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December 11, 2003

To: Members of the Executive Board

From: The Secretary

Subject: **Progress Report on the Implementation of the Fund's Africa Capacity-Building Initiative**

Attached for the **information** of Executive Directors is the progress report on the implementation of the Fund's Africa Capacity-Building Initiative.

It is intended that this paper will be published on the Fund's external website. If no objections are received by noon on Thursday, December 18, 2003, the paper will be posted.

Questions may be referred to Mr. Ames, AFR (ext. 34076) and Mr. de Zamaroczy, OTM (ext. 36934).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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INTERNATIONAL MONETARY FUND

**Progress Report on the Implementation of the Fund's
Africa Capacity-Building Initiative**

Prepared by the African Department and the Office of Technical Assistance Management

(In consultation with the Fiscal Affairs, Monetary and Financial Systems,
and Statistics Departments)

Approved by Abdoulaye Bio-Tchané and Claire Liuksila

December 11, 2003

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I. INTRODUCTION

1. The IMF launched its Africa Capacity-Building Initiative¹ in May 2002 in response to calls by African leaders to help strengthen domestic capacity in the design and implementation of sustainable poverty reduction strategies. The Initiative consists of the establishment of African Regional Technical Assistance Centers (AFRITACs) and IMF participation in the Partnership for Capacity Building in Africa (PACT),² including as a member of its implementing agency, the African Capacity-Building Foundation (ACBF).³ This report provides an update on progress to date in implementing the Initiative. It begins with a background discussion on the Initiative and its key components. It then discusses developments regarding the operations and financing of the two pilot centers and reports on developments concerning the cooperation with the ACBF and other regional institutions. It concludes by summarizing the present status of the project and the next steps.

II. BACKGROUND

2. The overarching goal of the Fund's Africa Capacity-Building Initiative is to assist sub-Saharan African countries in strengthening their capacity for effective macroeconomic management in the context of the Poverty Reduction Strategy Paper (PRSP) approach. To this end, the Fund has increased both the volume and the effectiveness of its technical assistance (TA) to sub-Saharan Africa through a more rapid and better-informed response to country requests, closer monitoring of implementation, and enhanced government ownership of, and accountability for, the TA received (Box 1).

3. The Initiative envisages the establishment of up to five AFRITACs throughout sub-Saharan Africa, modeled broadly on the experience of the Fund's *Pacific Financial Technical Assistance Center* (PFTAC) and *Caribbean Regional Technical Assistance Center* (CARTAC). As an initial step, two AFRITACs were established on a pilot basis. The East AFRITAC covers six countries in East Africa (Eritrea, Ethiopia, Kenya, Rwanda, Tanzania, and Uganda) and was opened on October 24, 2002 in Dar es Salaam, Tanzania, while the West AFRITAC covers ten countries in West Africa (Benin, Burkina Faso, Côte d'Ivoire,

¹ The Fund's Africa Capacity-Building Initiative, EBS/02/72, April 24, 2002.

² The PACT was established in late 1999, with support from the World Bank, as a collaborative framework between African governments and their development and financial partners. Its aim is to intensify capacity building across Africa through increased African ownership and enhanced coordination amongst key development partners.

³ The ACBF was founded in 1991 as an independent institution for development finance, with headquarters in Harare, Zimbabwe. Its founding members include the African Development Bank, the World Bank, the United Nations Development Programme, and various African governments and bilateral donors. Its objective is to strengthen national capacity building through programs owned and implemented by the beneficiaries themselves.

Box 1: Objectives of the IMF's Africa Capacity-Building Initiative

The Initiative aims to provide technical advice in sub-Saharan Africa that is streamlined, cost-effective, and clearly oriented toward capacity building. The seven main objectives of the Initiative are:

- To make expertise available to African countries to help them develop their own capacity-building programs for macroeconomic management within the PRSP process;
- To help address part of the identified TA needs by increasing the volume of the Fund's TA to sub-Saharan Africa and refocusing it on capacity building;
- To raise the effectiveness of individual TA projects through fast response, close monitoring and follow-up, and more transparent reporting of outcomes;
- To increase ownership by recipient governments through the creation of appropriately designed mechanisms for country representation in the decision-making process for capacity-building TA programs;
- To improve the cost-effectiveness of TA by enhancing proximity to the countries to be served; and
- To collaborate with existing capacity-building efforts in sub-Saharan Africa, with a view to improving donor coordination and offering the Fund's expertise to ongoing important capacity-building efforts.

Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo)⁴, and was opened on May 29, 2002 in Bamako, Mali (Box 2). Funding for these two centers consists of contributions from the host countries, the IMF, and interested bilateral and multilateral donor agencies (see Section III. D). An independent evaluation will be conducted after about 18 months of the centers' operations and, if they are determined to be successful in delivering the expected outputs, the number of centers could be expanded up to a total of five over the medium term.

4. With a view to avoiding duplication of TA efforts and enhancing complementarities among TA providers, the Initiative also calls for the Fund to participate in the PACT and become a member of its implementing agency, the ACBF. In this regard, the Executive Board authorized the Managing Director to sign a memorandum of understanding between the ACBF and the IMF and to appoint, on behalf of the Fund, a Governor and an Alternate Governor to the Board of Governors of the ACBF. The Fund has also made a financial commitment to the ACBF of US\$4 million over a five-year period earmarked to finance ACBF training activities, to be designed and implemented jointly by the ACBF and the AFRITACs.

