

## PROGRAM DOCUMENT

November 2009

# AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER WEST (AFW)





**AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER  
WEST  
(AFRITAC WEST)**

*"We welcome the increasing and positive role played in this regard by the Africa Technical Assistance Centers (AFRITACs). Therefore we call for the expansion of TA delivery through AFRITACs—including the opening of new centers—which would ensure better traction in recipient countries and lower overall costs. We reaffirm that the willingness of countries within the region to contribute to the AFRITACs is testimony to their relevance and effectiveness, while at the same time supports country ownership and oversight."*

*African Governors in a Letter of October 2008 to the Managing Director of the IMF*

**PROGRAM DOCUMENT FOR THE THIRD FINANCING CYCLE  
(November 2009)**

## Executive Summary

**This document describes the operations of the Regional Technical Assistance Center in West Africa (AFRITAC West (AFW)) for a period of five years to October 2014.** It was drafted through a consultation process with donors and AFW beneficiary countries on how AFW together with other Technical Assistance (TA) providers would best assist AFW recipient countries in further developing their capacity in macroeconomic management. The estimated total cost of operating AFW for the next five years is about US\$51 million to be born by donors, the recipient countries, and the IMF.

**AFW has been serving Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal and Togo since 2003, supporting implementation of their Poverty Reduction Strategy Papers (PRSPs) in areas of the IMF's core expertise:** macroeconomic policy, revenue policy and administration (both in customs and tax administration), public financial management, debt management and financial markets development, supervision of financial institutions, government finance statistics and real sector statistics. There are many concrete examples of AFW's contributions to achievements in all of its recipient countries, ranging from assistance in customs administration to facilitate trade, establishing large taxpayer offices, strengthening fiscal analysis through better public financial management, improving the quality and timeliness of statistical data, developing capacity for undertaking debt sustainability analyses and designing sustainable borrowing policies in post-HIPC completion point countries, and developing the legal and regulatory frameworks for financial institutions. (Section I.B and Appendix I).

**Independent external evaluations, including the 2008-09 evaluation (Section I.C), have consistently given the AFRITACs/AFW high marks for the quality of their expertise, their rapid and flexible service delivery as well as responsiveness to countries' needs.** They found that the AFRITACs are well suited to support the design and implementation of countries' Poverty Reduction Strategies and Programs; that they are an excellent vehicle to support regional harmonization and integration; and that their TA in part contributed to improved transparency, accountability and control, and thus to reducing opportunities for corruption. The evaluations stressed the success of the governance model, with involvement of recipient countries, donors and IMF staff leading to 'ownership' of the recipient countries as well as effective donor coordination in the spirit of the Paris Declaration on Aid Effectiveness.

**AFW countries need to accelerate implementation of their PRSPs to make a stronger dent in growth, which is all the more important with the global financial crisis putting at risk the fragile macroeconomic gains of the past.** AFW has experience and expertise to help AFW countries build their macroeconomic management capacities, focused on (Section II.C and Section III):

- **strengthening government institutions and central banks, which are critical to promoting sustainable economic growth.** Addressing weaknesses in public financial management would help assure domestic stakeholders and development partners that public resources are being used efficiently, which is critical for the credibility of the PRSP process and sustaining high levels of budget support. Notwithstanding significant progress in modernizing tax and customs administration, only two of the eight West African Economic and Monetary Union (WAEMU) countries have met the fiscal convergence criterion of a revenue ratio of at least 17 percent of GDP and the WB's Doing Business indicators tanks AFW countries low on the ease of paying taxes.
- **developing financial markets to support a strong private sector.** financial intermediation in the region is among the lowest in the world and AFW countries need to remove obstacles to bank lending while stepping up the supervision of financial institutions. The latter is all the more important because AFW's banking systems are vulnerable to sector shocks and have a large exposure to the public sector. There is also scope for strengthening the government securities markets, which could become a stepping for developing capital markets.
- **strengthening statistical capacity for sound macroeconomic analyses, policy making and better information to the public.** Good statistical data help understand macroeconomic developments and design appropriate policy responses.
- **making progress in regional integration and harmonization.** AFW countries face challenges in developing a customs union with consultations ongoing between WAEMU and Economic Community of West African States (ECOWAS) on regional trade issues. WAEMU member AFW countries (all AFW countries except Guinea and Mauritania) will also need to coordinate their efforts in banking supervision. Through fostering peer review and exchange, AFW is a good forum for discussing regional integration issues.

**In response to the external evaluation and in the broader context of IMF TA reforms, there will be some changes to AFW.** AFW will strengthen its coordination with donors and other TA providers (Section III. C), including by wider dissemination of its work. The IMF also aims to enhance the traction of its TA by further integrating it into the IMF's broader lending and surveillance activities and improving its results-focused management toward ensuring sustainability of IMF and AFW TA (Section III. A and B).

**AFW is one of the three Regional Technical Assistance Centers (AFRITACs) under the IMF's Capacity Building Initiative for Africa.** Responding to calls from African leaders, including under the New Partnership for Africa's Development (NEPAD), the Initiative launched in 2002 promotes capacity building in African countries to design and implement reforms that are supportive of their poverty reduction strategies. As part of the Initiative, the IMF has established three AFRITACs in Tanzania, Mali, and Gabon. In response to the positive experience to date with these centers, and increased demand from other African countries, the IMF is planning to open two additional AFRITACs in West and Southern Africa.

**AFR Technical Assistance Centers (AFRITAC): Current and Proposed**



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### **List of acronyms**

ACBF	Africa Capacity Building Foundation
AfDB	African Development Bank
AFRISTAT	Economic and Statistical Observatory for Sub-Saharan Africa
AFRITAC	Africa Regional Technical Assistance Center
AFW	ARITAC West
ANSD	National Institute of Statistics and Population Studies
ARC	Advance release calendar
ASTER	Computerized system on expenditure management
ASYCUDA	Automated System of Customs Data
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank of West African States)
BEAC	Banque des Etats de l'Afrique Centrale
BOAD	West African Development Bank
CET	Common External Tariff
CIDA	Canadian International Development Agency
COFEB	West African Training Center for Banking Studies
CPI	Consumer Price Index
DFID	Department for International Development (UK)
DGE	Large Taxpayers Office
DGD	Directorate General of Customs
DGI	Directorate General of Taxes
DSA	Debt Sustainability Analysis
DRI	Debt Relief International
ECB	European Central Bank
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
EC	European Commission
EU	European Union
FDI	Foreign Direct Investment
FIRST	Financial Sector Reform and Strengthening
FPP	Financial Programming and Policies
FSAP	Financial Sector Assessment Program
FY	Financial Year
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GFSM	Government Financial Statistics Manual
GFSY	Government Finance Statistics Yearbook
GNI	Gross National Income
HDI	Human Development Index

HIPC	Heavily Indebted Poor Countries
HQ	Headquarters
IFRS	International Financial Reporting Standards
IFS	International Financial Statistics
IGF	Internal control office of the Ministry of Finance (Togo)
IMF	International Monetary Fund
INSEE	National Institute for Statistics and Economic Studies (France)
IPI	Industrial production index
IsDB	Islamic Development Bank
LTO	Large Taxpayer Office
MCA	Millennium Challenge Account
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MFI	Microfinance Institution
MRBF	Medium-term Budget Framework
MTDS	Medium-term Debt Management Strategy
MTEF	Medium-term expenditure framework
MTO	Medium-Sized Taxpayer Office
NA	National Accounts
NEPAD	New Partnership for Africa's Development
OTM	Office of Technical Assistance Management (IMF)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPI	Producer Price Index
PRSP	Poverty Reduction Strategy Paper
QNA	Quarterly national accounts
RACHAD	Computerized expenditure management system (Mauritania)
RAP	Resource Allocation Plan
REP	Regional Economic Program
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
SC	Steering Committee
SDDS	Special Data Dissemination Standard
SECO	Swiss Secretariat for Economic Affairs
SFA	Framework Administered Account of Selected Fund Activities
SNA	System of National Accounts
SSA	Sub-Sahara Africa
TA	Technical Assistance
TAIMS	Technical Assistance Information Management System
TOFE	Central Government Operations Tables
TOR	Terms of reference
UNCTAD	United Nations Conference on Trade and Development



UNDP	United National Development Program
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union
WAIFEM	West African Institute for Financial and Economic Management
WAMZ	West Africa Monetary Zone
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

## I. AFRITAC WEST'S ACHIEVEMENTS SO FAR

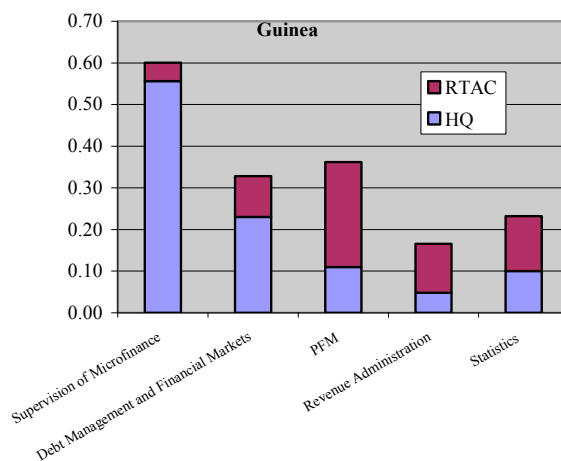
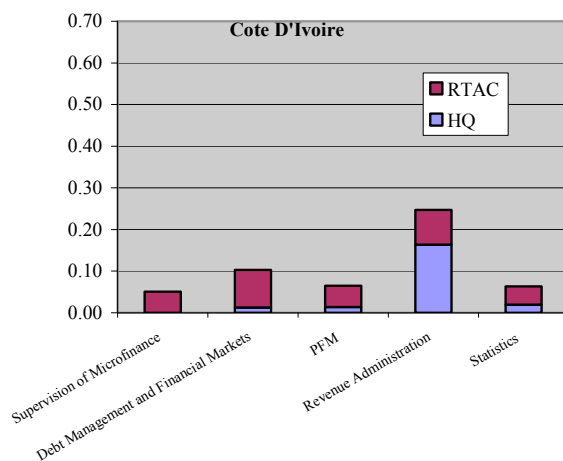
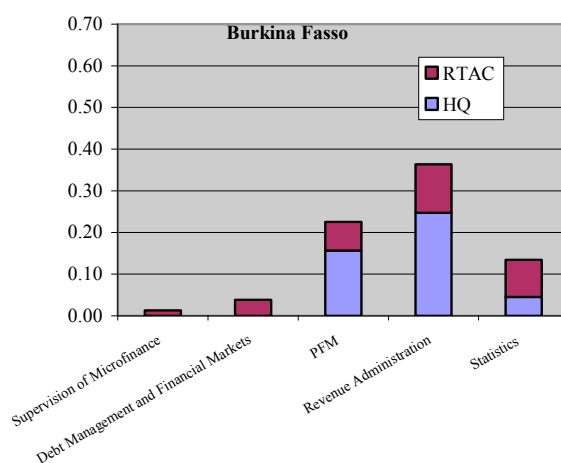
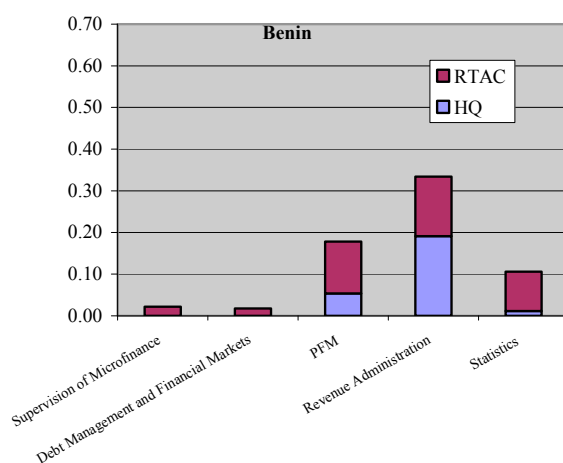
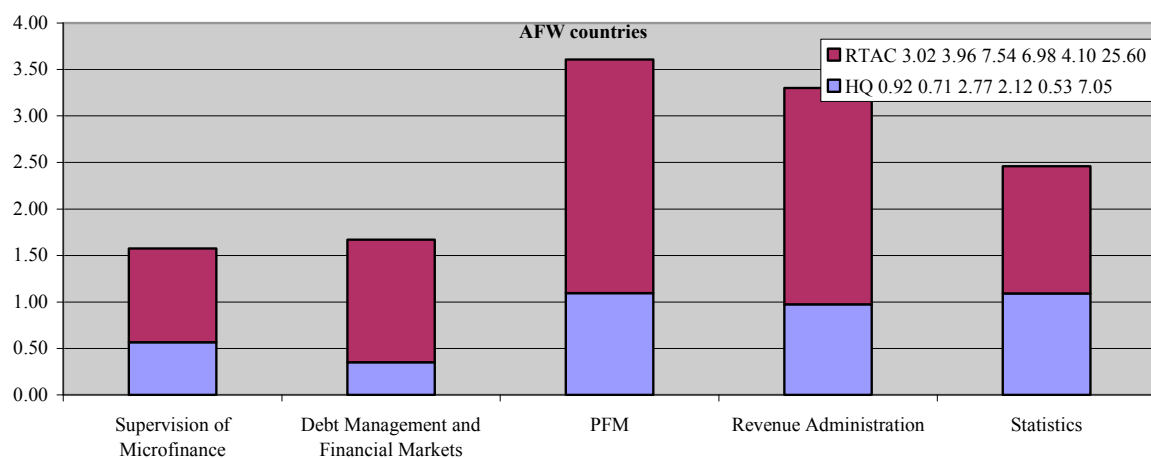
### A. What Does AFRITAC West Do?

1. **The International Monetary Fund (IMF)'s three Africa Regional Technical Assistance Centers (East, West, and Central AFRITACs) are a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors.** They originate from the IMF's response to African leaders' call to the international community to increase technical assistance (TA) to Africa. The Centers' strategic goal is to strengthen the institutional capacity of African countries to design and implement their poverty-reducing strategies and make progress toward achieving the Millennium Development Goals (MDGs), supported by sound macroeconomic and financial policies.
2. **The AFRITACs are regional technical assistance centers, a model of TA delivery launched by the IMF in 1992 in the Pacific Region.** Since then the model was expanded to four continents. The first Center in Africa, East AFRITAC, was established in 2002, and is based in Dar es Salaam, Tanzania. It was followed, about half a year later, by West AFRITAC (AFW), temporarily established in Bamako, Mali in 2003, which covers the countries of French-speaking West Africa. In 2007, Central AFRITAC was opened in Libreville, Gabon, to provide assistance to countries in Central Africa. Through its AFRITACs, the IMF has been able to substantially increase its TA to the beneficiary countries, and based on the success of this TA model, two more AFRITACs are planned in the near future.
3. **With AFW, the IMF combines strategic TA advice from its Headquarters (HQ) with local expertise and on-the-ground capacity building.** AFW is governed by a Steering Committee (SC) that consists of representatives from recipient countries, donors and the IMF, facilitating a coordinated design, implementation, and monitoring of TA programs in AFW recipient countries. Broad TA needs and workplans are identified in conjunction with the SC, alongside the area and TA Departments at IMF HQ, complemented by a bottom up exercise, where the African departments and country authorities discuss the specifics of the Regional Technical Assistance Center (RTAC) workplan. All TA is integrated into the core lending and surveillance operations of the IMF, as well as coordinated with that of other providers. Backstopped and supported by the experts and services of IMF HQ, the RTACs are becoming an increasingly important way of delivering effective, efficient and responsive IMF TA.
4. **AFW delivers capacity-building TA in its areas of expertise to ten countries in Western Africa: Benin, Burkina Faso, Cote d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal and Togo.** The costs of running the Center is defrayed by grants from the African Development Bank (AfDB) and 14 bilateral donors (Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Norway, the Russian Federation, Sweden, Switzerland, the Netherlands, and the United Kingdom), and

contributions from the IMF. In complementing the Center's resource pool, the host country Mali provides a financial contribution to defray the salary costs of the support staff and the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) provides in-kind contributions.

5. **AFW is managed by a Center Coordinator, and is staffed by eight resident advisors with substantial expertise in his/her respective sector.** Two resident advisors work in PFM, two in revenue administration (one in customs administration and one in tax administration), one on debt management and financial markets development, one on the supervision of microfinance institutions, one on government finance statistics and one on real sector statistics. The resident advisors are based in Bamako; they travel throughout the region, which allows them to develop rapport with country authorities and familiarity with national and regional contexts and needs. The skill mix of the advisors reflects the identified priority needs of the beneficiary countries. In addition, AFW deploys short-term experts brought in to deliver targeted TA in areas of specific expertise not covered by the resident Advisors or in the same area to complement the volume of TA needed. AFW also provides seminars and workshops, both at the national level and regionally; it sometimes invites selected African countries, not covered by AFW, to its workshops with a view to sharing experience and enhancing networking.

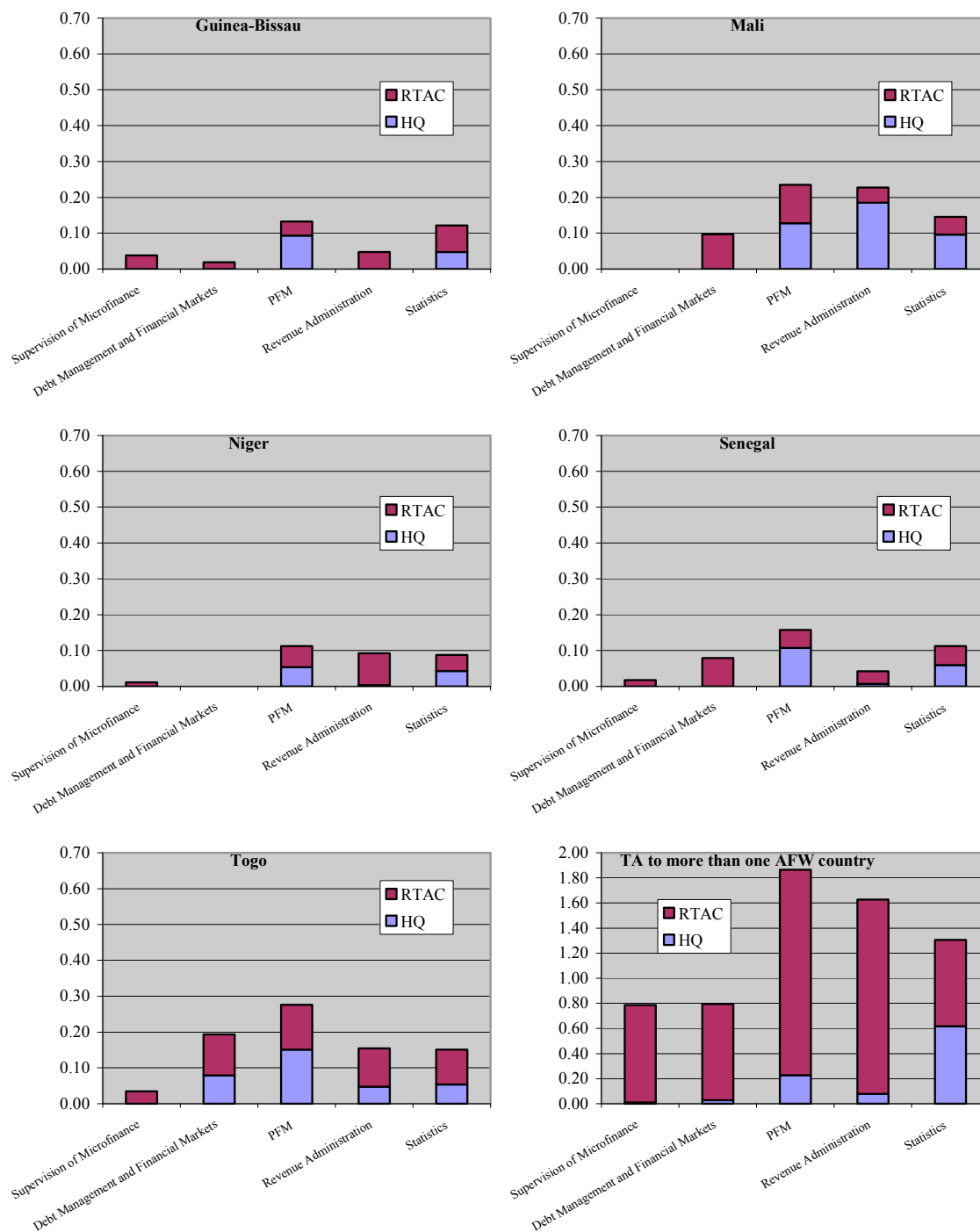
IMF TA delivery to AFW Countries, 2007-09\*  
(in person years (equal to about 260 working days); 3 year average)



Source: IMF

\* HQ-managed TA includes donor financed TA, mainly by the Japanese authorities.

IMF TA delivery to AFW Countries, 2007-09  
(in person years (equal to about 260 working days); 3 year average)



Source: IMF

## B. AFRITAC West's Results in Recipient Countries

6. **Results Focused Management for building human and institutional capacity is inherently difficult.** Achievements in these areas take time to materialize and are not easy to attribute and thus are difficult to measure. Change can often take decades and is correlated with many variables. This together with the presence of many other TA providers in Africa make it difficult to measure the impact of AFW's capacity building on recipient countries.

7. **Notwithstanding these broad difficulties, the IMF and its regional TA centers are in the process of introducing a results-focused management framework.**<sup>1</sup> The framework is anchored in an annual planning, implementation, and monitoring cycle. It identifies the main objectives for each area of work, the expected (and achieved) inputs and activities, main outputs, results, as well as next steps. The framework also makes explicit the links of AFW support to member countries' reforms and poverty-reducing strategies, and the involvement of other donors.

8. **Though the absence of results-based management over AFW's two full 3-year cycles does not allow a comprehensive review, examples of AFW's results in recipient countries provided below are strong indicators of its positive impact in all TA areas.**<sup>2</sup>

9. **Facilitating trade through better customs administration**—AFW focused on computerization, the World Trade Organization's transaction-based customs assessments, and simplified risk-based customs procedures (notably post release audits). All AFW countries, except Guinea-Bissau, have now fully computerized their customs clearance procedures, with Senegal and Côte d'Ivoire strengthening their own computerized system—Gaindé—and the eight others bringing on line the new and improved Automated System of Customs Data developed by United Nations Conference on Trade and Development (UNCTAD) (Automated System of Customs Data (ASYCUDA++)). As a result, substantial progress have been made in trade facilitation, with customs clearance now completed within 24 hours, along with a major improvement in revenue collection in most countries. In the process, Benin, Guinea, and Mali have simplified their customs clearance procedures, taking advantage of the features of ASYCUDA ++. Mali has gone further by revising its Customs Code, with a view to legalizing electronic signature (e-signature) in a paperless customs clearance process. AFW also assisted Guinea in introducing the West African Economic and Monetary Union (WAEMU)/Economic Community of West African States (ECOWAS)

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<sup>1</sup> Introducing results-focused management is an important element in the IMF's comprehensive TA reforms, which were kickstarted in 2008. See <http://www.imf.org/external/np/pp/eng/2008/040308a.pdf>.

<sup>2</sup> Please also see a list of major outcomes in Appendix I.

common external tariff, and Mauritania in modernizing its Customs Code in line with the harmonized WAEMU Customs Code.

10. **Focusing on larger taxpayers in selected AFW countries**—in collaboration with Fund HQ based missions, AFW assisted Guinea-Bissau to establish a new Large Taxpayer Office (LTO) and Burkina Faso, Mauritania, and Togo to establish medium-sized taxpayer offices. Another medium-sized taxpayer office is scheduled to be opened in Mali during the second half of 2009. AFW also supported Benin in improving the management of its LTO, raising voluntary filing of income tax to 95 percent in 2008, from 75 percent in 2002.

11. **Strengthening fiscal analyses through better Public Financial Management (PFM) in Côte d'Ivoire, Guinea and Senegal**—AFW assisted countries in identifying weaknesses in PFM and developing action plans. This can be illustrated, among other, by the following examples:

- in Côte d'Ivoire in early 2007 where AFW's PFM resident advisor jointly with a visiting area department Fund mission assisted the authorities in strengthening the link between the diagnostic of fiscal situation and fiscal reform objectives;
- in Guinea in 2008, where a AFW TA report provided the basis for the government's public finance reform strategy, and where subsequent TA missions were designed to help the authorities implement the reform strategy; and
- in Senegal in late 2008, where a joint HQ/AFW mission assisted the authorities in preparing an action plan to improve fiscal management.

12. **Improving the quality and timeliness of statistical data**— Since 2006, six countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, and Togo) have published their annual data in the IMF Government Finance Statistics (GFS) Yearbook, using the Government Finance Statistics Manual (GFSM) 2001. These countries are improving the coverage, reliability, and timeliness of GFS data, as Burkina Faso, Mali and Togo posted their GFS data for 2007 by end-December 2008. AFW assistance in real sector statistics is also helping improve the national accounts' methodology and data dissemination timeliness along best international practices. With AFW's support, work is underway in Senegal to produce quarterly GDP data in the context of the country's intention to eventually subscribe to the Fund's Special Data Dissemination Standard (SDDS).

13. **Developing capacity for undertaking debt sustainability analyses and designing sustainable borrowing policies in post-Heavily Indebted Poor Countries (HIPC) completion point countries (Benin, Burkina Faso, Mali, Mauritania, Niger, and Senegal)**—This was done through a program of country and regional workshops, with the collaboration of departments at Fund HQ and *Pôle Dette of Yaoundé*, a regional TA collaborative initiative in the area of debt management of Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and Banque des Etats de l'Afrique Centrale (BEAC). AFW

also fostered direct technical cooperation between two member countries in advising Mauritania to work with Côte d'Ivoire in developing a debt management software and in training personnel in the use of such a software. On financial markets development, in collaboration with the BCEAO, AFW conducted regional training workshops to help country authorities strengthen capacity in placing savings or issuing securities/shares on the WAEMU regional financial market and the Abidjan regional stock exchange. All WAEMU's governments are now issuing treasury bills and long-term obligations on the regional financial markets.

14. **Developing the legal and regulatory frameworks for microfinance**—AFW developed a successful coaching program for officials of microfinance supervision agencies to improve the quality of on-site inspections and implement a risk-based onsite supervision. AFW also help several WAEMU members to separate the activities of promotion and supervision of microfinance institutions with the Ministry of Finance now responsible for the former and the latter being undertaken by distinct entities, which generally report to a Minister other than the Minister of Finance. Following several AFW missions in collaboration with an outside consultant from the Financial Sector Reform and Strengthening (FIRST) Initiative, Guinea has implemented a new legal and regulatory framework regarding microfinance activities.

### C. External Evaluation of the AFRITACs

15. **An external evaluation in early 2009 of the three existing AFRITACs found them to be highly effective and efficient** (Box 1).<sup>3</sup> The evaluation also highlighted the positive role of the AFRITACs' governance structure and the Centers' ability to provide cost-effective and flexible TA.

- The AFRITACs' governance structure provides an appropriate platform for implementing the March 2005 Paris Declaration on Aid Effectiveness,<sup>4</sup> which calls for efforts to harmonize, align, and manage aid for results.
- The geographical proximity of AFRITACs to beneficiary countries provides a quick and cost-effective way to deliver TA.
- Being integrated into the IMF's surveillance and lending operations, TA through AFRITACs reflects prioritized country needs.

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<sup>3</sup> See AFW's second independent evaluation since 2002. The previous evaluation also positively assess AFW's performance during the first financing cycle (<http://www.imf.org/external/np/pp/eng/2005/040105d.htm>).

<sup>4</sup> See [http://www.oecd.org/document/18/0,2340,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html).



- AFRITACs can strengthen regional collaboration by anchoring specific TA activities in regional economic initiatives, arranging training jointly with regional institutions, and helping to establish regional professional networks.
- AFRITACs' emphasis to use African professionals provides an avenue for building and sustaining local expertise.

