REGIONAL TECHNICAL ASSISTANCE CENTER FOR SOUTHERN AFRICA

AFRITAC South

PHASE III (FY24-FY28) PROGRAM

AFRITAC South is an IMF initiative supported by the following member countries and development partners:

Angola

Botswana

Comoros

Eswatini

Lesotho

Madagascar

Mauritius

Mozambique

Namibia

Seychelles

South Africa

Zambia

Zimbabwe

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List of Abrreviations

AfCFTA	African Continental Free Trade Area
AFS	IMF's Regional Technical Assistance Center for Southern Africa—AFRITAC South
AUC	African Union Commission
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATAF	African Tax Administration Forum
ATI	African Training Institute
BCBS	Basel Committee on Banking Supervision
CABRI	Collaborative African Budget Reform Initiative
CD	Capacity Development
CDMAP	Capacity Development Management and Administration Program
CMI	COMESA Monetary Institute
COMESA	Common Market for Eastern and Southern Africa
CES	Country Engagement Strategy
CPI	Consumer Price Index
CPSS	Committee on Payment and Settlement Systems
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FAD	IMF's Fiscal Affairs Department
FCDO	Foreign, Commonwealth and Development Office of UK
FCS	Fragile and Conflict-affected States
FMI	Financial market infrastructure
FY	Fiscal year, begins on May 1
GFS	Government Finance Statistics
GFSM	GFS Manual
HFI	High Frequency Indicator
HQ	Headquarters
ICD	IMF's Institute for Capacity Development
IMF	International Monetary Fund
IOC	Indian Ocean Commission
IOSCO	International Organization of Securities Commissions
LTX	Long-term Expert
LEG	IMF's Legal Department
MCM	IMF's Monetary and Capital Markets Department
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MTFF	Medium-term Fiscal Framework
PFM	Public Financial Management
PFMI	CPSS-IOSCO Principles for Financial Market Infrastructures
PIMA	Public Investment Management Assessment
PPI	Producer Price Index
QNA	Quarterly National Accounts
RA	Resident Advisor
RBM	Results-based Management
RBS	Risk-based Supervision
RCDC	Regional Capacity Development Center
RHI	Regional Harmonization and Integration
RTAC	Regional Technical Assistance Center
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SC	Steering Committee
SNA	System of National Accounts
SOE	State-owned Enterprise
SSA	Sub-Saharan Africa
STA	IMF's Statistics Department
STX	Short-term Expert
TA	Technical Assistance
WEO	World Economic Outlook

Section I--Executive Summary

This program document makes the case for a third five-year phase, starting May 2023,[1] for the Regional Technical Assistance (TA) Center for Southern Africa (AFRITAC South or AFS). It highlights AFS member countries' progress during Phase II and proposes priorities for Phase III, which aim to consolidate progress into sustainable outcomes and undertake new reforms for a strong and inclusive recovery from the COVID-19 pandemic. It reflects feedback from beneficiaries[2] of AFS Capacity Development (CD), external financial partners, and regional bodies. It benefited from Phase II's mid-term external evaluation completed in March 2022 and an assessment by AFS of its CD traction. The work program, developed in consultation with IMF's functional departments, draws from surveillance and program discussions conducted by country teams with the authorities and is consistent with the African Department's Medium-Term Regional Strategy for Capacity Development. It reflects local realities, including political economy considerations that influence reform appetite and pace, and vulnerabilities to shocks such as climate. The program is consistent with the IMF's strategy for Fragile and Conflict-affected States[3] (FCS) [approved in 2022]. The engagement strategy for phase III rests on the hybrid delivery model, with a view to improving quality and traction of services and reducing delivery cost.

Phase II aimed to help members progress towards the Sustainable Development Goals and the Financing for Development agenda. However, two and half years into the phase, the COVID-19 pandemic hit and triggered a large output contraction, higher inequality, weaker revenue collection, and rapid increases in public spending, debt, and inflation. AFS countries shifted priorities to set up business continuity plans to collect statistics, sustain revenue mobilization, and supervise financial sector amidst social distancing, boost capacity to execute spending programs to protect lives and livelihoods, enhance resilience to health and climate shocks, keep in check public debt, and ensure the sound functioning of the financial sector. Civil society demanded more transparency and accountability in the execution of spending programs. AFS responded by channeling IMF HQ advice to help countries withstand the shock while reprioritizing resources to meet new demands. Reflecting travel restrictions and the need to protect stakeholder's health, AFS CD were executed remotely. The remote modality enabled the delivery of more CD with less budget resources, but its implementation showed it cannot replace in-person engagement in some specific workstreams and especially in FCS.

The external evaluation of AFS makes the case for scaling up the center's CD and suggests options to enhance its operational efficiency. The external evaluation concluded that AFS performance has improved in phase II relative to phase I. It emphasized the need to consolidate gains and called for leveraging innovations to boost resilience to a larger gamut of risks to macroeconomic stability. Other evaluations, including by bilateral donors such as the Foreign, Commonwealth and Development Office of UK (FCDO), suggested a more deliberate consideration of countries' political economy in formulating AFS workplan. Against this backdrop, Phase III aims to promote a smarter, more inclusive, and greener post COVID-19 recovery. Under Phase III, AFS will help its members adopt digitalization and data innovations to improve the accuracy of policy implementation, enhance the transparency of government operations and reduce corruption vulnerabilities, unleash productivity enhancements from gender equality, and boost resilience to climate and pandemic shocks. CD to priority countries[4] is projected to increase, in line with the IMF new Strategy for FCS and the 2018 CD review. AFS will continue to support members countries' regional integration agenda, including by seeking more opportunities for joint initiatives. It will adopt the hybrid mode of engagement to enhance CD value for money, while retaining in-person engagement where needed.

The AFS Phase III envelope is estimated at around $59 million, with $48 million from donors and $8 million from Mauritius (host country) and from other member countries. The remaining $3 million will be provided by the IMF. CD delivery will account for around 95 percent of the total program budget. This budget will allow the center to increase the volume of CD and support the participation of over 5,000 government officials to AFS workshops. This program document makes a case for hiring additional resident advisors to coordinate the provision of CD in priority areas (governance and corruption, nowcasting, and debt management).

[1] Phase II started on August 1, 2017 and was supposed to end on April 30, 2022. It has been extended by one year to April 30, 2023.
[2] Ministries of finance, revenue authorities, central banks, regulatory authorities of financial institutions, and statistics agencies.
[3] FCS in AFS region includes Comoros, Madagascar, and Zimbabwe.
[4] FCS, underserved countries, and countries implementing an IMF-supported program.

The governance structure will be enhanced with the inclusion of a mid-year Steering Committee (SC)[5] review, in line with the recommendation of the mid-term evaluation. As illustrated by the sudden and profound changes in countries' priorities to respond to the pandemic, there is a need for more frequent consultations with the SC to seek its guidance when the circumstances of CD provision change drastically. The proposed mid-year SC review will help address this need, while other features, which served the center well, remain. AFS will keep inviting CD recipients and nonmembers to participate as observers in SC meetings to ensure a fuller understanding and coverage of relevant developments. These include regional and international organizations willing to work together and provide their expertise to help formulate and implement reforms in macro-critical areas where the IMF does not have expertise. The center director and resident advisors (RAs)[6] will boost coordination efforts, including with financial partners and other CD providers, to minimize overlaps. Ensuring partner visibility will remain a priority. Phase III will benefit from the new capabilities brought by the Capacity Development Management and Administration Program (CDMAP) to enhance the monitoring and evaluation of CD and help manage member countries' CD demand. The center will be guided by the updated IMF Regional Technical Assistance Center (RTAC) handbook, which integrates the impacts of CDMAP and of the 2018 CD review on Regional Capacity Development Centers' operations.

The report features seven sections: Section II presents the case for scaling up CD support to the region. Section III proposes an action plan to implement the recommendations of the external evaluation. Section IV discusses the strategic priorities for Phase III. Section V reviews the key risks and discusses mitigation strategies. Section VI discusses options to enhance AFS governance and operations, coordination, and communication with financial partners. Section VII presents the budget and financing strategy of Phase III. The report has four information annexes with data to contextualize the discussions and offer detailed information on the work plans.

Section II—The Case for Scaling Up CD Support to the Region

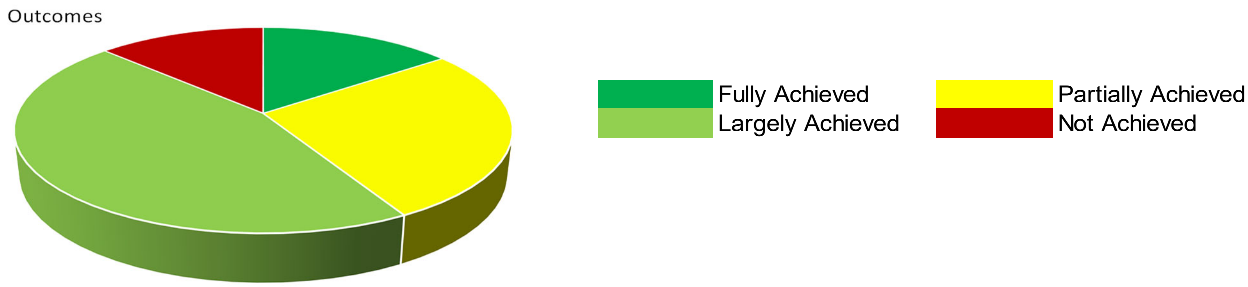
A. Consolidate Phase II Achievements

Sustaining the reform momentum is necessary to consolidate Phase II gains. Most countries made notable progress during Phase II across workstreams (Figure 1 and Annex 1). Achievements, defined as high-level results or impacts, indicate the progress towards targeted outcomes and objectives, as defined in the IMF's results-based management (RBM) framework. Member countries progressed towards the adoption of good international practices, updated methodologies, principles, and regulatory frameworks to improve reporting. However, with the outbreak of the COVID-19 pandemic, AFS countries have been shifting their attention and resources away from these reforms. Governments focused on securing financing to support the execution of enlarged and reprioritized spending programs to save lives and livelihoods. After a lull on the delivery of CD during the early weeks of the pandemic, member countries approached AFS with new demands focused on crisis management and recovery. With the reduction of the uncertainty on the COVID-19 pandemic and the introduction of vaccines, the authorities are considering resuming efforts to complete the reforms initiated before the COVID-19 pandemic. Accordingly, demand for CD has increased, reflecting the addition of postponed demands linked to pre-pandemic reforms to post-COVID-19 demands and to the challenges arising from the war in Ukraine. The extension of Phase II by one year will enable achieving the remaining milestones, make further progress on outcomes, and offer member countries a steppingstone to consider new reforms to modernize their macroeconomic framework and to cushion their economies from external shocks as the ongoing conflicts.

[5] Comprised of representatives of the 13 member countries, IMF staff, and development partners, including regional organizations.

[6] Resident advisors are also called long-term experts (LTXs).

Figure 1. Status of Outcomes as of April 2022



Source: CDMAP

Scaling up CD will help improve women' and FCS' access to AFS training. AFS training program remains highly valued by member countries with an average rating of 4.6 out of 5 for the training activities—seminars, workshop, courses, orientation programs for new recruits, and other peer learning activities—organized in FY18-FY22. The training program allowed around 4,235 government officials from the region to improve their knowledge and capacity in core macroeconomic areas (Table 1). AFS workshops are designed to reinforce government officials' skills and support the understanding of TA missions' recommendations and therefore support members' CD program and reform momentum. These workshops, which are particularly important for countries with weaker capacity, help improve traction and generate demands for more advanced CD. However, women's attendance to these courses was low, while FCS's participation to virtual training was impaired by unstable connectivity. With the hybrid model that will combine in-person and virtual training, AFS will increase the number of workshops offered and will redouble efforts to reach more women, including from FCS. AFS will partner with the resident representative offices in FCS to improve attendees' connectivity during training. The project to provide CD to the central bank of Madagascar developed during the extension period of Phase II will offer lessons for the design of measures to promote women and FCS access to AFS learning programs in Phase III.

Table 1. Training Delivered in Phase II 1\

FY 18 to FY22			
Funding Program	Total	Female	Male
BSR	793	279	513
CADM	307	144	164
FMIF	399	173	226
ICD	280	97	183
MFXMO	487	174	313
PFM	1,077	404	672
RSS	568	193	376
TADM	319	134	185
FFL	5	2	3
Total participants	**4,235**	**1,600**	**2,635**
Fragile countries	839	276	563
Share of Total	***20%***	***17%***	***21%***

1\ Excluding customized workshops held during TA missions. Most AFS TA missions include tailored (1/2 day - 2 days) workshops.
BSR-Banking Supervision and Regulation; CADM-Customs Administration, FMIF-Financial Market Infrastructures and Fintech; ICD-IMF's Institute for Capacity Development (courses); MFXMO-Money and Foreign Exchange Market Operations; PFM-Public Financial Management; RSS-Real Sector Statistics; TADM-Tax Administration; and FFL-Financial and Fiscal Law.