⁴ Eight of these countries are members of the West African Economic and Monetary Union (WAEMU) and share a common currency. While the remaining two (Guinea and Mauritania) are not members of the WAEMU, they have close economic links with the WAEMU countries. All ten countries are members of the Economic Community of West African States (ECOWAS).

Box 2: The Location of the AFRITACs

While a number of countries in both regions expressed interest in hosting the pilot centers, the locations were decided by Fund management in consultation with the participating countries on the basis of criteria pertaining to operational effectiveness (e.g., transportation, telecommunications, business costs, etc.), safety, and host country contribution to the centers' facilities and operating expenses. The East AFRITAC was opened on October 24, 2002 and is located in Dar es Salaam, Tanzania. The Center is housed in a commercial building provided by the Central Bank of Tanzania. The West AFRITAC was originally to be located in Abidjan, Côte d'Ivoire, and was scheduled to be opened around the same time as the East AFRITAC. However, civil unrest erupted on September 19, 2002 and, in agreement with the other participating countries and development partners, it was decided to suspend the opening. After a six-month delay, it was decided to move the center temporarily to Bamako, Mali, for a period of 18 months. The West AFRITAC was opened on May 29, 2003 and is housed in the building of the Central Bank for West African States (BCEAO) in Bamako.

III. REPORT ON THE OPERATIONS OF THE AFRITACS

A. Steering Committees

5. The AFRITACs' governance structure is designed to foster ownership and accountability in both member countries and donor agencies. The AFRITAC Conference set out guiding principles for the design and operations of the centers, while recognizing the need for flexibility in implementation.⁵ Each center is guided by a Steering Committee, which is chaired by a representative from the host country and is made up of representatives from the participating countries and supporting donor agencies, as well as observers from key regional institutions involved in capacity building. The Steering Committees meet biannually to review progress in implementation and to approve the centers' work plans for the period ahead. They also endorse the appointment of the resident experts.⁶

⁵ The conference, which was held in Paris on July 15-16, 2002, brought together representatives from the participating countries, donors, and the IMF to discuss the AFRITAC project.

⁶ To expedite the start-up of the two centers, the initial sets of resident advisors were selected by the IMF's TA departments. Subsequent appointments are to be endorsed by the Steering Committees.

6. The East AFRITAC's Steering Committee is chaired by the Governor of the Bank of Tanzania and comprises representatives from each of the six participating countries, three donor representatives (representing a dozen donor agencies on a constituency basis), and representatives from the African Development Bank (AfDB) and the IMF.⁷ At present, the ACBF is the only agency with formal observer status. The Steering Committee has held three meetings to date, the first in conjunction with the inauguration of the center in Dar es Salaam, Tanzania, and the second and third meetings on January 28, 2003 in Dar es Salaam, and on June 23, 2003 in Kampala, Uganda, respectively.

7. At the January 2003 meeting, the Steering Committee approved the work plan for 2003, discussed a monitoring and evaluation framework for the center's operations, and addressed a number of procedural and operational issues. At the June 2003 meeting, the Steering Committee: (a) reviewed progress achieved in the implementation of the 2003 work plan and reasons for some delays and cancellations of activities; (b) discussed feedback on the center's operations provided by participating countries and development partners; (c) approved new priority requests for assistance for the remainder of the calendar year; (d) further refined the center's monitoring and evaluation framework; and (e) reviewed the center's budget execution. The next Steering Committee meeting is scheduled to take place in Kigali, Rwanda, in late January 2004, at which time the Committee will approve, *inter alia*, the work plan for 2004. It is expected that the venue for each subsequent meeting will continue to rotate among the participating countries.

8. The West AFRITAC's Steering Committee is chaired by the Minister of Finance of Mali and comprises representatives from the ten participating countries, three donor representatives (representing a dozen donor agencies on a constituency basis),⁸ and representatives from the AfDB, the BCEAO, and the IMF. Observers include representatives from the ACBF, the WAEMU, and the Economic and Statistical Observatory for sub-Saharan Africa (AFRISTAT). The Steering Committee has held two meetings to date, the first on the occasion of the center's inauguration and the second on September 12, 2003, both in Bamako, Mali.⁹ At the first meeting, the Steering Committee took stock of the work leading up to the inauguration of the center and agreed on ground rules for its operations. During the second meeting, the Steering Committee approved the center's initial work plan through end-January 2004 and adopted criteria for admitting observers (e.g., regional institutions involved in capacity building within the Fund's core areas of expertise). The next

⁷ Donor representatives for the East AFRITAC are Canada, Italy, and the United Kingdom.

⁸ Donor representatives for the West AFRITAC are Canada, France, and Germany.

⁹ It was agreed that all meetings of the Steering Committee during the 18-month temporary relocation period would be held in Bamako, Mali.

Steering Committee meeting is scheduled to take place in Bamako, Mali, in early February 2004, at which time the Committee will approve, inter alia, the work plan for 2004.

