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PROGRAM DOCUMENT

July 2013

West AFRITAC 2

AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER WEST 2 (AFW 2)

International Monetary Fund

WEST AFRICA
REGIONAL TECHNICAL ASSISTANCE CENTER 2
(AFRITAC WEST 2)

"We welcome the increasing and positive role played … 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 [and] at the same time supports country ownership and oversight."

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

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Executive Summary

This document proposes that a second Regional Technical Assistance Center be established in West Africa (AFRITAC West 2, or AFW2). AFW2 would cover the non-francophone countries in the Economic Community of West African States (ECOWAS) that are not served by the current AFRITAC West: Cape Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone. This document outlines how AFW2, together with other TA providers, could help recipient countries build their capacity through technical assistance (TA) and training in macroeconomic and financial management. The estimated total cost of operating AFW2 for the next five years is about US$43 million, to be borne by donors, recipient countries, and the IMF.

Establishment of AFW2 would mark the culmination of the 2002 IMF Capacity Building Initiative for Africa that was directed to serving all of sub-Saharan Africa. Responding to calls from African leaders, especially under the New Partnership for Africa's Development (NEPAD), the initiative aimed at promoting capacity building to design and implement reforms to support poverty reduction strategies. Pursuant to the initiative, the IMF has already launched four AFRITACs, based in Tanzania, Côte d'Ivoire, Gabon, and Mauritius. The opening of AFW2 builds on the positive experience to date with these centers and the high demand for capacity building from the countries in sub-Saharan Africa.

The AFRITACs have a strong track record in assisting countries to implement reforms in areas of core IMF expertise, which are macroeconomic policy, revenue administration, public financial management (PFM), debt management, monetary policy and operations, financial sector supervision, and macroeconomic and financial statistics. There are many concrete examples of how the AFRITACs have contributed to the achievements of recipient countries, such as by assistance in establishing large taxpayer offices; strengthening fiscal analysis through better PFM systems; acquiring capacity for debt sustainability analyses and designing sustainable medium-term borrowing policies; setting up risk-based supervisory frameworks for the financial sector; modernizing payments systems; designing a statistical plan for monitoring Poverty Reduction Strategy Paper (PRSP) objectives; and supporting reforms of customs administration.

Independent external evaluations have consistently given the AFRITACs high marks for both the quality of their advice and their speed and flexibility in responding to member country needs. They found that the AFRITACs are well suited to support PRSP design and implementation; they are an excellent vehicle to support regional harmonization and integration; and their TA has helped to improve transparency, accountability, and control. The external evaluations also stressed the success of the AFRITAC governance model, with close cooperation between recipient countries, donors, and IMF staff, which has led to both increased ownership by recipient countries and more effective donor coordination guided by aid effectiveness principles.

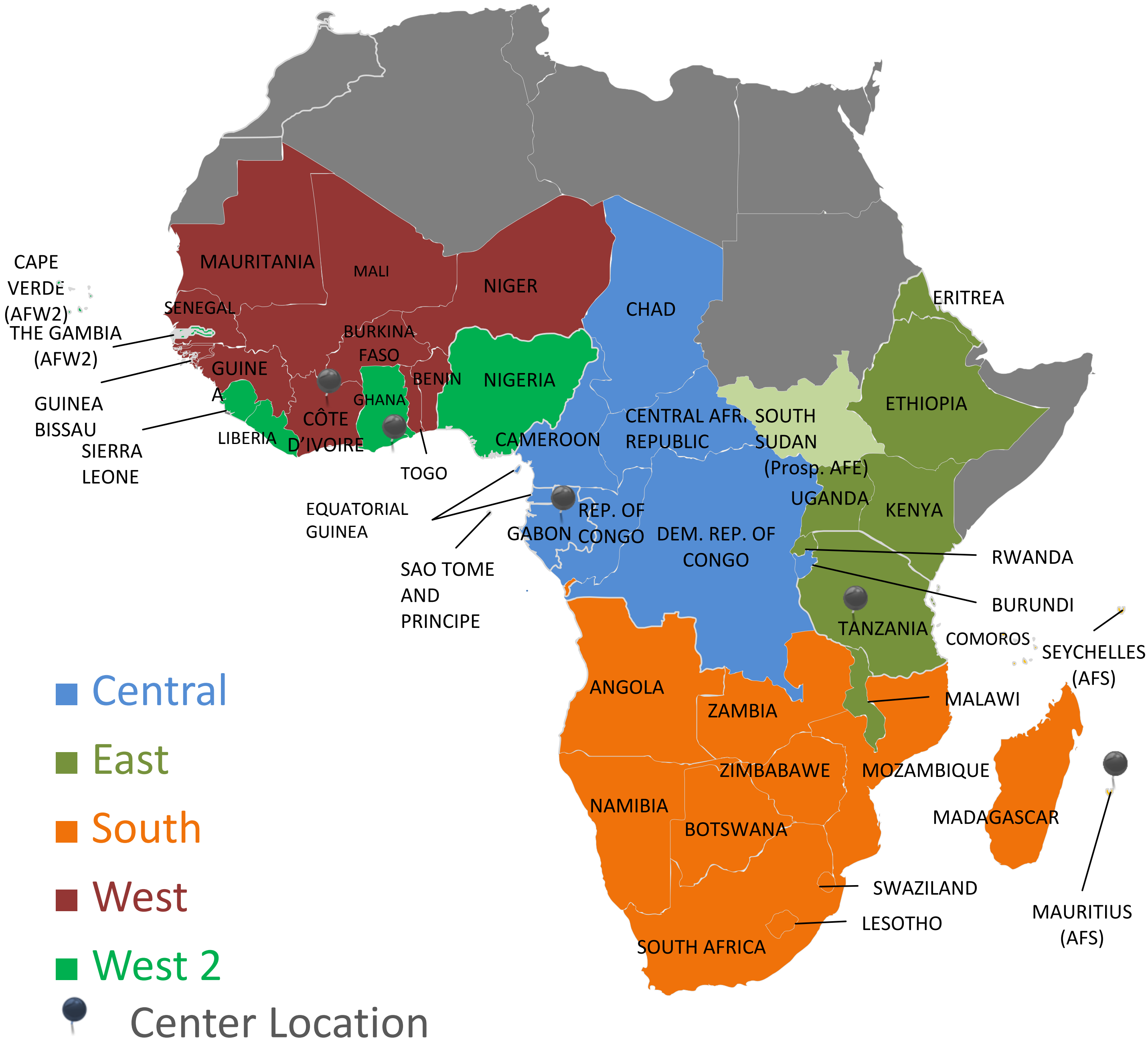
AFW2 would serve a group of countries which, despite their differences, have quite similar macroeconomic policy challenges and capacity development needs. Because commodities, minerals, and agriculture feature prominently in the aggregate output, exports,

and fiscal revenues of most of these countries, sustainable management of resources is a high priority. In all six countries, at least a quarter of the population live below the poverty line, and all rank in the bottom third of the United Nations Human Development Index. Their PRSPs and other development plans acknowledge these challenges and emphasize the need for a modernized public administration, regulatory reforms, enhanced access to credit, and greater availability of quality statistics. To ensure that the AFW2 work agenda advances the goals of sustainable growth and poverty reduction in its member countries, TA is expected to concentrate on priorities identified in PRSPs and other development documents.

AFW2 would follow the highly successful model for delivering IMF TA through Regional Technical Assistance Centers (RTACs). In this model:

- A steering committee consisting of representatives of beneficiary countries, donors, and the IMF would provide strategic guidance to the center.
- A center coordinator who is an IMF staff member would be responsible for day-to-day management.
- The center's staff would include resident advisors and short-term experts, recruited and backstopped by the IMF's TA departments, and locally hired administrative support.
- AFW2 work plans would be integrated with the reform agendas of member countries and regional organizations and the IMF's overall TA strategy for the region, outlined in the IMF's Regional Strategy Note for sub-Saharan Africa.
- A robust framework of AFW2 results, based on the recently adopted Results Based Management (RBM) framework for RTACs, will allow for measurement of the center's objectives, outcomes, and outputs.

Regional Technical Assistance Centers in Africa-AFRITACs



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List of Acronyms

ACBF	Africa Capacity Building Foundation
AFR	IMF African Department
AMCON	Asset Management Company of Nigeria
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Center
AFE	AFRITAC East
AFS	AFRITAC South
AFW	AFRITAC West
AFW2	AFRITAC West 2
ANA	Annual national accounts
ASYCUDA	Automated System of Customs Data
BNR	Banque Nationale du Rwanda
BoG	Bank of Ghana
BPEMS	Computerized financial management information system
BSL	Bank of Sierra Leone
BTO	Back-to-office
CABRI	Collaborative African Budget Reform Initiative
CBG	Central Bank of Ghana
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CET	Common external tariff
CPI	Consumer Price Index
DFID	Department for International Development, United Kingdom
EAC	East African Community
ECOWAS	Economic Community of West African States
EDDI	Enhanced Data Dissemination Initiative
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
ESC	Evaluation Sub-Committee
EU	European Union
FDI	Foreign direct investment
FIRS	Federal Inland Revenue Service
FIRST	Financial Sector Reform and Strengthening
FMI	Financial market infrastructure
FPP	Financial programming and policies
FRL	Fiscal responsibility law
FSAP	Financial Sector Assessment Program
FY	Financial year
GDDS	General Data Dissemination Standard
GDP	Gross domestic product
GEMAP	Government’s reform program (Liberia)
GFS	Government Financial Statistics
GFSM	Government Financial Statistics Manual

GIZ	German Agency for International Cooperation
HIPC	Heavily indebted poor countries
HQ	Headquarters
INS	IMF Institute
ICD	Institute for Capacity Development
IFMIS	Integrated Financial Management System
IFRS	International Financial Reporting Standards
IFS	International Financial Statistics
IMF	International Monetary Fund
IT	Information technology
JAI	Joint Africa Institute
JSA	Japanese Special Account
LEG	IMF Legal Department
LTO	Large taxpayer office
MCM	IMF Monetary and Capital Markets Department
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MNRW	Managing Natural Resources Wealth
MTBF	Medium-term budget framework
MTEF	Medium-term expenditure framework
MTO	Medium taxpayer office
NPL	Nonperforming loan
NPS	National payment system
OECD-DAC	Organization for Economic Development and Cooperation- Development Assistance Committee
OTM	Office of Technical Assistance Management (IMF)
PBB	Performance-based budgeting
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPI	Producer price index
PRSP	Poverty Reduction Strategy Paper
QNA	Quarterly national accounts
RAP	Resource Allocation Plan
ROSC	Report on the Observance of Standards and Codes
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTC	Regional Training Center
SC	Steering committee
SDDS	Special Data Dissemination Standard
SECO	Swiss Secretariat for Economic Affairs
SFA	Framework Administered Account of Selected Fund Activities
SIDA	Sweden International Development Cooperation Agency
SME	Small and medium-sized enterprises
SNA	System of National Accounts
SOE	State-owned enterprise
SSA	Sub-Saharan Africa

SUT	Supply-and-use tables
TA	Technical assistance
TPA	Tax Policy and Administration
TPI	Trade price index
TSA	Treasury single account
TTF	Topical Trust Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United National Development Program
USAID	United States Agency for International Development
VAT	Value-added tax
WAEMU	The West African Economic and Monetary Union
WAIFEM	West African Institute for Financial and Economic Management
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

I. AFRITACs ACHIEVEMENTS

A. What Do AFRITACs Do?

1. **The Africa Regional Technical Assistance Centers (AFRITACs) of the International Monetary Fund (IMF) are a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors.** They originate from the IMF's response to the call of African leaders for the international community to increase technical assistance (TA) to Africa. Their strategic goal is to help countries strengthen human and institutional capacity to design and implement macroeconomic and financial policies that promote growth and reduce poverty.

2. **The AFRITACs are regional technical assistance centers (RTACs)**, **adhering to a model of TA delivery launched by the IMF in 1992 for the Pacific Region.** Since then the model has expanded to four continents. The first RTAC in Africa, East AFRITAC (AFE), was established in 2002, and is based in Dar es Salaam, Tanzania. A year later the IMF opened West AFRITAC (AFW), currently located in Abidjan, Côte d'Ivoire, which covers the francophone countries of West Africa. Central AFRITAC (AFC) started operations in 2007 in Libreville, Gabon, to provide TA and training to countries in Central Africa. AFRITAC South (AFS) was opened in 2011 in Port Louis, Mauritius, to serve 13 countries in southern Africa. Through the AFRITAC network the IMF has been able to substantially increase its TA and training to the beneficiary countries.

3. **The model having proved successful, to complete coverage of the subcontinent, the IMF is opening AFRITAC West 2.** It will provide TA and training to the countries in West Africa that are not covered by AFW, which are Cape Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone.

4. **With the AFRITACs, the IMF combines strategic technical advice from its headquarters (HQ) with local expertise and on-the-ground capacity development.** Each AFRITAC is governed by a steering committee (SC) that consists of representatives from recipient countries, donors, and the IMF. This facilitates coordination in the design, implementation, and monitoring of TA programs in recipient countries. Within the framework of IMF Regional Strategy Notes (RSN) for sub-Saharan Africa, broad TA needs and work plans are identified in conjunction with the SC, working with the African and TA departments at IMF HQ and complemented by a bottom up exercise where the IMF departments and country authorities discuss the specifics of the AFRITAC work plan. All IMF TA is both integrated into the core lending and surveillance operations of the Fund and coordinated with TA from other providers. Backstopped and supported by HQ experts and services, the RTACs have become an increasingly effective means of delivering effective, efficient, and responsive IMF TA and training.

5. **AFRITACs already deliver TA and training in IMF areas of expertise to 37 countries in Western, Central, Eastern, and Southern Africa.** They are financed by contributions from a number of donors, the IMF, and beneficiary countries. Current donors are the African Development Bank (AfDB), Australia, Brazil, Canada, the European Investment Bank (EIB), the European Union (EU), France, Germany, Italy, Kuwait,

Luxembourg, the Netherlands, Switzerland, and the United Kingdom (UK). The centers' activities take place in close cooperation with donor partners. This facilitates a coordinated design, implementation, and monitoring of ongoing technical assistance programs in member countries.

6. **AFRITACs are managed by a center coordinator who is an experienced IMF staff member and are staffed by five to eight resident advisors with substantial expertise in their specialties.** The resident advisors are based in the host country and travel throughout the region, which allows them to build rapport with country authorities and familiarity with national and regional contexts and needs. The skill mix of the advisors reflects the needs that beneficiary countries have identified as priorities. The AFRITACs also deploy short-term experts, who are brought in to deliver targeted technical advice in specific areas not covered by the resident advisors or, if in the same area, to complement the volume of TA as needed. AFRITACs also host national and regional seminars and workshops, sometimes inviting selected African countries not covered by the AFRITACs so that countries can share experiences and network more effectively.

B. AFRITACs' Results in Recipient Countries

7. **Results-based management (RBM) for building human and institutional capacity is inherently difficult.** Achievements in these areas take time to materialize and are not easy to attribute to a single source. Change, which can often take decades, is correlated with many variables. This, together with the presence of many TA providers in sub-Saharan Africa, makes it difficult to measure the specific impact of AFRITACs' capacity-building activities on recipient countries.

8. **Notwithstanding these broad difficulties, the IMF and its RTACs have introduced RBM frameworks,** which are anchored in an annual planning, implementation, and monitoring cycle. They identify the main objectives for each area of work for the duration of the cycle and expected and achieved inputs, outputs, and outcomes, as well as next steps. RBM frameworks also make explicit how AFRITAC support is linked to member country reforms and poverty-reducing strategies and to the activities of other donors.

9. **The recent introduction of RBM frameworks in the AFRITACs does not yet allow for a comprehensive review of achievements. However, specific examples of AFE and AFW results in recipient countries are strong indicators of their positive impact in all TA areas:**

10. **Facilitating trade through better customs administration in West Africa—**In recent years AFW support has focused on computerization, World Trade Organization (WTO) transaction-based customs valuation, and simplified risk-based customs procedures, including post-release audits. All AFW countries have now fully computerized their customs clearance procedures, Senegal is reinforcing strengthening its own computerized system (Gaindé) and the nine others are bringing on line the enhanced Automated System of Customs Data developed by UNCTAD (ASYCUDA++ and World versions). As a result, there has been substantial progress in trade facilitation. For instance, customs can now be cleared within 24–48 hours, and there has been a major improvement in revenue collection in

most countries. Taking advantage of the features of ASYCUDA, all AFW countries have simplified customs clearance. AFW also helped Côte d'Ivoire, Senegal, Burkina Faso, and Niger to design automated risk management systems, helped Guinea to introduce the WAEMU/ECOWAS common external tariff, and advised Mauritania on aligning its Customs Code with the harmonized WAEMU Customs Code.

11. **Results-focused budgeting in Ethiopia and Kenya—**To shift the focus of resource allocation from inputs to results and outcomes, since 2006 AFE has supported introduction of program budgeting, starting on a pilot basis within the Federal Government of Ethiopia. In addition to providing technical support to the Ministry of Finance and Economic Development team in charge of the reforms, AFE has offered annual training programs to assist in production of shadow program budget submissions as part of preparation of the budget estimates for fiscal years 2007–08 to 2010–11. In FY 2011–12, the budget of the Federal Government of Ethiopia presented to and adopted by the legislature for the first time used the program format, embedded within a medium-term budgetary framework. AFE has also provided extended support to Kenya in developing their program budgeting approach. Shadow indicative program budgets have been prepared since 2008–09. AFE, in collaboration with GIZ, has also developed a program budgeting manual to guide ministries in their use of the new approach. The new PFM Law adopted in 2012 and currently being implemented, requires the presentation of budgets by program.

12. Establishing a Risk-Based Supervisory Framework in Kenya—With assistance from AFE, Kenya took initial steps to implement a system of risk-based supervision (RBS) in April 2004. The AFE bank supervision advisor served as mentor and general resource. A survey conducted in September 2004 to determine the status of risk-management practices by banking institutions in Kenya resulted in a draft policy paper adopted in April 2005. Risk management guidelines were circulated to banks for comments and formally issued to financial institutions in August 2005 to provide guidance on the minimum requirements for sound risk-management practices. The *Bank Examination Manual* and the format of the *Examination Report* were revised. The Central Bank of Kenya (CBK) has since used the new structure for several on-site examinations and has drawn up supervisory programs for institutions upon completion of these examinations. The CBK commented that RBS had contributed significantly to better understanding of the risk profiles of institutions, a more methodical approach to monitoring institutions, greater efficiency in conducting examinations and production of reports, which are now more concise and focused. AFE has also been working with the CBK to help it establish consolidated supervision, for instance by opening a supervisory college in 2012.

13. **Developing banking supervision and the legal and regulatory frameworks for microfinance**—AFW developed a successful coaching program for officials of microfinance supervision agencies to improve the quality of on-site inspections and implement risk-based onsite supervision. AFW also helped several WAEMU members to separate the promotion and supervision activities of microfinance institutions; the Ministry of Finance is now responsible for the former and separate entities, which generally report to a minister other than the Minister of Finance, are responsible for the latter. After several AFW missions in collaboration with an outside consultant from the FIRST Initiative, Guinea has implemented a new legal and regulatory framework regarding microfinance activities. Since 2010, AFW

has worked on building capacity for improved bank supervision and assisted in developing more effective bank restructuring arrangements through advisory missions, training, and seminars with member country regulatory authorities.

14. **Modernization of the retail payment and settlement systems and the harmonization of cross-border systems in select EAC countries (Kenya, Rwanda, and Tanzania)**—In Kenya, AFE assistance significantly strengthened CBK capacity to modernize, manage, and oversee the national payment system (NPS) by creating a suitable regime and enhancing CBK capacity to develop standards, requirements, and regulations for nonbank money transfers and mobile banking and remittance services. Similarly, AFE assistance is at the heart of the ambitious NPS modernization strategy adopted by *Banque Nationale du Rwanda* (BNR). The assistance resulted in the drafting of the Framework and Strategy for NPS modernization and helped BNR implement several of its integral elements, including the introduction of new products and services, such as real-time gross settlement, electronic banking, and mobile payment and remittance services. AFE TA also was a factor in BNR reorganizing its regulatory and oversight functions. In Tanzania, as a result of AFE TA the Bank of Tanzania reformulated its on- and off-site oversight; drew up risk-management guidelines for retail payments systems, including electronic banking and mobile payments; and investigated introduction of standards, requirements, and regulations for money transfer and other retail payment systems and products. In response to the growing popularity of mobile payments and their integration with mainstream banking products, AFE organized a regional workshop on mobile financial services that discussed the evolution of mobile payments, their interface with banking, and advice on how to oversee them. AFE has been at the forefront in developing risk-proportional regulation and oversight for mobile payments as their popularity has expanded.

