

DRAFT PROGRAM DOCUMENT

February 2010

CENTRAL AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER (AFC)



DRAFT FOR DISCUSSION



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

"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 SECOND FINANCING CYCLE
(February 2010)**

Executive Summary

This document describes the operations of the Regional Technical Assistance Center in Central Africa (AFRITAC Central (AFC)) for the five year period 2010-2014. It is intended to start a consultation process with donors and AFC beneficiary countries on how AFC together with other Technical Assistance (TA) providers would best assist AFC recipient countries in further developing their capacity in macroeconomic management. The estimated total cost of operating AFC for the next five years is about US\$50 million to be borne by donors, the recipient countries, and the IMF.

AFC has been serving Burundi, Cameroon, the Central African Republic, Chad, Equatorial Guinea, Gabon, the Republic of Congo and the Democratic Republic of the Congo since January 2007, supporting implementation of their Poverty Reduction Strategy Papers (PRSPs) in areas of the IMF's core expertise: tax policy and revenue administration (both customs and tax administration), public financial management, debt management and financial markets development, supervision of financial institutions, and real sector statistics. AFC also supports regional integration and harmonization efforts directly through TA provided to regional institutions of the Central African Economic and Monetary Commission (CEMAC). There are many concrete examples of AFC's contributions to achievements in all of its recipient countries, ranging from assistance in completing the Central African Republic's data base for the decision point under the enhanced HIPC Initiative to preparing action plans for second-stage reforms in tax administration and customs in Cameroon and Gabon, respectively (Section 1B and Appendix I).

Independent external evaluations, including the 2008-09 evaluation (Section I.C), have consistently given the AFRITACs/AFC 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 as well as effective donor coordination in the spirit of the Paris Declaration on Aid Effectiveness.

The needs for TA in the IMF's area of competence remain high among AFC's member countries. A majority of these countries have experienced civil war in the recent past, and several are still in the early phase of rebuilding institutions and technical capacity. Cameroon and Gabon's administrations have benefited from long-term political stability, but are seeking assistance to modernize their macroeconomic policy institutions. Regional integration is an important objective for AFC's member countries, and they are seeking TA for strengthening regional institutions and harmonizing local systems and practices. AFC has

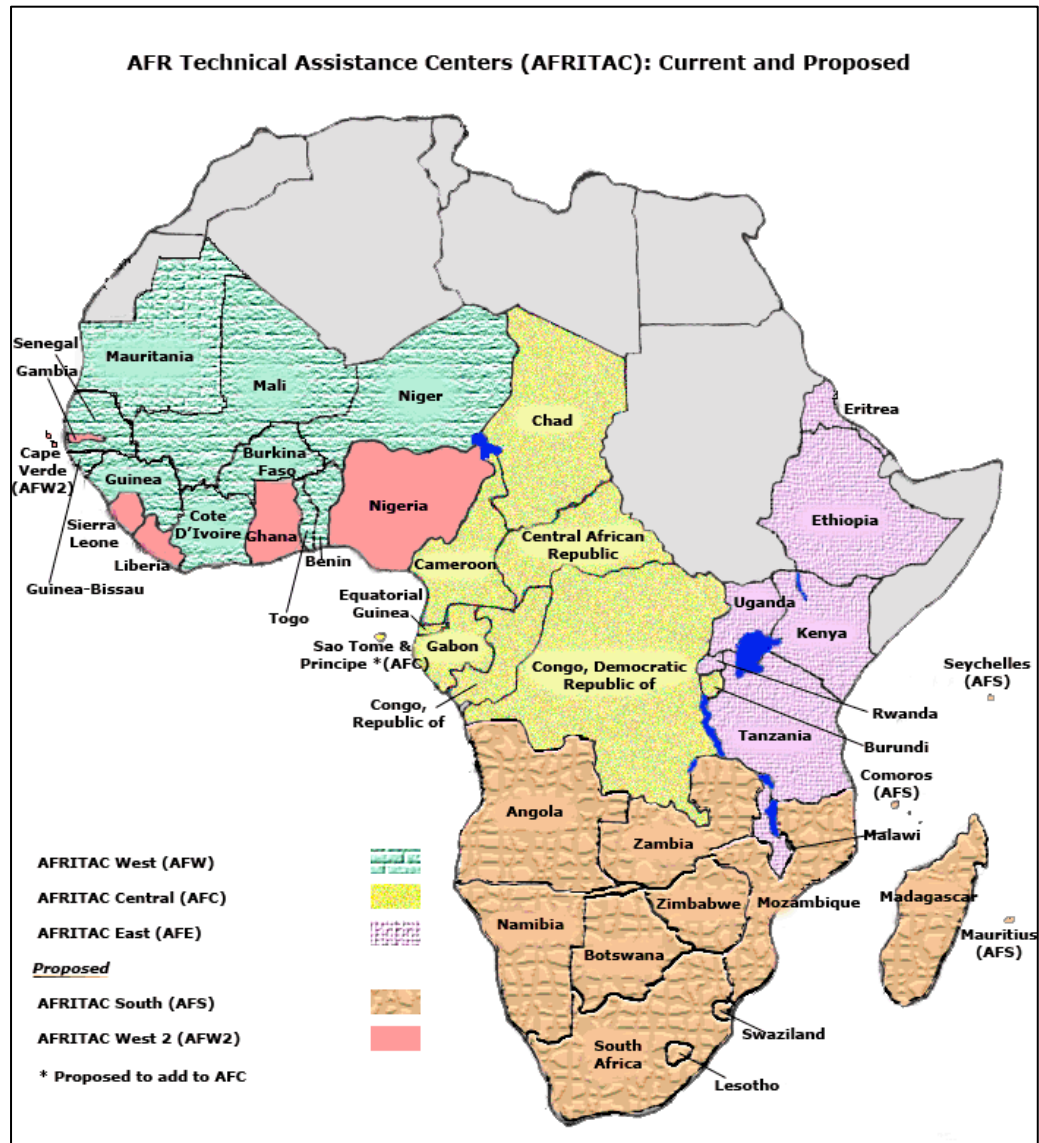
built up considerable experience and expertise in the specific problems of the countries and the region and is thus well placed to assist the members in its areas of competence. It is expected that São Tomé and Príncipe will join AFC in 2010.

Building on the experience gained during the first phase, the priorities for AFC's assistance to Burundi, CEMAC countries, the Democratic Republic of Congo and Sao Tome and Principe during the second phase are as follows (Section II.C and Section III):

- Strengthening tax and customs administrations in the context of developing regional common markets and the simplification and harmonization of customs procedures.
- Enhancing public financial management, including support for implementing regional directives at country level.
- Developing local and regional financial markets for public debt within the context of strong debt management and to support investment in the region.
- Improving the supervision of financial institutions, including through strengthening the regulatory framework of regional financial markets.
- Strengthening national macroeconomic statistics as well as harmonization of regional statistics.
- Organizing regional seminars and capacity building activities in macroeconomic management and policy design and analysis.

In response to the external evaluation and in the broader context of IMF TA reforms, there will be some changes to AFC. AFC 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 AFC TA (Section III. A and B).

AFC is one of the **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.



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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	African Regional Technical Assistance Center
AFC	Central AFRITAC
AFW	West AFRITAC
AREMIF	Projet Appui aux réformes en matière de finances publiques (Project to Support Public Finance Reform)
ASTER	Computerized system for expenditure management
ASYCUDA	Automated System of Customs Data
BEAC	Banque des états de l'Afrique centrale (Bank of Central African States)
BCC	Banque Centrale du Congo (Central Bank of Congo)
BDEAC	Banque de développement des états de l'Afrique centrale (Development Bank of the Central African States)
BRB	Bank of the Republic of Burundi
BVMAC	Bourse des valeurs mobilières d'Afrique centrale (Stock exchange of Central Africa)
CAA	Caisse Autonome d'Amortissement (Autonomous Sinking Fund)
CAR	Central African Republic
CCA	Caisse Congolaise d'Amortissement (Autonomous Sinking Fund)
CEMAC	Central African Economic and Monetary Commission
CNEP	Comité National d'Endettement Public (National Public Debt Committee)
COBAC	Banking Commission for Central Africa
COMESA	Common Market for Eastern and Southern Africa
COSUMAF	Commission de surveillance du marché financier de l'Afrique centrale (Commission for the Supervision of the Financial Market of Central Africa)
CPI	Consumer price index
DDP	Directorat de la dette publique (Public Debt Directorate)
DEMPA	Debt Management Performance Assessment
DFID	Department for International Development (UK)
DGI	Direction Générale des Impôts (Directorate general of taxes)
DMFAS	Debt Management Financial Analysis System
DRC	Democratic Republic of Congo
DRI	Debt Relief International
DSIF	Département de supervision des intermédiaires financières (Financial Intermediaries Supervision Directorate)
EAC	East African Community
EC	European Commission
EU	European Union
FIRST	Financial Sector Reform and Strengthening

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
HCPI	Harmonized Consumer Price Index
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
INS	IMF Institute
INSEE	National Institute for Statistics and Economic Studies (France)
IT	Information Technology
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MFI	Microfinance Institution
MTDS	Medium-term Debt Management Strategy
MTEF	Medium-term expenditure framework
NA	National Accounts
NEPAD	New Partnership for Africa's Development
OGEDEP	Office de gestion de la dette publique (Public Debt Management Office)
OTM	Office of Technical Assistance Management (IMF)
PAMFIP	Plan d'action pour la modernization des finances publiques (Action Plan for the Modernization of Public Finance)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFSM	Public Financial Statistics Manuel
PRSP	Poverty Reduction Strategy Paper
RAP	Resource Allocation Plan
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
SADC	Southern African Development Community
SC	Steering Committee
SDDS	Special Data Dissemination Standard
SECO	Swiss Secretariat for Economic Affairs
SFA	Framework Administered Account of Selected Fund Activities

SIGEFI	Système de gestion des finances publiques (Public Finance Management System)
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
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

I. CENTRAL AFRITAC'S ACHIEVEMENTS SO FAR

A. What does Central AFRITAC (AFC) Do?

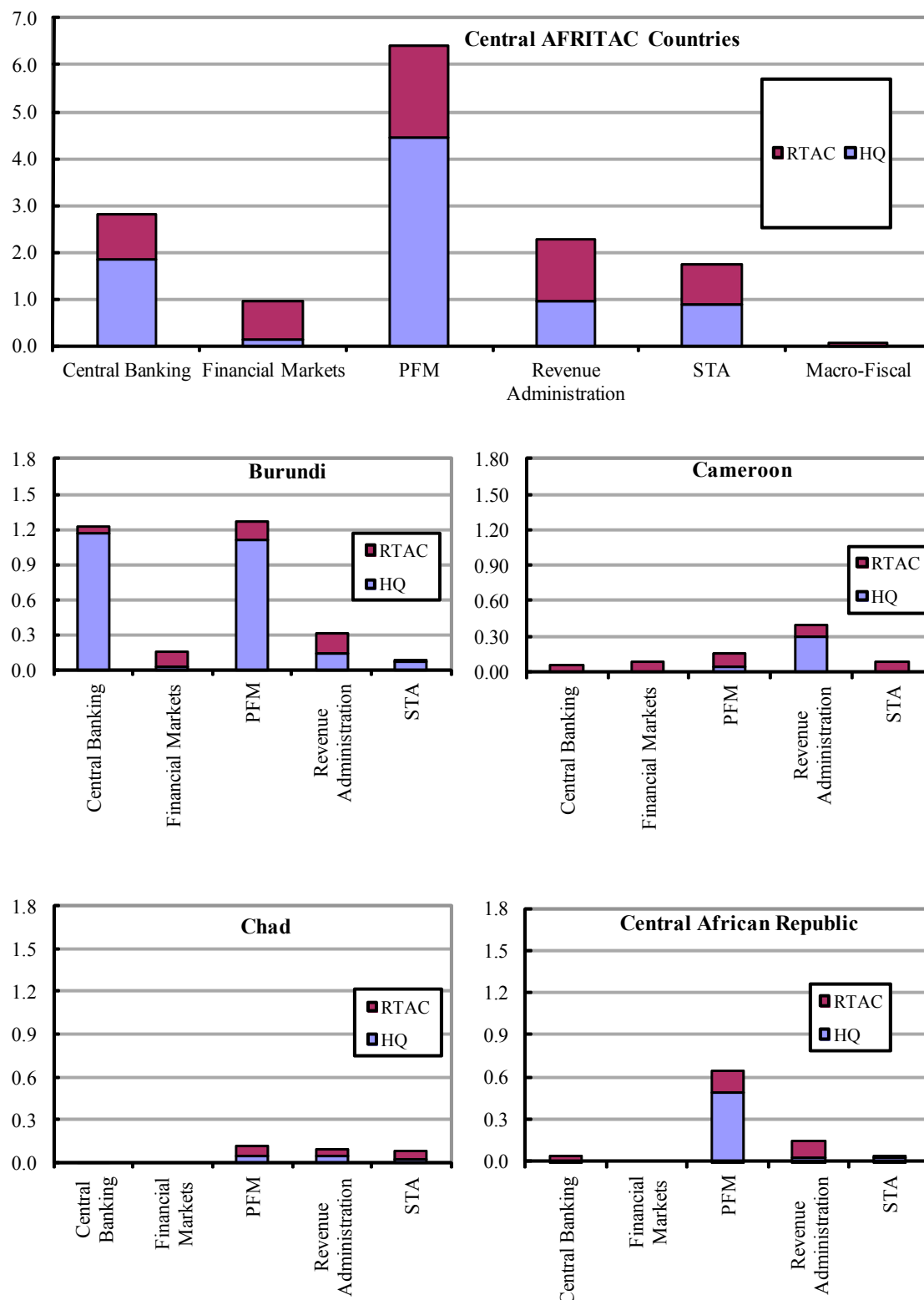
1. **The International Monetary Fund (IMF)'s three Africa Regional TA Centers (East, West, and Central AFRITACs) are a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors.** They originate from the IMF's response to African leaders' call to the international community to increase TA to Africa. The Centers' strategic goal is to strengthen, in the IMF's core areas of competence, 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 TA centers (RTACs), a model of TA delivery launched by the IMF in 1992 in the Pacific Region.** Since then the model was expanded to currently seven centers. 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, temporarily established in Bamako, Mali in 2003, which covers the countries of French-speaking West Africa. In 2007, Central AFRITAC (AFC) 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 AFC, the IMF combines strategic TA advice from its Headquarters (HQ) with local expertise and on-the-ground capacity building.** AFC is guided 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.¹ Broad TA needs are identified and work plans are prepared in conjunction with the SC, alongside the area and TA Departments at IMF HQ, complemented by a bottom up exercise to establish detailed work plans involving the center's advisors, country authorities, AFR country teams and the respective TA departments at IMF HQ. 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. **AFC delivers capacity-building TA in its areas of expertise to 8 countries in Central Africa: Burundi, Cameroon, Central African Republic (CAR), Democratic Republic of the Congo (DRC), Equatorial Guinea, Gabon, Republic of Congo (Congo) and Chad.** During the first phase, more than half of the financing of AFC's TA activities

¹ Representatives of several regional institutions and the European Union are observers in the SC.

came from the member countries themselves. Other contributions came from the African Development Bank (AfDB), France and Germany, while the African Capacity Building Foundation (ACBF) financed a number of regional workshops. The host country Gabon provides an additional financial contribution to defray part of the local costs, complemented by a contribution from the IMF.

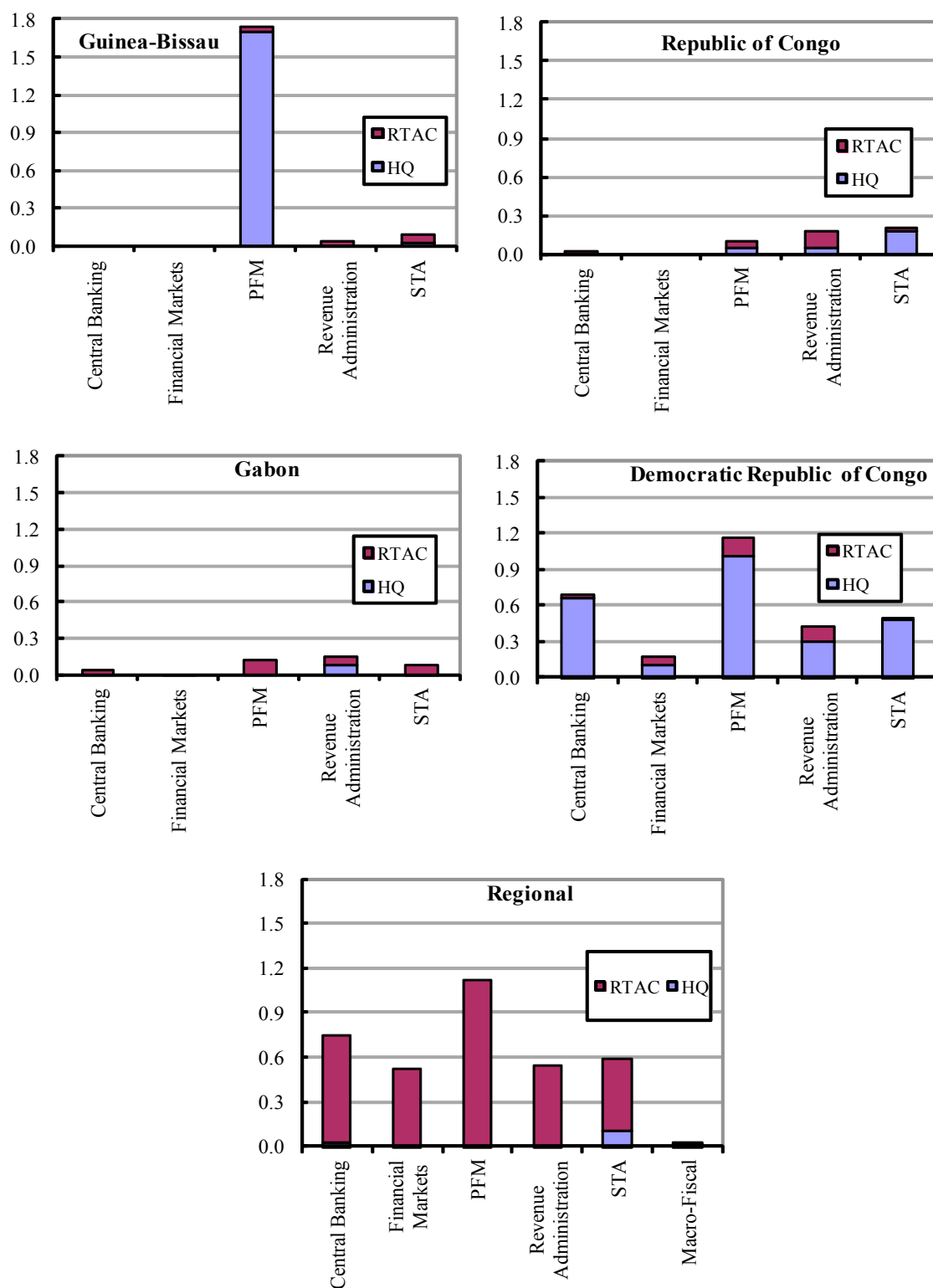
5. AFC is managed by a Center Coordinator and TA is provided by six resident advisors with substantial expertise in their respective sectors. Two resident advisors work in PFM, and one each in revenue administration, debt management, banking supervision and microfinance, and national accounts and price statistics. The resident advisors are based in Libreville; they travel extensively 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 priority needs of the beneficiary countries. In addition, AFC deploys short-term experts to deliver targeted TA in areas of specific expertise not covered by the resident advisors or to complement the volume of TA. AFC also provides seminars and workshops, both at the national level and regionally, collaborating where possible with West AFRITAC and regional institutions.

Figure 1. IMF TA delivery to AFC Countries, 2007-2009
(in person years (equal to about 260 working days); 3 year average)



Source: IMF

Figure 1. IMF TA delivery to AFC Countries, 2007-2009 (concluded)
(in person years (equal to about 260 working days); 3 year average)



Source: IMF

B. AFC's Results in Recipient Countries

6. **Objective measurement of the results of human and institutional capacity building is difficult.** Achievements in these areas take time to materialize, often decades, and the TA provided is in most cases just one factor among many determining the final outcome, rendering it almost impossible to attribute the contribution of any one single factor to the overall outcome. Singling out the results of AFC's assistance is further complicated by the presence of other partners in the same sectors, which also contribute to progress. While progress based on AFC's TA can be measured subjectively—as was done in the 2008 external evaluation—measurement through objective indicators has many complications. Despite these difficulties, AFC's annual work plans have, from the start of its activities in May 2007, included medium-term as well as annual objectives, progress towards which is discussed regularly with stakeholders represented in the SC.

7. **Despite the measurement difficulties, indications are that AFC has been off to a good start.** It takes considerable time and effort to set up a new center and start the assistance programs, especially in the challenging environment of Central Africa. Moreover, the majority of AFC's membership, which includes four post-conflict countries, has weak institutions and severe human capacity constraints, implying that much of the assistance initially has to focus on long-gestating areas such as the drafting of action plans and training of staff. Despite this, in the external evaluation AFC was rated on par with the two more mature sister organizations in East and West Africa. Examples of AFC's contributions are listed below.

8. **Intelligence units were set up in the tax departments of the Republic of Congo, the DRC, Burundi, and CAR.** The TA was provided (as is the case in all sectors of AFC's assistance) by the resident advisor and short-term experts and complimented by a workshop on fiscal fraud. Encouraging first results in these countries—as in Cameroon where the existing unit was strengthened—indicate that more and more enterprises that were formerly in the informal sector, are included in the tax net, with positive effects on tax revenue. In other areas, AFC assistance—complimenting and in close coordination with TA from the World Bank (WB), the United Kingdom's Department for International Development (DFID), and France—helped Burundi with the timely introduction of the VAT, and the Republic of Congo with significantly reducing tax arrears and streamlining customs procedures.

9. **Fiscal information and treasury management systems were improved in Gabon, Cameroon, Chad and Burundi.** Public financial management in most of AFC's member countries is still based on systems inherited from the colonial period, which are in urgent need of modernization. In this regard, AFC's assistance focused on improving budget classification, treasury management, public accounting systems, and fiscal reporting. This assistance contributed to the introduction of new treasury management systems in Gabon and Cameroon—also in preparation toward market financing of treasury needs—and to increased

capacity in liquidity management in Chad and Burundi; in the case of Chad, the TA was implemented in close coordination with other partners (the WB, the European Union (EU)) in the context of the overall program for improving financial management (PAMFIP). In the CAR, AFC assistance was instrumental in completing a new government chart of account which was approved in January 2009 for introduction with the next fiscal year in January 2010.