#### **Box 1. External Evaluation of the AFRITACs: A Success Story**

**The Financial Year (FY) 2008-09 external evaluation of the Central, East, and West AFRITACs is part of the AFRITACs' governance structure.** With the objective of providing stakeholders an assessment of the Centers' achievements, challenges, and plans for improvement, the evaluation was based on an electronic survey to seek input from users and TA providers (more than 700 respondents), interviews at IMF HQ, visits of all three AFRITACs and eight recipient countries, and reviews of available documents and data.

**The evaluation rated the performances of all three AFRITACs at least as good** (see table below). This is despite about two-thirds of the AFRITAC membership having an institutional absorptive capacity that is rated as poor or modest, thus creating a challenging environment for TA implementation. The exercise evaluated TA projects in the following five functional areas: public finance management, revenue administration, monetary operations, banking supervision and statistics, along these four dimensions: relevance, effectiveness, efficiency and sustainability. The ratings were done on a scale of 1 (poor) to 4 (excellent).

	East AFRITAC	West AFRITAC	Central AFRITAC
Relevance	3.3	3.2	3.0
Effectiveness	3.1	2.8	2.7
Efficiency	3.0	2.8	2.9
Sustainability	2.9	2.7	2.7

#### **Among other findings, the evaluation team noted that<sup>1</sup>**

- AFRITACs provided rapid and flexible services with all TA delivery modes effective, particularly the regional seminars and mission work of AFRITAC resident Advisors;
- the quality of the expertise in AFRITACs was good and seemed to have enhanced IMF's reputation;
- AFRITAC TA was responsive to countries' needs ("close to the countries") and was "owned" by the countries: the involvement of recipient countries, donors and IMF staff in the AFRITAC governance structure has proven to be a successful model;
- AFRITACs are well suited to play a leading role in the IMF's support for regional harmonization and supported countries' Poverty Reduction Strategies and Programs; and
- some AFRITAC TA improved transparency, accountability and control, thus contributing to reducing opportunities for corruption.

<sup>1</sup> Respondents to the survey also rated the AFRITACs as better than other TA providers in terms of responsiveness, knowledge of the countries, flexibility, reaction times, cost effectiveness, and use of African expertise.

16. **The evaluation also found areas for improvement which are being addressed.**

- **Recommendation 1:** Office of Technical Assistance Management (OTM)'s presentations during the negotiations for the next financial replenishment should argue for additional resources to strengthen the human and financial resources of the AFRITACs and necessary support from HQ together with implementing the recommendations of the evaluation.

*Response:* The proposed budget for AFW incorporates a request for more resources (see Section III D for a detailed discussion). In addition to the expansion of AFW, the IMF is planning to step up TA to AFW countries through topical trust funds (see Section III C for more details).

- **Recommendation 2:** The three AFRITACs should, in coordination with the TA Departments, by the end of calendar year 2010 adopt a three year plan for each cluster of TA interventions in a country that sets out the strategic objectives and outcomes that the capacity building initiative expects to achieve and provides a framework with indicators against which progress can be monitored.

*Response:* This program document for AFW is proposing medium-term plans for all AFW countries for each cluster of TA interventions, which are integrated with the relevant country reform program and which also set out the strategic objectives of AFW's initiatives. The proposals include verifiable indicators against which progress can be monitored. The annual report of AFW will report on the progress made toward these indicators.

- **Recommendation 3:** While recognizing that beneficiary countries should lead donor coordination, all three AFRITACs need to strengthen their donor coordination and information dissemination strategies.

*Response:* Coordination with donors will be strengthened through a combination of measures, including by sharing information after AFW mission and enhanced communication through a new AFW's website being designed. In April 2009, the IMF adopted streamlined and strengthened procedures for the wider dissemination of TA-related information, including its mission planning, regional TA strategies and specific TA reports (Section III C for more detail on coordination and dissemination).

- **Recommendation 4:** All AFRITACs, the SCs as well as the Center Coordinators, Resident Advisors, the TA Departments and OTM must do some strategic thinking about how strengthen TA sustainability. Among other things, this will involve providing more follow up and financing to support the implementation of recommendations resulting from TAs. During its fieldwork the Evaluation Team came across several cases where government official said that while they agreed with

and wished to implement the TA recommendations, the necessary funds were not available.

*Response:* This recommendation will be implemented through strengthened coordination with donors and other TA providers. Resident Advisors through their periodic missions to AFW countries would indicate whether there is a need for funds to implement the recommendations, such as for information technology, software and hardware or support for undertaking surveys. Such needs would also be highlighted at SC meetings. The need for follow-up TA will be indicated to the SC.

- **Recommendation 5:** Each AFRITAC should prepare a plan to indicate how it will use a regional approach to facilitate the development of the macroeconomic tools in its areas of competence that are necessary to support regional integration and harmonization and present the plan to their SCs in 2010.

*Response:* This program document sets out on how AFW would support regional integration and harmonization (see Section II for more details). AFW will report progress in these areas at the SC to facilitate coordination with other TA providers.

- **Recommendation 6:** By the end of Financial Year (FY2010)<sup>5</sup> OTM should prepare a manual that codifies the organization, management and administrative procedures for the RTACs.

*Response:* This work has already started. OTM hosted a 2-day internal RTAC retreat with Center Coordinators and IMF HQ staff in December 2008, at which action items were identified and a timetable was developed. OTM is expected to prepare this manual in the course of FY 2010. While most of the manual would be on internal procedures, relevant parts would be shared with the SC.

- **Recommendation 7:** As part of the next RTAC Review, OTM should prepare a Ten Year Vision for RTACs that outlines the strategic implications for IMF.

*Response:* OTM intends to prepare a RTAC Review for discussion at the IMF Executive Board in FY 2010, which will lay out the IMF's long-term vision on the RTACs.

- **Recommendation 8:** By the end of 2009 the AFRITACs and OTM should develop formal action plans, identifying the necessary resources and monitorable benchmarks to implement the accepted evaluation recommendations and report the implementation status to the SCs in FY2010 and FY2011.

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<sup>5</sup> The IMF's financial year runs from May 1 to April 30.

*Response:* Progress on the implementation of the recommendations of the evaluation will be reported at the SCs in FY2010 and FY2011.

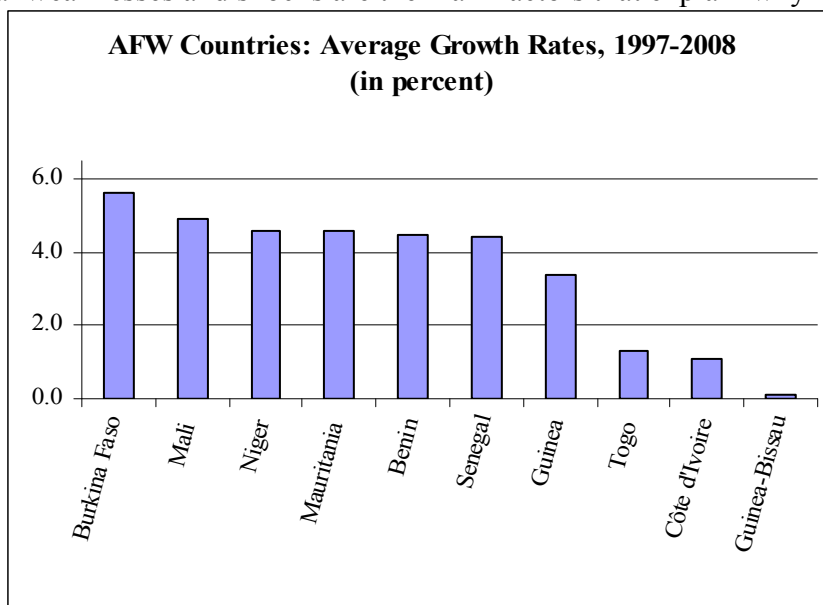
## II. HOW AFRITAC WEST WOULD ASSIST IN ADDRESSING THE REGION'S MACRO CHALLENGES

### A. Where Does the Region Stand Now?

17. **AFW countries are striving to consolidate the role of the state and improve the living standards of their populations.** Most have seen gradual improvements in their economic and political environments, although many institutional challenges remain. In the fragile states (Côte d'Ivoire, Guinea, Guinea-Bissau and Togo) civil war, political instability and weak government institutions have hampered efforts more severely. All AFW countries except Guinea and Mauritania are members of the WAEMU, which implies a common exchange rate and monetary policy, and a common external tariff.

18. **Economic growth near the Sub-Sahara Africa (SSA) average—except for fragile AFW countries—and generally low inflation marked macroeconomic trends in AFW countries during the last decade.** Monetary policy in the WAEMU was aimed at supporting the longstanding exchange rate peg to the Euro and kept inflation rates for WAEMU member countries at low single-digit levels for most of the period. Inflation in Guinea and Mauritania was much higher than in the WAEMU. In particular, Guinea's inflation rate rose from 3 percent in 2003 to 35 percent in 2007 on account of lax financial policies. Reflecting the impact of the fragile AFW states, economic growth in AFW countries was relatively low in the last decade: less than 3 percent per annum (on average), compared with SSA rates of about 5 percent. Structural weaknesses and shocks are the main factors that explain why

investment and growth were not higher (Box 2 for the WAEMU countries). However, other factors such as political instability and a steadily appreciating real effective exchange rate of the CFA franc for most of the period may also have been at play. With average population growth rates of about 2-3 percent per year, real



GDP per capita increased in most AFW countries, although not enough to rapidly alleviate poverty. AFW countries remain among the poorest in the world and are unlikely to achieve many of the MDGs by 2015.

### Box 2: Low Growth in the WAEMU

Economic growth in the WAEMU has been lower than in the SSA region in recent years. This, according to ongoing IMF research, is due to shocks—including civil war in Côte d'Ivoire, volatile terms of trade, and variable weather and pest conditions—and structural factors that create a poor business environment and constrain private investment growth.

WAEMU countries suffer from severe structural weaknesses in terms of overall competitiveness, business climate, governance, and human capacity:

- The 2007 World Economic Forum's Global Competitiveness Report ranked Senegal 100<sup>th</sup>, Benin 108<sup>th</sup>, Burkina Faso 112<sup>th</sup> and Mali 115<sup>th</sup> within a world-wide country set of 131 countries. The low rankings reflect the countries' poor performance in infrastructure, higher education and training, technology, and market size. The other four WAEMU countries have not yet been ranked, although available information suggests that they would place near the bottom of the country list.
- The World Bank's Governance Indicators show weak performance of WAEMU countries, particularly Côte d'Ivoire, Guinea-Bissau and Togo. Governance indicators consider voice and accountability; political stability; government effectiveness; regulatory quality; rule of law; and control of corruption.
- WAEMU countries also fare poorly in the World Bank's *Doing Business* Indicators, with an average rank of 161 out of 178 countries (see below in main text).
- The UN Human Development Index (HDI), which provides an overview of factors affecting human capacity and welfare, classifies seven WAEMU members as Low Human Development countries, with Togo listed as the only Medium Human Development country. Strikingly, four of the five lowest ranked countries in the world are WAEMU members. The median HDI score for WAEMU countries remains below that of SSA as a whole. WAEMU countries score particularly poorly in the area of education. Life expectancy also remains low, albeit slightly higher than in SSA overall thanks to a lower incidence of HIV/AIDS.

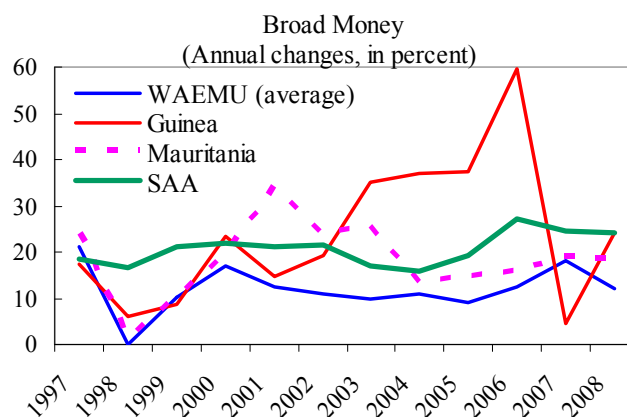
19. **AFW countries have managed to control their fiscal deficits.** Central government deficits (after grants) averaged some 3½ percent of GDP through 2006, and narrowed somewhat in 2007-08. Factors underlying the overall fiscal deficit trend include mainly: (i) relatively large and sustained inflows of development aid in the aftermath of countries reaching the HIPC Completion Point;<sup>6</sup> (ii) donors' financial support of the country authorities' efforts to improve governance under the New Partnership for Africa's Development (NEPAD); and (iii) the availability of concessional external borrowing. Tax-to-GDP ratios have been gradually increasing in AFW countries although the underlying buoyancy has been lower than elsewhere in SSA. Consistent with the countries' PRSPs, much of the increased public spending in AFW countries has been in health, education, and infrastructure development, but the reported poor quality of government institutions may have reduced the overall effectiveness of the spending.

<sup>6</sup> Countries that reached the HIPC Completion Point include Benin (2002), Mali (2003), Mauritania (2002), Niger (2004), and Senegal (2004).

20. **The BCEAO has been instrumental in keeping inflation low in the WAEMU.** It has often followed the European Central Bank (ECB) in changing its policy rate, albeit with variable lags. The BCEAO has also employed other (non-interest rate) instruments such as reserve requirements, given the weak transmission of interest rate changes to liquidity levels in the CFA franc zone.

21. **Central banks in Guinea and Mauritania have aimed to contain inflation, but with different results.** Monetary

financing of the fiscal deficit has remained a constant in Guinea in recent years and annual consumer price inflation has stayed within the range of 25-35 percent during the last 4 years. Since 2005, Mauritania's central bank has been pursuing a prudent monetary policy that is consistent with its objective of containing inflationary pressures; inflation fell from a peak of 16 percent in 2004 to 4 percent by end-2008.



22. **Financial intermediation is low in AFW countries, as it typically is elsewhere in Africa.** Credit to the private sector has grown slowly in most AFW countries, mainly reflecting high credit risks. This said, the microfinance sector—mainly supporting small farmers and entrepreneurs—has been growing fast in a number of AFW countries. There have also been some positive developments at the regional level for WAEMU countries as governments are tapping the regional securities market for financing, and businesses have begun to be able to borrow from banks outside their home country but within the currency area.

23. **Balance of payments developments in AFW countries reflect a number of structural characteristics of these economies:**

- AFW countries are, on average, less open economies than the SSA region as a whole. During the last decade, international trade (i.e., the sum of exports and imports of goods and services) in AFW has been equivalent to 64 percent of GDP, compared to an average of 70 percent of GDP for the SSA region and more than 100 percent of GDP in oil exporting and middle income SSA countries. Also, AFW exports have a narrow agricultural commodity base and represent a small share of GDP (27 percent), which limits the contribution of the export sector's expansion to overall economic growth.

Trade Openness: 1997-2008 Average  
(In percent of GDP)

	WAEMU	AFW	Overall SSA	Oil-exporting SSA 1/	Nonoil exporting SSA 2/	Middle- income SSA 2/ 3/
Exports G & S 4/	26.4	26.6	36	60.2	29.0	51.4
Imports G & S 4/	37.6	36.9	34.3	43.1	32.5	53.9
Total	64.0	63.5	70.3	103.3	61.5	105.3

Source: IMF database.

1/ Excludes Nigeria.

2/ Excludes South Africa.

3/ Middle-income SSA countries include: Botswana, Cape Verde, Lesotho, Mauritius, Namibia, Seychelles, South Africa, and Swaziland.

4/ G & S refers to goods and services.

- The broad stability of the external current account deficit (equivalent to 6½ percent of GDP during the last decade) has reflected sizeable inflows of foreign aid that compensated for wider trade deficits in recent years, which rose from 9 percent of GDP during 1997-2003 to 11½ percent of GDP in 2004-08. Export dynamics varied across countries, with US dollar export values: (i) recovering during 2000-2005 to earlier heights and increasing gradually thereafter (e.g., Côte d'Ivoire, Guinea-Bissau, and Togo), (ii) growing rapidly during 2006-08 in the context of hikes in international prices for oil, gold and other metals (e.g., Mauritania, Guinea, Niger, and Mali), and (iii) increasing at a moderate pace throughout the period (e.g., Benin and Senegal).
- The current account deficits have been financed mostly by concessional external borrowing as well as some foreign direct Investment (FDI).

24. **External debt has fallen across AFW countries during the last decade.** Benin, Burkina Faso, Mali, Mauritania, Niger and Senegal have had their external debt burdens reduced significantly in the context of reaching the Completion Point under the HIPC Initiative and receiving debt relief under both the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI). Côte d'Ivoire, Guinea, Guinea-Bissau, and Togo, which are at earlier stages in the HIPC Initiative process, are still facing external debt ratios equivalent to more than 100 percent of GDP.<sup>7</sup>

<sup>7</sup> Guinea, Guinea-Bissau, and Togo have reached the HIPC Decision Point. Côte d'Ivoire remains a pre-Decision Point country.



**25. The global financial crisis could put at risk the fragile macroeconomic gains achieved by AFW countries.** The

crisis comes on the heels of sharp increases in international food prices that have been only partly reversed and continue to impose a burden on the food importing AFW countries. The financial turmoil is likely to affect AFW countries through several interrelated channels: (i) lower export demand; (ii) lower international prices for cotton (Benin, Burkina Faso, Mali, and Togo), cashew nuts (Guinea-Bissau), cocoa (Côte d'Ivoire) and oil (Côte d'Ivoire and Mauritania); (iii) reduced inflows related to remittances, foreign direct investment, and (potentially) aid; and (iv) possible effects on the banking system because of deteriorating domestic economic conditions and, in the case of subsidiaries of foreign banks, reduced support from their HQs. However, for all AFW countries some relief has come from the lower international oil prices.

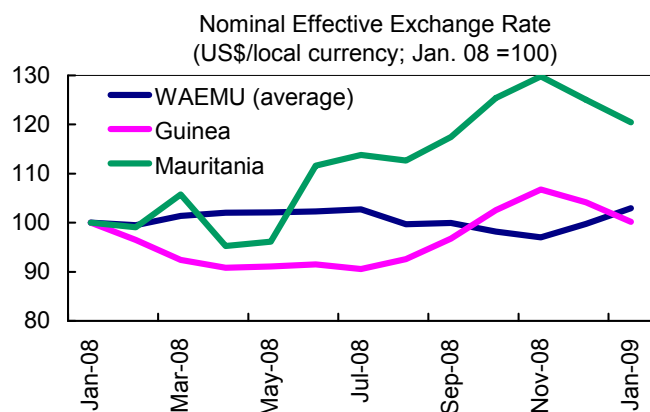
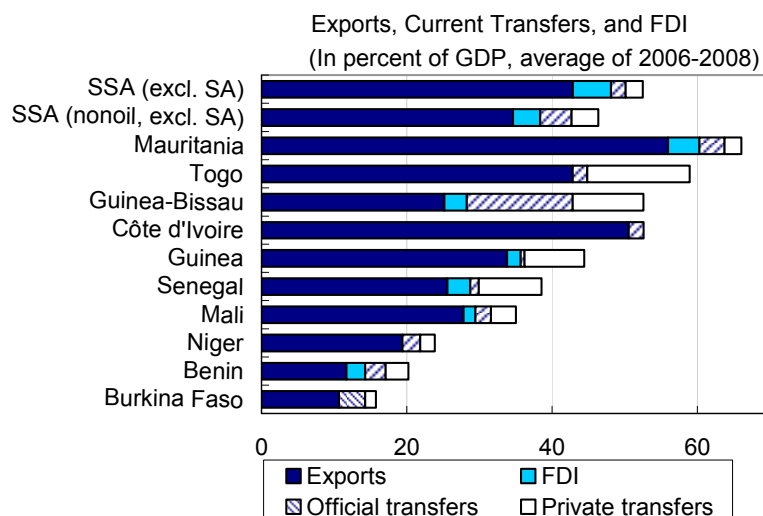
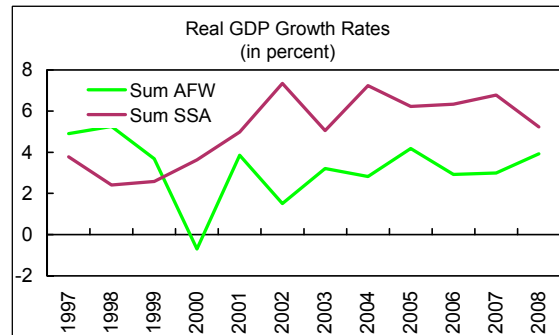
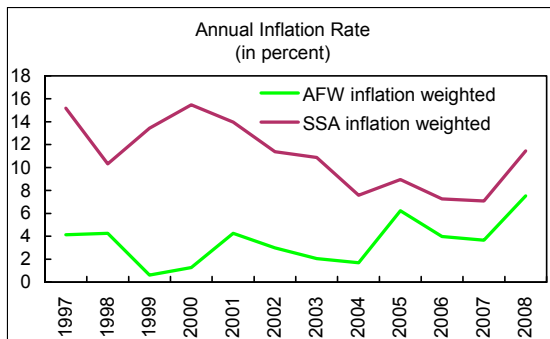


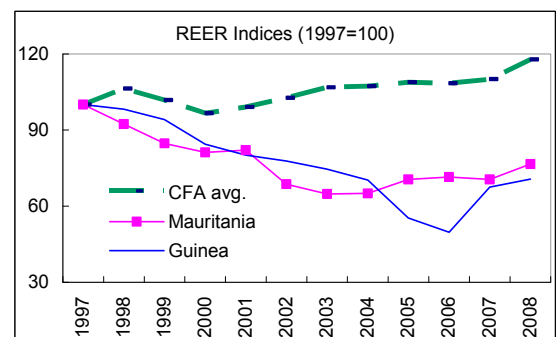
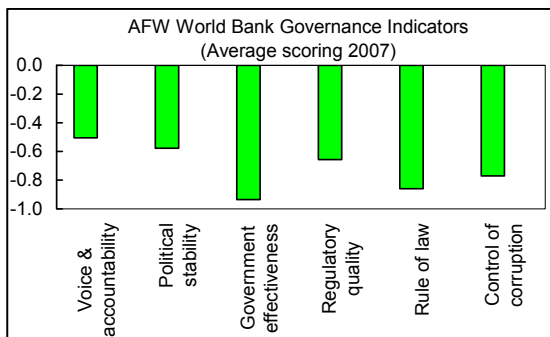
Figure 1. AFW: Recent Macroeconomic Developments

**Relatively low inflation and slow economic growth in fragile member states marked macroeconomic trends in AFW countries during the last decade.**



**Structural factors have hampered faster economic growth...**

**and the real appreciation of the CFA Franc may be also at play.**



**AFW countries managed to control their fiscal deficits...**

**...with revenue to GDP ratios increasing gradually.**

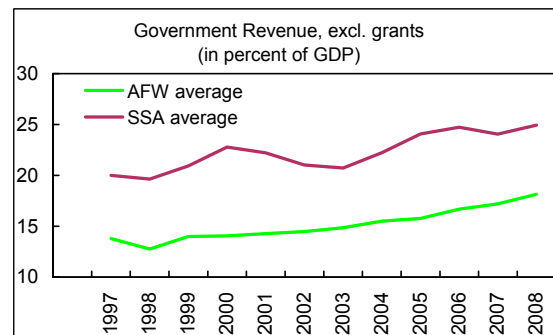
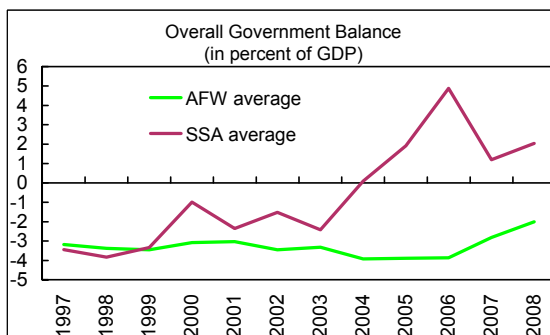
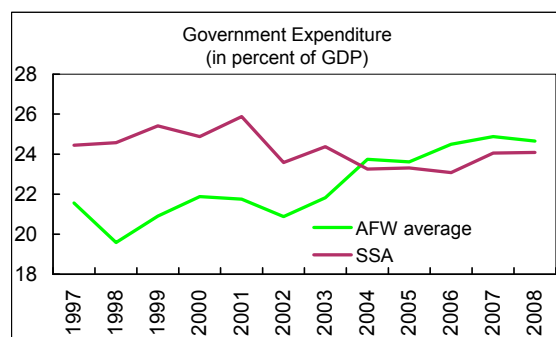
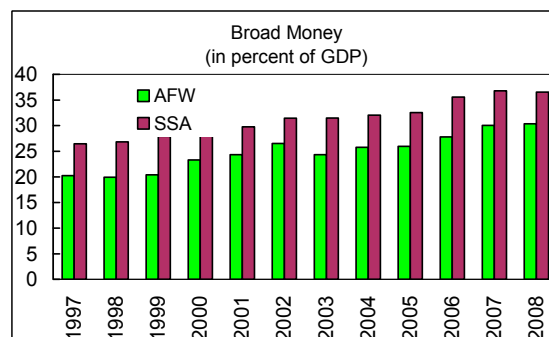


Figure 1. AFW: Recent Macroeconomic Developments (concluded)

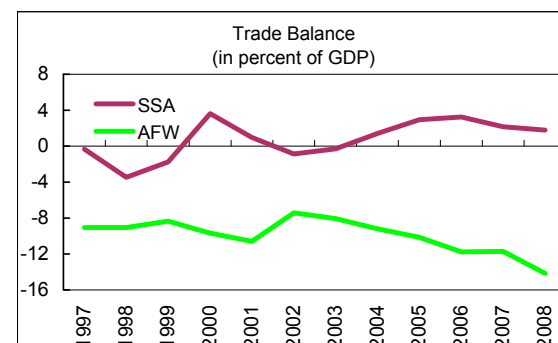
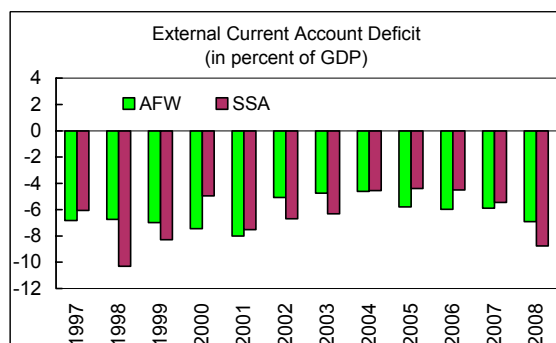
**Expenditure to GDP ratios rose rapidly due to large foreign aid inflows and concessional external borrowing.**



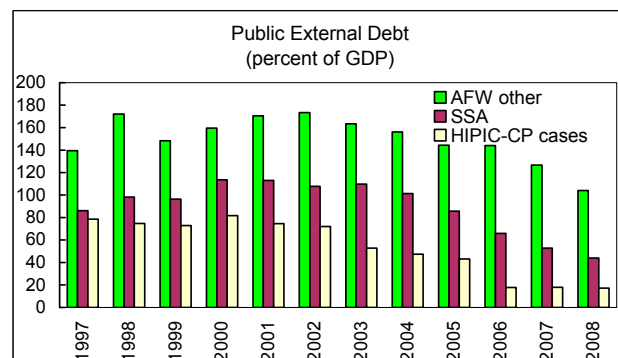
**Financial intermediation has increased, but remains low.**



**The relative stability of the external current account deficit conceals widening trade deficits financed by large foreign aid.**



**External debt to GDP ratios have been reduced, reflecting debt relief in several AFW countries.**



## B. What Should Be Done in the Next Decade?

26. **AFW countries must pursue growth-promoting policies to meet their poverty reduction objectives.** This is all the more important with the global financial crisis dampening economic growth and bringing to the fore structural weaknesses. Countries thus need to accelerate implementation of their PRSPs, which are their blue prints for economic and social development aimed at reducing poverty and achieving the MDGs.<sup>8</sup> Areas identified in the Poverty Reduction Strategy Papers (PRSPs) that fall within AFW's core areas of expertise are summarized in Box 3.

