Gambia: A key area of focus is strengthening expenditure controls and cash management as unpredictable cash resources make budget execution difficult and leads to cash rationing. TA will be provided for the development of efficient cash management tools and systems for sound commitment control and domestic arrears prevention. The centre will continue to support the Medium Term Expenditure Framework (MTEF) by complementing efforts of existing EU-funded Capacity Building and will support the line ministries to produce reliable annual budget and forward expenditure estimates.



Monetary Operations and Payment System

Main objective

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

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

Short term objectives:

The main goal here is to assist each country in improving the efficiency of monetary policy formulation and implementation depending on specific situation. In several AFW2 countries this would mean working on better liquidity forecasting and management skills. Short term objective will in some countries mean scoping missions and crafting a work program for the future with the goal of gradually moving toward a forward looking monetary policy framework and in some cases initially continuing with previous improvements in this area. Another objective is to have further discussion of the negative impact of fiscal dominance on monetary policy decision making and interconnectedness of monetary policy and fiscal policy at the regional workshop. In payment system area, the short term objective will be to provide individual assistance to central banks in AFW2 to further improve and consolidate their rapid and deep reforms in payment systems in the last several years.

Medium term objectives:

The broader medium term objective is to assist central banks in eventually adopting a forward looking monetary policy framework and improved basis for decision-making in monetary policy process. This means gradually moving toward indirect instruments of monetary policy implementation is one of the main objectives for AFW2 in MONOPS area over the medium term. This should enable countries to increase the efficiency of their monetary policy frameworks and implementation as an overarching goal.

Country work: Inputs and milestones for FY2016

Cabo Verde: The first milestone in the case of Cabo Verde is to increase the efficiency of monetary policy transmission mechanism by focusing on interest rate transmission channel. Improvements in



short term liquidity forecasting framework based on implementation of previous TA recommendations in this area is another milestone to be achieved. This milestone is a carry-over from FY 2015.

Ghana: The Central bank of Ghana has so far received ample technical assistance with tangible results in the area of FPAS implementation. In FY2016, AFW2 will collaborate closely with HQ to deliver further TA on FPAS. So the milestones for the next period will be continuous improvements in the quality of FPAS framework in general and specifically improved quality regarding materials that are presented to the Bank of Ghana (BOG) Monetary Policy Committee (MPC) for their decision making. This new milestone will encompass a regular release of data and a calendar on data-publication and an improved communication strategy for the BOG.

Liberia: The proposed new milestone would be to improve the liquidity forecasting framework at the central bank. Another milestone will be initial preparations to develop a forward looking framework and enhance the foundations for monetary policy decision making in Liberia over the medium term. A new milestone in this area should be a comprehensive action plan to support the authorities' efforts in strengthening their monetary policy framework and operations.

Nigeria: The Central Bank of Nigeria (CBN) expressed its willingness to cooperate with AFW2 in co-hosting a regional workshop at the CBN's training centre. A new milestone in this area would be conducting a successful workshop on the relations between monetary and fiscal policy with the objective of raising awareness of policy makers on their interactions. Another new milestone for Nigeria would be for the Advisor to participate in an IMF MCM diagnostic mission to Nigeria on a monetary policy framework. Depending on the findings of this mission and cooperation of the authorities, additional milestones might be defined in this area.

Sierra Leone: The milestones for Sierra Leone are very much dependent on the evolving EVD situation and on timing of the resumption of IMF missions. Assuming a gradual normalization of mission activities in FY2016, the proposed milestone will be increased capacity at the Central bank to forecast liquidity. This is a carry-over of the milestone from FY 2015.

The Gambia: The main milestone here is on an improved liquidity forecasting framework at the Central Bank of the Gambia which would contribute to better monetary policy decision making. This milestone is a carry-over from FY 2015 although the upcoming mission in FY2016 will focus on the practical hands on training in liquidity forecasting. Another relevant objective will be to start working on a better conceptual foundation for monetary policy decision making. The new milestone in this area should be a comprehensive action plan to support the authorities' efforts in strengthening their monetary policy framework and operations.