B. Work Plans

9. The centers' rolling twelve-month work plans provide the framework for the delivery of their capacity-building assistance. These work plans have been developed on the basis of needs assessments, drawing on the priorities specified in the countries' PRSPs, as well as subsequent discussions between the centers' staff and the authorities (summaries of the processes leading up to the design of the two work plans are presented in Boxes 3 and 4).¹⁰ The centers' work plans are developed in consultation with the TA departments. The centers deliver TA, within the IMF's core competencies, in areas where they have a comparative advantage in mode of delivery relative to headquarters and other providers. The centers' Steering Committees ensure that the activities in the work plans are in line with country priorities. In general, the work plans and activities have attempted to: (a) present well-defined deliverables; (b) exhibit solid ownership from the authorities; (c) draw on the comparative advantage of the centers and their staff; and (d) provide an opportunity to leverage donor assistance in related areas.¹¹

10. In implementing the work plans, the resident experts directly deliver capacity-building assistance within their areas of expertise and oversee the provision of short-term TA carried out by other experts. The centers have so far relied heavily on the rosters of experts maintained by the IMF's TA departments, but are identifying qualified local experts, with assistance from government agencies and regional institutions that can be tapped and added to the rosters maintained by headquarters, as appropriate. It is also expected that other development partners working in the region, particularly the AfDB, will assist the centers in this endeavor.¹²

¹⁰ It is important to note that the joint Bank-Fund Financial Sector Assessment Plans (FSAPs) play an important role in the identification of capacity-building assistance needs and, in turn, in the formulation of appropriate TA activities to address these needs.

¹¹ For example, in the case of the multi-donor revenue project being implemented by the Tanzania Revenue Authority, the East AFRITAC played an important role in redesigning and strengthening the capacity-building assistance being provided.

¹² The intention is to utilize both experts identified from the TA departments' rosters of experts, as well as experts identified from the region.

Box 3: The Process of Designing the Work Plan for the East AFRITAC

- **June 2002 (Nairobi):** Capacity-building needs assessment presentations to IMF staff, representatives of the AfDB and other donors by representatives of the six countries to be served by the East AFRITAC. Identified priority areas for the Center's work with a view to determining the needed skill mix of the Center's resident and short-term experts.
- **July 2002 (Paris):** High-level ministerial conference of countries to be served by the first two AFRITACs and representatives of development partners and multilateral institutions. Approved priority areas of assistance to be provided by each center.
- **October 2002 (Dar es Salaam):** Inauguration of the East AFRITAC and holding of first meeting of its Steering Committee.
- **November 2002:** Circulation of questionnaire by the East AFRITAC to donor partners (via Steering Committee members) in each participating country regarding their capacity-building activities.
- **December 2002:** Tour of participating countries by the East AFRITAC team to discuss country priorities for capacity-building assistance to be provided by the Center during calendar year 2003 and their linkages to the PRSP process, drawing on the consultations previously held in Nairobi and Paris.
- **January 2003 (Dar es Salaam):** Second Steering Committee meeting approved in principle the work plan for 2003 with comments of Committee members to be incorporated in a revised version.
- **February 2003:** Revised version of the work plan and minutes of the Second Steering Committee meeting circulated to Committee members.
- **February-June 2003:** Implementation of the work plan.
- **June 2003 (Kampala):** Third Steering Committee meeting reviewed the implementation of the work plan and proposed revisions. Agreed to place greater emphasis in future Steering Committee meetings on strategic issues relating to the effectiveness of the Center rather than on the details of the work plan.
- **July 2003:** Revised work plan and minutes of Third Steering Committee meeting circulated to Steering Committee members.
- **August 2003 to the present:** Implementation of the revised work plan.

Box 4: The Process of Designing the Work Plan for the West AFRITAC

- **July 2002 (Dakar):** Capacity-building needs-assessment presentations to IMF staff, representatives of the AfDB and other donors by representatives of the countries to be served by the West AFRITAC. Identified priority areas for the Center's work with a view to determining the needed skill mix of the Center's resident and short-term experts.
- **July 2002 (Paris):** High-level ministerial conference of countries to be served by the first two AFRITACs and representatives of development partners and multilateral institutions. Approved priority areas of assistance to be provided by each center.
- **October 2002–April 2003:** Work on the opening of the West AFRITAC on hold owing to the political events in Côte d'Ivoire.
- **May 2003 (Bamako):** Inauguration of the West AFRITAC and first Steering Committee meeting.
- **July–August 2003:** Tour of participating countries by the West AFRITAC team to discuss country priorities for capacity-building assistance to be provided by the Center during the remainder of calendar year 2003 and calendar year 2004, drawing on the consultations previously held in Dakar and Paris and further discussions with participating countries.
- **September 2003 (Bamako):** Steering Committee held its second meeting and approved the initial work plan for the period through January 2004.

C. Initial Activities

11. The East AFRITAC's resident experts (Box 5) have been involved in more than 50 distinct capacity-building activities across the six participating countries, the bulk of which has been concentrated in Eritrea, Rwanda, and Tanzania (Attachment I). With the transition to a new Government, assistance to Kenya has picked up significantly in recent months. Activities in Ethiopia have been limited, although the authorities have recently expressed interest in receiving assistance in public expenditure management. Uganda has used the center's resources on a limited basis, owing to the large amount of bilateral and multilateral donor assistance already available to address the country's capacity-building needs.

12. Activities undertaken to date range from sector-wide projects and initiatives (e.g. strengthening capacity in sovereign debt management and domestic debt market development in Kenya; preparation and implementation of a new budget law for Rwanda; and development of short-term indicators to monitor developments in the real sector in Uganda) to more hands-on support (e.g., working on a GFS-based classification system in Eritrea; reviewing Ethiopia's central bank policies for the temporary administration of failed banks; and providing support to the Tanzanian statistical authorities to ensure the accuracy of their reports). Box 6 highlights in greater detail selected activities that have been implemented by the center. Under the work plan, the resident experts delivered a number of in-country seminars and workshops as an integral part of their capacity-building support to member countries. Thus, regional seminars on foreign reserves management and on fiscal decentralization issues were conducted in April 2003 and July 2003, respectively.¹³

13. A total of 105 activities are envisaged to be implemented under the initial work plan of the West AFRITAC (Attachment II), ranging from providing TA to the Ministry of Finance in Benin to strengthen its supervision of micro-finance institutions, to the drafting of a statistical law in Togo. Under the work plan, the center's experts will conduct a number of regional workshops covering topics such as the fight against tax and customs fraud, the broadening of the tax base, budgetary policy, and the issuance of government paper.