B. Support a Smart Recovery and Help Tackle Program Risks

The COVID-19 pandemic and the war in Ukraine will impair durably the region's macroeconomic performance. The COVID-19 pandemic is affecting the region more severely than other regions in Africa. As of April 29, 2022, AFS members represented 15 percent of Africa's total population, 64 percent of COVID-19 infections, and 73 percent of COVID-19 deaths on the continent (Figure 2). The ensuing economic damage has derailed the growth trajectory of AFS members, and output volatility—empirically negatively correlated to economic growth—peaked in 2020 and is projected to persist until 2026 (Figure 3). The uncertainty linked with the variants of COVID-19 has also heightened the risk of long-term economic scarring for AFS members. The degree of economic scarring is reflected by the output losses. With the conflict, 10 out of the 13 of AFS members are expected to reach pre-pandemic GDP per capita level by or after 2024 (Table 2). As is the case for other regions in Africa, the projected slow recovery is predicated on the limited access to vaccines[7] and the spillover effect from the conflict—mainly the elevated inflation outlook (Figure 4).

Panel Chart: The COVID-19 Pandemic and Its Impact on the AFRITAC South Region (As of early 2022)

Figure 2. Covid-19 infection and deaths in AFS relative to SSA

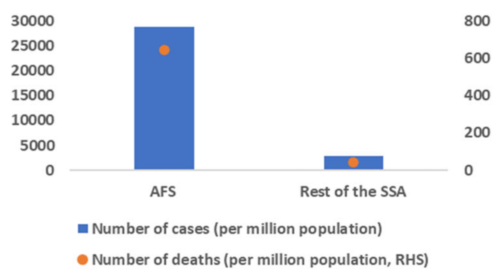


Figure 3. Output Volatility across AFS members

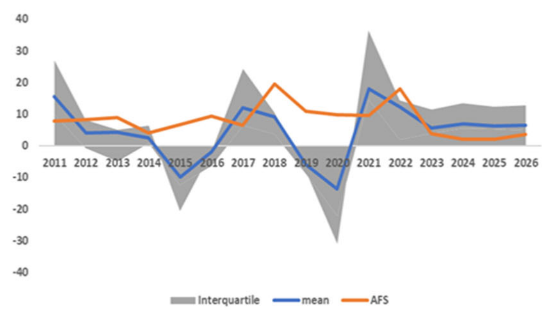


Figure 4. Inflation outlook, AFS members (average 2022-2024 inflation rate)

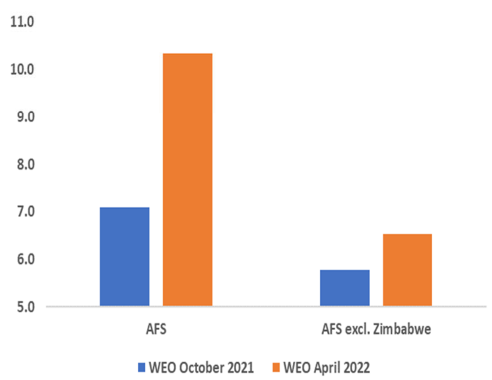


Table 2. Time to reach pre-pandemic GDP

Countries	Population (millions, 2022)	GDP per capita, 2022 (Purchasing Power Parity, 2017, International dollar)	Time to reach pre-pandemic 2019 GDP per capita level[1]
Angola	32.9	6,303.5	Post-2026
Botswana	2.5	16,519.3	2022
Comoros	1.0	2,873.8	Post-2026
Eswatini	1.2	8,917.3	2022
Lesotho	2.1	2,598.6	Post-2026
Madagascar	29.0	1,522.6	2024
Mauritius	1.3	21,449.6	2024
Mozambique	33.1	1,232.3	2024
Namibia	2.6	8,948.9	Post-2026
Seychelles	0.1	30,210.9	2022
South Africa	61.1	13,157.0	Post-2026
Zambia	20.0	3,234.5	Post-2026
Zimbabwe	15.8	2,161.0	2024

[1]Based on GDP per capita projections, World Economic Outlook April 2022

Source: IMF, WEO April 2022

Phase III will be launched when most countries are implementing a Fund-supported program. The authorities are seeking support to recover from the pandemic and boost their economies' resilience to pandemics, climate change, corruption, and inequalities. Achieving these objectives will necessitate large financial resources and all countries in the region requested financial support from the IMF and most would still be implementing a Fund-supported program during Phase III.[8] Many AFS countries also benefited from debt reliefs under the Debt Service Suspension Initiative[9]. Countries that have not received financial support from the IMF are holding with it surveillance discussions. Many programs include commitments from the authorities to do reforms to boost resilience to

[7] Only about 7.5 out of 100 had been fully vaccinated in Africa (WHO Covid-19 Dashboard January 20, 2022).
[8] At the inception of Phase II in 2018, only one country had a program with the IMF.
[9] Beneficiary AFS countries include Angola, Comoros, Lesotho, Madagascar, Mozambique, and Zambia.

pandemics and address corruption vulnerabilities in the management of emergency funds and public resources, more generally. Given the urgent needs, disbursements were not conditioned on delivering on these commitments. The authorities will need capacity development support to deliver on these commitments.

Supporting the region's recovery and countries' programs will necessitate a diverse set of CD services and engagement strategies. AFS countries feature different characteristics and include oil exporting countries, non-resource intensive countries, other commodity exporting countries, and small island countries. Countries in fragile situations and low-income countries within the AFS group, notably Comoros, Zimbabwe, and Madagascar are projected to face significant headwinds to growth as they rebuild a social consensus dented by conflict or political turmoil and the impoverishment of population and inequalities that resulted from the COVID-19 pandemic. Small Development States (Mauritius, Seychelles, Eswatini, Comoros) are more vulnerable to macroeconomic volatility because of their narrow production and export bases and constraints on institutional and human resource capacity. Their financial sector is shallower, making them more vulnerable to AML/CFT risks. They are also more vulnerable to climate change. The diversity in economic and social circumstances means a diversity in program objectives and CD needs. For each country, the recovery from the COVID-19 will necessitate tailored support.

Table 3. AFS Member Country Groupings

	AGO	BWA	COM	SWZ	LSO	MDG	MUS	MOZ	NAM	SYC	ZAF	ZMB	ZWE
Member Country Groupings													
Fragile situation													
Low-income													
Middle-income													
Oil exporting													
Other resource intensive													
Non-resource intensive													
Small islands													

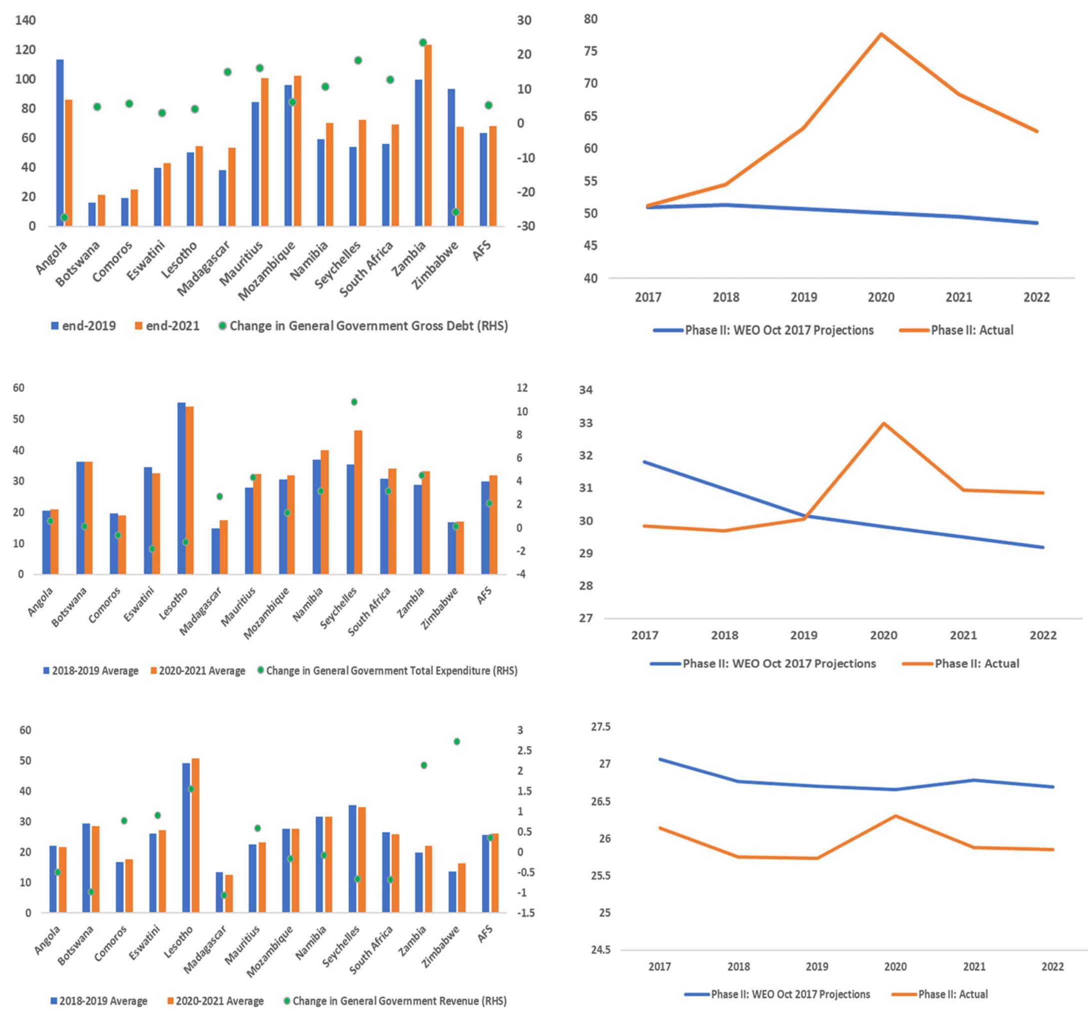
Source: AFS Staff

Ongoing reforms need to be finalized to address longstanding fiscal vulnerabilities amplified by the pandemic and the conflict. Greater emphasis is needed on maintaining CD support to address the region's fiscal trilemma (PFM, revenue mobilization and debt) and monetary and FX market operational challenges, including by leveraging work on growth areas (Figure 5). PFM reforms to enhance transparency and the quality of public spending will continue to be critical just like recovering the ground lost on domestic revenue mobilization to the COVID-19 pandemic. AFS countries also need to revisit public spending envelopes, which have been inflated during the pandemic. They will need support as they implement the outcomes of discussions between local stakeholders to rationalize public spending and bring down to a sustainable path the consequent higher public debt level. Member countries have already requested AFS CD on debt management.

The contraction in economic activity, rising inflation, and the weak recovery will strain households' and firms' balance sheet and affect the financial sector. The authorities will need to buttress the supervision of the banking sector and of the financial market infrastructure (FMI) to ensure the economic recession does not translate into a financial crisis. In addition, the authorities will need to strengthen monetary policy frameworks to ensure monetary policy implementation remains well coordinated with budget execution and able to address the global inflationary pressures. Addressing these vulnerabilities will require continued work to enable statistical apparatuses to provide accurate high-frequency indicators of economic activity, including GDP and its position over the cycle and prices.

Adopting internet- and data-based innovations will help reduce macroeconomic risks and vulnerabilities. As suggested by the discussion during the last three Steering Committee meetings and stakeholders' responses to AFS annual questionnaires, the risks and vulnerabilities that are holding back growth and macroeconomic stability in the region include gender inequality, lack of transparency and corruption, natural disasters from climate change, and debt overhang. The region is particularly vulnerable to climate change risks. Gender inequality, which is pervasive in the region, is constraining productivity and economic potential. In addition, the larger post-COVID-19 spending envelope, executed sometimes through exceptional procedures, bolster the case for reducing corruption vulnerabilities. The authorities have also flagged, including through responses to a recent specific questionnaire, the need for support on debt management. The COVID-19 pandemic has unveiled the authorities' needs for CD on high-frequency indicators and modeling to improve the assessment of the economy and support real-time policymaking. The COVID-19 pandemic has also shown how data- and internet-based innovations can improve transparency and the efficiency and quality of government services.

Figure 5. Fiscal Trilemma for AFS Members



Source: IMF, WEO Oct 2017, WEO April 2022.