10. AFC assistance in debt management covered a wide range of topics, reflecting the different conditions in each country. In the CAR, AFC helped the authorities with preparing the data and analysis needed for attaining the decision point under the Enhanced HIPC Initiative in cooperation with Pôle Dette (the debt management capacity building project of the West and Central African central banks), and assisted with setting up a new debt management department and with the preparation of new procedures, which were adopted. In Burundi, AFC assistance, in cooperation with the United Nations Conference on Tariffs and Trade (UNCTAD), allowed the authorities to set-up a new debt department and in Gabon AFC assisted in drafting new debt management legislation, which is ready for government adoption. The regional organization Economic and Monetary Community of Central Africa (CEMAC) attaches great importance to the development of a regional public debt market, and with AFC assistance—combining expertise in debt and treasury management and cooperating closely with experts from the Bank for Central African States (BEAC) and Pôle Dette—the institutional framework was completed; a regional seminar on this topic promoted cooperation between high-level staff from the member countries and reaching consensus on the way forward.

11. TA in banking supervision aimed at strengthening capacity in the Banking Commission for Central Africa (COBAC) and the central banks of Burundi (BRB) and the DRC (BCC). The results of the assistance to the COBAC included improvements in the regulations of the Central African Deposit Guarantee Fund and in procedures to address problem banks; the implementation of an action plan for capacity building in the banking supervision department; and an improved bank rating system. In Burundi, in addition to general capacity building, banking supervision was reorganized, prudential guidelines were brought in line with international standards, and an action plan was completed to improve conformity with the Basle Core Principles. Assistance to the Central Bank of Congo (BCC) contributed to strengthening the permanent supervision function and improving on-site supervision manuals; proposals were completed for the introduction of a bank-rating system and a new organization of the directorate for the supervision of financial institutions.

12. AFC assistance in national accounts statistics focused on assisting the member countries in bringing their statistics in line with the System of National Accounts 1993. AFC provided “on the job” training in the use of the ERETES software—including through a regional workshop—new base years were set in the DRC, Congo, and Chad, the informal sector was better integrated in the accounts of Burundi and Chad, and in Cameroon AFC assistance helped with integrating—for the first time—the financial accounts in the national

accounts and with launching the preparation of quarterly accounts. AFC assistance was also instrumental in the introduction of new harmonized price indexes in Gabon and Chad.

13. AFC's regional seminars (about six annually) contributed to the overall results. Seminars are an integral part of the work program and address issues of common interest to the member countries and that can be followed up by subsequent TA missions. The seminars—which, as the external evaluation also noted, are highly appreciated by the participants—expose generally higher-level staff to international expertise and recent developments in their field. An important aspect of each seminar is presentations by the participants on experiences and practices in their respective countries, promoting cooperation and peer-review. Some of the seminars were organized in close cooperation with other development partners or regional institutions such as the African Capacity Building Foundation (ACBF), UNCTAD, the Public Expenditure and Financial Accountability (PEFA) Secretariat, the BEAC and the COBAC.

C. External Evaluation of the AFRITACs

14. An external evaluation of the three existing AFRITACs, completed early in 2009, found them to be highly effective and efficient (Box 1).² 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,³ which calls for efforts to harmonize, align, and manage aid for results.
- The geographical proximity of the 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.
- 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 on using African professionals ensures understanding of the working environment in the member countries and provides an avenue for building and sustaining local expertise.

² See <http://www.imf.org/external/np/pp/eng/2009/030109.pdf>

³ See http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html.

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 that¹

- 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.

¹ 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.

15. **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 AFC incorporates a request for more resources (see Section III D for a detailed discussion). In addition to the expansion of AFC, the IMF is planning to step up TA to AFC 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 AFC is proposing medium-term plans for all AFC 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 AFC's initiatives. The proposals include verifiable indicators against which progress can be monitored. The annual report of AFC 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 AFC mission and enhanced communication through a new AFC'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 to strengthen TA sustainability. Among other things, this will involve providing more follow up and financing to support the implementation of recommendations resulting from TA. During its fieldwork the Evaluation Team came across several cases where government officials 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 AFC 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 disseminated to downstream TA providers through regular donor updating by AFC experts.

- **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 AFC would support regional integration and harmonization (see Section II for more details). AFC 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)⁴ OTM should prepare a manual that codifies the organization, management and administrative procedures for the RTACs.

Response: This work has 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 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 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

⁴ The IMF's financial year runs from May 1 to April 30.

to implement the accepted evaluation recommendations and report the implementation status to the SCs in FY2010 and FY2011.

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

II. HOW CENTRAL AFRITAC WOULD HELP THE REGION ADDRESS ITS MACROECONOMIC AND FINANCIAL CHALLENGES

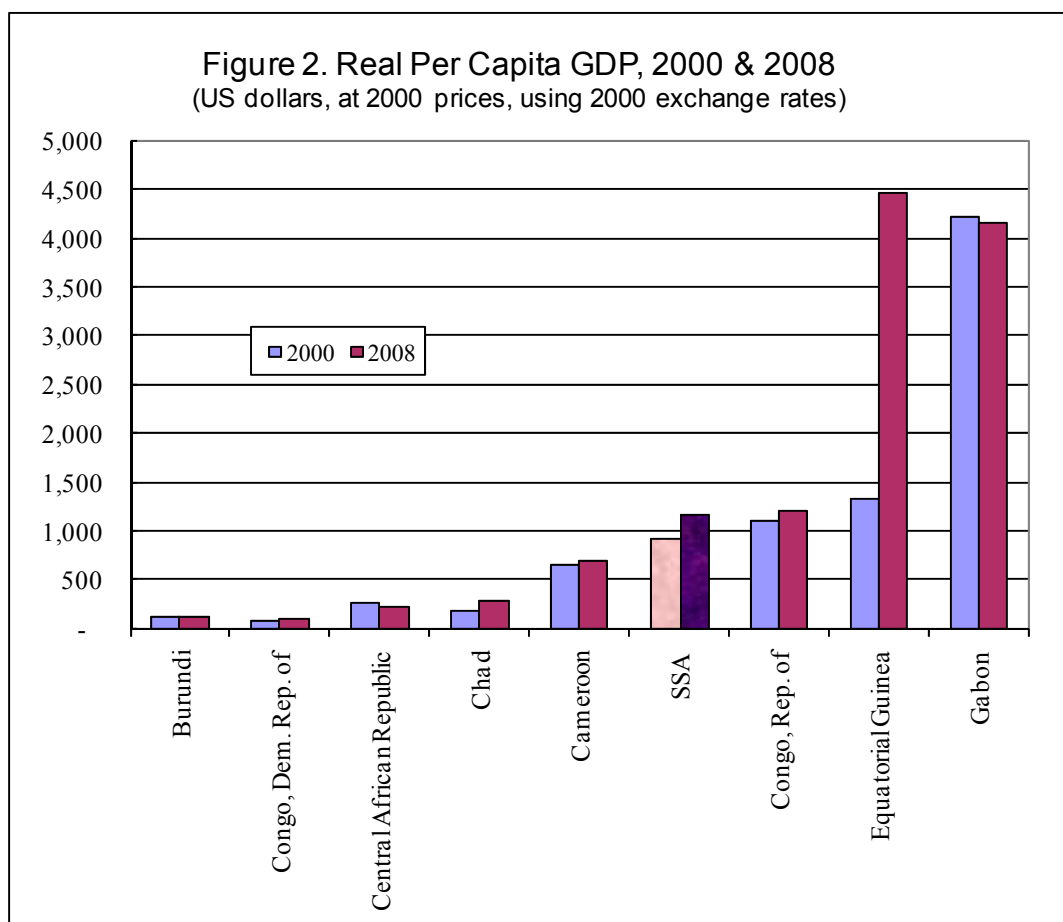
A. Where Does the Region Stand Now?

16. **AFC serves all six members of the Central African Economic and Monetary Community (CEMAC) and two countries that belong to other regional organizations.** São Tomé and Príncipe is expected to join AFC with the start of the second phase in May 2010.⁵ Cameroon, CAR, Chad, Equatorial Guinea, Gabon and the Republic of Congo make up the CEMAC whose members have a common currency—the CFA Franc—issued by the BEAC. Except for CAR all CEMAC countries are oil exporters, albeit at different stages of oil production development. The other two AFC member countries, Burundi and the DRC, each have their own central bank and national currency. They both are members of the Common Market for Eastern and Southern Africa (COMESA). Burundi recently joined the East African Community (EAC), while DRC is a member of the Southern African Development Community (SADC). Half of the AFC countries (Burundi, CAR, Chad and DRC) have recently suffered political unrest and civil conflicts over several years.

17. **AFC member countries' per capita incomes vary widely but they all confront major human development challenges.** Gabon and Equatorial Guinea have income per capita levels that are substantially higher than the average for the Sub Saharan Africa (SSA) region. Notably, income per capita levels in Equatorial Guinea have risen the fastest in the group, reflecting the development of the country's oil export base during the last 10 years. According to the United Nations's Human Development Index (released in December 2008) Burundi, the DRC, CAR and Chad are characterized by low human development. The rest of AFC countries are considered medium human development countries.⁶

⁵ A representative of STP attended the November 2008 meeting of the SC as an observer, at which time the SC members welcomed STP's possible membership. As with other members, AFC's medium-term work plan for STP will be based on a broad-based needs-assessment mission covering TA needs and priorities in all sectors of AFC's competence. Based on the objectives and constraints highlighted in STP's 2006 PRSP, it is expected that key areas for AFC assistance will be public financial management, banking supervision and statistics.

⁶ The Human Development Index is a comparative measure of life expectancy, literacy, education, and standards of living in countries worldwide. The United Nations' country sample covers 179 countries. Among AFC countries, Gabon and Equatorial Guinea rank the highest (107 and 115 respectively), while the DRC and CAR lag (ranking 177 and 178, respectively).



18. **Economic growth in most AFC member countries was slower than the average in the SSA region during the last decade.** Slow economic growth among oil-exporting CEMAC member countries has been mainly due to dips in oil production owing to a gradual depletion of existing oil fields that was only partially offset by new oil discoveries. The growth of the non-oil economy in these countries has been strong in recent years, but insufficient to allow for significant progress towards achieving the Millennium Development Goals. At the same time, political uncertainties, destruction of basic public infrastructure, and dislocation of people as a result of internal conflicts have hampered investment and overall economic growth in CAR, despite the country's natural riches in diamonds and timber. Output growth in Burundi and DRC has also been hindered by years of civil war that severely disrupted their economic systems. Production has rebounded strongly in DRC in recent years due mainly to sizeable foreign direct investments in the mining sector. Since 2005, Chad's economic growth has slowed down significantly in the context of civil unrest and disruptions along its eastern border with Sudan.

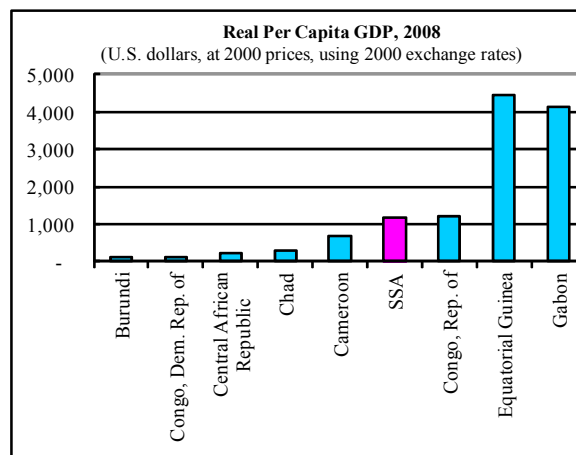
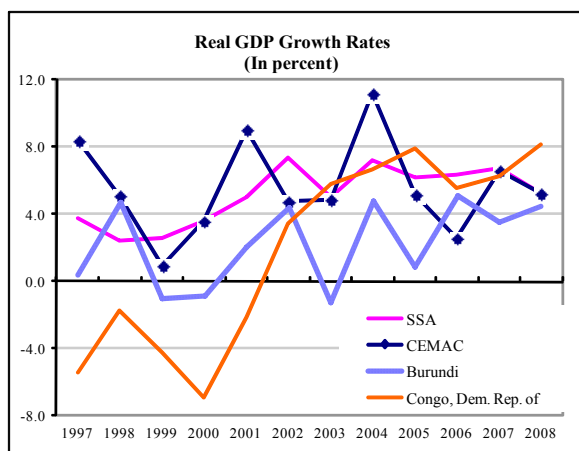
Table 1. AFC: Selected Macroeconomic Indicators, 1997-2008

	Real GDP Growth (In percent)		Inflation (In percent)		Non-oil Fiscal Bal. (In percent of non-oil GDP) 2/ 3/		External Current Account Balance (In percent of GDP)	
	1997-2002	2003-2008	1997-2002	2003-2008	2002-06	2007	1997-2002	2003-2008
Cameroon	4.5	3.4	3.5	2.3	-3.6	-3.4	-3.1	-1.1
Central African Republic	2.8	1.0	1.3	3.6	-5.7	-2.8	-2.5	-4.9
Chad	5.2	9.4	3.8	1.4	-16.1	-27.2	-28.8	-15.5
Congo, Rep. of	2.7	4.0	3.7	3.5	-50.9	-60.7	-8.0	-6.4
Equatorial Guinea	50.1	15.9	5.4	5.1	-63.6	-76.2	-33.9	-6.6
Gabon	0.0	2.6	0.9	2.1	-20.6	-19.0	7.0	14.8
Burundi	1.6	3.0	13.2	11.2	...	...	-4.7	-9.5
Congo, Dem. Rep. of	-2.8	6.7	240.9	14.3	...	...	-4.0	-4.6
Memorandum items:								
CEMAC (all countries) 1/	5.3	5.9	2.9	2.8	-14.1	-18.6	-11.5	-3.3
CEMAC (less Chad and GNQ) 1/	3.1	3.3	...	...	...	...	...	...
Sub Saharan Africa (SSA) 1/	4.1	6.1	13.3	8.9	...	...	-7.3	-5.7
Source: IMF African Department, REO Database.								
1/ Real GDP growth and inflation rates are weighted averages.								
2/ Excluding grants.								
3/ CEMAC Article IV Consultation Staff Report, July 25, 2008.								

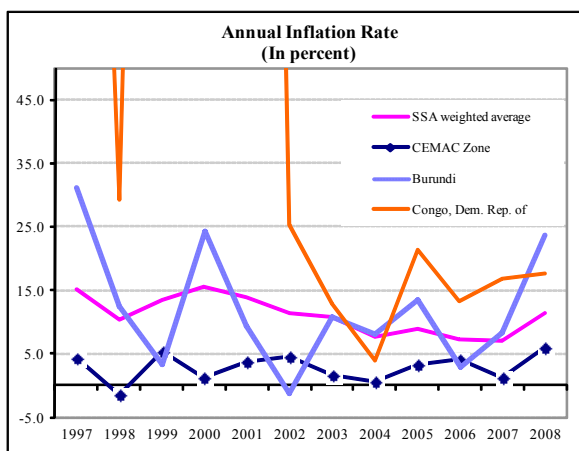
19. **Inflation has trended downwards in most AFC countries.** The CFA franc peg to the Euro has yielded single-digit inflation rates in CEMAC member countries. Inflation rates in Burundi and the DRC, while still at double-digit levels, have fallen in recent years, notwithstanding the impact of large increases in world food and oil prices in 2007-08. Erratic agricultural harvests have contributed to volatility in food prices in many AFC countries.

Figure 3. AFC: Recent Macroeconomic Developments

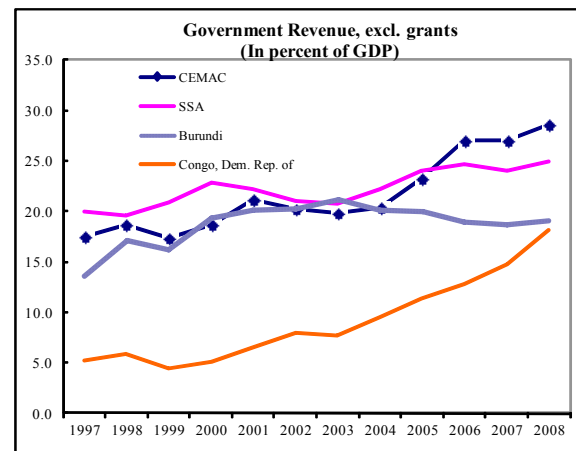
Real GDP growth has been strong in recent years, albeit with some volatility... but GDP per capita in most AFC countries remains low.



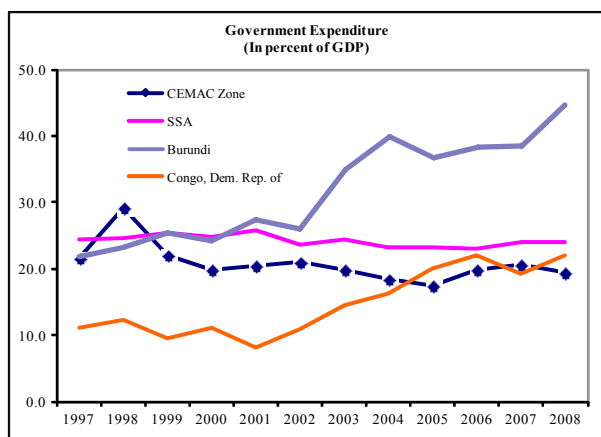
Inflation is low in CEMAC countries, while that of the DRC and Burundi largely reflect the external and social environments.



Tax ratios are steadily improving, partly due to increases in oil-related revenues.



Expenditures have been contained, except in post-conflict Burundi.



As a result, overall fiscal balances improved considerably in recent years.

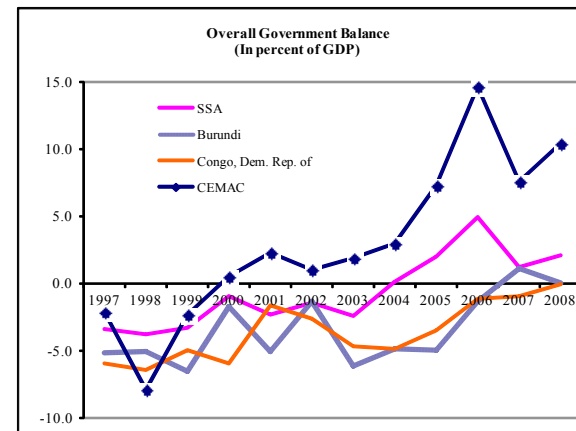
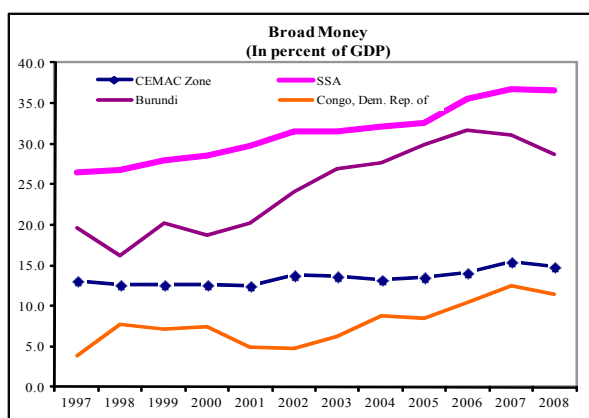
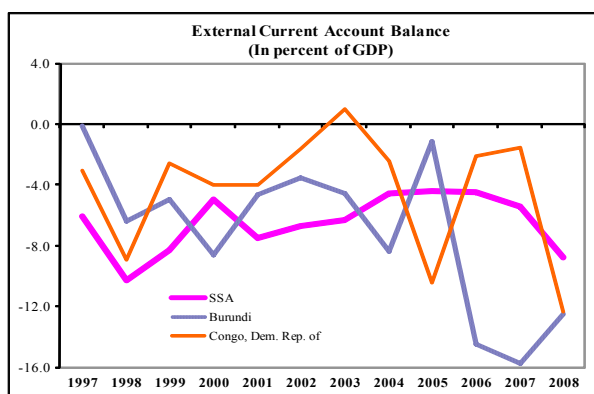


Figure 3. AFC: Recent Macroeconomic Developments (concluded)

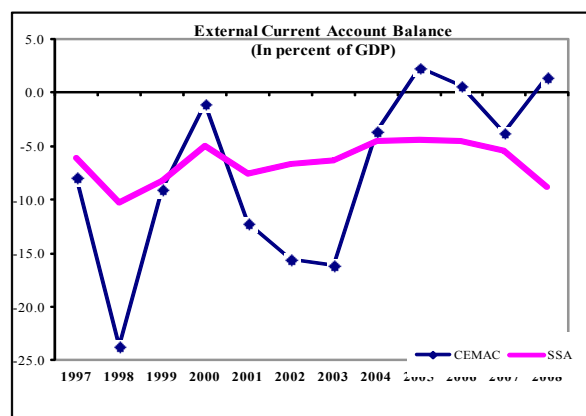
Financial intermediation remains low in AFC.



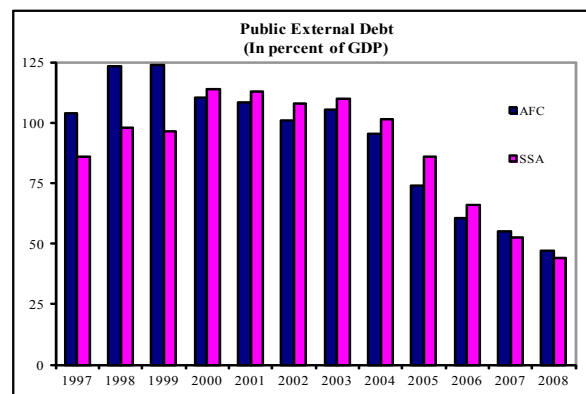
Burundi's and DRC's current account balances deteriorated, reflecting needs for postconflict developments, which are largely financed by foreign aid and FDI.



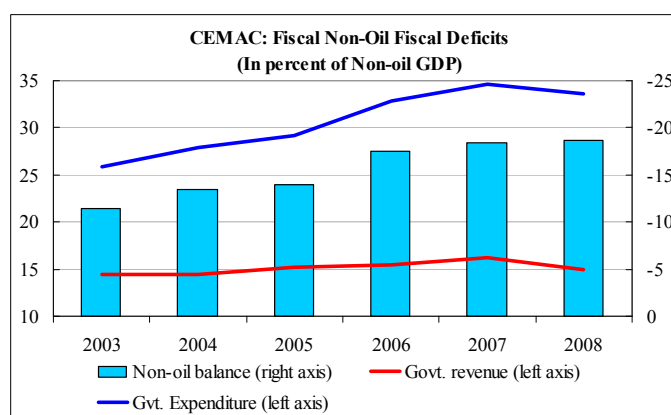
Benefiting from oil-related export receipts, CEMAC countries registered sizeable improvements in their external accounts in recent years.