D. Financing and Budget Execution

14. The three-year operating budget for the two AFRITACs is estimated at US\$29.5 million (Table 1). The host countries (e.g., Mali and Tanzania) will make an estimated US\$2.8 million in-kind contribution over the three-year period in the form of office space and support staff. For its part, the IMF financed the start-up costs and has been

¹³ Thus far, all East AFRITAC-managed seminars delivered were held at the Kenya School of Monetary Studies (KSMS) in Nairobi. Under an agreement reached with the Kenyan authorities, the facilities of the KSMS are made available for AFRITAC seminars and workshops.

Box 5: Staffing of the AFRITACs

The management of the day-to-day operations of the AFRITACs is delegated to the Coordinators, with close supervision by the relevant departments at Fund headquarters. The African Department and the Office of Technical Assistance Management have joint responsibility for supervising the implementation and administration of the project. Staff from the TA departments backstop the work of resident experts with a view to ensuring quality and consistency of the advice being provided. Each AFRITAC comprises a Center Coordinator (CC) and long-term resident experts. The CCs are senior AFR staff members responsible for the day-to-day management, administration, and operations of the Centers and for maintaining close contact with the bilateral donors, the African Development Bank (AfDB), the ACBF, the World Bank, and other TA providers in the region. The CCs also serve as the Secretary to their respective center's Steering Committee. The profile of the resident experts is specific to each center and was determined on the basis of a needs assessment that was developed and discussed with the participating countries and endorsed at the AFRITAC Conference held in Paris on July 15-16, 2002.

East AFRITAC

Position	Name	Backstop
Department		
Center Coordinator	Mr. John Crotty	AFR
Public Expenditure Management Advisor	Mr. Duncan P. Last	FAD
Revenue Policy and Administration Advisor	Mr. Pierre St. Laurent	FAD
Monetary Policy and Operations Advisor	Mr. Darryl D. King	MFD
Banking Supervision Advisor	Mr. Robert Fish	MFD
Real Sector Statistics Advisor	Mrs. Devi Manraj	STA

West AFRITAC

Position	Name	Backstop
Department		
Center Coordinator	Mr. Norbert Toé	AFR
Public Expenditure Management Advisor	Mrs. Gisèle Suire	FAD
Customs Administration Advisor	Mr. Kalou Doua-Bi	FAD
Revenue Administration Advisor	Mr. Patrick Fossat	FAD
Microcredit Advisor	Mr. Peter van Dijk	MFD
Public Debt Management Advisor	Mr. Olivier Vallée	MFD
Government Finance Statistics Advisor	Mr. Georges Toussaint	STA

Table 1. IMF Africa Capacity-Building Initiative

Status of Financial Contributions

As of December 3, 2003

(In United States dollars)

	Contribution Pledged/ Realized 1/	Contributions Received	Balance
AfDB	3,000,000	0	3,000,000
Canada	1,686,387	1,686,387	0
China 2/	200,000	200,000	0
Denmark 3/	471,006	471,006	0
Finland	467,530	467,530	0
France	1,126,245	389,245	737,000
Germany	1,595,632	1,093,465	502,168
Italy	1,621,500	796,500	825,000
Japan	1,100,000	700,000	400,000
Luxembourg	273,598	185,598	88,000
Norway	1,267,130	842,945	424,186
Russia	250,000	80,000	170,000
Sweden 3/	224,774	224,774	0
Switzerland	2,273,200	0	2,273,200
The Netherlands 3/	248,489	248,489	0
United Kingdom	1,620,418	785,418	835,000
Total	17,425,910	8,171,357	9,254,553
IMF Contributions	7,522,700		
Contributions by Host Countries	2,820,000		
Budget	29,460,040		
Funding gap	1,691,430		

Source: Office of Technical Assistance Management.

1/ Non-disbursed balance of pledges based on 1.1 USD = 1 EUR; 1.67 USD = GBP;
1 USD = 7 NOK.

2/ Earmarked for East AFRITAC.

3/ Contribution covers the initial 18 months only.

financing the costs associated with the centers' Coordinators, short-term TA missions by IMF staff, and the administration, quality control, supervision, and backstopping by headquarters staff of the resident experts, estimated at US\$7.5 million in total over the three-year period. To date, 15 bilateral donors (Canada, China, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Norway, the Russian Federation, Sweden, Switzerland, and the United Kingdom) and one multilateral donor (the AfDB) have made financial commitments in support of the Initiative amounting to US\$17.4 million.^{14 15} A financing gap of US\$1.7 million remains at present. Staff are continuing discussions with donors and expect the remaining gap to be filled. If the gap could not be closed, and in the absence of additional IMF funding, the program budgets would have to be reduced accordingly.

15. During the period leading up to the approval of the two centers' initial work plans, the bulk of the project's expenditure was on personnel costs, travel expenses related to the needs-assessment exercises, and office-related expenses. The delay in the opening of the West AFRITAC contributed to delays in the incurrence of expenses related to that center's operations. As of end-April 2003, US\$0.9 million had been expended in support of the East AFRITAC from the AFRITAC Subaccount (Table 2). Donors were sent the first financial report on the operations of the Subaccount and the budget execution of the East AFRITAC on October 14, 2003. Financial reports will be provided to the donors twice a year henceforth and the next report will be sent in December 2003. With both centers being fully operational, expenses related to the assistance to be provided by short-term experts and to the various regional workshops will now begin to be fully incurred.