C. Support Member Countries' Global and Regional Agendas

The COVID-19 pandemic has also shown the importance of regional collaboration and coordination of policies. Indeed, the rapid spread of the pandemic across frontiers demonstrated how vulnerable AFS countries are to regional spillovers. AFS will continue to support member countries' regional harmonization and integration agendas. This will require bolstering cooperation with regional organizations and other development partners, including WB, AfDB, COMESA, SADC, SACU, with other regional CD centers, including CMI, MEFMI, and CABRI, and with IMF regional CD centers operating in SSA. AFS will coordinate with ATI to facilitate the annual delivery to SADC officials of the course on multilateral surveillance. Finally, as Phase III will coincide with the implementation of the African Continental Free Trade Area (AfCFTA), AFS tax and customs workstream will provide CD to countries to help countries manage the potential decline in revenue in the early stages of the implementation of this landmark trade accord. AFS support on financial market infrastructure will be handy for member countries as they roll out the new Pan-African Payment and Settlement System, which will facilitate intra-regional trade and payments by enabling the real-time transfer of funds from one African country to another. Governance challenges from their regional progress will need to be weighed, in consultation with the authorities. The planned AFS regional conference on illicit trade flows for SADC will discuss some of these challenges.

Box 1. AFS Support Towards Regional Harmonization and Integration (RHI) Objectives

AFS has been supporting the RHI objectives of SADC, SACU, and COMESA. RHI objectives include macroeconomic convergence, revenue mobilization, fiscal surveillance, harmonization of tax regimes, trade facilitation and border management, benchmarking against international practice in banking supervision, payment systems and fintech, and macroeconomic statistics.

Closely linked to the RHI objectives are AFS supports aimed at

- improving macroeconomic surveillance. AFS has supported CD tailored for SADC officials in core topics, including macroeconomic analysis, corporate governance, and illicit trade. These events aim to support the peer-review surveillance of the SADC Macroeconomic Convergence (MEC) program
- helping meet revenue and debt targets with CD aimed at improving revenue collections and debt management. Support aimed at revenue mobilization include strengthening of tax audit and compliance, facilitating filling of taxes, containing tax arrears, improving customs clearance procedures, and putting in place business continuity plans during the COVID-19 pandemic. The center's work on public financial management continues to support members countries' efforts at strengthening debt management using IMF tools, carrying out debt sustainability analysis, integrating cash and debt management functions, and developing/updating debt strategies
- improving monetary policy operations and developing/strengthening banks' regulation and supervision frameworks through CD on forecasting and policy analysis, communication, market development, legal/ prudential regulations for risk management, governance framework, macroprudential oversight, and efficiency of national payments systems
- improving real sector statistics through CD on updated methodologies, rebasing and back-casting national accounts, introduction of producer price index and residential property price index. The center has been working closely with COMESA to organize workshops for officials in the region to facilitate achievement of COMESA's work on statistics.

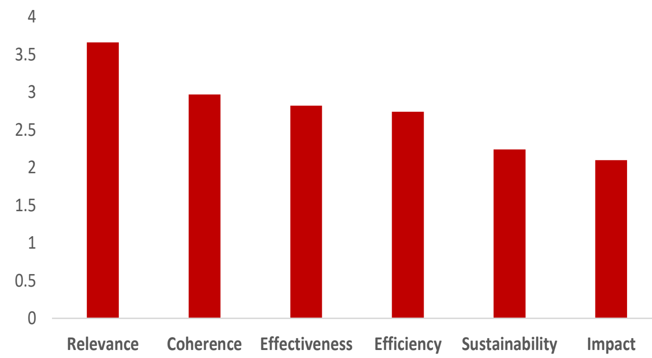
AFS outreach strategy will continue to include regular consultations with regional bodies to better assess evolving CD requirements for RHI objectives. The strategy will include bilateral meetings by resident advisors during missions, participation of resident advisors in regional conferences and high-level events hosted by regional organizations, annual surveys, and meetings of the center Director during country visits and annual and spring meetings of the IMF. CD services going forward will include more joint activities with other IMF regional Capacity Development Centers (RCDCs) and external regional organizations on topics of common interest, including those highlighted in Section IV below on 'Strategic Priorities for Phase III".

Section III--Recommendations of the External Mid-Term Evaluation and Implementation Action Plan

The mid-term external evaluation of AFS Phase II is positive. The evaluators found that AFS performance has improved in phase II and provides a strong business case for expanding AFS' operations. Figure 6 shows the individual scores per DAC criteria for the evaluation at CD level. Within the six DAC criteria, the evaluation is particularly upbeat in terms of the relevance of the CD activities. In terms of efficiency, effectiveness and coherence, the results point to a good performance. The results for impact and sustainability are however modest or average. Evaluation at the entity level provided insights on the strengths and areas for improvement for the proposed objective to expand the center's operations

The evaluation team reached 12 cross-cutting conclusions and a related set of recommendations.[10] This program document includes an action plan for enacting these recommendations, in consultation with IMF HQ (Annex III). The recommendations at the CD level and at the entity level are summarized below:

Figure 6. AFS Program Average scores by DAC criteria (out of 4)



Recommendations at the CD level

- Explore an increase of AFS budget in phase III and review the composition of budget allocations per funding program. This includes special provision for new areas and an increase in the annual provision for the strategic budget reserve
- Update and regularly review the outcomes and milestones of the AFS RBM log-frame, introducing new ones, if justified (like those on new topics that will require new baselines and targets)
- Build on efficiency gains to reduce unit costs
- Define new outcomes and milestones in the RBM framework that will justify the budget supporting the implementation of CD services on the new topics
- Do ex-ante country-based local capacity assessments upfront before engaging in CD activities.

Recommendations at the Entity level

- Adopt a mid-year SC program review, in addition to the annual meeting, and consider participation from Planning, Tax and Customs, Statistics agencies and relevant regional bodies
- Ensure a clear timeline for long-term experts (LTXs) to keep updating the ratings in the RBM logframe, keep cleaning the RBM logframe and refining resource data requirements in its integration with CDMAP, and clarify criteria to justify the DAC ratings of impact and efficiency
- Issue and monitor new procedures aimed at ensuring advanced, timely, and effective recruitment of LTXs by IMF-HQ, led by back-stoppers
- Continue creating a wider pool of IMF experts, making special efforts to include more regional LTXs and STXs from SSA, and, in particular, women
- Organize national conferences on new topics, so that they are not perceived as donor-imposed in the national consultations of Phase III, while IMF continues building a roster of experts on new topics where RTAC's technical expertise seems to be limited
- Organize regular CD briefings meetings with donors, defining ex-ante and per workstream the chair of those meetings, who could be either the local IMF Resident Representative or a leading development partner which has a significant program in that area
- Define in-person/virtual mission ratios per workstream in future annual work programs and, as an incentive, reprogram cost-savings per year to their new activities

Annual reviews and independent assessments by donors also provided important strategic guidance. Independent evaluations by donors through Phase II have assessed AFS interventions as positive for countries to achieve desired macroeconomic outcomes and objectives. In addition to the independent mid-term external evaluation, some of the center's activities have been assessed annually through Phase II by the FCDO. FCDO's 2018-2020 annual assessments have rated high (A) the center's role in supporting "Member countries improve revenue administration and economic management through tailored support to government institutions *to design and implement economic reform plans effectively".*

[10] Information annex III provides the key conclusions and recommendations.

Section IV-- Phase III Strategic Priorities

Phase III will aim to help member countries achieve a smarter, more inclusive, and greener recovery and tackle vulnerabilities. AFS will provide to its members tailored CD to finalize structural reforms initiated under previous phases and undertake a new generation of reforms aligned with countries' updated priorities. Phase III's objectives will be achieved thanks to a five-pillared strategy that will (i) improve governance and combat corruption, (ii) reduce gender inequality, (iii) bolster resilience to climate change, (iv) digitalize government services, and (v) address data and modeling gaps. The center will focus its assistance on the authorities' reform priorities in areas where the IMF has a mandate and will be guided by IMF policy documents and guidance (e.g., New Framework for Enhanced Engagement on Governance and Corruption Issues, IMF Strategy on Gender, New IMF Strategy on Climate, IMF strategy on FCS, etc.). Most of the CD under these five priorities will cut across existing AFS workstreams, and most work under AFS existing workstreams can be traced back to at least one of these five priorities. However, there are areas where the Fund deepened its expertise recently that will be covered by a new workstream. This is the case for some specific CD activities to improve governance and reduce corruption that cannot be covered under AFS existing workstreams (e.g., legal aspects of governance). Likewise, CD in IMF traditional areas prioritized by the region's authorities with the COVID-19 pandemic will necessitate setting up new workstreams. This is the case for debt management and for capacity to integrate and explicitly model risks in macroeconomic frameworks, hone economic forecasting, and develop high frequency indicators.

Under Phase III, CD to countries in fragile situation will increase and will be guided by the 2022 Fund's Strategy for FCS. AFS support will be anchored to Country Engagement Strategies (CES) to ensure CD is delivered with a medium-term perspective rather than one-off interventions and the content of the CD is tailored to the type of fragility (e.g., high institutional and social fragility, medium- or high-intensity conflict, external conflict-related spillovers). AFS will also seek to increase the flexibility in delivery and prioritization, strengthen the integration of its CD with lending or surveillance, and improve coordination with in-country resident advisors. The center will seek to boost collaboration with partners and agree with them a division of labor that reflects mandates, core competencies, and comparative advantages. Finally, alongside the country teams, the center will aim to facilitate the coordination of CD services from different IMF functional departments and reverse incentives for resident advisors to work in silos. With this strategy in mind, the center will aim to increase gradually the CD to its FCS from 30 percent on average during Phase II to 40 percent on average during Phase III.

AFS views virtual engagement not only as a temporary replacement for in-person delivery but as an integral part of a blended, flexible, integrated CD strategy to support member countries. AFS will go hybrid in Phase III and will choose delivery modalities to maximize impact, minimize costs, and safeguard the health and well-being of stakeholders of its CD. Accordingly, CD will be delivered in-person, virtually (asynchronous and synchronous), or with a mix of these modalities. Resident advisors will be entrusted with selecting the engagement strategy, in consultation with the authorities and their HQ backstoppers. The diversification of engagement vehicles will facilitate follow up missions, including training to facilitate the implementation of missions' recommendations. The blended approach will also allow AFS to meet growing demand for its CD delivery, without a large expansion of resources, thereby also contributing to a more environmentally friendly operational model. The center will seek to leverage the blended approach to CD to intensify its support to FCS. This approach will help reduce costs and increase the center's reach as suggested by the mid-term external evaluation.

A. The BIG5

Governance and Corruption	Gender Equality	Climate Resilience	Digitalization	Data and Modeling Gap

The macro-critical importance of governance and transparency, gender biases, climate resilience, digitalization of government services, and data gaps is strongly supported by recent studies. Studies and survey results (Box 2-6) show high potential payoffs in terms of growth, job creation, productivity, protection of assets and human lives, revenue mobilization, quality of public services, and women empowerment from policy measures in these workstreams. With most AFS countries ranking poorly in these areas, the ensuing larger marginal impacts strengthens the case for investing in these reforms. As instructed by the IMF Managing Director, the center will coordinate with external partners for macro-critical reforms in areas where these partners enjoy a comparative advantage and possess the technical expertise.

A1. Improving Governance and Transparency

AFS will increase support aimed at improving fiscal governance and reducing corruption to enhance value for money of spending programs and revenue mobilization. Within the PFM area, the center's TA, training, and peer learning initiatives on infrastructure governance, financial oversight of state-owned enterprises (SOEs), fiscal decentralization, budget transparency (forecasting and reporting), debt transparency, fiscal risks analysis and management, and wage bill and pension management remain highly relevant to improve fiscal governance and transparency and to address fiscal vulnerabilities. AFS will encourage member countries to have fiscal transparency evaluations in support of the work on governance. Improving governance structures in revenue administrations will help tackle tax evasion and strengthen compliance for increased revenue mobilization. The center will continue to prioritize CD towards improving leadership and management, tax compliance and audit, border management, intelligence works, valuation, post control audit, transfer pricing, data matching, and risk management.

Reinforcing CD on financial sector oversight, FMI, and AML/CFT frameworks will strengthen governance and reduce corruption vulnerabilities. The center will continue to support enhancements in risk-based supervision framework (RBS), including macro-prudential supervision in select countries, Basel II/III reforms, management of cyber risks and FX operations, and improvement in monetary policy communication. As outlined in the IMF's Strategy for Enhanced Engagement on Governance and Corruption issues, several aspects of the support provided to central banks help improve governance and reduce corruption. This is especially important in the context of large emergency financing to finance spending executed outside of regular budget processes. AFS will deliver new CD to develop and implement enhanced regulatory frameworks for corporate governance, in line with international standards and practice. Much of this strand of CD in fragile countries will take the form of training on international standards and practice and support to undertake regulatory framework self-assessments.