External debt to GDP ratios have declined, reflecting the recent improvements in external balances and debt relief in several AFC countries



20. There has been some overall fiscal consolidation in AFC member countries since 2003, but non-oil fiscal deficits have risen in several countries. CEMAC countries whose tax bases are highly dependent on oil production and exports have shown large increases in tax revenues that supported the recorded improvements in overall fiscal balances for the region as a whole. However, those gains mask (i) differences across countries in terms of fiscal consolidation efforts; and (ii) increases in non-oil fiscal deficits reflecting lagging non-oil tax revenue and rising government expenditure as a share of non-oil GDP. In recent years, Burundi and the DRC have also recorded improvements in their governments' overall fiscal positions (including grants) in



the context of economic stabilization programs that have triggered large donor support to complement domestic tax collection efforts. Tax-to-GDP ratios in the DRC have increased steadily since 2003 due to rising tax receipts from exports of diamonds and other minerals, particularly copper and cobalt. The tax-to-GDP ratio in Burundi has remained stagnant. Consistent with Burundi's and the DRC's PRSPs, a large amount of the increased spending in these countries has been in health, education and infrastructure development, although the reported poor quality of government institutions may have reduced the overall effectiveness of the spending.

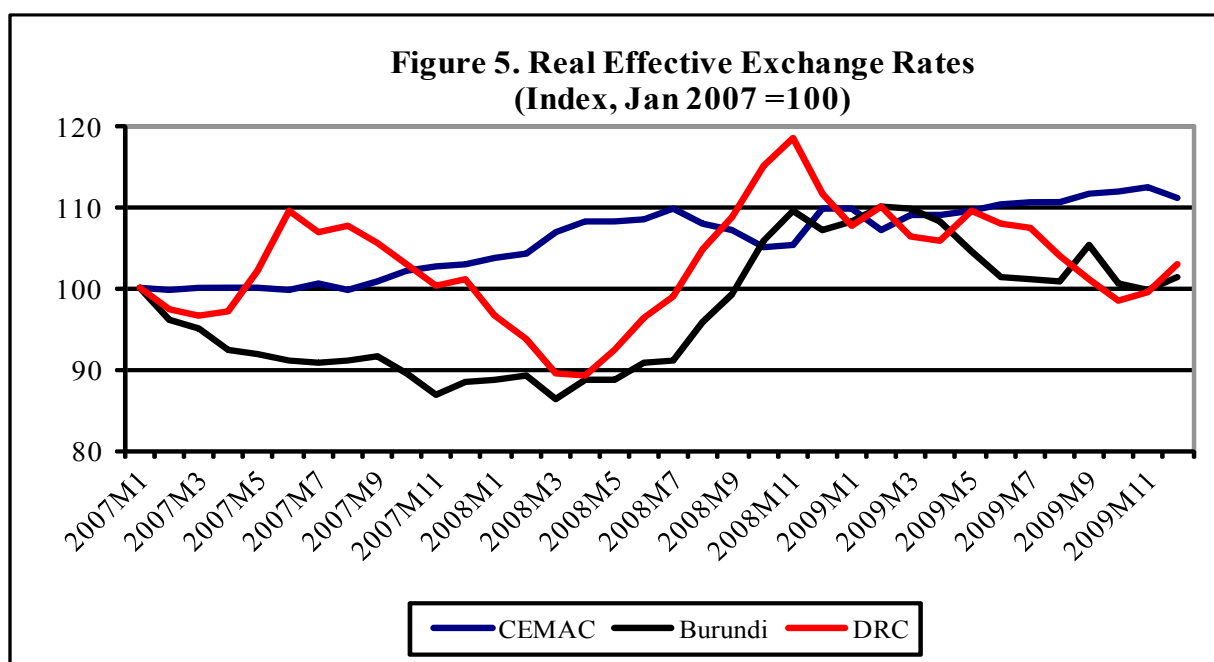
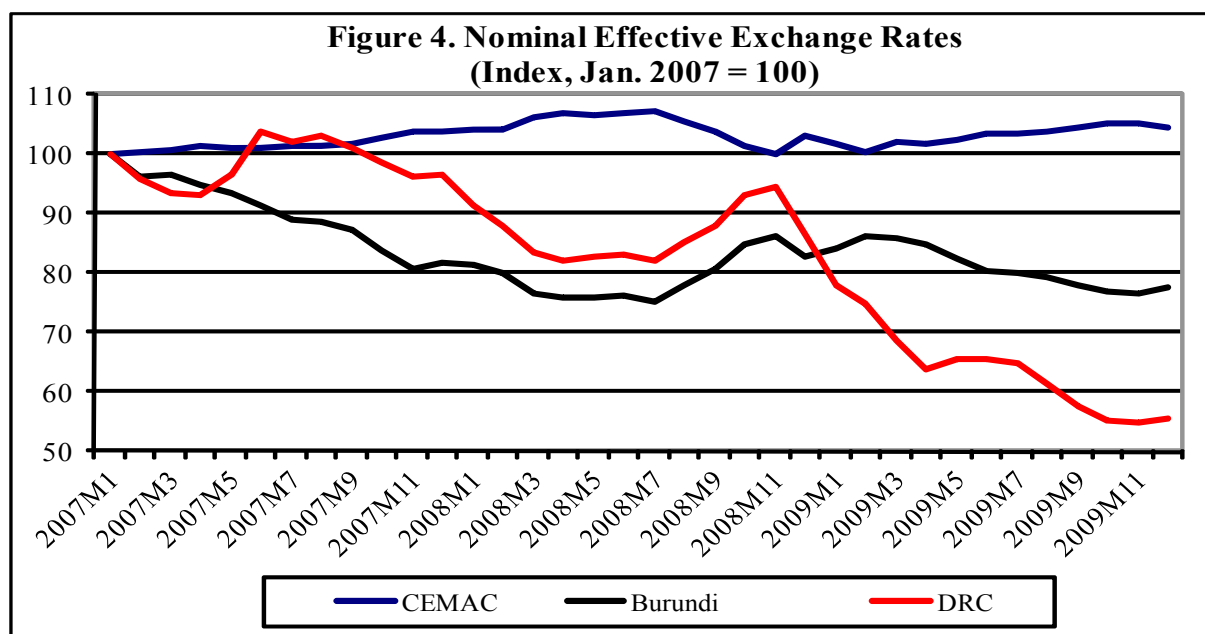
21. Financial intermediation remains low in AFC countries. Money-to-GDP ratios in CEMAC countries have remained broadly unchanged at levels that are substantially lower than those recorded for the SSA region as a whole. Banking sector claims on the nonbank private sector (measured as a share of broad money) have declined in most AFC member countries. Money-to-GDP ratios have been rising steadily in Burundi and the DRC in the context of improving security conditions and a gradual recovery in economic activity.

22. Current account balances have improved significantly in CEMAC countries, while they have deteriorated in Burundi and the DRC. CEMAC countries registered sizeable reductions in their external current account deficits between 2003-2004 and small surpluses in 2005-06. Balance of payments developments in Burundi and the DRC show a deterioration in the countries' current account balances between 1997-2002 and 2003-07 that was largely financed by foreign grants and (mainly in the DRC) net inflows of foreign direct investment.

23. External debt-to-GDP ratios differ significantly across AFC member countries. Burundi and the DRC are highly-indebted countries implementing economic reform programs with the support of the IMF with a view to reaching the Completion Point under the enhanced HIPC initiative. External debt-to-GDP ratios among CEMAC countries have declined rapidly in recent years largely on account of rising energy exports and nominal GDP levels. Also, Cameroon's external debt declined sharply in the aftermath of reaching the HIPC Completion Point in April 2006. CAR also reached the HIPC Completion Point in June 2009, while Chad and the Congo are still striving to reach that debt relief milestone. Equatorial Guinea and Gabon are not eligible for HIPC assistance on account of their high per-capita income levels. Gabon, whose public external debt ratio has hovered around 33 percent of GDP in recent years, has used part of its oil export windfall profits to reduce its external debt. Equatorial Guinea's external debt obligations are rising but remain low (below 10-12 percent of GDP).

24. The global financial crisis has slowed growth in most AFC member countries. CEMAC countries have faced a sharp decline in oil and mineral exports and fiscal revenue that translated in sharp decelerations in economic growth. While the fiscal policy responses to the external shock varied across the region, depending on the availability of financing, most countries loosened fiscal policy relative to pre-crisis plans. Real effective exchange

rates in the CEMAC countries have not changed much, notwithstanding the recent deterioration in the external environment. Burundi and the DRC have also been hit hard by the global recession. Reflecting continued depreciation in nominal terms (particularly in the DRC), real effective exchange rates have been depreciating since late 2008.



B. What Should Be Done in the Next Decade?

25. The global crisis underscores the importance of strengthening economic management capacity and reducing AFC countries' vulnerability to external shocks.

AFC member countries are generally rich in terms of natural resource endowments. However, translating these riches into long-term sustainable growth for the benefit of the general population requires good governance and strong economic management institutions. These challenges are even more acute in the presence of internal civil conflicts, while good economic governance—laying the foundation for sound economic development—is often key for social stability. CEMAC's institutions provide a pillar that could support high, long-term growth of member countries. To this end, regional convergence in terms of macroeconomic indicators (i.e., inflation, fiscal deficits that take into account the volatility of natural resource revenues, and debt-to-GDP ratios) should advance in tandem with free movement of goods, services, capital and labor in support of a gradual harmonization of per capita income levels within CEMAC countries. Burundi and the DRC are post-conflict states in need of sustainable, non-inflationary, long-term growth to alleviate poverty rates and make progress toward achieving the MDGs.

26. AFC countries' PRSPs highlight four overarching challenges in areas of AFC's core expertise (Text Table 2): (1) strengthening government institutions to better formulate, implement and monitor economic reform programs, including enhancing management of natural resources, (2) supporting financial sector development, (3) strengthening statistical capacity, and (4) making progress with regional integration efforts.

Table 2. AFC Member Countries: PRSP Targeted Reforms in the IMF's Areas of Expertise

	Cameroon	CAR	Chad	Congo Rep.	Burundi	Congo, Dem. Rep. of
PRSP Status (data source document)	Full PRSP	Full PRSP	Full PRSP	Interim PRSP	Full PRSP	Full PRSP
I. Supporting Macroeconomic Stability						
Maintain macro stability, while addressing poverty	X	X	X	X	X	X
Use budget savings from the debt relief process in conformity with criteria set out in the Decision Point document, develop effective monitoring	X		X	X	X	X
Foster economic diversification	X			X	X	X
II. Fiscal Management & Decentralization						
Effectively apply the oil revenue management law			X	X		
Mobilize non-oil taxes and upgrade excise regulatory frameworks	X	X	X	X	X	X
Tax & customs administration: Increase the revenue level by improving the efficiency of the assessment, settlement, and collection units (includes review of tax exemptions)	X	X		X	X	X
Civil service reform	X		X	X		X
Promote good governance: Draft and implement effective expenditure control systems (includes cash management)	X	X	X	X	X	X
Implement an integrated public expenditure management system (includes computerization).	X	X	X	X		X
Establish transparent govt. contracting and procuring frameworks, as well as auditing procedures	X	X		X	X	X
Improve quality of public investment spending and the design of a public investment strategy program	X		X	X	X	X
Fiscal decentralization: Complete and implement existing decentralization plans	X		X	X	X	X
National debt: (i) create genuine, negotiable Treasury bills and bonds, (ii) undertake prudent external borrowing policy	X			X	X	X
Reform of public enterprises through increases in operational efficiency, privatization, and public/private partnerships, as needed					X	X

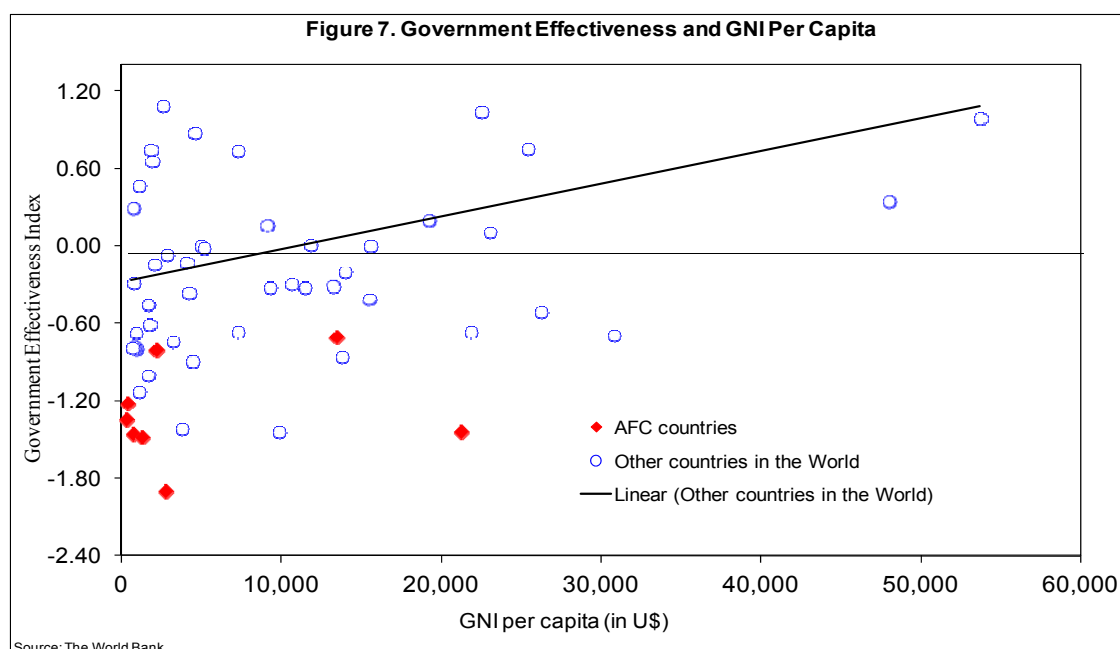
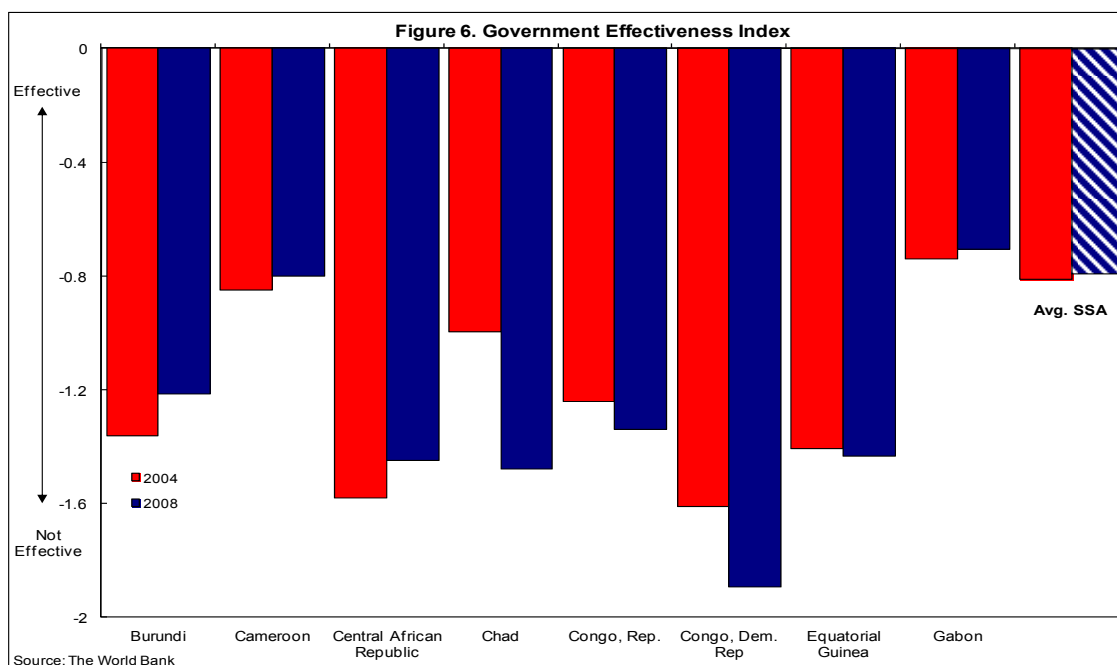
	Cameroon	CAR	Chad	Congo Rep.	Burundi	Congo, Dem. Rep. of
III. Financial Sector Reform						
Promote financial intermediation (urban and country side)	X		X	X	X	X
Promote community development through microfinance	X		X	X	X	X
IV. Regional Integration						
Comply with budgetary convergence criteria	X		X			
Support the setting up of a regional stock and securities market	X					
Foster integration of commodities and money markets: address reduction in common external tariff and tariff brackets	X		X	X		
Implement the regional payment system reform	X					
Contribute to a better integration of the labor market in the CEMAC zone (i.e., working visas and legal issues)	X					
Continue regional integration policy					X	
IV. Macro-economic Statistics						
Develop/implement the National Statistics Development Strategy					X	X
Strengthen the legal and institutional framework for statistical activities (includes adequate staffing of national statistics bureaus)				X	X	X
Validate and set up a statistical mechanism for monitoring and evaluating the PRSP and Millennium Development Goals (MDGs)	X		X		X	
V. Natural Resource Management						
Enhance legal, institutional, auditing & fiscal framework of natural resource-rich sectors (i.e., oil, mining, forestry)	X	X	X	X	X	X

Source: Countries PRSPs (www.imf.org)

Strengthening Government Institutions

27. **AFC member countries are working towards increasing the effectiveness of government institutions, albeit with different degrees of success.** According to the aggregate indicator of government effectiveness produced by the World Bank, Burundi, Cameroon, CAR and Gabon improved their ratings between 2004 and 2008. By contrast, ratings for Chad, DRC and Congo deteriorated on account of down-grading on rural sector institutional assessments produced by the United Nations' International Fund for Agricultural

Development (www.ifad.org) and country rankings included in the World Economic Forum Global Competitiveness Survey (www.weforum.org).⁷ Acknowledging that better government institutions would help to increase capacity to absorb TA and achieve sustainable results, AFC country authorities have committed to making further efforts to strengthen these institutions.



⁷ Government effectiveness ratings for Equatorial Guinea are rather preliminary given country data limitations.

28. **The World Bank's Doing Business indicators point to a number of areas where improvements are needed.** Except for Gabon and Cameroon, AFC member countries rank at the bottom of the World Bank country sample, suggesting difficult environments in which to foster private entrepreneurship. Starting businesses, enforcing contracts, and trading across borders are major limitations to private investment and economic growth.

29. **Published Public Expenditure and Financial Accountability (PEFA) assessments highlight a number of challenges facing some AFC countries.**⁸ In Gabon and Congo, which are illustrative of the situation in many countries, budget implementation is undermined by weak treasury management leading to frequent payment delays and arrears. In Congo, the lack of timely and comprehensive data on budget implementation by budgetary units precludes (i) a sound monitoring of the central government's consolidated budget execution; and (ii) an adequate assessment of the quality of public spending. In Gabon, financial risks are further increased by the presence of discretionary expenditure practices and exceptional procedures in budgeted expenditure management. Gabon also shows a lack of standard public spending control mechanisms, including those for assessing the effectiveness of management of government property.

30. **The recent global recession sheds light on a challenge facing many AFC countries of balancing short-term counter-cyclical fiscal pressure and long-term sustainability.** While the use of fiscal room to address temporary exogenous shocks is appropriate, the countries need to put in place a framework to ensure medium- and long-term fiscal sustainability.

⁸ Public availability of PFM assessments conducted to date is limited. PFM assessments for Congo and Gabon are available at www.pefa.org. Reports for other AFC member countries are either still being completed (Burundi, Cameroon, Chad, and the DRC), were completed but are not publicly available (Central African Republic), or have not yet commenced (Equatorial Guinea).

Table 3. Doing Business Indicators
(Rank out of 181 countries)

	Caneroon	Central/African Republic	Chad	Congo, Rep.	Equatorial Guinea	Gabon	Burundi	Congo, Dem. Rep.	AF average	SSA average
Ease of Doing Business Rank	164	180	175	178	167	151	177	181	166	138
Starting a Business	171	152	180	157	174	148	138	154	130	128
Dealing with Construction Permits	154	138	70	68	87	60	173	141	124	114
Employing Workers	124	151	139	170	178	154	70	175	143	117
Registering Property	138	133	132	171	69	158	125	152	133	125
Getting Credit	131	131	145	131	131	131	163	163	134	118
Protecting Investors	113	126	126	150	142	150	150	150	144	12
Paying Taxes	171	178	130	179	161	101	114	153	152	111
Trading Across Borders	137	175	159	176	133	128	170	160	149	133
Enforcing Contracts	172	169	166	155	69	147	170	173	147	116
Closing a Business	95	181	181	117	181	134	181	150	148	124

Source: DoingBusiness 2009, (<http://www.doingbusiness.org>)

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

Table 4. PEFA Indicators of the Performance of Public Financial Management

		Congo, Rep. (2006)	Gabon (2006)
A. PFM OUT-TURNS: Credibility of the Budget Scoring			
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	B
PI-2	Composition of expenditure out-turn compared to original approved budget	D	D
PI-3	Aggregate revenue out-turn compared to original approved budget	A	B
PI-4	Stock and monitoring of expenditure payment arrears	B	C
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency Scoring			
PI-5	Classification of the budget	C	C
PI-6	Comprehensiveness of information included in budget documentation	B	C
PI-7	Extent of unreported government operations	C	C
PI-8	Transparency of Inter-Governmental Fiscal Relations	D	C
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D	C
PI-10	Public Access to key fiscal information	D	C
C. BUDGET CYCLE Scoring			
(i) Policy-Based Budgeting			
P-11	Orderliness and participation in the annual budget process	D+	C
P-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C
(ii) Predictability & Control in Budget Execution			
P-13	Transparency of taxpayer obligations and liabilities	C+	n/a
P-14	Effectiveness of measures for taxpayer registration and tax assessment	D+	n/a
P-15	Effectiveness in collection of tax payments	A	n/a
P-16	Predictability in the availability of funds for commitment of expenditures	D	D
P-17	Recording and management of cash balances, debt and guarantees	B+	C
P-18	Effectiveness of payroll controls	C+	C
P-19	Competition, value for money and controls in procurement	D+	C
P-20	Effectiveness of internal controls for non-salary expenditures	D+	C
P-21	Effectiveness of internal audit	D	C
(iii) Accounting, Recording and Reporting			
P-22	Timeliness and regularity of accounts reconciliation	D+	D
P-23	Availability of information on resources received by service delivery units	D	n/a
P-24	Quality and timeliness of in-year budget reports	C+	C
P-25	Quality and timeliness of annual financial statements	D+	C
(iv) External Scrutiny and Audit			
P-26	Scope, nature and follow-up of external audit	D	B
P-27	Legislative scrutiny of the annual budget law	D+	C
P-28	Legislative scrutiny of external audit reports	D	C
			n/a
D. DONOR PRACTICES			
D-1	Predictability of Direct Budget Support	A	n/a
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	A	n/a
D-3	Proportion of aid that is managed by use of national procedures	D	n/a

Note: The highest performance scores an 'A'

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

Deepening Financial Intermediation

31. **A Financial System Stability Assessment (FSAP) of CEMAC—conducted by the IMF and World Bank in early 2006—concluded that CEMAC's financial sector lacks depth, is highly fragmented, and is exposed to significant risks. Access to financial services is among the lowest in Africa; and the sector is dominated by a non-competitive banking sector which is highly vulnerable to credit risks given the narrow economic and client base.**

Notwithstanding COBAC's de jure institutional independence, political considerations as well as capacity constraints have resulted in poor enforcement of prudential norms. Weaknesses in treasury (cash) management practices by governments and in the systemic liquidity management framework operated by the BEAC exacerbate financial sector vulnerabilities.