IV. REPORT ON DEVELOPMENTS CONCERNING THE COOPERATION WITH THE AFRICAN CAPACITY BUILDING FOUNDATION AND OTHER REGIONAL INSTITUTIONS

16. The IMF's participation in the PACT and its membership in the ACBF signal its support for these important African initiatives, which provide a valuable coordination and collaboration framework for the PRSP process and the activities of the AFRITACs. US\$400,000 has been disbursed to date to the ACBF in support of the initial set of seminars scheduled for FY2004. The next tranche of US\$400,000 will be disbursed after the initial activities have been organized and new activities have been agreed upon.

¹⁴ The Executive Board approved the establishment of a multi-donor TA Subaccount on August 9, 2002 (EBS/02/135) to receive financial contributions from donors in support of the AFRITAC project.

¹⁵ Japan has committed funds from the "Japan Administered Account for Selected Fund Activities" (JSA). China elected to earmark its contribution in support of the East AFRITAC and a separate TA Subaccount was created for this purpose on May 23, 2003 (EBS/03/61). Denmark, the Netherlands, and Sweden indicated that their contribution covered only the initial 18 months of the centers' operations.

Table 2. East AFRITAC Financial Summary, November 1, 2002 - April 30, 2003 1/

(In U.S. dollars)

	Budget		Expenditures & Commitments	
	Work-Months	US\$	Work-Months	US\$
Long-term experts	30	547,500	25	456,250
1101 Public Expenditure Management Advisor	6	109,500	5	91,250
1102 Revenue Policy and Administration Advisor	6	109,500	5	91,250
1103 Monetary Policy and Operations Advisor	6	109,500	6	109,500
1104 Banking Supervision Advisor	6	109,500	4	73,000
1105 Real Sector Statistics Advisor	6	109,500	5	91,250
Short-term experts	18	504,000	3	84,000
Other		345,000		131,262
1501 Regional travel		195,000		108,262
3301 Training		50,000		23,000
4101 Office support, communications, etc.		100,000		- ^{1/2}
Subtotal	48	1,396,500	28	671,512
IMF administrative fee (13 percent)		181,545		87,297
Total	48	1,578,045	28	758,809
<i>Memorandum Items: Cost-Sharing Contributions</i>				
Bank of Tanzania		...		51,486
Office space		...		41,640
Local staff		...		9,846
Bank of Kenya ³		...		-
International Monetary Fund ⁴		123,000		286,450
Center Coordinator		123,000		173,970
Operations		...		112,480

Source: IMF, Office of Technical Assistance Management.

¹ This statement covers only the East AFRITAC, no expenditure was incurred by the West AFRITAC during the reporting period.

² Office support, communications, etc. are mainly supported by the IMF. See "Operations" under memorandum items.

³ The Central Bank of Kenya provides seminar and training facilities at the Kenya School of Monetary Studies.

⁴ Does not include set-up costs, the purchase of a car, nor costs associated with staff at IMF headquarters.

17. Under the joint training program with the ACBF, the East AFRITAC took the lead in presenting a regional workshop on revenue administration reform and information technology use in November 2003 and a workshop on treasury reform issues in December 2003. One of the center's experts also participated in two workshops on banking supervision issues being organized by the ACBF and implemented by the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI) in November 2003.

18. The West AFRITAC will take the lead role in organizing two regional workshops, one on fiscal decentralization to be held in Bamako, Mali, and one on monetary policy issues and government finance statistics to be held in Lomé, Togo, in December 2003 and January 2004, respectively. A workshop on money laundering and financial crimes and one on bank balance sheet analysis will be organized before the end of FY 2004.

19. The centers have also started cooperating with key technical assistance and training institutes in the region, including the MEFMI, AFRISTAT, the West African Institute for Financial and Economic Management (WAIFEM), and the Joint Africa Institute. The IMF Institute is consulted in formulating the ACBF/AFRITAC joint annual training programs.

V. CONCLUSION

20. The two AFRITACs are fully operational and are implementing their work plans. The joint training program with the ACBF is also well underway. The Steering Committees of the two centers will be meeting in early 2004 to review progress in implementation and to approve the work plans for 2004, including the proposed set of joint seminars with the ACBF. It is still early to assess progress under the Initiative, but the external evaluation scheduled for September 2004 will provide the opportunity for a thorough review of performance, provide recommendations for improving the centers' operations, and allow stakeholders to assess whether the AFRITACs have been successful in delivering their expected outputs. Possible topics for further reflection and consideration in the external review could include:

- coordination between the AFRITACs and other TA providers;
- the cost effectiveness of TA provided by the AFRITACs relative to that provided through traditional modes of TA delivery;
- country priorities and Fund priorities regarding TA delivery by the AFRITACs; the appropriate qualifications and qualities of the long-term resident advisors;
- the relationship between resident experts and national counterparts; and
- the efficacy of the Steering Committees in providing guidance.

It is expected that the report of the external review will be circulated to the Executive Board for information in early 2005.