27. **Institution- and capacity-building needs in AFW countries entail a number of tasks.** The tasks include: (i) strengthening government institutions to better formulate, execute and monitor development policies and programs; (ii) deepening financial intermediation to widen access to financial services and promote private sector development; (iii) develop AFW countries' statistical capacity; and (iv) support members' regional integration and harmonization objectives.

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<sup>8</sup> All countries in AFW, except one, have had at least one full PRSP, some of them quite recently. Togo has produced an interim PRSP.

### **Box 3. AFW Countries: PRSP Objectives in the IMF's Core Areas of Expertise**

#### **Strengthening government institutions and policies**

- *Benin's* PRSP targets fiscal consolidation through improvements in revenue administration and enhanced effectiveness of public expenditure (i.e., reform of the budgetary system and better accountability in the management of public resources).
- *Mali's* PRSP seeks to improve and modernize PFM, including a better budgetary preparation/implementation process, improving accounting and enhanced tax administration.
- *Senegal's* PRSP targets a consolidation of the budgetary framework through better expenditure management and sound tax policy.
- *Guinea's* PRSP seeks to revamp public expenditure management. Capacity building in general is viewed as a prerequisite for promoting a more transparent and effective management of public resources. The PRSP recommends the development and strengthening of medium-term expenditure frameworks to support macroeconomic analysis and strategic planning.
- *Mauritania's* PRSP places much emphasis on PFM, including strategic planning through medium-term expenditure frameworks, improved budget preparation mechanisms, and the establishment of a comprehensive debt management accounting system. The PRSP also includes measures to reform tax and customs.
- *Togo's* PRSP supports the government's active involvement in the standardized international Public Expenditures and Financial Accountability (PEFA) framework, with a view to align the country's objectives with the available donor financial assistance.

#### **Financial sector reforms and the business climate**

- *Mauritania's* PRSP envisages a reform of the domestic financial sector, including a strengthening of banking sector supervision and the development of the foreign exchange market. The PRSP also mandates the revision of Mauritania's central bank charter to enhance the bank's independence and enhance its ability to conduct monetary policy.
- *Mali's* PRSP targets private sector development through improvements in the local business environment (i.e., better and more transparent regulatory frameworks, simpler tax regimes, and better access to bank financing, accompanied by a modern interbank payments system and better banking supervision).
- *Togo's* PRSP targets major improvements in banking supervision (particularly those regarding increased frequency of on-site bank inspections and banks' portfolio risk assessments), the development of a local Treasury bill market, compliance with WAEMU bank prudential regulations, and the undertaking of banking restructuring measures along the technical recommendations from the WAEMU Banking Commission and the IMF.

#### **Development of macroeconomic statistics**

- *Côte d'Ivoire's* PRSP targets an improved statistical capacity and the harmonization of statistical methodologies among WAEMU member countries.

- *Benin's* PRSP highlights the need to improve statistical capacity through improvements in the production and management of statistics. The PRSP recommends harmonizing and disseminating statistical methodologies to better monitor cross-country developments and progress toward the government's economic and social development objectives.
- *Mali's* PRSP underscores the importance of strengthening the country's statistical system to enable better coordination, monitoring, and evaluation of policy objectives and outcomes.
- *Guinea's* PRSP mandates the preparation of a national strategy to support the development of macroeconomic and social statistics, and to strengthen the country's integrated information system for poverty reduction and the attainment of the MDGs.
- *Togo's* PRSP targets an improved monitoring of the government's poverty reduction efforts and the MDGs through a reorganization and strengthening of the national statistics system, supported by technical assistance from development partners.
- *Niger's* PRSP targets the implementation of a national strategy for the development of macroeconomic statistics.

**AFW Country PRSP Reforms in the Fund's Areas of Core Expertise**

March 2009

	Latest PRSP <sup>1/</sup>	Revenue	PFM	Banking Supervision	Central Bank Operations	Business environment <sup>2/</sup>	Statistics
Benin	April 2007	x	x	...	...	x	x
Burkina Faso	July 2004	...	x	...	...	...	x
Cote d'Ivoire	Feb 2009	x	x	x	...	x	x
Guinea	August 2007	x	x	...	...	...	x
Guinea Bissau	Sept 2006	x	x	...	...	x	x
Mali	Dec 2006	x	x	x	...	x	x
Mauritania	Oct. 2006	x	x	x	x	x	x
Niger <sup>3/</sup>	August 2007	x	x	x	...	x	x
Senegal	Sept 2006	x	x	...	...	x	x
Togo	Interim March 2008	x	x	x	...	x	x

Source: IMF and country authorities.

1/ Benin, Guinea, Mali, Mauritania, Niger, and Senegal all had their first PRSP in 2002. Burkina Faso had its first PRSP in 2000.

2/ Reforms in the business environment that are in the core area of the Fund's expertise include simplifying the domestic tax system and improving access to credit.

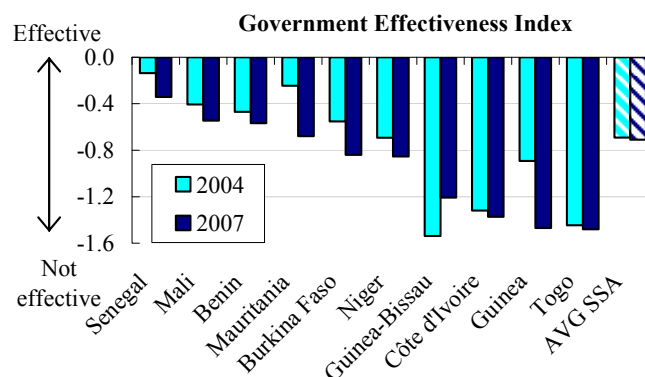
3/ Niger's PRSP specifically focuses on supervision of microfinance institutions only.

### *Strengthening government institutions*

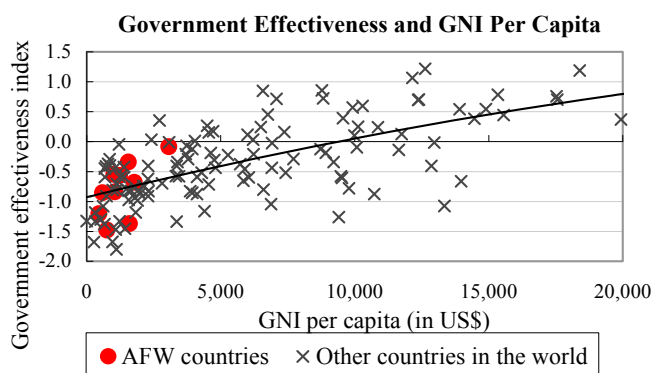
28. **Strong government institutions are critical for supporting high economic growth and a rapid reduction of poverty rates.**<sup>9</sup> Countries with better government institutions can be expected to have higher capacity to absorb technical assistance and achieve sustainable results. Furthermore, the new policy challenges stemming from the global financial crisis require strong institutions to quickly and appropriately redesign policies.

29. **The quality of government institutions varies across AFW member countries.** In the fragile AFW countries, government effectiveness (as assessed by the World Bank (WB) through its Worldwide Governance Research Index) is weaker than in other countries with comparable gross national income (GNI) per-capita. By contrast, the quality of government institutions in non-fragile AFW countries is similar to, or stronger than, for other countries with comparable per-capita income.

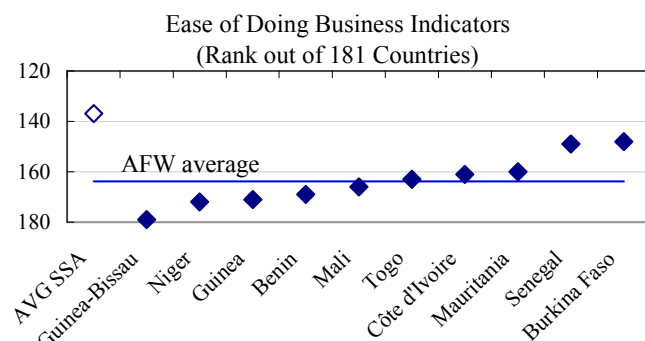
30. **The WB's *Doing Business* indicators point to a number of areas where improvements are needed.** AFW countries generally rank low, which suggests that the investment climate is poor, for example in the ease of starting a business, paying taxes, and getting credit.



Source: The World Bank



Source: The World Bank



Source: The World Bank

<sup>9</sup> A number of studies have revealed the centrality of governance to economic development. The results are summarized in Gupta, S., Powell R. and Yang Y. (2005) "Macroeconomic Challenges of Scaling up Aid to Africa," IMF Working Paper, No WP/05/179.

**Doing Business Indicators**  
(Rank out of 181 countries)

	Benin	Burkina Faso	Côte d'Ivoire	Guinea	Guinea-Bissau	Mali	Mauritania	Niger	Senegal	Togo	AFW average	SSA average
<b>Ease of Doing Business Rank</b>	<b>169</b>	<b>148</b>	<b>161</b>	<b>171</b>	<b>179</b>	<b>166</b>	<b>160</b>	<b>172</b>	<b>149</b>	<b>163</b>	<b>164</b>	138
Starting a Business	149	113	167	177	181	162	143	159	95	179	153	128
Dealing with Construction Permits	130	106	160	162	109	106	142	157	118	145	134	114
Employing Workers	116	57	112	114	176	94	123	166	165	155	128	117
Registering Property	119	148	139	157	170	94	61	75	161	155	128	125
Getting Credit	145	145	145	163	145	145	145	145	145	145	147	118
Protecting Investors	150	142	150	170	126	150	142	150	164	142	149	112
Paying Taxes	165	132	148	168	117	156	174	120	170	147	150	111
Trading Across Borders	129	173	155	110	111	166	158	169	60	84	132	133
Enforcing Contracts	175	110	124	131	139	158	84	134	146	151	135	116
Closing a Business	130	110	68	109	181	114	148	138	77	94	117	124

Source: Doing Business 2009 (<http://www.doingbusiness.org>).

Note. Items in red indicate the three lowest rankings in each country.

**31. PFM has some evolving strengths and a number of weaknesses in AFW countries (Box 4).** Continuing to address the quality gaps (e.g., in the budget preparation and implementation cycle) would help assure domestic stakeholders and development partners that public resources are being used efficiently.



### Box 4. Public Expenditure and Financial Accountability in AFW countries

Public Expenditure and Financial Accountability (PEFA) indicators for Benin, Burkina Faso, Côte d'Ivoire, and Mali show low scores for control in budget execution, timeliness of budget reporting, and external scrutiny. Though PEFA assessments have also been prepared for other AFW countries, they are not publicly available at this stage. Available PEFAs in general point out that public financial management in AFW countries could be improved by reforms of key public institutions (e.g., the treasury, the central bank, and state-owned enterprises), including the overhaul of administrative procedures and the establishment of effective checks and balances to monitor execution of the government budget.

PEFA Indicators of the Performance of Public Financial Management				
	Benin (2007)	Burkina Faso (2007)	Cote d'Ivoire (2007)	Mali (2008)
<b>A. PFM OUT-TURNS: Credibility of the budget Scoring</b>				
PI-1 Aggregate expenditure out-turn compared to original approved budget	B	A	n.a.	A
PI-2 Composition of expenditure out-turn compared to original approved budget	C	C	n.a.	B
PI-3 Aggregate revenue out-turn compared to original approved budget	B	D	B	B
PI-4 Stock and monitoring of expenditure payment arrears	C+	A	D+	D+
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency Scoring</b>				
PI-5 Classification of the budget	C	A	B	C▲
PI-6 Comprehensiveness of information included in budget documentation	C	A	C	C▲
PI-7 Extent of unreported government operations	D+	B+	n.a.	C+
PI-8 Transparency of Inter-Governmental Fiscal Relations	D+	A	D+	C
PI-9 Oversight of aggregate fiscal risk from other public sector entities	D+	B+	C	C
PI-10 Public Access to key fiscal information	C	C	C▲	C
<b>C. BUDGET CYCLE Scoring</b>				
<b>(i) Policy-Based Budgeting</b>				
PI-11 Orderliness and participation in the annual budget process	C+	B+	D▲	B
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	B+	B	D	B
<b>(ii) Predictability &amp; Control in Budget Execution</b>				
PI-13 Transparency of taxpayer obligations and liabilities	D+	D+	C+	C+
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C+	C	C+	C
PI-15 Effectiveness in collection of tax payments	D+	D+	D+	C+
PI-16 Predictability in the availability of funds for commitment of expenditures	C	D+	D+	C+
PI-17 Recording and management of cash balances, debt and guarantees	C+	B	B	C
PI-18 Effectiveness of payroll controls	D	C+	D+	B+
PI-19 Competition, value for money and controls in procurement	B	C+	C	C
PI-20 Effectiveness of internal controls for non-salary expenditures	C	C+	D+	C
PI-21 Effectiveness of internal audit	C+	D+	D+	D+
<b>(iii) Accounting, Recording and Reporting</b>				
PI-22 Timeliness and regularity of accounts reconciliation	C	C	C+	C+
PI-23 Availability of information on resources received by service delivery units	D	D	D▲	C
PI-24 Quality and timeliness of in-year budget reports	C	B+	D+	D+
PI-25 Quality and timeliness of annual financial statements	D+	B+	D+	D+
<b>(iv) External Scrutiny and Audit</b>				
PI-26 Scope, nature and follow-up of external audit	D	D+	D	D
PI-27 Legislative scrutiny of the annual budget law	C+	B+	D+	B+
PI-28 Legislative scrutiny of external audit reports	D	C+	D	D
<b>D. DONOR PRACTICES</b>				
D-1 Predictability of Direct Budget Support	D	A	n.a.	D
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	D+	C+	D+	D+
D-3 Proportion of aid that is managed by use of national procedures	C	C	D	D

Note: The highest performance scores an 'A'.

Source: <http://www.pefa.org>

### *Deepening financial intermediation*

32. A Financial Sector Assessment Program (FSAP) exercise for the WAEMU was undertaken jointly by IMF and WB staff in 2008. It found financial intermediation in the

region to be among the lowest in the world. Weaknesses in the business environment and limited diversification of the economies are the key factors contributing to high credit risk that is holding back the expansion of access to financial services. Accordingly, regional and country authorities were advised to give high priority to strengthening the efficiency of the bank supervisory regime, while removing obstacles to bank lending such as weaknesses in the legal framework and in the financial information infrastructure. The basis should also be laid for improving monetary policy operations, including systemic liquidity provision, the functioning of the interbank money market, and the development of government securities market along best international practice.

**33. Country FSAPs have echoed the findings of the regional FSAP and highlighted country specific vulnerabilities.** FSAPs have been undertaken for Burkina Faso, Côte d'Ivoire, Mali, Niger, and Senegal. The banking systems are vulnerable to sectoral shocks (e.g., cotton sector developments in Burkina Faso and Mali) and have a large exposure to the public sector. Regional institutional reform programs have been agreed in the WAEMU to strengthen banking supervision and ensure the orderly resolution of problem banks. However, progress has been uneven as many national parliaments are yet to ratify legislation needed to implement the reforms.

**34. Capital markets in the region are not well developed.** A regional securities market established in the late 1990s deals mainly with public debt, with little contribution to financing private enterprises. The WAEMU FSAP found that stringent conditions for listing companies on the exchange have been an obstacle to boosting market capitalization. It recommended an action plan for reorganizing the market. Issues that need to be addressed include lack of regional harmonization of securities taxation, prohibitive cost of transactions, and poor quality of financial information. The WAEMU FSAP also recommended measures for the further development of the regional government securities market. These include formalization and coordination across countries of the schedule of issues, establishment of a network of primary dealers, and formulation of a regional legal framework for repurchase operations. The individual country FSAPs for Burkina Faso, Niger and Senegal advocate the creation of a regional mechanisms for housing finance, while ensuring adequate supervision.

### ***Strengthening statistical capacity***

**35. AFW countries have made progress in strengthening their statistical capacity but major challenges remain.** Improvements are being made in the quality and timeliness of government finance statistics (see section I), and monetary data for the WAEMU area are produced and published on a regular and timely basis in the IMF's *International Financial Statistics (IFS)*. A number of specific statistical deficiencies have been identified by the IMF and WB (Appendix II, Tables 1-3). In this area, differences between fragile and non-fragile AFW states are small, and for both groups improvements are needed both in real sector statistics and other macro data.

36. **More specifically, efforts in AFW countries need to focus on national accounts and price statistics.** The quality of source data collection routines and compilation methodologies for these statistics in AFW countries is lower than in low- and middle-income countries in general. This reflects the use of outdated economic censuses and household budget expenditure data, and of business surveys that insufficiently cover the national accounts by economic activity and expenditure composition. The production of consumer price indices (overall and food price indices) is weakened by the use of outdated household expenditure surveys underpinning the Consumer Price Index (CPI) baskets. No AFW country currently produces export and import price indices, which would help in assessing the contribution of the external sector to overall economic growth.

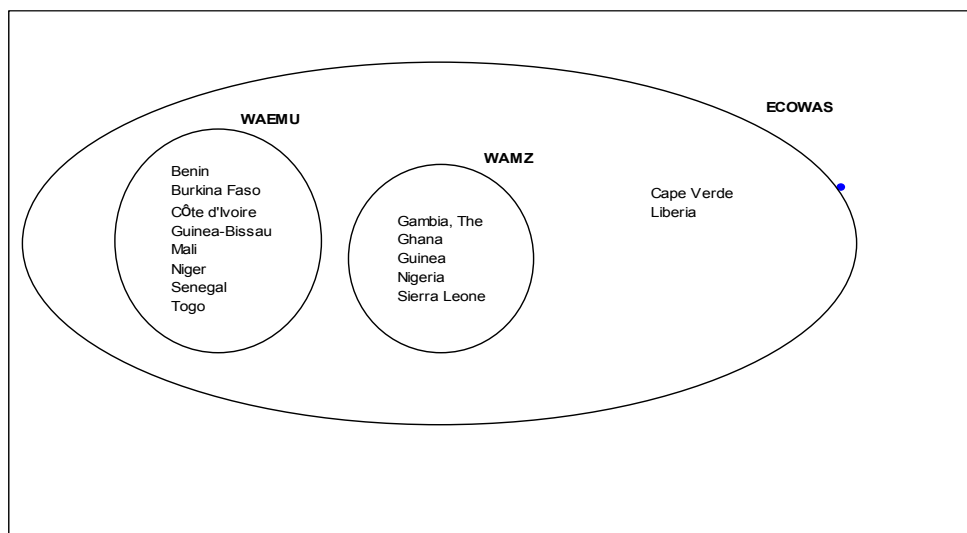
37. **All AFW countries currently subscribe to the General Data Dissemination System (GDDS).** The GDDS framework emphasizes plans for improvement and reports on data coverage, periodicity, and timeliness. There is no commitment to disseminate those data, and most countries have difficulties keeping their GDDS pages updated and implementing their statistical development plans. Consolidating GDDS efforts would be a stepping stone for the IMF SDDS. SDDS was established by the IMF in 1996 for member countries that have or might have access to international capital markets, to guide them in providing their economic and financial data to the public. SDDS sets rigorous criteria for the development of a national summary data webpage, an advanced data release calendar, and the dissemination of data for 18 major macroeconomic time series..

### *Regional integration and harmonization efforts*

38. **Among participating countries a consensus exists on continuing to support the WAEMU, while developing broader regional initiatives like ECOWAS (see chart).**<sup>10</sup> In sustaining their regional harmonization efforts, WAEMU member countries have developed the Regional Economic Program (REP) which operates under the leadership of the WAEMU Commission, the BCEAO, and the West African Development Bank (BOAD). Central to the REP is building up human and physical capital, the development of some basic legislation supporting the economic and monetary union, and the promotion of a number of common objectives and practices. The latter include: (i) supporting good economic governance in member countries; (ii) increasing economic convergence of key macroeconomic indicators and supporting trade within the region; (iii) harmonizing tax legislations and developing a regional investment code (including standardized privatization modalities); and (iv) implementing regional sectoral policies.

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<sup>10</sup> Mauritania is neither a member of WAEMU nor a member of ECOWAS.



39. **Operationally, AFW countries face a number of challenges in developing a customs union.** There is an ongoing consultation process between WAEMU and ECOWAS on regional trade issues. Although ECOWAS has adopted the WAEMU tariff structure, not all countries have implemented the common external tariff (CET). Also, discussions with the European Union on a regional Economic Partnership Agreement (EPA), which is being coordinated by ECOWAS, are proceeding rather slowly, mainly since the ECOWAS authorities would like the EPA to cover both trade and development issues, rather than treating these issues separately, as recommended by the European Union (EU). In the meantime, some ECOWAS member countries (Côte d'Ivoire and Ghana) have signed bilateral interim agreements with the EU. Efforts to support regional integration have sought to strike a balance between the potential fiscal impacts from the elimination of tariff and nontariff barriers, and the need for offsetting revenue raising measures.

40. **Among AFW countries, Guinea belongs to the West Africa Monetary Zone (WAMZ) which aims to introduce a common currency (the eco) for its five members in 2009.** It is envisaged that WAMZ and WAEMU would merge under the umbrella of ECOWAS. ECOWAS leaders renewed momentum for the project at a June 2007 summit. However, a number of conditions need to be met for WAMZ to succeed, and WAEMU members have encountered difficulties meeting existing WAEMU convergence criteria. To move further in this regard, AFW would work closely with the new AFRITAC West 2, which would cover the other ECOWAS members (Cape Verde, the Gambia, Ghana, Liberia, Nigeria and Sierra Leone).

41. **On regional financial sector issues, the main recommendations of the WAEMU FSAP covered stability of the banking system, financial intermediation, market development and liquidity management.** It recommended that the regional authorities increase the minimum capital requirement in order to enhance banks' resilience to shocks, and that enforcement of prudential norms be stepped up. The main recommendations for

### C. AFW's Support in Tackling the Region's Challenges

42. **AFW has a track record of being a well functioning and successful center whose activities are owned by country authorities.** It is well placed to help member countries meet ongoing and emerging capacity building challenges highlighted above. AFW's strength is based on proximity to recipient countries, knowledge of the region, and responsiveness to country TA requests, which is particularly important for those countries considered as fragile states.<sup>11</sup> The quality control of AFW TA is ensured through backstopping from IMF HQ and its integration with all other IMF activities provide strong traction and follow up on results. AFW TA is unique in facilitating coordinated inputs involving different dimensions of TA relevant for macroeconomic management. For example, TA in the PFM and government finance statistics areas have been highly complementary of each other. This collaboration will continue in Phase III. AFW TA and training activities are perceived in the countries of the region as more hands-on and relevant than others, and the influence of the Center has expanded over the years.

43. **AFW capacity building will continue shoring up macroeconomic management and financial deepening in member countries and in the region.** As stated by the African Governors, TA needs are large, ranging from basic improvements in countries with very low administrative capacity, to specific issues in countries that are further along in their reform programs. In all AFW countries, there are areas in which reforms are at early stages of implementation. AFW will provide support to enable these reforms to take root in all countries. AFW will also help members address challenges associated with the global financial crisis. The main channel through which the crisis is impacting countries at the moment is through slow export and economic growth which is putting pressures on government revenue. Below are brief summaries of some of the activities envisaged for Phase III; more details are provided in section III. This said, AFW's strength is that it has the flexibility to adjust to evolving needs and the composition of its TA could change through reprioritization by the SC.

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<sup>11</sup> Given the large, complex and protracted nature of TA needs in fragile states, AFW efforts in these countries will need to be complemented by long-term experts.

- **Strengthening of revenue administration will remain a top priority to help countries increase domestic revenues and prepare for an eventual exit from donor aid.** Notwithstanding significant progress in modernizing tax and customs administrations, only two (Benin and Senegal) of the eight WAEMU countries have met the fiscal convergence criteria requiring revenues to reach at least 17 percent of GDP. AFW will help countries either establish or make more efficient large- and medium-tax payer units. In the area of customs administration, AFW will help extend implementation of World Trade Organization (WTO) transaction-based customs value assessments and risk-based management controls to all countries.
- **PFM will remain a very active area of support from AFW.** In collaboration with other TA providers, including the WB and AfDB, AFW will assist the WAEMU Commission modernize the legal and regulatory fiscal framework. Specific activities will include assistance to develop methodological and procedural guidelines in countries. Countries will be assisted in implementing the guidelines, including on organic budget laws, rules and regulations of public accounting, and budget nomenclature and classification. In addition to its support to the implementation of the new WAEMU legal framework, AFW will continue to support countries in strengthening public accounting systems and Treasury cash management; improving budgetary processes; and rationalizing public finance information management systems.
- **AFW will continue to support countries—especially those that have not yet reached HIPC completion point—strengthen their debt management capacity.**
- AFW's involvement in the financial sector was re-assessed based on the institutional gains to date and the challenges ahead. In particular, AFW's involvement on supervision of microfinance institutions (MFI) will be scaled down in view of recent gains in institutional capacity building, legal changes affecting the supervision of MFIs in most AFW member countries, and the availability of technical assistance provided by other donors in the region (Box 5). At the same time, along the recommendations stemming from individual country FSAPs and the FSAP exercise for the WAEMU, AFW needs to redeploy its resources to the area of banking supervisory regime that includes, inter alia, banking sector prudential regulation and bank restructuring. Needs in the area of bank supervision for Guinea and Mauritania are also high.
- **In the area of statistics, AFW will continue to assist countries improve their capacity for the production and timely dissemination of reliable data.** The areas of focus will remain government finance, national accounts, and prices. Emphasis will be placed on the development of methodological documents to guide compilation practices. AFW will work with the WAEMU Commission and member states to

harmonize national accounts and price statistics which are critical elements of WAEMU's convergence criteria.

- **AFW provides a strong platform to support regional integration efforts.** AFW has played an important role in supporting regional integration, by assisting country authorities in their efforts to harmonize taxes, move toward greater trade liberalization, and harmonize the legal and regulatory frameworks for the financial sector. AFW will continue to support harmonization of regional efforts. In this regard, AFW will support the WAEMU and ECOWAS Commissions in the implementation of tax transition programs in the context of EPA negotiations between ECOWAS and the EU.

**Box 5. AFW: Supervision of Microfinance Institutions—Gains to date**

- ***Significant strides have been made since the start of capacity building assistance by AFW.*** The regulatory framework in most AFW countries has been updated and brought in line with best international practices; countries have established frameworks for the licensing of microfinance institutions, as well as tools and methodologies for off-site and on-site controls; accounting standards for MFIs have been adopted; the separation between MFIs promotion and supervision is in place in most AFW countries; and a number of actions aimed at strengthening the skills of supervisors have been accomplished thanks to AFW, as well as coordinated actions by other technical assistance providers operating in the region.
- **The responsibilities of the regional central bank (BCEAO) and regional banking commission (BC-WAEMU) have been expanded to encompass the microfinance sector.** As noted in the FSAP exercise for the WAEMU, improved monitoring of the sector will depend on the ability of the BCEAO-BC-WAEMU to exercise the supervisory powers conferred on it by the new regulation.
- ***A number of providers of assistance in microfinance supervision are active in the region.*** In particular, (i) the FIRST initiative has assisted the Central Bank of Guinea on implementing the legal and regulatory framework for microfinance institutions, including the provision of a database system for off-site controls; (ii) the AfDB has assisted in the development of a microfinance project in Mauritania; (iii) the World Bank and UNDP have provided long-term assistance on microfinance supervision respectively to Niger and Guinea Bissau; and several other donors (e.g., Canada, Belgium, Luxembourg, and the USA) have provided assistance to Senegal or Benin.