15. **Improving the quality of macroeconomic statistics—**AFE helps member countries to draft action plans and improve statistical prerequisites, data sources, compilation methodologies, and dissemination practices. With a special concern for improving national account statistics, AFE has assisted in reviewing data sources and compilation methodologies; identifying data gaps and developing survey specifications and questionnaires; improving access to and use of administrative data; and streamlining the compilation methodology. For instance,

- As most member countries rebase their GDP estimates, AFE is providing advice on conducting benchmark surveys and specifications for supply and use tables.

- It also gives assistance on improving quarterly GDP data by economic activity at current and constant prices. In 2011 Rwanda, Uganda, and Zanzibar began to disseminate quarterly GDP estimates at constant prices via their official statistics websites.

- In terms of price statistics, member countries have been revising and rebasing their consumer price index (CPI). Kenya, Rwanda, and Tanzania rebased and released new CPI series in 2010. Zanzibar disseminated a rebased CPI in 2012.

- AFE also gives assistance related to other price statistics in order to improve inflation measurement and compilation of national accounts statistics. Several AFE member countries have been developing or rebasing their producer price indices (PPIs) and trade price indices (TPIs). Uganda released a new hotels and restaurants PPI in 2010, and Kenya released rebased PPI and TPIs in 2012.

- AFE has also provided assistance on improving balance of payments and other external sector statistics, which have been the basis for better estimates for Eritrea, Malawi, Rwanda, and Uganda.

  Furthermore, AFE supported Tanzania's National Statistical System (NSS) as it reviewed the progress of the Statistical Capacity (STATCAP)/NSS project, which, in turn, helped it coordinate better with the World Bank and other development partners. AFE also advised on the drafting of Tanzania's Statistical Master Plan (TSMP FY 2008–13), which is a component of Tanzania's PRSP. The TSMP has been adopted and the projects identified in the plan to improve the quality and range of economic and sociodemographic statistics are making progress using development partner funding; major surveys have already been conducted and infrastructure improved.

C. External Evaluation of the AFRITACs

16. **In 2009 an external evaluation found the AFRITACs to be highly effective and efficient** (Box 1).[1] 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, which calls for efforts to harmonize, align, and manage aid for results.

- The geographical proximity of AFRITACs to beneficiary countries makes for a quick and cost-effective way to deliver TA.[2]

- Because it is integrated into the IMF's surveillance and lending operations, TA through AFRITACs reflects country priorities.

- 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.

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[1] The full evaluation report is available at www.imf.org/external/np/pp/eng/2009/030109.pdf. New mid-term evaluations of the centers in East and West Africa are expected to be finalized in mid-2013.

[2] For example, a recent cost effectiveness evaluation of the first year of Phase IV of the IMF's Caribbean Regional Technical Assistance Center (CARTAC) concluded that CARTAC's cost-effectiveness is very good to excellent and in line with or better than other IFIs.

- The AFRITACs' emphasis on using African professionals provides an avenue for building and sustaining local expertise.

II. HOW AFW2 WOULD ASSIST IN ADDRESSING THE MEMBERS' MACROECONOMIC CHALLENGES

A. Where Do the Countries Stand Now?

18. **Though diverse, AFW2 countries have some characteristics in common** (Table 1). Agriculture, oil, and minerals feature prominently in the aggregate output, exports, and fiscal revenues of most AFW2 countries, which makes sustainable management of natural resources a priority. At least a quarter of the population lives below the poverty line in each AFW2 country, and all rank in the bottom third of the United Nations Human Development Index. At the same time, new financing opportunities have opened up in recent years either because international initiatives have relieved debt burdens or because of broader investor interest facilitated by more stable political environments and prudent macroeconomic policies. However, despite relatively strong growth in recent years (see below), per capita income is still low in most AFW2 countries.

Table 1. AFW2 Countries: Selected Characteristics

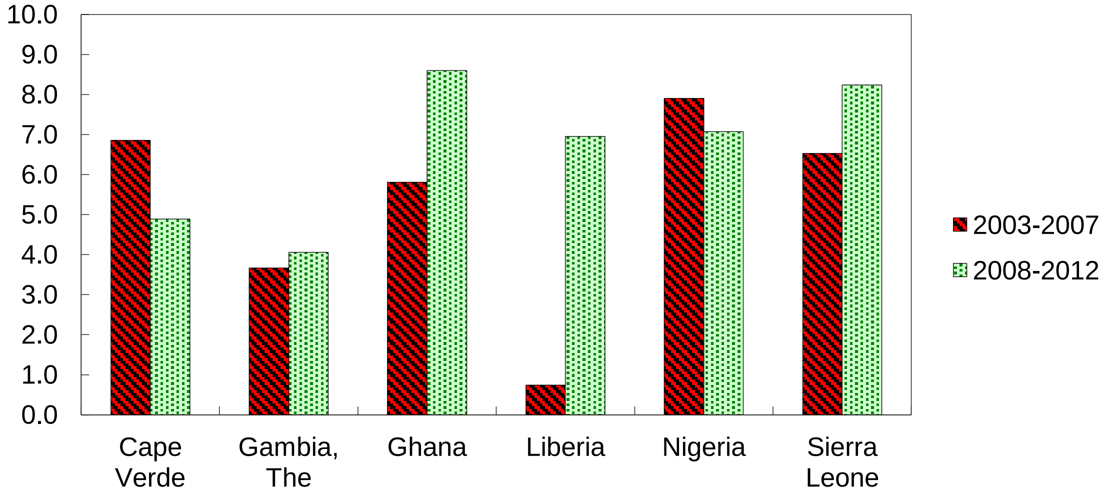
	Main characteristic	Main export	Population (2011, in million)	GDP per capita (2011, in US$)	HDI Ranking 1/	Poverty 2/ (% of population)
Cape Verde	Small island economy	Tourism	0.52	3661	133	26.6
Gambia, The	Low income country	Tourism, groundnuts	1.8	543	168	48
Ghana	Middle income country	Oil, gold, cocoa, timber, bauxite	24.3	1580	135	28.5
Liberia	Fragile state	Iron ore, timber	3.9	399	182	84
Nigeria	Oil producer	Oil, natural gas	160.3	1522	156	54.7
Sierra Leone	Low income country	Diamonds, iron ore, gold	6.0	486	180	66.4

Sources: IMF and World Bank databases.
1/ The Human Development Index (HDI), which ranks 187 countries, is a composite of life expectancy, literacy levels and PPP income. A higher HDI ranking number indicates a lower level of human development.
2/ Headcount ratio at national poverty line.

19. **Despite the global financial crisis, economic growth in the last 10 years was robust** (Figure 1). In Nigeria, average annual growth rates of about 7½ percent in 2003–12 were driven by favorable terms of trade and increased production of oil and natural gas. In Ghana and Sierra Leone, average annual growth accelerated from about 6 percent in 2003–07 to more than 8 percent in 2008–12 due not only to favorable terms of trade and increased production of export commodities but also to the start of oil production (Ghana) and significant foreign direct investment (FDI) in minerals (Sierra Leone). Growth surged in Liberia, demonstrating its recovery from a long period of low growth due to civil conflict. In The Gambia, growth was boosted by increased FDI in telecommunications and financial services. In Cape Verde, average annual growth of about 6 percent in 2003–12 reflected sustained implementation of economic reforms, which have enabled the country to leverage its location and its stable democracy to boost FDI and establish a thriving tourism sector.

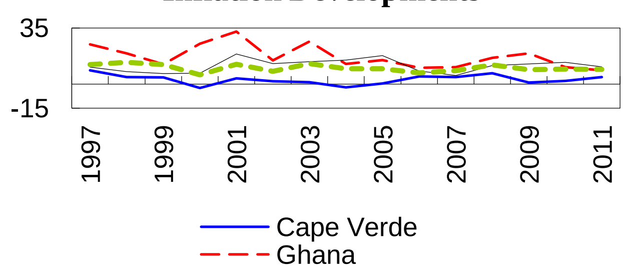
20. Inflation has largely mirrored macroeconomic policies in AFW2 countries (Figure 2). Inflation has been lowest in Cape Verde, averaging 2½ percent a year for the last

Figure 1. AFW2 Countries: Real GDP growth, 2003-2012
(Average, percent)



decade, owing to strong macroeconomic policies and the credibility of the exchange rate peg to the euro. Inflation in Ghana was the highest and most volatile in the region during much of the past 10 years, but it has recently fallen to single digits due to government efforts to rein in the fiscal deficit. After falling briefly to single digits, inflation in Nigeria has accelerated in recent years as fiscal and monetary policies were loosened to accommodate spending pressures and provide greater liquidity support to the financial sector.

Figure 2. Selected AFW2 Countries - Inflation Developments



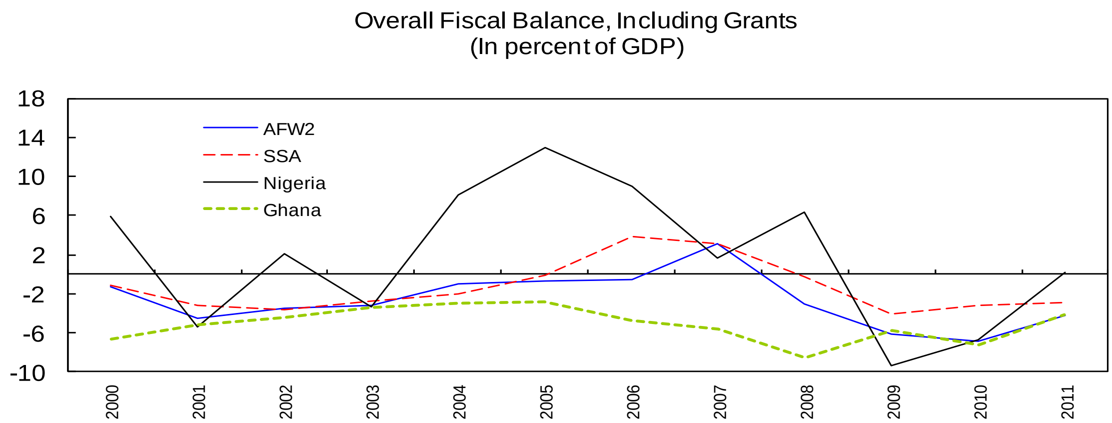
21. **Fiscal performance in AFW2 countries has recently deteriorated** (Table 2 and Figure 3). Nigeria had large fiscal surpluses in the mid-2000s, reflecting rising world oil prices and adoption of an oil price rule, but the rule has lost traction in recent years, and expansionary fiscal policy has led to the near depletion of oil savings. In Cape Verde, the fiscal deficit has been high because the country has implemented a large-scale public investment program but revenues have declined. Despite collecting more in taxes, Liberia's fiscal performance has deteriorated because of rapid increases in current spending and some build-up in capital spending. Fiscal performance in Sierra Leone has weakened due to the implementation of an ambitious infrastructure investment program; its revenue-to-GDP ratio is the lowest among AFW2 countries. In Ghana, though the fiscal deficit has been reduced in the last few years, in cash terms it is still somewhat high, partly due to efforts to reduce domestic arrears and partly because the government wage bill absorbs almost half of Ghana's domestic revenue.

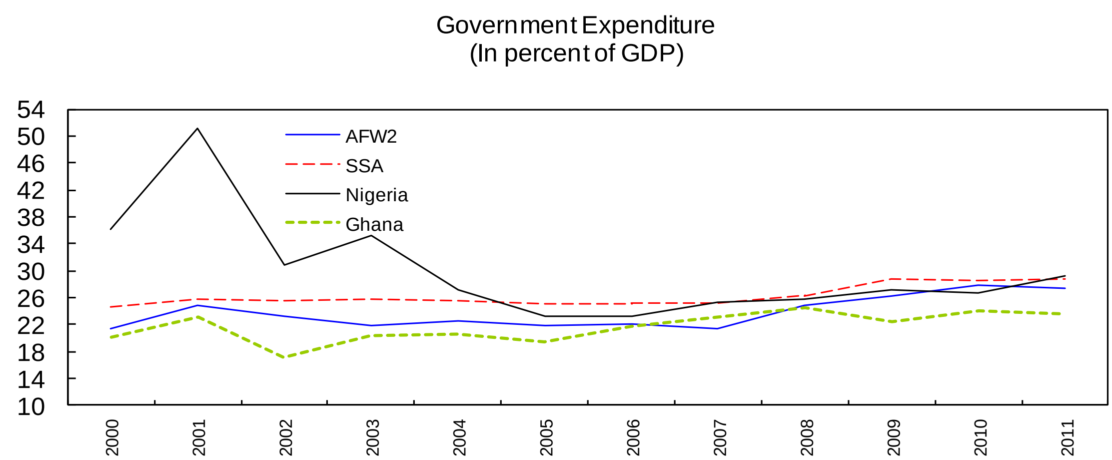
Table 2. AFW2: Government Data

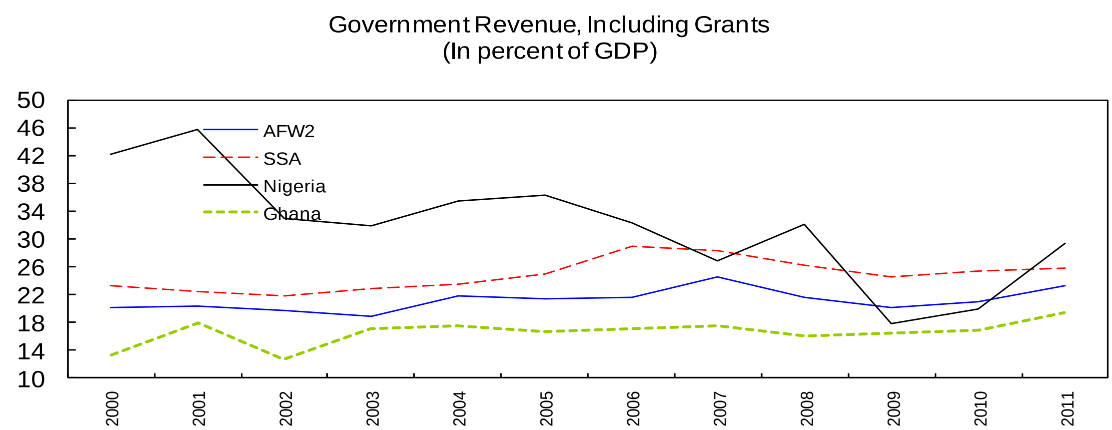
(average, in percent of GDP)

	Overall Balance			Domestic Revenue			Grants			Total Expenditures		
	2000-2003	2004-2007	2008-2011	2000-2003	2004-2007	2008-2011	2000-2003	2004-2007	2008-2011	2000-2003	2004-2007	2008-2011
Cape Verde	-6.8	-4.4	-6.9	22.0	25.0	23.8	7.1	6.7	5.0	35.8	36.1	35.7
Gambia, The	-2.8	-3.6	-3.4	11.7	15.7	15.5	1.9	1.6	3.5	16.4	20.9	22.5
Ghana	-4.9	-4.0	-6.4	12.5	13.6	14.7	2.7	3.6	2.5	20.2	21.2	23.6
Liberia	0.0	2.0	-7.3	11.3	14.3	22.1	0.6	0.1	2.2	12.0	12.4	31.6
Nigeria	-0.2	7.9	-2.4	38.2	32.7	24.8	0.0	0.0	0.0	38.4	24.8	27.2
Sierra Leone	-6.1	3.8	-4.0	9.3	9.3	9.9	5.6	11.4	5.2	21.0	16.8	19.1
SSA Average	**-2.7**	**1.3**	**-2.6**	**19.0**	**21.0**	**21.4**	**3.7**	**5.5**	**4.1**	**25.4**	**25.2**	**28.1**

Figure 3. AFW2 – Central Government Operations



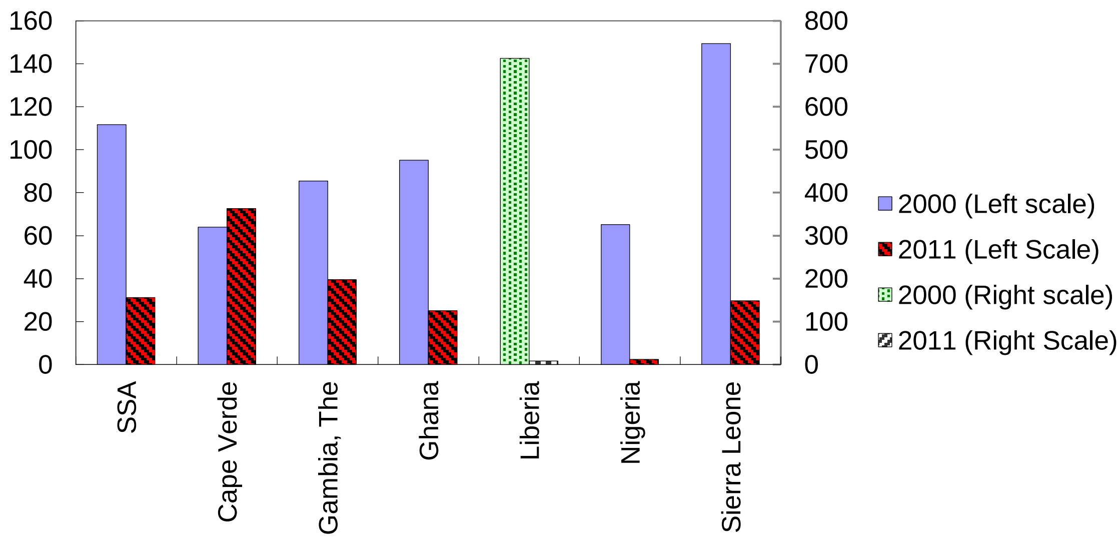




Source: IMF, African Department database and World Economic Outlook.

22. **External debt levels in all AFW2 countries except Cape Verde are relatively low** (Figure 4). The Gambia, Ghana, Liberia, and Sierra Leone have benefited from debt relief under the enhanced Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives. Oil proceeds in Nigeria were used to build up savings and repay most of the country's external debt, complemented by Paris Club debt relief. Cape Verde's external debt has increased because of the large-scale public investment program.

Figure 4. AFW2 Countries: External Debt
(In percent of GDP)



23. **Financial systems in AFW2 countries vary considerably in their degree of development** (Table 3). Financial deepening, as measured by broad-money-to-GDP ratios, is relatively advanced in Cape Verde and The Gambia but relatively slow in Sierra Leone. In Liberia, private sector credit is growing briskly, although financial intermediation is suppressed by the country's rudimentary payments system, high levels of nonperforming loans (NPLs), and an inadequate legal framework. In Sierra Leone, the banking system is well-capitalized and liquid but among its continuing vulnerabilities is credit risk due to relatively high NPLs. Though Cape Verde's financial system is sound, there are some concerns about rising NPLs and possible spillover effects from intensification of the euro area crisis—the banking sector is heavily dependent on Portuguese private capital and deposits of remittances.

Table 3. AFW2: Financial Sector Indicators

	Broad Money (in percent of GDP)			Credit to Private Sector (in percent of broad money)		
	2004	2008	2011	2004	2008	2011
Cape Verde	76.2	86.6	75.3	49.6	69.2	81.2
Gambia, The	31.3	45.0	51.5	30.1	34.2	31.3
Ghana	20.4	26.3	30.7	35.9	61.6	50.3
Liberia	14.6	23.3	37.0	35.8	40.0	44.3
Nigeria	19.4	37.5	35.2	66.1	83.2	68.6
Sierra Leone	14.8	19.6	23.3	23.7	28.9	32.5
SSA Average	**30.1**	**34.6**	**37.8**	**48.1**	**54.2**	**58.2**

Source: IMF database.

B. What Should be Done in the Next Decade?

24. **AFW2 countries should press ahead with reforms aimed at strengthening their macroeconomic management capacity**. Putting in place sound structures for fiscal, monetary, and financial sector supervision is thus critical. The global financial crisis gives additional urgency to these efforts. It has underscored the importance of reinforcing economic management and building more capacity to facilitate macroeconomic stability, sustainably reduce poverty, and prepare for emerging challenges.

25. **TA to AFW2 countries will be anchored in their Poverty Reduction and Strategy Papers (PRSPs) or other relevant national development plans** (Box 2).[3] In such documents, country governments lay out the key challenges and constraints they confront and the policy measures they envisage to sustainably promote growth and reduce poverty (Box 2). They therefore suggest that IMF TA be based on four pillars: (i) strengthening government institutions to improve fiscal and monetary management; (ii) deepening financial intermediation; (iii) strengthening macroeconomic statistics; and (iv) supporting regional integration and harmonization efforts.

[3] Nigeria does not have an active PRSP—the last one covered 2003–07. However, its national development plan has reaffirmed TA and training needs in each of the three areas outlined in Box 2.

Box 2. AFW2 Country PRSP Reforms in Core Areas of IMF Expertise

Overall Strategy

The PRSPs of AFW2 countries acknowledge that creating an enabling environment for rapid and sustainable economic growth requires macroeconomic stability, public sector reform, and human resource development. Accordingly, the PRSPs emphasize modernizing public administration, reforming regulations, and making better-quality information more available.