**Summary of East AFRITAC Work Plan
(January–December 2003)**

Bank Supervision

Bank supervision assistance has comprised 16 activities conducted across all of the six East AFRITAC countries. While the focus of that work has been primarily on banks (all countries except Uganda), a significant amount of assistance has also been provided in the supervision of non-bank financial institutions (Uganda, Rwanda, Kenya). In addition, work has been undertaken in the development of Anti-Money Laundering/Counter Financial Terrorism (AML/CFT) programs (Kenya and Tanzania). Assistance has centered on the establishment of a legal and operating environment for effective supervision of bank and non-bank institutions. In this connection, advice has been provided on: 1) legislative reform proposals (all countries except Tanzania), 2) measures to address problem banks (all countries except Uganda), and 3) measures to strengthen on-site and off-site supervision of banks (Eritrea, Ethiopia, Rwanda). Assistance has been delivered through a number of formats, including in-house workshops and seminars. The Center's advisor has also been involved in the design and delivery of two ACBF sponsored regional workshops on banking supervision issues.

Central Banking Operations

The Center's assistance in this area has comprised 14 activities which have focused on core central banking operations (foreign reserves management, monetary operations, government securities market development and payment systems). Responding to capacity building priorities identified by countries, a regional workshop on foreign reserves management was conducted as a first priority under the workplan. The objective of this workshop was to improve central banks' capacity to manage foreign reserves within a clearly defined framework of financial and operational risks. Follow-up missions to three countries (Rwanda, Kenya, Ethiopia) has produced detailed reviews of their management of foreign reserves, particularly organizational structures and financial risk management arrangements. Missions and workshops have been undertaken in three countries (Rwanda, Uganda, Eritrea) to improve the understanding of the use of indirect instruments in the implementation of monetary policy. In two countries (Rwanda, Kenya) work has been undertaken on the development of the government securities market to improve the environment for the effective implementation of monetary policy. In the case of Kenya, the Center has been involved in a comprehensive project with the World Bank to review the debt management function and the market for government securities. Assistance has been provided to two countries (Kenya, Tanzania) on modernizing their payment systems.

Public Expenditure Management

Public expenditure management (PEM) work undertaken by the Center has comprised 17 activities, including 2 major regional workshops. In Eritrea, PEM efforts have focused on modernizing budgetary and accounting classifications along GFS 2001 lines and implementing a cash management system within the context of a broader treasury reform action plan. In Ethiopia, a reform agenda has been developed for treasury management, including the implementation of a cash management system and the reduction of idle balances. More recently, the Ethiopian authorities have sought an amendment of Center's PEM work program to include a revision of their federal grant formula for regional governments, and assistance in providing a medium term framework for their annual budget. In Kenya, efforts concentrated initially on developing an overall PEM reform program (through participation in a multi-donor PEM Assessment and Action Plan process and follow up work). In the last quarter of 2003, assistance has been provided on improving budgetary and accounting classifications in line with GFS 2001. In Rwanda, assistance has focused on reviewing the PEM system as a whole, providing assistance in developing an Organic Budget law, harmonizing accounting in the government sector, and preparing an action plan for an enhanced role of the Ministry of Finance in the fiscal aspects of decentralization. In Tanzania, assistance so far has been limited to advice on the development of their revised public finance reform program (PFMRP). Further assistance in Tanzania is awaiting finalization and adoption of the PFMRP. At the regional level, a fiscal decentralization experience sharing workshop was conducted in mid-2003 and, with ACBF sponsorship, a regional workshop and experience sharing on treasury reform issues will be conducted in December 2003.

Revenue Administration

Revenue administration assistance has comprised 5 major activities, focusing on strategic support for the modernization of the revenue administration organizations, their systems and procedures, and related coordination of development partners' assistance with country modernization efforts (all countries, except Uganda). At the request of three countries (Ethiopia, Rwanda, Tanzania), the Center has initiated missions from Fund headquarters to undertake detailed evaluations of their revenue administration operations, to identify key reform priorities, and to assist the authorities in the development of comprehensive reform plans. In these three countries, the Center's revenue advisor's main role has been to provide follow-up support to country authorities in developing their detailed reform implementation plans and timetables, providing technical advice on reform options and "best-practice" in other countries, and in mobilizing and coordinating support of development partners for the countries' reform programs. With this support from the Center, these revenue authorities have hopefully been able to better structuring their modernization projects and ensure development partners are providing assistance to address critical reform needs. One other country (Kenya) is expected to request similar assistance with its revenue administration modernization efforts shortly, following significant preparatory work with the authorities by the resident advisor. Assistance is also being provided to support a pre-existing reform strategy in Eritrea, with advice and training being provided on new audit strategies and

techniques. Finally, in response to countries' requests and with ACBF sponsorship, a regional workshop on the effective use of information technology in the modernization of revenue administrations will also be delivered in late November, 2003.

Statistics

The Center's assistance on statistical issues has comprised 10 activities, including participation in a significant number of in-country workshops and training events for statistical staff. The work has focused on: 1) the development of short-term indicators on production and prices (Ethiopia, Kenya, Rwanda, Tanzania, Uganda), including quarterly national accounts (Uganda), 2) establishment of business registers to facilitate statistical sampling and to improve survey response rates (Kenya, Ethiopia), and 3) development of a comprehensive strategy for strengthening the legal and institutional infrastructure for statistical systems (Eritrea), and 4) development of a methodology for the compilation of regional national accounts (Tanzania). In addition, assistance has been provided on the use of CPI software developed by the Fund and in improving public accessibility of statistical data (Tanzania), and development of statisticians' skills in data analysis (Zanzibar). Close coordination with other assistance providers has been critical in delivering assistance on statistical issues, especially in Rwanda, Tanzania and Uganda. Finally, the Center's advisor supported a Multi-Sector Statistics mission to Rwanda, undertaking a review of real sector statistics and preparing GDPS tables and metadata on National Accounts.