Banking Supervision and Regulation

Main Objectives

In the short-term, AFW2 will continue to work with member countries to help raise levels of compliance with international standards in regulation and supervision. Given the wide ranging updates; introduction of newer standards; and the ever pressing desire to be at the forefront of development, AFW2 and authorities have agreed on a processed and staged approach to implementing the newer standards and updating existing standards where necessary. As such, both AFW2 and authorities will continue to assess gaps; prioritise areas of focus; and build the strengths and capacity needed to address



more advanced models and processes. Given the unforeseen events which significantly affected delivery during the first year of operation, AFW2 aims to ramp up delivery in FY2016, subject, of course, to the easing of travel restrictions for the EVD affected countries (Box I).

Over the medium-term, AFW2 plans to explore with the authorities on capacity building tools that can enhance financial inclusion in these countries. While countries view enhancing inclusion as a key component of their broader development plans not all have articulated plans to begin to adopt operational measures to foster greater financial inclusion. Thus far, donor interest also remains relatively low in this area.

Country Work: Inputs and Milestones for FY2016

Cabo Verde: While Cabo Verde has been receiving assistance on enhancing the quality of data, AFW2 aims to strengthen skills in off-site analysis including conducting fit and proper assessments. A mission will also focus on enhancing the capacity to conduct risk-based supervision. Cabo Verde will also gain assistance with validating their self- assessment of the Basel Core Principles.

Ghana: During FY2016, AFW2 plans to deliver two workshops on Basel 2 to the Central Bank of Ghana. Ghana is poised to implement the Basel 2 framework and the workshop will focus on likely deliverables such as Pillar 2 and the standardised models of Pillar 1. The planned workshops will lay forth basic tenets and provide practical guidance on progressing the roadmap to implementation. AFW2 will also assist Ghana in enhancing offsite monitoring and analysis, particularly within a risk-focused supervisory framework. In this context, a thorough review of the classification of non-performing loans and the prudential returns used for both banks and non-banks will be deemed to be key priorities.

Liberia: Liberia began its own vigorous assessment of the Basle Core Principles; and during FY2016 AFW2 will help the authorities validate the assessments through the placement of a short term expert. In doing so, the Central Bank of Liberia (CBL) would be better placed to understand gaps and weaknesses; and work to speed up compliance with the principles. AFW2 also hopes to work with the CBL to improve the classification and provisioning of non-performing loans; and the collection, compilation and analysis of data on the whole.

Nigeria: The Central Bank of Nigeria (CBN) is interested in lending support to member countries within the region in terms of facilitating Attachments and reviewing/lending guidance on programs being developed or in train. AFW2 therefore aims to work with the CBN to help facilitate the same. In terms of its own needs, the Central Bank of Nigeria is interested in adopting a more forward looking analysis to the risks inherent in individual banks and the aim is for AFW2 to help contribute to developing a predictive model for the same. As a start, workshops will focus on the identification and retrieval of variables which can be used to better construction a predictive model of possible deterioration in individual banks. At the end of the training, it is expected that Project Staff will prepare a combined Model Data Pool and Reference Model Data for all the variables or indicators desired for constructing Predictive Model for Banking Supervision in Nigeria. AFW2 aims to work closely with Nigeria to deliver planned regional workshops on consolidated/cross border supervision and deposit insurance, given the spread of their banks throughout the region; and the strategic role they



must undoubtedly play in setting up the relevant supervisory colleges and managing home/host relationships. Additionally, Nigeria is the only country within the region to have set up a deposit insurance scheme and it would be useful to showcase its experiences and best practices.

Sierra Leone: Sierra Leone has also worked to assess its compliance with the Basle Core Principles, and AFW2 will provide a short term expert to assist with the validation of the assessment completed thus far. There is also a core need to enhance the risk-based supervisory framework and AFW2's assistance will be geared towards helping the authorities progress the same. Given that data collection and analysis play a key role in guiding the risk-based framework and other more advanced supervisory models, AFW2 plans to sequence workshops to first address identified deficiencies in data collection and analysis at the Central Bank of Sierra Leone.

The Gambia: As with other authorities in the region, The Gambia has also worked to assess its compliance with the Basel Core Principles, and AFW2 will also provide an expert to assist with the validation of the self-assessments completed thus far. Additionally, AFW2 will facilitate workshops on risk-based supervision so that the authorities are better placed to conduct a more targeted supervisory overview. The objective is to help examiners remain focused on the key risks and threats associated with each financial institution; and implement a monitoring framework which effectively helps address and minimise these threats and risks. The authorities have also identified the need to strengthen IFRS accounting frameworks within the sector and to identify and address likely gaps which remain. AFW2 is willing to provide support for the same.