32. The authorities have taken strong ownership of the FSAP recommendations and have adopted an action plan to address a number of key weaknesses, some of which has already been implemented. The most significant actions include (i) strengthening COBAC's staffing levels and expertise, (ii) preparing a regulation enabling the COBAC to set statutory minimum capital for financial institutions across CEMAC member states (implemented); and (iii) the preparation of a regulation on banks' corporate governance (implemented). With substantial TA from MCM by the end of 2010, the COBAC's capacity in bank examination was strengthened. Also, a number of more specific policy measures, addressing each of the policy pillars included in the 2006 regional FSAP, was discussed and agreed with the CEMAC authorities in the context of the 2008 Article IV consultation discussions (Box 1). Further, to strengthen anti-money laundering and combat the financing of terrorism, five CEMAC countries have created national financial intelligence units. The authorities are aware that a strong implementation record of their action plan should reassure market observers about the countries' commitment to financial sector reform.

33. Burundi and the DRC also face immediate needs to strengthen banking regulation and supervision. In Burundi, an FSAP exercise was recently undertaken. The assessment recognized that the regulatory framework for banking system lagged considerably with respect to the Basel Core Principles for banking supervision and in terms of the requirements of risk-based supervision. In the DRC, it is important to reinforce the commercial bank supervision framework and the capacity of the BCC banking supervision department.

Table 5. CEMAC: Follow-Up Measures to 2006 Regional FSAP

A number of specific measures are currently being address by the CEMAC authorities to enhance the financial sector's contribution to the long-term growth and development:

Reform Areas	Key Measures
I. Monetary policy and liquidity management	
Ensure effective ex ante coordination of fiscal and monetary policies	Develop an indicator of non-oil fiscal deficit as a percentage of non-oil GDP, and use it as the main indicator of fiscal stance.
Implement reversible monetary programming	(i) Build technical capacity to forecast macroeconomic developments and monetary aggregates; (ii) define objectives for liquidity absorption; and (iii) prepare monetary program within a cycle that includes in-depth discussions & ownership of the regional monetary program by the national fiscal authorities.
Adapt monetary policy instruments to facilitate the development of the interbank money market	Establish a framework in which the BEAC sets a credible and binding target for liquidity absorption operations, while letting the interest rate being market-determined.
Reinforce the range of fiscal savings instruments offered to member states.	Develop instruments reflecting the yield-to-risk ratio of investments and supporting the centralization of government deposits at the BEAC.
II. Financial market deepening	
Establish regional stock market	(i) Establish a single regulatory agency; (ii) make practical arrangements to merge the existing stock markets (in Douala & Libreville) given high fixed operational costs and narrow base of potential issuers and investors.
Facilitate the establishment of a regional government securities' market	(i) Improve treasury cash management; (ii) develop public debt management strategies; (iii) encourage all national treasuries to become direct members of the large value payment system; (iv) develop regular debt issuance programs; and (v) minimize the period during which fiscal statutory advances are maintained.
III. Access to financial services	
Improve information on credit and credit risks	(i) Create a credit bureau; (ii) reinforce business and land registers; and (iii) improve business financial and accounting requirements.
Reinforce the legal and judicial systems	(i) Transpose regional (OHADA) business legal framework into national legal systems; (ii) increase the efficiency of execution procedures; (iii) revise OHADA Uniform Acts in the areas of operational requirements for court experts and bankruptcy trustees; (iv) strengthen judges' training in economic and financial matters.
IV. Supervision of banks and microfinance institutions	
Facilitate the pricing of banking risk and the mobilization of savings	(i) Abolish the maximum lending interest rate and (ii) define a deposit rate that would allow for a better mobilization of savings.
Reinforce the community character of financial supervision	Entrust COBAC with all powers regarding the granting and withdrawal of licenses, the definition and implementation of prudential norms, and the handling of crisis management.
Reinforce banks financial base to help them better absorb shocks	Entrust COBAC with the power to set the banks' minimum statutory capital and raise the minimum risk-weighted adequacy ratio.
Reinforce the initial conditions for efficient banking supervision	Adopt rules of corporate governance for banking institutions.
Establish efficient supervisory mechanisms for the microfinance sector	(i) Strengthen the role of external auditors and off-site inspection; and (ii) involve microfinance units within ministries of finance in the supervision of independent institutions.

Strengthening Statistical Capacity

34. **AFC countries face major challenges in strengthening their statistical systems for macroeconomic analysis and policy.** According to the World Bank Country Statistical Information database, the countries' overall quality of data collection and statistical practices is substantially below the average for low- and middle-income countries around the world. The use of outdated national accounts' base years precludes a robust analysis of the underlying economic structures and trends, particularly in economic sectors other than oil and metals (e.g. services). Also, the pending update of consumer expenditure baskets further complicates inflation analysis, especially during periods of enhanced volatility in food and energy prices and rising non-oil fiscal deficits. Gaps in the production of standard volume and price indices further limit the quality of overall statistical systems in AFC member countries.

35. **The timely production of monetary data (as published in IFS) and countries' participation in the IMF's General Data Dissemination System (GDDS) signals the AFC country authorities' commitment to improving macroeconomic statistics.** Under the supervision of BEAC, monetary data are now being produced and published on a more timely basis than in recent years, although the goal of minimizing lags with data dissemination remains a challenge for the authorities. Also, all AFC countries currently subscribe to GDDS. The GDDS framework emphasizes plans for improvements on macro 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 eventually subscribing to the IMF Special data Dissemination Standard (SDDS).⁹

Supporting Regional Integration and Harmonization Efforts

36. **CEMAC countries are making progress towards regional convergence, as measured by a number of agreed economic criteria.** In 2008, all CEMAC countries met the convergence criteria for the level of public debt (capped at 70 percent of GDP) and, except for Cameroon, the criterion on the non-accumulation of government payment arrears was met across the board.¹⁰ All countries but CAR met the criterion of having non-negative

⁹ The SDDS was established by the IMF in 1996 for member countries that have or might have access to international capital markets, to guide in providing their economic and financial data to the public. SDDS sets rigorous criteria for the development of a national summary data webpage, and advanced data release calendar, and the dissemination of data for 18 major macroeconomic series.

¹⁰ The CEMAC authorities and the IMF staff are discussing whether the agreed convergence criteria for the level of public debt is appropriate to ensure macro sustainability given the international experience. Also, there is the issue of whether a target on the overall balance or any other fiscal target measure in natural resource rich countries that does not adjust for the volatility of natural resource revenues is an appropriate yardstick for assessing nominal convergence.

fiscal balances. Inflation rates across CEMAC have remained above the 3 percent annual rate threshold mandated under the convergence criteria.

37. **More limited progress has been achieved in terms of convergence of per capita income levels.** Pending challenges include fostering a free flow of goods, services, capital, and labor across CEMAC member countries. Currently, institutional constraints, high transportation costs, and other obstacles (i.e., infrastructure bottlenecks, poor business environments) have yielded limited intra-regional trade. There is also evidence that oil dependency has increased and some CEMAC countries exhibit signs of Dutch disease that is hampering the development of the non-oil tradable sector. Furthermore, markets for goods and services (including banking and finance) at national levels are usually segmented and oligopolistic. Labor mobility is very limited within CEMAC countries.

Table 3. CEMAC: Compliance with Convergence Criteria, 2004-08 ¹
(In percent of GDP, unless otherwise indicated)

	2004	2005	2006	2007	2008 Est.
Basic fiscal balance (criterion: nonnegative) ²					
Cameroon	0.0	3.5	5.4	3.9	1.5
Central African Republic	-5.2	-8.2	-4.0	-2.5	-3.0
Chad	-0.2	1.1	3.8	4.3	5.0
Congo, Republic of	8.6	19.2	25.1	20.0	33.6
Equatorial Guinea	12.3	20.6	23.5	17.8	15.3
Gabon	8.0	9.6	10.2	9.4	12.2
<i>Number of countries violating</i>	2	1	1	1	1
Consumer price inflation (annual percentage change; criterion: not higher than 3 percent)					
Cameroon	0.3	2.0	4.9	1.1	5.3
Central African Republic	-2.2	2.9	6.7	0.9	9.3
Chad	-4.8	3.7	7.7	-7.4	8.3
Congo, Republic of	3.7	2.5	4.7	2.6	6.0
Equatorial Guinea	4.2	5.7	4.5	2.8	5.9
Gabon	0.4	1.2	-1.4	5.0	5.3
<i>Number of countries violating</i>	2	2	5	1	6
Level of public debt ³ (criterion: not higher than 70 percent of GDP)					
Cameroon	44.2	37.4	6.0	5.5	6.1
Central African Republic	92.9	90.6	73.6	56.7	49.8
Chad	37.1	27.7	28.7	25.2	18.4
Congo, Republic of	214.5	103.2	85.9	120.1	52.8
Equatorial Guinea	6.2	3.0	1.6	1.1	0.6
Gabon	40.9	29.7	34.0	37.1	14.6
<i>Number of countries violating</i>	2	2	2	1	0
Net change in government arrears ⁴ (criterion: non-positive)					
Cameroon	0.4	-0.8	-1.8	-0.8	0.6
Central African Republic	3.1	3.8	-7.8	-1.6	-1.2
Chad	0.9	0.1	-0.2	-0.5	-0.1
Congo, Republic of	-63.1	-1.8	-1.9	-7.4	-29.3
Equatorial Guinea	0.0	0.0	0.0	-0.2	0.0
Gabon	-10.0	-0.8	-0.7	-0.7	-2.0
<i>Number of countries violating</i>	3	2	0	0	1

Sources: IMF, World Economic Outlook database; and staff estimates and projections.

¹ Revised set of criteria as valid from 2002 onward.

² Overall budget balance, excluding grants and foreign-financed investment.

³ External debt only. The CEMAC's convergence criterion also includes domestic debt, on which the World Economic Outlook database provides insufficient information.

⁴ External and domestic arrears.

C. How Could AFC Assist in Tackling the Region's Challenges?

38. **As stated by the African Governors, TA needs remain large, and AFC is well-positioned to help its member countries addressing the challenges highlighted above.**

The main characteristics of the RTAC model, which were highly appreciated by the members and other stakeholders in the recent external evaluation, are (i) geographical proximity to the countries; (ii) country authorities' ownership of the work program through the SC; (iii) backstopping by IMF HQ to ensure consistency in the quality of the assistance provided; (iv) integration with other IMF TA and IMF surveillance and program activities; and (v) flexibility of the work program, including through regular reviews by the SC. Moreover, during the first three years of its assistance, AFC has built up considerable knowledge of the institutions of its member countries and their strengths and weaknesses.

39. **The main areas of AFC's assistance are proposed to remain broadly similar as those during the first phase.** AFC presently provides assistance on (i) tax and customs administration (1 resident advisor); (ii) public financial management (2 advisors); (3) debt management (1 advisor); (iv) banking supervision and microfinance (1 advisor); and (v) consumer price and national accounts statistics (1 advisor). While progress has been made, institution and capacity building is a long-term effort and given the low starting point of many AFC members, considerable work remains to be done in these areas. Against this background, the proposed main change in AFC's activities is, given the needs and in support of regional integration, to engage an additional advisor for customs administration. Moreover, substantial progress has been made in strengthening debt management systems and, given the priority attached in the CEMAC countries to develop regional debt markets, it is expected that AFC's assistance in debt management will focus more and more on supporting these efforts.

40. **In line with the recommendations of the External Evaluation, AFC will seek to increase its assistance in the area of regional harmonization and integration.** To this end, it will seek to further strengthen its cooperation with the CEMAC and its various institutions. Burundi and the DRC are members of regional organizations that are covered by other AFRITACs; AFC will cooperate with its sister organizations to also assist these countries in making progress with regional efforts toward harmonization and integration.

41. **In addition to broad-based capacity building in each sector, key areas envisaged for AFC assistance during Phase II—which are detailed in Section III—are:**

- AFC's TA in tax and customs administration will assist AFC's members with implementing the individual countries' action plans developed during the first cycle. It will focus on the organization of tax administrations and tax collection, especially with regard to putting in place the tools for monitoring field operations, measuring staff performance, and introducing risk management and internal audit;

- In public financial management, AFC's assistance during the second phase will be directed toward assisting with the Improvement and implementation of the new public financial management frameworks adopted by the CEMAC and the other AFC members;
- With regard to debt management, AFC's assistance will focus on modernizing institutional and organization frameworks for national public debt management, developing effective debt management strategies based on the medium-term debt management strategy (MTDS) tools, and preparations for the introduction of market-based government financing;
- In the area of banking supervision, AFC TA is expected to focus on moving away from compliance-based to risk-based supervision; reinforcing permanent supervision capacities; and enhancing compliance of the prudential and regulatory framework with international standards.
- AFC's assistance in national accounts statistics will aim at enabling all countries to prepare and publish final and provisional national accounts using the ERETES software on a timely basis. Activities with regard to price statistics will mainly focus on assisting Burundi and the DRC with implementing the HCPI methodology.

III. CENTRAL AFRITAC'S NEXT FIVE YEARS ("PHASE II")

42. **AFC's objectives over the next five years are being developed jointly with recipient countries, donors and other TA providers.** The starting point for this draft program document is recipient countries' PRSPs complemented by, if available, sectoral-specific reform strategies. AFC's work will be integrated into IMF HQ TA and IMF program and surveillance work in AFC countries to ensure that its TA remains highly relevant and focuses on IMF core expertise.¹¹

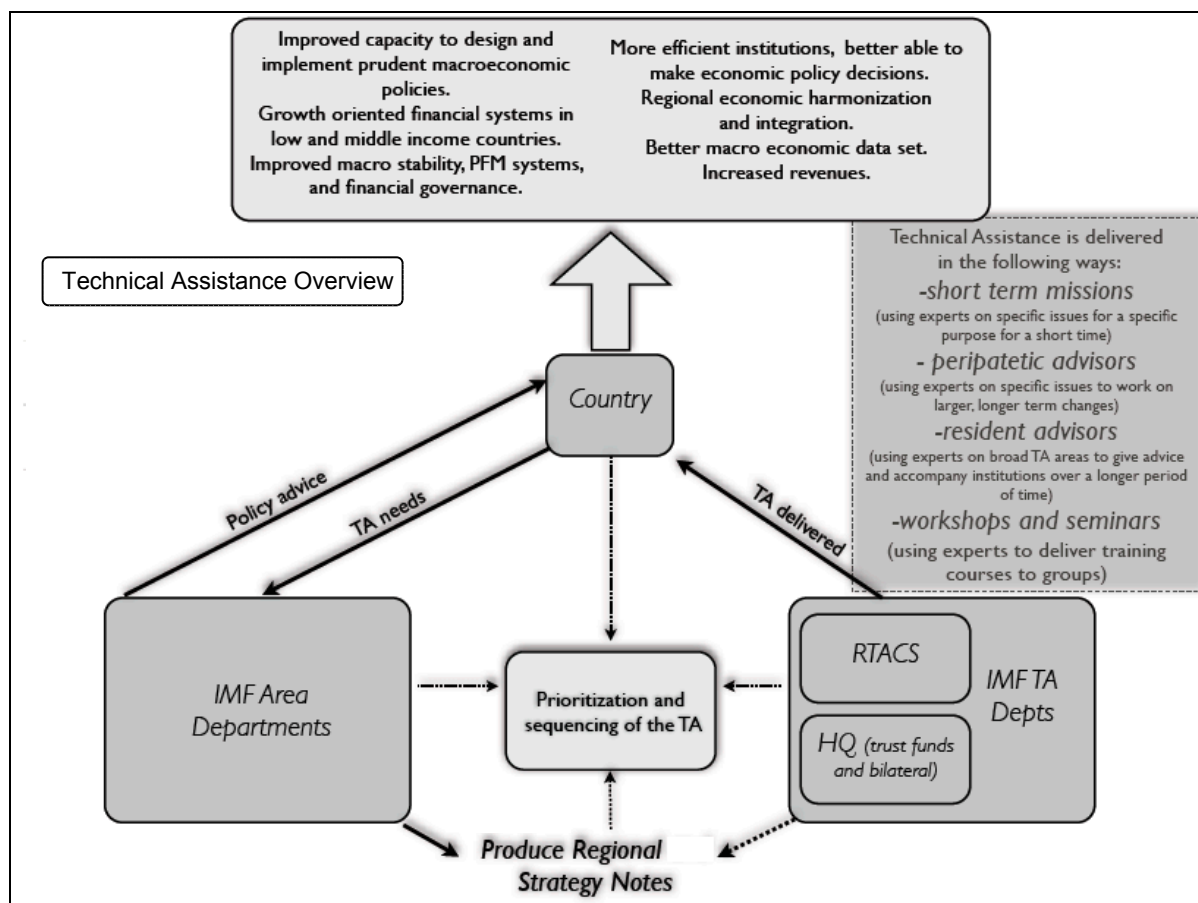
A. Central AFRITAC and other IMF TA

43. **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 AFC countries' reform agendas with the IMF's program and surveillance perspectives, drawing on the technical expertise of TA departments. The African Department identifies TA needs and priorities across TA sectors, balancing 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 agenda 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.

44. **The IMF's ability to provide continued capacity building in the medium term increasingly depends on external finance.** IMF-financed TA is prioritized to building the capacity needed to successfully implement macroeconomic policies, including under IMF programs. 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 crisis, increasing the need for external financing to supplement the IMF's own 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 experts at IMF HQ or from the IMF's international expert roster. The topical trust funds create synergies with the work of the RTACs, 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

¹¹ The Regional Strategy Note (RSN) for Africa reflects the result of the internal prioritization process and sets out a medium-term TA agenda for all African countries. The RSN includes the work of AFC.

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.



45. **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 multi-year 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, cross-country knowledge and international best practice and usually include the RTAC's resident advisors. 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 advisors 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.