East AFRITAC 2003 Work Plan
(In person-weeks)

	Long-Term Resident Expert		Short-Term TA	Total
	At Center	In Field		
Central Bank Operations 1/	18	20	28	66
Regional workshops	2	1	6	9
Eritrea	0	3	0	3
Ethiopia	0	1	4	5
Kenya	6	4	12	22
Rwanda	3	6	6	15
Tanzania	5	4	0	9
Uganda	2	1	0	3
Bank Supervision	16	14	24	54
Regional workshops	4	2	9	15
Eritrea	3	1	0	4
Ethiopia	3	4	5	12
Kenya	2	0	4	6
Rwanda	1	1	0	2
Tanzania	3	6	4	13
Uganda	0	0	2	2
Public Expenditure Management	25	19	20	64
Regional workshops	4	2	0	6
Eritrea	5	4	12	21
Ethiopia	3	2	0	5
Kenya	3	4	4	11
Rwanda	6	6	4	16
Tanzania	2	0	0	2
Uganda	2	1	0	3
Revenue Administration	10	33	90	133
Regional workshops	1	2	6	9
Eritrea	1	4	18	23
Ethiopia	2	6	18	26
Kenya	4	7	12	23
Rwanda	1	4	12	17
Tanzania	1	10	24	35
Uganda	0	0	0	0
Statistics	24	19	4	47
Regional workshops	0	0	0	0
Eritrea	4	2	2	8
Ethiopia	4	2	0	6
Kenya	4	3	0	7
Rwanda	4	3	0	7
Tanzania	4	5	2	11
Uganda	4	4	0	8
Total	93	105	166	364

1/ Includes Monetary Operations, Payments Systems, Foreign Reserves Management

Summary of West AFRITAC Interim Work Plan

(September 2003–January 2004)

Following adoption of West AFRITAC's interim work program by the Steering Committee on 12 September 2003, the Center has provided assistance to the beneficiary countries in the areas mentioned below.

Customs Administration

The Center assisted Benin and Niger in an exhaustive evaluation of the customs administrations in these countries in order to strengthen their capacity and improve their performance. The TA missions recommended to the authorities short- and medium-term strategies to enhance revenue mobilization from customs. In Guinea, in accordance with a government's request, the Center assisted in the drafting of a new custom tariff that is in line with the Common External Tariff of the West African Economic and Monetary Union (WAEMU). The new tariff proposal will be tabled before Parliament in March 2004. Areas covered pertain to statistics' nomenclature, the classification of goods, as well as the application of legal and entry taxes.

During the coming months, and owing to similarities in the needs expressed by the customs administration in several countries, a regional seminar is envisaged on the computerization of customs clearance procedures. Specific technical assistance missions that will also allow monitoring and follow up of FAD recommendations are scheduled for Benin (management of conditional relief arrangements), in Guinea-Bissau (to improve control selection) and in Togo (customs clearance procedures).

Fiscal Administration

West AFRITAC assistance in Niger has contributed to defining a strategy to improve fiscal revenue in accordance with existing directives of the WAEMU and to developing an action plan to reinforce effectiveness of the customs and fiscal administrations. Furthermore, the country's fiscal authorities will now have an organization capable of achieving its goals. A better use of computers, combined with strengthened fiscal control, should enable the authorities to reach the revenue targets set and to improve the internal tax income. In Benin, the Center's assistance included an evaluation of progress made in the reforms contained in the action plan established by the fiscal and customs administrations at an FAD mission in September 2002.

Over the coming months, apart from monitoring the implementation of recommendations of previous missions, the Center plans to organize a regional workshop on strengthening the authorities' capacity in the fight against tax evasion and fraud. The event will have 3 components: (i) strengthening tax control; (ii) fight against customs fraud; and (iii) money laundering. Other missions are planned to Burkina Faso (updating the action plan strengthening the capacities of the fiscal administration), Guinea Bissau (establishing a TA

program to assist the authorities in implementing the recommendations of the April 2003 FAD mission and to establish a work program), and Togo (evaluation of TA needs and preparation of an action plan aiming at improving tax administration).

Public Expenditure Management

Support from West AFRITAC consisted of TA missions to Guinea-Bissau to assist the authorities in the preparation of the 2004 budget and to Niger to help monitor implementation of reforms undertaken in 2002 with Fund support. The mission to Guinea-Bissau also provided an opportunity to revise and finalize a TA program that was prepared last June with a view to submitting it to the donor community.

For the immediate period ahead, missions are planned to Burkina Faso (improving budget management) and Benin (public accounting and the financial operations of the State—TOFE). West AFRITAC and ACBF will jointly organize a regional workshop on Fiscal decentralization. This workshop will give training to over 30 participants drawn from the 10 participating countries and allow a wide discussion on the basis of different country cases. Issues that will be discussed include fiscal devolution and its implications for both revenue and expenditure sharing..

Debt Management and Financial Markets

The Center's assistance on debt management and financial markets issues consisted of two missions to Senegal and Mali to evaluate the performance of existing computerized debt management systems, including the debt management software in use in these countries.

Over the coming months, the Center will assist Benin and Guinea in defining the institutional responsibilities for the different agencies involved in debt management. Technical assistance is also planned for Guinea Bissau to help develop an external debt database and Mauritania to undertake a diagnostic of the computerized system of debt management. The Center will field missions and organize seminars to provide assistance covering harmonization of debt management and registration of exhaustive information on debt. These will include in particular (i) treasury bills issuance (Burkina Faso), and (ii) domestic payment arrears (Guinea Bissau). During these missions a comprehensive approach combining the issues of domestic debt management and development of financial markets will be developed and submitted to the authorities of these countries.