Regional: On a regional basis, AFW2 aims to deliver workshops on cross border and consolidated supervision, and on deposit insurance. The need for enhanced co-operation in the oversight of banks is gaining increasing prominence, given the spread of banks across countries; the inter-linkages among financial institutions; and the systemic risks that likely failures pose. Regulators today must be able to assess the total operation before they can be fully satisfied about the soundness of an individual bank in their jurisdiction and AFW2 aims to work with member countries to do the same. The workshop on cross border supervision would therefore draw on best practices and recommended frameworks to address key issues such as supervisory colleges; the sharing of information; and building and maintaining relationships between home and host supervisors. Additionally, several countries have expressed an interest in mobilizing a deposit insurance scheme and the regional seminar would focus on the conceptual framework and pre-requisites for ensuring effective implementation of the same. The Center aims to collaborate with AFW to bring together authorities from the West African region as a whole; and discuss a road map for enhancing cross-border relationships and resolution frameworks.

Box 5: Financial Inclusion---Role of Capacity Building

AFW2 is cognizant of the need to promote financial inclusion among its member countries; and applauds the efforts of those that have begun implementing aspects of the same. The Centre sees room for continued focus on the issue at both the domestic and regional level; particularly given the important role that financial inclusion is thought to play in promoting inclusive and sustained growth. Indeed, the thinking today is that financial inclusion broadens access to financial services, mobilizes household savings, harnesses capital for investment; and as a consequence, enhances entrepreneurial activity and economic growth. AFW2 encourages member countries to take note of the G20 principles on Financial Inclusion and, as far as possible, to promote work on the same.



According to survey findings, just about one in every four persons in the West African community, held an account at a formal financial institution in 2012. In terms of savings, half of all adults in West Africa put aside savings in the twelve months prior to the survey, significantly higher than the 36% of adults that did so for Africa as a whole. There is, however, a tendency to hide savings, say under a mattress; or join family and/or neighbourhood collective savings schemes rather than lodge funds in an account at a financial institution. This is supported by data that indicates that just over one in every three adults in the West Africa save at a formal financial institution. While collective neighbourhood schemes and other informal means of saving help inculcate a useful culture of setting aside money, they do not facilitate greater financial intermediation and deepening. Of even greater concern, is the limited ability of financial institutions, to channel such savings into worthwhile investments and do their part in promoting economic growth. It is therefore unsurprising that just 22 per cent of small businesses within the West African region indicated that they were able to access a loan in the year prior to the survey.

Financial inclusion (FI) can be looked at both in terms of how individuals and firms access financial services and how efficiently they use and understand services used. For many countries in SSA, there are clear signs of progress in terms of access to financial services, with countries such as Kenya and Tanzania making great strides in the use of mobile banking; and micro-finance gaining increasing importance in the region. In 2010, G20 leaders outlined 9 principles on innovative FI, which inter alia, made recommendations for:

1. **Leadership**- governments must show that they are committed to promoting financial inclusion as a means of alleviating poverty. Ultimately, governments play a key role in entrenching policies, enhancing legislation and streamlining funding for sustaining the delivery of programs in financial inclusion.
2. **Protection**- consumer protection and implementing a formal process for channelling and addressing complaints is a key component of financial inclusion. Financial institutions must be made to review and address complaints in a systematic and fair manner. Governments and regulatory authorities must provide the framework and oversight for ensuring a fair resolution process.
3. **Empowerment**- There is an ever increasing awareness of the need to foster financial literacy and capability from an early age straight through to retirement. This requires co-operation from governments, financial institutions and various interest groups as programs can be costly and need to be sustained over a period of time to be effective and bear fruit. The training of trainers, creation of local materials and simplification of language on brochures and other materials are seen as key components for success.
4. **Knowledge**: In order to ensure that strategies are effective, well targeted and working to produce desired results, it is important to improve the collection and analysis of data which then support evidence-based policy and help measure progress. This can be done in incremental phases which allow regulators and service providers to adopt a “test and learn” approach.
5. **Proportionality and Framework**: Central Banks play a key role in ensuring that the regulation and supervision of banks is sound and proportionate to the risks and benefits of making innovative products available. Moreover, they must ensure that the regulatory framework supports a competitive sector; is in line with international standards; and has appropriate policy and procedures for minimizing anti-money laundering and combating the financing of terrorism.