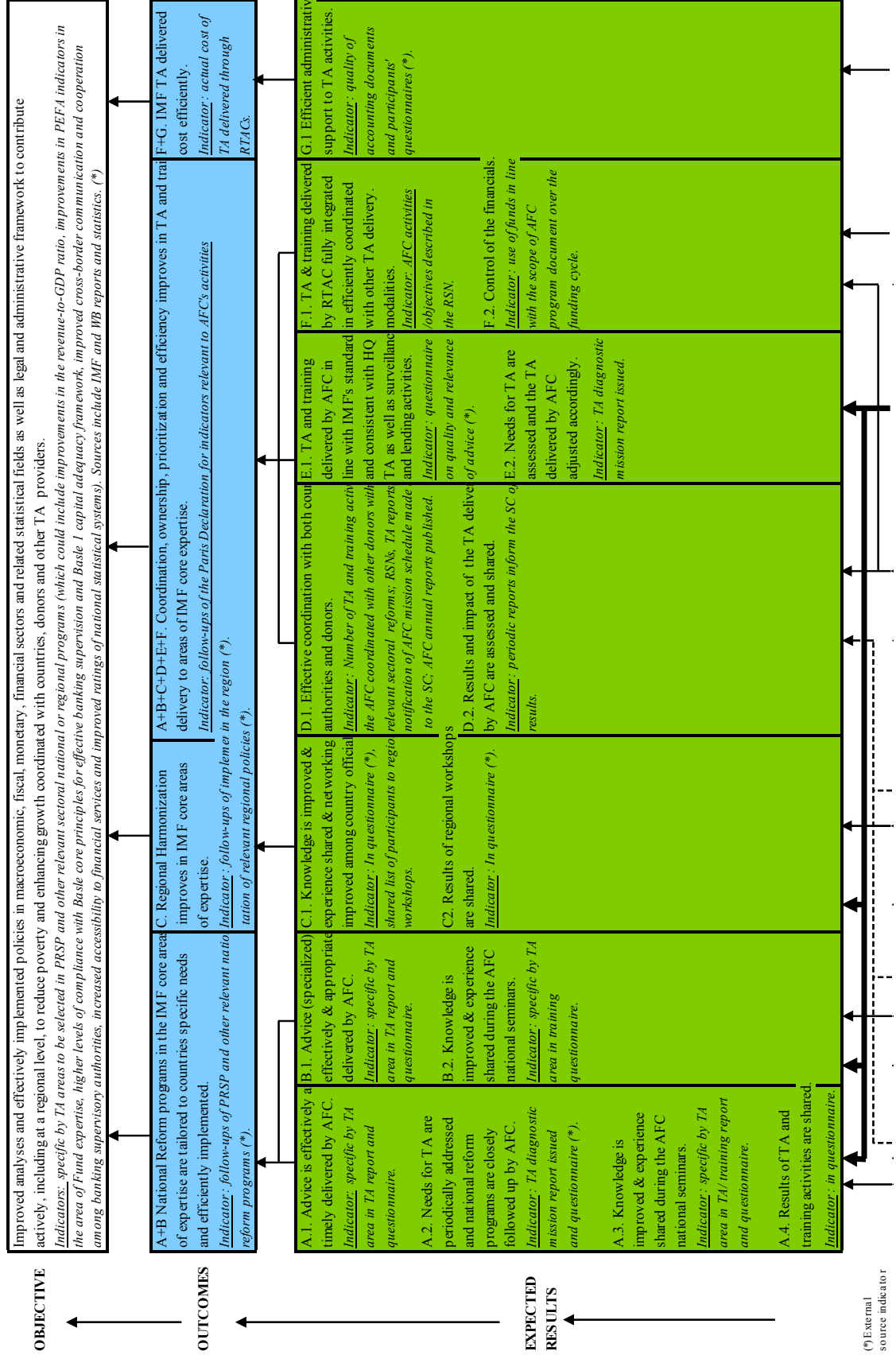
B. Measuring How Central AFRITAC Achieves Its Objectives

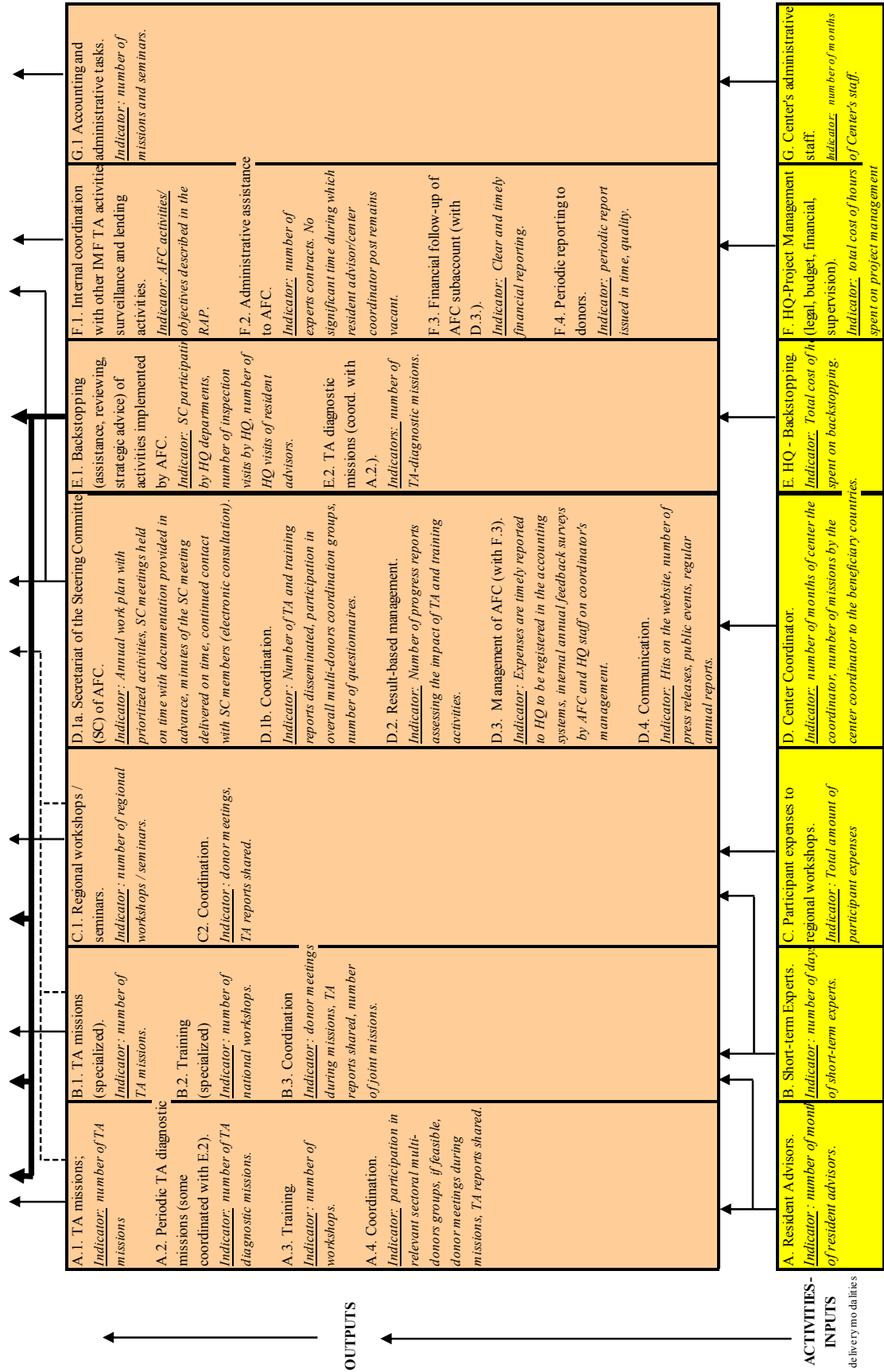
46. **Results-focused management is the main tool used to assess the achievements of AFC.** A robust framework of the AFC results, presented in a clear and logical manner at the beginning of the program period, improves the measurement of the objectives and results. The IMF and AFC’s results-focused 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, AFC 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 AFC will be one of the fora for these discussions.

47. **The annual report to the SC is an opportunity to measure and monitor progress toward the results.** AFC 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.

48. **To complement the results-focused framework, at the completion of each project, AFC 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 AFC 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 AFC Deliver Results and How Does it Get Traction?





C. Integration and Synergies with Other TA Providers

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

AFC'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 AFC 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 system is a precondition for donors' moving from project to budget support.

50. AFC's coordination with the many other TA providers active in AFC countries is key to its success and will be further strengthened. TA in AFC's area of competence is being provided to the region by multilateral institutions like AfDB, EU, 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 Belgium, Canada, France, Germany, the Netherlands, the United Kingdom, and the US (see sections III D-J for coordination on a sectoral basis and Appendix IV).

51. To help ensure complementarities and synergies with other TA providers, the AFC 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,¹² including the IMF's Resource Allocation Plan (RAP), which details all TA missions and assignments planned in an IMF financial year, including those planned for AFC.
- 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 prepared by IMF HQ. This will provide AFC recipient countries, donors, and other TA providers with the information they need to better coordinate with IMF and AFC TA.

¹² According to the IMF's new dissemination policy, which was 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 AFC missions will be posted on AFC's website (to be created), which will include contacts with other donors. If possible, AFC missions will also provide donor briefings in the field. Ideally the authorities or possibly also the Resident Representative's office¹³ would organize the meetings.
- AFC would as much as feasible participate in formal groups on donor coordination.¹⁴
- Launch an AFC website, including contact information to foster donor coordination.
- Start publishing AFC annual reports.

D. Agenda—Revenue Administration

Coordination with Development Partners

52. **Five countries are receiving significant TA financed by their development partners in the tax and customs areas:** Burundi (WB, DFID, and France), Cameroon (WB, France), the Central African Republic (WB and European Union), and Chad (WB, France, and European Union). The excellent collaboration these donors extended to AFC's advisor and short-term experts made it possible to avoid duplication of efforts and to introduce a sharing of activities that is tailored to country needs and to the capacities of each party involved.

Phase II—Country and Regional Objectives

53. **AFC's work for 2010-2014 will be oriented toward implementing the action plans for building the capacities of the tax and customs administrations that were prepared with AFC assistance, on the basis of previous IMF HQ diagnostic missions' recommendations, during the first financing cycle.** Such plans generally cover three- or four-year periods. Within this framework, AFC assistance will focus on the organization of tax administrations and tax collections procedures to ultimately increase tax revenue:

54. **With regard to the organization of the tax administrations, emphasis will be put on strengthening management and separating them from operational functions.** Assistance will focus primarily on putting in place the tools for monitoring field operations, measuring staff performance, and introducing risk management and internal audit. Improving service to users will entail assistance with the introduction of measures to promote self

¹³ Apart from Equatorial Guinea, all AFC countries have an IMF Resident Representative.

¹⁴ 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).

compliance. Finally, in connection with strengthening the fight against tax evasion and broadening the tax base, AFC assistance will be oriented toward improving detection of non filers, including better collaboration between the tax and customs staff and processing of tax and customs data, and toward penalizing the major tax evasion cases.

55. **In view of the high TA needs at customs and the authorities' priority of facilitating regional economic trade and integration, it is proposed to appoint a separate customs advisor for AFC.** During the first cycle, AFC's TA in tax and customs administration was implemented and supervised by the tax administration advisor, relying on short-term experts to provide assistance in customs. An additional advisor with strong competencies in customs administration would allow for boosting assistance in this area and improving consistency and coordination of AFC customs advice that is required in the regional context.

Regional Issues

56. **AFC stands ready to assist the authorities with issues in regional cooperation in the area** of revenue and customs administration. There is considerable scope for—and benefits to be attained from—regional cooperation in revenue administration among the AFC members. However, compared to West Africa—where there is close cooperation on customs and VAT rates are harmonized—there is little regional cooperation in this area in the CEMAC region. Nevertheless, if requested, AFC will be available to assist Burundi, the CEMAC countries as well as DRC and Sao Tome and Principe in developing and implementing regional cooperation plans. Assistance for interconnection of customs administrations and the simplification and harmonization of customs procedures in line with international standards will also be considered.

Burundi

57. Since 2007, AFC focused on preparing and introducing a VAT, which became effective on July 1, 2009, and the implementation of the common customs tariff as part of the integration of Burundi customs into the East African Community (EAC) Customs Union.

58. During the next financing cycle, TA will concentrate on improving VAT implementation and on the modernization of the tax and customs administrations. Like most countries that have introduced a VAT and/or a common customs tariff since the 1990s, Burundi should take advantage of these reforms to introduce modern and better-performing management and collection procedures. The functioning of tax and customs administration should also improve owing to the creation of the Burundi Revenue Office—bringing the institutional set-up in line with those in other countries of the EAC. Moreover, AFC will provide assistance aiming at adapting the tax system and administration of small and medium-sized enterprises to improve self compliance and broaden the tax base, and intended to align customs procedures to the EAC customs union standards.

Cameroon

59. Significant progress has been made with tax administration, particularly in terms of organization and procedures. Cameroon's Directorate-General of Taxes (DGI) is approaching international standards in these areas. Conversely, at the customs department, progress has been made in selected areas (notably performance monitoring), but such comprehensive modernization has not been achieved yet.

60. The objectives of AFC's TA to Cameroon in the next few years will center on the consolidation of gains made, through: (i) the completion of the organization of the DGI by taxpayer segment—i.e. installing offices for medium-sized and small businesses in all provinces; (ii) strengthening of audit procedures and auditors skills; (iii) broadening the tax base; and (iv) enhancing performance management and internal audit. On customs administration, AFC has invited the authorities to propose their TA priorities, taking into account previous assistance of IMF HQ and AFC and other donors' programs.

Central African Republic

61. The tax and customs departments have benefited from significant TA from the IMF, the World Bank, and the European Union over the last few years. However, reflecting the country's post-conflict conditions, both administrations remain extremely weak. AFC's assistance has assisted the authorities with rebuilding basic administration and developing capacity building programs, aimed at restoring the authority of the institutions.

62. The TA provided by AFC in the next several years will be focused on the effective implementation of the capacity building programs, with particular emphasis on human resource management, organization of the administrations by taxpayer segments, simplification of procedures, and combating tax and customs evasion.

Chad

63. In April 2009, an HQ mission on tax and customs administration identified numerous weaknesses, including a narrow tax base, the magnitude of informal economic activities, insufficient support from the authorities, and an increasing know-how shortage in technical areas. Consequently, the tax revenue/GDP ratio of 9.2 percent in 2008 is lower than that of comparable African countries and it does not appear to be keeping up with the growth of GDP.

64. AFC's TA will focus on implementation of the recommendations made by the April 2009 IMF HQ mission, which mainly relate to strengthening resources, enforcing taxpayer obligations, taxpayer segmentation, reorganizing the customs clearance process, combating evasion and auditing the informal sector, and controlling exemptions.

Democratic Republic of the Congo

65. Capacity building at the tax and customs administrations is a prerequisite for successful introduction of a VAT, scheduled for 2010. To achieve this objective, action plans have been prepared with AFC assistance.

66. AFC's continued involvement will focus on the implementation of the reform programs. Tax administration priorities include the control of the taxpayer base, enhancing the Large Taxpayer Office' capacity to administer the VAT, phasing out medium-sized taxpayer offices in provinces, restructuring the tax administration to better address resource taxation, and improving tax audit programs and internal audit. At customs, given that a consulting company supports implementation of the modernization program, AFC will follow-up to make sure that reform priorities are adequately addressed, notably streamlining the import process, improved use of the Automated System for Customs data (ASYCUDA) software, proper valuation of goods, combating fraud and strengthening border control.

Equatorial Guinea

67. Reflecting the high revenue from oil exports, AFC has not been much involved in improving revenue administration in Equatorial Guinea. However, AFC will stand ready to assist the authorities with tax and customs administration modernization, in coordination with IMF HQ.

Gabon

68. AFC assistance has been focused on strengthening management of ongoing reform efforts, among the main weaknesses of the tax and customs administrations. Reform committees have been established and action plans prepared with AFC assistance, consistently with the 2008 IMF HQ mission recommendations. Both action plans cover the broad range of measures needed to modernize organization, systems and procedures in the medium-term.

69. AFC activities in the coming years will consist of supporting the tax and customs administrations in implementing and updating the reform programs and action plans, aimed at increasing non oil revenue collection performance. Key areas for TA will include reorganizing administrative structures, improving the monitoring of staff performance, modernizing procedures, and strengthening registration and audit. At customs, strengthening risk management, developing IT capacities, specializing staff and enhancing both the fight against fraud and trade facilitation will be priorities. Strengthening the management of exemptions will also be needed.

Republic of Congo

70. The initial phase of the TA provided by AFC consisted in relaunching the tax and customs administration reforms by developing four-year action plans. These action plans

were devised in accordance with the priorities identified by the 2004 IMF HQ diagnostic mission, including: (i) proper taxpayer segmentation; (ii) an appropriate framework to steer reforms and monitor operations; (iii) improved services rendered to taxpayers/traders; and (iv) broadened tax base through anti-evasion efforts. AFC's activities over the next few years will consist of assisting the tax and customs administrations with the implementation of these action plans and their regular updating.

Box 2. Revenue Administration—Possible verifiable indicators of success¹

- Increase in budgetary (non-oil) revenue as a ratio of GDP.
- Introduction of auditing of small taxpayers (Burundi, Cameroon, DRC, CAR).
- Introduction of a VAT (DRC).
- Improvement in the services rendered by the administrations, as measured by shorter lags in responding to mail, making forms and supporting documentation available.
- Simplification and acceleration of customs clearance procedures: reduction in time lags, introduction of selective customs clearance channels (green channel).
- Broadening of the taxable base: increase taxpayer registration levels by at least 10 percent.
- Improved quality of tax auditing: length of procedures, full compliance by auditors with provisions of the tax procedure code.
- Organization of tax and customs administrations by taxpayer segment; employ specialized staffs for major taxpayer categories.
- Computerization of procedures.
- Implementation of a taxpayer chart of rights.
- Dissemination on an official website of information required to allow for self assessment of liabilities by taxpayers and importers and exporters.

¹ The indicators are applicable to all countries except when otherwise indicated.

E. Agenda—Public Financial Management

Coordination with Development Partners

71. **All AFC member countries also receive TA in public expenditure management from other development partners.** The partners are: in Burundi; the WB, the EU, France and DFID; in Cameroon: France, the EU, the AfDB, the UNDP, the USA and Canada (a

special committee in the Ministry of Finance is charged with donor coordination in the PFM area); in the Central African Republic: France, the EU and the WB; in Chad: France, the EU, the AfDB, and the UNDP; in the Democratic Republic of the Congo: Belgium; in the Republic of Congo: the WB, the AfDB, the EU, and France; in Equatorial Guinea: France and the AfDB; and in Gabon: the WB, France, the AfDB, and the EU. Several of these countries have adopted comprehensive PFM reform programs which are supported by multiple donors (Burundi: PAGE; Chad: PAMFIP), and AFC's assistance is formulated within the context of these programs.

Phase II—Country and Regional Objectives

72. During the second phase, AFC will continue to assist its member countries in building and strengthening basic PFM institutions, building on the achievements of the first phase and focusing on member countries' planned reforms. All AFC member countries have, either in the context of regional cooperation or individually, undertaken reforms of their legal public finance framework (budget, accounting and statistics). For example, in 2008, the six member states of CEMAC adopted five PFM directives concerning finance laws, general public accounting, budget classification, the government chart of accounts and the government flow of funds table; in Burundi, a new government financial regime was also adopted in 2008, with the assistance of the IMF and in the DRC, a new organic finance law may be adopted by June 2010.

73. AFC's assistance in PFM for the 2010-2014 period will focus primarily on revising, updating and/or implementing these new public finance management frameworks. The CEMAC Commission recently requested IMF's technical assistance for the revision and update of its PFM directives and for the preparation of action plans for each member State for their dissemination and implementation. Work on budget classification and the development of a new government chart of accounts, already started during FY 2010, will continue and a new focus area will be assistance with decentralization of government budget execution—shifting payment authorization to the line ministries, a common theme in the countries' reforms—and, over the medium-term, to setting up program budgets in the most advanced countries such as Cameroon and Gabon.

Regional Issues

74. The main regional issue in the area of public financial management concerns the revision and subsequent implementation of new PFM directives for the CEMAC countries. These five directives—on the finance law, the general public accounting rules, the government budget classification system, the government flow of funds table, and the government chart of accounts—were adopted in 2008 by the CEMAC Council of Ministers and will be part of the legal public finance framework of each CEMAC member country after their revision as requested by the CEMAC Commission. Consequently, all reforms in the area of public finances that are to be carried out in these countries must take into account these directives.

75. **AFC stands ready to intensify its cooperation with regional institutions, especially the CEMAC.** AFC's advisors took part in some of the CEMAC's deliberations on the directives, but the organization did not request more intensive TA in their finalization. AFC will assist the CEMAC in revising the directives and in preparing action plans for their dissemination and implementation.

Burundi

76. During 2007-10, AFC's assistance to Burundi focused on developing a cash-flow management framework and on reviewing the Integrated Public Finance Management System (SIGEFI). However, reflecting Burundi's serious institutional and technical-capacity weaknesses, the cash flow management framework is not yet fully operational. Also, the review of the SIGEFI revealed numerous areas where improvement would be needed.

77. In line with the 2008 public finance reform action plan, AFC assistance for the period 2010-14 will continue to focus on further strengthening cash flow management and the SIGEFI. With regard to the cash flow management framework, AFC assistance will aim at building technical capacity and at putting in place quarterly expenditure commitment plans with the objective to develop operational cash flow plans that are effective and regularly updated. Assistance will also focus on the addressing existing weaknesses in the SIGEFI and on its further development.

78. AFC will also assist the authorities with implementing the new financial regime. Burundi enacted a new government financial regime in 2008 and prepared the operating regulations in 2009. AFC will assist the authorities with implementing the new law and its regulations.

Cameroon

79. During 2007-10, AFC assistance contributed to the implementation of a new government financial regime (adopted in 2007) and to the development of a cash flow management framework. In April 2008, a joint HQ/AFC mission provided TA for the implementation of the new government financial regime law and prepared an action plan that specified in particular the programs to be carried out in 2008, 2009, 2010, and beyond. AFC also developed a government cash flow management framework and proposed an action plan to be implemented over three years for optimal cash flow management.

80. For the second phase, AFC will provide further assistance in these areas. It will continue work on the implementation of the new government financial regime, with is planned to be completed by 2013 when the program budget and government cash flow management are put in place. On cash flow management, AFC will support the implementation of the action plan, providing TA mainly to build the technical capacities for revenue projection and for programming disbursements and the issuance of government

securities with the objective to have, before 2013, a strong technical and operational, as well as an effective and functional institutional framework.

Central African Republic

81. Given its serious institutional weaknesses and capacity constraints, AFC's assistance to the Central African Republic will continue to aim at basic institution and capacity building, focusing on accounting and strengthening the PFM system. With regard to the former, assistance will be provided for the implementation of the new accounting framework adopted by the government in January 2009, aiming at an effective and coherent implementation of the new chart of accounts over the next few years. Moreover, in November 2009, a joint FAD/AFC diagnostic mission assisted the authorities in taking stock of progress accomplished in improving PFM and in preparing a medium to long term strategy and action plan for strengthening the PFM system. AFC will provide assistance with the implementation of the recommendations of that mission, emphasizing the budget classification system and budget execution, including cash management and the government chart of accounts.

Chad

82. During the first cycle Chad received AFC TA missions in the area of government cash flow management, budget classification, and government investment monitoring. These missions proposed action plans for two purposes: first, optimal government cash flow management; and second, the implementation of appropriate budget classifications consistent with international standards.

83. For the period 2010-2014, AFC TA will continue to focus on treasury management and budget classification, building on work done during the first phase. This TA has two objectives: first, to make the cash flow plan operational by 2011; and second, to put in place a modern budget classification system consistent with international standards beginning with the 2012 budget. In addition, AFC will lead in January 2010 a multi-donor TA mission to assist the authorities in preparing an updated medium- to long-term strategy and action plan for strengthening the PFM system. AFC will provide assistance for the implementation of the recommendations of that mission.

Democratic Republic of the Congo

84. During the first cycle AFC TA to the DRC aimed at improving government accounting. The TA resulted in strengthening the capacities of the employees of the Accounting Centralization Division; it also resulted in a number of proposals aimed at the regular production of the monthly balance of accounts and activities.

85. In the second phase, AFC will assist the authorities with further improving government accounting, the computerized expenditure chain, and the implementation of the

new public finance management framework. With regard to *accounting*, plans to provide TA to (i) bring the double-entry accounting system into universal use with the revenue collection agencies; and (ii) gradually implement a bona fide general accounting system. The objective is to implement an accounting framework for government budgetary and financial operations, primarily through the regular production of reliable and prompt account balances by 2013. The *computerized expenditure monitoring system* remain incomplete and budget execution is still laden with problems, in particular with regard to the excess use of exemption procedures, often resulting in major overruns of authorized funding. AFC will assist the authorities with improving the system and its possible expansion to other areas of budget execution, with the aim to upgrade the system by 2013. AFC will also provide assistance with the *implementation of the new public finance management framework*, expected to be adopted in 2010.

Equatorial Guinea

86. AFC TA to Equatorial Guinea will focus on budget classification and the implementation of the revised CEMAC public finance directives during 2010-14. The assistance on budget classification will follow-up on a training seminar in Malabo conducted in February 2009, and will particularly aim at the preparation and introduction of a functional classification in accordance with the 2001 PFSM and CEMAC Directive No. 3 on budget classification. The desired goal is to implement a modern budget classification system consistent with international standards by 2012. Similarly as in other CEMAC countries, AFC will support Equatorial Guinea with the implementation of the new improved public finance management framework, especially in the areas of budget classification and the government chart of accounts.