Fiscal Management

- *Cape Verde's* PRSP (2008) emphasizes sound fiscal management and better governance, focused on modernization, transparency, and the efficiency of public institutions. It envisages a new generation of fiscal management reforms, such as introducing a medium-term expenditure framework based on multiyear programming and enhancing financial forecasting capability.
- *Ghana's* PRSP (2010) highlights the need for better management of public spending, managing debt more effectively, and increasing fiscal revenue to meet growth and poverty reduction objectives. It also identifies a large infrastructure gap, to be financed by mobilizing more domestic revenue and expanding borrowing.
- Improving governance is one of the five major pillars of *The Gambia*'s PRSP (2011), with a particular focus on reinforcing the quality of public financial management (PFM), by, e.g. strengthening revenue administration, reforming the tax system, and increasing the transparency and accountability of the public spending process.
- An important element of *Liberia's* new PRSP—which is just now being launched—is to continue reforming PFM, address corruption issues so that public funds are used more efficiently, and mobilize domestic revenue more effectively. Liberia plans to (1) fully computerize procedures and controls using IFMIS; (2) build skills and capacity to manage and oversee public finances, in particular by improving oversight of regional and county PFM and of the operations of state-owned enterprises (SOEs); (3) set up a project management office in the Ministry of Finance to oversee the public investment program; and (4) continue modernizing tax and customs administrations by creating the Liberia Revenue Authority and a Natural Resource Unit and building up the Large Taxpayers Office.
- *Nigeria's* National Development Plan (2009) states that PFM, tax policy, and revenue administration are priority areas for reform. Continued support in these areas will help ensure that oil savings are not wasted and the revenue base is diversified.
- Sound fiscal policy is at the core of the new *Sierra Leone* PRSP, which is being launched in 2013. An element of the PRSP will be implementing an institutional framework to properly manage increasing natural resource wealth, with a new fiscal regime and a medium-term expenditure framework that incorporates investment spending. The focus is on rationalizing the tax system and strengthening expenditure control.

Financial Sector Reforms

- *Cape Verde's* PRSP sees a modern, dynamic financial sector as a requirement for economic transformation through increased competition and financial deepening, creation of specialized financial products and new financial institutions, access to international capital markets, and stronger regulation to better manage credit risk.
- *Sierra Leone's* new PRSP will deepen financial intermediation and strengthen financial stability

in support of private sector development. It sets out to reinforce central bank supervisory capacity, modernize the national payments system, improve financial access, particularly for small and medium enterprises (SMEs), and establish securities and money markets.

- *The Gambia's* PRSP envisages building up the financial sector by increasing minimum capital requirements for commercial banks, modernizing the payments system, enhancing central bank capacity for macroprudential analysis, launching an IT platform that automates the processing of returns and off-site supervision, and gradually migrating toward a risk-based supervisory framework.

- *Ghana's* PRSP emphasizes monetary policy management: improving liquidity management, establishing an effective interbank foreign exchange market, and modernizing the institutional, legal, and regulatory framework at the central bank, including for microfinance. The PRSP also recognizes the need to deepen the capital and bond markets to create a more diversified financial sector, improve access to financial services, and develop the private sector.

- To bolster the monetary policy framework in *Liberia*, the new PRSP highlights the need to strengthen the central bank's policy tools to manage liquidity and enhance its supervisory capacity. Difficulty in accessing financing is a major constraint, in particular for SMEs. A well-developed financial sector is seen as a crucial pillar of the determination to develop the private sector, which will also require a modern national payments system and, in due course, more advanced securities and money markets. Due to a high rate of NPLs, which are associated with informality and low borrower financial literacy, Liberian banks are risk-averse, lending mainly for the short term and for trade.

- *Nigeria's* National Development Plan acknowledges that deepening financial intermediation will help ensure financial stability and effective realization of monetary policy. Risk-based consolidated banking supervision and better monetary and financial statistics are priorities, as is building capacity to support inflation targeting.

Macroeconomic Statistics

- *Cape Verde*'s PRSP underscores the need for reliable, complete, and up-to-date statistics to improve policy implementation and assessment. It especially needs to strengthen national accounts, employment and wage statistics, and sectoral and fiscal data.

- *Ghana's* PRSP stresses that the availability of relevant and timely statistics is critical for policy development and assessment. The main challenge for building up Ghana's database for policy formulation is to improve the quality of its macroeconomic statistics.

- *Liberia's* new PRSP acknowledges that the capacity of the statistical system needs to be built up and highlights the need for such macroeconomic data as national accounts and periodic surveys as well as an integrated system to track PRSP outcome and output indicators to keep policy makers informed of progress.

- *Nigeria's* National Development Plan aims at strengthening the national statistical system to produce reliable statistics. This will better inform the government's policy decisions and help monitor progress of its development program.

- *Sierra Leone's* new PRSP continues to stress that high-quality statistics are needed not only to improve policy making, monitoring, and evaluation, but also to increase transparency and accountability.

- In *The Gambia*, the PRSP emphasizes that improving the quality of national statistics is central to the country's entire development program.

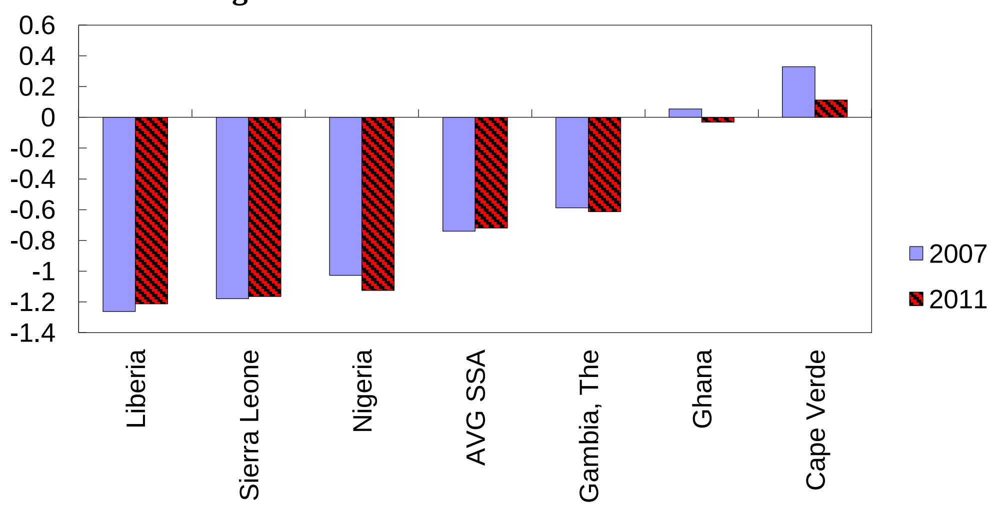
Strengthening Government Institutions

26. **To support high economic growth and rapidly reduce poverty, strong government institutions are critical**.[4] Also, countries with better government institutions can be expected to have more capacity to absorb TA and achieve more sustainable results. The global financial crisis highlighted the need for institutions capable of designing and implementing sound policies. In addition to TA, strengthening government institutions in recipient countries also requires better management, leadership, human resources rules and systems, and retention of skilled staff.

27. **Governments in AFW2 countries have generally not been very effective, and most need to do more to ease the burden of doing business**:

- According to the Worldwide Governance Research Indicators, government effectiveness in Liberia, Sierra Leone, Nigeria, and The Gambia is low, though in Cape Verde and Ghana it is relatively high for sub-Saharan Africa (Figure 5).

Figure 5. Government Effectiveness Index



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

- Except for Ghana the AFW2 countries rank very low on the World Bank Doing Business indicators, which cover 185 countries. This suggests that the investment climate in the region is quite poor (Table 4).

Table 4. AFW2: Doing Business Indicators

(Rank out of 185 countries)

	Cape Verde	Gambia, The	Ghana	Liberia	Nigeria	Sierra Leone	AFW2 Average	SSA Average
Ease of Doing Business	122	147	64	149	131	140	**126**	**139**
Starting a Business	129	123	112	38	119	76	**100**	**123**
Dealing with Construction Permits	122	90	162	126	88	173	**127**	**117**
Getting Electricity	106	119	63	145	178	176	**131**	**129**
Registering Property	69	120	45	178	182	167	**127**	**125**
Getting Credit	104	159	23	104	23	83	**83**	**105**
Protecting Investors	139	177	49	150	70	32	**103**	**112**
Paying Taxes	102	179	89	45	155	117	**115**	**122**
Trading Across Borders	63	87	99	137	154	131	**112**	**137**
Enforcing Contracts	38	65	48	163	98	147	**93**	**119**
Resolving Insolvency	185	108	114	159	105	154	**138**	**128**

Source: Doing Business 2012.

28. **Public financial management (PFM) systems need to improve in AFW2 countries**. A well-functioning PFM system facilitates efficient use of public resources and helps to assure taxpayers and donors that their money is used for the intended purpose and that public finances are sustainable over the medium term. Good PFM systems can make aid flows more predictable and enhance results-focused monitoring of foreign aid. They also allow for transparent monitoring of the resources available for pro-poor spending, which is critical for the credibility of the PRSP process. Public Expenditure and Financial Accountability (PEFA) indicators,[5] which are available for five of the six countries covered by AFW2, point to a number of challenges their authorities face. They suggest in particular a need to improve budget formulation and execution and auditing processes.[6]

[5] The PEFA program, which started in December 2001, has a measurement framework that provides consistent information for assessing and monitoring a country's PFM.

[6] See Appendix II for PEFA scores of AFW2 countries.

29. **In the four natural-resource-rich AFW2 countries, accountability and transparency in managing those resources is critical**. Significant progress has been made in this area. For example, Ghana, Nigeria, and Liberia are already compliant with the Extractive Industries Transparency Initiative (EITI). In conjunction with Sierra Leone's first EITI reconciliation report in March 2010, recommendations were made to bring Sierra Leone closer to EITI compliance, and a second reconciliation report was submitted for validation in December 2012.[7]

Strengthening the Financial Sector

30. **Access to finance in AFW2 countries is constrained by weaknesses in the institutional and financial infrastructure.** In many, the legal framework for, e.g., registering titles to property and property rights and enforcement is inadequate. Reliable information on potential borrowers is scarce, increasing the risks of lending to the private sector. This is compounded in fragile countries by vulnerabilities in the credit culture. Improvements in the laws and the financial information infrastructure and regulatory reforms to boost the business environment are needed to deepen financial intermediation.

31. **Supervision capacity must keep pace with the evolution of financial systems in AFW2 countries.** The rapid growth and importance of pan-African banking groups also demands robust cross-border supervision and active cooperation by supervisors. Although several countries have in place measures to strengthen banking supervision (e.g., The Gambia, Liberia, Nigeria, and Sierra Leone), they need more effort to enforce prudential regulations, more closely supervise bank risk management and loan classification policies, enhance cross-border supervision, and further train supervisors. In Sierra Leone, in developing a treasury-bill market, it will be necessary to build up central bank capacity to manage increased foreign currency flows and develop the local interbank foreign exchange market. In Nigeria, the central bank has developed a legal, regulatory, and operational framework for risk-based and consolidated supervision, but it cannot be fully implementing without more human capacity. With private capital flowing out, rapid credit growth in Ghana raises questions about asset quality and concentration risks, which means that the central bank needs to intensify its assessments of the quality of bank foreign assets and their vulnerability to tighter credit conditions. In Liberia, the high level of dollarization creates additional problems for prudential regulation and supervision. Cape Verde needs to reinforce the prudential supervision of financial institutions to mitigate potential spillover effects from the global financial crisis and to reverse the rise in NPLs.

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[7] To achieve compliant status, a country must complete an EITI validation.

Table 5. AFRITAC West 2: Data Publication in IFS

(As reported in July 2013 IFS Issue)

	National Accounts	CPI	Monetary data: Central Bank	Monetary data: Banking Survey	Monetary data: Monetary Survey	GFS Data	Balance of Payments
Cape Verde	N.A.	May-13	Apr-13	Apr-13	Apr-13	Q3-2012	Q1-2013
The Gambia	N.A.	N.A.**	Mar-13	Mar-13	Mar-13	N.A.	Q4-2012
Ghana	2012	May-13	Oct-12	Oct-12	Oct-12	Q2-2012	2011
Liberia	N.A.	Dec-12	Dec-12	Dec-12	Dec-12	2010	2011
Nigeria	Q1-2012*	May-13	Dec-12	Dec-12	Dec-12	N.A.	2011
Sierra Leone	2009	Apr-13	Apr-13	Apr-13	Apr-13	2011*	2011

Source: IFIS

1/ Number in parenthesis refers to latest data observation

* Data reported are incomplete, lack detail.

** CPI data not reported to IFS but otherwise available. Latest available: May-12.

N.A. = not available.

Strengthening Statistical Capacity

32. **AFW2 countries face significant challenges in the compilation of key macroeconomic data series**. Based on AFR reports about the adequacy of statistics to support surveillance work, all AFW2 countries have shortcomings, and a few have serious data deficiencies. The areas that most need improvement are national account, external sector, and government finance statistics.[8] According to the World Bank Country Statistical Information Database, the data collection routines and statistical practices of AFW2 countries are of lower quality than those generally used in low- and middle-income countries with populations of more than a million. Data sources and compilation practices in the fragile state of Liberia have major limitations in the production of national accounts, CPIs, government finance statistics, and the balance of payments.

33. **As is true elsewhere in SSA, there is scope to improve data dissemination practices in AFW2 countries** (Table 5). Published monetary data in the *International Financial Statistics* (IFS) have many gaps and are stale. Yet the data published in the IFS are probably the most up-to-date information for all countries in the region except Ghana, which does not provide regular updates on foreign exchange reserves and their composition. AFW2 countries are a long way from meeting the rigorous data production and dissemination requirements of the IMF Special Data Dissemination Standard (SDDS).[9] However, all AFW2 countries participate in the IMF's somewhat less demanding General Data Dissemination

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[8] *Source*: Country statistical issues appendices of the latest staff reports.

[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 them in providing economic and financial data to the public. The SDDS requires that member countries produce high-frequency data for 18 major macroeconomic time series, provide a national summary data webpage, and adhere to an advanced data release calendar.

System (GDDS), which emphasizes plans for data quality improvements and reports on data coverage, periodicity, and timeliness. Unfortunately, most AFW2 countries do not regularly update their GDDS country pages so that implementation of statistical development plans can be benchmarked and monitored.

Supporting Regional Integration and Harmonization Efforts

34. **Since AFW2 countries are members of the Economic Community of West African States (ECOWAS), AFW2 will work closely with the first AFRITAC West, which covers the francophone ECOWAS members, on regional integration and harmonization issues.** ECOWAS seeks to promote all aspects of economic integration and cooperation between its 15 member countries. The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone are also members of the West African Monetary Zone (WAMZ), which plans to establish a monetary union by 2015 (although little progress on this has been made as yet).[10] Eventually, it is envisaged that WAMZ and WAEMU countries will form a common currency area supervised by ECOWAS. Indeed, Ghana's PRSP and Nigeria's *Vision 2020* promote WAMZ and establishment of a common ECOWAS customs union. Like other regional integration initiatives in SSA, there are still barriers to trade within ECOWAS; as a result, intraregional trade makes up less than 15 percent of total trade in the region. Major constraints on trade are high dependence on trade taxes, which effectively slows trade liberalization efforts; significant differences in national regulations and standards; and the use of 10 different currencies, most of which are not convertible.

35. **Adoption of ECOWAS protocols has been uneven**. The PRSPs of all AFW2 countries except Cape Verde identify a need to build public consensus for implementing ECOWAS protocols. They call for studies to establish the extent to which the common external tariff (CET) would affect their trade performance. They also call for increased efforts to harmonize trade and investment codes and customs procedures across ECOWAS. In 2001, it was decided to harmonize the tariffs of all members with the WAEMU CET—which the IMF has supported, particularly the 20 percent maximum rate. However, at the request of Nigeria, in late 2008 an additional tariff band of 35 percent for finished products was agreed. Implementation of the CET policy, however, has been constantly delayed, and several members continue to seek exemptions. Discussions on a regional Economic Partnership Agreement (EPA) are also proceeding slowly. ECOWAS would like the EPA to cover both trade and development issues, rather than treating them separately, as the EU recommended.[11] The IMF has been invited to participate in this process of regional integration, though no formal TA requests have yet been made.[12]

[10] The only member of WAMZ that is not in the AFW2 group is Guinea.

[11] Only Ghana and Côte d'Ivoire have signed an interim bilateral EPA with the EU, both in 2007.

[12] Recently, IMF staff participated in a regional workshop on harmonization of the regulatory and supervisory framework of bank and nonbank financial institutions in ECOWAS.

C. AFW2 Support in Tackling the Region's Challenges

36. **AFW2 would be an integral part of capacity development efforts in the region.** It will extend the AFRITAC model to countries not currently served by AFRITAC West. Assistance will be tailored to the prevailing conditions in each country. Thus, AFW2 can be expected to provide a broad range of basic assistance to members that are fragile states (Liberia, Sierra Leone, and The Gambia), while in the other countries TA may be more specialized (e.g., introduction of risk-based banking supervision). AFW2 is also well-placed to provide TA to help harmonize standards and thus support regional integration.

37. **Based on recent TA requests of AFW2 countries and initial consultations with country authorities, the main areas of AFW2 TA are expected to be as follows**:

- ***PFM***. AFW2 would help build capacity for strategic and policy-oriented fiscal management and bring member countries closer to accepted international standards in such areas as budget classification (GFSM 2001) and transparency in the budget process. The center will build on past and continuing IMF regional TA on expenditure controls, cash management, medium-term budgeting, legal frameworks, and fiscal reporting. Specific areas of support will include cash and debt management (Cape Verde, Liberia, The Gambia, and Sierra Leone); public-private partnerships (Cape Verde); performance-based budgeting (Nigeria); expenditure tracking and medium-term expenditure frameworks (Ghana, Cape Verde, Liberia, and Sierra Leone); donor tracking (Liberia); and the treasury single account (TSA; Nigeria and Liberia).

- ***Revenue administration.*** The TA emphasis here is on mobilizing more revenue through improved revenue and customs administration and broadening the tax base. After general tax policy advice, synchronizing with the schedule for tax reform, and taking into account local absorption capacity, TA efforts will focus on introducing the VAT in Liberia and reinforcing it in the other member countries; better controlling tax exemptions and reorganizing and strengthening tax administration (Cape Verde); management of natural resources (Ghana, Liberia, Nigeria, and Sierra Leone); and building the capacity of core tax and customs administration functions (Liberia, Sierra Leone, and Ghana). AFW2 will also provide TA to support the regional integration efforts envisaged by ECOWAS, such as standardizing customs procedures.

- ***Central bank operations*****.** AFW2 TA in the region will range from rudimentary to quite advanced. Liberia and The Gambia would benefit from TA to develop monetary policy instruments; Cape Verde, Liberia, and Sierra Leone would benefit from liquidity management TA. Cape Verde could use more advanced TA on supervision of systemic liquidity management and Ghana and Nigeria on improving monetary analysis and policy by moving to interest rate instruments in targeting inflation. Assistance in modernizing national payment and settlement systems, including oversight of innovations such as mobile payments, can contribute to regional financial stability.

- ***Financial sector regulation and supervision.*** AFW2 countries could benefit from improved regulation and supervision of cross border bank and nonbank institutions. A number of countries would benefit from TA to build central bank supervisory powers, including on-site inspections (Liberia and Sierra Leone) and consolidated and cross-border banking supervision (Cape Verde, Ghana, and Nigeria).

- ***Debt management.*** AFW2 can provide specialized assistance on domestic debt markets and debt monitoring, including technical aspects of medium-term asset and liability management (Cape Verde and Ghana). HIPC and post-HIPC countries (Liberia, The Gambia, and Sierra Leone) would find TA useful on sustainable medium-term debt management strategy (MTDS) using the IMF-World Bank MTDS framework and toolkit. TA on deepening domestic debt markets will focus on downstream activities and coordinate with HQ-based upstream diagnostics on the state of domestic debt markets in the countries covered by AFW2. The center will coordinate closely with the FIRST program, and other TA providers at the individual country level, both to ensure that there is no duplication and to identify gaps in TA for future activities. TA on medium-term asset and liability management and MTDS will complement TA delivered by HQ staff and will be focused on regional sustainability, with the goal of training regional and country experts. Due attention will be given to training trainers from the region.

- ***Macroeconomic statistics***. The intensity of AFW2 TA on building statistical capacity will vary by country. All countries will benefit from TA on annual and quarterly national accounts, which are key to implementing the objectives of AFW2 countries' PRSPs. Demand is also expected to be strong for TA on prices (Liberia, Sierra Leone, and The Gambia); balance of payments (Nigeria, Sierra Leone, and The Gambia); government finance statistics (The Gambia); and monetary and financial statistics (Nigeria, Sierra Leone, and Liberia). AFW2 TA will be coordinated with the TA provided through modules of the Enhanced Data Dissemination Initiative (EDDI) supported by the U.K. Department for International Development (DFID).