Progress made by AFW2 countries in instituting the recommended principles is welcomed. A review of policies and practices in some jurisdictions would however reveal insufficient focus on some of the principles of innovative FI. AFW2 reaffirms the need to adopt a more balanced approach to implementing key elements of the framework; and encourages governments to further coordinate efforts to help speed up adoption.



Statistics

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

- Cabo Verde – assistance in implementation of SNA 2008 in its ANA; improving its QNA; planning the rebase of its CPI; and commence development of PPI.
- Ghana – planning for the rebase of ANA; development of quarterly GDP by expenditure; and planning for rebase of CPI.
- Liberia – production of ANA and commence development of its CPI.
- Nigeria – back cast the ANA time series; continue development of the QNA; and improve CPI to reflect international standards and best practice and revise weights.
- Sierra Leone – development of its QNA and PPI.
- The Gambia – continue its rebasing of the ANA; developing the QNA and planning for the rebase of the CPI.

The work program for EVD countries in FY2016 is contingent on there being a significant improvement in EVD situation (Box I).

Medium-term objectives: AFW 2's medium-term objective in the area of statistics is to bring member countries closer to compliance with international standards for the compilation of national accounts (annual and quarterly) and price statistics. That is, continue to assist member countries to improve the coverage, accuracy, reliability, frequency and timeliness of real sector statistics as well as assisting with the implementation of the latest international statistical standards and classifications. The second EDDI program (EDDI2) supported by DIFD will be working in partnership with the Center in provision of TA on national accounts and price statistics from April 2015 to March 2020. EDDI2 will strongly support AFW2 countries on improvements to and development of CPI and PPI statistics. EDDI2 also has a national accounts—source data component and AFW2 will also be coordinating with DFID in this area. Consequently, there will be strong collaboration with DIFD in delivering the work program for price statistics and national accounts.

Country: Inputs and Milestones for FY2016

Cabo Verde: Cabo Verde will receive assistance in the implementation of the 2008 SNA as part of the rebase of its ANA. They will also continue to be provided assistance in improving the QNA with the development of expenditure measure. They will commence the process of re-weighting its CPI with assistance from the Center as well as obtain assistance in the development of a PPI and other price indexes. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

Ghana: The country will receive assistance, advice and training on the rebasing of the annual GDP planned for FY2016. In addition, they will receive assistance in the development of an ongoing strategy for the production of an independent ANA. They will continue to receive assistance on improving their QNA with the development of the expenditure measure as well as assistance in the rebasing of its CPI. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.



Liberia: The development of the methods and identification of data sources for the production of ANA on an ongoing basis will be the focus in Liberia. They will also be assisted in the development of its CPI once the results of the household survey become available. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

Nigeria: The country will receive assistance in backdating its GDP time series as a result of the rebased GDP. They will also be assisted in the development of quarterly GDP by the expenditure approach as well as receive continued support in the improvement of its CPI. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

Sierra Leone: TA will continue to focus on efforts to finalize their SUTs and the development of QNA with data sources and methods being identified and assessed. The country will be assisted in the development of its PPI. Assistance in the production and dissemination of metadata (i.e. sources and methods documentation) will also be provided.

The Gambia: In FY2016, The Gambia will continue to receive assistance, advice and training on the rebasing of the annual GDP which is expected to be finalized in FY2017. It will also continue with the development of its QNA with data sources and methods being identified and assessed. The Gambia will continue to be provided assistance in the rebasing of its CPI. Assistance in the production and dissemination of metadata (namely sources and methods documentation) will also be provided.

Box 6: Improving quality of the national accounts = Improving quality of data sources

The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity in accordance with strict accounting conventions based on economic principles. Therefore it is one of the most important international standards and systems in official statistics to provide a comprehensive and integrated set of macroeconomic statistics.

The SNA outlines the concepts, definitions, classifications and accounting rules that underpin the internationally agreed standard for measuring several key economic variables such as gross domestic product (GDP), the most frequently quoted indicator of economic performance. The accounting framework of the SNA allows economic data to be compiled and presented in a format that is designed for purposes of economic analysis, decision-taking and policymaking.