### III. AFW'S NEXT FIVE YEARS ("PHASE III")

44. **AFW's objectives over the next five years were developed jointly with recipient countries, donors and other TA providers.** The starting point for this program document were recipient countries' PRSPs complemented by, if available, sectoral-specific reform strategies. AFW's work has been integrated into IMF HQ TA and IMF policy and surveillance work in AFW countries through an internal prioritization process to ensure that AFW TA remains highly relevant and focuses on the IMF core expertise.<sup>12</sup>

#### A. AFW and Other IMF Technical Assistance

45. **All IMF TA, regardless of financing source and delivery mode, is integrated with each other and with the IMF's broader lending and surveillance activities.** In consultation with country authorities, the IMF's African Department integrates AFW countries' reform agendas with the IMF's policy and surveillance perspectives, drawing on the technical expertise of TA departments. The Department identifies needs for TA and sets priorities across TA sectors and balances short- and medium-term considerations. It relies on the IMF's TA departments' expertise and country knowledge for prioritization, sequencing, and selecting the delivery modality. This internal prioritization process ensures that IMF TA remains highly relevant and focuses on the IMF core expertise, while taking into account regional developments. The resulting African Regional Strategy Note (RSN), which is shared with recipient countries and donors, sets out a joint medium-term TA vision for the region, providing the basis for coordination of all IMF TA activities as well as their integration into the IMF's surveillance and lending operations.

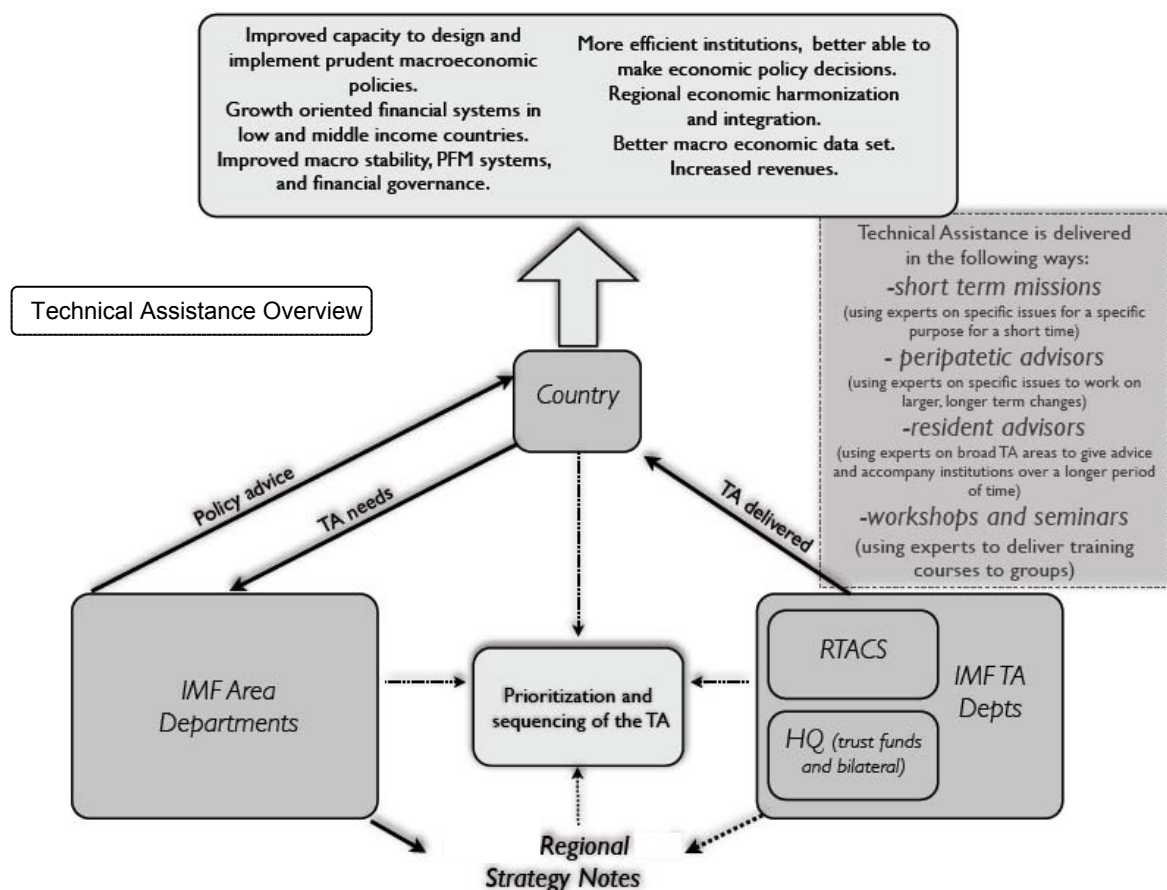
46. **The IMF's ability to provide continued capacity building in the medium term increasingly depends on additional external finance.** IMF financed TA is prioritized to building the capacity needed to successfully implement macroeconomic policies, including under IMF programs, and—subject to resource availability—medium-term capacity building. In this respect, the IMF undertakes diagnostic assessments of weaknesses and formulates plans to address them. High and rising demand for IMF TA has recently been reinforced by the impact of the global financial crisis, increasing the need for external financing to supplement the IMF's own assistance resources. Such assistance leverages the IMF's expertise and experience for medium-term capacity building. Depending on donors' priorities, external financing is channeled into a topical or a regional trust fund. Complementing the proven model of the RTACs, topical trust funds provide global geographical coverage and specialized topical scope, drawing on a centralized pool of

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<sup>12</sup> The Regional Strategy Note (RSN) for Africa reflects the result of this prioritization and sets out a medium-term TA agenda for all African countries. The RSN includes the work of AFW.



experts at IMF HQ or from the IMF's international expert roster. The topical trust funds create synergies with the work of the IMF's regional centers, which focus on hands-on implementation of such advice. The RSN ensures that all TA activities are integrated and coordinated, providing a continuum of coverage throughout the process from diagnostics to day-to-day implementation on the ground. Open lines of communication, including via TA departments' backstopping of RTACs and external experts, ensure consistency, cross-fertilization, and operational relevance.



47. **To best meet countries' needs, specific delivery modes are chosen depending on the complexity of the task and countries' implementation capacity.** Diagnostic HQ-led missions often are the starting point for TA delivery; they generate blueprints for reform projects with implementation devolved to the modality (such as the RTACs) that best meets the needs of the country. HQ missions draw on expertise required for the specific subject and cross-country knowledge. RTACs activities have a deep knowledge of the region and countries, including cross-cutting and regional integration issues, and are closer to their clients. Frequent contact and missions of RTAC resident Advisors in the region provide step-by-step assistance in implementing reforms, including putting together the nuts and bolts. Missions from both HQ and RTACs draw on a vetted roster of external short-term experts to

complement the skill set if and as needed. For follow-up on specialist issues or where RTACs are not available, peripatetic advisers provide regular follow-up missions over a longer period of time. In countries where capacity is particularly weak, long-term resident advisers—backstopped by HQ—are stationed to provide guidance on a day-to-day basis and—if needed and wanted—temporarily supplement the authorities’ capacity.

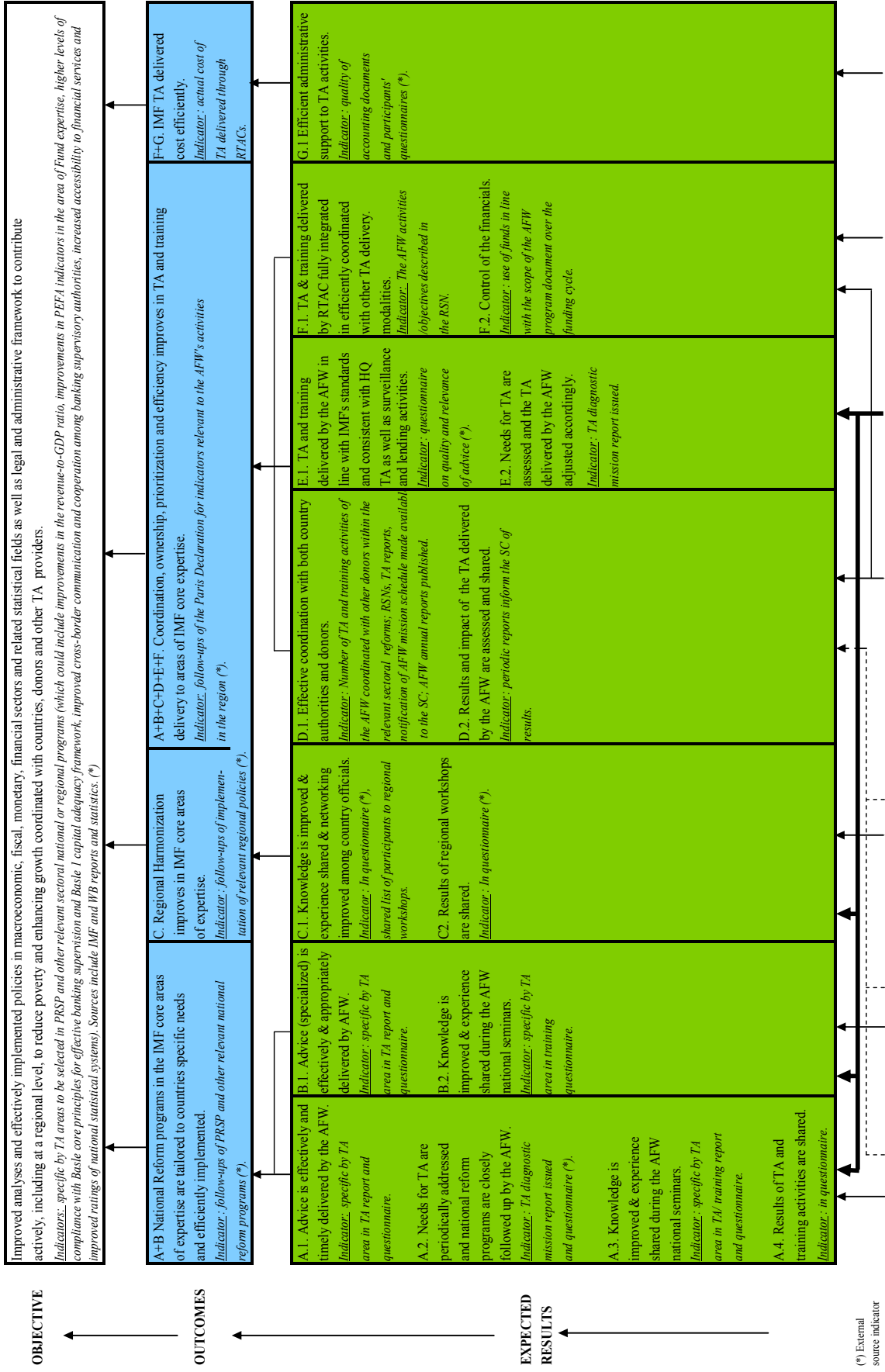
## **B. Measuring How AFW Achieves Its Objectives**

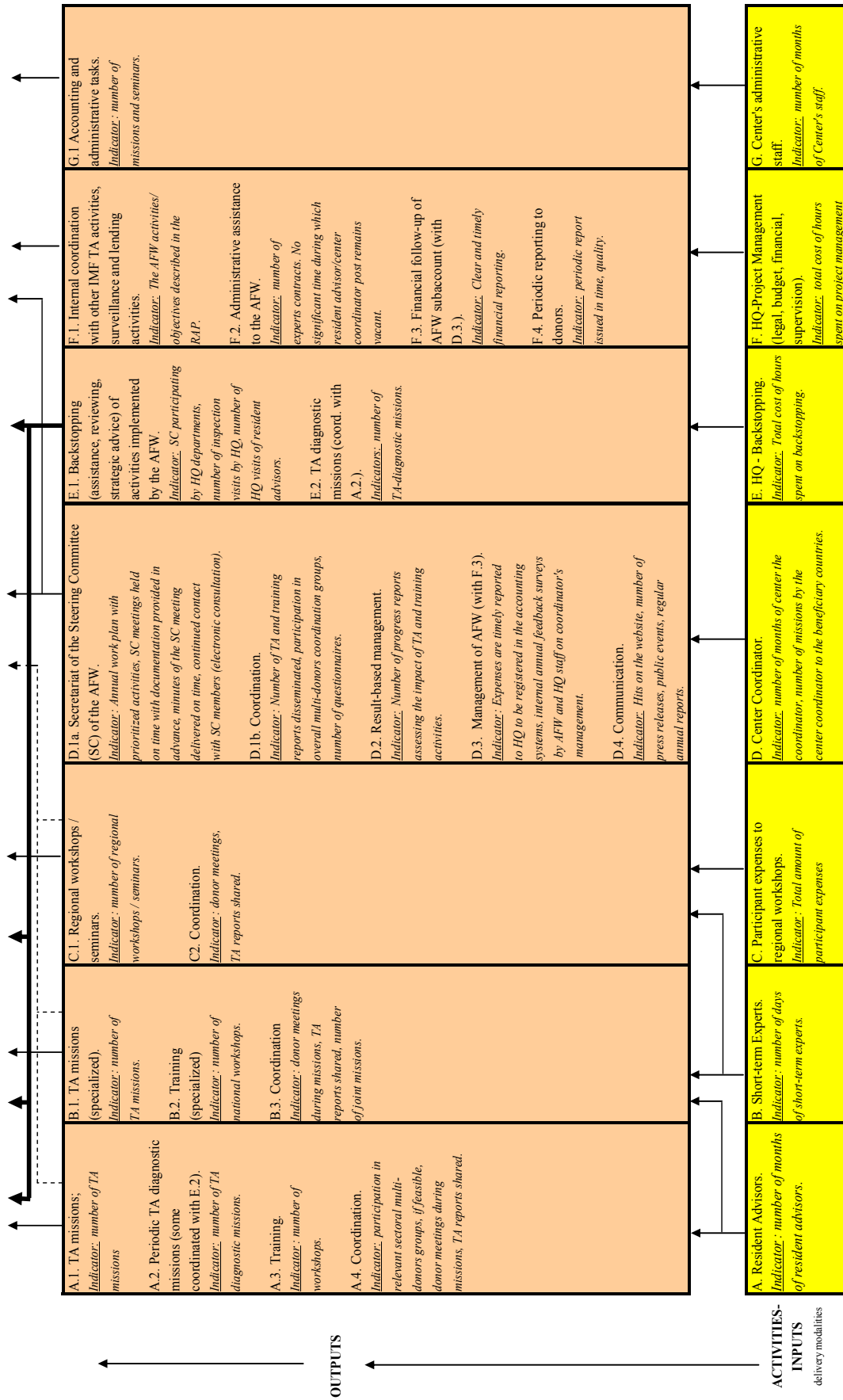
48. **Results-focused management is the main tool used to assess the achievements of AFW.** A robust framework of the AFW results, presented in a clear and logical manner at the beginning of the program period, improves the measurement of the objectives and results. The IMF and AFW’s results-focused management is implemented through the Technical Assistance Information Management System (TAIMS). The results-focused framework is being coordinated with other TA providers, and indicators linked to the extent possible to those of other donors to facilitate coordination (for instance, PFM is linked to the PEFA framework). In light of the experience of other international organizations and governments that have adopted similar frameworks, AFW and the IMF recognize that identifying good indicators is a dynamic and iterative process, and that the objectives and indicators may be refined as the program is implemented. The SC of AFW will be one of the fora for these discussions.

49. **The annual report to the SC is an opportunity to measure and monitor progress toward the results.** AFW will produce a detailed report on the work completed in the year, focusing on how far the capacity development has gone toward achieving the overall objectives.

50. **To complement the results-focused framework, at the completion of each project, AFW will use short questionnaires to assess the success and relevance of the TA provided.** The questionnaire will be designed to gauge whether the TA has been effective in facilitating outcomes and to understand potential obstacles to the implementation of the TA advice. Responses will also provide information as to whether the TA directly responded to the needs of the authorities. This process will assist in ensuring that AFW remains demand driven, and assist in the decisions requiring the prioritizing the TA. The questionnaire will be kept short to avoid it becoming an administrative burden. Consolidated responses will be presented to the SC.

## How Does AFW Deliver Results and How Does it Get Traction?





### C. AFW—Integration and Synergies With Other TA Providers

**51. AFW provides a robust platform for implementing the March 2005 Paris Declaration which calls for efforts to harmonize, align and manage aid for results.**

AFW's TA activities are integrated with recipient countries' poverty reduction and development strategies. Moreover, through the SC as well as the relationships and regional expertise of AFW staff, TA activities are directly coordinated with those of donors and other TA providers. Because IMF TA is mainly upstream—building economic policy and legislative frameworks—such coordination is all the more important: First, other TA providers often build and expand on this work, often to include downstream implementation. Second, donors often rely on it to help ensure the effectiveness of their financial assistance. For example, a functioning public financial management framework is a precondition for donors' moving from project to budget support.

**52. AFW's coordination with the many other TA providers active in AFW countries is key to its success and will be further strengthened.** TA is being provided to the region by multilateral institutions like AfDB, EU, the Islamic Development Bank (IsDB), the Organization for Petroleum Exporting Countries (OPEC) the WB; regional institutions, such as African Capacity Building Foundation (ACBF), the Economic and Statistical Observatory for Sub-Saharan Africa (AFRISTAT), and bilateral agencies from Austria, Belgium, Brazil, Canada, the People's Republic of China, Cuba, Czech Republic, Denmark, Finland, France, Germany, India, Italy, Japan, Kuwait, Luxembourg, the Netherlands, Norway, Portugal, Qatar, Saudi Arabia, South Africa, Spain, Sweden, Switzerland, the United Kingdom, and the US (see sections III D-J for coordination on a sectoral basis and Appendix IV).

**53. To help ensure complementarities and synergies with other TA providers, the AFW Coordinator is the focal point for this liaison with bilateral and multilateral agencies in the field.** In particular, the Coordinator will

- Disseminate the African RSNs,<sup>13</sup> including the IMF's Resource Allocation Plan (RAP), which details all TA missions and assignments planned in a IMF financial year, including those planned for AFW.
- Circulate reports prepared by RTAC experts to the SC and, upon request, other relevant stakeholders if the TA recipient consents (consent by the TA recipient would be given on a no-objection basis). He/she will also circulate to the SC reports drafted by IMF HQ. This will provide AFW recipient countries, donors, and other TA providers with the information they need to better coordinate with IMF and AFW TA.

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<sup>13</sup> According to the IMF's new dissemination policy, which adopted in FY2010 (<http://www.imf.org/external/np/pp/eng/2009/040609.pdf>).

- Strengthen donor briefings, including through the IMF's Resident Representative Offices. Information on AFW missions will be posted on AFW's website (to be created), which will include contacts with other donors. If possible, AFW missions will also provide donor briefings in the field. Ideally the authorities or possibly also the Resident Representative's office<sup>14</sup> would organize the meetings.
- AFW would as much as feasible participate in formal groups on donor coordination.<sup>15</sup>
- Launch an AFW website, including contact information to foster donor coordination.
- Start publishing AFW annual reports.

## **D. Agenda—Customs Administration**

### **Phase II— Coordination with other TA providers**

54. TA providers in customs administration in AFW's countries are the Canadian International Development Agency (CIDA), the French Cooperation, and the EU Commission. CIDA provides a program to Benin, "Customs Control Capacity Building Project," focused on strengthening the capacity of the customs administration. France provides TA to a number of AFW countries through the posting of long-term resident advisors in customs, and the EU has stationed a long-term expert at Guinea's customs. AFW coordinates its customs administration work with other development partners and existing regional institutions to ensure consistency in advice given to member countries and to avoid overlaps and inconsistencies in TA. It also liaises with UNCTAD, which has developed the computerized customs software ASYCUDA that has been disseminated in AFW countries, and the World Customs Organization (WCO), which participated as resource-persons in regional seminar.

### **Phase III—Country and Regional Objectives**

55. AFW's Phase III will focus on:

- Continue to support the modernization of customs administrations, including (i) systems issues stemming from computerization, (ii) the implementation of the WTO transaction-based customs value assessment, (iii) a progressive shift toward post-customs clearance controls, (iv) customs intelligence and risk-based

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<sup>14</sup> More than half of AFW's countries have an IMF Resident Representative.

<sup>15</sup> Currently, only in Burkina Faso and Mali donors have established a "formal" coordination group composed of the head of offices, with monthly meetings, and thematic sub-groups for experts/advisors (also meeting monthly).

management of controls, (v) managing and keeping customs exemptions in check, and (vi) internal audit office in customs administration.

- Strengthening customs administration in detecting fraud and tax evasion.
- Enhancing the management of customs administrations and the collaboration with tax administrations.
- Strengthening AFW countries' capacity to negotiate and implement international conventions, including the implementation of the revised Kyoto convention and the integrated framework of international trade, and the negotiation of the EPA between the ECOWAS and the EU.

56. The modernization of systems used for customs administrations is a dynamic and evolving program that will take time. As the ten countries are currently using ASYCUDA++ or a similar computerized system, AFW will focus on:

- Integrating data files on customs value files managed by Pre-shipment inspection companies and those managed by customs administrations through ASYCUDA++, as an essential step for data reconciliation and the establishment of a relevant database of customs value assessments.
- Migrating to ASYCUDA WORLD or create an interface to ASYCUDA++ to make it consistent with computerized applications to manage customs exemptions.
- Developing international exchanges of information among national customs administrations in the region and better monitor transit operations, through interlink of computer networks/customs offices made possible by the general use of ASYCUDA++.

### ***Regional Issues***

57. AFW assisted Guinea in introducing the WAEMU/ECOWAS common external tariff, and Mauritania in modernizing its Customs Code, along with the best practices followed by the harmonized Customs Code enforced in WAEMU countries. In doing so, it has helped foster regional integration and harmonization. In the period ahead, AFW will support ECOWAS's objective to achieve greater regional customs cooperation and integration through its TA work in the area of linking national customs computer system in AFW countries using the features of ASYCUDA++, which is now operational in most countries. The regional link of customs will also help monitor and better manage imports in transit from coastal countries to landlocked ones. In addition, AFW will support the implementation of regional agreements within WAEMU and ECOWAS on the common external tariff by helping countries in the control of the rules of origin of merchandise in the region. This, in turn, will help in the negotiations and implementation of EPA between ECOWAS and the

EU. Finally, the Center will work closely with the WAEMU and ECOWAS Commissions to support countries in trade facilitation.

### ***Benin***

58. AFW work will focus on (i) strengthening and further improving automated procedure of customs clearance, and establishing a one stop center (*guichet unique*); and (ii) developing risk analysis and selectivity in deciding on controls.

### ***Burkina Faso***

59. AFW work will focus on (i) making ASYCUDA++ operational and establishing a link with customs offices in Benin, Côte d'Ivoire, and Togo to monitor imports in transit; (ii) enhancing the liaison with the pre-shipment inspection company; and (iii) using risk-based control as well as selectivity and post-customs clearance controls.

### ***Côte d'Ivoire***

60. AFW work will focus on (i) developing a computerized management of risks; (ii) strengthening exports controls; (iii) managing and controlling exemptions; (iv) producing complete and reliable customs data and information; and (v) establishing an internal audit function and implementing performance contracts with employees.

### ***Guinea***

61. AFW work will focus on modernizing customs clearance procedures, transaction-based customs value assessments, and risk management and selectivity

### ***Guinea Bissau***

62. AFW work will focus on (i) completing the installation of all the features of ASYCUDA++; (ii) modernizing customs procedures; (iii) revising the Customs Code; and (iv) facilitating trade through an introduction of risk analysis and more post-customs clearance controls of merchandises.

### ***Mali***

63. AFW work will focus on (i) streamlining customs clearance procedures; and (ii) assistance to implement risk analysis and risk-based controls.

### ***Mauritania***

64. AFW work will focus on (i) assistance in migrating to ASYCUDA++; (ii) modernizing the Customs Code; and (iii) implementing customs risk analysis.



*Niger*

65. AFW work will focus on assistance in the control of customs value assessments, the implementation of pre-shipment inspections and the strengthening of the detection of fraud.

*Senegal*

66. AFW work will focus on computerized risk analysis and selectivity in customs controls.

*Togo*

67. AFW work will focus on strengthening security controls in customs clearance procedures within ASYCUDA++.

**Box 6. Customs Administration—Possible verifiable indicators of success**

- Implementation of risk analysis in customs offices and simplification of procedures by generalizing post-customs clearance controls.
- Implementation of ASYCUDA++ and simplification of customs clearance procedures in Guinea-Bissau, Mauritania and Togo.
- Adoption of a legal framework for customs value assessment in Niger.
- Establishing a monitoring system of imports in transit to Burkina Faso, Mali, and Niger through regional links of customs administration using the features of ASYCUDA ++.
- Enacting new Customs Codes in Guinea Bissau and Mauritania, in accordance with best international practice.

## **E. Agenda—Tax Administration**

### **Phase II— Coordination with other TA providers**

68. Most AFW's countries get support from other TA providers, such as (i) the French cooperation, which has posted resident experts in tax administration directorates in Benin, Burkina Faso, Guinea, Mali, and Niger. The Terms of Reference (TOR) of these TA experts are in line with reform programs prepared with IMF assistance and follow-up support from AFW. In addition, France finances short- and long-term training, as well as computer equipments and software in several AFW's countries; (ii) The EU provides support to implementing tax administration reforms in financing office and computer equipments in Guinea-Bissau and office building in Niger; (iii) the U.S. Treasury Department supports tax administration in Niger by training staff in the area of communication and in helping publish the manual of tax collection procedures; (iv) CIDA provides assistance to Mali through a program to support domestic tax collection (PAMORI). This program strengthens capacity in

helping formulate and implement tax administration strategic plans, and develop a computerized system (SIGTAS); (v) Portugal finances Guinea-Bissau's income tax reform; (vi) the Swiss Secretariat for Economic Affairs (SECO) supports tax administration in Burkina Faso by strengthening capacity in tax control, improving the computer system, and preparing manuals of procedures; and (vii) the IsDB finances the reforms of the indirect taxation reform (involving the introduction of the Value-Added Tax (VAT)) in Guinea-Bissau. AFW's and the IMF's focus on assisting in the formulation of tax administration reform strategies facilitates AFW's coordination with other donors, ensuring complementarity and avoiding duplication.

### **Phase III—Country and Regional Objectives**

69. Though tax administrations in AFW's recipient countries are at very different stages of modernization, they face similar challenges. Out of the eight WAEMU members, only two countries (Benin and Senegal) comply with the WAEMU convergence criterion of a minimum rate of 17 percent for the tax to GDP ratio. In an economic environment marked by large agricultural and informal sectors with a very narrow modern sector filing tax returns, the major problems hampering the effectiveness of tax administrations in the region are difficulties to identify taxpayers, a very narrow tax base, and a very low tax compliance rate.

AFW will assist in modernizing and increase the efficiency of tax administrations by

- Improving taxpayer identifications.
- Concentrating on taxpayers with the greatest revenue raising potential (large and medium-sized taxpayers), while developing tax regimes appropriate for small enterprises.
- Developing tax intelligence, information sharing and cross-checking, as well as risk-based management and selectivity.
- Computerizing tax administrations.

### ***Regional issues***

70. AFW will support the WAEMU and ECOWAS Commissions in the implementation of their tax transition programs. Customs duties receipts of WAEMU/ECOWAS countries could decline as a result of the EPAs with the European Union. To offset the expected reduction in customs duty and import tax collection, AFW countries need to implement tax transition programs aimed at strengthening domestic tax reforms with a view to raising domestic indirect taxes, mainly VAT. AFW will closely coordinate with the WAEMU and ECOWAS Commissions in assisting countries formulate and implement these tax administration programs.