- ***Legal and regulatory frameworks, anti-money-laundering and combating the financing of terrorism (AML/CFT)***. In support of the AFW2 program, the IMF Legal Department (LEG) will provide TA on building legal, supervisory, and institutional frameworks, giving particular attention to VAT drafting, fiscal and banking laws, and building up AML/CFT supervision in countries such as Cape Verde, Ghana, Liberia, and Nigeria. AFW2 will not have a resident adviser for legal and AML/CFT issues; TA in these areas will be delivered through staff and short-term expert missions and HQ-based desk reviews; LEG may also join AFW2 missions led by other IMF TA departments to advise authorities or provide legislative drafting assistance.

III. AFW2's First Five-Year Cycle

38. **AFW2's objectives for the next five years are being developed jointly by recipient countries, donors, and other TA providers.** The starting point is the recipient country PRSP, complemented by, where available, sector-specific reform strategies. AFW2's work would be integrated into IMF HQ TA and IMF policy and surveillance work through an internal prioritization process to ensure that the TA stays highly relevant and focused on IMF core expertise.[13] AFW2 will provide TA and training, often through regional workshops.

A. Integration of RTAC TA with Other Fund TA and Activities

39. **All IMF TA, regardless of financing source or delivery mode, is integrated with each other and with the IMF's broad lending and surveillance activities.** In consultation with country authorities, the IMF Africa Department will integrate the reform agendas of AFW2 countries with the IMF's own policy and surveillance perspectives, drawing on the technical expertise of TA departments. Together they will identify needs for TA, set TA priorities, and balance short- and medium-term considerations, relying on the expertise of the TA department for prioritization, sequencing, and selecting the mode of delivery. This internal process provides checks and balances that ensure that TA remains highly relevant while taking into account regional developments. The resulting Regional Strategy Note (RSN) for Africa, which is shared with recipient countries and donors, sets out a medium-term TA vision for the region that is the basis for coordination of all IMF TA activities and their integration into IMF surveillance and lending operations.

40. **IMF ability to continue to provide capacity development in the medium term depends increasingly on additional external financing**. The priority for IMF-financed TA is to build the capacity needed to successfully implement macroeconomic policies, especially under IMF programs, and—subject to resource availability—then turn attention to the medium term capacity development. The IMF undertakes diagnostic assessments of country weaknesses and formulates plans to address them. High and rising demand for IMF TA has been reinforced by the impact of the global financial crisis and the ensuing European debt crisis, increasing the need for external financing to supplement the IMF's own assistance resources. Such financing leverages IMF expertise and experience for medium-term capacity development. Depending on donor priorities, external financing is channeled into either a topical or a regional trust fund. Complementing the proven model of the RTACs, topical trust funds (TTFs) offer global geographic coverage and specialized topical scope, drawing on a centralized pool of experts at IMF HQ or from the IMF's international expert roster. The TTFs create synergies with the work of the IMF regional centers, which focus on hands-on implementation of advice. The RSN facilitates integration and coordination of TA activities, providing a continuum of coverage throughout the process from diagnostics to day-to-day implementation on the ground. Open lines of communication, in part via TA department

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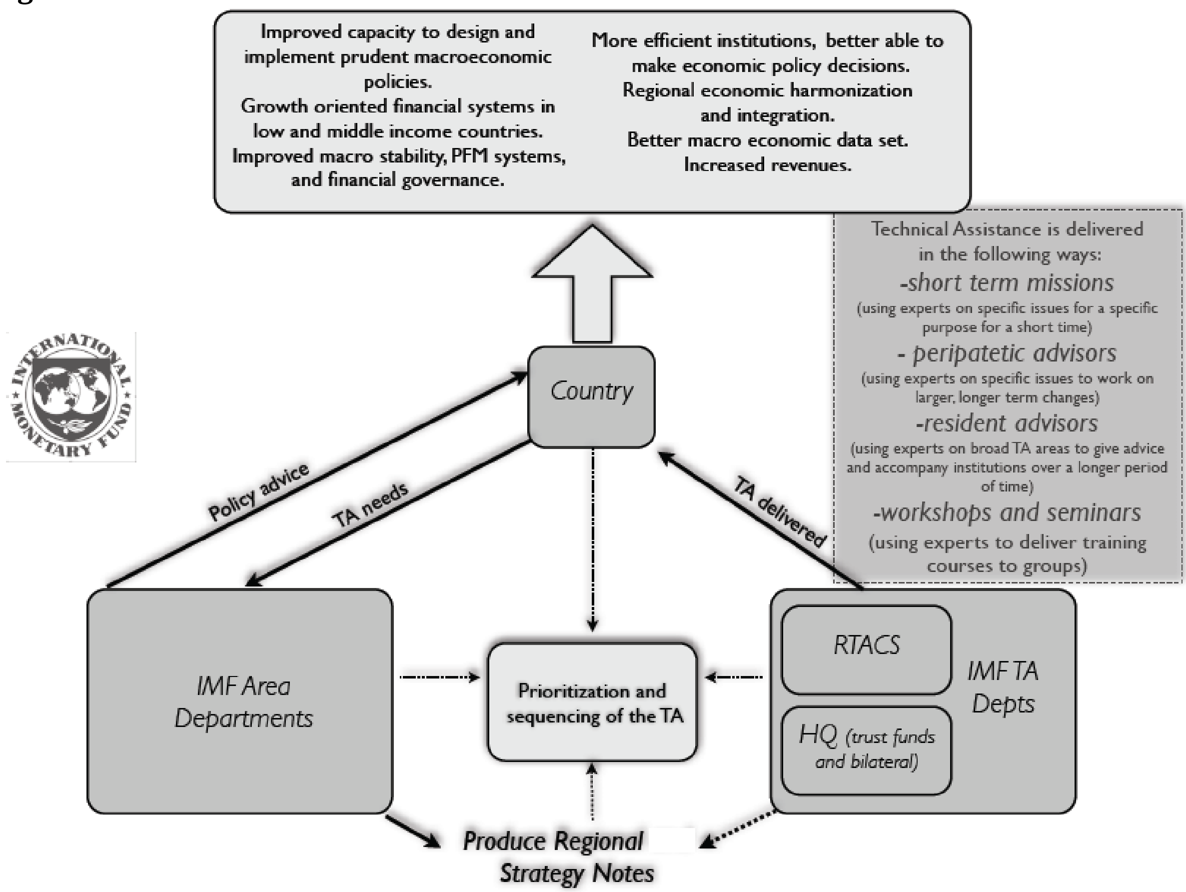
[13] The RSN for Africa reflects the result of this prioritization and sets out a medium-term TA agenda for all African countries. The activities of AFW2 will be integrated into the RSN process.

backstopping of RTACs and external experts, ensure consistency, cross-fertilization, and operational relevance (see figure 6).

Figure 6.



41. **Additional external funding has significantly increased TA in areas beyond the scope of RTACs.** Externally financed IMF TA under bilateral donor agreements has grown significantly, allowing targeted support including to countries less covered by multidonor initiatives. Three multidonor TTFs are now operating.[14] For example, TA in the area of general tax policy and management of natural resources has been a major TTF activity. The TTF funding has made it possible to give much more detailed policy input to low-income countries through a series of follow-up missions. Accompanying countries further down the road has also required weaving in the input of the IMF Legal Department (LEG) to help translate detailed policy recommendation into legal amendments to tax laws.

42. **To best meet country needs, specific delivery modes are chosen depending on the complexity of the task and the country's implementation capacity.** Diagnostic HQ-led missions often are the starting point for TA delivery; they generate blueprints for reform that devolve implementation to the modality (such as an RTAC) that best meets the needs of the country. HQ-led missions draw on cross-country knowledge as well as the expertise required for the specific subject. RTAC activities draw on a deep knowledge of the region and member countries, such as cross-cutting and regional integration issues, and are closer to the clients. Frequent contact and missions of RTAC resident advisors in the region provide step-by-step assistance with the nuts and bolts of putting reforms in place. Missions from both HQ and RTACs draw as needed on a vetted roster of external short-term experts to complement their skill set. For follow-up on specialist issues or where RTACs are not available, short-term advisers conduct a series of regular follow-up missions over a longer period of time. Long-term resident advisers, backstopped by HQ, are stationed in countries where capacity is particularly inadequate to provide day-to-day guidance and—if wanted—temporarily supplement the authorities' capacity.

43. **The coexistence of multiple IMF TA delivery methods in countries covered by RTACs calls for strengthened IMF internal coordination in order to optimize the added-value of the different instruments.** With TTFs taking in some of the countries covered—especially fragile states—an increasingly hands-on implementation role (as in the tax administration area), clear delineation is needed between the country work undertaken by a TTF and by an RTAC to ensure that all the work is fully coordinated and complementary. The same logic would apply in connection to bilateral projects, some of which support the posting of long-term resident advisors. The coexistence of the different delivery channels is justified by the large TA needs of a particular country (e.g., Liberia in the AFW2 region), for which the use of RTAC resources would be insufficient or which would reduce RTAC capacity to respond to needs in other member countries. The close integration of RTAC work plans with the Africa RSN process supports the close coordination between the RTACs and other IMF TA.

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[14] The Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT) Topical Trust Fund; the Managing Natural Resource Wealth (MNRW) Topical Trust Fund; and the Tax Policy and Administration Topical (TPA) Trust Fund.

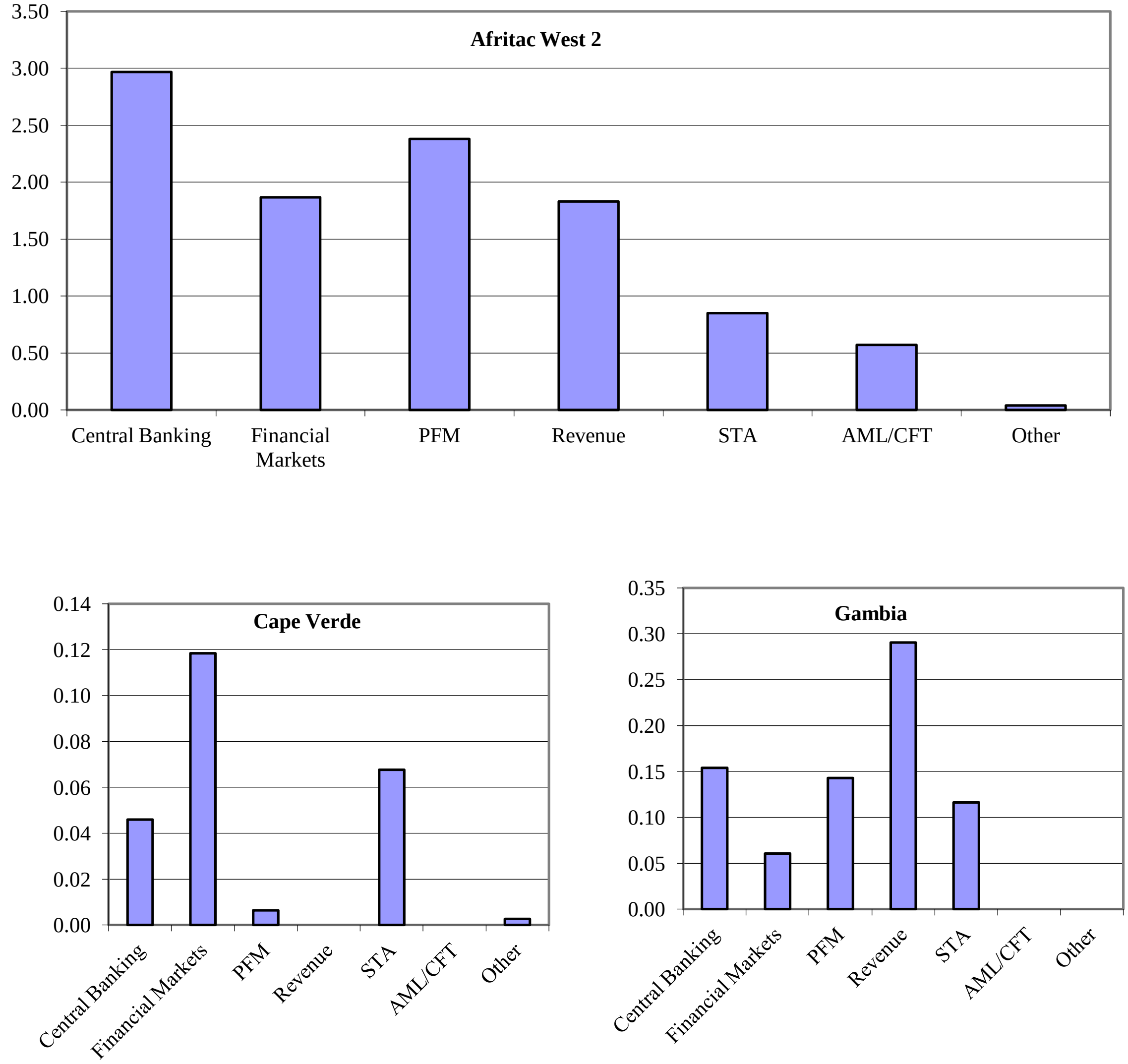
B. AFW2 and Other IMF Technical Assistance in West Africa Region

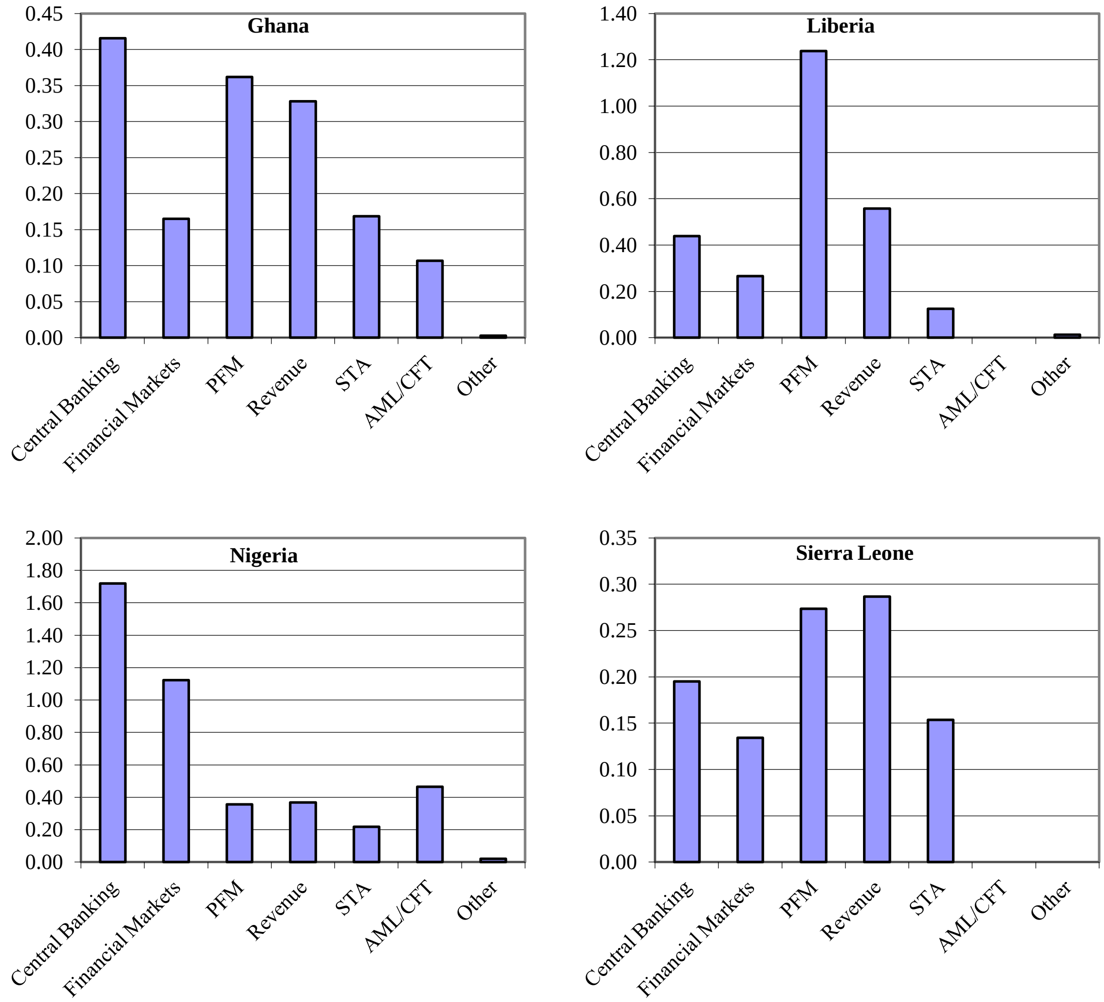
44. **AFW2 will be the main IMF TA vehicle in the countries it covers, complemented by other IMF and externally financed TA, including from bilateral agreements and Topical Trust Funds.** Though the scope of different TA vehicles differs, all TA planning is integrated to avoid duplication and achieve synergies. While AFW2 will deliver TA in its areas of competence to all its recipient countries, TTFs and bilateral projects normally cover only specific topic areas. For example, the Tax Policy and Administration (TPA) trust fund does not cover customs administration. As an intensive beneficiary of the TPA-TTF, Liberia is receiving TA under five of the TTF's nine thematic tax policy and administration modules, but valuable AFW2 support could be directed to customs administration where needs for IMF support are currently not met. There is also ample scope for AFW2 to support countries like Sierra Leone that benefit from the revenue administration module of the TTF for Managing Natural Resource Wealth (MNRW), given the narrow and specific TTF focus, and it is expected that often non-RTAC external funding could actually increase demand for RTAC services as some implementation aspects are devolved.

45. **The experience of other AFRITACs shows that the various IMF TA vehicles complement each other and work hand in hand**. For example, tax administration reform in Senegal is making excellent progress through a multi-module TPA-TTF program; and support from AFW on establishing a medium taxpayer office (MTO) complements the module 4 efforts of the TPA-TTF program to strengthen tax administration generally. The AFW support to Senegal contributes to a clearly identifiable outcome that is fully consistent with the wider objectives of the TPA-TTF program and is also compatible with AFW's regional focus on helping its member country to establish MTOs. Ghana received TA financed by the Swiss (SECO) on supervision and financial stability, including assistance from long-term experts. AFW2 will build on the results of this work and deepen Bank of Ghana capacity in these areas.

46. **Demand for AFW2 TA also exists well beyond the support provided through bilaterally financed TA**. The Anglophone AFW2 countries have benefited from a Japanese regional program (JSA) for PFM and tax administration reform. These programs have laid a solid foundation for the formulation of the inaugural AFW2 work plan in those areas but have not been sufficient to meet the region's needs and in any case will end soon. A few AFW2 countries receive Fund TA from bilaterally financed programs. These are typically time-bound to achieve very specific reform outcomes, such as the EU-financed support to VAT implementation in The Gambia. Even though this program will run into FY2015, it does not address many tax and customs administration topics that would benefit from AFW2 support.

Figure 7. TA Delivery to AFRITAC West 2 countries, FY2010–12*
(Average person years)





Source: IMF.
* The IMF fiscal year runs from May 1 through April 30.

C. Measuring How AFW2 Achieves Its Objectives

47 **Results-based management will be the main tool used to assess AFW2 achievements.** A robust framework of AFW2 results, based on the new IMF RBM framework for RTACs, will make it possible to measure the center's objectives, outcomes, and outputs.

48. **Like the other RTACs, AFW2 will have a strategic log frame against which it can report on high-level results that are defined at the RTAC level.** The strategic log frame will set one strategic objective for AFW2 overall and will contain objectives and outcomes covering the different topic areas of the center. The result of both top-down and bottom-up exercises, it is derived from the RSN and from the topical log frames that will define objectives, outcomes, and outputs per area of work (PFM, monetary, statistics, etc.) across all the AFW2 countries. Indicative topical log frames for all the TA areas covered by AFW2 are presented in sections IV D–H. These log frames will be refined, and the strategic log frame drafted, as the process of formulating TA projects for the center gets underway.

This will include setting baselines and medium-term targets, in line with topical log frames in other RTACs.

49. **The topical log frames will provide a management tool for AFW2 that feeds into its work plan.** The work plan will be used to monitor and report on progress. Its format will be structured to provide a snapshot of resource utilization linked to outputs achieved and progress made toward the outcomes. In addition to short-term activities, multiyear projects will be developed, with the aim of facilitating the planning and reporting of TA activities. Annual work plans will be prepared within the framework of the IMF TA prioritization processes, managed through the RSN for Africa. This will ensure full coordination with other IMF TA in the region (see Section IV.B for more information on how work plans are formulated).

50. **The annual report to the SC is an opportunity to measure and monitor progress toward results.** AFW2 will produce a detailed report on the work completed during the year, focused on how much progress has been made in achieving outputs and the outcomes for each project and area of work.

D. AFW2—Integration and Synergies with Other TA Providers

51. **AFW2 would provide a robust platform for implementing the aid effectiveness principles outlined in high level forums (Paris, Accra, and Busan), which call for efforts to harmonize, align, and manage aid for results.** Through the SC and the regional relationships and expertise of AFW2 staff and advisors, TA activities would be coordinated with those of other TA providers and integrated with member country PRSPs and sector plans. Coordination is all the more important because IMF TA is focused in areas already supported by a number of other TA providers across the region, in particular in public finance management (see the donor matrix in appendix III).