Gabon

87. During the period 2007-10, AFC provided TA in cash flow management and in identifying tools and mechanisms for internal audits in the Treasury. The technical framework for cash management was put in place and a Cash Flow Committee is up and running. The TA for the audits identified major areas for medium-term reform, including in particular bolstering the training of the auditors/comptrollers who will be in charge of the new activity.

88. During the second phase, AFC will continue to assist the authorities in the same areas as during the first one, building on the progress made this far. First, in *cash flow management*, AFC TA will focus on (i) strengthening the effectiveness of the technical framework, mainly in terms of reliability (projections of encashments and disbursements), exhaustiveness and updates; and (ii) building capacity in the preparation of expenditure commitment and procurement plans. The objective is to implement and put in place an operational and effective cash flow plan by 2012. Second, AFC TA will aim at strengthening the capacities of the internal audit unit, mainly through training on audit methodology; the objective is to contribute to the full implementation of the audit tools and systems by 2012.

Thirdly, AFC will assist the authorities with the implementation of improved CEMAC public finance management directives, in particular in the areas of the budget classification system and the government chart of accounts, and with gradually introducing program budgeting.

Republic of Congo

89. AFC TA for the Republic of Congo during the period 2010-14 will focus on upgrades to the government accounting system, improvements in the quality of accounting information and the implementation of the improved CEMAC public finance directives. Despite progress in the recording of transactions and the production of accounting statements, the accounting system requires further improvements to improve reliability of the data and shorter production time frames. The objective of AFC's TA is to improve the accounting system to such an extent that it delivers reliable, comprehensive and consistent budget execution information by 2014.

Box 3. Public Financial Management—Possible verifiable indicators of success

- Operational cash flow plans that are effective and regularly updated, including (i) an annual projected government cash flow plan by month included with the draft finance law; (ii) quarterly cash flow plans with the operational month divided into weeks; (iii) institution of treasury single accounts; and (iv) seamless execution and recording of payments throughout the year for all expenses committed, verified and paid ((Burundi, Cameroon, Gabon and Chad);
- An end to the use of BEAC statutory advances and issuances of government securities to finance government cash flow requirements (CEMAC countries).
- Actions plans for the dissemination and implementation of the CEMAC new improved PFM directives (CEMAC countries).
- Implementation of the new government financial regime including the issuance of regulations on the practical modalities and implementation of the program budget in some ministries (Cameroon).
- Implementation of the new accounting chart; monthly treasury account balances no later than the 20th day of the following month; final annual treasury account balances no later than April 30 of the following year; closing of the fiscal year no later than end-February of the following year and the preparation of the payment law before the session on the finance law for year N+2; computerized government budget execution procedures from commitment up to payment (CAR, DRC, Congo).
- A budget classification system that includes at least administrative, economic and a functional classification Chad, Equatorial Guinea, Congo).
- Streamlined expenditure circuits: lower numbers of persons involved and reduced expenditure processing times (Chad, DRC).
- Implementation of the audit tools and systems (Gabon).
- Implementation of an Integrated Financial Management Information System (IFMIS) with computerized government budget execution procedures from commitment up to payment (Burundi).
- Disseminate information on government budget execution (all countries)

F. Agenda—Debt Management

Coordination with Development Partners

90. **Development partners in the area of debt management in AFC's member countries consist mainly of a number of multilateral and specialized institutions.** Most AFC members receive technical and/or financial support from the AfDB, UNCTAD, the WB and Pôle-Dette, in partnership with Debt Relief International (DRI). The AfDB has set up projects—in partnership with UNCTAD—in Burundi, the Central African Republic, and Congo covering the procurement of debt management software, training, seminars and TA missions. UNCTAD also organizes seminars in collaboration with AFC and Pôle-Dette, and—together with DRI—provides substantial support for most of the countries in various areas of debt management. Support from the WB has underwritten Debt Management Performance Assessment (DEMPA) missions to evaluate debt management procedures. The BEAC assists its member countries through its project on the issuance of government securities. AFC coordinates its operations with all of these organizations, including through the exchange of mission schedules, and joint missions and workshops.

Phase II—Country and Regional Objectives

91. **AFC's main objectives with regard to its TA** in debt management for Phase II are to assist its member countries with:

- Modernizing institutional and organizational frameworks for national public debt management through continued assistance in: (i) implementing reforms pursuant to recommendations made by TA missions during Phase I; and (ii) evaluating and modernizing the institutional and operational public debt management framework in the remaining countries (Cameroon, Congo, Republic of, Equatorial Guinea, Chad).
- Developing effective debt management strategies, using the Medium-Term Debt Management Strategy (MTDS) tools developed jointly by the IMF and the WB. These tools provide an integrated framework for developing debt management strategies that take into account the macroeconomic framework, public financial management, monetary management, and financial sector development.
- Building operational capacity within public debt management agencies through ongoing training missions for debt managers on specific technical and practical debt management issues, to consolidate achievements under Phase I.
- Centralizing all debt management within dedicated national structures and ensure the reliability of databases.
- Equipping national agencies in charge of public debt management with greater capacity to produce and disseminate periodic statistical and analytical reports.

- Assisting the remaining heavily indebted poor countries (HIPC) in the region (Congo, DRC and Chad) in rapidly completing the HIPC process.

In this context, AFC will assist its member countries in taking ownership of the framework, methodology, and tools for preparing a MTDS. Dissemination will take place in two stages: (i) holding regional awareness-raising seminars; and (ii) organizing country missions and national workshops.

Regional Issues

92. A main objective of the CEMAC is to develop regional financial markets to promote market-financing of government financing needs and investment in the region.

AFC will continue to assist the regional institutions the BEAC and Pôle-Dette—and where applicable with regional financial market institutions such as the Central African Stock Exchange (BVMAC) and the Central African Market Surveillance Commission (COSUMAF)—with setting up and operationalizing an institutional framework for a government debt market in Central Africa. AFC will cooperate closely with the BEAC and Pôle-Dette on preparing the national administrations for the issuance of government securities, including by combining its expertise on debt management, treasury management and statistics. This collaboration will enrich the planned support for programming the issuance of public securities as well as for the production and dissemination of statistical and analytical debt reports..

Burundi

93. Given the very weak institutions and technical capacity AFC's TA to Burundi focused on creating a basic capacity in debt management during the first phase. Complementing TA from MCM, it assisted the authorities with the reorganization of the Treasury Directorate and provided training for its management and staff. The latter concerned basic debt management concepts and techniques as well as programming, organizing and implementing the issuance of government securities.

94. For the period 2010-14, AFC TA will aim primarily at modernizing the country's organizational and operational debt management framework and on the formulation of appropriate debt strategies. Detailed objectives include (i) the creation of a debt directorate; (ii) the adoption of a procedures manual; (iii) the establishment of a team in charge of formulating debt strategies under the supervision of the debt directorate; and (iv) the adoption of an annual (cf. debt strategy), monthly and weekly program for issuing government securities.

Cameroon

95. Cameroon has a strong institutional framework and analytical capacity in debt management. During 2007-10, AFC collaborated with a joint IMF HQ-WB mission on MTDS formulation for Cameroon and provided follow-up training in the development of

effective debt management strategies using MTDS tools. AFC TA also focused on the techniques for programming, organizing and implementing the issuance of government securities and provided training on public debt portfolio risk management techniques and practices.

96. During Phase II, AFC will focus its support on further improving the institutional framework for formulating strategies on debt and the issuance of government securities, as well as building capacity in areas of analysis such as public debt portfolio risk management. Specifically, it will aim at (i) the creation and operationalization within Cameroon's autonomous public debt management agency, the *Caisse Autonome d'Amortissement* (CAA), of a committee tasked with formulating the MTDS and developing a borrowing program (including the issuance of government securities); and (ii) the development by the Treasury Directorate of a plan for the issuance of securities to meet cash management needs.

Central African Republic

97. Debt management institutions and technical capacity in the Central African Republic are very weak. During the first phase, AFC TA focused on creating a basic debt management capacity. In addition to assistance with improving data and analysis, it also helped with the creation of a public debt directorate and the preparation of an action plan to establish appropriate procedures for the entire public debt process.

98. The CAR is one of the countries in the greatest need of assistance and will be the focus of a large part of AFC TA during phase II. Emphasis will be on institutional (organization, procedures manual) and operational issues (building capacity for debt strategy analysis and formulation, consolidating centralization and ensuring database reliability). The main targets will be to (i) finalize and adopt the public debt management procedures manual; (ii) fully implement the recommendations of institutional support missions during Phase I; (iii) centralize all public debt management (including secured debt) within the Public Debt Directorate (DDP); (iv) make operational the committee tasked with formulating the MTDS and developing the borrowing program (including the issuance of government securities); (v) develop (by the Treasury Directorate) a plan for the issuance of securities to meet cash management needs; and (vi) provide training in basic debt management concepts and considerations.

Chad

99. AFC intends to step up its TA to Chad during the second phase, aiming at completing the institutional framework and further strengthening technical capacity. AFC's assistance was limited during the first phase, reflecting the country's security situation and substantial TA by Pôle-Dette. However, in coordination with Pôle-Dette and other TA providers, AFC will increase assistance during 2010-14, aiming at (i) the full implementation of the recommendations of institutional support missions during Phase I; (ii) the operationalization of the committee tasked with formulating the MTDS and developing the borrowing program

(including the issuance of government securities); (iii) the development by the Treasury Directorate of a plan for the issuance of securities to meet cash management needs; and (iv) providing training in basic debt management concepts and considerations.

Democratic Republic of the Congo

100. Institutional and technical capacity in debt management in the DRC is also among the weakest of the AFC members, and AFC TA focused on creating a basic capacity during the first phase. TA activities included providing assistance in preparing for the completion point under the enhanced HIPC Initiative, preparing an action plan to centralize debt management, and training on the preparation of periodic report.

101. The two main priorities of the DRC government in terms of debt management are: (i) effectively centralizing all debt management and ensuring the reliability of the database; (ii) reaching the HIPC completion point and its implementation by creditors; and (iii) ensuring sound debt management post completion point, in which the formulation of appropriate strategies remains a determining element. AFC TA will focus on these areas during Phase II. Specifically, it intend to assist the authorities with (i) the implementation of the action plan for effective centralization of all public debt (including domestic and secured debt) within the national Public Debt Management Office (OGEDEP); (ii) the systematic production of periodic analytical reports; and (iii) the creation and operationalization within OGEDEP of a committee tasked with formulating the MTDS and developing the borrowing program (including the issuance of government securities).

Equatorial Guinea

102. Equatorial Guinea external debt is—at 0.8% of GDP—very low and debt management is not a major priority of the authorities. Nevertheless, given the country's intention to participate in the development of the oil- and gas sector may lead to higher debt levels in the near future, making the development of a financial strategy and updating it periodically more important. In this context, AFC intends to support the government in evaluating the organizational and operational public debt framework with a view to its modernization and alignment with international standards consistent with IMF and World Bank guidelines. The TA will aim at (i) the reorganization and strengthening of the national debt agency (*Caisse Autonome d'Amortissement* - CAA); (ii) the regular monitoring of public enterprise debt and periodic reporting by the CAA; and (iii) the annual formulation of the country's financial strategy by the staff of the debt management agencies.

Gabon

103. AFC's activities conducted in Gabon during Phase I have yielded appreciable results with respect to developing policy papers on borrowings and debt management. The development of a debt management procedures manual is also under way and should be completed by the end of Phase I.

104. Gabon's entry into the international debt market through the issuance in December 2007 and January 2008 of two bonds (one regional and one international) substantially changed the structure of the country's public debt portfolio and calls for a new strategy and new management tools, such as portfolio risk management. Central AFRITAC will continue to take such concerns into account in its assistance to Gabon during Phase II, focusing at (i) the application of regulatory texts on debt management and borrowing policy by the national debt agency, (*Comité National d'Endettement Publique* -CNEP); (ii) the application of provisions to restructure the public accounts general directorate, which is tasked with public debt management; (iii) the adoption of the procedures manual for the entire public debt chain; (iv) capacity-building in risk management; and (v) the systematic formulation of the MTDS and development of a borrowing program (including the issuance of government securities).

Republic of Congo

105. AFC TA to the Republic of Congo concerned capacity building against the background of moving toward the completion point under the enhanced HIPC Initiative. The assistance included training of new staff of the debt directorate, including on data production and dissemination, basic debt management concepts and considerations (including debt renegotiation techniques and practices), risk management, and the techniques for programming, organizing, and implementing the issuance of government securities.

106. During the second phase, AFC will further assist the Congolese authorities with the preparations for attaining the HIPC process; post completion point, AFC TA will focus on formulating debt strategies and developing borrowings through the regional debt market. Specifically, AFC will help the authorities to attain the (i) centralization of all public debt management (including secured and collateralized debt) within the government's debt agency (*Caisse Congolaise d'Amortissement* - CCA); (ii) creation and operationalization within the CCA of a committee tasked with formulating the MTDS and developing a borrowing program (including the issuance of government securities); (iii) development by the Treasury Directorate of a plan for the issuance of securities to meet cash management needs.

Box 4. Debt Management—Possible verifiable indicators of success¹

- Approval and implementation of a national guidance on public debt policy; a committee to implement the public debt policy and formulate the national medium term debt strategy and a well-trained technical team within the national debt office to formulate the national borrowing strategy (including government securities issuance) are in place.
- Approval and implementation of a new law on borrowing policy and debt management (DRC)
- New procedures to regulate provincial borrowing are approved and published (DRC)
- Approval of new rules involving the Debt Office in the whole borrowing process and transfer of all debt data and management to the Debt Office (CAR, Congo).
- Approval of new texts creating debt management Office (BDI).
- Approval of a new organizational chart for the debt office distinguishing the three main functions (front, middle and back office) (Burundi, CAR, Chad, DRC).
- With regard to the issuance and management of government securities, (i) approval of a national operational framework (Cameroon, CAR, Chad, Congo, DRC), and (ii) the manual of procedures (Burundi, Central African Republic) or operational framework (Cameroon, Gabon).
- Strengthening the Debt Office with more staff (by 50 percent in Burundi) with capacities to analyze statistical data and to understand and implement the national debt strategy (Burundi, CAR).
- Publication of periodic statistical and analytical reports (Burundi, CAR, Chad, DRC)
- A cash flow management committee is in place, and annual and monthly cash flow forecast are being prepared on the basis of an approved annual government securities issuance program (all countries except Equatorial Guinea).
- Reliance on government financing from the central bank has diminished.
- Approval and implementation of the national capacities building plan (Equatorial Guinea).
- Approval and implementation of the borrowing policy, the new regulations and manual on debt management procedures, and of the DGCP's new organizational chart (including the debt office) (Gabon)
- Approval of the new manual on debt management procedures (Gabon)

¹ The indicators are applicable to all countries except when otherwise indicated.

G. Agenda—Banking Supervision

Coordination with Development Partners

107. **Other than the WB, there is limited involvement of donors in the area of banking supervision in AFC countries.** AFC cooperated with the WB on the review of the financial sector (FSAP) of Burundi in 2009 and also participated in a WB mission to assess the financial condition of banks in the DRC in March 2009. In the area of microfinance, AFC coordinated with other partners in the field to ensure consistency of their assistance programs with TA in the area of banking supervision.

Phase II—Country and Regional Objectives

108. **The programs for 2010-2014 will aim at continuing implementing the action plans put in place during the first phase, enhancing capacity of supervisory authorities and improving supervision practices and tools.** The main objectives are to (i) move away from compliance-based to risk-based supervision ; (ii) reinforce the continuous supervision capacities of banks and financial institutions in addition to the strengthening of on-site supervision; (iii) enhance compliance of prudential and regulatory framework with international standards and best practice ; and (iv) finalizing procedures for the various aspects of the supervisory activities. Similar as during the first phase, AFC's TA will cover supervision of *banking* as well as *microfinance sectors*.

Regional Issues

109. **AFC's assistance** in banking supervision is for a large part provided on a regional basis. The organization of AFC's assistance in banking supervision differs from the other sectors in that it is provided to only three institutions: the Bank of the Republic of Burundi (BRB), the Central Bank of Congo (BCC) and the regional Central Africa Banking Commission (COBAC). The COBAC is responsible for the supervision of financial institutions in the CEMAC and the member countries do not have own supervisory bodies, except in the case of microfinance institutions.

Burundi

110. During the first phase, TA to Burundi focused on the reorganization of the Banking Supervision Department of the BRB and on strengthening the regulatory and prudential framework. AFC TA assisted the authorities with (i) conducting a self assessment of compliance with the Basel Core Principles for Effective Banking Supervision ; (ii) drafting regulations on the minimum regulatory capital requirement, bank and bank manager licensing, corporate governance in banks and on risk management and monitoring; and (iii) addressing specific issues such as implementing anti-money laundering and combating the financing of terrorism (AML/CFT) regulation. The rating system of banks was reoriented towards a risk assessment approach.

111. With regard to microfinance, one major achievement during the first phase was the upgrading of the regulatory and prudential framework with the publication of the chart of accounts for the microfinance sector and several prudential circulars. Also, supervisory manuals for on-site inspections were finalized.

112. In line with the priorities fixed in the first phase, AFC's assistance for the period 2010-2014 will continue to focus on building a strong banking supervision capacity in the BRB. Besides assisting the BRB with the implementation of recommendations from the January 2009 Financial Sector Assessment Program (FSAP), TA will especially focus on : (i) capacity building; (ii) reliable and automated collection of financial, regulatory, and prudential data ; (iii) use of the CAMELS based rating system developed in 2009 ; (iv) production of supervisory manuals and guides for the various aspects of the supervisory activities ; and (v) implementing risk-based supervision techniques both in on-site and off-site supervision.

113. With regard to microfinance, AFC's assistance will assist the authorities with ensuring that all manuals and techniques developed during the first phase are properly implemented throughout the supervisory process.

Democratic Republic of the Congo

114. During 2007-10, AFC TA to the DRC contributed mainly to helping the banking supervision department (DSIF) of the BCC with putting in place a permanent supervision function. Capacity building aimed at training of supervisory staff in the area of risk-based supervision, identification and monitoring of banking risks and rating of banks and defining a new format for on-site inspection reports. The regulatory and prudential framework review included assisting the authorities in (i) conducting a self assessment of compliance with the Basel Core Principles for Effective Banking Supervision ; (ii) the drafting of regulations on the minimum regulatory capital requirement, on bank and bank manager licensing, on corporate governance in banks, and on risk management and monitoring; and, (iii) addressing specific issues such as implementing anti-money laundering and combating the financing of terrorism (AML/CFT) regulations. TA was also provided to implement a CAMELS based rating system of banks to be used for the permanent supervision function.

115. Given the serious constraints, AFC's TA during the second phase will focus even more on capacity building. At the start, it will assist the BCC with the preparation of an action plan for professional training of banking supervisors. Much work also remains to be done to create a working permanent supervision function, starting with the implementation of the 2008 CAMELS rating system for banks and financial institutions, together with a risk-based supervision approach. Other tasks would be to prepare guides and manuals for the various supervisory activities, and provide training for on-site supervisors.

116. In the field of microfinance supervision, AFC's contribution was limited to reviewing proposed new regulation. This reflects the fact that the BCC is already benefiting from a

comprehensive TA program financed by donors. AFC's TA in the area of microfinance will remain limited during Phase II. However, it will work with the BCC to ensure consistency with the programs developed for banking supervision.

COBAC

117. Given IMF HQ TA in the area of on-site supervision, AFC's main focus was on strengthening the COBAC's permanent supervision function. In the latter area, AFC TA helped with the preparation and implementation of an action plan for restructuring the Permanent Supervision Department and the development of the methodology for permanent supervision. In addition, AFC contributed to the upgrading of the regulatory and prudential framework, helped with preparing the policy options for moving towards the New International Capital Framework (Basel II), and advised on upgrading the rating system for banks (SYSCO), on which the COBAC decided in September 2009.

118. AFC TA also assisted the COBAC with preparing an action plan for strengthening the supervision of the microfinance sector. This plan, which covers a wide range of issues in the supervision of microfinance institutions, was adopted in November 2008.

119. For the period 2010 – 2014, and in close cooperation with IMF HQ TA for on-site supervision, AFC will focus on three areas: (i) the proper structuring and organization of permanent supervision; (ii) the migration towards the Basel 2 capital framework; and (iii) the implementing its November 2008 action plan for supervising the microfinance sector. With regard to the latter, AFC will assist the COBAC with developing policies toward non-licensed microfinance institutions and a cooperation framework with national finance ministries for on-site supervision, including for defining the legal framework, and selecting and training staff.

Box 5. Banking Supervision—Possible verifiable indicators of success¹

- Higher compliance with Basel Core principles for effective banking supervision through the implementation of the last FSAP recommendations.
- Migration to a risk-based supervision framework evidenced by (i) completed on-site and off-site supervision guides and manuals; (ii) implemented (new) banks' rating system; (iv) improved prudential reporting and financial transparency of banks (DRC); and (iii) enhanced staff capabilities through additional training.
- Migration to the Basle II principles of banking supervision including (i) completion of the regulatory framework; (ii) increased compliance by banks with the new framework including through assistance by the banking supervisors; and (iii) updated supervisory procedures and tools (COBAC).
- Improved microfinance institutions supervision by (i) an upgraded prudential framework in line with international standards; finalized on-site and off-site supervision guides and manuals; and (iii) enhanced staff capabilities through additional training.

¹ The indicators are applicable to Burundi, the DRC and the COBAC unless otherwise noted.

H. Agenda—Statistics

Coordination with Development Partners

120. **In the countries covered by AFC, the AfDB, the EU, France, the UNDP, and the WB are the major financial partners in implementing international standards in national accounts statistics and consumer price indices.** Technical partners are AFRISTAT—which covers all AFC member countries except the DRC—and the French National Institute for Statistics and Economic Studies (INSEE) (Cameroon and Gabon). AFRISTAT and AFC have two consultation and consensus-building frameworks that promote synergy of action: (i) meetings on national accounts organized by AFRISTAT in September of every year, which provide an opportunity for AFC, INSEE, and the CEMAC to exchange information on their work programs and agree on common initiatives; and (ii) AFRISTAT and the CEMAC Commission are invited to workshops organized by Central AFRITAC on national accounts and price statistics.

Phase II—Country and Regional Objectives

121. **In the area of national accounts, implementation of the *1993 SNA* is under way in all countries except Equatorial Guinea.** However, the stage of progress varies from country to country, reflecting different start-up dates, size and experience of national accounting teams, availability of basic data, and logistical and financial resources available to national accounting departments.