## **Benin**

71. The ratio to GDP of tax receipts increased slightly to 17.2 percent in 2008. This improvement is fragile and vulnerable to changing external conditions, including the downturn in global economy and the volatile economic situation in Nigeria. AFW's work will concentrate on priority actions to help identify more taxpayers, widen the tax base, and following up on the ongoing modernization agenda.

72. **Possible verifiable indicators of success.** The impact indicator will be the tax receipt to GDP ratio and possible outcome indicators include (i) the number of new companies and taxpayers registered with a new tax identification number with a target increase of 5-10 percent per year (notably the number of medium-sized taxpayers identified and administered by dedicated medium-sized taxpayer offices in Cotonou); (ii) the rate of spontaneous/voluntary filings of tax return, with targets ranges of 95-100 percent for large taxpayers and 90-95 percent for medium-sized taxpayers; (iii) establishing a link of the tax administration's computer network with that of the customs administration, allowing for on line cross consultation of data/information from either end; (iv) making fully operational the computerized tax administration system (*Takoé multi-centre*) in all units of the tax directorate; and (v) adoption of a tax administration strategic plan, along with development of measurable performance indicators to monitor its progress.

## **Burkina Faso**

73. The tax to GDP ratio of 12.6 percent in 2008 is very low, compared with an average of 14.4 percent for all WAEMU member countries and a convergence criterion of 17 percent. The tax administration 2007-2015 strategic plan adopted in 2007 has identified the following priority actions: (i) broadening the tax base, (ii) strengthening tax collection, (iii) computerization, (iv) improving the effectiveness of tax controls, (v) improving taxpayers services, and (vi) strengthening internal audit, notably through the development of performance management tools to evaluate field operations.

74. **Possible verifiable indicators of success.** AFW's work program will aim at raising tax revenue with possible outcome indicators being: (i) the tax revenue to GDP ratio; (ii) the number of taxpayers registered with a new tax identification number, with a targeted increase of 20 percent per year; (iii) the rate of voluntary filings of tax return, with targets ranges of 95-100 percent for large taxpayers and 90-95 percent for medium-sized taxpayers; (iv) a collection rate on tax liabilities identified in the context of tax controls, with a target range of 40-60 percent; (v) the tax administration computerized system (SINTAX) covering all operational offices with high revenue potential; and (vi) the audit coverage on targeted risks (i.e., audit coverage of delinquent large taxpayers and large VAT creditors).

### *Côte d'Ivoire*

75. AFW's focus will be on further support to current modernization efforts, notably strengthening capacities in strategic planning, computerization, management information system, risk analysis, and training of trainers.

76. **Possible verifiable indicators of success.** The impact indicators will be the development of the Tax Department's 2010-15 reform program aiming at modernizing the structures, procedures and systems of the tax administration; the integration of currently disseminated databases into an integrated information technology system; the implementation and monitoring of performances criteria for core functions (i.e., taxpayer services and audit and collection enforcement); and the development of a training program focusing on technical and on the job training sessions.

### *Guinea*

77. The tax collection to GDP rate is very low. Strategic objectives were identified and agreed in a performance contract signed by the Minister of Finance and the national director of tax administration in December 2007. AFW's work program will help improve the tax department performances through measures aiming at (i) increasing the number of taxpayers allocated with a tax identification number, (ii) increasing the number of identified large and medium-sized businesses and improving voluntary compliance of these taxpayers and (iii) computerizing main tax procedures (notably filing/payment).

78. **Possible verifiable indicators of success.** The impact indicator will be the tax-to-GDP ratio with the following possible outcome indicators: (i) making operational the medium-sized taxpayers office; (ii) the number of new taxpayers registered with a new tax identification number with a targeted increase of 10-15 percent per year; (iii) the rate of voluntary and timely filings of tax return, with target ranges of 70-100 percent for large taxpayers and 60-90 percent for medium-sized taxpayers; (iv) the audit coverage on targeted risks (i.e. audit coverage of delinquent large taxpayers and large VAT creditors); (v) collection enforcement actions and results; and (vi) the availability of the IT system in the main tax offices (large and medium-sized taxpayer offices, notably).

### *Guinea Bissau*

79. Guinea Bissau has the lowest tax collection to GDP ratio among WAEMU member countries (10.8 percent). The tax administration is facing difficulties owing to very low tax compliance, as well as a weak management capacity of the directorate general of taxes, direct tax administration mission and also of tax officers to carry out basic task control tasks. The political instability in the country is an additional factor that limits the focus and effectiveness of tax administration.

80. **Possible verifiable indicators of success.** AFW will assist the authorities in preparing a modernization plan aimed at widening the tax base, increasing tax compliance, strengthening tax operations, and implementing reforms engaged with assistance from other TA providers/donors. The possible outcome indicators include: (i) a reliable taxpayer identification system; (ii) the number of registered taxpayers ; (iii) filing rate with targets ranges of 80-90 percent for large taxpayers and 70 percent for medium-sized taxpayers; (iv) intelligence activities and tax controls (notably information exchange between customs and tax administrations, with a program of control of all taxpayers failing to voluntarily and timely file their tax returns); and (v) a simplification of tax administration (notably through the alignment of the VAT registration threshold with those of the LTO.

### **Mali**

81. The tax-to-GDP ratio declined to 13.1 percent in 2008, from 14.2 in 2007. The government's tax administration strategic plan for 2009-2011 has identified priority actions to (i) widen the tax base, (ii) improve the quality of the administration's service to the taxpayer; and (iii) modernize tax administration.

82. **Possible verifiable indicators of success.** Possible outcome indicators of AFW's work will include (i) the establishment of the medium-sized taxpayer office (MTO) in Bamako and the creation of its initial portfolio; (ii) the development of investigations and cross-checking activities (enforcement of investigation regulations, effective use of information collected); (iii) the broadening of the tax base with the aim to expand the large taxpayers office (S-DGE) and the medium-sized taxpayers office (S-DME—being established); (iii) implementing an effective VAT refunds mechanism); and (iv) the introduction of risk management principles for audit selection and collection enforcement.

### **Mauritania**

83. The tax-to-GDP ratio at 14.7 percent in 2008 is slightly higher than the WAEMU average, but there is room for further increases. AFW will pursue its support to the strengthening of the tax department's capacities with the aim of: (i) developing an integrated information technology system; (ii) allocating a tax identifier to all taxpayers and broadening the tax base; (iii) improving administration of medium-sized businesses; (iv) improving the effectiveness of audit and collection operations through risk-based programs; and (v) improving voluntary compliance through a comprehensive taxpayer service (assistance and education) program.

84. **Possible verifiable indicators of success.** AFW will pursue its support to capacity building in the directorate general of taxes (DGI) with a view to improve tax collection and modernize tax system and tax administration. Possible outcome indicators include: (i) making effective a reliable taxpayers identification system; (ii) the number of new taxpayers registered with a new tax identification number with a targeted increase of 10-15 percent per year; (iii) the reduction of the stopfiling rate (limited to 3-5 percent for large

taxpayers and 5-10 percent for medium-size taxpayers; (iv) increase of the number of taxpayers subject to an actual regime (*régime du réel*—targeted increase of 10 percent per year); (v) audit coverage rate 30 percent for large taxpayers, 20-25 percent for medium-sized taxpayers per year, and a coverage rate of 100 percent of targeted risks stopfilers and VAT credit; and (vi) an operational and reliable IT system effectively used by the tax officials.

### *Niger*

85. The ratio of tax to GDP is very low and has dropped to 11 percent in 2008, from 11.5 percent in 2007. The narrow tax base (with a large informal sector), the low tax compliance, insufficient resources allocated to tax administration, as well as limited capacity of mid-level management and lack of proper tools to implement strategic and operational planning and monitor operations, are the main factors contributing to this low ratio.

86. **Possible verifiable indicators of success.** AFW's TA will aim at raising the tax-to-GDP ratio with the following possible outcome indicators: (i) the portfolios of the LTO and the MTO, with a target of 5-10 percent of new registrations per year; (ii) the number of taxpayers allocated with a Taxpayer Identification Number (TIN) with a target of 90-95 percent; (iii) the audit coverage of targeted risks (i.e., audit coverage of delinquent large taxpayers and large VAT creditors).

### *Senegal*

87. The authorities have adopted a five-year strategic plan aiming at (i) modernizing the structures, procedures and systems of the tax administration, (ii) improving taxpayer services, and (iii) increasing the revenue to GDP ratio up to 21,7 percent by 2012. During the next phase, AFW will support the implementation of this strategic plan, focusing .

88. **Possible verifiable indicators of success.** Possible indicators include the achievement of the objectives of the strategic plan, including: (i) full integration of all tax administration core functions and further segmentation of the taxpayer population, (ii) implementation of a fully integrated IT system at HQs and in major tax offices, (iii) improvement of voluntary compliance (notably 95-100 percent for the large taxpayer segment), (iv) progressive increase of the revenue to GDP ratio, and (v) taxpayer satisfaction.

### *Togo*

89. Togo's tax-to-GDP ratio was 15.6 percent in 2008, down from 16.3 percent in 2007. While higher than the region's average, the ratio is below the minimum of 17 percent the WAEMU convergence criterion. The drop recorded in 2008 reflected a weakening in customs and tax administration.

90. **Possible verifiable indicators of success.** AFW will assist the authorities to strengthen capacity and raise tax collection with the following possible outcome indicators:

(i) the number of new taxpayers registered with a new tax identification number, with a targeted increase of 10 percent per year; (ii) the number of registered taxpayers to the actual regime (*régime du réel*) with a targeted increase of 10 percent per year; (iii) the portfolio of the MTO, with a targeted increase ranging between 10-20 percent per year; (iv) the filing rate, with a target of 95-100 percent for large taxpayers and 90 percent for medium-sized taxpayers; (v) the simplification of the tax system for small businesses and (including a possible increase of the VAT registration threshold); (vi) the IT system, fully operational and rolled-out in major tax offices; and (vii) coordination and exchange of information between the tax and customs departments.

## **F. Agenda—Public Financial Management**

### **Phase II— Coordination with other TA providers**

91. All AFW's countries get support from other TA providers in the area of PFM, notably: (i) the French cooperation provides long-term experts, and short- and long-term training, as well as computer equipments and software in several AFW's countries, including Benin, Mali, Togo, and Senegal; (ii) the WB and the EU provide support to Burkina Faso in the area of integrated PFM information systems; (iii) the AfDB assists Niger in the areas of medium-term expenditure framework and PFM internal controls. During all PFM TA missions, resident advisors hold meetings with development partners to discuss their assistance to reform programs, as well as the mission's main findings and recommendations. These meetings help establish complementarity and avoid duplication. Department for International Development (DFID) provided additional financing to AFW in 2008 to further strengthen budget reforms in Burkina Faso, Guinea, Mali, Senegal, and Togo and conducted a regional seminar on PEFA. PEFA seminars were conducted in Abidjan and Dakar, jointly with the PEFA Secretariat and AFRITAC Center (Abidjan). AFW has jointly organized several other regional seminars with other donors/TA providers, such as the WB on the integrated financial management system in on 2004 in Dakar, France on cash management in 2007 in Cotonou, and on budget classification and internal control in 2008 in Ouagadougou.

### **Phase III—Country and Regional Objectives**

92. In coordination with IMF HQ and other TA providers active in PFM in the region, including the WB, AfDB and the EU, AFW will assist the WAEMU Commission in preparing the methodological and procedural guidelines for implementing the framework in member countries. In response to country TA needs emanating from their PRSPs, and in close coordination with the WAEMU Commission, AFW will develop its work programs, aimed at strengthening human and institutional capacity in PFM, with a view to ensuring optimal resource allocation in the executing poverty reducing expenditures, as well as the tracking for these expenditures. AFW will focus on:



- Modernizing the legal and regulatory fiscal framework, consistent with the WAEMU guidelines and best international practices.
- Strengthening public accounting systems and Treasury cash management.
- Improving budgetary processes, including budgetary classifications, tracking of expenditures, and program budgets.
- Rationalizing public finance information management systems.

#### ***Regional issues—WAEMU Commission***

93. AFW will assist in (i) finalizing the harmonized legal and regulatory fiscal framework for the region; (ii) preparing methodological and procedural guidelines for implementing the framework in member countries; and (iii) monitoring the implementation of these guidelines under (ii).

94. **Possible verifiable indicators of success** include the adoption by the WAEMU Monitoring Committee of the methodological and procedural guidelines for implementing the harmonized fiscal framework by 2010.

#### ***Regional issues—ECOWAS Commission***

95. AFW will assist in preparing for a harmonized legal and regulatory fiscal framework, drawing on the WAEMU's experience.

96. **Possible verifiable indicators of success** include the adoption of the harmonized legal framework.

#### ***Benin***

97. AFW will focus on (i) implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) the development of interfaces between the budget, the Treasury and public accounting, payroll, customs, and tax administrations; (iii) the development of a fiscal reform strategy; and (iv) strengthening cash management in the Treasury.

98. **Possible verifiable indicators of success** include (i) the adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; (iv) making effective the interface between the computerized systems on Treasury management and public accounting (SIGFIP) and on



expenditure management (ASTER), allowing to produce reliable budget reports starting in January 2011; and (v) adoption of a fiscal reform strategy, including a timetable and measurable outcome or performance indicators, by end-December 2011.

### *Burkina Faso*

99. AFW will focus on (i) fully implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) developing program budgeting/performance budgeting; (iii) implementing budget decentralization and strengthening of the expenditure execution and control mechanism within the constraint of actual revenue mobilization; (iv) strengthening cash management; and improving fiscal reporting.

100. **Possible verifiable indicators of success** include (i) the adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; (iv) adoption by Parliament of a legislation entrusting cabinet ministers and heads of government agencies with the responsibility of issuing payments orders for the budgets of their respective ministries and agencies, in accordance with the WAEMU guidelines by end-2015; (v) adoption of a roadmap for the implementation of program budgets by end-June 2010; (vi) establishing a TSA at the BCEAO for all government operations; and (vii) timely production of treasury accounts.

### *Côte d'Ivoire*

101. AFW will focus on (i) fully implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) strengthening linkages between the PRSP, multi-year budget programming, and annual budget; assistance to implementing sectoral and overall medium-term expenditure framework; (iii) developing interfaces between the systems of the budget, Treasury and public accounting, payroll, customs, and tax administrations.

102. **Possible verifiable indicators of success** include (i) the adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; (iv) establishing an interface between the computerized systems on Treasury management and public accounting (ASTER) and on expenditure management (SIGFIP), so that reliable budget reports can be produced starting in January 2011; (v) the computerized system on public expenditure management information system includes the computerized systems for the budget, Treasury and public accounting, payroll,

customs, and tax administrations, by end-December 2014; and (vi) preparing an MTBF/MTEF.

### *Guinea*

103. AFW will focus on (i) strengthening Guinea's legal fiscal framework for PFM; (ii) enhancing cash management tools and the single Treasury account; and (iii) improving expenditure management information systems.

104. **Possible verifiable indicators of success** include (i) the adoption by Parliament of a budget law in accordance with international best practices by end-December 2011; (ii) issuance of decree on general rules and regulations of public accounting and a public accounting framework in accordance with international best practices by end 2012; (iii) issuance of a decree on budgetary nomenclatures and classifications, in accordance with international best practices by end 2012; and (iv) establishing a single Treasury account at the Central Bank (BCRG) for all government's financial operations by end-2012.

### *Guinea-Bissau*

105. AFW will focus on (i) implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) strengthening of cash management tools: projections of Treasury plans and the single Treasury account; and (iii) strengthening public accounting system and capacity of government officials in regularly produce budget reports.

106. **Possible verifiable indicators of success** include (i) the adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; (iv) producing on a monthly basis the ledgers of Treasury accounts, starting in 2012; (v) the ledger of Treasury accounts for end-December 2008 is produced in 2010; and (vi) establishing a single Treasury account at the BCEAO for all government's financial operations by end-2012.

### *Mali*

107. AFW will focus on (i) implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) strengthening of cash management tools: projections of Treasury plans and the single Treasury account; (iii) the development of an expenditure management information system; and (iv) improvement of program budgeting/performance budgeting.

108. **Possible verifiable indicators of success** include (i) the adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; and (iv) establishing a single Treasury account at the BCEAO for all government's financial operations in 2011.

### *Mauritania*

109. AFW will focus on supporting effective implementation of reform recommendations made by earlier TA mission, including by (i) developing a fiscal reform strategy; (ii) revising the legal fiscal framework, in accordance with best international practices; (iii) strengthening the effectiveness of the computerized expenditure management system (RACHAD) including its extension to capture donor funded projects and to improve the linkage with the payroll system; (iv) strengthening cash management tools: projections of Treasury plans and the single Treasury account; and (v) strengthening linkages between the Government poverty reduction strategy, multi-year budget programming and the annual budget, notably assistance to implementing sectoral and overall medium-term expenditure framework (MTEF).

110. **Possible verifiable indicators of success** include (i) the adoption of a consistent fiscal reform strategy, including a timetable and measurable outcome or performance indicators, by end-December 2012; (ii) adoption by Parliament of an organic law regulating budget laws by end-December 2012; (iii) development of an interface developed between RACHAD and computerized payroll application (end-2012) and externally financed expenditures (end-2013); and (iv) adoption of MTEF by end 2012.

### *Niger*

111. AFW will focus on (i) implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) strengthening linkages between the PRSP, multi-year budget programming, and annual budget; assistance to implementing sectoral and overall medium-term expenditure framework; and (iii) strengthening the organization of the public accounting system.

112. **Possible verifiable indicators of success** include (i) adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; (iv) adoption of a MTEF by end-2010; and (v) the implementation of the public accounting system by 2011.

## *Senegal*

113. AFW will focus on (i) implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) strengthening the effectiveness of public financial management systems; and (3) strengthening controls over the execution of public expenditure.

114. **Possible verifiable indicators of success** include (i) adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a presidential decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; (iv) adoption of a MTEF by end-2010; and (v) reduction of exceptional procedures for public expenditures.

## *Togo*

115. AFW will focus on (i) implementing new WAEMU guidelines on the organic law regulating budget laws, general rules and regulations of public accounting, and budgetary nomenclatures and classifications; (ii) strengthening of the organization of the public accounting system, and improving government accounting; (iii) enhancing linkages between the PRSP, multi-year budget programming, and annual budget; assistance to implementing sectoral and overall medium-term expenditure framework, and program budgets; and (iv) improving budget execution; and (v) strengthening cash management.

116. **Possible verifiable indicators of success** include (i) adoption by Parliament of a budget law in accordance with the WAEMU guidelines by end-December 2011; (ii) issuance of a decree on general rules and regulations of public accounting and a public accounting framework in accordance with the WAEMU guidelines by end-December 2011; (iii) issuance of a decree on budgetary nomenclature and classifications, in accordance with the WAEMU guidelines by end-December 2011; (iv) eliminating exceptional procedures for public spending; and (v) submission of final end-of-year Treasury account to the Auditor General Office at the latest six months following the end of the fiscal year, starting in 2010; (vi) establishing a TSA; and (vii) eliminating internal arrears.

## **G. Agenda—Debt Management and Financial Markets Development**

### **Phase II— Coordination with other TA providers**

117. In addition to AFW, TA providers in debt management and financial markets development in AFW's countries are the WB, AfDB, UNCTAD, Debt Relief International (DRI), and the Regional Center of Training in Debt Management in Central and West Africa—*Pôle Dette*. The WB and AfDB are involved in capacity building in debt

management through their portfolio of project lending. The WB has also organized a regional workshop on debt sustainability analysis in Dakar in 2008 for Francophone African countries. UNCTAD provides computerized debt management software (DMFAS) and training in debt management in five AFW countries and training in debt management in most AFW countries. DRI has mostly provided training in debt sustainability analysis. *Pôle Dette de Yaoundé* is a joint BCEAO-BEAC program supported by donors and other stakeholders such as the ACBF. Together with AFW, it has been, the most active in AFW countries in the area of debt management and debt sustainability analysis. AFW liaises with the WB and AfDB to identify projects with a debt management component, with the UNCTAD regional advisor in West Africa who is based in Bamako and with DRI, with a view to ensuring consistency with its work program. AFW has also maintained close contacts with *Pôle Dette*. In particular, *Pôle Dette*'s experts have served as resource persons in all AFW's regional seminars on debt management and debt sustainability analysis. AFW also works closely with the BCEAO on TA and training activities in the area of financial markets development. BCEAO staff, along with experts from the regional stock exchange, BOAD and *Pôle Dette* have served as resource person on all AFW's regional seminars on financial markets.

### **Phase III—Country and Regional Objectives**

118. AFW's Phase III will focus on:

- Strengthening debt management and establishing a comprehensive and reliable debt database for the public sector.
- An adequate recording of debt operations in the Treasury ledger of accounts and the Central Government's Financial Operations' Table (TOFE), in collaboration with the AFW resident advisor in public finance management and in government finance statistics.
- Adoption of a methodology on Debt Sustainability Analysis (DS) and on debt strategy.
- Development of government securities and promotion of financial markets, in collaboration with IMF HQ and the BCEAO.

119. Debt management capacity varies in AFW's countries. Countries belong to three broad groups: a first group with strong debt management capacity (Benin, Côte d'Ivoire, and Senegal); a second group with average debt management capacity (Burkina Faso, Mali, and Niger) and a third group with weak debt management capacity (Guinea, Guinea-Bissau, Mauritania, and Togo). The countries of this third group will require most assistance and will become AFW's focus in Phase III.

## ***Regional Issues***

120. With its program to strengthen capacity in debt sustainability analysis, AFW has supported the WAEMU Commission's objective of establishing debt management and debt sustainability committee in all its member countries, along with the requirement to attach a debt sustainability analysis and a debt strategy to all new budget bill submitted to parliament. This support to the WAEMU harmonization objectives in the area of debt management will continue in the period ahead, as AFW's work program on debt sustainability analysis will be pursued during Phase III. In addition, with the intensification of its work program in the area of government securities, in collaboration with the BCEAO, BOAD, the Abidjan regional stock exchange (BRVM), and the WAEMU Commission, AFW is supporting a major BCEAO's and WAEMU Commission's objective of financial markets development. This program will also help ensure the BCEAO's regional monetary policy objective of zero bank credit to the government. In doing so, it will also be helping Guinea and Mauritania converge with regard to some of the regional integration and harmonization objectives.

## ***Benin***

121. Benin's weakest spot is on the formulation of the country's debt strategy. The Treasury is active on the regional financial market, but it will need to diversify its securities. AFW work will focus on (i) strengthening the gains in debt management and further improving the monitoring of public enterprises' debt, with a view to establishing an exhaustive debt database for the public sector; (ii) debt sustainability analysis and debt policy; and (iii) diversification of government securities.

## ***Burkina Faso***

122. Burkina Faso's main weakness is the lack of a reliable debt database, despite the availability of debt management software. The problem stems from (1) the fact that the debt management directorate has not been able to exercise control over disbursements on government's borrowing, and (2) a high staff turnover at the debt management directorate. AFW work will focus on (i) strengthening debt management and restoring full control of the debt directorate over government's borrowing and disbursement, with a view to establishing a comprehensive and reliable debt database for the public sector; (ii) an adequate recording of debt operations in government the Treasury ledger of accounts and the Central Government's Financial Operations' Table (TOFE); (iii) debt sustainability analysis and debt policy; and (iv) diversification of government securities and financial markets.

## ***Côte d'Ivoire***

123. Côte d'Ivoire—though not rated as very strong—could serve as a model for other AFW countries. AFW work will focus on (i) strengthening the gains in debt management and further improving the monitoring of public enterprises' debt, with a view to establishing a

comprehensive debt database for the public sector; (ii) debt sustainability analysis and debt policy; and (iii) diversification of government securities and financial markets development.

### *Guinea*

124. There are major weaknesses such as the lack of a debt database, inconsistencies in the management of debt restructuring operations, and a lack of experience in the issuance of government securities. Guinea will continue to be a concentration country for AFW in debt management and financial sector development. AFW work will focus on (i) strengthening debt management and restoring full control of the debt directorate over government borrowing, with a view to establishing an exhaustive and reliable debt database for the public sector; (ii) an adequate recording of debt operations in the Treasury ledger of accounts and the Central Government's Financial Operations' Table (TOFE), in collaboration; (iii) debt sustainability analysis and debt policy; and (iv) development of government securities and promotion of financial markets. A peripatetic debt management expert might need to be posted in Guinea for some six months in addition to AFW's work.

### *Guinea Bissau*

125. There are training needs in basic debt concepts, such as computation of interests accrued and present value. Guinea-Bissau will continue to be a concentration country for AFW in debt management and financial sector development, and a peripatetic debt management expert might need to be posted for some six months. AFW work will focus on (i) strengthening debt management and establishing a comprehensive and reliable debt database for the public sector; (ii) an adequate recording of debt operations in the Treasury ledger of accounts and the TOFE; (iii) debt sustainability analysis and debt policy; and (iv) development of government securities and promotion of financial markets, in collaboration with the BCEAO and the regional stock exchange.

### *Mali*

126. Mali has made important progress in debt management, but there remain needs to ensure the monitoring of public enterprises' debt and the recordings of debt operations in public accounting. AFW work will focus on (i) strengthening gains achieved in debt management and establishing a comprehensive and reliable debt database for the public sector; (ii) an adequate recording of debt operations in the Treasury ledger of accounts and the TOFE; (iii) debt sustainability analysis and debt policy; and (iv) development of government securities and promotion of financial markets.

### *Niger*

127. Niger is in the second tier of three AFW's countries with an average debt management capacity. Debt data are not reliable and the issuance of government's securities on the WAEMU regional financial market has proven very difficult for the authorities. AFW



work will focus on (i) strengthening debt management and establishing an exhaustive and reliable debt database for the public sector; (ii) an adequate recording of debt operations in government the Treasury ledger of accounts and the TOFE, in collaboration with the residents advisors in public finance management and in government finance statistics; (iii) debt sustainability analysis and debt policy; and (iv) streamlining the issuance of government securities and financial markets.

### *Senegal*

128. Debt is well managed overall, and the experience in issuing government securities is well established, but difficulties arose recently with the control of domestic debt and overall fiscal management. AFW work will focus on (i) strengthening the gains in debt management and reviewing debt database; (ii) an adequate recording of debt operations in the Treasury ledger of accounts and the TOFE; (iii) debt sustainability analysis and debt policy; and (iv) diversification of government securities and financial markets development.

### *Togo*

129. Togo will continue to be a concentration country for AFW in debt management and financial sector development, and a peripatetic debt management expert might need to be posted in Bissau for some six months. There are major human resource weaknesses, and AFW had already invested much time in helping with the debt database on the occasion of the HIPC Initiative decision point and Paris Club meeting. AFW's work will focus on (i) strengthening debt management and establishing a comprehensive and reliable debt database for the public sector; (ii) an adequate recording of debt operations in the Treasury ledger of accounts and the TOFE; (iii) debt sustainability analysis and debt policy; and (iv) development of government securities and promotion of financial markets, in collaboration with the BCEAO.

#### **Box 7. Debt Management and Financial Markets Development—Possible verifiable indicators of success**

- Establishing a debt database for the public sector.
- Treatment of debt operations in the Treasury ledger of accounts and the TOFE, in accordance with best international public accounting practice and GFSM 2001.
- Endorsement of the Debt Sustainability Analysis (DAS) tools in order to design the DSA internally.
- Endorsement of the analytical tool for the Medium-term Debt Management Strategy (MTDS).
- Issuance of securities on the regional financial market, in line with budget financing needs.



## **H. Agenda—Enhanced Banking Supervisory Regime**

### **Phase II— Coordination with other TA providers**

130. AFW so far has been working on microfinance issues and closely coordinated with other TA providers. Examples of AFW's involvement include the coordination with the AfDB on the development of the microfinance project in Mauritania; working with a WB-financed long-term expert on microfinance supervision in Niger; and collaborating with the United Nations Development Program (UNDP)-financed long-term expert on microfinance in Guinea Bissau. When shifting its focus to banking supervision, AFW will pursue a similarly close cooperation in the future.