52. **AFW2 would emphasize coordination with other TA providers in its core areas of expertise.** Among institutions and countries providing TA to the region are the African Development Bank, the European Union (EU), the World Bank, the UK, Germany, and the US. To help ensure TA synergies, the RTAC coordinator will be the focal point for liaison with all these bilateral and multilateral agencies in the field. AFW2 advisors will also support coordination, since they often have the most intensive contact with country authorities in their area of expertise, as well as with experts financed by other donors. The coordinator will:

- Disseminate the RSN, which defines the IMF medium-term TA strategy for AFW2 as well as other African countries.

- Share HQ TA reports or aide-memoires prepared by RTAC experts with SC members and, upon request, other stakeholders if the TA recipient consents (consent by the TA recipient would be given on a non-objection basis).[15] This will provide AFW2 recipient countries, donors, and other TA providers with the information they need to better coordinate with AFW2 and other IMF TA.

- Launch an AFW2 website with contact information to foster donor coordination.

- Provide donor briefings, including through IMF Resident Representative Offices. Information on AFW2 missions will be posted on the AFW2 website, which will include contacts with other donors. AFW2 missions will also seek to systematically brief donors in the field.

- Launch an AFW2 website, including contact information to foster donor coordination.

- Publish AFW2 annual reports.

E. Agenda—Revenue Administration and Tax Policy[16]

53. TA for tax policy and revenue administration in AFW2 countries must balance disparate circumstances, such as postconflict and fragile environments, critical needs to mobilize revenue to help alleviate poverty, current or potential natural resource revenues, institutional and capacity constraints, the poor compliance attitudes and capabilities of some businesses, and patchy support by donors and TA providers.

Regional Issues

54. All countries within the AFW2 grouping are members of the 15-member ECOWAS, established in 1975. One of its purposes was to create a common market through (a) liberalization of trade by the abolition by member states of customs duties on imports and exports, as well as non-tariff barriers; and (b) adoption of a CET, and a common trade policy vis-à-vis third countries.

55. Mobilizing revenue is particularly important because except in Cape Verde per capita GDP is generally low and poverty high. Some tax-to-GDP ratios[17] are very low (e.g., Sierra

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[15] Sharing of TA advice is governed by the IMF's information dissemination policy (http://www.imf.org/external/np/pp/eng/2008/040308b.pdf).

[16] In the tax policy area, which is less concerned with capacity development *per se*, the principal utility of AFW2 would be to flag issues, liaise with the authorities, and interface with FAD's tax policy division.

[17] From IMF Staff reports, in 2011 GDP terms: (1) Cape Verde – 19.8 percent; (2) Gambia – 13.2 percent; (3) Ghana – 16.3 percent (excluding oil); (4) Liberia – 26.3 percent; (5) Nigeria – 6.6 percent (excluding oil); and (6) Sierra Leone – 10.9 percent.

Leone's is just 10.9 percent). In the AFW2 group the average tax-to-GDP ratio is 15–16 percent, although because of its oil revenues Nigeria is at about 30 percent (non-oil revenues contribute less than 10 percentage points). Tax restructuring is needed, including introducing the VAT (imminent in Gambia and ultimately in Liberia), or streamlining tax design and administration (Cape Verde, Ghana, Nigeria, and Sierra Leone). Tax regimes and administrative arrangements for small and micro businesses need to be overhauled across the region to reduce low compliance and improve efficiency. A major priority is strengthening management of natural resource revenues from oil (Nigeria and Ghana); minerals and diamonds (Ghana, Liberia, Sierra Leone); timber; and agriculture. International taxation issues, particularly abuse of transfer pricing, have emerged as critical given the influx of multinational resource companies into the region and the very large amounts at stake. Not yet well-developed are such fundamental principles of modern revenue administration as self-assessment, voluntary compliance, and risk-based approaches to enforcement. Capacity in core functions is generally minimal, particularly taxpayer services and audits, which is a major risk for resource-rich countries.

56. The organization of revenue administration spans the spectrum from traditional government departments (Cape Verde, Liberia) to revenue authority models (including imminent implementation in Liberia), but all have such structural weaknesses as incomplete efforts to integrate direct and indirect tax administration (Ghana and Sierra Leone); nonexistent or weak head office structures and oversight arrangements (all countries); and insufficiently robust administration of large taxpayers (all countries, particularly the resource-rich); and undifferentiated treatment of small business (most countries). Substantial reform is needed to improve the organization and governance of revenue authorities in Sierra Leone, Ghana, and Nigeria. Beyond tracking revenue collections, all revenue agencies in the region need a broader range of performance measures and monitoring mechanisms, which can draw from the IMF RA-FIT (Revenue Administration Fiscal Information Tool) initiative.

57. Programs to improve the professionalism and competence of revenue administration officials should focus on human resource management, training, and capacity development. Staff integrity can be enhanced through drafting or refining codes of conduct and internal staff monitoring units. Senior managers would particularly benefit from the regional collaboration that AFW2 can facilitate through workshops and intra- and inter-regional staff attachments. While corporate and strategic planning is becoming entrenched in revenue administrations in Eastern and Southern Africa, this phenomenon is mostly absent and would be an area of gradual introduction and development with AFW2 assistance.

58. Customs operations still rely excessively on physical controls; risk management and post-release approaches have yet to be fully embraced. Dependence on contractor support (pre-shipment or destination inspection) for valuation and classification services persists. Some countries rank poorly for trading across borders because customs clearance processes are cumbersome. Not all countries in the region have adopted WTO customs valuation.

59. Revenue administration automation is either in its infancy (Sierra Leone, Ghana, Liberia, and Nigeria) or held back by bespoke development approaches (Cape Verde and the Gambia). System shortcomings and poor registration policies have resulted in inaccurate and unreliable taxpayer registers in most countries and have led to poor operational and

compliance information that seriously interferes with senior management oversight. In moving toward computerization or improving IT systems already in place, considerable effort will be needed to streamline and re-engineer procedures—a priority for countries that have contracted for packaged solution (Liberia, Ghana, Nigeria, and Sierra Leone). As administration of VAT and income taxes is increasingly integrated, disparities in the administrative provisions of the underlying statutes are likely to highlight the eventual need for consolidated tax administration legislation or a tax procedure code. In most administrations internal audit functions need to be redirected from unproductive rechecking of documents to testing and verifying the efficacy of systems and procedures.

Cape Verde

60. The IMF has provided considerable tax policy and revenue administration TA to Cape Verde over the years, including the overhaul of the tax codes and tax enforcement rules, implementation of VAT in 2004, and measures to strengthen core functions such as audit and compliance. The VAT has now replaced import duties as the major revenue source. Unfortunately, the global financial crisis pushed tax collections down from nearly 25 percent of GDP in the years up to 2009 to less than 20 percent since, with potentially serious macroeconomic consequences if not dealt with. A September 2012 IMF mission found the tax administration in poor shape, with an inappropriate organizational structure, no head office oversight or operational planning, insufficient resources, no focus on large taxpayers, and feeble compliance management. While there is recent progress on addressing exemptions to reduce tax distortions, VAT reforms are needed to address multiple rates and administrative shortcomings to recover the revenue drop of at least 2 percent of GDP. Tax administration IT support is severely deficient despite potentially strong local capacity. The 2012 mission laid out a wide-ranging revenue recovery and reform program where AFW2 assistance could complement a likely TA program under the Tax Policy and Administration (TPA) TTF in the following areas: (1) VAT reform, particularly more forceful administration; (2) restructuring tax administration by, e.g., (DGCI) organization, including creation of a large taxpayer office, a strengthened headquarters, and functionally organized and managed local offices; (3) instituting strategic and operational planning; (3) addressing HR problems, particularly training and capacity development; (4) stabilizing or replacing the IT system; and (5) promoting a tax compliance culture.

The Gambia

61. Between 2001 and 2003, the IMF advised The Gambia on establishing an LTO before the 2006 creation of the Gambia Revenue Authority (GRA) as part of a World Bank project. Building on 2009/10 IMF advice, the Gambian authorities committed to major tax reforms in support of base broadening and significant simplification of the tax system, encompassing both policy and administration measures, and anchored on the introduction of VAT in January 2013 under regional ECOWAS obligations. A 2010 IMF diagnostic evaluation of the GRA identified prerequisites for a successful VAT, including the need for effective headquarters tax administration, building up the LTO significantly to address problematic taxpayer compliance, and adopting self-assessment supported by better taxpayer record-keeping and less reliance on arbitrary assessments. Customs procedures need streamlining and consistent application to fully leverage the potential of the upgraded ASYCUDA++

system. Recent staff integrity concerns resulted in extensive turnover of senior GRA management, so there is a need to rebuild both institutional capacity and credibility. Since mid-2012 a two-year EU-funded project has supported VAT implementation and finances two resident IMF advisors. AFW2 assistance could complement such support with TA on building up small taxpayer administration, strengthening customs procedures, and helping to make the locally developed GAMTAXNET tax administration IT system more effective.

Ghana

62. Ghana was at the forefront of the revenue authority model in the late 1980s but then fell far behind. Until the new government in 2009 committed to major reforms, tax administration had been segmented, with separate revenue agencies for VAT and income tax that had vastly different systems and procedures, and another agency for customs administration. The three services were loosely supervised by a governing board; Ghana finally emulated more effective African arrangements by establishing the Ghana Revenue Authority in 2011. The VAT and income tax services have been integrated into a single Domestic Tax Revenue Division and effective headquarters tax administration has been established, but other planned reforms have advanced more slowly than expected. VAT has not yet been completely modernized; although the threshold has been raised, little has been done to more efficiently administer small businesses that have special VAT arrangements. Income tax administration is hamstrung by the absence of self-assessment and insufficient use of risk analysis. A World Bank project is financing a new integrated tax administration IT system but is behind schedule and encountering challenges with process reengineering and change management. A sophisticated customs system is underused because of parallel manual processes and insufficient application of risk assessment. Resource wealth, especially the recent oil discoveries now in production, have added urgency to creation of a more effective LTO—this will require more capacity building in specialized resource and international tax issues. While revenue collections have recently grown encouragingly, there is a large unfinished reform agenda to elevate the Ghana Revenue Authority to a regional model, and hence a wide array of TA opportunities for AFW2 and other TA providers.

Liberia

63. After many years of conflict, Liberia’s needs are enormous and its capacity severely constrained. Nevertheless, since 2006 impressive results have been delivered, with significant IMF input through diagnostic missions and expert assignments in both tax and customs administration, fully coordinated with tax policy advice on VAT, tax expenditures, and natural resources. Overall, despite Liberia’s many capacity constraints, the authorities make good use of IMF TA. At first donor support was fragmented and insufficient, except in customs administration, where EU and AfDB financing provide for ASYCUDA and resident and peripatetic experts. The World Bank is financing a tax IT system that is almost completed, but capacity development TA needs are still great. With the growing importance of natural resource revenues, assistance is being provided by US TA providers and shortly through an Australia-financed LTO resident advisor. Liberia was selected by the TPA-TTF as an intensive beneficiary of a multiyear TA program covering multiple modules (tax policy, organization, procedures, enforcement, and taxpayer services) that was launched in mid-2011 with a multi-year horizon and extensive TA inputs. Since then, the authorities have

committed to move to a revenue authority by mid-2013, and once that is stabilized, they intend to launch VAT to meet ECOWAS obligations. Given the extensive TPA-TTF tax administration support, AFW2 assistance would add most value in areas of customs administration, where current support is more limited, and on VAT-specific issues beyond the modular themes covered by the TPA-TTF.

Nigeria

64. For many years, Nigeria's revenue agencies have been overshadowed by the oil sector, which has delivered the majority of government revenues. Two totally separate revenue agencies operate for tax and customs administration respectively. The only recent IMF involvement in customs administration was a 2010 mission to review the recommendations of a presidential task force on customs reform that provided advice on improving the governance of the Nigeria Customs Service (NCS) oversight board and strengthening reform management, which had until then proven elusive. Conversely, the Federal Inland Revenue Service (FIRS) has benefited from significant IMF TA since 2004, with periodic missions supplemented by assignment of peripatetic experts. Nigeria has made efforts to address structural weaknesses, such as the previous lack of integration of VAT and income tax administration, and heighten the focus on large taxpayers. Procedures are still cumbersome and prone to integrity risks and remain mostly manual, although a major automation project is in the pipeline for the acquisition and implementation of a packaged tax administration IT system. Oil tax administration within FIRS requires particular attention. More broadly, the concept of self-assessment is in the early stages of implementation, and the VAT regime design remains seriously flawed (no threshold and strict limits on input credits that may be claimed). The need for a simplified small business regime is complicated by the division of taxing powers between central and state governments that has made it difficult to formulate a solution. Modernization efforts are progressing, but from a very low base with an enormous and complex agenda that stems in large part from the federal nature of the country and the importance of oil. Such complexity requires in turn a very thorough understanding of the nature of Nigeria's problems. AFW2 is expected to have a significant comparative advantage in servicing Nigeria's revenue administration TA needs, building in large part on TA that the IMF has already provided.

Sierra Leone

65. Sierra Leone is rebuilding its revenue administration postconflict. Following the trend in Africa, a revenue authority was established in 2003, but there was insufficient planning and assistance was minimal. With revenue collections initially declining, serious efforts were launched late in 2006 to relieve the underlying problems that the façade of a revenue authority had not resolved. To this end, DFID supported major revenue reforms, including massive structural and capacity strengthening within the revenue authority and preparation for the launch of a VAT, which was postponed several times but finally started on January 1, 2010. The IMF worked closely with DFID in helping the authorities put together a reform strategy and providing targeted upstream TA to augment the extensive downstream DFID-financed support. On the reform agenda were integrating income tax administration with the new VAT, making the LTO effective, instituting a forceful head office, adopting self-assessment principles, and drafting a simplified small business regime in collaboration with

the IFC. While progress has been achieved in moving to integrated tax administration and the launch of the VAT despite initial teething problems, much remains on the reform agenda. Nevertheless, revenue collections are improving, particularly given the surging importance of natural resources, which will quickly dominate government revenues as several large mining projects pick up speed; the Managing Natural Resource Wealth (MNRW) TTF is providing TA in, among other topics, resource tax administration. Sierra Leone stands to benefit significantly from the cross-cutting approach that AFW2 can bring, which includes experience in dealing with many issues shared by others in the region, particularly for similarly low-capacity revenue administrations.

Revenue Administration-Indicative Logframe

Regional level Objectives	**Inputs**	**Outputs (TA deliverables)**	**Outcomes**	**Verifiable Indicators**
Trade facilitation. Support regional trade integration initiatives as envisaged by ECOWAS and reduce the cost and time of trading across borders.	HQ-based diagnostic and follow-up missions, including AFW2 expert participation Periodic visits of resident AFW2 expert to respond to issues and identify responses AFW2 peripatetic and one-off expert assignments Regional workshops Staff attachments between agencies in and beyond the region	TA to support regional trade facilitation through ✓ standardized and streamlined customs processes and procedures ✓ broad adoption of risk assessment and post- release controls with commensurate decline in physical and pre-release controls ✓ better enforcement of rules of origin	Reduced administrative burden on regional customs agencies Regional trade flows increasing over time Regional barriers to trade minimized Reduced costs to traders	✓ Reliance shifting from pre-release to post-release controls ✓ Reducing cargo release times within countries ✓ Declining importation costs ✓ Improving scores and rankings in international surveys
ountry level Objectives	**Inputs**	**Outputs (TA deliverables)**	**Outcomes**	**Verifiable Indicators**
Revenue mobilization. Enhance tax collections from improved and cost effective administration and strengthened compliance.	HQ-based diagnostic and follow-up missions including AFW2 expert participation Periodic visits of resident AFW2 expert to respond to issues and identify responses AFW2 peripatetic and one-off expert assignments Regional workshops Staff attachments between agencies in and beyond the region	TA to improve revenue administration and enhance collections through ✓ a reliable register of taxpayers ✓ efficient and automated procedures and systems, underpinned by an appropriate legislative framework such as a Tax Procedure Code ✓ appropriate risk-based compliance and enforcement strategies.	Revenue collection gradually trends upward in real terms over time. Measures of compliance improve over time	✓ Improvement over time in the tax-to-GDP ratio ✓ Improvement over time of the VAT efficiency ratio ✓ Percentage of known active taxpayers. ✓ Improvement in compliance measures, including filing of returns, stock of debt, and audit effectiveness
Organizational structure. Implement an efficient and effective organizational structure.	As above.	TA in designing and implementing a modern organizational structure that ✓ integrates collection of all major national taxes including for resources; ✓ is based on core tax administration functions; ✓ has a strong HQ that is focused on functional programs and strategies; and ✓ includes specialized arrangements for taxpayer segments, including an LTO and simplified small business regime.	An efficient and effective organizational structure	A modern revenue administration organization is implemented that includes ✓ An effective HQ ✓ Integrated tax administration that is functionally structured. ✓ An effective LTO, where applicable, that manages resource taxes . ✓ A simplified small business regime.
Regional level Objectives	**Inputs**	**Outputs (TA deliverables)**	**Outcomes**	**Verifiable Indicators**
Fostering compliance through a fair and transparent tax system that provides the information, tools, and mechanisms for taxpayers to comply at the lowest possible cost and burden, reinforced by arrangements to address disputes in a timely and trusted manner.	As above	TA that contributes to good fiscal citizenship with the lowest possible cost and burden for compliance through ✓ self-assessment predicated on voluntary compliance ✓ well-informed taxpayers through effective taxpayer services provided through multiple channels ✓ an objective and independent dispute resolution system that is effective and trusted		✓ Rise in the proportion of taxpayers subject to self-assessment ✓ An effective taxpayer services program and delivery channels that meet operational targets for taxpayer service, education, and satisfaction A dispute resolution mechanism that adjudicates cases in a timely and objective manner without excessive backlogs and that is perceived as fair

F. Agenda—Public Financial Management

66. Over the last few years, the IMF has helped five of the six AFW2 countries to reform their PFM systems. Assistance has taken the form of HQ missions, regional advisors based in Ghana and Liberia, country advisors based in Liberia and The Gambia, short-term expert visits, and a regional workshop, variously funded by Japan, the Swedish International Development Cooperation Agency (Sida, the EU, and the mineral resource TTF). Recent HQ missions have been to Ghana (arrears); Sierra Leone (PFM reforms, fiscal rules); The Gambia (medium-term expenditure framework, MTEF); Liberia (PFM reforms; public expenditure and financial accountability, PEFA; fiscal decentralization); and Nigeria (performance budgeting, the TSA, and cash management). Previous regional advisors have focused on MTEFs and budget preparation; the current regional advisor is focused on transparency and fiscal reporting, both being funded by Japan. Resident advisors are currently posted to Liberia (PFM reforms) and The Gambia (MTEF). Nigeria also benefited from a peripatetic advisor funded by Japan who worked closely with the Accountant General's Office as it was reforming the accounting and information systems in the federal government. Cape Verde has not received any recent IMF TA on PFM.

67. AFW2 would be instrumental in bringing its member countries closer to accepted international standards in budget preparation, budget execution, budget classification (GFSM 2001), accounting, audit, and transparency and credibility in the budget process. Progress could be judged in the context of regular PEFA and fiscal assessments. Since other agencies, such as the World Bank, DFID, and USAID are also providing TA, AFW2 would focus on complementary areas of PFM and those judged most important for IMF programs and priorities. Regional cooperation and outreach will also be important tools to promoting ECOWAS integration. AFW2 will also seek to cooperate closely with specialized regional bodies concerned with budgeting area (e.g., CABRI[18]) and accounting and auditing (Forum of Accountant and Auditor Generals of West Africa, and AFROSAI).

Cape Verde

68. Cape Verde already has in place many of the basic components of efficient PFM, such as a comprehensive financial management information system (SIGOF), an organic budget law, a TSA, and timely issuance of fiscal reports. However, it recognizes a need to improve budget allocation so that initiatives to alleviate poverty can be funded. An MTEF is being implemented to help improve resource allocation decisions. The main medium-term challenges are to reinforce and improve such critical aspects of public finance as further integrating investment and expenditure budgets; reinforcing financial controls, with more timely and higher-quality reporting and audits; and control of contingent liabilities. Greater vigilance over SOEs will be crucial to debt and asset management. AFW2 would provide useful assistance in these areas, as well as in transparency and fiscal reporting.

[18] The Collaborative Africa Budget Reform Initiative (CABRI) is a professional network of senior budget officials in African Ministries of Finance and Planning. It was launched on May 14, 2008. CABRI's main objective is to promote efficient and effective management of public finances to foster economic growth and enhance service delivery so as to improve African living standards.