Work on governance and corruption will draw from country-driven programs and include legal aspects. The center will support HQ missions deliver governance assessment diagnostics. AFS will follow up with the authorities to ensure recommendations formulated in governance assessments supported by the IMF are implemented. The center will start by extending support to Zimbabwe and Mozambique to implement the recommendations of the Fund's January 2020 report on 'Governance and Anti-Corruption Assessment' and the August 2019 'Diagnostic Report on Transparency, Governance and Corruption', respectively. Likewise, in the context of the COVID-19 emergency assistance, many members have committed to governance reforms to improve transparency and accountability. AFS will support member countries in the implementation of these reforms and reforms envisioned to enhance transparency in the use of emergency financing. Most of the latter reforms fall under the legal aspects of governance that were not covered by the center.

Box 2. Governance and Corruption –Recent Studies

- Moving the average SSA country governance level to the global average could increase the region's GDP per capita growth by about 1-2 percentage points—A Governance Dividend for Sub-Saharan Africa (SSA), January 2019 by Amine Hammadi, Marshall Mills, Nelson Sobrinho, Vimal Thakoor, and Ricardo Velloso,

- Over half of the African citizens believe that corruption was on the rise in their countries, and governments were not putting enough effort–Transparency International and Afrobarometer (2019),
- African Union Commission (2019): corruption is the major obstacle to domestic resource mobilization,
- On average, government revenues are significantly lower in countries perceived to be more corrupt IMF (2019),
- Over the last five decades, Africa is estimated to have lost a cumulative amount of over US$1 trillion in illicit financial flow (IFF) (Kar & Carwright-Smith, 2010; Kar & Leblac, 2013)
- A recent IMF book reviews the multifaceted governance challenges sub-Saharan Africa is facing (Good Governance in sub-Saharan Africa: Opportunities and Lessons, ed. by Newiak, Segura-Ubiergo, and Wane).

A2. Tackling Gender Biases

The center will support actions to reduce gender gaps through tailored CD in collaboration with ATI, HQ, UN Women, and other partners. The positive impact of female empowerment on growth, economic diversification, social and financial stability, and private sector performance is widely documented (Box 3). In view of member countries' interest in policy levers to make the recovery an inclusive one, AFS CD services will focus on gender budgeting, financial inclusion, fintech, and gender macroeconomics. The center will redouble efforts to increase female participation in courses and seminars and the pool of female experts from the region. Across workstreams, selected deliverables can be traced back to supporting gender equality. Resident advisors will prioritize CD demands that contribute to reducing gender gaps. AFS will also work with ATI and ICD to ensure access of the region's government officials to the course on gender being finalized by ICD.

Box 3. Gender Empowerment—Recent Studies

- Disparities in access to education, health care, and finance and technology shrinks the pool of talent available to employers (Kochhar, Jain-Chandra, and Newiak 2017). The result is lower productivity and lower economic growth. The losses to an economy from economic disempowerment of women estimated to range from 10 – 30 percent of GDP

- Per capita income growth in SSA could be higher by as much as 0.9 percentage points on average if inequality was reduced to the levels observed in the fast-growing emerging Asian countries (Inequality, Gender Gaps and Economic Growth: Comparative Evidence for SSA (Dalia Hakura, Mumtaz Hussain, Monique Newiak, Vimal Thakoor, and Fan Yang. 2016

- Narrowing participation gaps between women and men is likely to engender large economic gains, with two mechanisms (Gender Diversity and Sectoral Reallocation) pointing to larger gains than previously thought. These mechanisms imply that reducing female underemployment should yield greater gains than an equivalent increase in male employment: gender diversity brings benefits all its own. (Jonathan D. Ostry, Jorge Alvarez, Raphael Espinoza, and Chris Papageorgiou. 2018)

A3. Building Resilience and Managing Climate Risks

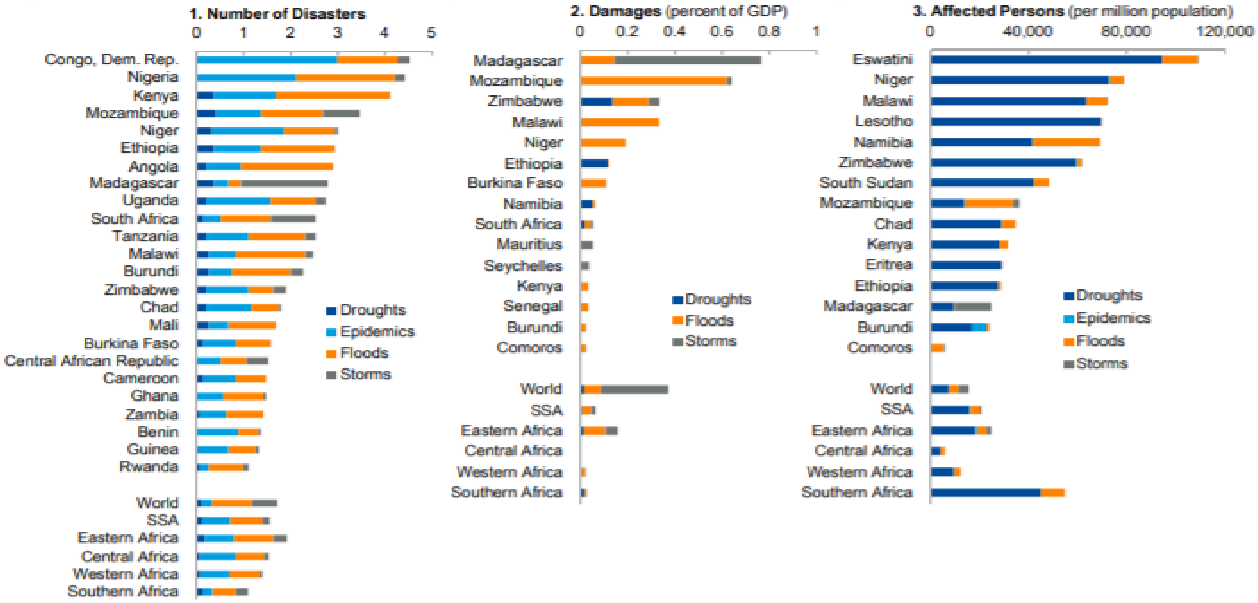
AFS countries are exposed to the vagaries of nature, and many have suffered damages to infrastructure, death tolls and displacements (Figure 7) from climate change. Although the SSA region is the world's smallest contributor to carbon dioxide emissions—less than 3 percent of the global total—it is perhaps among the most vulnerable to climate-related shocks. This exposure to climate change is even truer for AFS countries. Over the last three years, the AFS region recorded every year around 12 natural disasters, including cyclones, floods, and drought (Table 3). Policymakers in the region will thus need to address climate change through adaptation and mitigation, which are both costly. The cost of inaction on public finances—from reconstruction costs and post-disaster reliefs—and on export earnings (from drop in primary exports and increased imports for reconstruction)—could be higher and lead to significant financing gaps. This is eloquently illustrated by the recent climate-related disasters in the AFS region that led to rising debt level, deterioration in external positions, increases in nonperforming loans, and deterioration in bank and non-bank balance sheets.

Table 4: Frequency of natural disasters across AFS members

	2019	2020	2021
Cyclone	3	1	1
Floods	7	7	7
Severe Weather	1	2	3
Cholera Outbreak	1		
Drought	1	2	2

Source: EM-DAT

Figure 7. Sub-Saharan Africa and Select AFS countries: Annual Impacts of Natural Disasters by Country, 2000–18



Sources: Centre for Research on the Epidemiology of Disasters, Emergency Events Database; and IMF staff calculations.
Note: Actual damages are likely higher as some disasters are missing data on damage. SSA = sub-Saharan Africa.

Accelerating adoption and/or implementation of national climate strategies will provide opportunities for boosting growth and greening the recovery and attracting much needed external financing. To complement IMF's CD work towards national strategies on climate—mitigation strategies, building resilience, and managing risk—the center's existing workstreams will allocate resources in Phase III to:

- help include in budgets climate considerations, such as climate-related risks in fiscal risk statements and green PFM frameworks.
- provide CD on public investment management and climate PIMA (C-PIMA) to improve members' adaptive capacity and preparedness to climate change effects;
- support fiscal and financial laws supporting the climate action plans;
- assist revenue administrations effectively introduce and administer green taxes, and
- help central banks integrate climate risks in monetary policy and conduct bank-level climate stress tests for better supervision.

Training and peer learning opportunities will help support awareness on the potential macroeconomic gains from climate strategies and strengthen capacity to implement climate strategies. AFS will work with ATI to provide to members training opportunities in natural resource management, climate resilience, fiscal risk management, public investment management, introduction and administration of green taxes, integration of natural disasters, bank-level climate stress tests, and climate risks in macro-fiscal and financial frameworks. Going forward, the center, in collaboration with HQ, plans to support AFS country case studies on climate adaptation and resilience. The latter will include country experiences in implementing climate strategies with a focus on potential impacts, risk mitigation, and political economy considerations. AFS will reach out to other regional centers with more experience on climate issues to request access to their virtual workshops for the AFS region's government officials.

Box 4. Climate Resilience-Recent Studies

- Combining steadily rising carbon prices with a green infrastructure push can boost global GDP over the next 15 years by about 0.7 percent and generate work for millions of people (IMF)
- Between 1970 and 2019, 79% of disasters worldwide involved weather, water, and climate-related hazards. These disasters accounted for 56% of deaths and 75% of economic losses from disasters associated with natural hazards events reported during that period.

A4. Supporting the Digitalization of Government Services

Digitalizing government services will improve the quality and efficiency of government services, reduce corruption vulnerabilities and transaction costs, enhance transparency, and support post-pandemic recovery. From telework facilitating the daily operations to mobile money transactions assuring household and business dealings, digitalization has created new opportunities for people, businesses, and governments. Most countries have been able to limit disruptions from the restrictions in movements to cope with the COVID-19 pandemic by adopting digital solutions. The challenge however remains for many AFS countries to embrace the digital transformation and e-government. AFS, in collaboration with IMF HQ and partner organizations (e.g., WB, AfDB, etc.) will provide CD tailored to support increased use of digital/IT solutions. The center will assist countries to apply or improve PFM information systems and digital solutions (IFMIS), automate processes at the level of revenue administrations by adopting and implementing IT strategic plans, and address cybersecurity threats. Training and peer learning initiatives will focus on the introduction and implementation of digital solutions across different workstreams and on improving risk management frameworks to address cybersecurity threats. Training topics will include fiscal data governance, IFMIS, Cybersecurity Regulatory and Prudential Framework, and fintech.

Box 5. Harnessing Digital Transformation—Recent Studies

- Expanding internet access in SSA by an extra 10 percent of the population could increase real per capita GDP growth by 1 to 4 percentage points (IMF/REO)
- A 10 percent greater mobile broadband penetration would generate a 2.5 percent rise in Africa's GDP per capita. (International Telecommunication Union)
- On average, the adoption of digital tools is correlated with a reduction of corruption perception in the tax administration by around 4 percentage points. ('Can Digitalization Help Deter Corruption in Africa?' Rasmane Ouedraogo and Amadou N.R. Sy)
- An empirical analysis suggests IT innovations can improve government effectiveness and reduce corruption through transparency and checks on officials' discretionary powers (*The Dividends of Digitization and Big Data to Institutional Quality and the Macroeconomy, Abdoul Wane and Jing Xie, 2022*).

A5. Addressing data and modeling gaps

Sustaining CD services to address data gaps remains highly relevant for the AFS region. Data limitations pose considerable challenges for formulating a sound assessment of a member's economy and sound policies. This is especially problematic during crises such as the COVID-19 pandemic when policymakers need high-frequency macroeconomic data and other real-time information on the stance of the economy. Big data produced by the Internet of Things is a useful complement to traditional macroeconomic data to assess the situation of the economy. While the data can be readily available, countries need the capacity to manipulate and analyze the data to infer valuable information on the economy.

Through Phase III, the center, in collaboration with STA, will continue to help countries improve national accounts and prices statistics. The focus will be on improving methodologies and coverage as well as high frequency indicators (HFIs) using big data.

B. Scale-up support to priority countries

FCS remain among the key priorities of the IMF and most donor partners. Fragility and conflict put at risk the effectiveness of public policies and affect socio-economic outcomes. The challenges facing these countries have been amplified by the COVID situation and the slow progress on the delivery of vaccination programs. The full-fledged strategy for the FCS released by the Fund in 2022 makes a case for a country level engagement recognizing the diversity of fragility situations and increased field presence (through resident representatives and LTXs).