### **Phase III—Country and Regional Objectives**

131. AFW's will focus on fostering sound and effective prudential regulations for banks in all AFW member countries. This would entail supporting the development of effective mechanisms for ensuring regulatory compliance and effective processes for corrective-action in cases of bank non compliance. In general, efforts to establish sound supervisory practices will be focused at the regional level--BC-WAEMU--, but would also involve national authorities of member countries, especially in implementation of regulations concerning timely intervention in problem banks.

132. AFW's TA program is predicated on AFW countries seeking to implement the thrust of the recommendations from the WAEMU and individual country FSAPs concerning prudential regulation of banks. The implementation of the recommendations will require, among other, capacity building in risk-based supervision, capital adequacy frameworks, and the resolution of problem banks. TA requirements in the areas of bank prudential regulation and resolution processes are also substantial in Guinea and Mauritania.

### ***Regional Issues (WAEMU)***

133. Regional financial authorities face a number of challenges in the areas of prudential regulation, including updating of laws and legal frameworks governing the bankruptcy and liquidation of banks. Compliance with the Basel Core Principles for Effective Banking Supervision is uneven in the WAEMU and there is also a need to: (i) develop and implement a banking supervisory framework based on risk analysis and (ii) bring the accounting frameworks for banks in line with International Financial Reporting Standards (IFRS). The current framework governing the bankruptcy and liquidation of banks needs to be made more binding on individual banks' shareholders and more transparent across regarding the responsibilities in the event of a banking crisis.

### ***Benin***

134. AFW would assist the authorities in enhancing mechanisms for ensuring compliance with banks' prudential regulation ratios.

### ***Burkina Faso***

135. AFW would focus on developing risk-based bank supervisory frameworks, particularly given the sizeable bank exposure to the cotton sector.

### ***Cotê d' Ivoire***

136. In cooperation with the *BC-WAEMU*, AFW would help Cotê d' Ivoire to proactively seek resolution of problem banks, microfinance institutions, and insurance companies, with a view to rapidly putting into place provisional administrations and liquidating institutions, when alternative restructuring plans have failed.

### ***Guinea***

137. Guinea is seeking to strengthen its banking sector supervision in the context of the economic program that is being supported by a PRGF arrangement.<sup>16</sup> To this end, it aims at enforcing adherence to banks' minimum capital requirements and other prudential limits, such as those related to loan concentration, liquidity coefficients, and monitoring of banks' foreign exchange positions. The central bank also plans to better supervise microfinance institutions to ensure in particular that they comply with the microfinance law adopted in November 2005. The authorities have expressed interest in evaluating the insurance sector and its supervision mechanisms.

### ***Mali***

138. Local banks are vulnerable to sectoral shocks, especially in the cotton sector, and face important risks from being highly exposed to a few large borrowers. In light of these vulnerabilities, banks need to develop information systems to identify, measure, and manage risks from their operations, especially in a context of rapidly-raising non-performing loans. An unrelenting strong oversight of the microfinance institutions is also needed to improve governance and arrest trends with non-performing loans in the sector.

### ***Mauritania***

139. Mauritania's needs in terms of banking sector institution building are significant according to the 2006 FSAP. Banks, which dominate the financial sector, remain generally

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<sup>16</sup> Guinea has benefited from extensive TA from Fund HQ in the recent past.

vulnerable and suffer from deficiencies in transparency standards, lack of competition, poor governance, and weak infrastructure. The authorities have upgraded the legal framework by adopting a new banking law. They have also aimed at gradually enhancing competition by allowing the entry of foreign banks. The adoption of implementation regulations for the new banking law will pave the way for further strengthening of the financial sector, including through the opening up of existing banks to foreign capital and possible the entry of additional foreign banks. The authorities have also prepared a comprehensive medium-term strategy for the financial sector that includes possible gradual measures to deal with weak banks and restructure nonperforming loan portfolios.

### *Niger*

140. The financial system remains vulnerable to the economy's heavy reliance on agriculture, a deterioration in the terms of trade, Niger's high dependency on external aid, and the volatility of food and petroleum prices. In light of existing vulnerabilities and risks, AFW could help the authorities in ensuring that Nigerien banks: (i) increase their capital to comply, in time, with the new WAEMU minimum capital requirement regulations, and (ii) practice sound risk management and maintain the quality of their portfolio. Also, there is a need to consolidate ongoing efforts to restructure a systemically important private bank.

### *Senegal*

141. The financial sector was under substantial pressure at end of 2008. The government's payment delays to the private sector worsened banks' credit risk by impeding business activity and affecting liquidity in the banking sector. AFW would assist the authorities in developing a system to monitor closely the solvency and liquidity of the banking sector, including by taking a proactive stance in analyzing banks' assets and liabilities, the nature and concentration of financing sources, and liquidity relationships with parent companies. Also, AFW could help the authorities in drafting the technical preparations for the enactment of new minimum capital rules by end-2010.

### *Togo*

142. The two large state-owned banks accounting for about half of the assets of the banking system in Togo, have been insolvent for some time. AFW's technical assistance will be to support the country authorities' efforts to rehabilitate the two state-owned banks, while addressing the banks' large volume of nonperforming loans with public enterprises.

**Box 8. Banking Supervision—Possible verifiable indicators of success**

- Higher capital-adequacy-ratios to better reflect the business environment in the WAEMU.
- Lowering maximum credit exposure on a given counterparty to levels consistent with best international practices.
- Implement new procedures to resolve banking crises, at the individual and regional levels.

## **I. Agenda—Government Finance Statistics**

### **Phase II— Coordination with other TA providers and where do countries stand now**

143. AFW is for now the only TA provider in GFS in its recipient countries. During the period 2005-2007, AFW worked with the UNDP in Guinea-Bissau to restore the country's capacity to produce the central government financial operations table (TOFE). Training sessions on the production of the TOFE for all interested actors (producers of GFS and providers of source data) have been financed by UNDP through the project to improve the framework and tools for the conduct of public policies (PACIP) which aims at supporting economic recovery and reform in public administration. The training materials were prepared by AFW, as well as the use of the GFSM methodology to Guinea-Bissau's source data. Needed computer equipments and software for the unit in charge of producing the TOFE were provided, with financial assistance from the European Union, through the regional support program to integration ("Pari 2").

144. In recent years, AFW GFS missions have assisted countries (1) in developing bridge tables in order to convert currently compiled data into the *GFSM 2001* framework and classifications, and (2) in reporting the converted annual data to the IMF Statistics Department. Progress in this conversion process has been steady in six out of the ten AFW countries. Regional and national training's sessions on the GFSM 2001 methodology were also conducted during the same period. As a result, AFW countries have embarked on implementing the GFSM 2001, and are at different stages of advancement. Currently, all AFW countries compile their statistics using the 1986 Manual (GFSM 1986). Data coverage is that of the central government's financial operations tables (TOFE), which constitutes the common fiscal reporting format in the region, but which, in some case, only relates to the operations of the general budget, excluding extra budgetary and social security operations. Recently, some countries started converting and reporting GFSM 2001 annual data to IMF Statistics Department for publication in the Government Finance Statistics Yearbook, with plan to report more frequent data (i.e. monthly or quarterly) for publication in International Financial Statistics. For the eight countries belonging to the West African Economic and Monetary Union (WAEMU), plans are also being made to use the GFSM 2001 as the methodology of reference for the TOFE itself, in the context of the implementation of the

WAEMU TOFE directive adopted on June 26, 2009 along with other five public finance directives.

### ***Benin***

145. Benin currently compiles GFS based on the 1998 WAEMU's GFS guidelines, which uses the methodology of GFSM 1986; reports for publication annual GFS in the GFSY and in the IFS with a lag of two years; has made progress by converting 2007 GFS into GFSM 2001 format; and is working on extending GFS coverage to the social security fund, local administrations, and extrabudgetary units.

### ***Burkina Faso***

146. Burkina Faso currently compiles GFS based on the 1998 WAEMU's GFS guidelines, which uses the methodology of GFSM 1986 and is working to compile GFS from the treasury ledger as the main source data; reports for publication annual GFS in the GFSY and in the IFS with a lag of three years. It is working on a GFSM 2001-based compilation system as a part of a migration plan to the GFSM 2001 framework and ; has made progress in converting 2005-2007 data to the corresponding formats ; Extension of the institutional GFS coverage to social security fund, local administration and extrabudgetary units is planned.

### ***Côte d'Ivoire***

147. Côte d'Ivoire currently compiles GFS, including data from social security and retirement agencies, based on the 1998 WAEMU's GFS guidelines, which use the methodology of GFSM 1986. It reports for publication annual GFS in the GFSY with a lag of one year and in the IFS with a lag of one year, has made progress in converting 2007 GFS into GFSM 2001 format and is preparing to use the treasury ledger as the main data source in compiling GFS.

### ***Guinea***

148. Guinea compiles GFS based on GFSM 1986. The country has made progress in converting 2005, 2006 and 2007 GFS into GFSM 2001 format and is preparing a migration plan to the GFSM 2001 framework, in the context of ongoing reforms on the budget nomenclature and public accounting system.

### ***Guinea Bissau***

149. Guinea compiles GFS based on the 1998 WAEMU's GFS guidelines, which uses the methodology of GFSM 1986. It has made progress in improving data collection coverage and timeliness and is preparing to start converting annual GFS into GFSM 2001 format for dissemination and publication in the GFSY.

*Mali*

150. Mali currently compiles GFS based on the 1988 WAEMU's GFS guidelines, which uses the methodology of GFSM 1986. The country reports for publication annual GFS in the GFSY with a lag of one year and in the IFS with a lag of one year. It has made progress in converting 2002- 2007 GFS into GFSM 2001 format and, as part of the IMF pilot-project for the implementation of the GFSM 2001, has established a Commission to prepare a strategy and a plan to migrate to the GFSM 2001 framework.

*Mauritania*

151. Mauritania currently compiles GFS based on GFSM 1986 using the treasury ledger as the main source data. It start preparing (1) a table to convert data on GFSM 1986 classification into GFSM 2001 classification, and (2) a plan to migrate to the GFSM 2001 framework.

*Niger*

152. Niger compiles GFS based on the 1998 WAEMU's GFS guidelines, which uses the methodology of GFSM 1986. It reports for publication annual GFS in the GFSY with a lag of one year and in the IFS with a lag of one year, has made progress in converting 2005- 2007 GFS into GFSM 2001 format as a part of a migration plan to the GFSM 2001 framework.

*Senegal*

153. Senegal currently compiles GFS based on the 1998 WAEMU's GFS guidelines, which uses the methodology of GFSM 1986. It has made progress in converting 2005-2006 GFS into GFSM 2001 format and is preparing to set up an inter-agency committee to oversee the GFSM 2001 implementation issues, draft a migration plan to the GFSM 2001 framework, and publish GFS in GFSY and IFS.

*Togo*

154. Togo compiles GFS based on the 1998 WAEMU's GFS guidelines, which uses the methodology of GFSM 1986. It reports for publication annual GFS in the GFSY with a lag of one year, has made progress in converting 2008 GFS into GFSM 2001 format and is preparing to revive an inter-agency GFS Committee created in April 2004 to oversee GFS issues and draft a migration plan to the GFSM 2001 framework.

**Phase III—Country and Regional Objectives**

155. In the next five years, the main focus of the TA will be to strengthen capacity for producing GFS according the GFSM 2001 while improving data frequency and reducing dissemination lags. AFW intends to assist participating countries to carry out the GFS improvement plans described in their GDDS metadata, including identification of source

data, broadening of the coverage, coding of the chart of accounts, classification and completion of the GFS questionnaires for annual and high frequency GFS to IMF's Statistics Department. AFW will further assist the data-producing agencies in preparing methodological documentation and the WAEMU Commission in implementing the new regional public finance management and statistics directives.

### ***Regional issues***

156. With assistance from IMF HQ and AFW, the WAEMU Commission has already prepared, new guidelines for the production of GFS based on the GFS Manual edition 2001. AFW will further the assistance to WAEMU in drafting training materials and methodological documentation in line with all the revised fiscal management and government finance statistics guidelines.

### ***Possible verifiable indicators of success***

157. For each AFW country, possible outcome indicators include: (i) the adoption by the Ministry of Finance of an executive order or other appropriate text on the organization of the production and publication of GFS; (ii) the adoption of a strategy to migrate from GFSM 1986 to GFSM 2001; (iii) the development of a bridge for converting GFSM 1986 based data into the GFSM 2001 classification system, with a view to reporting and publishing the resulting data in IMF and national publications; (iv) the extension of the GFS institutional coverage beyond the coverage currently used in the TOFE, by including extra budgetary operations, social security and local governments; (v) the preparation of a GFS sources and methods documentation; (vi); the adoption of an official GFS dissemination policy, including the publication of a timetable (advance release calendar); (vii) the publication of statistics on an official website and in a national publication; and (viii) the revision of fiscal sector metadata posted on the IMF's Data Dissemination Bulletin Board in the context of the country's participation in the GDDS.

## **J. Agenda—Real Sector Statistics**

### **Phase II— Coordination with other TA providers**

158. The collaboration between AFW and AFRISTAT in the area of real sector statistics and consumer price indices is formally institutionalized as AFRISTAT participates as an observer to AFW's SC and AFW is a member of the Scientific Committee of AFRISTAT. In addition, AFW and AFRISTAT have very complementary work programs in real sector statistics for each of the ten member countries, sharing missions on the basis of country needs/demand and each institution's available resources. The two institutions meet regularly as needed to harmonize their actions in member countries. Some of the meetings are also attended by the French Statistics Agency, National Institute for Statistics and Economic Studies (INSEE), another provider of TA in national accounts and CPI in the region, as well as the WAEMU Commission, and the AfDB. On national accounts, AFW's TA is closely



coordinated with AFRISTAT, as well as INSEE-France, to avoid duplication of effort and harmonize statistical standards within the region. With support from AFRISTAT, a harmonized consumer price index is in place in AFW countries and a project is ongoing to update the harmonized CPI for the region compiled under a newly-developed software following international methodology. The new software will be on line by mid-2010, but the new harmonized CPI is expected to be released earlier (mid-2009), using a temporary computer program until the new software is operational.

### **Phase III—Country and Regional Objectives**

159. AFW countries have embarked on implementing the *System of National Accounts 1993 (1993 SNA)*, using the software designed to support the compilation of national accounts (ERETES) and are at different stages of advancement. For the majority of countries served by AFW, the main focus of the TA will be to strengthen their countries' capacity to prepare NA estimates following the *1993 SNA* while improving the timeliness of their dissemination. Except for Côte d'Ivoire, Mauritania, and Senegal, the countries served by AFW disseminate their official NA estimates following the 1968 SNA standards. These estimates are prepared in parallel with the 1993 SNA estimates, whose release is planned for the medium term.

160. In the next five years, AFW will continue to provide assistance to participating countries to carry out the plans for improving national accounts statistics as described in their GDDS metadata, with particular emphasis on those areas identified by countries as subject to new developments. AFW will further assist the data-producing agencies in establishing and/or strengthening self-sustaining country-wide compilation and regular and timely dissemination of a system of national accounts consistent with the 1993 SNA, and improve compilation practices underlying production of price indices. The preparation of methodological documentation will be strongly encouraged. AFW will also discuss with members and coordinate with other TA providers the strategy to be adopted in order to advance the implementation of the *System of National Accounts 2008 (2008 SNA)* in the medium term.

### ***Regional issues***

161. AFW's TA program in real sector statistics is within the framework of the strategy developed by the WAEMU Commission to exercise regional surveillance. The inflation rate is one of the four WAEMU's main convergence criteria, while two others have the GDP as denominators. Therefore, it is important to harmonize national accounts and price statistics to ensure comparability in assessing convergence criteria for member countries. For price statistics, the household surveys have been completed in all 8 WAEMU member countries, new baskets of goods and services have been set, and the new harmonized CPI data (base 2008) is scheduled to be available by June 2009. For national accounts, the complementary work programs of AFW and AFRISTAT are set in the context of the WAEMU Commission



project to harmonize data in this area, an exercise which applies also to Guinea and Mauritania, despite not being WAEMU members.

### ***Benin***

162. Disseminated national accounts data follow the 1968 SNA. National Accounts (NA) following the *1993 SNA* for the period 1999 - 2001 with 1999 as new base year are prepared in parallel but not yet disseminated. To accelerate the implementation of the *1993 SNA*, a more recent year (NA for 2006) will be compiled straightaway with a linkage between 2001 and 2006 to be made thereafter. Work is also ongoing to finalize the 2006 NA by end-June 2009 and the 2007 NA by end-November 2009 (final estimates). The new 1999-2007 NA series is expected to be released by mid-2010.

163. **Possible verifiable indicators of success** include (1) the dissemination of revised NA through 2008 in 2010; and (2) starting with 2009, provisional NA estimates to be disseminated according to GDDS (September 2010).

### ***Burkina Faso***

164. The disseminated national accounts data follow the 1968 SNA. NA following the *1993 SNA* for the period 1999 - 2005 with 1999 as new base year are prepared in parallel but not yet disseminated. Ongoing work on 2006 NA are expected to be completed in June 2009. 2007 NA estimates are expected to be completed in December 2009 and the 2008 estimates in June 2010 and disseminated together with the new series of NA covering the period 1999-2008.

165. **Possible verifiable indicators of success** include that the revised NA through 2008 are disseminated by June 2010, but this will require that AFRISTAT is substantially complemented AFW's efforts through its TA.

### ***Côte d'Ivoire***

166. Côte d'Ivoire disseminates NA for the period 1996 - 2005 with 1996 as new base year. Ongoing work on 2006 NA is expected to be completed in June 2009 and 2007 NA estimates are expected to be done in December 2009. Work is in progress to update the base year (2008) to be completed in June 2010.

167. **Possible verifiable indicators of success** are (1) dissemination of the revised NA through 2008 by June 2010; and (2) dissemination of the revised NA by mid-2010. The NA revision would rely on the use of unexploited or new data sources on household expenditure (2008 household budget survey), agriculture (2002 census), other surveys, and customs administrative data (e.g., to compile unit value proxies for export-import prices).

## Guinea

168. Guinea's disseminated national accounts data follow the 1968 SNA. Compilation of NA according to *1993 SNA* started in 2007 with the base year 2003, and are prepared in parallel but not yet disseminated. Compilation of *1993 SNA* accounts should be routine by March 2009.

169. **Possible verifiable indicators of success** are (1) dissemination of the NA through 2006 are end 2009; (2) regular release of the NA begin in 2011; (3) the advance release calendar (ARC) for NA is published during 2011.

## Guinea-Bissau

170. Guinea-Bissau's disseminated national accounts data follow the 1968 SNA. NA following the *1993 SNA* for the period 2000 - 2005 with base year 2005 have been completed but are not yet disseminated. Work is in progress to finalize the 2006-2007 NA estimates and to release the new series by June 2009.

171. **Possible verifiable indicators of success** are (1) the new series based on the 1993 standards is released by September 2010; and (2), in the longer term, the ARC published by the end of fiscal year 2012.

## Mali

172. Mali's disseminated national accounts data follow the 1968 SNA. NA following the *1993 SNA* for the period 1997 - 1999 with 1997 as new base year have been prepared in parallel but not yet disseminated. To accelerate the implementation of the *1993 SNA*, the estimates of the more recent years (2004 and 2005) should be compiled with a linkage of the mission series (2000-2003) to the 2004 prepared thereafter. Work is ongoing to finalize the 2006 NA by end-June 2009 and the 2007 NA by end-2009.

173. **Possible verifiable indicators of success** are (1) the new series based on the 1993 standard is released by September 2010; and (2) the ARC published during 2010.

## Mauritania

174. Mauritania's NA following the *1993 SNA* for the period 1998 - 2001 with 1998 as new base year have been published. To overcome the delays in the NA preparation, the estimates of the more recent years (2005 and 2006) have been compiled ahead and the mission series (2002-2004) have been linked thereafter. Work is in progress on the 2007 NA estimates, and the NA series for 1998-2007 is planned to be released late 2009.

175. **Possible verifiable indicators of success** are (1) the NA series for 1998-2007 to be released in late 2009; (2) data for 2009 are released by September 2010.

## *Niger*

176. Niger's disseminated national accounts data follow the 1968 SNA. Compilation of NA according to *1993 SNA* started in parallel in 2008. Work is ongoing to finalize the base year (2006) by March 2009 and to release the 2006-2008 NA series following the *1993 SNA*.

177. **Possible verifiable indicators of success** are (1) the 2007 NA estimates to be completed by September 2009; (2) the 2008 NA to be completed by February 2010 and become timely with the release of provisional annual estimates through 2009 by September 2010.

## *Senegal*

178. Senegal's NA are prepared following the *1993 SNA* and regularly disseminated according to the GDDS. The 1980-2005 series of final estimates of NA with 1999 as base year have been published. For the period 2006-2007, provisional estimates are disseminated and also institutional sector accounts have been prepared for the period 2001-2005. Discussions with AFRISTAT are ongoing to adopt a new base year (2007) and compile the NA under the ERETES. Compilation of Quarterly National Accounts (QNA) for the period 1990-2007 has been initiated with support by AFW.

179. **Possible verifiable indicators of success** are (1) the first release of QNA in March 2010 with the last quarter of 2009; (2) the preparation and regular dissemination of institutional sector accounts; and (3) starting the regular monthly release in March 2009 of the industrial production index (IPI); and (4) stating in 2009 the regular monthly release of a Producer Price Index (PPI).

## *Togo*

180. Togo's disseminated national accounts data follow the 1968 SNA. Compilation of NA according to *1993 SNA* started in 2002 and the first year of NA estimates for 2000 (also base year) was completed in parallel and work on 2001 NA initiated. Work was interrupted due to unforeseen difficulties and resumed more recently with the recruitment of one staff. AFW's support is pending reinforcement of capacities to train the new team.

181. **Possible verifiable indicators of success** are the resumption of the compilation and then dissemination of the NA.

## **K. Agenda—Training Courses in Macroeconomics**

182. **With its emphasis on the broader macroeconomic framework, training by the IMF aims at complementing TA in various areas listed above.** The IMF aims at building capacity in the governments in the area of macroeconomic management and governance. IMF macroeconomic courses focus on the analysis of macroeconomic conditions, the

diagnosis of problems, and the design and implementation of macroeconomic policies—all areas critical to facilitating growth and development. As such, the course program is complementary to the TA offered in various areas as it puts the insights acquired by member countries in these areas in the broader macroeconomic context.

**183. The IMF will tailor courses to specific requests from interactions with AFW and donors.** The IMF's training curriculum spans a wide range of courses, starting from the basic Financial Programming and Policies course (FPP), over more specialized courses on fiscal, monetary and financial sector policies, to very specialized courses on e.g. finance and the macroeconomics of natural resource management. Joint HQ-AFW training will also allow the IMF to tailor the training more closely to regional needs and foster collaboration and mutual learning within the region. In addition, the logistics (distance of travel, avoidance of jetlag) are typically easier for the participants.

**184. In the case of AFW, the IMF's approach to flexibly adapting course contents to sub-regional circumstances would allow it to interact very closely with, and respond to the needs of all stakeholders.** Exchanges with AFW, donors and technical assistance departments on the most pressing needs of the region would allow the IMF to tailor its courses to those needs. As such, training would be directly complementary with technical assistance provided in specific area. Examples of challenges and developments that AFW countries are facing and where Institute courses could assist in capacity building include:

- *Customs union* – There are increasing efforts to speed up trade integration and progress has been made in negotiations on a CET for a free trade area comprising many countries in the region (at the ECOWAS level). In that respect, the IMF can build on its expertise to offer training on the policies and implications of establishing a customs union.
- *Financial sector development* - Several countries have embarked on financial sector development programs, in the wake of a regional WAEMU-FSAP, and follow-up country FSAPs. In addition, technical assistance is being provided in this area. IMF courses would focus on specific financial sector policies (including regulation and supervision and financial stability) and emphasize the interactions with the country's other macroeconomic management policies.
- *Financial integration* – Foreign banks, many from Morocco and Nigeria, have been expanding rapidly in the region. Treasury bills markets have also grown at a fast pace. Some countries in the region have considered tapping international capital markets. As these countries' financial systems integrate regionally or in the world financial system, training can be offered on specialized finance products and their implications. In addition, training can address the policy challenges and responses stemming from existing regional financial regulation and supervision, and financial stability.

- *Monetary policy* – All countries of the AFW region, except Guinea, belong to a monetary union (WAEMU) and there are plans to establish a broader monetary union at the ECOWAS level. Courses can be offered that deal with issues of monetary integration and the management of a monetary union, including the frameworks for monetary policy.
- *Natural resource management* – Natural resource management poses several challenges for macroeconomic management. The IMF would offer a course that spans all aspects of this issue, including revenue management, governance, expenditure policies, sovereign wealth funds, as well as the implications from monetary and exchange rate policies.

In addition to its standard two-week courses for government officials from the region, AFW could also give two- or three-day High Level Seminars for high officials or conferences on specific topics in response to specific requests for AFW stakeholders.

185. AFW will involve other regional training institutes, such as the West African Training Center for Banking Studies (COFEB), and the training center of the BCEAO in its training.

**Box 9. Training Courses in Macroeconomics—Possible verifiable indicators of success**

- Participant evaluations at the end of every course through questionnaires.
- A triennial survey of national authorities of the IMF's full training program.

## **L. Resource Needs**

186. **Reflecting the request by the African Governors to the IMF to expand AFRITAC activities and also following one of the recommendations of the external evaluation, the IMF will substantially strengthen AFW's activities.** Based on AFW's capacity in the last half year of Phase II (i.e., 8 Resident Advisors and visits of short-term experts of about 28 months each year), AFW's budget in Phase III on an annual basis would more than double in nominal terms compared with Phase II. The current level of capacity, which has been in effect for the last six months, reflects a slight increase relative to the first three years of operation resulting from a scaling up of donor funding. AFW's Phase III's budget would use this as a basis and substantially scale up TA delivery responding to the higher demand.

187. **The increase in AFW's nominal budget in Phase III reflects increased volume of TA as well as other adjustments.** By far the largest part of the increase is due to higher real costs largely resulting from a higher volume of TA activities. The rest is due to a more transparent and full costing of Fund backstopping and project management activities and a one-off adjustment for inflation (there was no inflation adjustment for AFW's costs in Phase

II) and an annual inflation adjustment of 4 percent during Phase III. These factors together require a near tripling of donor contributions as the annual average external resource need increases from US\$ 3.4 million to US\$9.8 million during Phase III.

188. **The following are the areas where most of the real increases are expected to take place** (see text table for a detailed breakdown in real cost, and comparison with Phase II):

- A doubling in short-term expert visits. If feasible, some of the additional short-term resources could be converted into additional Resident Advisor positions.<sup>17</sup> As is already practice, the IMF would seek hire regional experts as much as possible, which would not only foster an environment of peer review, but also would be cost effective, maintaining AFW's character as a regional center.
- More diagnostic interventions, reflecting that these missions are a critical complement to AFW in designing strategic advice, which goes hand-in-hand with AFW assistance in implementing this advice. The diagnostic missions would be led by IMF HQ and would include short-term experts.
- As a new component in AFW's activities, training on macroeconomic and financial issues.
- An increase in backstopping, project management and trust fund management costs. About half of these costs were not taken into account in AFW's budget in the previous cycles. The remaining increase is to ensure quality control and management of the higher volume of technical assistance as described above, but will also assist in implementing the recommendations of the evaluation to step up the monitoring of the results-focused management, including questionnaires, and the implementation of the IMF's new dissemination policy (reflected also in an increase in office costs<sup>18</sup>). The backstopping and project management can be delivered either by HQ or AFW resident experts.<sup>19</sup>

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<sup>17</sup> The proposed ratio of Resident advisors to short-term experts is 3 to 2. In TA areas where there is only one Resident advisor (which is for most of AFW's TA), the augmentation through short-term experts would not be equivalent to an additional Resident advisor position.