Liberia

69. The IMF has provided significant TA to Liberia since 2006. From an early postconflict objective to regain control of PFM, IMF TA has progressed to supporting more medium-term reform initiatives, starting with the new PFM legal framework in 2009, with desk review by LEG. In 2009 IMF missions identified reforms needed over the next three years and advised on fiscal decentralization, a priority policy initiative. The institutional framework for PFM is being strengthened by the merger of the Bureau of Budget with the Ministry of Finance, creation of a unified accounting function headed by the Controller and Accountant General, and recently the proposed merger of planning and finance responsibilities. The General Auditing Commission is now independent and reports directly to the Legislature, and its capacity has been built up. The new Legislative Budget Office will support the Legislature's external oversight role. In 2010, the IMF and the authorities agreed on a three-year programmatic approach to TA; the PFM components are funded by SIDA and the EU. Since then a medium-term PFM reform strategy has been drafted and is being funded by several donors, led by SIDA and the World Bank. Already in the works are a new chart of accounts and financial statements; the implementation and progressive roll-out of an IFMIS; the establishment of an Internal Audit Secretariat and Board to implement the internal audit strategy; and adoption of a medium-term budget framework (MTBF). However, Liberia still suffers from capacity weaknesses at all levels. Current IMF TA includes support for cash management, oversight of SOEs, fiscal reporting and the MTBF, and management of public investments. AFW2 would support capacity building TA in these and other areas of the PFM reform strategy.

The Gambia

70. Recent IMF TA to The Gambia focused on two areas: reinforcement of PFM (2007) and introduction of an MTBF (2010). These advisory missions were followed up by IMF regional advisors, initially to strengthen cash management and expenditure controls and more recently to support introduction of the MTBF. The World Bank, the AfDB, the EU, and DFID have been active in The Gambia, providing TA in such areas as macroeconomic and fiscal forecasting, IFMIS, accounting, internal and external audits, and formulation of a PFM reform strategy. However, The Gambia's implementation of reforms and recommendations has been uneven. Fiscal discipline remains an issue, but there has been progress on budget execution since the IFMIS was introduced in 2009. Progress on implementing an MTEB has been slowed by significant capacity constraints. An IMF resident advisor is currently supporting the build-up of macrofiscal capacity and the MTBF, funded by the EU. This support should lead to preparation of a policy statement to accompany the budget. The new regional advisor, funded by Japan, will provide support in the area of fiscal reporting. In addition to complementary capacity-building in these two areas, AFW2 is expected to focus on other PFM areas where attention is urgently needed, notably integration of the ministries of finance and planning, expenditure controls, cash management, and debt and aid management. Other donors are supporting budget execution (mainly the IFMIS), accounting, and auditing.

Ghana

71. Although Ghana has received significant PFM TA over the years from a number of providers, the results have been mixed. IMF support in 2008 on the drafting of a fiscal responsibility law came to nothing. Recent IMF TA has focused on renewed efforts to computerize budget processes and introduce a revamped IFMIS, building up budget execution controls to avoid further arrears, and redesigning the MTEB and adopting an output focus of the budget. The IFMIS went live early in 2012 with core accounting functions and has been rolled out to a few departments, but substantial work is still required to expand its functionality so that it can truly help control spending and support budget execution. On the budget formulation side, efforts to introduce program budgeting and related improvements to the MTEF processes have been renewed. Initiatives are also underway to prepare for fiscal decentralization. The multidonor budget support group is providing assistance for PFM reform, although there is no comprehensive reform agenda. Success in PFM reforms will ultimately depend on the prioritization and sequencing of reforms. The IMF's TA program under AFW2 could usefully support the formulation and implementation of a PFM reform agenda and action plan and help improve donor coordination around the reform agenda.

Nigeria

72. Over the last 10 years, the IMF has provided significant PFM TA to Nigeria through missions and short-term and regional advisors. TA has been directed to improving budget preparation and execution, expenditure management, cash management, accounting systems, and fiscal reporting. In 2007–08 IMF TA supported the office of Accountant General as it computerized payments and the banking and accounting system at federal pay offices, line ministries, and agencies. More recently it has advised on IFMIS design and acquisition, which is being financed by the World Bank. A 2008 IMF mission focused on strengthening the budget process and moving toward eventual adoption of performance-based budgeting (PBB). A 2012 IMF mission worked on introduction of a TSA and strengthening cash management and fiscal reporting. The adoption of PBB and introduction of the IFMIS will both require further technical support from the IMF and other TA providers in coming years. The AFW2 PFM advisor would help the authorities to implement IMF recommendations in both areas.

Sierra Leone

73. Since 2002, the IMF has provided wide-ranging assistance in the PFM area, including accountability and internal control requirements, budget legislation, budget preparation, reconciling fiscal data, and tracking poverty-reducing expenditures. However, lack of capacity has slowed the pace of these reforms, and line staff continue to be externally funded. The 2008 IMF PFM mission identified issues related to budget credibility, budget execution procedures, and implementation of the legal framework; it recommended creation of a macrofiscal department in the Ministry of Finance; developing a more strategic and participative MTEF process, linked to the macroeconomic and fiscal framework; streamlining budget execution procedures; instituting regular reporting on arrears; and establishing a cash management system and an aid coordination function. These measures

were included in the multi-donor-funded integrated PFM reform program adopted in 2009, which now forms the basis for most reforms. The IMF regional advisor has provided follow-up TA on the MTEF. An IMF review mission in 2011 took stock of progress and advised on improving the MTEF and budget preparation, strengthening budget regulation and commitment controls, rationalizing the use of supplementary budgets, and improving reporting. Within the past year, IMF TA has focused on fiscal management issues related to mineral resource revenues, with the latest mission helping to draft fiscal rules. It is expected that AFW2 will provide follow-up TA and capacity building in areas where the IMF has already been involved as well as in emerging areas, such as revising the PFM law. Coordination of TA with donors in the PFM area, such as the World Bank, the EU, DFID, and the AfDB, is vital.

Public finance management - Indicative log frame

Regional level Objectives	**Inputs**	**Outputs (TA deliverables)**	**Outcomes**	**Verifiable Indicators**
Strengthen PFM standards. Support regional PFM capacity-building to bring member countries closer to international standards essential to promoting greater ECOWAS integration .	HQ-based diagnostic and review missions with participation of the AFW2 expert Follow-up visits by the AFW2 expert and short-term , as well as peripatetic or one-off visits by short-term experts to support implementation of mission recommendations and agreed action plans Regional workshops on issues of common concern Joint activities with staff of ECOWAS and other regional organizations such as CABRI Joint initiatives, where appropriate, with other development partners active in the PFM area within the region	Enhanced awareness of international standards for PFM Contributions to reform success stories Sharing of reform success stories regionally through peer review and learning processes facilitated by AFW2	PFM standards harmonized within the region	✓ Improved PEFA scores within the region ✓ Reliable and timely fiscal data from member countries available through ECOWAS
Country level Objectives	**Inputs**	**Outputs (TA deliverables)**	**Outcomes**	**Verifiable Indicators**
Medium-term context for the budget: strengthen the MTEF process and the coverage and scope of budgetary documentation.	As above.	✓ Annual budget justified within a medium-term framework ✓ Budget strategy paper sets out medium-term fiscal goals and identifies fiscal risks.	Credibility of the budget improved Awareness of fiscal risks enhanced	• Higher scoring on PEFA indicators 1-4, 6, 9, 12.
PFM legal frameworks strengthened and respected: revise legal frameworks (where required) and develop measures to enhance implementation.	As above.	✓ Revised legal frameworks (where required) ✓ Action plans, with incentives and sanctions, that enhance implementation and respect for legal frameworks	Improved respect for the PFM legal framework.	✓ Reduced incidences of lack of respect for the legal framework in Auditor General reports
Efficient budget execution: improve and streamline budget execution controls, tighten up cash management, and enhance monitoring and reporting	As above.	✓ Improved budget execution controls implemented within IFMIS ✓ Cash flow planning regime, based on treasury single account banking ✓ Defined and documented internal audit functions ✓ Clear in-year and end-year reporting frameworks	Streamlined controls that do not overburden budget execution Internal audit that supports management oversight of PFM Efficient use of government cash resources Regular and reliable fiscal reporting	✓ No serious concerns expressed in Auditor General reports about budget execution controls ✓ More ministries have internal audit units and produce regular reports for ministry management. ✓ Savings generated from more efficient use of cash. ✓ Fewer government bank accounts ✓ Frequency and lags in production of in-year and end-year budget execution reports.

G. Agenda—Financial Sector Regulation and Supervision

Regional Issues

74. **Regional coordination in financial sector regulation and supervision is becoming increasingly important.** Because of initiatives for regional integration and considerable expansion of cross-border banking and other financial services, there is a need for harmonization, consistency, and a consolidated approach to supervision and regulation that cross borders and for stronger mechanisms for cross-border supervision and cooperation by home and host supervisory agencies. AFW2 capacity-building efforts will be directed to addressing these needs.

- ***ECOWAS regional initiatives.*** AFW2 would help countries to enhance the coordination and effectiveness of supervision and regulation in the context of country-specific TA.

- ***The objective of monetary union.*** The IMF is generally supportive of well-designed regional integration efforts, and AFW2 could provide coordinated TA in such areas as a harmonized approach to financial sector oversight and regulation, with consolidated supervision of banking institutions and financial conglomerates.

75. **Weaknesses in banking sector supervision and regulation afflict a number of countries in the region.** Considerable TA will therefore be needed, to different degrees, in all the countries AFW2 will cover.

76. Money and capital markets are developing in the region in step with economic activity. Nigeria's capital markets are the second deepest in SSA after South Africa's; at the other extreme, Liberia's are nonexistent. Expected delivery of TA on assessing financial risks and continued building of capacity in financial regulation and supervision would be helpful in all these markets.

Country Issues

Cape Verde

77. The main areas of recent MCM TA have been risk-based supervision; crisis management and bank resolution; debt management; and reform of the off-shore financial sector. LEG has also helped draft a new banking law for Cape Verde. The authorities have made some progress in these areas, but TA is planned to further upgrade crisis management and resolution. TA will also be directed to building central bank capacity in financial sector risk assessment, including stress testing and early warning indicators. Since these are areas where hands-on assistance is often necessary, AFW2's work with the central bank could complement and reinforce these efforts.

The Gambia

78. Recent MCM TA has focused on improving banking supervision through introduction of risk-based supervision and developing a stress-testing program to support efforts to

analyze and monitor financial risks. The Central Bank of Gambia (CBG) now has a stress-testing methodology and processes suitable for addressing current risks to the banking system. It has adequate staff capacity to conduct stress testing, analyze test results, and identify potential shocks. MCM TA has also helped enhance banking sector data and design systems and the processes for addressing data deficiencies. By the end of 2012 the authorities were able to draw up a plan for incorporating stress tests into the routine work of the offsite Banking Supervision Department surveillance team. However, the track record of implementing reforms and TA recommendations is mixed due to severe capacity constraints and a loss of trained staff to the private sector. It is expected that Gambia will continue to need TA to make its policies fully effective, and AFW's practical approach will be particularly useful for training new staff.

Ghana

79. Recent MCM TA has focused on banking supervision, stress testing and early warning systems; and the legal, regulatory; and supervisory framework for banking resolution. A SECO funded long-term banking supervision advisor is helping the Bank of Ghana (BoG) strengthen banking supervision and an MCM TA mission is scheduled for mid-2013 to work with the BoG on getting to Basel II and consolidation of the Banking Act, the Amendment to the Banking Act, and the Nonbank Financial Institution Act. Further assistance, including from AFW2, would, however, be warranted. The 2011 FSAP update and the 2013 Pilot to Enhance Financial Sector Surveillance in Article IV missions found that, despite considerable reform, there were still stability risks and regulatory weaknesses. Vulnerabilities and inefficiencies are largely related to pervasive state involvement, poor governance and weak credit standards, high NPLs, high concentration risks, and deficiencies in bank risk management practices that undermine their ability to handle Ghana's pronounced economic cycles. There are also shortcomings in the regulatory and the insolvency regimes. Better supervision has not been matched by tighter regulation. A strengthening of the legal and regulatory framework is needed to provide the BoG powers to conduct consolidated supervision and orderly resolutions, establish single-obligor limits in relation to a bank's exposures to other banks, and set administrative sanctions for defined breaches of requirements without the need for summary conviction by a court.

Liberia

80. MCM TA to Liberia has been concerned with reforming the banking system, building up central bank capacity for regulation and supervision, and advising on the drafting of new legislation on banking institutions and the related regulations. The TA also helped the central bank to update its supervisory program and guided the move to adopt risk-based supervision. Another goal was to enhance central bank capacity to assess the vulnerability of the banking sector by implementing a top-down stress testing by providing guidance to the authorities on translating stress test results into proactive regulatory action, conducting financial stability analysis, and eventually producing a financial stability report. As part of the broader financial sector modernization, MCM also provided assistance as the central bank adopted accounting and reporting systems that complied with International Financial Reporting Standards (IFRS). Since the financial sector infrastructure is still rudimentary, AFW2's assistance to the central bank could reinforce these efforts.

Nigeria

81. The subject of recent MCM assistance to Nigeria has principally been bank resolution and bank supervision. In 2009 Nigeria faced a significant banking crisis. MCM provided a long-term advisor, with support from DFID, to advise both the Central Bank of Nigeria (CBN) and the Asset Management Company of Nigeria (AMCON), the main resolution vehicle, on a range of bank resolution structures that would make it possible to effectively recapitalize the affected banks. By July 2012, with the support of the advisor, the initial objectives of the bank resolution program were accomplished. Nevertheless, further TA is necessary to wind down AMCON activities in terms of loan sale initiatives and other collection strategies and disposal of assets. As for bank supervision, the banking crisis revealed gaps, shortcomings, and general limitations in CBN's supervision policies and practices that had to be addressed with some urgency. MCM provided a long-term advisor to help the CBN build its capacity particularly for consolidated and risk-based supervision. In addition to offering guidance on supervisory methodology, the adviser conducted extensive capacity-building exercises on how to implement risk-based supervision for both banks and nonbank institutions. However, the project came to an abrupt end in January 2012 with the untimely death of the expert in a plane crash. Future TA should ensure continuity and the sustainability of gains already made; complete the extension of RBS and consolidated supervision to the rest of the financial system; and enter into a new and critical phase of bank supervision that takes into account the need for enhanced and consolidated cross-border supervision. This last element may fall directly within the purview of AFW2.

Sierra Leone

82. Continuing MCM TA has focused on banking supervision and the internal audit and accounting functions. A 2012 TA needs assessment mission found that there is solid political commitment to modernizing the banking system and creating an effective supervisory and regulatory framework but that because banking supervision capacity was limited, further capacity building was critical for achieving effective banking supervision. A 2013 multi-topic mission found that although the Bank of Sierra Leone (BSL) had made significant progress in improving its internal audit capacity, there had been no progress on establishing a risk management framework for auditing, and additional accounting policy efforts were required to revise the Chart of Accounts to fully comply with IFRS requirements and the need for reporting monetary statistics. A FIRST Initiative-financed long-term advisor on bank supervision is planned for FY14. The advisor is expected to support strengthening BSL capacity to move to risk-based supervision and introduce stress testing, as well as effective implementation of the 2011 Banking Act and 2012 supervisory guidelines. Coordination of this work with that of the AFW2 advisor would strengthen the total impact of TA delivered.

H. Agenda—Monetary Policy and Operations and Financial Market Infrastructure

Regional Issues

83. **ECOWAS governments have resolved to move toward monetary union**. While at this stage full monetary union seems a distant objective, the IMF supports regional integration, and AFW2 could help to provide coordinated TA on certain aspects that promote

this purpose. Such assistance could include building capacity to oversee payment systems, free movement of capital, and design of a program setting out requirements for prudent convergence in the monetary and financial areas.

- ***ECOWAS regional initiatives.*** Support is needed in countries working to strengthen their oversight of payment and settlement systems, which would require building capacity to apply the Principles for Financial Market Infrastructures (FMIs).

- ***Monetary union for WAMZ countries.*** Efforts to build a regional organization of five WAMZ countries have long been in the works. While monetary union remains a distant aspiration, there is advanced communication and some regional cooperation. This is especially true with respect to payment systems, where AFW2 TA could be helpful.

84. **A number of countries are seeking to refine their monetary policy.** Ghana has with some difficulty introduced basic inflation targeting, and preparations are underway in Nigeria. It is expected that both will need TA to make these policies fully effective. There is also a continued need to build up monetary management and operations and liquidity management in Cape Verde, Gambia, Liberia, and Sierra Leone. Several countries should consider giving priority to short-term interest rates, especially considering their volatility, in formulating and applying monetary policy—in other words, introducing aspects of an interest-rate instrument approach to monetary policy. This would support steps taken to move to more flexible reserve money targeting.

85. **Their postconflict status has constrained the ability of Sierra Leone and Liberia to absorb TA.** Both therefore require capacity development TA along with traditional postconflict assistance with structuring institutions. Their capacity constraints also require more basic advice (such as LEG TA on central bank law) than do those of Nigeria or Ghana, which will continue to need TA on more specialized topics.

Country issues

Cape Verde

86. Recent MCM TA has been on improving monetary policy operations and liquidity management. Further effort is needed, however, to tighten monetary operations and liquidity management, as through use of interest-rate instruments to conduct monetary policy in a small extremely open economy with a small financial market. AFW2 could usefully complement the additional TA already planned for FY 2014.

The Gambia

87. MCM has been providing TA to strengthen CBG's liquidity forecasting and liquidity management capacity. The country has implemented most of the recommendations of earlier MCM TA missions related to monetary operations but has made little program on those related to liquidity forecasting. An active use of repos in the period between weekly T-bill auctions would enable the CBG to better manage liquidity. In particular, to improve liquidity forecasting, the CBG needs to (i) introduce a new template for liquidity management; (ii)

improve the forecasting of government transactions; (iii) keep bank reserves in mind; and (iv) strengthen forecasting of autonomous factors. Implementing many of these recommendations will require more resources and greater staff involvement in the forecasting process. Capacity constraints and a needed internal reorganization are slowing implementation. Further TA, from AFW2 and others, is needed to improve monetary management and operations and liquidity management.

Ghana

88. Recent MCM TA has been concerned with strengthening foreign exchange and monetary operations; a long-term advisor will commence work with BoG on these issues early in FY14. The preconditions for the development and efficient functioning of foreign exchange and money markets are largely in place, but, among other problems, the foreign exchange market lacks depth and liquidity and is prone to volatility and sharp adjustments, and there is limited expertise available in foreign exchange trading. There are heavy seasonal variations in foreign exchange supply and demand, and foreign exchange earnings have historically been dominated by a few large firms that are required to surrender their foreign exchange earnings to the BoG, so that the BOG came to dominate foreign exchange activity. Transactions are predominantly spot, with only two banks offering hedging instruments. Similarly, although there has been significant progress on inflation targeting (introduced in 2007) and the interbank market, among other problems the BoG continues to target reserve money rather than a level of excess bank reserves consistent with keeping market interest rates in line with the policy rate. As a result, the policy rate is becoming irrelevant because the market benchmarks operations to the T-bill rate. Improvements are also needed in BoG liquidity forecasting, especially through better coordination with the Ministry of Finance and design and use of monetary policy instruments, whether to improve price discovery or build a secondary market. AFW2 TA could usefully help the authorities to address these challenges.

Liberia

89. Liberia has received MCM TA on analyzing and better understanding systemic liquidity and gaining proficiency in issuing treasury bills. MCM has also provided guidance on how to use T-bills to build the interbank money market, systemic liquidity management, and the conduct of monetary operations. Consistent with the need for macroeconomic monitoring when policy is being formulated, MCM assistance to the central bank has also worked to enhance its research and analytical capacity. Since the central bank decided to modernize the national payments system, TA has also been provided in this area. With the first issuance of T-bills and the central bank’s plan to manage systemic liquidity more forcefully, AFW2 could help enhance its capacity for monetary operations and liquidity management. Another area where AFW2 could usefully support the central bank is with modernization of the payment and settlement infrastructure.

Nigeria

90. The main thrust of MCM TA to the CBN has been to help enhance the effectiveness of its initiatives by reinforcing institutional arrangements for formulating and implementing monetary policy, getting more data more readily available for effective policy decision

making, and strengthening operations in the domestic money and foreign exchange markets. A long-term monetary operations advisor was placed at the CBN to help achieve these objectives. During his tenure, the advisor helped the CBN Monetary Policy Department increase its focus to its operational target—the monetary policy rate—and its links to market interest rates; and helped the inflation targeting committee form subgroups on different aspects of the goal so as to monitor and operationalize the mechanisms for putting in place the necessary preconditions for the switch. While CBN capacity has made significant strides toward more effective monetary operations and foreign exchange and money markets, TA would still be required from both HQ and AFW2 on such topics as refining liquidity forecasting; reviewing the analytical and report-writing processes that support senior management and policy formulation; and reviewing the operation of market dealerships in support of building domestic financial markets.