In Phase III the CD strategy for FCS will integrate fully the guidance from the new IMF Strategy on FCS. The center will provide to its members in fragile situation a longer-term perspective of its CD, minimize one-off interventions, and make a case for hiring in-country resident advisors where needed. To this end, the center will work closely with the country teams in the development of a country-focused medium-term CD engagement strategy. AFS will also:

- maintain real-time engagement with all beneficiary agencies to fast-track reforms, including in emerging areas;
- increase resource allocation for customized training, peer learning, and orientation programs; and
- improve access to regional training (seminars, webinars, and courses), especially for women.

C. Adjustments to AFS Portfolio to Meet Demand

To respond to members' priorities outlined above, AFS will add new funding programs and amend existing ones. Currently the center has 10 full-time resident advisors serving seven funding programs – public financial management, tax administration, customs administration, banking supervision, monetary policy operations, financial market infrastructures and fintech, and real sector statistics. The center also funds CD on financial and fiscal laws which is backed by LEG, and CD on macroeconomic framework under ICD's oversight. To meet Phase III's CD demands on the priorities outlined above, AFS is proposing to add to its existing portfolio the below funding programs:

- One ICD-backstopped resident advisor to work on near term forecasting, including nowcasting.
- One LEG-backstopped resident advisor to coordinate work on governance and corruption: and
- One MCM-backstopped resident advisor on debt management, shared with East AFRITAC (AFE) and with initial funding from COVID-19 Crisis Capacity Development Initiative.

Work to address data and modeling gaps will be covered by a new resident advisor and by amending the IMF Statistics Department's (STA) portfolio in AFS. During Phase III, AFS will continue to collaborate with STA to support the production and dissemination of GDP and inflation data and intensify work toward the production of high-frequency data. AFS will also initiate a new collaboration with ICD to enhance the authorities' ability to work with high-frequency data and produce reliable nowcasts to support policymaking. Thus:

- The center will hire a new resident advisor backstopped by ICD to provide technical assistance to countries on how they can integrate big data and machine learning techniques to improve the quality of macroeconomic assessments and forecasts. The ICD-backstopped resident advisor will coordinate with the STA advisors helping countries compile high frequency data (see below). The ICD-backstopped resident advisor will also work with ATI's resilience resident advisor, in the provision of training on nowcasting and technical assistance on integrating health and climate shocks in member countries' macroeconomic frameworks.
- The center will work with STA to divert part of the resources previously used to support GDP and price statistics to the production of high frequency data and big data for countries that have made sufficient progress in the compilation of annual GDP data. This will be done by one of the two resident advisors backstopped by STA.

Work on the legal aspects of governance and anticorruption will be carried under a new workstream managed by a new resident advisor. Substantive direction and oversight for the new LTX will be provided through backstopping by the IMF's Legal department. In order to complement existing governance and anticorruption CD programs and address rising demand. The LTX will coordinate with LEG GAC on assistance to the authorities on the design and implementation of anticorruption policies, law and regulations, and institutions and actions to advance the rule of law. The LTX will also coordinate with other AFS colleagues to identify in each workstream the support provided to improve governance and fight corruption. The LEG-backstopped resident advisor will coordinate courses, seminars, and webinars with a predominance of governance and corruption issues, in collaboration with ATI, FAD, FIN, MCM, STA, and SPR. AFS will work to strengthen collaboration with the AUC, COMESA, SADC, IOC, and other development partners. The center will organize at least one regional event for countries that conducted diagnostic missions to share experiences with other countries.

Through the CCCDI, AFS is hiring a MCM-backstopped resident advisor to coordinate work on debt management. Debt vulnerabilities were exacerbated by the COVID-19 crisis as illustrated by the worsening of debt profile in the region. As of April 30, 2022 and based on the WB-IMF DSF, four member countries are now in high risk of debt distress or already in debt distress[11]. A survey conducted in all AFS and East AFRITAC (AFE) countries confirmed the need for support on (i) debt strategy formulation and implementation, (ii) local currency bond market development, (iii) debt transparency and reporting, and (iv) debt sustainability analysis. Based on this assessment, the debt management resident advisor shared with AFE will provide TA and training on the following issues:

- Debt management strategy formulation and implementation. Help countries formulate and implement a medium-term debt management strategy and develop a sound framework to manage debt portfolio risk. The DMS will include, whenever appropriate, advice on international financial markets issues.
- Institutional and operational arrangements for debt management. Help improve coordination among entities involved in debt management and issuance. This will include the preparation of debt management reform plans and training on the DSA framework.
- Domestic and international market development. Advise on the development of domestic debt markets (e.g., auctions, private placement, and/or syndications, instrument design, developing the yield curve, primary dealer and market-making arrangements, etc.).
- Improving debt transparency. Assist governments establish and maintain good quality debt records. The resident advisor will coordinate this work with the LEG-backstopped resident advisor on governance and corruption.

Box 6. Remote CD Delivery Modalities—AFS Experience during COVID-19 Travel Restrictions

In collaboration with HQ, AFS maintained CD momentum through 2020 and 2021 by embracing remote CD delivery modalities. The center was swift in responding to new demands thanks to the guidance and flexibility provided by the SC in the reallocation of resources across workstreams. Roundtables with different stakeholders have been effective and provided insights on CD priorities to support the authorities' policy responses to address the impacts of the COVID-19.

Member countries' quick adaptation to remote channels opened prospects for the center to expand CD through this modality. However, the preference for field missions is clearly stated by countries, particularly in specialized workstreams where CD requires hands-on support, and in countries with weak connectivity.

The mid-term external evaluation highlights the efficiency gains from blending appropriately virtual and in-field CD. Based on information collected through interviews and an Online Survey, the evaluator concludes that, despite the pandemic and virtual support, AFS performance improved significantly, and the center has consolidated its position as a key provider of high-quality technical advice.

Phase III priorities will be covered by the proposed funding program portfolio. Each workstream integrates work to support the post-COVID-19 recovery by enabling progress on Phase III's pillars, including debt management. As suggested by the mid-term external evaluation, new log frames will need to be developed to monitor work under the three new workstreams (Legal aspects of governance and corruption, resilience and nowcasting, and debt management).

- On the fiscal front, AFS's three funding programs (PFM, tax administration, and customs administration) will continue to focus on enhancing revenue mobilization and improving the quality of spending. This will be

[11] Comoros and Zambia are in high risk of debt distress. Mozambique and Zimbabwe are in debt distress.

achieved by continuing support to further improve budget preparation and execution, macro-fiscal frameworks, fiscal reporting and transparency, asset and liability management, and by helping governments modernize their PFM legal frameworks and upgrade information technology systems for financial management. The modernization will aim to ensure fiscal processes, systems, and laws support more inclusive societies, especially gender-based, are robust to health and climate crises (e.g., diversification of the tax base through new environment friendly taxes, business continuity plans, etc.), leverage data and the internet of things to enhance transparency, and reduce government discretion and corruption vulnerabilities (computer and forensic audit, integration of public information systems, data analytics, including data matching, etc.).

- AFS work on the legal aspects of governance and corruption will focus during the first two years on helping improve transparency and accountability in the execution of emergency financing spending programs. As such the resident advisor's interventions will revolve around beneficial ownership, asset declaration mechanisms, and supreme audit institutions. The resident advisor will also help countries shore up anti-corruption frameworks and will participate in all governance diagnostic missions conducted by HQ in AFS countries to help follow up on the implementation of the diagnostics' recommendations. The resident advisor will coordinate AFS CD support on governance and the fight against corruption conducted in other workstreams by other CD Departments –mainly FAD and MCM.
- On the macroeconomic modeling front, the resident advisor backstopped by ICD will provide capacity building in modeling and near-term forecasting of economic activity. The resident advisor will work closely with the two STA advisors and with the ATI resilience advisor and support the work on data sources and prioritize in the first two years macroeconomic analysis and forecasting in the context of climate change and pandemics, including with respect to public debt dynamics. The resident advisor will coordinate the development and delivery of courses and TA on nowcasting and the integration of climate and health risks scenarios in macroeconomic frameworks that can integrate public debt dynamics. The advisor will coordinate closely with the MCM debt advisor shared with AFE. Finally, the resident advisor will coordinate the ICD courses delivered at AFS under the existing macroeconomic delivery practice.
- On the financial sector front, AFS four funding programs (Banking supervision and regulation, Money and FX Market Operations, Financial Markets Infrastructure, and Debt Management) will prioritize support to mitigate the impact of the pandemic, enhance the financial sector preparedness to health and climate shocks, promote digitization and increased connectivity of financial systems to support remote work and strengthening of cyber risk regulatory and supervisory frameworks. Work will also aim to reduce the likelihood of de-risking of national financial institutions by global and regional banks, and will organize workshops on digital payment services, cross border payments, and cyber resilience for FMIs. Finally, the reduction of debt vulnerabilities and enhancement of debt transparency will be put at the center of the new debt management practice.
- The Statistics program will continue to accompany fragile countries finalize reforms and processes to produce GDP and price data. In addition, in close consultation with HQ STA, one of the two resident advisors will coordinate CD on high-frequency indicators to countries that have made progress on basic CPI and GDP data collection and compilation and help establish capacity to analyze large sets of data for national accounts purposes. The center will continue to help countries further implement the latest international standards: System of National Accounts in 2025 (which will include guidance on measuring the informal economy); the 2020 CPI manual; and international classifications such as the International Standard Industrial Classification of All Economic Activities (ISIC) Revision 4 and the Classification of Individual Consumption According to Purpose (COICOP) 2018. The resident advisor will work closely with the ICD-backstopped resident advisor working on nowcasting GDP.

Table 5. AFS Phase III Priority Matrix

AFS Phase III Program PriorityY Matrix				
	Outcomes	**Funding Programs**	**Relevant Workstreams for Phase III**	**Key areas of Interventions 1**
Governance	Improve fiscal governance financial sector oversight, Central Bank Governance, and AML/CFT Frameworks	PFM, Revenue Administration Banking Supervision Monetary Policy Operations, FMI and Fintech	Public Financial Management, Revenue Administration, Debt Management Debt Sustainability, Financial and Fiscal Law Reform, Governance and Anti-Corruption, Financial and Fiscal Law Reform, Financial Crisis Management; Financial Institutions, Financial Supervision and Regulation, Central Bank Operations, Payments and Infrastructure, AML/CFT, Governance and Anti-Corruption	**Technical Assistance Areas**: Public investment management; infrastructure governance; reporting and management of public debt and fiscal risks; wage bill and pension management; budget transparency; PFM and revenue (tax and customs) legislations; fiscal decentralization; state owned enterprises (oversight); tax compliance and audit, border management, RM and intelligence; valuation, post control audit; TADAT; transfer pricing; data ,matching; taxpayer services; risk management, risk-based supervision framework enhancement; Basel II/III reform; cyber risk; FX operations; monetary policy communication; cyber risk; liquidity risk supervision reform. **Training and Peer-Learning:** Select topics from above
Climate	Reduce Vulnerabilities Build Resilience	Financial & Fiscal Law; PFM, Revenue Administration	Public Financial Management, Revenmue Administration, Financial Sector Policies, General Macroeconomic Analysis, Inclusive Growth and Structural Policies, Macroeconomic Research, Macro-Fiscal Policies	**Technical Assistance Areas**: Inclusion of climate consideration in budget documents, including the inclusion of climate related risks in fiscal risk Statements; revision of fiscal and financial laws supporting the climate action plans; Introduction and administration of green taxes (incl. excise duties on pollutants) **Training and peer learning opportunities:** In areas as management of natural resources, climate resilience, fiscal risk management, administration of green taxes, resilience building macro-fiscal and financial frameworks, and develop case studies. The latter will include country experiences in implementation climate strategies with focus on assessing potential impacts and risk management, including those arising from political economy.
Gender	Support inclusion	PFM, Revenue Administration, Banking Supervision, Monetary Policy Operations, FMI and Fintech	Public Financial Management, Payments and Infrastructure, Financial Sector Policies, General Macroeconomic Analysis, Inclusive Growth and Structural Policies, Macroeconomic Research, Macro-Fiscal Policies	**Technical Assistance Areas**: Gender Budgeting, financial inclusion, fintech, gender macroeconomics,…… **Training and Peer-Learning**: Gender Budgeting, Financial development and financial Inclusion, Fintech, Macro-Fiscal framework,
Digital	Improve information systems and digital solutions	PFM, Revenue Administration, Monetary Policy Operations, FMI and Fintech	Public Financial Management, Central Bank Operations, Financial Supervision and Regulation, FMI (Incl fintech)	**TA Areas:** PFM: information systems and digital solutions (IFMIS); Revenue Administration: Automating processes; Integrated Tax Administration system; Tax Administration management information system **Training and peer learning opportunities:** Select topics from above
Data Gap	Strengthened compilation and dissemination of statistics (national accounts and prices)	Real Sector Statistics Revenue administration	Real Sector--National Accounts Real Sector Prices	**Technical Assistance Areas:** Rebasing, seasonal adjustment, backcasting, ANA, QNA, RPPI, PPI, CPI, HFI ISORA challenges, Data Matching and Risk Management, Computer Assisted Audits for huge data complex sectors, taxpayer segmentation, tax Gap analysis and general compliance management, help in harmonizing TA delivery, eg. Tax (VAT) data needed for Statistics (GDP performance) and PFM (Debt, SOE supervision and Treasury Single Account) TA. **Training and peer learning opportunities**: Select topics from above

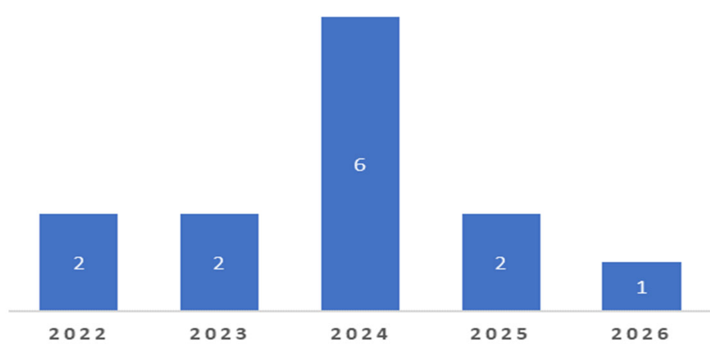
1\ Supported by webinars, seminars, and courses on priority topics.