<sup>18</sup> Most of the increase in office costs comes from including an estimate of the office rental costs (a contribution of the host country), which were previously not included.

<sup>19</sup> The costs of one resident expert (including travel and backstopping and project management) is equivalent to about 12 months of short-term experts (including backstopping costs).

AFW- Where does the increase in real activities come from?  
(in millions of US\$)

	Annual Budget		
	Phase II	Phase III	Difference
<b>Total costs</b>	<b>4.4</b>	<b>9.0</b>	<b>4.6</b>
<b>Office costs</b>	<b>0.9</b>	<b>1.5</b>	<b>0.6</b>
<b>TA delivery</b>	<b>3.1</b>	<b>6.0</b>	<b>2.9</b>
LTX	2.0	2.4	0.4
Salary	1.8	2.1	0.3
Travel	0.2	0.3	0.1
STX	0.8	1.9	1.1
TA seminars	0.3	0.5	0.2
Macroeconomic seminars	0.0	0.3	0.3
Diagnostic missions	0.0	0.9	0.9
<b>HQ management</b>	<b>0.4</b>	<b>1.5</b>	<b>1.1</b>
Backstopping and project management	0.3	1.1	0.8
Backstopping	0.2	0.7	0.5
Project management	0.1	0.4	0.3
Administrative/Trust fund management fee	0.1	0.4	0.3

189. **To provide assurance and stability for the Center's operations, financing would be secured in advance for the entire five-year period.** The costs of about US\$51 million would be shared by the IMF, the host country (see paragraph 191), recipient countries and donors. They include eight resident Advisors, expenses associated with diagnostic missions and training, travel costs of the resident Advisors, additional short-term TA generated by the Center, costs associated with the IMF's backstopping, supervision, and management of the Center, costs for the mid-term evaluation and trust fund management.

190. **Besides its financial contribution, the IMF provides and finances internally institutional support to ensure focus and targeting, quality and consistency in the delivery of assistance.** The combined responsibilities of the Committee on Capacity Building, the African Department and the TA Departments constitute an institutional support framework for TA project delivery in the field. All projects, whether internally or externally financed, whether delivered by HQ or by the RTACs, are supported equally by this framework.

- The IMF's **Committee on Capacity Building** is responsible for organizing and strategically managing capacity building efforts. This top level committee consists of Fund management as well as senior staff from area and functional departments. It

- meets regularly to: (1) discuss broad strategy for reports on standards and codes (ROSCs), TA and external training programs in advance of the preparation of these programs; (2) approve the proposed programs following approval of the IMF's overall budget; (3) review the programs mid-way through the budget year; and (4) discuss relevant policy issues as needed (e.g. on evaluation, systems, approaches to delivery, etc.).
- The **African Department** has a major role in institutional support with a prime responsibility for determining and prioritizing TA in a dialogue with country authorities. This role is exercised through
    - preparing RSNs;
    - monitoring and peer review. In the conduct of Article IV missions and other program activities, the Area departments participate in the continuous monitoring of TA requirements, from identification and conceptualization through to delivery and evaluation.
  - **The TA Departments and OTM** are responsible for many activities that support the eventual delivery of TA projects in the field, and serve to ensure TA is at the desired level of quality. These activities include the following:
    - developing policy – each TA Department develops policies (including benchmarks, standards, best practices and performance measures) in its area of specialty. For instance, departments are involved in the development of international norms and standards or, as a department specific example, the Fiscal Affairs Department has developed policies related to tax and tariff structure, tax and customs administration, and public financial management;
    - preparing technical notes – each TA Department prepares technical notes and other guidance for its staff and experts. These documents cover a broad range of topics within the respective specialty areas and often result in formal publication;<sup>20</sup>
    - maintaining a roster of experts – each TA Department maintains a roster of experts in its particular area. This is designed to ensure that skill levels of field experts are up-to-date and well matched to particular TA projects. Rosters are continuously updated with information related to performance;

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<sup>20</sup> There are a great many examples, including: *Changing Customs: Challenges and Strategies for the Reform of Customs Administration*, Editor Michael Keen, 2003; and *The Modern VAT*, Ebrill, Keen, Bodin and Summers, 2001.



- conducting research – All TA Departments carry out research, often resulting in the publication of IMF papers or other documents which are generally available on the IMF web site;
- evaluating TA – staff regularly review Fund TA.<sup>21</sup> In July 2002 the Executive Board established the TA Evaluation Program, in which three to four evaluations a year are presented to the Board,<sup>22</sup> and TA departments explain how they apply lessons learned from these evaluations. In 2005 the IEO also evaluated TA, paying special attention to its relevance and effectiveness and how to enhance ownership.<sup>23</sup> TA departments generally self-assess completed externally financed projects, and there are also independent evaluations of TA delivery through assessment visits to countries, particularly intense TA users, to distill policy lessons.<sup>24</sup>
- designing TA programs – the Fund organizes TA as projects which have a results-focused design.

191. The host country Mali is expected to continue to provide a financial contribution to defray the salary costs of the support staff during the five-year period of Phase III. The BCEAO would continue to contribute in-kind in providing the offices for the Center's staff and covering utility and maintenance costs of these offices.

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<sup>21</sup> The last review was conducted in 2004, "Review of Technical Assistance" (<http://www.imf.org/external/np/ta/2004/eng/021704.htm>).

<sup>22</sup> See <http://www.imf.org/external/np/pp/eng/2008/040408.pdf> on the most recent evaluations .

<sup>23</sup> IEO Report ([http://ieo-imf.org/eval/complete/eval\\_01312005.html](http://ieo-imf.org/eval/complete/eval_01312005.html)).

<sup>24</sup> Examples of past evaluations and studies include a review of TA on Large Taxpayer Units (2002), an evaluation of public expenditure management TA to Anglophone African countries (2004) (reported in <http://www.imf.org/external/np/ta/2004/eng/030104.htm>), and a study of the integration of tax and social security contributions (2004).

**AFRITAC West Budget Estimate**  
**November 2009-October 2014**

	In U.S. Dollars
<b><u>Office coordination and administration</u></b>	<b>8,114,460</b>
Staff	4,017,243
Lease*	1,218,673
Travel	408,521
Miscellaneous, including security, translation, communication	2,470,024
<b><u>TA and training (by activity)</u></b>	<b>40,084,027</b>
8 Resident Advisors TA Delivery	14,507,649
Salaries	12,879,415
Travel Costs	1,628,233
Short-term Expert TA Delivery (61 months of delivery)	10,759,014
TA Seminars	2,708,161
Training on Macroeconomic and Financial Issues	1,863,215
Diagnostic Interventions	4,724,264
Backstopping and Project Management	5,521,724
<b><u>TA and training (by TA area)</u></b>	<b>40,084,027</b>
Revenue administration	10,726,652
Public financial management	10,726,652
Financial sector supervision	4,286,555
Monetary policy and operations	4,286,555
Macroeconomic and financial statistics	8,155,092
Macro analysis	1,902,522
<b><u>Evaluation</u></b>	<b>300,000</b>
<b><u>Contingency</u></b>	<b>-</b>
<b><u>Trust fund management<sup>1</sup></u></b>	<b>2,942,099</b>
<b>Total</b>	<b>51,440,587</b>

\* Estimate.

<sup>1</sup> Levied on activities funded by the multidonor subaccount (almost all of which is for direct TA and training).

Source: Office of Technical Assistance Management.

### **M. AFW Sustainability**

192. **Continued strong commitment of beneficiary countries will be critical for AFW's success.** Without this, no lasting results will be achieved. It is therefore expected that beneficiary countries continue to take full ownership of AFW's assistance and drive project implementation by, *inter alia*, appointing senior-level government officials as SC members, providing travel and *per diem* expenses for these officials to attend SC functions. Where necessary, AFW beneficiary countries may also be approached to assist with administrative and logistical support for in-country training activities and other AFW events.

193. **Given the long-term nature of building human and institution capacity, it is expected that AFW's funding will be extended beyond the third cycle.** AFW will continue to place strong emphasis on "training the trainers" so as to build up regional expertise and prepare for an eventual exit strategy. The IMF will also continue to expand its roster of regional experts. The issue of sustainability of AFW's operations would form part of the TOR of a mid-cycle external evaluation.

## **IV. RTAC GOVERNANCE, OPERATIONS, VISIBILITY AND FINANCIAL MANAGEMENT**

### **A. Governance**

194. AFW is guided by the SC that consists of representatives from recipient countries, donors and the IMF. The SC provides strategic guidance to the Center and assists in setting its priorities. It also provides input on the topics to be covered by the team of resident Advisors and short-term experts, and endorses the Center's work plans. The IMF informs the SC on the selection and hiring of resident Advisors.

195. The SC holds annual meetings. Additional meetings may be convened as necessary. The SC is chaired on a rotating basis by the principal representative of one of the beneficiary countries (e.g. the deputy governor of the central bank). Observers to the SC can be permitted, from neighboring countries, interested donors or other TA providers.

### **B. RTAC Operations**

#### **Work Plan**

196. AFW's annual work plan is developed in consultation with member countries and within the context of the IMF's TA prioritization processes, managed through the RSN for Africa and the RAP. This process takes into account each beneficiary country's macroeconomic reform strategy. The IMF's continuous dialogue with AFW member countries provides a basis for the identification of key capacity-building needs in each country concerned. Drawing on this, TA priorities are determined and detailed country TA programs formulated jointly by the AFW and IMF HQ. This ensures that the activities of both are fully integrated with each other, as well as with country reform agendas. The development of the annual work plan is also coordinated with the IMF's budget cycle and resource allocation processes to ensure timely and predictable delivery of the planned TA.

197. Given the limited resources available to the Center, a main prioritization criterion in determining the work plan is each beneficiary country's record in making effective use of TA previously received. Peer review among the country representatives on the SC should, therefore, reinforce cooperation, accountability, and the effective use of resources.

198. AFW's work plan consists of the individual country TA programs, which may form part of broader regional projects. The AFW Coordinator seeks strategic guidance from SC members on the work plan, prior to seeking their formal endorsement. At each SC meeting, the AFW Coordinator delivers a monitoring report on the progress of the activities outlined in the workplan.

## Center Coordinator

199. **AFW is headed and managed by a Coordinator.** The Coordinator is responsible for the day-to-day management of AFW and its operations, under the strategic guidance from the SC and general oversight from the IMF. In consultation with the SC, the African Department, TA Departments and OTM, the Coordinator formulates the AFW's work plan and monitors its implementation. The Coordinator also serves as secretary to the SC. The Coordinator is appointed and supervised by the IMF with OTM having an oversight role over the RTACs.

## Staff

200. **AFW's staff comprises a number of resident Advisors in each of the relevant TA areas, office support personnel, and a pool of short-term experts for specific assignments.** The IMF is responsible for selecting and hiring AFW resident Advisors through international advertisements, and providing them with the technical support and backstopping required to ensure quality and consistency in their advice and activities. Short-term experts for peripatetic assignments are recruited through IMF HQ, based on the latter's roster of qualified experts, and are backstopped (see also section on quality Control) by the IMF.

201. While the Fund will continue to select AFW staff, the transparency of the recruitment process will be enhanced through regular information on job openings and staff appointments to the SC. The SC will be informed about all forthcoming resident Advisor vacancies at AFW. The IMF will also inform the SC regarding short-listed candidates and the person selected for the advertised position. In all recruitment of experts, due consideration will continue to be given to suitably-qualified candidates from Africa. Support staff positions will be filled regionally by the center coordinator, unless such staff are seconded from the host country.

## Accountability

202. AFW is designed and operated to ensure that IMF TA is delivered in a manner that is responsive and accountable to the recipient countries. AFW must also meet and maintain the high-quality standards that are expected of IMF TA. The IMF's recently revised dissemination policy<sup>25</sup> on TA reports will further improve accountability and facilitate coordination. Under the new policy, TA reports may be shared with SC members with consent of the TA recipient on a no-objection basis,<sup>26</sup> and on the understanding that such information shall be kept confidential. Sharing of TA reports with non-AFW donors will be

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<sup>25</sup>See <http://www.imf.org/external/np/pp/eng/2009/040609.pdf>.

<sup>26</sup> The consent would be from the individual TA recipient and not the country's SC representative.

determined on a case-by-case basis based on whether the donor in question has a legitimate interest in the TA report in question, perhaps due to its engagement in related activities in the recipient country. To enhance coordination, the SC members will also receive information which flags the need for any complementary TA.

203. It is a core objective of AFW that the activities of the Center reflect the ownership and commitment of its members. This helps to ensure the continued effectiveness and sustainability of the TA delivered.

204. As outlined throughout this document, the inputs of beneficiary countries are sought at various stages of the work planning and operations of AFW: during surveillance (“Article IV Consultations”) and diagnostic missions that inform the TA planning process by the African and TA Departments in their preparation of TA strategies, and through the input and oversight of AFW’s SC.

205. AFW utilizes a results-focused management system to track the implementation of its TA projects and activities in each country. This monitoring of TA project implementation against pre-determined objectives and indicators ensures the delivery of timely and effective TA. The results-focused management serves to provide consistency, coherence, and predictability in the planning and execution of AFW TA. Monitoring reports further increases the accountability of TA to country authorities, donors, and other TA providers.

206. The AFW’s SC provides an additional forum for accountability. Member countries can provide immediate feedback and recommendations on TA delivery and value. All SC members receive the information that allows them to guide AFW’s work.

### **Quality Control**

207. Maintaining the quality of the TA advice and activities delivered by AFW is the responsibility of the staff at IMF HQ and at AFW itself. This process begins when the TA Departments screen and appoint AFW’s resident advisors from a pool of vetted experts. IMF HQ support AFW by backstopping its staff and operations. Combining the recommendations of previous surveillance and TA missions with the needs of the country, the TA departments discuss with the resident advisors the objectives and outcomes of the mission. An important part of the backstopping at this early stage is the strategizing and sequencing of TA, to ensure that TA missions and outcomes build the capacity of the recipient country in a cumulative and logical manner. Throughout the mission of short-term experts and the stay of the resident Advisors, the TA departments provide supervision and support. This is a dynamic and fluid process that can take a number of forms.

208. TA departments review and authorize the TA reports produced by the resident advisors. Further, the Departments work with country authorities to ensure follow-up on the recommendations of TA missions. Country authorities also provide feedback on the value

and efficacy of the TA received. At all stages of each TA mission, the backstopping ensures the consistency and quality *across* countries.

209. The RTAC Coordinator provides an additional layer of quality control of the TA in their management of the day-to-day operations of the RTAC, and given their close relationship with the country authorities. As Coordinators are also present in country for longer periods, they can monitor the progress of beneficiary countries in implementing reforms that are supported by the RTAC.

## **Evaluation**

210. It is proposed that, after no fewer than three years of operation, an independent external evaluation of the work of AFW be carried out by a team of independent experts. The evaluation will assess AFW's effectiveness and sustainability and of its TA, bearing in mind the long-term nature of capacity building. The evaluation will formulate recommendations for improvement. The findings of the evaluation will inform discussions on AFW's future operations.

## **C. Visibility for AFW and Donors**

### **AFW Publications and website**

211. AFW will publish an annual report. The report will detail the work undertaken by the Center, and report on the progress toward the planned objectives and outcomes.

212. AFW will maintain its own website, providing regular updates on its operations. The website will serve as part of the public face of the Center. In particular, it will serve to foster coordination with other TA providers, including by providing contact information on specific issues and countries.

### **Visibility for donors**

213. The names or logos of all of the donors supporting AFW are displayed on reports and information produced by the Center as well as the letter head of official correspondence of the Center.

214. Where relevant and necessary, press releases may be issued to inform the public at large on AFW's work and accomplishments (e.g., at the end of selected seminars). Donors and beneficiary countries will be invited to participate.

#### **D. Financial Management**

215. Contributions from donors and recipient countries will be made into a multi-donor AFW Subaccount to be established under the IMF's Framework Administered Account for Selected Fund Activities (SFA).<sup>27</sup> This Subaccount will be used to receive and disburse financial contributions for the Center's activities; all resources contributed to the Subaccount will be for the sole use of AFW.

216. The basis for the financial arrangements between donors and the IMF will be a letter of understanding establishing the purposes of the contributions related to this program document and subject to the terms of and conditions of the subaccount, as well as the SFA framework instrument. The IMF undertakes the trust fund management for all contributions in accordance with its financial regulations and other applicable IMF practices and procedures.

217. The IMF will provide donors with reports on the Subaccount's expenditures through a secure external gateway. Separate reporting on the execution of AFW's budget will be provided at each SC meeting. Costs will be on an actual basis.<sup>28</sup> The operations and transactions conducted through the Subaccount during the financial year of the IMF will be audited as part of the IMF's Framework Administered Account and the report of the External Audit Firm is posted on the IMF's external website as part of the IMF's Annual Report. AFW is also subject to audits by the IMF's internal audit office.

218. AFW is an IMF office. It complies with IMF procurement practices.

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<sup>27</sup> See <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>.

<sup>28</sup> See <http://www.imf.org/external/np/pp/eng/2008/040308a.pdf>. Staff cost will be charged at the midpoint of the standard cost of the grade of staff members plus the relevant benefit factor, contractuels and long-term experts will be charged at the actual salary plus the relevant benefit factor; all other costs, including short-term experts, travel and seminars will be charged at actual cost.



## Appendix I. Major Outcomes Supported by AFW<sup>29</sup>

Capacity building is a joint effort of the many donors and TA providers, which are active in the region. Below are examples for results achieved in AFW countries, where AFW was engaged and contributed to these achievements.

### Customs Administration

#### Benin

- Implementation of the ASYCUDA++ computerized system and simplification of customs clearance procedures.
- Development of a customs information and intelligence management system as an essential tool of the fight against fraud.
- Implementation of a risk analysis and management system on customs office inspections of merchandises versus post-customs clearance control.

#### Burkina Faso

- Adoption of a legal framework for customs value assessment and development of a customs value database.
- Use of the ASYCUDA++ computerized system in major customs offices with a single server and simplification of customs clearance procedures.
- Simplification of customs clearance procedures and reduction of average time to clear customs.

#### Côte d'Ivoire

- Automated intercommunion of Côte d'Ivoire and Ghana customs offices with the creation of a common website (Alix) resulting in an improvement in the monitoring of goods in transit between the two countries.
- Migration to the latest edition of ASYCUDA, ASYCUDA WORLD, which integrates management of specific customs regimes in a single computerized system
- Creation of a risk analysis office in the Directorate General of Customs.

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<sup>29</sup> Outcomes are highlighted in italics. Please note that if a country is not listed in a sector, AFW did not have substantive involvement in that country in that sector.

## **Guinea**

- Enactment of the WAEMU/ECOWAS common external tariff.
- Use of the ASYCUDA++ customs clearance computerized system in all customs offices in the capital city Conakry.
- Computerization of the monitoring of customs exemptions, with a control of the final use of exempted goods.

## **Guinea-Bissau**

- Establishment of commercial bank tellers in customs offices in Bissau to facilitate and secure customs duty payments.
- Development of a customs value database, using in the first instance the 30 products that are the largest customs duty payers.
- Creation of an internal audit function at customs.

## **Mali**

- Organization of customs inspections in two types (1) primary inspections or in a customs office and (2) post-customs clearance controls.
- Creation of a committee and a technical unit in charge of risk management at customs.

## **Mauritania**

- Effective data reconciliation between the Directorate General of Customs and import pre-shipment inspection company, allowing for a better control over customs assessments.

## **Niger**

- Organization of customs inspections in two types (1) primary inspections of imports in customs offices and (2) post-customs clearance controls.
- Steps taken for an automated connection between Niger and Benin border customs offices and appointments of Nigerien customs officers in major transit ports for Niger imports.

## Senegal

- Decision taken by the Directorate General of Customs to implement a risk management system.

## Togo

- A draft Customs Code has been written and submitted to the government for approval by parliament
- ASYCUDA++ is operational in major customs offices, including at the border with Burkina Faso, as well as the automated connection allowing the monitoring of Burkina Faso's imports in transit. Customs offices have been streamlined following the effective use of ASYCUDA++.

## Tax Administration

### Benin

- Large Taxpayer Office (LTO) operations have been strengthened and compliance from large taxpayers has improved .
- A risk-based audit selection has been implemented in 2007 and 2008, with AFW's assistance, resulting in a mitigation of major risks (such as stopfiling issues).
- AFW has helped design and launch action plans aiming at (1) strengthening medium-sized taxpayers office (MTO) operations, and (2) broadening the tax base by bringing informal activities into the tax net. .

### Burkina Faso

- AFW has helped implement measures aiming at improving large taxpayers' compliance, including designing a risk-based audit program. As a result, the filing rate at the LTO increased to 95% on average.
- AFW has helped design an action plan to strengthen the medium-sized taxpayer office (MTO), which includes the review of the MTO portfolio, the implementation of risk-based audit methods, and the development of exchange of data with customs.
- A single tax identification number is now used by the tax and customs departments in their respective IT system, thus facilitating exchange of information.

## **Guinea**

- AFW has helped the tax department implement its multi-year strategic plan (notably implementation of the performance management system, design of a compliance program, enhancement of synergies between tax and customs departments).
- AFW has helped design the action plan for establishing a medium-sized taxpayer office.

## **Guinea-Bissau**

- AFW has helped design an action plan to improve the Large Taxpayer Office (DSGE) operations, with focus on registration, surveillance of filing obligations, and audit.. This has resulted in a significant increase of tax collection.

## **Mali**

- AFW has helped implement the action plan for establishing a medium-sized taxpayer office.
- AFW has helped develop computerized based management tools to monitor field offices operations and performances.
- AFW has helped develop a plan for enhancing exchange of information between the tax department and other public agencies (notably in the mining sector).

## **Mauritania**

- AFW has helped improve the small medium-sized taxpayer office operations with focus on (i) increasing the number of registered taxpayers, (ii) improving the filing rate and (iii) enhancing exchange of data with customs using the TIN). .

## **Niger**

- AFW has helped design and implement an action plan aimed at improving large and medium-sized taxpayers compliance (the filing rate at the LTO has already increased).
- AFW has helped strengthen intelligence operations with the aim to improve audit selectivity and broaden the tax base.
- AFW has helped design a taxpayer service program including (assistance, education and internal and external communication).

## **Togo**

- AFW has helped strengthen the Large Taxpayer Office (DGE) operations resulting in an improvement of large taxpayers compliance (increased filing rate).
- AFW has helped improve small- and medium-sized taxpayer office (DPME) operations, with a focus on expanding the MTO 's coverage and increasing its portfolio.
- AFW has helped develop a risk-based audit strategy (focusing on major risks stopfilers and VAT credits) and enhance exchange of information between tax and customs departments.

## **Public Finance Management**

### **Benin**

- Submission of the budget in a comprehensive presentation, including annexes on public enterprises (EPN) and program budgeting, starting with fiscal year 2008
- Clearer functional and economic classifications of the budget, in accordance with the GFSM 2001, starting in fiscal year 2009.
- Compared with 2006-07, reduction by more than 25 percent of payment orders and expenditures paid which have not been approved by Parliament.

### **Burkina Faso**

- Functional classification of the budget prepared and submitted to the Cabinet, and better tracking of poverty-reducing spending.
- Refined classification of externally financed investments submitted to the Cabinet
- A plan for an administrative clearance of old fiscal years' accounts proposed to the Auditor General Office.

### **Côte d'Ivoire**

- Adopted an improvement action plan for the computerized expenditure information system, as well as the TOR for the computerization of the improvements (SIGFID and ASTER).

### **Guinea**

- Adoption of a public finance reform strategy on the basis of AFW-led diagnostic.

- Revised budget nomenclature and government accounting framework adopted by the government in 2008.
- Submission to Cabinet of the Organic Law regulating budget laws.
- Establishment of a consistency control mechanism between net bank credit to the government (*position nette du gouvernement*) and Treasury accounts.
- Made operational a payments arrears monitoring and evaluation mechanism.

### **Guinea-Bissau**

- A simplified government accounting framework has been adopted by the authorities and guidelines for accounting procedures drafted and translated in Portuguese.
- A budget nomenclature and a timetable for the preparation and adoption of the budget have been adopted by the authorities.
- Government budget has been approved annually since 2005.

### **Mali**

- An action plan to strengthen public finance information management systems has been adopted, based on AFW-led diagnostic of the computerized expenditure information system, as well as the TORs of the computerization.
- A Treasury management committee, meeting weekly, is in place, and an improved cash management mechanism has been developed.

### **Mauritania**

- Computerized expenditure management system in place with an interface to the computerized government accounting system (Bet- El- Mal),
- Decentralized budget management and internal financial control made operational.
- Revised budget classifications submitted to Cabinet for approval, with a view to improving budget execution and allowing a tracking of sectoral expenditures (education, health, etc.).

## **Niger**

- A Treasury accounting framework adopted, in accordance with the WAEMU guidelines on government accounting framework.
- The list of pro-poor expenditures has been made public by the government.
- Government's decrees signed to the effect of restructuring the Treasury, with a distinction of regulation functions from accounting functions.

## **Senegal**

- An action plan has been adopted to improve the computerized budget and accounting information systems.

## **Togo**

- Guidelines of accounting procedures made effective and trained public accountants to implement these guidelines.
- Guidelines of internal control procedures for the internal control office of the Ministry of Finance (IGF) have been drafted and the first IGF's work program adopted by the authorities.
- A diagnostic of computerized expenditure management system has been conducted.

## **WAEMU Commission**

- Guidelines on the harmonized regional fiscal framework have been redrafted, in accordance with international standards and best practices in public finance management; awaiting adoption by the WAEMU Council of Ministers.

## **ECOWAS Commission**

- A concept note on fiscal harmonization in ECOWAS has been prepared.

## **Debt Management and Financial Markets Development**

### **Benin**

- Establishment and maintenance of a debt database, including all borrowings and schedules of payments.
- A debt committee has been established, in accordance with WAEMU policy recommendation; following training jointly by AFW and *Pôle Dette*, the committee

prepared in 2008 a debt sustainability analysis, with a resulting medium-term debt strategy.

- The government is now issuing treasury bills and long-term obligations on the regional financial markets.

### **Burkina Faso**

- A debt committee has been established, in accordance with WAEMU policy recommendation; following training jointly by AFW and *Pôle Dette*, the committee prepared in 2008 a debt sustainability analysis, with a resulting medium-term debt strategy.
- The government is now issuing treasury bills and long-term obligations on the regional financial markets.

### **Côte d'Ivoire**

- Establishment and maintenance of a debt database, including all borrowings and schedules of payments.
- The government is now issuing treasury bills and long-term obligations on the regional financial markets.
- Côte d'Ivoire provided direct technical assistance to Mauritania in developing a debt management software and in training personnel in the use of such a software.

### **Guinea**

- Establishment and maintenance of a debt database, including all borrowings and schedules of payments.

### **Guinea-Bissau**

- Establishment of a simple debt database using Excel, but not maintained up-to-date.

### **Mali**

- Establishment and maintenance of a debt database, including all borrowings and schedules of payments.
- A debt committee has been established, in accordance with WAEMU policy recommendation; following training by AFW, the committee prepared in 2008 a debt sustainability analysis, with a resulting medium-term debt strategy.



- The government is now issuing treasury bills and long-term obligations on the regional financial markets.

### **Mauritania**

- Establishment of a debt database, including all borrowings and schedules of payments.

### **Niger**

- A debt committee has been established, in accordance with WAEMU policy recommendation; following training jointly by AFW and Pôle Dette, the committee prepared in 2008 a debt sustainability analysis, with a resulting medium-term debt strategy.
- The government is now issuing treasury bills and long-term obligations on the regional financial markets.