Sierra Leone

91. There has been continuing MCM TA on monetary operations and development of the foreign exchange market. The 2012 TA needs assessment mission found that BSL’s liquidity management and its liquidity analysis and forecasting needed bolstering. BSL has also introduced a benchmark monetary policy rate, but the needs assessment mission found that it was not effective in guiding market activities or helping enhance BSL’s monetary operations. There is also a need to improve the primary government securities auction and build up the interbank foreign exchange market. The authorities are currently revising the Foreign Exchange Act (dating back to 1954, amended in 1965), with the intention of bringing the current regulations up to date with reforms since the 1990s while allowing for flexibility to introduce new liberalization measures. With the collaboration of LEG, AFW2 TA could help the authorities address these challenges.

Financial sector supervision and regulation/monetary policy and operations - Indicative log frame

Regional level Objectives	**Inputs**	**Outputs (TA deliverables)**	**Outcomes**	**Verifiable Indicators**
Regional Level. Support initiatives to move toward regional integration including: (1) a consistent approach to financial sector supervision and regulation (2) Mechanisms for consolidated cross-border supervision and home-host supervisory cooperation (3) Oversight of payments systems.	HQ-based diagnostic and follow-up missions including AFW2 expert participation Periodic visits of resident AFW2 expert to respond to issues and identify responses. AFW2 peripatetic and one-off expert assignments Regional workshops Staff attachments between agencies in and beyond the region	TA to support regional integration through: ✓ Development of regional mechanisms for sharing information and supervisory cooperation ✓ A framework setting out the requirements for prudent convergence of regional monetary policy ✓ Advice on developing oversight frameworks for payment and settlement systems	Better harmonization of supervisory and regulatory frameworks in the region Payments systems are strengthened at a national level and are being integrated in the region level Advanced communication and regional coordination of monetary policy Effective consolidated and cross-border supervision of regional entities	✓ Legal and regulatory frameworks updated; mechanisms for cross-border supervision established. and a consistent approach to supervision applied ✓ Self-assessments of compliance with principles for financial market infrastructures (FMI) ✓ Discussion of a framework setting out the requirement for the convergence of regional monetary policy and adoption of a corresponding action plan
Country level Objectives	**Inputs**	**Outputs (TA deliverables)**	**Outcomes**	**Verifiable Indicators**
Financial Sector Regulation and Supervision. Strengthen banking sector supervision, regulation, and resolution across AFW2 countries.	HQ-based diagnostic and follow-up missions including AFW2 expert participation Periodic visits of resident AFW2 expert to respond to issues and identify responses AFW2 peripatetic and one-off expert assignments Regional workshops Staff attachments between agencies in and beyond the region.	TA to improve bank supervision and regulation through ✓ Advice on drafting or amending legal and regulatory frameworks for banking supervision. ✓ Supervisory manuals and guidelines ✓ Hands-on training to build supervisory capacity ✓ Advice on updated legal and regulatory framework for resolution, including appropriate enforcement strategies ✓ Training in handling bank resolution.	Enhanced implementation of risk-based bank supervision and regulation in line with international best practices. Strengthened supervisory capacity for on-site and off-site supervision Strengthened resolution and enforcement frameworks Adoption of systemic risk assessment frameworks.	✓ Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision ✓ Higher levels of compliance with the Basel I Capital Adequacy Framework, including incorporation of a capital charge for market risk ✓ Strengthened RBS frameworks. including improvements in both on-site and off-site supervisory methodologies and development of enhanced risk assessment criteria ✓ Clearly defined and enforceable arrangements for bank resolution. ✓ Improved cross-border communication and cooperation among the supervisory authorities in the region, and compliance with Basel Core Principles

Country level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Monetary Policy and Operations. Strengthened monetary operations and efficient implementation of monetary policies across the AFW2 countries.	HQ-based diagnostic and follow-up missions including AFW2 expert participation Periodic visits of resident AFW2 expert to respond to issues and identify responses. AFW2 peripatetic and one-off expert assignments Regional workshops Staff attachments between agencies in and beyond the region	Strengthening monetary policy implementation and operations through ✓ Modernization strategies and training for oversight of national payment and settlement systems, including advice on introduction of mobile payment systems ✓ Guidelines for implementation of monetary policy, including interest-rate instrument targeting frameworks, and supporting institutional arrangements and market infrastructure ✓ Guidelines for developing effective liquidity monitoring and forecasting frameworks. ✓ Training in monetary policy operations and implementation	Modernized payment systems Sound monetary policies Primary and secondary market developed. Increased access to financial services	✓ Strategies for t modernizing payment systems and oversight, including mobile phone payments, adopted and put into practice ✓ Stronger monetary operation frameworks are in place ✓ Issuance by the central bank of guidelines on primary and secondary market operations

I. Agenda—Macroeconomic Statistics

78. **AFW2 TA would give priority to annual and quarterly national accounts and to price statistics. This could be augmented, as resources permit, with HQ TA on balance of payments, government finance statistics, and monetary and financial statistics.**

Regional Issues

79. **Reliable national accounts and price statistics would be a regional priority.** TA efforts have been focused on helping all AFW2 countries overhaul institutional and source data weaknesses affecting compilation of annual and quarterly national accounts; implement the System of National Accounts (SNA); and update the methodology for compiling consumer and producer price indices. There is also a need to help Liberia, The Gambia, and Cape Verde to develop source data for national accounts and a continuing need for training of statistical personnel. Leadership of the statistical offices and financial support provided by governments are crucial for countries to make progress in statistical development. Continuity in personnel is important to ensure that statistical enhancements are sustainable.

Country-specific Issues

National Accounts and Price Indices

Cape Verde

80. The IMF has just started providing TA to Cape Verde on compiling annual and quarterly national accounts, but further assistance is needed. Portugal's *Instituto Nacional de Estatística* provides TA on price statistics.

The Gambia

81. The Gambia has recently improved its compilation of GDP estimates from the production side using data from the 2004 economic census and GDP estimates using the expenditure approach for 2004–10. Next steps should include updating the base year for the national accounts and developing new data sources. There is also a critical need to build capacity to produce the source data needed for national accounts. Training in national accounts is also needed, as is TA on price statistics.

Ghana

82. In October 2010 Ghana produced a substantially revised series of annual national accounts based on a 2004 supply-and-use table (SUT) updated to 2006. In 2011 it also published its first quarterly national accounts (QNA) estimates. However, the accuracy of the national accounts needs improvement. Extensive TA is still needed for improving source data and methods of compiling annual and quarterly national accounts.

Liberia

83. The IMF has been providing TA on developing source data for GDP by production and establishing a compilation system for annual national accounts. The Liberia Institute of Statistics and Geo-Information Services still has very little capacity to compile national accounts and price statistics. Significant TA will be needed in the future.

Nigeria

84. Statistical methods used to derive production-based GDP have been improved through more comprehensive estimates for a number of individual industries, although statistical challenges remain. There is a need to move to a compilation system for GDP based on SUTs, in accordance with the guidelines of the SNA. The main steps will be to prepare a preliminary supply table for 2010 and implement a commodity flow method to allocate products by user categories.

Sierra Leone

85. Some improvements have been made to the compilation of production-based GDP estimates, and two major surveys were organized in 2011: the Sierra Leone Integrated Household Survey and the first annual establishment survey. Their results will make it possible to establish GDP benchmark estimates for 2011. There is a need for accurate volume measure estimates for GDP. TA in price statistics is also needed.

86. **AFW2 TA on macroeconomic statistics would be the responsibility of a resident advisor in national accounts, who will provide TA in annual and quarterly national accounts to all six countries.** Short-term experts will also undertake missions on price statistics. These missions will be backstopped by both the resident advisor and HQ staff. Workshops will offer training in national accounts and price statistics. TA on mining statistics will be a high priority because they are an increasingly important component of essential economic and financial statistics in Sierra Leone.

Economic and financial statistics - Indicative log frame

Regional level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Reliable national accounts and price statistics	HQ-based diagnostic missions with AFW2 expert participation Periodic visits of resident AFW2 expert to respond to issues and identify responses. AFW2 peripatetic and one-off expert missions Regional training workshops on national accounts and price statistics	TA to support improvement of national accounts and price statistics through ✓ Dissemination of annual and quarterly national accounts following the *System of National Accounts (SNA)* ✓ Availability of national accounts source data for identified countries ✓ Dissemination of a consumer price index (CPI) and producer price index (PPI) consistent with international standards ✓ Staff trained to compile national accounts and price statistics	Better, more timely national accounts and price indices	✓ Annual and quarterly national accounts at current and constant prices following the *SNA* disseminated ✓ National accounts source data for specific countries developed ✓ CPI and PPI consistent with international standards disseminated regularly ✓ Compilers of national accounts and price statistics trained
Country level Objectives	**Inputs**	**Outputs (TA Deliverables)**	**Outcomes**	**Verifiable Indicators**
Annual National Accounts (ANA)	HQ-based diagnostic missions, with including AFW2 expert participation Periodic visits of resident AFW2 expert to respond to issues and identify responses AFW2 peripatetic and one-off expert missions Regional training workshops in national accounts and price statistics	TA to support improvement of annual national accounts (ANA) through ✓ Dissemination of ANA following the *SNA* ✓ Development of national accounts source data	Revised GDP estimates Improved GDP estimates by production and expenditure Improved GDP volume measures Improved national accounts source data	✓ GDP rebased ✓ Methodology for GDP by production and expenditure improved ✓ Methodology for volume measures of GDP improved ✓ National accounts source data improved / developed
Quarterly National Accounts (QNA)	As above	TA to support initiation and improvement of QNA through ✓ Dissemination of QNA following the *SNA*	Quarterly GDP (QGDP) estimates by production and expenditure QGDP estimates at constant prices	✓ QGDP by production and expenditure at current and constant prices initiated or improved ✓ Methodology for QGDP by production and expenditure initiated or improved ✓ Methodology for volume measures of GDP initiated or improved

J. Agenda—Training Courses in Macroeconomic Management

87. **With its emphasis on the broader macroeconomic framework, IMF training is designed to complement TA.** The IMF builds government capacity for macroeconomic management and governance. Those who attend IMF courses learn how to analyze macroeconomic conditions, diagnose problems, and design and apply macroeconomic policies—all areas critical to growth and development. The course program complements TA because it puts the insights members acquire in these areas into the broader macroeconomic context.

88. **Officials from the countries of AFW2 attend courses offered through the ICD Training Program** at IMF HQ; the Distance Learning Program; the Joint Partnership for Africa (JPA), a program established in cooperation with the AfDB; courses organized in collaboration with the regional training institute, the West African Institute for Financial and Economic Management (WAIFEM)[19]—and courses for English-speaking African officials at venues outside the AFW2 region.[20] In 2001–12, 724 officials from the AFW2 region received IMF Institute (INS) training at HQ or at the Joint African Institute and its successor, the JPA.[21]

89. **Training of officials through AFW2 would become part of the IMF's integrated training strategy for sub-Saharan Africa.** This strategy has on one hand a major role for the regional training center, recently established in Mauritius, in the delivery of general capacity building in the continent, and on the other a role for the AFRITACs as conduits for more specialized subregional training to address pressing needs for basic macroeconomic training and to complement TA missions.

90. **The IMF will tailor courses to specific requests from interactions with AFW2 and donors.** The IMF curriculum spans the full range of courses, from the basic Financial Programming and Policies course to 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-AFW2 training will also make it possible to tailor training closely to regional needs and foster collaboration and mutual learning within the region. In addition, the logistics (less distance to travel, avoidance of jetlag) are typically easier for the participants.

91. **AFW2's approach to flexibly adapting course contents to subregional circumstances would allow it to interact very closely with, and respond to the needs of, all stakeholders.** Training would be directly complementary to TA in specific areas.

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[19] Cape Verde is not a WAIFEM member, while on the other hand, Guinea—an AFRITAC West member—recently joined WAIFEM.

[20] For instance, participants from the AFW2 region were invited to courses organized in Tanzania by the IMF Institute and AFRITAC East early in 2008. AFRITAC East paid participants' costs for its member countries and the FIRST Initiative provided funding for the other participants. They were also invited to courses organized in Mauritius and South Africa in 2010–12.

[21] These figures include participants in INS courses offered by IMF departments other than INS.

Examples of challenges and developments that AFW2 countries are facing and where INS courses could help to build capacity are

- *Customs union and regional integration:* Courses can be tailored to discuss the policies for and implications of further regional integration. Since AFW2 covers a number of ECOWAS countries, some courses could deal with issues of monetary integration and ultimately management of a monetary union.

- *Financial sector development:* Several AFW2 countries have embarked on financial sector development programs, often after an FSAP, and TA is being provided in that area. IMF courses would focus on specific financial sector policies (such as regulation and supervision and financial stability) and emphasize the interactions with other macroeconomic management policies of the countries in attendance.

- *Finance:* Some countries in the region have more advanced financial systems than others and are becoming more financially integrated with international capital markets (these are the "frontier markets"). As their financial systems become more complex, training can be offered on specialized finance products and their implications.

- *Monetary policy:* Several countries are considering inflation targeting or interest rate instrument frameworks; others, like Ghana are perfecting targeting. TA is being provided in these areas. AFW2 could offer specialized courses with hands-on training and live data, mainly for central bank officials, on managing such programs.

- *Natural resource management:* Natural resources pose real challenges for macroeconomic management. AFW2 would offer a course that spans all aspects of this issue—revenue management, governance, spending policies, sovereign wealth funds—and the implications for monetary and exchange rate policies.

- *Policies for inclusive growth:* Like so many other African countries, AFW2 members are trying to orient their economic policies toward more inclusive growth. The IMF is drafting course materials on these aspects of macroeconomic management and structural policies.

In addition to its standard two-week courses for government officials from the region, AFW2 could at the request of its stakeholders offer two- or three-day seminars restricted to high officials and also conferences on specific topics.

92. **In its integrated approach to training in sub-Saharan Africa, the IMF would also ensure that training through AFW2 is integrated in its training through its regional training center (RTC).** The latter would allow a more prominent role for training for SSA than is currently the case. Through the RTC, 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. AFW2 members would be invited to these courses, and the IMF also intends to involve other regional training institutes, such as the WAIFEM, through either the RTC or AFW2.

93. **The IMF mainly relies on the following indicators to measure the success of its training**:

- Participant evaluations on questionnaires at the end of every course.
- A triennial survey of national authorities asking about the full IMF training program.
- Annual follow-up surveys of national authorities who attended selected courses.
- Tracer studies with national authorities to measure the impact and sustainability of IMF training.

K. Resource Needs

94. **AFW2's proposed size is determined by the diversity and number of recipient countries.** To provide assurance and stability for AFW2 operations, financing would be secured in advance for the entire five-year period. The costs of about US$42 million would be shared by the IMF, the host country, recipient countries, and donors. The proposed budget envisages:

- Five resident advisors, one each on revenue administration, PFM, financial sector issues, monetary operations, and national account statistics.
- Short-term expert visits to complement the work of the resident advisors. As is already its practice, the IMF would seek to the extent possible to hire experts from the region, which would not only foster an environment of peer review but would also be cost-effective, highlighting AFW2's character as a regional center.
- Diagnostic interventions, which are a critical complement in designing strategic advice, which goes hand-in-hand with AFW2 assistance in implementing this advice. The diagnostic missions, led by IMF HQ staff, would include short-term experts.
- Backstopping and project management from HQ to ensure quality and that AFW2 advice is in line with best international practice.
- Training on macroeconomic and financial issues, national accounts, and price statistics.
- A mid-cycle independent evaluation.

AFRITAC West II Indicative Budget (Five Years)

	In U.S. Dollars
IMF and host country	**8,698,968**
Start up costs	**2,647,208**
Making the center operational	1,536,862
Facilities	1,110,346
Office coordination and administration	**6,051,760**
Staff	3,625,432
Communication	421,932
Travel	321,231
Miscellaneous, including security, translation, communication	1,683,165
Donors (and recipient countries)	**34,503,071**
TA and training (by activity)	**30,037,930**
5 Resident Advisors TA Delivery	10,395,657
Salaries	8,097,402
Travel Costs	2,298,255
Short-term Expert TA Delivery (49 months of delivery)	8,367,609
TA Seminars	2,552,299
Training on Macroeconomic and Financial Issues	1,863,215
Diagnostic Interventions	3,804,656
Backstopping and Project Management	3,054,494
TA and training (by TA department)	**30,037,930**
Revenue administration	7,165,890
Public financial management	6,947,390
Macroeconomic policy	1,972,465
Legal framework	632,445
Financial sector supervision	4,483,835
Monetary policy and operations	4,265,335
Macroeconomic and financial statistics	4,570,571
Evaluation	**300,000**
Contingency	**1,888,530**
Trust fund management	**2,276,611**
Total	**43,202,039**

Source: Institue for Capacity Development

L. AFW2 Sustainability

95. **Strong commitment of beneficiary countries will be critical for AFW2's success.** Without it, no lasting results will be achieved. It is therefore expected that beneficiary countries would take full ownership of AFW2's assistance and drive project implementation by, among other things, appointing senior government officials as SC members and covering travel and per diem expenses so that they can attend SC meetings. Where necessary, AFW2 beneficiary countries might also be approached to assist with administrative and logistical support for in-country training and other AFW2 events.

96. **Given the long-term nature of developing human and institution capacity, it is expected that AFW2's funding will be expanded beyond the first cycle.** AFW2 will continue to emphasize training trainers so as to build up regional expertise and prepare for an eventual exit. The IMF will also continue to expand its roster of regional experts. The sustainability of AFW2 operations would be among the terms of reference of the mid-cycle external evaluation.

IV. RTAC Governance, Operations, Visibility and Financial Management

A. Governance

The Steering Committee embodies the aid effectiveness principles outlined in high-level forums (Paris, Accra, Busan)

97. AFW2 would be guided by a steering committee (SC) of representatives from recipient countries, donors, and the IMF. The SC provides strategic guidance to AFW2 and helps set its priorities. It also provides input on topics to be covered by resident advisors and short-term experts and endorses AFW2 work plans. The IMF keeps the SC informed on the selection and hiring of resident advisors.

98. The SC meets at least annually; 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 may be permitted from neighboring countries, regional organizations, interested donors, or other TA providers.

B. RTAC Operations

Work Plan

99. The annual AFW2 work plan will be drafted in consultation with member countries and donors within the framework of the IMF TA prioritization processes, and managed through the RSNs for Africa and the Resource Allocation Plan (RAP). This process takes into account each beneficiary country's reform strategies. Work plans are formulated based on the capacity development needs identified by each country. Drawing on this and the continuous dialogue between the IMF and beneficiary countries, TA priorities are determined and detailed country TA programs formulated jointly by AFW2 and IMF HQ. This ensures

that the activities of both are fully integrated with each other and with country reform agendas. The development of the annual work plan is also coordinated with the IMF budget cycle and resource allocation processes to ensure timely and predictable delivery of the TA planned. In parallel, the development of multiyear projects will facilitate the planning and reporting of longer-term interventions, with their implementation subject to endorsement in annual work plans.

100. Given the limited resources available to AFW2, a main criterion in prioritizing the work plan is each beneficiary country's record of making effective use of previous TA. Peer review by the country representatives on the SC should therefore reinforce cooperation, accountability, and the effective use of resources.

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

Center Coordinator

102. **AFW2 will be headed and managed by a coordinator.** The coordinator is responsible for day-to-day management of AFW2 and its operations, with strategic guidance from the SC and general oversight from the IMF. In consultation with the SC, the African Department, TA departments, and ICD, the coordinator formulates the AFW2 work plan and monitors its implementation. The coordinator, who also acts as secretary to the SC, is appointed and supervised by the African Department with ICD having general oversight over the RTACs.

Staff

103. **The AFW2 staff comprises the resident advisors, office support personnel, and a pool of short-term experts for specific assignments.** The IMF selects and hires AFW2 resident advisors and gives them the technical support and backstopping required to ensure quality and consistency in their advice and activities. Short-term experts for peripatetic assignments are recruited through IMF HQ from its roster of qualified experts and are backstopped (see the section on quality control) by the resident advisors. While the IMF will select AFW2 staff, the transparency of the recruitment process will be ensured by regular reports to the SC. AFW2 will inform the SC of all forthcoming resident advisor vacancies and the coordinator will also report on the person selected for the advertised position. In all recruitment of experts, due consideration will continue to be given to qualified candidates from Africa. Support staff positions will be filled regionally, unless the staff is seconded from the host country.

Accountability

104. The SC is the main forum for accountability. Member countries can provide immediate feedback and recommendations on TA delivery and value. All SC members receive the information they need to guide the work of AFW2.

105. AFW2 is designed and operated to ensure that IMF TA is delivered in a manner that is responsive and accountable to the recipient countries. Under the IMF dissemination policy,[22] TA reports may be shared with SC members with the consent of the TA recipient (on a non-objection basis) and on the understanding that the information will be kept confidential. Sharing of TA reports with non-SC donors will be determined case by case based on whether the donor in question has a legitimate interest in that particular TA report, perhaps because it is engaged in related activities in the recipient country. To enhance coordination, RTAC advisors will also brief in-country donors at the end of each TA mission.

106 It is a core objective of AFW2 that its activities reflect the ownership and commitment of its members. This helps to ensure the continued effectiveness and sustainability of the TA delivered.