The 2008 SNA is the latest version that addresses the recent changes in the economic environment, and provides users with a comprehensive understanding of the economy. Whilst the conceptual framework is well defined and comprehensive there are many African countries that are still in the early stages of the development of national accounts. This is due to limited human, financial, and technical resources as well as weak capacity and statistical infrastructure. These consequently constrain the methods and data sources that are required to produce high quality national accounts.



In order to compile national accounts a considerable amount of data is required and is obtained from a wide range of sources - from government to private and public sector businesses to individual households. In fact data can come from all corners of the country concerned (as well as other countries in extreme cases). Not only is the volume of data considerable but it is required on a regular and consistent basis. The majority of the data required is available annually only whilst others can be obtained on a monthly or quarterly basis. However in some cases data is only available on an infrequent basis such as every two, three, five or ten years or not at all. And yet the national accounts are required to be produced!

The data sources that are available dictate the methodology used to compile the national accounts. The more complete, timely and comprehensive the data sources are, the more straightforward the methods can be and the quality of the national accounts is high. As the timeliness and comprehensiveness of the data sources decline the methods have to be adjusted accordingly and more estimation techniques are utilized whilst remaining within the framework of the SNA. In such circumstances the quality of the national accounts declines but remains high at the same time given the quality of the inputs. Therefore it is important to note that the quality of the national accounts has a direct correlation with the quality of the data sources.

Producing high quality national accounts is costly. Regular annual and quarterly surveys (such as business surveys, labor force surveys, household surveys) are required as well as high quality government and other administrative data. In order to undertake business surveys a business register needs to be established and be well maintained. In order to obtain government data it is recommended that Memorandum of Understandings be established. Once the data is obtained IT systems need to be in place to compile and process the data. The data also needs to be stored securely and released on the relevant website. And under pinning all of this is the national account teams and other teams providing data.

Therefore, improving the national accounts relies on improvements to the data sources which are dependent on the human, financial, and technical resources available to the national statistics offices. In the context of the Center, it would require governments to commit to providing the necessary resources to improve the quality of the underlying meta data based on a sound strategy outlined by the national statistics offices. Only then will better economic analysis, decision-taking and policymaking be achieved.

VI. Options for the Governance Arrangement in AFW2

As indicated during the first AFW2 Steering Committee (SC) meeting that took place in Accra on in March 2014, the member countries will have to discuss (and therefore need a mandate from their authorities to decide on) the governance structure of AFW2 at the next SC meeting.

As is evident from Table 4 below, the governance structure of the African Regional Technical Assistance Centers (AFRITACs) varies across centers: the Chair of the SC can rotate by alphabetical order every year, or every two years, or be chosen by consensus; and the location of the SC meeting can also rotate. There are even more variations in RTACs outside sub-Saharan Africa.

There are also common features especially in the case of AFRITACs. For example, the meetings take place in one of the member countries. They also all started with bi-annual meetings before adopting



within a few years an annual cycle. In the case of AFW2, this approach has been followed, and the second SC meeting was initially planned to take place in Accra in November 2014 and had to be postponed due to the Ebola outbreak.

For AFW2, there are therefore three options with respect to governance that could be considered:

- **Option 1:** Switch to annual meetings after April 2015 (i.e. no meeting in November 2015, the following one would be in April 2016). The location would determine the chair, and the selection would follow the alphabetical order (the April 2016 meeting would then be in Cabo Verde) with a change every year. This option of switching to annual meetings might be premature at this stage given that the Center is still relatively in its infancy and the cancellation of the SC meeting in November 2014 due to EVD.
- **Option 2:** Same principles, except that the location and chair would be adopted by consensus.
- **Option 3:** Follow the Afritac West (AFW) model, with bi-annual meetings for several years; one (April) taking place in the country of the chair (changing annually either by alphabetical order or by consensus) and the other (November) taking place in Accra (where AFW2 is located). An eventual switch to an annual cycle would be reconsidered at a later stage.

There are variations that could be explored on the basis of these three proposals, and it is essential that member countries adopt the model that best suits their interest. Thus, in order to facilitate the convergence process and make it possible to come to closure before the April 2015 SC meeting, the Coordinator will touch base with the country authorities to discuss these governance issues prior to the April 2015 SC meeting. In the meantime, the center will appreciate the SC's initial reactions to the three options outlined above.