122. **AFC's TA during the five years ahead will be aimed at enabling all the countries to prepare final and provisional national accounts on a timely basis,** and to release them accompanied by methodological notes, including on their websites. In that context, and based on their degree of advancement, TA to the countries will focus on: (i) continued training and knowledge transfer aimed at establishing stronger, better trained, and more stable national accounting teams; (ii) development of sound basic data techniques to reduce delays in processing and inputting data into the ERETES database; (iii) support for teams in the summary stages of the national accounts to meet ERETES module requirements; (iv) developing a program and timetable for bringing the preparation of timely national accounts following the GDDS recommendations ; (v) assist in implementing methodology for preparing timely GDP estimates on a provisional basis that will support sound economic policy-making; (vi) improve dissemination of and access to data and promote standardized presentation and dissemination of data following internationally accepted guidelines to ensure cross-country comparability of data and easy retrieval of data by users; (vii) helping the countries analyze and release the first series of national accounts under the 1993 SNA; and (viii) reviewing with member countries—and coordinating with other TA providers—the strategy for medium-term implementation of the *2008 SNA*.

123. **In view of the existence of a separate program for the CEMAC countries (see below) AFC's TA on consumer price statistics will mainly focus on Burundi and the DRC during Phase II.** Building on achievements during the first phase, the assistance will aim at completing the implementation of the HCPI methodology.

Regional Issues

124. **The CEMAC Commission will assist its member countries to prepare a harmonized consumer price index (HCPI) using 2010 as a common base year.** To that end, it will fund a household survey in each country in 2010 to calculate new weighting coefficients. Moreover, a new software package consistent with international methodology is currently being developed under the aegis of AFRISTAT, and will be on line as of mid-2010. AFC will remain in close contact with the CEMAC and AFRISTAT on progress with this program and will stand ready to provide assistance where needed. Otherwise, AFC TA to Burundi, the CEMAC countries, DRC and Sao Tome and Principe will focus on capacity-building through training.

Burundi

125. Burundi began the process of modernizing its national accounts early in 2007. In April 2008 it compiled GDP for 2005, the base year for the new national accounts series under the *1993 SNA*. Work is now under way on compiling GDP for 2006, the first current year. As a result of AFC support, the basis for the informal sector estimates included in the national accounts is sound. Burundi intends to finish the compilation of GDP for 2006 and 2007 by end-2009.

126. During Phase II, AFC will provide assistance to : (i) improve basic data processing techniques, focusing specifically on strengthening the integration of non-profit organizations serving households into the national accounts and improving coverage of non-financial enterprises, (ii) prepare and release national accounts on a timely basis to enable final accounts for the 2007 and 2008 to be prepared and released in 2010, those for 2009 in 2011, and provisional accounts for 2010 during the second half of 2011. With regard to price statistics, AFC will assist Burundi with producing a new CPI using the HCPI methodology.

Cameroon

127. The national accounts are prepared and released in accordance with the 1993 SNA, although there is still work to be done on improving basic data and compilation techniques. The provisional accounts for 2007 were prepared in 2008 and a summary analysis posted to the National Statistics Institute (INS) website. Work is under way to change the base year (2000) to 2005 and to produce a new series of more complete accounts by applying the work done with AFC support, which related to preparing the sequencing of accounts, allocation of financial intermediation services indirectly measured, and calculating consumption of fixed capital.

128. AFC's assistance during the second phase builds on work done during the first phase. It will (i) support Cameroon in finalizing work on the new base year and establishing a calendar for the production and dissemination of final and provisional accounts as of 2010; (ii) provide continued support for the preparation of quarterly accounts based on the methodology established in the first cycle, with the objective of obtaining preliminary quarterly accounts estimates in 2011; and (iii) assist with seeking greater consistency between the national accounts and the balance of payments; (iv) identifying new data sources and preparing new price and volume indices to improve annual and quarterly accounts estimates; (v) developing and/or modernizing methodological guidelines on basic data collection and processing and national accounts preparation; and regular release on the INS website of the main final and provisional annual accounts aggregates and quarterly accounts.

Central African Republic

129. During the first phase, AFC assisted CAR with implementing the *1993 SNA* into the national accounts practice. The accounts for the new base year (2005) and the first current

year (2006) have been completed and are now being validated. The goal is to finalize them by the end of 2009 and to prepare provisional accounts for 2007 by the first half of 2010. With regard to prices, a new CPI with national coverage is now being created.

130. For the period 2010-14, AFC support will focus on (i) technical capacity building for the team of national accountants (which has seen high turnover in recent years); and (ii) on the preparation of the accounts for recent years with the aim of closing the accounts for 2007 and 2008 in 2010, and the accounts for 2009 and 2010 in 2011. With respect to the price index, support during the second cycle will relate to (iii) finalizing work under way to calculate regional price indices and the national index, ensuring their regular release on the Institute's website.

Chad

131. With AFC assistance, work is under way on national accounts preparation for the new base year 2005 under the *1993 SNA*. Data processing is well advanced, and work has begun on validation and consolidation. In addition, the National Statistics Institute has received AFC support to better integrate informal sector data into the national accounts.

132. For Phase II, AFC, in coordination with the other partners, will continue to focus on capacity building. It will provide support to allow the authorities to finalize the accounts for 2005 and release them accompanied by a methodological note in the course of 2009, continue preparation of the accounts for 2006 and 2007 in 2010, and the accounts for 2008 and 2009 in 2011, and bringing national accounts preparation fully up to date by 2012.

Democratic Republic of the Congo

133. Since 2003, the DRC has benefited from a regional TA advisor from the IMF HQ to modernize its national accounts, by adopting the *1993 SNA*, and to improve its price statistics. Reflecting weaknesses in core data and in human and financial resources in this post-conflict country, only the accounts for the base year 2005 had been finalized by the end of the program in December 2008. AFC took over this TA in March 2009 and work is now being done on the accounts for 2006, which should be finished by the end of 2009.

134. During the second funding cycle, TA will be provided to accelerate reducing the delays in the completion of the national accounts. AFC's assistance will aim at helping the authorities with completing the 2006 accounts by end-2009, and at producing final national accounts for 2007 and 2008 by end-2010, provisional accounts for 2009 in 2011, final accounts for 2010 and 2011 in 2012 and provisional accounts for 2011 in 2012.

Equatorial Guinea

135. Equatorial Guinea is at the beginning of preparing national accounts. Activities are under way to prepare the basic statistics needed to reach that stage. Foreign trade statistics

are being compiled with support from CEMAC and AFC. The analysis of data from non-financial enterprises has also begun. The WB plans to provide Equatorial Guinea with a team of two national accounts experts (one international and one national) to assist in preparing a new national accounts base year (2005) under the *1993 SNA*.

136. AFC TA during 2010-2014 will further assist the authorities in setting up the institutional framework and building capacity for producing national accounts. Especially, in coordination with the other technical partners, it will focus on processing basic data, training staff in the *1993 SNA* and the ERETES software, and beginning preparing the new base year (2005) and current years,.

Gabon

137. Efforts to modernize the national accounts under the *1993 SNA* are well under way. The new base year is 2001. Work is now being done to prepare the national accounts for 2006. The new national accounts series for the period 2001-2005 is available and will be released during the last quarter of 2009.

138. During 2010-14, AFC will continue to provide assistance to Gabon in capacity building in national accounts preparation. This TA will aim at (i) finalizing the 2006 accounts; (ii) preparing a program and timetable to bring national accounts preparation up to date by end-2011, with final accounts for 2007 and 2008 in 2010, and final accounts for 2009 and provisional accounts for 2010 in 2011; and (iii) supporting efforts to achieve greater consistency between the national accounts and the balance of payments; (iv) identify new data sources and prepare new price and volume indices to improve annual accounts estimates; (v) develop and/or update methodological guidelines for basic data collection and processing and national accounts preparation; and (vi) regular release on the INS website of the main final and provisional accounts aggregates, and quarterly accounts.

Republic of Congo

139. Jointly with the DRC, the Republic of Congo's program to modernize national accounts and improve price statistics benefited from a regional statistics advisor from the IMF since 2003. However, when the program ended in December 2008, only the accounts for the base year 2005 had been finalized. AFC took over this TA in March 2009 and work is now being done on the 2006 accounts, which should be closed by the end of 2009.

140. During Phase II, AFC TA will focus on building capacity with the aim to accelerate the completing of national accounts. The assistance will aim at completing the 2006 accounts. The accounts for 2005 and 2006 will anchor a new national accounts series, in line with the *1993 SNA*, with some 10 years of accounts: back-extrapolated accounts for the period 2000 to 2004, final accounts for the years 2005 and 2006, final accounts for 2007 and 2008 by end-2010, provisional accounts for 2009 in 2011, final accounts for 2010 and 2011 in 2012 and provisional accounts for 2011 in 2012. AFC will also work with other technical

and financial partners to assist in reorganizing the institutional framework and strengthening the team of national accountants, both of which are prerequisites for ensuring program success. Work will also focus on training, and on reconstituting and processing basic data.

Box 6. National Accounts and Price Statistics—Possible verifiable indicators of success¹

National Accounts

- A minimum of five (Equatorial Guinea: 3) trained officers are kept on staff in the national accounts department (excluding Cameroon).
- New officers recruited to the national accounts department are trained in the *1993 SNA* (Cameroon: *2008 SNA*) and in the use of ERETES.
- A program and timetable for regular collection and processing of basic data is in place.
- Volume indices and adequate deflators are available to meet national accounts needs.
- Final accounts (Cameroon: including financial accounts) for year N are prepared and released in the course of year N+1.
- Provisional accounts for year N are prepared and released in year N + 6 months.
- Methodological guidelines are available on the processing of data and preparation of national accounts.
- Quarterly national accounts are prepared and disseminated regularly by 2011 (Cameroon).
- A simplified methodology of national accounts according to *1993 SNA* is developed and implemented (Equatorial Guinea);
- The national accounts of the new base year are prepared following this methodology and released during the period 2009-2010 (Equatorial Guinea).
- The national accounts covering the new base year until the year 2012 are developed during the period 2009-2012, using the simplified methodology (Equatorial Guinea).
- From the year 2013, final accounts for year N are prepared and released in the course of year N+1 (Equatorial Guinea).
- Methodological guidelines are available on the processing of data and preparation of national accounts (Equatorial Guinea).

Consumer Price Indices

- A minimum of three trained officers are kept on staff in the prices department.
- Methodological guidelines are available on the processing of data and preparation of consumer price indices.
- A CPI is prepared monthly in accordance with international recommendations.
- The price index is disseminated monthly on a timely basis on the INS website in a user-friendly format.

¹The indicators concern all countries except Equatorial Guinea unless otherwise noted.

I. Agenda—Training Courses in Macroeconomics

141. **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.

142. **Training of officials through AFC would become part of the IMF's integrated training strategy for sub-Saharan Africa.** This strategy is two-pronged, with on the one hand a major role for regional training in the delivery of general capacity building at the level of the continent, including through a joint partnership with the African Development Bank (AfDB), and on the other hand, a role for the AFRITAC's as conduits for more pointed and specialized training at the sub-regional level to address the strong needs for basic macroeconomic training.

143. **The IMF will tailor courses to specific requests from interactions with AFC 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 IMF-AFC 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.

144. **In the case of AFC, 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 AFC, 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 AFC 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 in the region. In that respect, the IMF can build on its expertise to offer training on the policies and implications of a well-functioning customs union.
- *Financial sector development* - Several countries have embarked on financial sector development programs, in the wake of a regional CEMAC-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* –Some countries in the region have tapped international capital markets (Gabon) while other are considering doing so. 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 AFC region, except Burundi and DRC, belong to a monetary union (CEMAC). 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, AFC could also give two- or three-day High Level Seminars for high officials or conferences on specific topics in response to specific requests for AFC stakeholders.

145. **In its integrated approach to training in sub-Saharan Africa, AFC would ensure its complement regional training, including through the Fund's joint partnership with the AfDB.** Through its regional training, the IMF would deliver more general macroeconomic courses, such as Financial Programming and Policies to address the region's need for intensive training in basic macroeconomic skills. AFC members would be invited to these courses, and conversely, regional courses could be delivered in the AFC region, making them joint events between the IMF, regional training partners such as the AfDB and AFC. Likewise, AFC also intends to involve other regional training institutes, such as the BEAC in its training.

Box 7. 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.

J. Resource Needs

146. **Reflecting the request by the African Governor to the IMF to expand AFRITAC activities and also following one of the recommendations of the external evaluation, the IMF will substantially strengthen AFC's activities.** To provide assurance and stability for the AFC's operations, financing would be secured in advance for the entire five-year period. The costs of about US\$50 million would be shared by the IMF, the host country (see next paragraph), recipient countries and donors. The proposed budget envisages:

- An increase in the resident advisors to 7 with an additional advisor in the area of tax administration.
- Some scaling up in short-term expert visits (to about 55 months or 4½ person years), which would complement AFC's resident advisors work. As is already practice, the Fund would seek to hire regional experts as much as possible, which would not only foster an environment of peer review, but also would be cost effective, maintaining AFC's character as a regional center.
- Some scaling up in TA-related seminars to allow broader participation.
- Diagnostic interventions, reflecting that these missions are a critical complement to AFC in designing strategic advice, which goes hand-in-hand with AFC assistance in implementing this advice. The diagnostic missions would be led by Fund HQ and would include short-term experts.
- Backstopping and project management from IMF HQ to ensure quality control and that AFC advice is in line with best international practice.
- Training on macroeconomic and financial issues; and
- a mid-term evaluation.

Proposed AFRITAC Central Budget
FY2011-FY2015

	In U.S. Dollars
<u>Office coordination and administration</u>	7,616,871
Staff	3,411,981
Lease	1,278,916
Travel	477,575
Miscellaneous, including security, translation, communication	2,448,398
<u>TA and training (by activity)</u>	38,912,575
7 Resident Advisors TA Delivery	13,614,950
Salaries	11,719,237
Travel Costs	1,895,713
Short-term Expert TA Delivery (55 months of delivery per year)	9,711,865
TA Seminars	4,097,446
Training on Macroeconomic and Financial Issues	2,121,032
Diagnostic Interventions	4,547,424
Backstopping and Project Management	4,819,859
<u>TA and training (by TA area)</u>	38,912,574
Revenue administration	11,486,264.91
Public financial management	5,743,132.46
Financial sector supervision	5,365,525.00
Monetary policy and operations	5,743,132.46
Macroeconomic and financial statistics	5,208,994.63
Macro analysis	5,365,525.00
<u>Evaluation</u>	300,000
<u>Trust fund management</u>	2,795,992
Total	49,625,438

Source: Office of Technical Assistance Management.

147. **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 needs based on a dialogue with country authorities and regional organizations. The resulting priorities are reflected in the RSN. The Department's role is also exercised through monitoring and review of TA activities and associated outputs, and following up on TA recommendations.
- **The TA Departments, including 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. For instance, departments are involved in the development of international norms and standards or, as a department specific example, the Fiscal Affairs Department (FAD) 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, field manuals, 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;¹⁵

¹⁵ 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.¹⁶ In July 2002 the Executive Board established the TA Evaluation Program, in which three to four evaluations a year are presented to the Board,¹⁷ and TA departments explain how they apply lessons learned from these evaluations. In 2005 the Independent Evaluation Office (IEO) also evaluated TA, paying special attention to its relevance and effectiveness and how to enhance ownership.¹⁸ 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.¹⁹

148. **The host country, Gabon, is expected to continue to provide a financial contribution toward defraying some of the costs of running the Center.** Items to be covered by this contribution include the costs of leasing office space, salaries of the support staff, and residence of the Center Coordinator.

K. Central AFRITAC's Sustainability

149. **Continued strong commitment of beneficiary countries will be critical for AFC's success.** Without this, no lasting results will be achieved. It is therefore expected that beneficiary countries continue to take full ownership of AFC'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, AFC beneficiary countries may also be approached to assist with administrative and logistical support for in-country training activities and other AFC events.

150. **Given the long-term nature of building human and institution capacity, it is expected that AFC's funding will be extended beyond the second cycle.** AFC 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

¹⁶ The last review was conducted in 2004, "Review of Technical Assistance" (<http://www.imf.org/external/np/ta/2004/eng/021704.htm>).

¹⁷ See <http://www.imf.org/external/np/pp/eng/2008/040408.pdf> on the most recent evaluations.

¹⁸ IEO Report (http://ieo-imf.org/eval/complete/eval_01312005.html).

¹⁹ 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).

roster of regional experts. The issue of sustainability of AFC's operations would form part of the TOR of a mid-cycle external evaluation.

IV. RTAC GOVERNANCE, OPERATIONS, VISIBILITY AND FINANCIAL MANAGEMENT

A. Governance

151. **AFC 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.

152. **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

153. **AFC'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 AFC 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 AFC 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.

154. **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.

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

Center Coordinator

156. **AFC is headed and managed by a Coordinator.** The Coordinator is responsible for the day-to-day management of AFC 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 AFC'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

157. **AFC'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 AFC resident advisors, usually through international advertisements, and providing them with the substantive 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.

158. **While the IMF will continue to select AFC staff, the transparency of the recruitment process will be enhanced through regular reporting to the SC.** All forthcoming resident advisor vacancies at AFC will be reported to the SC. The IMF will also report to 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 locally.

Accountability

159. **AFC is designed and operated to ensure that IMF TA is delivered in a manner that is responsive and accountable to the recipient countries.** AFC must also meet and maintain the high-quality standards that are expected of IMF TA. The IMF's recently revised dissemination policy²⁰ 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, and on the understanding that such information shall be kept confidential. Sharing of TA reports with non-AFC donors will be 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.

²⁰See <http://www.imf.org/external/np/pp/eng/2009/040609.pdf>.

160. **It is a core objective of AFC 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.

161. **As outlined throughout this document, the inputs of beneficiary countries are sought at various stages of the work planning and operations of AFC:** 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 AFC’s SC.

162. **AFC 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 AFC TA. Monitoring reports further increases the accountability of TA to country authorities, donors, and other TA providers.

163. **The AFC’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 AFC’s work.

Quality Control

164. **Maintaining the quality of the TA advice and activities delivered by AFC is the responsibility of the staff at IMF HQ and at AFC itself.** This process begins when the TA Departments screen and appoint AFC’s resident advisors from a pool of vetted experts. IMF HQ support AFC 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.

165. **TA departments review and authorize the TA reports produced by the resident advisors.** Further, the African and TA 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.

166. **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

167. **It is proposed that, after no fewer than three years of operation, an independent external evaluation of the work of AFC be carried out by a team of independent experts.** The evaluation will assess AFC'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 AFC's future operations.

C. Visibility for AFC and Donors

AFC Publications and Website

168. **AFC 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.

169. **AFC 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

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

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

D. Financial Management

172. **Contributions from donors and recipient countries will be made into a multi-donor AFC Subaccount to be established under the IMF's Framework Administered Account for Selected Fund Activities (SFA).**²¹ 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 AFC.

²¹ See <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>.

173. **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.

174. **The IMF will provide donors with reports on the Subaccount's expenditures and commitments through a secure external gateway.** Separate reporting on the execution of AFC's budget will be provided at each SC meeting. Costs will be on an actual basis.²² 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. AFC is also subject to audits by the IMF's internal audit office.

175. **AFC is an IMF office.** It complies with IMF procurement practices.

²² 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.

APPENDICES

I. Major Outcomes Supported by AFC

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

Revenue and Customs Administration

Burundi

- Participation in the VAT implementation, ongoing since July 1, 2009: assistance provided on drafting implementation instructions, manager and auditor training, and introduction of monitoring of reporting requirements.
- Preparation of an action plan for the modernization and capacity building of the Tax Department with a view to VAT management (2008-2011).
- Creation of an investigative and research brigade to improve the programming of tax auditing and broaden the taxable base.

Cameroon

- Reorganization of the tax administration by taxpayer type: introduction of the first small taxpayer centers.
- Development of risk management as regards tax auditing and broadening of the taxable base: increase in the portfolio of large and medium-sized enterprises through capacity building of the investigative and research staff.
- Preparation of an action plan to build the capacities of the General Tax Directorate for the 2008-2012 period.

Republic of Congo

- Introduction of a procedure for the assessment and monitoring of balances receivable and the collection thereof.
- Increase in customs receipts through better usage of information technology and strengthening the supervision of customs clearance procedures.
- Preparation of action plans for the 2008-2011 period aimed at strengthening the tax and customs administrations.
- Training of the tax intelligence unit staff to improve the use of the information gathered.

Gabon

- Establishment of a procedure for a taxpayer census and taxpayer registration.

- Development of tax and customs action for the 2008-2011 period in order to strengthen their revenue mobilization capacities and to improve the services delivered to their users.
- Preparation of a database on customs valuation.

Central African Republic

- Training of managers and auditors in the Large Enterprise Directorate.
- Establishment of an investigative and intelligence team to enhance the effectiveness of tax auditing and broaden the tax base.

Democratic Republic of the Congo

- Introduction of performance indicators for the management and auditing staff.
- Training of employees in the investigative and intelligence units in order to strengthen tax auditing and broaden the taxable base.
- Introduction of a procedure for taxpayer census and registration.
- Preparation of an action plan for the 2008-2011 period to strengthen and modernize the Customs Office.
- Introduction of a procedure for the evaluation and monitoring of amounts receivable and preparation of an action plan to ensure their settlement.

Public Financial Management

Burundi

- Developed a technical framework and identified an institutional government cash flow management framework.
- Incorporated payroll into the SIGEFI.

Cameroon

- Prepared a projected annual plan in January 2009 and developed monthly projected cash flow plans that are operational.
- Prepared an action plan to improve cash flow management for the 2009-2012 period.
- Strengthened technical capacities for the projection of revenue, programming expenditures, and programming issuances of government securities.

Central African Republic

- Adopted a new double-entry chart of accounts.
- Prepared tools to implement the new chart of accounts and training materials.

Chad

- Developed a government cash flow management framework.
- Strengthened capacities in technical projections of revenue, expenditure programming, and the programming of issuances of government securities.
- Prepared an action plan to improve cash flow management for the 2009-2012 period.

Democratic Republic of the Congo

- Monthly balances are systematically produced in the following month.
- Employees from the Treasury's Accounting Centralization Division have been trained, as well as employees from the units in charge of double-entry accounting in the revenue collection agencies.
- Identified a new circuit for entering operations and for revising the accounting procedures manuals.

Republic of Congo

- Completed the functional classification in 2007 followed by its implementation in 2008.
- Improved the administrative and economic classifications.

Equatorial Guinea

- Strengthened budget classification capacities.