Section V--Key Risks and Risk Mitigation

Political Economy

Political risks increase the volatility of CD demand and reform traction. These risks materialize particularly during elections years, especially those resulting in regime change or accompanied by civil unrest. Political consultations and turnover of political leaders can result in significant changes in priorities, institutional arrangements and staffing at top management level which in turn affects the authorities' interest to adhere to the reform program supported by AFS and endorsed by the previous authorities in charge. Political turmoil could also prevent the conduct of in-person missions. Elections will happen normally every year across the membership, with a peak expected in 2024. Resident advisors will continue to pay close attention to the political cycle in the discussion of reforms with the authorities. They will enquire about the political risk and feasibility of reforms proposed by the authorities during election years and will be open to considering alternative schedules of implementation proposed by the authorities because of the political risks entailed by these reforms. This careful listening will be particularly important in FCS. AFS advisors will consult with the community of external partners, and with local civil society and other segments of the population that could be impacted by reforms. AFS assessment of the political economy will be informed by discussions with the country teams, including the resident representatives.

Figure 8. Electoral cycle across AFS members



Source: AFS Staff

Macroeconomic, Health and Climate Vulnerabilities

Countries exposed to macroeconomic vulnerabilities arising from unexpected changes in global or regional economic conditions, including in commodity, credit, and FX markets, are more likely to review policies, come up with new action plans, and revisit CD demands and programs. Similarly, in recent years countries subjected to natural calamities have revisited CD demands to support immediate measures to assess impact and execute new fiscal and monetary measures (e.g., Comoros, Zimbabwe, Mozambique). Even now, the COVID-19 pandemic is triggering significant changes in almost all AFS country authorities' priorities, and in the CD programs supported by AFS. The pandemic has also forced changes in the delivery modalities of AFS CD.

Flexibility and agility in AFS intervention coupled with a country-centered approach to CD delivery will help adapt CD to changing priorities. The center will continue to hold regular consultations with country authorities and IMF country teams to ensure high relevance of the annual and medium-term CD plans. The flexibility in moving resources across workstreams and countries and the appropriation of contingency reserves will help respond to political risks and risks arising from macroeconomic, health, and climate vulnerabilities. The results-based management framework will remain a key tool for assessing progress towards outcomes and impact on the economy. Resident advisors will continue to work closely with country authorities on defining objectives and outcomes and monitoring progress. Resident advisors will also consult the authorities in the development of the logframe for emerging areas.

Engagement and Coordination

High-level country engagement and coordination are preconditions for successful CD delivery. In Phase II coordination among key stakeholders (AFS Steering Committee, country authorities, development partners, and AFS staff) has strengthened, but has not always been sufficient to ensure full ownership by the authorities, dedication to the reforms and CD program to implement these reforms, and mutual accountability for outcomes and shortfalls. Lack of senior level engagement has constrained some countries' ability to effectively implement reform recommendations. Countries where senior level officials are involved in the development of AFS CD program (e.g., Seychelles) typically change less frequently the CD program and have a stronger track record on traction of AFS CD and implement reforms and are more likely to implement the reforms envisaged.

In the next phase, AFS will further strengthen coordination and engagement with key stakeholders. Specific measures will include more frequent interactions with SC members on program design and monitoring, including earlier and more focused reporting and results evaluation. The two AFS SC members representing each beneficiary country are expected to actively coordinate with all agencies receiving AFS CD in the country to help prioritize CD demands and ensure the effective use of CD when delivered. This can represent an overwhelming task, especially for intensive users of CDs. To improve coordination, AFS director and resident advisors will interact more frequently with each countries' SC members to update them on the implementation of the CD program in their country. AFS resident advisors will engage more actively with development partners to identify new CD needs as reforms progress. The recent strengthening of the network of IMF resident representatives in fragile countries will greatly facilitate the management of CD in these countries. The new system to manage CD (CDMAP), which records detailed information on the trajectory of a CD project—from the origination of the demand for CD to the finalization of the reforms supported—will help improve workplan formulation, reporting and coordination.

AFS will continue to cooperate with regional organizations (i.e., COMESA, SADC, SACU, CABRI, East and Southern African Association of Accountants General, MEFMI, ESAAMLG, ATAF, AUC etc.) in the delivery of capacity building services. AFS resident advisors will continue to take part in workshops and seminars organized by regional partners, both as participants and as resource persons. Similarly, AFS seminars, webinars and courses will remain opened to regional organizations. These actions will continue to support information sharing and outreaches.

Absorptive Capacity and Skills Development

Scarce human and institutional capital have also constrained reform efforts. Low or inadequate staff capacity and staff turnover limit the authorities' ability to formulate an adequate CD request to address their reform needs. When CD is delivered, these constraints prevent a sound and timely implementation of recommendations. This is particularly true for FCS and for all countries seeking to upgrade to new, more advanced standards, methodologies, and processes. Within each AFS country, human and institutional capacity are typically weaker in statistical agencies, where the same CD can be demanded repeatedly over the years. A well-coordinated dialogue of development partners with countries authorities can help impress on the authorities the need for organizational restructuring and additional financial resources in these agencies. These improvements will help advance reforms by enhancing the availability of suitably skilled and experienced managers and functional and technical staff. AFS will continue to ensure a good transition from one resident advisor to his or her successor to ensure CD is allocated in priority to countries that can absorb it and where the reform process moves as CD is provided.

Skills development will continue to be a major focus of AFS CD in all the core topic areas. This will encompass training delivered as an integral component of AFS TA missions and related skills development activities including peer learning through regional seminars, webinars, workshops, and professional attachments. Emphasis will be placed on the establishment of capacity within targeted institutions to extend and disseminate training to other government institutions.

CD Delivery Modalities

Member countries are demanding more hands-on approach to CD. In Phase II an increasing number of CD missions included customized workshops which have been supportive of implementation of TA recommendations. Going forward this is likely to be pursued across all workstreams. In addition, CD delivery modalities will be reviewed to promote virtual engagement, where it is effective and agreeable to the authorities. The budget for Phase III assumes that 2/3 of AFS CD will be delivered in-person and 1/3 remotely. The in-person delivery will increase as we advance in the Phase. In-person CD will be offered for FCS and for countries experiencing connectivity problems.

Section VI--AFS GOVERNANCE, OPERATIONS, DONOR COORDINATION AND COMMUNICATION

AFS belongs to IMF's RCDCs group which form part of a collaborative CD effort between the IMF, beneficiary countries, and partners. The objective is to support members efforts to build the institutions and capacity necessary to formulate and implement sound policies. IMF's CD services includes hands-on technical assistance, policy-oriented training, and peer-learning opportunities important for countries to progress on reform initiatives and to move toward the Sustainable Development Goals. IMF RCDCs in the Pacific, the Caribbean, Africa, the Middle East, and Central America provide a regional approach to CD, which helps to better tailor support to regional priorities, improve coordination with stakeholders within the region, and fast-track CD interventions to address countries' emerging needs. RCDCs also contribute significantly to assist countries and regional bodies make progress in regional harmonization and at addressing intra- and inter-regional trade barriers.

A Governance and Operations

AFS Steering Committee (SC) –comprising the 13 member countries, IMF staff, and development partners, including donors and regional organizations—provides strategic guidance to the center, assists in setting CD priorities, and endorses annual CD plans. AFS will continue to invite relevant nonmembers to participate as observers in SC meetings. This will include regional and international organizations willing to work together on the strategic priorities and CD recipients not represented as members of the committee. The center will continue to be guided by the IMF RTAC handbook on related issues. Resident advisors will continue to coordinate closely with the Center Director, AFR country teams, and be backstopped by IMF HQ staff in their respective functional departments to ensure high quality outputs. Ensuring partner visibility will remain a priority.

AFS members and Partners

AFS opened in June 2011 and was officially inaugurated in October 2011. The center delivers CD to 13 countries in SSA (Angola, Botswana, Comoros, Eswatini, Lesotho, Mauritius, Madagascar, Mozambique, Namibia, Seychelles, South Africa, Zambia, and Zimbabwe). This group includes middle- and low- income countries as well as countries in fragile conditions. AFS serves a large number of countries, including two French-speaking and two Portuguese-speaking countries. The countries covered by the center are also diverse across income level, natural endowments and risks.

AFS Phase III is being funded by several external partners. These include the European Union, SADC, COMESA, Germany, United Kingdom (UK); Switzerland; China, Mauritius (as host country); Netherlands, European Investment Bank, and Australia – together contributing an amount slightly above [$44.5] million. Additional funding is expected from the IMF, host country (Mauritius), and voluntary contributions from member countries. In addition, some partners supporting specific workstreams will be invited to join the center's Steering Committee [with full voting rights on the workstream they support and observer status for other workstreams].

Core CD areas

The center's work focuses on the areas identified in the authorities' consultations and program discussions with the IMF where reforms will help unleash the country's growth potential and foster macroeconomic stability. The funding programs supported by the center are public financial management, tax administration, customs administration, financial sector supervision and regulation, monetary and FX market operations, FMI and fintech, real sector statistics, and training. AFS also conducts regional seminars/webinars and courses and supports intra-regional peer-learning activities. The latter include primarily professional attachments, joint events with regional organizations, and the participation of country officials in select CD missions. The peer learning regional initiatives are complemented by the IMF's free online courses and training through the Africa Training Institute and HQ-based training. The annual CD plans reflects feedback from the IMF's country teams, the country authorities, and is coordinated with development partners.

CD delivery, including regional initiatives

AFS resident advisors, with the support of HQ staff and short-term experts, execute the annual CD plans endorsed by the SC. CD delivery is primarily demand-driven, with extensive dialogue on needs and priorities taking place with country representatives, IMF headquarters, IMF in-country resident representatives/advisors. The volume of CD delivered during Phase II expanded over the years to accommodate growing demand from member countries.

B. Coordination

AFS, with the support of HQ, coordinates CD initiatives with regional organizations and donor partners - both at the planning stage and during execution of the annual plans. AFS invites partners and regional organizations to submit inputs in the context of the preparation of its annual CD plan, with special focus on regional and country level CD priorities. AFS advisors hold discussions with CD-delivering partners during TA missions to coordinate activities and exchange information, and they also coordinate with donor partners to assess country needs and priorities. AFS supports the participation of its resident advisors in relevant regional events to keep them abreast of developments and to share experiences with peers. A growing number of regional organizations have been inviting AFS advisors to participate as resource persons in conferences, seminars, and other regional events. AFS supports such initiatives as part of its peer-learning and regional harmonization programs.

AFS has emerged as a key partner of regional organizations. Through Phase II AFS worked with SADC, COMESA, IOC, SACU, CABRI, MEFMI, ESAAMLG, ATAF, and AUC. Going forward the center plans to further strengthen collaboration on topics of common interests.

C. Communication and Information Sharing

AFS communicates and shares information through different channels to keep stakeholders updated on the latest CD activities. These include:

- annual CD plan for endorsement by the AFS SC
- annual seminar plan
- quarterly bulletins
- quarterly updated CD plan
- annual report
- updates on budget and financing
- TA Reports (shared through CD Connect)
- regular Steering Committee (SC) communications

The above are complemented by outreach activities of the Director and coordination and information meetings of AFS advisors with relevant stakeholders, including donor partners.