Table 4: RTAC Governance

AFRITACs				
	Frequency	Location	Chair	Comment
AFC	Annual	rotating (country of SC chair)	rotating (biennial, consensus)	move to annual in 4/2014
AFE	Annual	rotating (country of SC chair)	rotating (annually, alphabetical order)	
AFS	Annual	rotating (country of SC chair)	rotating (annually, alphabetical order)	
AFW	bi-annual	1) rotating (country of chair) 2) Abidjan (AFW home)	rotating (annually, alphabetical order)	
AFW2	bi-annual	Ghana (AFW2 home base)	TBD	preliminary
Other RTACs				
	Frequency	Location	Chair	Comment
CAPTAC-DR	Annual	Washington, DC	chair: President of COSEFIN	Wednesday before IMF/WB Spring Meetings
CARTAC	bi-annual	rotating (country of SC chair)	rotating (annually, alphabetical order)	
METAC	Annual	Beirut (METAC home base)	Lebanon (Minister of Finance)	2014 meeting in Jordan due to security
PFTAC	Annual	Rotating	rotating (annually, host of SC meeting)	move to annual in 11/2013

Table 5: IMF Africa Capacity Building Initiative - AFRITAC West 2 (as of February 28, 2015)

	(A)	(B)	(C)	(D)	(E)
	Total Budget (2014-2019)	FY2014	FY2015		FY2016
	Budget	Outturn	Budget	Outturn thru Feb 2015	Budget
	US\$	US\$	US\$	US\$	US\$
Long-term Experts	8,097,402	264,484	1,524,900	1,160,185	1,709,711
Fiscal	3,141,467	138,029	591,600	501,686	816,775
Revenue administration and tax policy	1,570,734	43,811	295,800	256,678	257,231
Public financial management	1,570,734	94,218	295,800	245,008	559,545
Monetary	3,412,283	84,636	642,600	446,953	633,726
Banking supervision	1,706,142	84,636	321,300	246,031	325,584
Monetary policy and operations	1,706,142	-	321,300	200,922	308,142
Statistics	1,543,652	41,819	290,700	211,546	259,209
Short-term Experts	8,718,532	43,964	1,638,785	632,083	2,482,845
Fiscal	4,970,768	23,829	936,093	448,612	1,539,635
Monetary	2,414,228	-	454,647	103,456	550,313
Statistics	982,613	20,135	185,045	54,732	308,897
Legal	350,923	-	63,000	25,283	84,000
Travel	4,410,312	128,105	816,937	134,457	599,531
Long-term Expert travel	2,298,255	20,127	432,807	72,793	406,463
Center Coordinator travel	321,231	11,063	60,494	10,524	31,250
Staff travel	1,790,826	96,915	323,636	51,139	161,818
Training	4,431,059	-	838,408	51,097	1,637,071
TA seminars	2,567,844	-	480,648	51,097	1,265,000
Training on macroeconomic and financial issues	1,583,733	-	304,096	-	316,260
HQ Direct Training	279,482	-	53,664	-	55,811
Diagnostic Missions	2,461,588	29,570	490,692	81,953	510,320
Fiscal	1,738,073	29,570	351,768	76,320	365,839
Monetary	648,903	-	124,597	-	129,581
Statistics	74,613	-	14,327	5,633	14,900
Backstopping/Project Management	2,584,687	94,171	492,958	181,665	331,085
Backstopping	1,587,525	51,006	304,716	142,793	248,598
Project Management	997,162	43,166	188,242	38,871	82,488
Other	969,109	-	315,015	-	123,711
Evaluation	280,374	-	-	-	-
Contingency	688,735	-	315,015	-	123,711
Center management	5,107,055	155,060	745,703	316,746	912,241
Staff salary	1,054,784	13,374	198,637	23,001	187,865
Staff training	25,000	-	4,616	-	4,896
Other-office support/communication	1,481,878	116,877	260,903	25,344	220,959
Facilities	2,545,392	24,809	281,548	268,401	498,521
Subtotal Donor Expenses	36,779,744	715,354	6,863,399	2,558,187	8,306,515
Trust Fund Management	2,574,582	50,075	480,438	179,073	581,456
Total Donor Expenses	39,354,327	765,429	7,343,837	2,737,260	8,887,971
IMF Contribution	3,847,712	1,315,733	525,315	262,658	332,350
Total West AFRITAC 2	43,202,039	2,081,162	7,869,152	2,999,917	9,220,321

Source: Institute for Capacity Development, IMF.

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