Supervision of Micro-Finance Institutions

Regarding micro-finance, the activities of West AFRITAC focused on (i) assistance to the development of a national micro-finance (MF) policy in Senegal ; (ii) the establishment of a "Task Force" to clarify micro-finance policy issues and the need for a strengthened supervisory framework for micro-finance institutions (MFI) in Mali ; (iii) the preparation of a MF regulatory and supervisory framework in Guinea and Mauritania; and (iv) regional co-ordination of the donors that support MF. The Center will also, in the framework of strengthening collaboration with the BCEAO, develop a regional training program to

improve the supervision of MFIs. A regional seminar will give specific attention to the large financial co-operatives.

Statistics

West AFRITAC assisted Guinea with the preparatory work on the GDDS, focusing on the revision of the metadata. Missions are planned for Burkina Faso (extension of the coverage of the TOFE), Mauritania (seminar to sensitize a target population to the GDDS), and Togo (strengthening of the Directorate General of Economy and improving the institutional coverage and quality of the TOFE). A number of activities pertaining to real sector statistics will also be undertaken in collaboration with the Economic and Statistical Observatory for Sub-Saharan Africa (AFRISTAT).

**West AFRITAC Work Plan
September 2003 - January 2004
(In person-weeks)**

	Long-Term Resident Expert		Short- Term TA	Total
	At Center	In Field		
Micro-Finance	14.5	10.0	30.0	54.5
Regional workshops (BCEAO)	4.0	1.0	10.0	15.0
Benin	1.5	2.0	4.0	7.5
Burkina Faso	0.5	1.0	2.0	3.5
Cote d'Ivoire	1.0	1.0	2.0	4.0
Guinee	1.0	1.0	2.0	4.0
Guinee Bissau	1.0	1.0	3.0	5.0
Mali	1.5	0.0	3.0	4.5
Mauritania	1.0	0.0	0.0	1.0
Niger	1.0	1.0	2.0	4.0
Senegal	1.0	1.0	0.0	2.0
Togo	1.0	1.0	2.0	4.0
Revenue Administration	5.5	6.0	4.0	15.5
Benin	1.5	2.0	0.0	3.5
Burkina Faso	0.0	0.0	0.0	0.0
Cote d'Ivoire	0.0	0.0	0.0	0.0
Guinee	0.0	0.0	0.0	0.0
Guinee Bissau	2.0	1.0	4.0	7.0
Mali	1.0	2.0	0.0	3.0
Mauritania	0.0	0.0	0.0	0.0
Niger	1.0	1.0	0.0	2.0
Senegal	0.0	0.0	0.0	0.0
Togo	0.0	0.0	0.0	0.0
Public Expenditure Management	5.0	6.0	12.0	23.0
Benin	0.5	1.0	0.0	1.5
Burkina Faso	0.0	0.0	0.0	0.0
Cote d'Ivoire	0.5	1.0	2.0	3.5
Guinee	0.0	0.0	0.0	0.0
Guinee Bissau	1.0	1.0	4.0	6.0
Mali	0.0	0.0	0.0	0.0
Mauritania	0.5	0.0	1.0	1.5
Niger	2.5	3.0	5.0	10.5
Senegal	0.0	0.0	0.0	0.0
Togo	0.0	0.0	0.0	0.0

West AFRITAC Work Plan (concluded)
September 2003 - January 2004
(In person-weeks)

	Long-Term Resident Expert		Short-Term TA	Total
	At Center	In Field		
Customs Administration	19.0	11.5	26.0	56.5
Benin	4.5	2.5	5.0	12.0
Burkina Faso	1.0	1.0	2.0	4.0
Cote d'Ivoire	2.0	2.0	4.0	8.0
Guinee	2.5	1.0	1.0	4.5
Guinee Bissau	4.0	2.0	8.0	14.0
Mali	1.0	1.0	0.0	2.0
Mauritania	1.0	0.0	2.0	3.0
Niger	2.0	1.0	2.0	5.0
Senegal	0.0	0.0	0.0	0.0
Togo	1.0	1.0	2.0	4.0
Debt Management	10.0	7.0	11.0	28.0
Benin	0.0	0.0	0.0	0.0
Burkina Faso	0.0	0.0	0.0	0.0
Cote d'Ivoire	0.0	0.0	0.0	0.0
Guinee	3.0	3.0	4.0	10.0
Guinee Bissau	3.0	2.0	4.0	9.0
Mali	2.0	0.0	1.0	3.0
Mauritania	1.0	1.0	1.0	3.0
Niger	0.0	0.0	0.0	0.0
Senegal	1.0	1.0	1.0	3.0
Togo	0.0	0.0	0.0	0.0
Statistics	9.0	5.0	8.0	22.0
Benin	0.0	0.0	0.0	0.0
Burkina Faso	3.0	3.0	0.0	6.0
Cote d'Ivoire	0.0	0.0	0.0	0.0
Guinee	1.0	1.0	1.0	3.0
Guinee Bissau	0.0	0.0	0.0	0.0
Mali	1.0	0.0	0.0	1.0
Mauritania	0.0	0.0	6.0	6.0
Niger	1.0	0.0	0.0	1.0
Senegal	1.0	0.0	0.0	1.0
Togo	2.0	1.0	1.0	4.0
Total	63.0	45.5	91.0	199.5