Section VII—Phase III Budget and Financing

The increase in AFS' workstreams portfolio and the increase in virtual CD delivery are the main changes in the parameters of AFS budget. The cost of phase III operations is estimated at $59 million (Table 6). The volume of CD delivery, however, is projected to increase on account of the new funding programs, but also in pre-existing workstreams where the remote delivery will reduce unit cost and provide space for more missions.

Contributions of development partners, the host country, and member countries will be crucial for the AFS Phase III. Given the current financial conditions facing member countries, the center is proposing to maintain voluntary member country[12] contribution at $0.5 million for the next phase. Member country contributions are essential to demonstrate ownership of the center, continued partner support, and to secure the long-term financial viability of the center. The remaining balance will be financed by the host country (Mauritius) and donor partners[13]. Some bilateral partners have selected to support specific workstreams. This is the case for the COVID-19 Crisis Capacity Development Initiative (CCCDI) supporting the work of the MCM-backstopped resident advisor working on debt management to be shared with AFE.

[12] Angola, Botswana, Comoros, eSwatini, Lesotho, Madagascar, Mozambique, Namibia, Seychelles, South Africa, Zambia, and Zimbabwe

[13] Donor partners to AFS Phase II are Australia, China, European Commission, European Investment Bank, Germany, the Netherlands, Switzerland, United Kingdom.

Table 6. AFS Phase II (Updated) and Phase III Estimated Budget

Project	Phase Summary Program Budget	Phase Summary Working Budget	Phase Summary Expenses	FY2022 Working Budget	FY2022 Expenses	FY2022 Execution (%)	FY2023 Working Budget
Public Financial Management	15,238	15,459	11,218	3,367	1,827	54%	2,700
Customs Administration	5,133	7,354	5,448	1,458	1,032	71%	1,480
Tax Administration	5,179	7,146	4,773	1,960	786	40%	1,200
Banking Supervision and Regulation	5,047	4,881	3,421	961	652	68%	1,150
Monetary Policy Operations	5,047	4,732	3,237	931	636	68%	1,200
Financial Market Infrastructures	2,514	2,580	1,636	635	431	68%	740
Real Sector Statistics	7,719	7,793	5,314	1,692	953	56%	1,740
Financial and Fiscal Law	1,214	1,504	941	73	9	13%	500
Admin Project	3,662	3,872	2,960	727	585	81%	770
Customized Training	122	-	-	-	-	-	-
Training project	525	1,513	729	649	265	41%	400
Governance and Evaluation	686	477	371	123	116	95%	100
Strategic Budget Reserve	1,000	385	-	185	-	-	200
Sub Total	53,087	57,697	40,049	12,759	7,292	57%	12,180
Trust Fund Management	3,716	4,039	2,803	893	510		853
Total	56,803	61,736	42,853	13,653	7,802	57%	13,033
IMF Expenses	2,600	2,625	1,338	300	167	56%	300
Host Country In-kind	-	-	-	-	-	-	-
Total	59,403	64,360	44,191	13,953	7,969	57%	13,333

Phase III Indicative Budget

Assuming US$7 million per annual remote	**35,000**
Cost of Additional LTX resources	**8,750**
MCM-backstopped Debt Management Expert	2,750
LEG-backstopped LTX on Governanace	2,750
ICD-backstopped LTX on Nowcasting/Big Data	2,750
Full-time FMIF LTX	500
Assuming 50 percent in Field Delivery	**6,563**
	50,313
Assuming 2 percent annual increase	**5,237**
Trust Fund Management Fee	**3,888**
	59,437

During Phase II, the CCCDI, designed with a flexible structure to respond quickly to CD demands, started funding a tax administration expert for FY22 and FY23. The budget strengthening support is expected to continue until the conclusion of this initiative. It has been decided to fund a debt management expert, to be shared by AFS and AFE, for the period of FY23 to FY25. Additionally, in order to establish a more stable financial footing and to free up external resources for direct CD delivery, the IMF will expand its support of RCDCs to cover more administrative costs.

Financial sustainability considerations have been incorporated into the strategy. So far, Switzerland (SECO) and European Union (EC) expressed their support to AFS Phase III. Continued financial needs under Phase III and budgetary pressures in the member countries caused by the pandemic raise issues of financial sustainability. A multi-pronged approach will be taken to risk mitigation, which, depending on the magnitude of any financing or timing gap, could be through: (i) establishing long-term strategic partnerships with more donor partners; (ii) further diversification of the donor base; (iii) additional voluntary member country contributions; and (iv) if needed, an orderly scaling back of programs to match resources based on a careful prioritization process.

Annex I. Phase II--Key Achievements by Funding Program and by Country

Public Financial Management

- CD support was instrumental in the preparation and publication of a fiscal (budget) strategy paper, and medium-term expenditure framework (Angola)
- Charts of Accounts were operationalized in IFMIS and related business processes (Comoros)
- The Finance ministry developed a strategy and medium-term action plan for improving public investment management (Madagascar)
- The medium-term fiscal framework (MTFF) has been strengthened with more reliable forecasts of macro variables and revenue estimates (Eswatini, Lesotho and Zambia)
- Supporting gender equality by supporting the Finance ministry with a strategy to advance gender responsive budgeting (South Africa)
- Public investment management practices have improved with the development of frameworks for appraisal and monitoring of large infrastructure projects (Mauritius and Botswana)
- Fiscal risks statement now incorporates most contingent liabilities and other fiscal risks of the central government (Zimbabwe)

Tax administration

- Strategic planning and leadership development, VAT management enhanced (Angola)
- TADAT training, audit training and data analytics to improve compliance. Supported by Webinars (Madagascar)
- Preparations for NamRA which has been pending for years and guidelines for launch due on April 6, 2021. CG appointed and law in place. Operational plans and monitoring framework developed. (Namibia)
- Strategic Planning and Monitoring and Evaluation to guide reform program, Audit training helped in improving revenue mobilization, Debt management framework developed. (Zimbabwe)
- Compliance Improvement and data analytics supported (Lesotho and Seychelles) through a Webinar, Taxpayer services strategy developed (Seychelles)
- Audit of specialized sectors to help sustain revenue: Insurance sector (Eswatini); Mining sector (Zambia); Telecommunications (Zimbabwe)
- TADAT training and follow ups (Botswana Madagascar, and South Africa)

Customs Administation

- Putting in place a project management office and associated operational framework as part of organizational reform plan (Angola)
- Establishing a Strategic Management Committee to oversee strategy development and a comprehensive implementation process developed to support the selection of the strategic project portfolio and the preparation of operational plans for 2021 (Angola)
- Operationalization of an Oils Unit, implementation of new customs clearance and accounting procedures for petroleum products, and harmonization of customs valuations with WTO requirements (Comoros)
- Drafting of excise regulations and implementation of an authorized Economic Operators pilot program (Lesotho)
- Completion of data matching exercises (Eswatini, Zambia and Zimbabwe)
- Adoption and implementation of a customs modernization program (Madagascar)
- Implementation of national intelligence strategies (Mauritius, Zambia, Zimbabwe)
- Development of a strategic framework for coordinated border management (Zimbabwe)
- Development of business continuity and disaster recovery plans (Seychelles)

Banking Supervision and Regulation

- Development of ICAAP framework and Supervisory Review and Evaluation Process (Angola)
- Bank of Botswana prepared for drafting liquidity regulations with focus on LCR and NSFR (Botswana)
- Basel II/III regulatory framework development strategy and TA plan developed (Comoros)

- Licensing framework reviewed and enhanced (Eswatini)
- RBS Framework reviewed in line with new guidelines issued under Basel II and RBS framework enhancement plan developed (Lesotho)
- Securitization regulations reviewed against international standards, including IOSCO and BCBS (Namibia)
- New credit risk assessment and monitoring systems implemented (Seychelles)
- Risk-based timetable of inspections implemented (Zambia)
- Remote examination framework document updated in line with international practice (Zimbabwe)

Money and FX Market Operations

- An inflation forecasting framework for monetary policy formulation is used and the work processes are adjusted accordingly (Botswana, Mauritius, Mozambique, Seychelles, Zambia)
- The central bank has a sufficiently accurate liquidity forecasting framework to guide the liquidity management operations (Botswana, Mauritius, Zambia, Seychelles, and Namibia)
- Guidelines for interbank market-trading and Master Repurchase Agreement covering trading between banks and the central bank have been introduced and interbank market functioning has improved (Botswana, Madagascar, Mozambique, Zambia, Seychelles)
- Communications policy and strategy documents have been drafted, and tools and communication procedures have improved (Botswana, Seychelles, Zambia)
- The development of the effective lender-of-last-resort/ emergency liquidity assistance frameworks has been initiated (Angola, Botswana, Zambia, Seychelles)

Financial Market Infrastructure and Fintech

- The formulation of a national vision and strategy for the national payment system and facilitating the stakeholder discussions on the adoption of this strategy as well as providing guidance on the implementation of the national payment system oversight policy (Botswana)
- Guidance on efficient organizational structure and clarity on responsibilities through delivery of an orientation program conducted to familiarize staff with the core functions of modern central banking and the linkages between functions of monetary policy operations, financial market infrastructures and financial sector supervision (Comoros)
- Improvement in efficiency and effectiveness of the regulatory framework through the guidance provided on the institutional and cooperative arrangements for oversight of the Central Securities Depository (Eswatini)
- Provided legal guidance on the national payment system law before the successful enactment into legislation (Mauritius)
- Improved the organizational and institutional arrangements for the operations and oversight of the national payment system and completion of financial market infrastructure assessments against the international standards (Namibia)
- Operationalizing and embedding the new Twin Peaks regulatory framework with national training workshops on financial market infrastructures (South Africa)

Real Sector Statistics Program

- Identification of alternative data sources for the second quarter GDP estimates due to COVID-19 (Botswana, Lesotho, Mozambique, Namibia, Seychelles, and South Africa)
- Assessment of deviations to the SNA 2008 and relevant changes needed (Angola, Botswana, Eswatini, Lesotho, Madagascar, Mozambique, Namibia, Seychelles, and Zambia)
- Dissemination of quarterly GDP (Angola, Eswatini, Lesotho, Madagascar, and Namibia)
- First seasonal adjustment and quality assessment. Study of the impact of chain-linking on the adjustments. Direct and indirect seasonal adjustment of the GDP (Angola)
- Dissemination of experimental QNA seasonally adjusted series (Angola)
- Statistical frame and weights determined and applied to economic survey (Botswana)
- Compile national accounts estimates for recent years (Comoros)
- Consistency of national accounts estimates with balance of payments estimates (Eswatini)
- Dissemination of quarterly GDP by production approach at current prices (Eswatini)

- Improve the quality and address data gaps of the published tables for the annual sectoral financial balance sheets for 2011 and 2012 **(Mauritius)**
- Start compilation of sectoral quarterly financial accounts and financial balance sheets; begin series from March quarter 2017 **(Mauritius)**
- Dissemination of sectoral quarterly financial accounts and financial balance sheets **(Mauritius)**
- Assessment of data quality of tax data and incorporation of annual corporate income tax data for the compilation of annual GDP estimates **(Seychelles)**
- Harmonization of seasonal adjustment approach for Retail and relevant Household Final Consumption series **(South Africa)**
- Options for re-denominating GDP **(Zimbabwe)**
- Dissemination of rebased national accounts, annual and quarterly **(Botswana, Mozambique, Seychelles, South Africa). Mauritius** is due to release its rebased national accounts in June 2022.
- Dissemination of improved and re-referenced GDP estimates, annual and quarterly **(Namibia)**
- Improve the annual national accounts dissemination **(Angola)**
- Update CPI documentation to include the conversion to the RTGS **(Zimbabwe)**
- Implement methods to update indexes with limited or no price data due to Covid 19 lockdowns **(Zimbabwe)**
- Disseminate updated CPI estimates **(Botswana, Lesotho, Seychelles)**
- Disseminate Manufacturing and Utilities PPI **(Botswana)**
- Disseminate PPI for Agriculture and metadata **(Zimbabwe)**
- Residential Property Price Index for Pretoria developed **(South Africa**)
- Prepare draft price indices **(Angola)**
- Release a reliable time series of CPI **(Comoros)**
- Improve methodologies and data collection strategy for the rebase of the CPI **(Eswatini)**
- Disseminate data and metadata of rebased CPI **(Eswatini)**

Excerpts from statement by Mr. Samuel Randriambolamanitra, Director, Macroeconomic Statistics, National Statistical Institute of Madagascar

"The technical assistance from AFRITAC South has helped us adopt the System of National Accounts 1993. Madagascar compiled supply-use tables for the new base year 2007. The professional attachment [funded by AFRITAC South] of several national accountants from Madagascar to Statistics Mauritius has provided them with a better understanding of the compilation process. […] Assistance from AFRITAC South has helped us deepen our understanding of national accounts concepts"

Promoting Peer-Learning in the AFS Region on Statistical Methodologies: AFS funded attachment program for staff members of the National Institute of Statistics of Madagascar (INSTAT) to Statistics Mauritius. AFS noted that in addition to TA provided, the INSTAT still needed support to clean up the data, carry out quality control and prepare the documentation to release the re-weighted CPI. The attachment program provided leverage to achieve this target and it is expected that the INSTAT. It also helped INSTAT build capacity to better prepare the upcoming CPI rebase that will be based on the new household budget survey scheduled in 2019.