Gabon

- Prepared annual projection plans since 2008 and quarter over quarter cash flow plans
- Put in place a Cash Flow Committee chaired by the Minister of Finance; the committee meets regularly.
- Strengthened capacities in techniques of revenue projection, expenditure programming, and programming of issuances of government securities.
- Put in place an action plan to implement audit mechanisms in the Treasury's Directorate General of Services for the period from 2008 to 2013.

Debt Management*Burundi*

- Reorganization of the Treasury Directorate responsible for public debt management as well as the adoption of a new organizational chart and strengthening of directorate staff.
- Strengthening of operational capacity by training new staff in basic debt management concepts and considerations.

- Training in techniques for programming, organizing, and implementing the issuance of government securities.

Cameroon

- Training in the development of effective debt management strategies using MTDS tools developed jointly by the IMF and the World Bank. These tools provide an integrated framework for developing debt management strategies that take into account linkages with the macroeconomic framework, public financial management, monetary management, and financial sector development.
- Ownership of techniques for programming, organizing, and implementing the issuance of government securities.
- Training in public debt portfolio risk management techniques and practices.

Central African Republic

- Support for ensuring reliability of the database.
- Creation of the Public Debt Directorate, following the recommendations of the mission to evaluate the current debt management organization.
- Adoption of an action plan to establish appropriate procedures in accordance with international standards for the entire public debt chain.
- Ownership by debt and treasury directorate staff of techniques for programming, organizing, and implementing the issuance of government securities.
- Ownership by debt directorate staff of basic debt management concepts and considerations (debt renegotiation techniques and practices and procedures for calculating debt relief required from each creditor, debt analysis, etc.), following training provided by Central AFRITAC in the context of reaching the HIPC completion point.

Chad

- Evaluation of the debt management organizational and operational framework with a view to its modernization.
- Training in techniques for programming, organizing, and implementing the issuance of government securities.

Democratic Republic of the Congo

- Support for analysis required for HIPC implementation and to manage issues involved in achieving the completion point.
- Strengthening of OGEDEP's centralizing role: support for the design and implementation of the action plan to organize and plan effective transfer of all public debt management functions to the OGEDEP; and identification of legal texts to be issued for the centralization of debt management to take effect.

- Training to ensure full assimilation of the methodology and aggregates needed to produce periodic analytical reports on public debt.
- Evaluation of the institutional framework needed to centralize debt management.

Republic of Congo

- Ownership by CCA staff of techniques for programming, organizing, and implementing the issuance of government securities.
- Training in risk management methodology and tools (different types and indicators of risk, calculating the cost of debt, risk management and hedging techniques, and methodology for measuring and projecting risk).
- Assimilation by newly recruited debt directorate staff of basic debt management concepts and considerations (debt renegotiation techniques and practices and procedures for calculating debt relief required from each creditor, debt analysis, etc.), following training launched by Central AFRITAC in the context of achieving the HIPC completion point.
- Awareness-raising sessions on data production, dissemination, and use, in the context of action to ensure reliability of the public debt database.

Gabon

- Development of regulatory texts on borrowing and debt management policy and strategy, the distribution of responsibilities among different agencies within the debt chain, the steering committee, and the organizational chart of the directorate in charge of public debt management.
- Development of a framework for reaching consensus on procedures with a view to its adoption and preparation of the draft procedures manual for the country's public debt management chain.
- Ownership of risk management methodology and tools (different types and indicators of risk, calculating the cost of debt, risk management and hedging techniques, and methodology for measuring and projecting risk).
- Ownership of techniques and practices for programming and issuing government securities.

Regional Seminars and Workshops

- **Establishing an institutional framework for the debt market in the CEMAC area.** With Central AFRITAC support, a regional seminar brought together the directors general of debt management agencies and national treasuries, to build awareness among national decision makers of issues relating to the: (i) Importance and potential advantages of developing a regional debt market; (ii) Institutional framework for a regional public debt market; (iii) Initial conditions for the balanced development of such a market; (iv) General framework proposed by BEAC for the

effective implementation of the planned issuance of government securities in the CEMAC countries; (v) Market operations and monitoring; (vi) Agencies and provisions needed for monitoring and control; and (vii) National action plans and expected support from the IMF (through Central AFRITAC and the Monetary and Capital Markets Department) and BEAC.

- **Production of statistical and analytical debt reports.** This seminar, organized in collaboration with UNCTAD, enabled databases administrators from the participating countries to upgrade their knowledge of the new version of DMFAS,²³ which includes modules on debt restructuring and rescheduling, and market management of debt instruments.
- **Mobilization of savings and the government securities market in the CEMAC area.** The main objective was to strengthen the capacity of debt management directorates and national treasuries to mobilize regional savings, in particular through the issuance of government securities. Assistance will continue to be provided in this area during Phase II.

Banking Supervision and Microfinance

CEMAC-COBAC

- Review of draft regulations on the Central African Deposit Guarantee Fund (FOGADAC) deposit insurance system, procedures to resolve banks' difficulties, and the business continuity plan;
- Implementation of the action plan for capacity building in the Ongoing Supervision Department, and specifically the reorganization of bank structuring documentation, preparation of methodological registers involving the different aspects of supervision, and preparation of management indicators for banking supervision;
- Review and improvement of the COBAC independent bank rating system (SYSCO).

Burundi

- Implementation of a reorganized structure for the supervision service;
- Completion of a self-assessment process on conformity with the Basel Core Principles and production of an action plan to correct the problems observed;
- Preparation of circulars to align prudential measures and rules with international standards;
- Improvement of the bank rating system used by the BRB;
- Training for supervision staff in the areas of bank risks and rating techniques;

²³ Six of the eight countries covered by the Central AFRITAC use DMFAS.

- Establishment of a methodological approach for drafting on-site and off-site supervision guides;
- Proposal of a new plan for on-site supervision reports;
- Review of the regulatory and prudential framework for microfinance to supplement the system and align it with best practices;
- Preparation and completion of an accounting framework for microfinance activities;
- Preparation of management indicators for supervision of the microfinance sector;
- Operational capacity building for on-site supervision of microfinance enterprises through the production of methodological tools, on-site accompaniment with a team of inspectors, and support in producing the supervision report.

Democratic Republic of the Congo

- Implementation of a methodological approach to drafting on-site and off-site supervision guides;
- Proposal of a rating system for banks;
- Proposal of a new organization for the Financial Intermediaries Supervision Directorate (DSIF), Central Bank of the Congo and strengthening of the ongoing supervision function;
- Preparation of circulars to align prudential standards and rules with international standards;
- Training for staff in surveillance of banking risks and monitoring of bank liquidity;
- Work with the on-site supervision teams to review the comments and conclusions from the four general on-site supervision missions held in 2008;
- A joint assessment of the consequences of the financial crisis on the Congolese banking system by the team from the World Bank and the IMF.

National Accounts and Price Statistics

Burundi

- Use of data from 1-2-3 survey and other data sources, and production of informal sector accounts and their integration into the national accounts database;
- Production of a methodological note to enable the employment matrix to be updated for informal sector accounts purposes.

Cameroon

- Establishment of a methodology for financial accounts development (these accounts were not previously prepared) and its sound implementation for 2005 and in the new national accounts series;

- Establishment of a methodology and development of a financial transactions table for the purpose of compiling the financial accounts;
- Improvements in specific statistical techniques: establishment of a methodology to break down financial intermediation services indirectly measured and to measure consumption of fixed capital;
- Launch of the quarterly accounts preparation process by devising an appropriate methodology and work program.

Republic of Congo

- Finalization of the first current year (2006) in the new national accounts series with 2005 as the new base year.
- Training of national accounts officers in the compilation of summary national accounts using the ERETES software.

Democratic Republic of the Congo

- Processing of source data in the context of preparation of the 2006 accounts, loading the data into the ERETES database and an initial coherence exercise.
- Training of national accounts officers in source processing and preliminary arbitrage of basic data using the ERETES module.

Central African Republic

- Hands-on training of the team of national accountants in the 1993 system of national accounts;
- Establishment of an application for processing statistical and tax returns to produce non-financial sector accounts;
- Support for analysis of the accounts for 2005 and 2006 with a view to release by end-2009;
- Establishment of a methodology and tools to develop regional indices and the national harmonized HCPI.

Chad

- Hands-on training of the team of national accountants in the 1993 system of national accounts;
- Use of data from the ECOSIT2 survey and production of informal sector accounts and their integration in the national accounts database;
- Production of a methodological note to facilitate the updating of the employment matrix for the purpose of compiling informal sector accounts;
- Evaluation of the new price index and formulation of recommendations to improve it prior to release. Production of secondary nomenclatures for better price index and

inflation analysis. Establishment of quality control tools for the price index, and training of officers in the price index methodology and in CHAPO software use.

Gabon

- Hands-on training of the team of national accountants in the 1993 system of national accounts;
- Establishment of a computer application to process statistics on enterprises, in accordance with international best practices and recommendations;
- Support for finalization of the new national accounts series 2001-2005;
- Support for preparation for release of the accounts series 2001-2005;
- Evaluation of the new price index and formulation of recommendations to improve it prior to release. Production of secondary nomenclatures for better price index and inflation analysis; training of officers in the price index methodology and in CHAPO software use.

Equatorial Guinea

- Establishment of a methodology and computerized tools for processing and production of foreign trade statistics (processing of customs declarations);
- Establishment of a methodology and computerized tools for processing of statistics on enterprises (processing of statistics and tax returns).

II. AFC COUNTRIES STATISTICAL DATA COLLECTION AND PUBLICATIONS

Table 1. AFRITAC Central: Relative Strength of National Statistics Systems

	Real Sector Statistics										Other Macro data		
	National												
	Data Collection	1/ 2/	Statistical Practice Rank	Accounts Base Year less than 10 Years Old	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		
Cameroon	50		60	1	0	1	0	0	1	1	0		
Central African Republic	40		20	1	0	0	0	0	0	0	0		
Chad	20		30	0	0	0	0	1	1	0	0		
Congo, Republic	40		40	0	0	0	0	1	1	0	0		
Equatorial Guinea	20		...	...	...	...	...	...	...	...	...
Gabon	30		10	0	0	0	0	0	1	0	0		
Burundi	20		40	0	0	0	0	1	1	1	0		
Congo, Democratic Republic of	20		30	0	0	0	0	0	1	0	0		
Memorandum items:													
Average or													
Number of Yes	30		33	2 of 8	0 of 8	1 of 8	0 of 8	3 of 8	6 of 8	2 of 8	0 of 8		

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 Central: Data Publication in IFS
(As reported in August 2009 IFS Issue)

	National Accounts	CPI	Monetary Data			GFS Data	Balance of Payments
			Central Bank	Banking Survey	Monetary Survey		
Cameroon	2006	Mar-09	Mar-09	Mar-09	Mar-09	N.A.	2007
Central African Republic	2005	Dec-08	Mar-09	Mar-09	Mar-09	QIV 07	N.A.
Chad	2006	Mar-09	Mar-09	Mar-09	Mar-09	N.A.	N.A.
Congo, Republic	2008	Apr-09	Mar-09	Mar-09	Mar-09	N.A.	2007
Equatorial Guinea	2005	N.A.	Mar-09	Mar-09	Mar-09	N.A.	N.A.
Gabon	2005	May-09	Mar-09	Mar-09	Mar-09	N.A.	2005
Burundi	2008	Apr-09	Apr-09	Apr-09	Apr-09	Feb-09 *	2008
Congo, Democratic Republic of	2004	May-09	May-09	Apr-09	Apr-09	N.A.	N.A.

Source: IFS

N. A. = data are not available.

*/ Data reported are incomplete, lack detail.

III. SELECTED MACROECONOMIC INDICATORS

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

	2004	2005	2006	2007	2008	2009
Burundi	8.0	13.5	2.7	8.3	24.4	10.7
Cameroon	0.3	2.0	4.9	1.1	5.3	2.9
Central African Rep.	-2.2	2.9	6.7	0.9	9.3	5.0
Chad	-5.4	7.9	7.9	-8.8	3.0	3.0
Congo, Dem. Rep. of	3.7	2.5	4.7	2.6	6.0	6.9
Congo, Republic of	4.0	21.4	13.2	16.7	18.0	39.2
Equatorial Guinea	4.2	5.7	4.5	2.8	5.9	4.1
Gabon	0.4	1.2	-1.4	5.0	5.3	2.6
São Tomé & Príncipe	12.8	17.2	23.1	18.5	26.0	16.7
Central AFRITAC (Average)	2.9	8.2	7.4	5.2	11.5	10.1

Sources: IMF, African Department database; and World Economic Outlook (WEO, Fall 2009) database.

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

	2004	2005	2006	2007	2008	2009
Burundi	-19.7	-16.8	-19.3	-19.8	-25.6	-28.2
Cameroon	-0.5	3.6	33.1	4.5	1.4	0.1
Central African Rep.	-1.8	-3.2	6.4	-0.4	-1.6	-1.9
Chad	-0.9	-0.6	4.4	3.5	10.2	-11.8
Congo, Dem. Rep. of	-4.9	-3.5	-1.1	-2.9	-2.9	-2.1
Congo, Republic of	3.3	14.5	16.4	9.9	25.5	-5.4
Equatorial Guinea	12.3	20.9	23.6	18.0	15.3	-5.3
Gabon	7.6	8.6	9.2	8.5	11.4	3.6
São Tomé & Príncipe	-15.8	37.1	-13.7	120.3	14.7	17.6
Central AFRITAC (Average, excluding São Tomé & Príncipe)	-0.6	2.9	9.1	2.7	4.2	-6.4
Central AFRITAC (Average)	-2.3	6.7	6.6	15.7	5.4	-3.7

Sources: IMF, African Department database; and World Economic Outlook (WEO, Fall 2009) database.

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

	2004	2005	2006	2007	2008	2009
Burundi	20.1	20.0	18.9	18.6	18.5	18.0
Cameroon	15.2	17.6	19.3	19.1	20.0	17.6
Central African Rep.	8.3	8.2	9.5	10.3	10.4	11.6
Chad	8.5	9.4	16.9	22.8	26.3	15.9
Congo, Dem. Rep. of	9.5	11.3	12.9	14.8	18.5	17.8
Congo, Republic of	30.0	38.6	44.3	42.7	51.3	37.9
Equatorial Guinea	29.8	34.7	40.8	38.3	36.8	39.1
Gabon	30.1	31.3	31.7	29.5	31.9	27.0
São Tomé & Príncipe	16.9	17.3	20.9	19.1	17.6	19.0
Central AFRITAC (Average)	18.7	20.9	23.9	23.9	25.7	22.6

Sources: IMF, African Department database; and World Economic Outlook (WEO, Fall 2009) database.

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

	2004	2005	2006	2007	2008	2009
Burundi	39.8	36.8	38.2	38.5	44.1	46.8
Cameroon	16.0	14.6	14.5	15.7	19.5	18.4
Central African Rep.	13.5	15.6	16.5	14.8	16.7	17.9
Chad	15.4	13.3	16.3	23.7	19.1	24.9
Congo, Dem. Rep. of	16.3	20.0	22.0	19.1	23.2	29.2
Congo, Republic of	26.7	24.2	27.9	32.8	25.8	31.8
Equatorial Guinea	17.5	14.1	17.3	20.5	21.5	44.4
Gabon	22.6	22.8	22.5	21.0	20.5	23.4
São Tomé & Príncipe	51.9	44.0	50.5	39.9	32.9	41.3
Central AFRITAC (Average)	24.4	22.8	25.1	25.1	24.8	30.9

Sources: IMF, African Department database; and World Economic Outlook (WEO, Fall 2009) database.

Table 6. Broad Money
(in percent of GDP)

	2004	2005	2006	2007	2008	2009
Burundi	27.7	29.9	31.7	31.1	32.0	32.0
Cameroon	18.1	17.9	18.3	20.8	21.7	22.0
Central African Rep.	16.4	18.0	16.0	14.6	12.5	12.7
Chad	8.1	8.0	9.1	11.8	13.3	16.2
Congo, Dem. Rep. of	9.9	9.6	11.8	14.2	15.3	12.7
Congo, Republic of	13.4	14.0	16.4	19.4	20.2	27.4
Equatorial Guinea	7.5	6.4	6.3	7.5	7.5	8.1
Gabon	16.1	17.1	18.9	18.9	17.5	22.5
São Tomé & Príncipe	28.0	36.0	38.9	41.8	43.5	39.2
Central AFRITAC (Average)	16.1	17.4	18.6	20.0	20.4	21.4

Sources: IMF, African Department database; and World Economic Outlook (WEO, Fall 2009) database.

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

	2004	2005	2006	2007	2008	2009
Burundi	-8.4	-1.2	-14.5	-15.7	-13.4	-12.6
Cameroon	-3.4	-3.4	0.6	-0.8	-1.0	-7.2
Central African Rep.	-1.7	-6.5	-3.0	-6.2	-9.8	-9.7
Chad	-17.4	2.4	-7.7	-10.6	-13.1	-20.8
Congo, Dem. Rep. of	-3.2	-11.6	-2.3	-1.4	-12.2	-9.4
Congo, Republic of	-7.3	2.2	1.5	-9.4	-1.9	-12.5
Equatorial Guinea	-21.6	-6.2	7.1	4.3	9.9	-5.3
Gabon	11.2	22.9	10.4	13.7	17.1	2.8
São Tomé & Príncipe	-16.8	-10.3	-28.8	-38.1	-37.8	-40.5
Central AFRITAC (Average)	-7.6	-1.3	-4.1	-7.1	-6.9	-12.8

Sources: IMF, African Department database; and World Economic Outlook (WEO, Fall 2009) database.

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

	2004	2005	2006	2007	2008	2009
Burundi	207.3	182.0	159.6	150.5	133.0	33.1
Cameroon	42.0	35.5	5.4	5.0	4.9	7.0
Central African Rep.	88.4	86.3	73.7	57.1	49.2	49.8
Chad	37.1	27.4	24.4	25.2	19.6	22.0
Congo, Dem. Rep. of	217.1	169.7	136.7	126.5	93.7	79.5
Congo, Republic of	176.5	76.1	62.2	89.2	47.6	27.5
Equatorial Guinea	6.1	3.0	1.6	1.1	0.6	1.0
Gabon	40.4	29.5	33.9	28.5	8.5	10.8
São Tomé & Príncipe	303.0	282.8	258.8	105.8	70.0	40.3
Central AFRITAC (Average)	124.2	99.1	84.0	65.4	47.5	30.1

Sources: IMF, African Department database; and World Economic Outlook (WEO, Fall 2009) database.

IV. DONOR MATRIX FOR AFC COUNTRIES

Donor matrix for AFC Countries List of donors and other TA providers December 2009						
Country	Budget Support	Revenue Administration	PFM	Debt Management	Banking Supervision	Statistics
AFRITAC Central						
Burundi	EC, WB, France, AfDB, Norway, Netherlands, Belgium	France (tax and custom management), EC, WB (revenue administration), DFID (Revenue authority implementation)	WB (public expenditure review), France, EC, DFID (public financial management), AfDB (wages and employment reforms, transparency, cash management)	WB (debt management procedures assessment), AfDB (national project to support economic management including debt management), UNCTAD (implementation of DEMFAS system, training in debt management), USA (development of government securities market), DRI (training on debt management)	USA	World Bank, AFRISTAT, AfDB, France (support for the statistical institute ISTEUB)
Cameroon	--	France (Tax administration advisor assisting the General director of the tax department)	France (budget management), EC (implementation of the new financial regime), WB (transparency), Canada (performance management), USA	WB (Debt management procedures assessment, training in debt strategies), COMSEC (implementation of CS-DRMS system, Training in debt management strategies), Pôle-dette	WB (financial sector supervision)	AFRISTAT, France, CEMAC, AfDB
Central African Republic	France, EC, WB	EC (Tax administration: training, operations, draft tax law, procedure manuals)	EC (budgetary classifications), France (account and cash management), WB (public expenditure review), UNDP (Medium Term Expenditure Framework)	WB (Debt management procedures assessment), AfDB (national project to support economic management including debt management), UNCTAD (implementation of DEMFAS system, training in debt management), UNCTAD (implementation of DEMFAS system), Pôle-dette	--	AFRISTAT, AfDB, CEMAC
Chad	EC, France, WB	EC, France, WB	EC (public financial management), France (public investment planning), WB, UNDP, AfDB	Pôle-dette (debt management training), UNCTAD (implementation of DEMFAS system)	--	AFRISTAT, UNDP, CEMAC, AfDB
Congo, Democratic Republic	WB, AfDB	USAID (Customs), EC	Belgium, UK (medium-term PFM reform), France (budget policy implementation), AfDB (transparency)	UNCTAD (implementation of DEMFAS system), Pôle-dette, DRI (debt management training)	--	UNDP
Congo, Republic	--	--	WB (public expenditure review), AfDB, France	WB (Debt management procedures assessment), AfDB (national project to support economic management including debt management), UNCTAD (implementation of DEMFAS system), Pôle-dette	--	AFRISTAT, CEMAC, AfDB
Equatorial Guinea	--	--	France, AfDB (budget implementation), WB (public expenditure review)	Pôle-dette (debt management training)	--	AFRISTAT, WB (household expenditure survey and national accounts), CEMAC, AfDB (national statistics)
Gabon	--	--	WB (public resource management), France (transparency), EC	UNCTAD (implementation of DEMFAS system), Pôle-dette (debt management training)	--	France, EC, Global Fund, Germany, Japan, Canada, UNHCR, UNTA, USA, Arab agencies.
Sao Tome and Principe	WB	MCC (taxpayer registration, enforcement operations, strengthening customs administration)	WB (strengthening budget framework, implementation of the financial management information system, implementation and operation of the Accounting Department, enhancement of transparency in budget elaboration and			Portugal, AfDB, WB, EC, Taiwan Province of China
COBAC	--	--	--	--	--	--

France, Germany, WB, Austria, UK, Canada, AfDF, Belgium, EC

France, WB, EC, USA, Global Fund, AfDF, Germany, Sweden, UNICEF

EC, France, USA, WB, AfDF, Germany, Switzerland, Arab agencies, Japan, UNICEF

USA, WB, Belgium, EC, UK, Germany, France, Netherlands, Sweden, UNICEF

France, EC, Italy, WB, USA, Germany, Sweden, Canada, Global Fund.

Spain, France, Global Fund, EC, UNTA, UNFPA, Canada, UNICEF, AfDB (national statistics) UNDP, AfDF

France, EC, Global Fund, Germany, Japan, Canada, UNHCR, UNTA, USA, Arab agencies.

Portugal, AfDB, WB, EC, Taiwan Province of China

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