107. As outlined throughout this document, inputs from beneficiary countries will be central to the planning of center activities and will be sought at various stages of the work planning and operations of AFW2: during surveillance ("Article IV Consultations"), program, and diagnostic missions that inform the preparation of TA strategies by the African and TA Departments; and through the oversight of the AFW2 SC.

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

Quality Control

109. Maintaining the quality of AFW2 TA advice and activities is the responsibility of the staff at IMF HQ and at AFW2 itself. The process begins when the TA departments screen and appoint AFW2's resident advisors from a pool of vetted experts they have previously worked with successfully. IMF HQ supports AFW2 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 each mission. At this early stage what is important is the strategizing and sequencing of TA to ensure that missions and outcomes build the capacity of the recipient country in a cumulative and logical manner. Throughout, the TA departments provide supervision and support to both short-term experts and resident advisors. This is a dynamic and fluid process that is shaped by country circumstances.

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[22] http://www.imf.org/external/np/pp/eng/2008/040308b.pdf

110. TA departments review and authorize the reports produced by resident advisors. The departments also work with country authorities to ensure that the recommendations of TA missions are followed up. The authorities also provide feedback on the value and efficacy of the TA received. At all stages of each mission, TA consistency and quality across countries are also ensured.

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

Evaluation

112. It is proposed that, after at least three years of operation, an independent external evaluation of the work of AFW2 be carried out by a team of independent experts. The evaluation process is expected to be similar to that established in mid-2012 for mid-term evaluations of AFRITACs West and East, and CAPTAC.[23] In line with OECD DAC guidelines, the evaluation will assess the relevance, effectiveness, efficiency, and sustainability of AFW2 activities and formulate recommendations for improvement. Its findings will inform AFW2's future operations.

[23] An evaluation subcommittee (ESC) of the SC was created with representatives from recipient countries, donors, and IMF staff. Its role was to provide strategic guidance for the evaluations, in order to ensure that key issues relevant to stakeholders were appropriately integrated into the evaluation process.

C. Visibility for AFW2

AFW2 Publications and Website

113. AFW2 will publish an annual report that will detail the work it has undertaken and report on progress toward planned objectives and outcomes.

114. AFW2 will maintain its own website to provide regular updates on its operations. The website will be a feature of the public face of AFW2. In particular, it will foster coordination with other TA providers by providing contact information on specific issues and countries.

Visibility for Donors

115. The names or logos of all donors supporting AFW2 are displayed on reports and information produced by AFW2 and on the letterhead for official correspondence.

116. Where relevant, press releases may be issued to inform the public at large about AFW2's work and accomplishments (e.g., at the end of a seminar). Donors and beneficiary countries will be invited to participate.

D. Financial Management

117. Contributions from donors and recipient countries will be placed in a multidonor AFW2 subaccount to be established under the IMF's Framework Administered Account for Selected Fund Activities (SFA). The subaccount will be used to receive and disburse all financial contributions for AFW2 activities; all resources contributed to the subaccount will be used solely by AFW2.

118. 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 and the SFA framework instrument. The IMF manages all contributions as a trust fund in accordance with IMF financial regulations and procedures.

119. The IMF will report to donors on subaccount expenditures and commitments through a secure external gateway. Separate reporting on the execution of the AFW2 budget will be provided at each SC meeting. Costs will be on an actual basis.[24] The operations and transactions conducted through the subaccount during the IMF fiscal year will be audited by an external firm as part of the IMF's Framework Administered Account and the report will be posted on the IMF external website as part of the IMF Annual Report. AFW2 is also subject to audits by the IMF's internal audit office.

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[24] See http://www.imf.org/external/np/pp/eng/2008/040308a.pdf. Staff costs will be charged at the midpoint of the salary scale for the grade of the staff member plus the relevant benefit factor; contractuals 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.

120. As an IMF office, AFW2 will comply with IMF procurement practices.

Appendix I: External Evaluation of the AFRITACs

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

The 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 of users and TA providers (more than 700 respondents); interviews at IMF HQ; visits to all three AFRITACs and eight recipient countries; and reviews of documents and data.

The evaluation rated the performances of all three AFRITACs as at least good (see table below)—even though the institutional absorptive capacity of two-thirds of AFRITAC members is rated poor or modest, which creates a difficult environment in which to apply TA. The exercise evaluated TA projects in five functional areas (public financial management, revenue administration, monetary operations, banking supervision, and macroeconomic statistics), along the four dimensions of relevance, effectiveness, efficiency, and sustainability. The ratings were 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,[1] the evaluation team noted that

- AFRITACs provided rapid and flexible services effectively with all TA delivery modes, particularly the regional seminars and the missions of AFRITAC resident advisors.
- The quality of the expertise in AFRITACs was good and seemed to have enhanced the IMF reputation.
- AFRITAC TA was responsive to country 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 IMF support for regional harmonization and the Poverty Reduction Strategies and Programs of the countries supported.
- 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.

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

- **Recommendation 1:** Office of Technical Assistance Management (OTM) 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 for necessary support from HQ together with implementing the recommendations of the evaluation.[25]

Response: The activities and budgets of the AFRITACs have been steadily scaled up since 2009. In addition to expanding the existing AFRITACs and opening up AFW2, the IMF is also stepping up TA to sub-Saharan African countries through topical trust funds (see Section III.A).

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

  Response: This program document is proposing medium-term indicative log frames for each cluster of TA interventions, which are integrated with the relevant country and regional organizations' reform programs and set out the strategic objectives of AFW2's initiatives. These proposals will be elaborated during the first year of AFW2 operations and there will be verifiable indicators against which progress can be monitored. AFW2 will report annually on progress toward meeting these indicators.

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

  Response: Coordination with donors is being strengthened through a combination of measures, including by sharing information after AFRITAC missions and enhanced communication through AFRITAC websites. In May 2009 the IMF also adopted streamlined procedures for wider dissemination of TA-related information, including mission planning, regional TA strategies, and specific TA reports (see Section III.C).

- **Recommendation 4:** All AFRITACs—the SCs as well as the center coordinators, resident advisors, TA departments, and OTM—must think strategically about how to ensure that TA is sustainable. 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 found 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 is being implemented through closer coordination with donors and other TA providers. Resident advisors, through their periodic missions to AFRITAC countries, let the IMF know whether there is a need for funds to implement recommendations, such as for information technology (IT) software and hardware or support for undertaking surveys. These needs are also highlighted at SC meetings. The need for follow-up TA is being disseminated to downstream TA

[25] In May 2012 OTM was merged with the IMF Institute, forming the Institute for Capacity Development.

providers through regular donor updating by AFRITAC experts. Nevertheless, country authorities can also do more to make TA sustainable by taking measures to retain and motivate skilled staff in government agencies.

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

  Response: This program document sets out how AFW2 would support regional integration and harmonization (see Section II). AFW2 will report progress to the SC to facilitate coordination with other TA providers.

- **Recommendation 6:** By the end of fiscal year 2010,[26] OTM should prepare a manual that codifies the organization, management, and administrative procedures for the RTACs.

  Response: This work is in progress after being put on hold until all RTACs have migrated to the new framework instrument for external financing. The IMF Institute for Capacity Development (ICD) is working on a manual, which is expected to be finalized in 2013.

- **Recommendation 7:** As part of the next RTAC review, OTM should prepare a 10-year vision for RTACs that outlines the strategic implications for the IMF.

  Response: This recommendation has not been followed up. ICD is working on a broader capacity development strategy. The current mid-term evaluation of three RTACs will also provide an opportunity to take stock of the situation.

- **Recommendation 8:** By the end of 2009 the AFRITACs and OTM should have in place formal action plans that identify the necessary resources and benchmarks to implement accepted evaluation recommendations and report their status to the SCs in FY 2010 and FY 2011.

  Response: Progress on implementation of evaluation recommendations is reported during AFRITAC SC meetings.

[26] The IMF's fiscal year runs from May 1 to April 30.

Appendix II: Selected Macroeconomic Indicators

Table 1. Real GDP Growth

(In percent)

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	6.5	10.1	8.6	6.2	3.7	5.2	5.0	4.3
Gambia, The	-0.3	0.8	4.0	6.5	6.7	5.5	3.3	-1.6
Ghana	6.0	6.1	6.5	8.4	4.0	8.0	14.4	8.2
Liberia	5.9	9.0	13.2	6.2	5.3	6.1	8.2	9.0
Nigeria	5.4	6.2	7.0	6.0	7.0	8.0	7.4	7.1
Sierra Leone	4.4	4.4	8.0	5.4	3.2	5.3	6.0	21.3
AFW2 (simple average)	**4.6**	**6.1**	**7.9**	**6.4**	**5.0**	**6.3**	**7.4**	**8.0**

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

Table 2. Consumer Prices

(Annual changes, in percent)

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	0.4	4.8	4.4	6.8	1.0	2.1	4.5	2.1
Gambia, The	5.0	2.1	5.4	4.5	4.6	5.0	4.8	4.7
Ghana	15.1	10.2	10.7	16.5	19.3	10.7	8.7	9.8
Liberia	6.9	7.2	13.7	17.5	7.4	7.3	8.5	6.6
Nigeria	17.9	8.2	5.4	11.6	12.5	13.7	10.8	11.4
Sierra Leone	12.0	9.5	11.6	14.8	9.2	17.8	18.5	13.7
AFW2 (simple average)	**9.6**	**7.0**	**8.5**	**11.9**	**9.0**	**9.4**	**9.3**	**8.1**

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

Table 3. Overall Fiscal Balance, Including Grants

(Central government; percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	-6.6	-5.3	-0.8	-1.3	-6.3	-10.6	-9.4	-12.3
Gambia, The	-5.8	-5.1	0.4	-1.4	-2.6	-5.4	-4.4	-3.9
Ghana	-2.8	-4.7	-5.6	-8.5	-5.8	-7.2	-4.1	-6.4
Liberia	0.0	4.9	3.0	-9.8	-10.0	-6.2	-3.0	-5.8
Nigeria	13.0	8.9	1.6	6.3	-9.4	-6.7	0.2	-0.4
Sierra Leone	-1.5	-1.7	20.7	-3.7	-2.5	-5.1	-4.6	-1.7
AFW2 (simple average)	**-1.6**	**-0.6**	**-0.5**	**3.2**	**-3.1**	**-6.1**	**-6.9**	**-4.2**

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

Table 4. Government Revenue, Excluding Grants

(In percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	24.3	25.6	27.3	27.8	23.4	21.7	22.3	20.0
Gambia, The	14.5	16.4	17.3	16.1	16.1	14.9	14.9	15.8
Ghana	13.5	13.7	13.8	13.3	13.5	14.5	17.4	18.7
Liberia	11.5	15.3	18.4	18.4	20.3	25.0	24.8	25.5
Nigeria	36.3	32.3	26.9	32.0	17.8	20.0	29.5	26.4
Sierra Leone	12.5	12.1	12.3	14.9	12.8	13.2	14.2	13.9
AFW2 (simple average)	18.8	19.2	19.3	20.4	17.3	18.2	20.5	20.1

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

Table 5. Government Expenditure

(Central government; percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	37.6	37.2	33.6	34.6	35.0	38.6	34.5	33.3
Gambia, The	21.5	22.6	17.9	18.6	23.0	24.3	24.0	26.5
Ghana	19.5	21.8	23.1	24.5	22.3	24.0	23.6	26.3
Liberia	11.5	10.6	15.6	28.7	32.8	33.0	32.1	32.0
Nigeria	23.3	23.3	25.3	25.7	27.2	26.7	29.2	26.8
Sierra Leone	18.3	17.3	13.1	16.5	17.7	20.4	21.7	17.1
AFW2 (simple average)	22.6	22.0	22.1	21.4	24.8	26.3	27.8	27.5

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

Table 6. Broad Money

(In percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	84.0	87.7	88.2	86.6	82.9	80.4	75.3	72.0
Gambia, The	34.2	42.2	41.5	45.0	48.5	49.9	51.5	53.5
Ghana	19.3	22.6	24.8	26.3	27.3	29.8	30.7	33.1
Liberia	16.6	19.0	19.6	23.3	27.9	33.3	37.0	36.6
Nigeria	17.9	21.5	27.9	37.5	42.9	33.5	35.2	34.4
Sierra Leone	16.1	16.3	17.9	19.6	22.9	23.8	23.3	20.9
AFW2 (simple average)	29.4	31.3	34.9	36.7	39.7	42.1	41.8	42.2

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

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

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	-3.5	-5.4	-14.7	-15.7	-15.6	-12.5	-12.5	-11.5
Gambia, The	-10.3	-6.9	-8.3	-12.1	-12.3	-15.7	-14.2	-15.9
Ghana	-7.0	-8.2	-8.7	-11.9	-5.4	-8.4	-9.2	-9.1
Liberia	-30.3	-11.2	-22.4	-43.7	-29.2	-33.2	-34.6	-55.8
Nigeria	8.9	25.3	16.8	14.1	8.3	5.9	3.6	3.5
Sierra Leone	-5.3	-4.3	-4.3	-9.1	-6.5	-19.3	-52.3	-13.1
AFW2 (simple average)	-7.9	-1.8	-6.9	-13.1	-10.1	-13.9	-19.9	-17.0

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

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

	2005	2006	2007	2008	2009	2010	2011	2012
Cape Verde	50.8	52.3	47.2	40.3	47.3	50.0	52.2	62.3
Gambia, The	110.5	115.7	41.8	37.2	40.4	39.1	39.5	42.6
Ghana	36.5	10.7	14.5	14.1	19.4	19.4	18.5	21.5
Liberia	693.6	635.1	463.6	287.0	145.4	8.8	8.3	12.1
Nigeria	16.4	2.1	2.4	2.2	2.3	2.2	2.4	2.5
Sierra Leone	107.8	83.9	24.8	24.8	28.8	30.7	29.7	24.8
AFW2 (simple average)	181.7	166.5	99.7	66.5	45.3	32.7	33.1	35.6

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

Appendix III. Public Expenditure and Financial Accountability in AFW2 Countries

The Public Expenditure and Financial Accountability (PEFA) indicators prepared for Cape Verde, The Gambia, Ghana, Liberia, and Sierra Leone show low scores in a range of areas including: budget credibility, predictability of funds for commitments and expenditures, budget execution controls for both payroll and non-salary expenditures, effectiveness of internal audit, accounts reconciliation, quality and timeliness of budget reporting and preparation of accounts, external audit and scrutiny, and donor practices. PEFA assessments for Nigeria are not currently available.

Recent Public Expenditure and Financial Accountability Assessments (PEFA)

	PEFA Indicators	Cape Verde (2008)	Gambia (2009)	Ghana (2009)	Liberia (2012)	Sierra Leone (2010)
A. PFM OUTTURNS: Credibility of the budget						
PI–1	Aggregate expenditure outturn compared with original approved budget	A	B	C	D	B
PI–2	Composition of expenditure outturn compared with original approved budget	B	C	C	D+	C
PI–3	Aggregate revenue outturn compared with original approved budget	B	B	B	D	C
PI–4	Stock and monitoring of expenditure payment arrears	B	n.s	n.s.	B	C
B. KEY CROSS CUTTING ISSUES: Comprehensiveness and Transparency						
PI–5	Classification of the budget	B	B	C	C	A
PI–6	Comprehensiveness of information included in budget documentation	A	B	B	B	B
PI–7	Extent of unreported government operations	B	D+	A	D+	n.s.
PI–8	Transparency of inter-governmental fiscal relations	B	D	D+	n.s.	B
PI–9	Oversight of aggregate fiscal risk from other public sector entities	D+	D+	D+	D	C+
PI–10	Public access to key fiscal information	C	D	A	C	B
C. BUDGET CYCLE						
(i) Policy-based budgeting						
PI–11	Orderliness and participation in the annual budget process	B+	B	A	B	D+
PI–12	Multiyear perspective for fiscal planning, expenditure policy, and budgeting	C+	D+	C+	C+	C
(ii) Predictability and control in budget execution						
PI–13	Transparency of taxpayer obligations and liabilities	B	C	C+	B	C+
PI–14	Effectiveness of measures for taxpayer registration and tax assessment	A	C	C	B	B
PI–15	Effectiveness in collection of tax payments	D+	n.s.	C+	D+	D+
PI–16	Predictability in the availability of funds for commitment of expenditures	C+	C	D+	C	C+
PI–17	Recording and management of cash balances, debt, and guarantees	C+	B	C+	B	C+
PI–18	Effectiveness of payroll controls	B+	C+	C+	D+	D+
PI–	Competition, value for money, and controls in procurement	B	n.s.	B+	C	C+

19						
PI–20	Effectiveness of internal controls for non-salary expenditures	B+	C+	D+	C+	C+
PI–21	Effectiveness of internal audit	D+	D	D+	D+	D
(iii) Accounting, recording, and reporting						
PI–22	Timeliness and regularity of accounts reconciliation	B+	C	C	C	B
PI–23	Availability of information on resources received by service delivery units	D	D	B	D	A
PI–24	Quality and timeliness of in-year budget reports	C+	B+	C+	D+	B+
PI–25	Quality and timeliness of annual financial statements	C+	D+	C+	D+	C+
(iv) External scrutiny and audit						
PI–26	Scope, nature, and follow-up of external audit	D+	D+	C+	D+	C
PI–27	Legislative scrutiny of the annual budget law	B+	C+	D+	C+	D+
PI–28	Legislative scrutiny of external audit reports	D+	D+	D+	D	D+
D. DONOR PRACTICES						
D–1	Predictability of direct budget support	B+	n.s.	A	D	D
D–2	Financial information provided by donors for budgeting and reporting on project and program aid	D	n.s.	C+	D+	D+
D–3	Proportion of aid that is managed by use of national procedures	D	n.s.	D	D	D

Note: The highest performance scores is 'A'; n.s. = not scored.
Source: http://www.pefa.org.

Appendix IV: List of Donors and Other TA Providers (December 2012)

Donors and Other TA Providers in AFW2 Countries	**Budget Support**	**Revenue Administra-tion**	**PFM**	**Monetary and Exchange Rate Policy**	**Banking Supervision**	**Capital Markets and Debt**	**Statistics**	**Major Donors**
Cape Verde	V. WB, EU, NL, AFDB, Austria, Spain	IMF/TPA, Brazil	France, AfDB, EU, UNDP, Portugal (PAGFP_RSP framework), WB (procurement)	IMF/UK	FIRST (bank supervision/ crisis manage-ment)	WB (DEMPA)	Portugal, WB	Portugal, EU, WB, Spain, Luxemburg, US
The Gambia	WB	IMF/EU (VAT);	UK,WB (IFMIS) EC/WB (procurement) IMF/EU (MTEF) IMF regional/Japan (transparency and fiscal reporting)		FIRST (stress testing)		UNDP (human developm ent stats); IMF/UK (EDDI)	Japan, AFDB, WB, EU
Ghana	AfDB, Canada, Denmark, EU, France, Germany, Japan, NL, Switzerland, UK, WB	Germany, WB (IT), EU, US Treasury, AfDB, SECO	IMF/Japan (PFM regional advisor), WB/DFID/EU/DK /AfDB (GIFMIS project in particular) IMF regional/Japan (transparency and fiscal reporting)	IMF/UK (advisor FX market development s)	SECO (renewal LTX in banking supervision)	WB (financial reforms support)	WB (statistics developm ent program), with support of DFID/ EU; IMF/UK (EDDI)	AfDB, Canada, Denmark, EU, France, Germany, Japan, NL, Switzerland, UK, WB
Liberia	AfDB, EU, WB,	WB (IT), EU, AfDB (ASYCUDA), IMF/TPA, USAID, AUSAID (nat. resources)	WB, AfDB, Sida, US (PFM reform program), ODI/BSI (MTEF), IMF/EU/Sida (PFM advisor), IMF regional/Japan (transparency and fiscal reporting)		FIRST (bank stress-testing; NBFI regulation)	FIRST (capital markets regul framework)	VI. IMF/ UK (EDDI); IMF/UK (EDDI)	Germany, Ireland, Sweden, UK, EU, AfDB, WB, US
Nigeria		IMF/UK (tax law), IMF/Japan (compliance), WB ; US Treasury	UK (federal and state), WB (federal and state), IMF/Japan (GIFMIS) IMF regional/Japan (transparency and fiscal reporting)		IMF/UK (Advisor Bank Supervision); FIRST (deposit frameworks; financial stability);	UK (debt manageme nt); WB (DEMPA) FIRST (Securities Exchange Commissi on)	UK (state level), WB (NSDS), IMF/UK (EDDI)	US, UK, WB, EU, AFDB
Sierra Leone	AfDB, EU, UK, DFID	AfDB, DFID, WB/IFC, IMF/MNRW	AfDB, UK, EU WB, IMF/MNRW TTF (mineral resource fund, cash management), IMF regional/Japan (transparency and fiscal reporting))	FIRST (CB internal audit)	WB, AfDB (financial sector development plan)	WB (DEMPA)	IMF/UK (EDDI)	VII. AfDB, EU, UK, DFID, US

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