### **Senegal**

- Establishment and maintenance of a debt database, including all borrowings and schedules of payments.
- A debt committee has been established, in accordance with WAEMU policy recommendation; following training jointly by AFW and Pôle Dette, the committee prepared in 2008 a debt sustainability analysis, with a resulting medium-term debt strategy.
- The government is now issuing treasury bills and long-term obligations on the regional financial markets.

### **Togo**

- Establishment of a debt database, including all borrowings and schedules of payments.
- Togo produced all reliable central government's debt data needed for the compilation of interim debt relief at the HIPC Initiative's decision point, and for Paris Club's debt restructuring.

### **Regional issues—WAEMU Commission**

- Five countries have established their debt committee, in accordance with WAEMU policy recommendation ; and completed a debt sustainability analysis in 2008 and a resulting medium-term debt strategy, which were attached to the budget bill for 2009.

## **Supervision of Microfinance Institutions**

### **Benin**

- Separation of promotion and supervision activities.
- Implementation of a permanent file (file in which the authorities keep track of information gathered and which contains permanent documents—such as the statutes, licensing authorization, inspection reports, annual reports—on each microfinance institution.

### **Burkina Faso**

- Separation of promotion and supervision activities
- Off site controls implemented
- Implementation of a permanent file on Microfinance Institutions

### **Côte d'Ivoire**

- Inspections based on international best practices
- Documentation of risks in permanent file of each MFI.
- Off site controls implemented

### **Guinea**

- Legal and regulatory framework adopted by parliament.
- Implementation of inspection techniques in line with best international practice
- Off site controls implemented

### **Mali**

- Separation of promotion and supervision activities
- Off site controls implemented
- Implementation of inspection techniques in line with best international practice

### **Mauritania**

- Legal and regulatory framework adopted by parliament

- Off site controls implemented

### **Senegal**

- Separation of promotion and supervision activities
- Off site controls implemented
- Implementation of inspection techniques in line with best international practice

### **Togo**

- Off site controls implemented
- On site inspection implemented

## **Government Finance Statistics**

### **Benin**

- Appointment of an official responsible for GFS in all interested agencies (Treasury, budget, customs and tax administration), resulting in improvement in quality and timeliness of source data and the central government financial operations table (TOFE).
- Monthly TOFE compiled in accordance with the 1998 WAEMU guidelines on the TOFE.
- The authorities have appointed an official, who submits the GFS to the IMF for publication in its reports.
- Annual data for Benin produced in accordance with GFSM 2001 classifications and published in the IMF Government Finance Statistics Yearbook.

### **Burkina Faso**

- Annual data for Burkina Faso produced in accordance with GFSM 2001 classifications and published in the IMF Government Finance Statistics Yearbook.
- Establishment of a Statistics Division in the Directorate General of the Treasury and Public Accounting (DGTCP) in the Ministry of Finance
- Preparation of a template of the Central Government Operations Table (TOFE), based on the ledger of Treasury accounts (*balance des comptes du Trésor*).

### **Côte d'Ivoire**

- Improvement in coverage, quality and timeliness of source data for the production of the Central Government Operations Table (TOFE), compared with 2006, owing to the institution of monthly coordination meetings of all interested agencies (Treasury, budget, customs and tax administration) to eliminate inconsistencies in source data.
- Monthly Central Government Operations Table (TOFE) produced by the Technical secretariat of the Committee in charge (*Comité TOFE*).
- Annual data for Côte d'Ivoire produced in accordance with GFSM 2001 classifications and published in the IMF Government Finance Statistics Yearbook.

### **Guinea**

- Establishment of a table to convert annual data from GFSM 1986 classification to GFSM 2001 classification.
- Annual data for Guinea produced in accordance with GFSM 2001 classifications for the period 2005-2007, awaiting publication in the IMF Government Finance Statistics Yearbook.

### **Guinea-Bissau**

- Monthly TOFEs in line with the 1998 WAEMU guidelines on the TOFE and the GFSM 2001 have been produced on a regular basis since 2007.
- An order from the Minister of Finances has been issued to ensure regular transmission of source data, in accordance with precise timetable known by all interested agencies.

### **Mali**

- Establishment of an ad hoc Committee to organize government finance statistics (CAOSFP). The committee is in charge of preparing a strategic plan to migrate to the standards of the GFSM 2001.
- Constitution of a task force to prepare the meetings of the CAOSFP.
- Annual data for Mali produced in accordance with MSPF 2001 classifications and published in the IMF Government Finance Statistics Yearbook.

## **Mauritania**

- A computerized system to compute public finance aggregates from the ledger of Treasury accounts has been revised.

## **Niger**

- Appointment of an official responsible for GFS in all interested agencies (Treasury, budget, customs and tax administration), resulting in improvement in quality and timeliness of source data and the central government financial operations table (TOFE).
- Monthly TOFE compiled in accordance with the 1998 WAEMU guidelines on the TOFE.
- Annual data produced in accordance with GFSM 2001 classifications and published in the IMF Government Finance Statistics Yearbook.

## **Togo**

- Annual data for Togo produced in accordance with GFSM 2001 classifications and published in the IMF Government Finance Statistics Yearbook.
- Establishment of a monthly monitoring system of GFS, resulting in a reduction of inconsistencies in source data and an improvement in quality and timeliness of the TOFE.

## **WAEMU Commission**

- Draft revised WAEMU guidelines on the TOFE have been prepared by a joint technical committee of the WAEMU Commission and member countries (with assistance from AFW, IMF HQ, and the EU), in accordance with GFSM 2001 classifications. They are scheduled to be adopted by the WAEMU Council of Ministers in the coming months.

## **Real Sector Statistics**

### **Benin**

- Implementation by the National Institute of Statistics (INS) of a data treatment system for insurance companies producing all the information needed to compile the full sequence of accounts for the insurance sub-sector.
- Implementation by the INS of a data treatment system for external trade data, using customs statistics as source data.

### **Burkina Faso**

- INS is using the 1993 SNA and the computer software for national accounts (ERETES) to compile national accounts, including newly appointed statisticians.
- Production of investment estimates using a matrix of investments relating purchases of goods and services (buildings, civil works, equipments, vehicles, etc.) with buying institutional sectors (modern enterprise sector, public administrations, informal sector, etc.).

### **Côte d'Ivoire**

- Improvement in the compilation of the consumer price index and implementation of GDP deflators and deflators for all other aggregates using consistent compilation procedures.
- INS is now compiling the production of transport services by the informal sector using more relevant indicators, such as statistical data on number of automotive vehicles in circulation, actual prices for transportation services.

### **Guinea**

- Publication by INS of a series of quick national accounts, in accordance with the 1993 SNA, including accounts on goods and services at current prices and at (constant) 2003 prices, as well as the integrated national accounts table.
- Establishment of procedures of quality control in the section of the INS in charge of price statistics.

### **Guinea-Bissau**

- A system to compile national accounts using available data and assumptions on the structure of the economy has been put in place by the INS.
- INS is using the 1993 SNA to compile national accounts, following AFW training.

### **Mali**

- INS is using some basic data initially collected for the compilation of the IPI to provide estimates of volume indices in national accounting.
- INS is now compiling accounts of bank and other financial institutions, using monetary and financial statistics produced by the Central Bank of West African States (BCEAO).

**Mauritania**

- Production by the INS of a series of revised national accounts for the period 1992 – 2005 in accordance with SNA 93. This work, conducted with assistance from AFW, was undertaken in the context of broader revision of all economic statistics in Mauritania.
- Revision of the methodology of production of provisional national accounts, in accordance with the 1993 SNA.

**Niger**

- Adoption of methods for the treatment in national accounts of exploration activities in the mining sector, in accordance with the 1993 SNA.
- Adoption by INS of a system of compilation of customs and import taxes collected at customs, and tracking of the final use of imported goods (final consumption, inputs or investment).

**Senegal**

- The National Institute of Statistics and Population Studies (ANSD) has produced a series of the accounts of all institutional sectors (including financial accounts) for 2001-2006.
- Adoption of a matrix using data included in the Central government's Operations Table (TOFE) and the accounts of the institutional sector of public administrations in national accounts.

**Togo**

- ANSD is using data included in statistical and tax filings submitted by companies to tax administration to start compiling accounts of the institutional sector of enterprises in national accounts.

## AFW Countries Statistical Data Collection and Publication

**Table 1. Afrifac West: Relative Strength of National Statistics Systems**

	Real Sector Statistics					Other Macro data				
	Statistical Practice	National Accounts	CPI Basket less than 10 Years Old	Industrial Production Index Available	Export/Import Price Indices Available	Consolidated Government Accounts Available	Use of BPM5	External Debt Reported	Subscribe to SDDS	
		Base Year less than 10 Years Old								
	Data Collection 1/ 2/	Rank 2/3/								
Benin	50	30	No	No	No	No	Yes	Yes	No	
Burkina Faso	50	40	Yes	No	No	No	No	Yes	No	
Cote d'Ivoire	70	40	No	Yes	No	Yes	Yes	Yes	No	
Guinea	40	30	No	No	No	No	Yes	Yes	No	
Guinea-Bissau	40	10	No	No	No	No	Yes	No	No	
Mali	60	20	No	No	No	No	No	Yes	No	
Mauritania	40	40	No	Yes	No	No	No	Yes	No	
Niger	40	30	No	No	No	No	Yes	Yes	No	
Senegal	60	60	Yes	Yes	No	No	Yes	Yes	No	
Togo	40	40	No	No	No	No	Yes	Yes	No	
Average or Number of Yes	49	34	2 of 10	3 of 10	0 of 10	1 of 10	7 of 10	9 of 10	0 of 10	

Source: World Bank Country Statistical Information Database

1/ Refers to periodicity of source data collection (i.e., agriculture, population, and poverty censuses).

2/ Rank on an scale of 0 to 100. Average rating for all low and middle-income IDA/IBRD countries (with a population of over 1 million) is 62 for Data Collection and 56 for Statistical Practice.

3/ Refers to compilation methodologies for national accounts, consumer and producer price indices, government finance statistics, and external debt & balance of payments data, and countries' participation in the IMF Special Data Dissemination Standard (SDDS).



**Table 2: Afritac West: Frequency of Data Production, Data Reporting to IMF Area Department, and Data Publication in Local Venue**

	National Accounts Data			CPI Data			GFS Data (Central Gvt.)		
	Production	Reporting	Publication	Production	Reporting	Publication	Production	Reporting	Publication
Benin	A	A	A	M	M	M	M	M	A
Burkina Faso 1/	...	...	...	...	...	...	...	...	...
Cote d'Ivoire	A	M	M	M	M	M	NA	NA	NA
Guinea 1/	...	...	...	...	...	...	...	...	...
Guinea-Bissau	A	I	I	M	M	M	NA	NA	NA
Mali 1/	...	...	...	...	...	...	...	...	...
Mauritania 1/	...	...	...	M	M	M	...	...	...
Niger	A	I	A	M	M	M	Q	Q	I
Senegal	A	I	A	M	M	M	NA	NA	NA
Togo	A	A	NA	M	M	M	M	M	NA

	Central Bank Data			Banking Survey Data			Monetary Survey Data		
	Production	Reporting	Publication	Production	Reporting	Publication	Production	Reporting	Publication
Benin	M	M	M	M	M	M	M	M	M
Burkina Faso 1/	...	...	...	...	...	...	...	...	...
Cote d'Ivoire	M	M	M	M	M	M	M	M	M
Guinea 1/	...	...	...	...	...	...	...	...	...
Guinea-Bissau	M	M	M	M	M	M	M	M	M
Mali 1/	...	...	...	...	...	...	...	...	...
Mauritania 1/	M	M	M	...	...	...	M	M	M
Niger	M	I	M	M	I	M	M	I	M
Senegal	M	M	M	M	M	M	M	M	M
Togo	M	Q	NA	M	Q	NA	M	Q	NA

	Balance of Payments Data			External Debt Data		
	Production	Reporting	Publication	Production	Reporting	Publication
Benin	A	A	A	NA	NA	NA
Burkina Faso 1/	...	...	...	...	...	...
Cote d'Ivoire	A	A	A	M	M	M
Guinea 1/	...	...	...	...	...	...
Guinea-Bissau	A	I	I	NA	NA	NA
Mali 1/	...	...	...	...	...	...
Mauritania 1/	...	...	...	...	...	...
Niger	A	I	A	Q	I	A
Senegal	A	A	A	A	A	A
Togo	A	A	NA	A	A	NA

Source: IMF Statistics Department, Databank for 2007 Review of Data Provision to the Fund.

A= annual; Semi -A=semi-annual; Q=quarterly; M=monthly; D=daily; NA=not available.

1/ No data were recorded in the Statistics Department's databank.

**Table 3. Afritac West: Data Publication in IFS 1/**  
(As reported in February 2009 IFS Issue)

	National Accounts	CPI	Monetary Data			GFS Data	Balance of Payments
			Central Bank	Banking Survey	Monetary Survey		
Benin	2007	Nov. 2008	Oct. 2008	Oct. 2008	Oct. 2008	2006	2006
Burkina Faso	2007	Aug. 2008	Oct. 2008	Oct. 2008	Oct. 2008	2005 *	2001
Cote d'Ivoire	2007	Nov. 2008	Oct. 2008	Oct. 2008	Oct. 2008	2006 *	2007
Guinea	Q3 2008	NA	2005	2005	2005	NA	2007 *
Guinea-Bissau	2007	Apr-08	Oct. 2008	Oct. 2008	Oct. 2008	NA	2004
Mali	2007	Nov. 2008	Oct. 2008	Oct. 2008	Oct. 2008	2003 *	2006
Mauritania	NA	Oct. 2008	2003	2003	2003	NA	NA
Niger	2007	Nov. 2008	Oct. 2008	Oct. 2008	Oct. 2008	NA	2006
Senegal	2007	Nov. 2008	Oct. 2008	Oct. 2008	Oct. 2008	NA	2006
Togo	2007	Nov. 2009	Oct. 2008	Oct. 2008	Oct. 2008	NA	2006
WAEMU	2002	Aug. 2008	Oct. 2008	Oct. 2008	Oct. 2008	NA	NA

Source: IFS

1/ Number is parenthesis refers to latest data observation.

\*/ Data reported are incomplete, lack detail and/or contain gaps in data series.

NA = not available.

### Appendix III. Selected Macroeconomic Indicators

**Table 1. Real GDP Growth**  
(*In percent*)

	2004	2005	2006	2007	2008
Benin	3.1	2.9	3.8	4.6	5.1
Burkina Faso	4.6	7.1	5.5	3.6	4.5
Côte d'Ivoire	1.6	1.9	0.7	1.6	2.9
Guinea	2.3	3.0	2.4	1.8	4.5
Guinea-Bissau	2.2	3.2	1.8	2.5	3.2
Mali	2.4	6.1	5.3	3.1	4.9
Mauritania	5.2	5.4	11.4	1.0	5.0
Niger	-0.8	8.4	5.8	3.3	5.9
Senegal	5.9	5.6	2.3	4.8	3.9
Togo	2.4	1.2	3.9	1.9	0.8
<b>West AFRITAC (average)</b>	2.9	4.5	4.3	2.8	4.1

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

**Table 2. Consumer Prices**  
(*Annual changes, in percent*)

	2004	2005	2006	2007	2008
Benin	0.9	5.4	3.8	1.3	8.1
Burkina Faso	-0.4	6.4	2.4	-0.2	10.5
Côte d'Ivoire	1.5	3.9	2.5	1.9	6.3
Guinea	17.5	31.4	34.7	22.9	17.9
Guinea-Bissau	0.8	3.4	2.0	4.6	9.6
Mali	-3.1	6.4	1.9	2.5	2.5
Mauritania	10.4	12.1	6.2	7.3	12.5
Niger	0.4	7.8	0.1	0.1	11.3
Senegal	0.5	1.7	2.1	5.9	5.8
Togo	0.4	6.8	2.2	1.0	8.4
<b>West AFRITAC (average)</b>	2.9	8.5	5.8	4.7	9.3

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

**Table 3. Overall Fiscal Balance, Including Grants**  
(Central government, in percent of GDP)

	2004	2005	2006	2007	2008
Benin	-1.0	-2.5	-0.5	1.6	-1.0
Burkina Faso <sup>1</sup>	-4.3	-5.1	16.7	-5.7	-4.6
Côte d'Ivoire	-1.7	-1.7	-1.8	-0.4	-0.8
Guinea	-5.4	-1.6	-3.2	0.3	-1.0
Guinea-Bissau	-15.0	-11.9	-9.7	-10.3	1.1
Mali <sup>1</sup>	-2.6	-3.2	32.0	-3.7	-3.6
Mauritania	-4.8	-7.1	35.9	-1.8	-3.7
Niger <sup>1</sup>	-3.6	-2.0	40.3	-1.0	-0.5
Senegal	-2.7	-3.5	-6.4	-4.3	-3.3
Togo	1.0	-3.5	-3.8	-1.9	-1.3
<b>West AFRITAC (average)</b>	-4.0	-4.2	10.0	-2.7	-1.9

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

<sup>1</sup> For 2005–07, ratios represent the sum of deflated monthly flows divided by annual real GDP.

Conventionally calculated annual flows in relation to nominal GDP become distorted in a hyperinflation environment.

**Table 4. Government Revenue, Excluding Grants**  
(In percent of GDP)

	2004	2005	2006	2007	2008
Benin	16.4	16.5	16.8	20.6	19.3
Burkina Faso	13.0	12.8	13.0	13.6	13.3
Côte d'Ivoire	17.5	17.0	18.4	19.6	18.6
Guinea	11.5	14.5	14.8	14.3	14.9
Guinea-Bissau	17.2	17.6	19.6	15.6	25.5
Mali	17.4	17.9	17.7	17.7	17.1
Mauritania	29.7	24.5	29.5	25.6	25.6
Niger	11.4	10.6	13.0	15.2	17.4
Senegal	18.3	19.2	19.9	21.3	20.2
Togo	16.8	15.7	16.9	17.0	16.9
<b>West AFRITAC (average)</b>	16.9	16.6	18.0	18.0	18.9

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

**Table 5. Government Expenditure**  
(Central government, in percent of GDP)

	2004	2005	2006	2007	2008
Benin	20.1	21.1	19.5	22.0	23.3
Burkina Faso	21.7	22.4	24.3	25.8	24.0
Côte d'Ivoire	20.1	19.9	20.8	20.5	20.9
Guinea	17.9	16.9	19.6	14.8	18.5
Guinea-Bissau	49.4	42.2	41.2	41.9	40.8
Mali	24.0	25.2	25.4	26.8	25.0
Mauritania	37.7	33.7	28.5	29.7	32.2
Niger	20.8	20.2	19.8	23.4	24.2
Senegal	23.1	24.3	27.8	28.1	25.7
Togo	16.6	20.4	22.1	20.6	19.4
<b>West AFRITAC (average)</b>	<b>25.1</b>	<b>24.6</b>	<b>24.9</b>	<b>25.4</b>	<b>25.4</b>

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

**Table 6. Broad Money**  
(In percent of GDP)

	2004	2005	2006	2007	2008
Benin	26.5	29.8	32.4	31.7	30.6
Burkina Faso	23.5	21.0	21.9	25.2	25.2
Côte d'Ivoire	23.7	24.1	25.3	29.9	29.9
Guinea	18.2	19.0	22.1	19.6	20.3
Guinea-Bissau	30.5	33.0	34.3	40.6	44.4
Mali	29.4	29.7	28.8	30.3	27.7
Mauritania	33.9	31.2	24.5	28.8	27.7
Niger	15.2	14.0	15.2	17.5	18.9
Senegal	34.1	33.9	36.1	36.9	35.7
Togo	31.1	28.9	33.9	38.8	40.4
<b>West AFRITAC (average)</b>	<b>26.6</b>	<b>26.5</b>	<b>27.4</b>	<b>29.9</b>	<b>30.1</b>

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

**Table 7. External Current Account, Including Grants**  
(In percent of GDP)

	2004	2005	2006	2007	2008
Benin	-7.2	-5.5	-5.7	-6.7	-9.6
Burkina Faso	-10.6	-11.7	-9.6	-8.3	-11.3
Côte d'Ivoire	1.6	0.2	2.8	-0.7	0.1
Guinea	-1.9	-0.6	0.5	-2.0	-6.3
Guinea-Bissau	1.8	-5.1	-13.9	-2.2	0.2
Mali	-8.4	-8.3	-3.7	-7.2	-6.1
Mauritania	-34.6	-47.2	-1.3	-11.4	-6.3
Niger	-7.8	-8.3	-8.2	-8.9	-9.9
Senegal	-6.1	-7.8	-9.4	-10.7	-12.4
Togo	-3.0	-5.3	-6.6	-6.4	-7.0
<b>West AFRITAC (average)</b>	-7.6	-9.9	-5.5	-6.4	-6.9

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

**Table 8. External Debt to Official Creditors**  
(In percent of GDP)

	2004	2005	2006	2007	2008
Benin	41.3	36.3	10.8	11.9	12.4
Burkina Faso	41.8	38.9	21.1	19.8	19.2
Côte d'Ivoire	61.8	55.4	59.2	59.3	47.7
Guinea	87.8	107.6	111.8	77.6	68.7
Guinea-Bissau	378.7	332.0	322.5	284.4	235.3
Mali	48.8	47.7	22.2	22.7	22.0
Mauritania	203.2	123.2	86.9	89.9	50.1
Niger	58.8	51.6	15.8	16.0	14.4
Senegal	46.3	40.3	18.7	19.2	17.9
Togo	96.6	81.9	82.8	85.6	64.1
<b>West AFRITAC (average)</b>	106.5	91.5	75.2	68.7	55.2

Sources: IMF, African Department database; and World Economic Outlook (WEO) database.

## Donor Matrix for AFW Countries

List of donors and other TA providers  
Mar-09

Country	Budget support	Revenue administration	PFM	Monetary and exchange rate policy	Banking supervision	Capital markets and debt	Statistics	Major donors (ranked by ODA disbursements excl. Debt 2006)
<b>AFRITAC West</b>								
Benin	"ABC" Group: World Bank, ADB, EC, France, the Netherlands, Switzerland, Denmark, IMF	France (tax and customs administration) Canada (customs administration) USA (customs reforms) IMF/Japan (tax and customs administration)	EC (PEFA) ABC group (reforms, public expenditure, budget, public account, public accounting) ADB (audit, budget, public expenditure) Canada (audit)				Afristat (price surveys-regional harmonization, household statistics)	France, EC, Denmark, Germany, the Netherlands, World Bank, USA, ADB, Belgium, Canada, Japan, Switzerland, IDB, Luxembourg, Spain UN
Burkina Faso		France (tax and customs administration) Switzerland (tax administration) IMF/Switzerland (tax policy and administration) IMF/Japan (tax and customs administration)	EC/World Bank (PEFA) CGAB group (reforms, budget, public expenditure) ADB (audit, provision, procurement, budget) France (budget, reform) Denmark (audit, budget, treasury) Germany (provision)		ADB (microfinance)		Afristat (price surveys-regional harmonization, household statistics)	World Bank, EC, France, the Netherlands, ADB, IDB, Denmark, Germany, USA, Switzerland, Japan, Taiwan, Belgium, Canada, Sweden, Luxembourg, Austria, South, Italy, Finland UN
Cote d'Ivoire		IMF/Japan (modernization of revenue administration)	EC (reforms) World Bank (reforms)				Afristat (price surveys-regional harmonization, household statistics, training)	World Bank, France, EC, USA, Germany, Sweden, Canada, Belgium, Norway, Spain, IDB, Japan, Switzerland, UK UN
Guinea	World Bank (education), EC, France (td)	France (tax and customs administration) World Bank (mining taxation)	EC (payroll) USA (budget preparation) World Bank (extensive) ADB (audit, state portfolio management)	IMF/Japan (monetary and foreign exchange, accounting)		ADB (public debt management) World Bank (debt management)	World Bank (poverty indicators) IMF/Japan (household statistics, harmonization, household statistics, poverty indicators, industrial prices, IT)	USA, EC, France, Japan, Germany, IDB, Canada, ADB, World Bank, Belgium, Luxembourg, Norway, Spain, Sweden, Switzerland, UK UN, China, Kuwait, Saudi Arabia
Guinea-Bissau	EC		World Bank (PEFA, procurement, public expenditure) ADB (procurement, audit) France (IT, public accounting)				Afristat (price surveys-regional harmonization, household statistics)	EC, Portugal, USA, Spain, France, Canada, World Bank, Belgium, Italy, Switzerland, Sweden, Czech, China, Mozambique, Venezuela
Mali	"Arrangement sur l'aide budgétaire générale": EC, France, ADB, Sweden, Canada, IMF, World Bank, Netherlands, World Bank	EC (tax administration) France (tax and customs administration) Canada (tax administration) ADB (tax administration) IMF/Japan (tax administration)	World Bank (PEFA) ADB (audit, budget) France (reform, audit, treasury) EC (audit, budget planning) Germany (budgetary planning)	Germany (CB provision)	France (development bank, microfinance) Canada (microfinance)	ADB (debt sustainability)	EC (reform, poverty indicators) France (reform, poverty indicators) Luxembourg (household statistics) Sweden (poverty indicators) Afristat (price surveys-regional harmonization, household statistics, poverty indicators and labor statistics)	EC, World Bank, ADB, France, The Netherlands, USA, Sweden-Norway, Germany, Canada, Japan, IDB, Belgium, Luxembourg, Switzerland, Spain, Italy, Denmark, USA UN
Mauritania	EC (envisaged over medium term)	France (revenue administration) IMF/Japan (customs administration)	EU (PEFA) France (treasury reform, public expenditure, control) World Bank (procurement, public expenditure, training)		ADB (microfinance) France (commercial banking microfinance) World Bank (commercial banking regulatory framework)		France (reform, audit, national accounts, public finance) Japan, USA, Belgium, Canada, IDB, Italy, Sweden, UK UN China, Qatar, Saudi Arabia, IDB	World Bank, France, EC, Germany, Spain, Japan, USA, Belgium, Canada, IDB, Italy, Sweden, UK UN
Niger	EC World Bank France IMF/Japan (improving the M-T budget framework)	France (tax administration), EC World Bank ADB USA	EC (PEFA) France (budget, reforms) World Bank ADB USA		World Bank (microfinance, reconstruction, supervision)		Afristat (price surveys-regional harmonization, household statistics, national accounts, reform, evaluation)	France, EC, World Bank, USA, ADB, Germany, Belgium, Canada, IDB, Denmark, Japan, Switzerland, Luxembourg, Italy, UK, Spain, Norway UN
Senegal	"ACAB" Group: EC, France, the Netherlands, World Bank, ADB, Canada	France (tax and customs administration) EC (tax-land registry) ADB (tax-land revenues)	EC (PEFA, Audit) ADB (procurement, budget) France (Audit and Control, Budget, Public Accounting, Treasury) Canada (procurement, public expenditure) World Bank/EC/the Netherlands (procurement, reforms, computerization), Germany (reforms) IMF/Belgium (treasury single account, public accounting, fiscal reporting, streamlining expenditure chains)		Belgium (micro-finance, micro-insurance) France (micro-finance)		EC (reforms, training) France (reforms) ADB (poverty indicators, census, reforms) Afristat (price surveys-regional harmonization, household statistics, training)	France, World Bank, USA, Japan, EC, Germany, ADB, Canada, Belgium, IDB, the Netherlands, Spain, Luxembourg, UK, UN, Italy, Denmark, Finland, Sweden, Czech Rep. UN China, Saudi Arabia, Kuwait, Opac, India,
Togo			World Bank (PEFA)				Afristat (price surveys-regional harmonization, household statistics, IT)	France, EC, IDB, Germany, Canada, USA, Belgium, Spain, Denmark, Luxembourg, Sweden, Switzerland, UK, World Bank

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