Annex II. Recent Staff Recommendations – Country Issues and Areas for Capacity Development

Angola				
	Issues	Comments	Action	Policy Area
1	Fast accumulation of payment arrears	Due to delayed disbursements of external financing, an acceleration in domestic payment arrears in late 2020, and technical issues.	Improve management of budgetary accounts payable and arrears., procurement transparency, and	Public financial management
2	Reliance on foreign denominated currency instruments to carry out monetary policy	Limited interventions by the Central Bank on the FX market to limit undue volatility on the Kwanza (local currency).	The Kwanza (local currency) should be allowed to be market determined and the Central Bank should execute monetary policy operations using local currency instruments.	Monetary policy operations
3	Potential risk of asset quality deterioration	Banking sector losses due to two large troubled public banks. Non-performing loans remain high.	Strengthen crisis management preparedness and development of contingency plans to mitigate shocks. Close monitoring of credit portfolios. Appropriate recording of losses. **Technical assistance is required.** Central Bank requests assistance to reform its internal organization to ensure smooth functioning of supervisory, resolution and macroprudential policies.	Banking supervision and regulation
4	Introduction of new import restrictions	With the objective of diversifying the economy through the promotion of the packaging industry, import restrictions on pre-packaged products are being considered. Supply disruptions on the domestic market due to import restrictions.	Monitor the impact of import restrictions on inflation and cost of living. Ensure alignment with WTO guidelines.	Tax Administration

	Issues	Comments	Action	Policy Area
5	Weather-related shocks	Adverse weather shocks significantly impact the: ▪ Food inflation ▪ Non-oil sector revenue Demand-side tools do not mitigate inflationary pressures arising from the sharp rise in food items. Contribution of agricultural sector to GDP declines due to droughts.	Climate change mitigation plans are required to address the long-term challenges.	PFM
6	Structural Reforms and Governance	Government with IMF support is developing a privatization program targeting some 172 SOEs	PFM support SOE Reform	
	Botswana			
1	Public sector wage increase agreement is aligned with inflation.	Wage increase exerts significant strains on government's resources, especially when fiscal consolidation is required. Gap in compensation between public and private sector employees widen.	Design civil service reform to align public sector wages to productivity, instead of inflation. Continuous monitor of salary increases in parastatal bodies.	Public financial management
2	GFSM 2014	Collection of statistics is broadly adequate, but improvements needed on: ▪ Classification of current and capital expenditures. ▪ Collection of financial accounts of extra budgetary entities including SOEs.	Migration to GFSM 2014 is recommended.	Public financial management
3	Enhance monetary policy transmission mechanism	Weak transmission of monetary policy impulses partly associated with inactive liquidity management.	Technical assistance has been agreed on monetary policy implementation and operation.	Monetary policy operations
4	Expedite fiscal reforms	Create the platform for higher growth potential.	Better targeting of social spending Restructuring of parastatals Strengthening of public investment management framework Revision of PFM Legal Framework	Public financial management

	Issues	Comments	Action	Policy Area
5	Strengthen fiscal framework	To better anchor fiscal policy and credibility.	Revamp the fiscal rule Implement medium-term budgeting Consider fiscal risks and strengthen fiscal risks management framework Increase coverage of fiscal statistics	Public financial Management / Financial and fiscal law
6	Delayed deterioration in asset quality	COVID-19 relief measures might have temporarily deferred risks of poor asset quality. Financial stability indicators might have been blurred by the COVID-19 relief measures. Central Bank sees elevated signs of financial stability risk if Botswana does not exit AML/CFT Grey listing.	Risks to financial sector persist.	Banking supervision and regulation
7	Reforms to improve financial deepening and inclusiveness	No clarity on the role of development banks (social mandate versus development mandate). Deepen the domestic bond market.	Enhance supervision and accountability of development banks Coordinated approach from public and private issuers (issuance of longer benchmark maturity for government debt securities, formal market making agreement for primary dealers)	Banking supervision and regulation / Financial market infrastructures
8	Supply-side reforms towards a non-mineral export led model	Heavy reliance on diamonds exports revenue	Encourage private sector activity and diversity sources of growth	

Comoros				
	Issues	Comments	Action	Policy Area
1	Institutional fragility	Weak areas of public administration and corruption Weak judicial system Private sector activity undermined due to poor enforcement of contracts State monopoly on specific products Weak AML/CFT measures Weak PFM and spending controls Weak governance structures Lack of transparency in budget execution	Capacity Development recommendations have been partly implemented. Substantial capacity building exercises have been conducted in revenue administration, PFM, financial sector oversight and statistics. Civil service reforms are required	Public financial management / Tax administration / Banking supervision and regulation / Financial and fiscal law
2	Economic fragility	Low fiscal revenue (administration issues, multiple tax exemptions and weak tax revenue mobilization) Lack of credibility and transparency in budget (large deviation between budget forecasts and realized revenue & spending, No parliamentary or public awareness of budget execution) Weakly supervised SOEs are facing financial stress due to declining revenue (Comoros Telecom, SCH, Sonelec)	**Raise fiscal revenue:** ▪ Broaden tax base (remove exemptions) ▪ Strengthen taxpayer's registry ▪ Improve customs administration **Strengthen Public financial management:** ▪ Make spending more transparent ▪ Report to parliament and public on budget execution Prepare audited financial statements	Public financial management / Tax administration

	Issues	Comments	Action	Policy Area
		Financial sector is underdeveloped and fragile Banking sector weaknesses: ▪ High NPL ▪ Poor risk management ▪ Weak asset quality ▪ Weak underwriting ▪ Limited bank lending ▪ Low penetration ▪ High concentration Insufficient investment in physical and human capital	**Further develop the financial safety net to address banking sector vulnerabilities:** i. Supervisory intervention (weak) ii. Resolution of financial institutions and business continuity of systemic financial services **(inexistent)** iii. Deposit insurance **(inexistent)** iv. Central bank liquidity assistance **(inexistent)** **There is scope for technical assistance** **Transition to RBS is recommended.** **Implement a targeted growth strategy:** ▪ Invest in physical infrastructure with highest rate of return ▪ Raise social spending for improving human capital	Banking supervision and regulation
3	Vulnerability to shocks	Credit constraints and a lack of cash buffers reduce Authorities' ability to absorb shock. Monetary policy effectiveness is challenged by persistent structural excess liquidity.	Authorities should build a cash buffer (0.25% of GDP) held at Central bank. Build financial resilience by creating fiscal buffers. Adopt a fiscal anchor to preserve debt sustainability and boost ability to absorb shocks. The conduct of monetary policy does not generate major risks and inflation remains well anchored.	Public financial management / Monetary policy operations

	Issues	Comments	Action	Policy Area
4	Capacity constraints of the Central bank	Internal audit operations and financial reporting practices are lacking. Legal framework of Central bank requires amendment.	Co-sourcing of internal audit services and adoption of IFRS.	Financial and fiscal law
Eswatini				
1	Spending rationalization and revenue generating measures	To deliver sustained fiscal consolidation policies and boost long term growth prospects. Wages and transfers to extrabudgetary entities exceed 60% of public spending. Expand tax base.	**Spending measures:** ▪ Rationalize government administrative expenditures. ▪ Prioritize capital outlays. ▪ Strengthen the efficacy of health and education spending. ▪ Reform public entities to improve operational efficiency and reduce government transfers. **Revenue measures:** ▪ Broaden the corporate income tax base (thin capitalization, loss carry forward rules, special capital allowances). ▪ Broaden the VAT base. ▪ Eliminate tax loopholes. ▪ Introduce a simplified tax regime for small taxpayers to facilitate compliance. ▪ Limit the new special economic zone regime to new investment.	Public financial management
2	Costly production inputs of extra-budgetary entities and public enterprises	Significant burden on budget. Source of fiscal risk.	Deep reforms needed to enhance efficiency and governance: ▪ Turnaround plans for key loss-making entities. ▪ Limits on fast rising wage costs. ▪ Rationalize entities. ▪ Establish a stronger accountability framework.	Public financial management

	Issues	Comments	Action	Policy Area
3	Large existing arrears	Accumulation of arrears due to financing constraints and decline in SACU revenue.	Transparent strategy to clear existing arrears: ▪ Put in place adequate controls to limit accumulation of new arrears. ▪ Fiscal planning to liquidate arrears through budget process.	Public financial management
4	Procurement practices	Important to use procurement rules to support local suppliers.	Need to improve effectiveness of the tender system. Technical assistance is required.	Public financial management/ Financial and fiscal
5	Large financing needs in the coming years	Decline in SACU revenue and pace of fiscal adjustment will translate in large financing needs. This will test absorption capacity of domestic market and require additional sources of financing needs.	Technical assistance is required.	Public financial management / Financial market infrastructure
6	Structural vulnerabilities in the financial sector	Banking sector concentration risks ▪ Banks could face difficulties in complying with capital requirements during stress events. Sovereign-financial sector nexus ▪ Financial sector exposure to sovereign has risen significantly. Interconnections among financial institutions and cross-border linkages ▪ Portfolio adjustments by investors can trigger liquidity pressures on banks and creates contagion risks. Household indebtedness ▪ Household leverage is high, and concerns exist about bank's resilience to household vulnerabilities.	Banking sector oversight ▪ Intensify RBS. ▪ Suspend plans to relax single borrower concentration regulations. NBFI oversight framework, regulation, and supervision ▪ Significant overhaul of oversight framework required. Macroprudential policy framework and policy toolkit ▪ Explicit framework on macroprudential policy is inexistent. Crisis management and financial safety net ▪ Crisis preparedness and management framework is inexistent. ▪ Deposit insurance scheme is needed. AML/CFT ▪ Develop a beneficial ownership information framework. ▪ Enhance identification of domestic politically exposed persons.	Banking supervision and regulation

	Issues	Comments	Action	Policy Area
7	Fiscal management capacity	A medium-term strategy has been developed to closely integrate the Fund's capacity development activities with Eswatini's surveillance priorities.	Focus on: ▪ Improving PFM and fiscal data quality. ▪ Developing medium term macro-fiscal and budget frameworks. ▪ Supporting legislative changes to strengthen the financial sector oversight.	Public financial management
8	Fiscal and national accounts data	Improvement in data collection is required.	Timely and consistent annual and GDP statistics should be produced. Compilation of external sector statistics should be improved to reduce large errors and omissions. Coverage of fiscal accounts should be expanded to cover central government entities and general government.	Public financial management/ Real sector statistics
Lesotho				
1	One of the highest government wage bill to GDP in the world	Need to reduce the wage-to-GDP ratio over the medium term	▪ Wage restraint ▪ Remove ghost workers ▪ Review number of positions in public sector ▪ Rationalize foreign representation cost **Technical assistance is required.**	Public financial management
2	Limited domestic financial market	Domestic payment arrears emerged after attempts to raise finance were disrupted by limited domestic financial market.	Develop primary and secondary financial market	Financial market infrastructures
3	High bank lending concentration Non-bank lenders have gaps in oversight	Construction, textile, and mining sectors dominate lending books of banks. 2/3 of lending is driven by salaried workers (highly indebted civil servants) Lack of bankable projects & high credit cost	**Banking sector reforms**	Banking supervision and regulation

	Issues	Comments	Action	Policy Area
4	Economic growth model is inadequate.	Growth in mining and finance industries has little impact on job creation. Textile industry is stagnating. Access to credit is an issue in the financial sector.	Structural reforms	
5	Public financial management weaknesses	Lax expenditure controls can potentially imperil budget discipline. Expenditure cuts have proven difficult to implement in the past (in line with previous Fund advice).	▪ Arrears management ▪ Expenditure controls ▪ Budgeting process ▪ Bank reconciliation ▪ Debt management	Public financial management
6	Inadequate regulatory framework for pension funds and financial cooperatives	Capacity constraints may limit effectiveness of supervision. Transfer supervisory powers of all non-deposit taking financial institutions to Central bank.	Strengthen regulatory framework.	Banking supervision and regulation
7	Data transparency and reliability	Strengthen national accounts statistics. Improve coverage of fiscal data. Coverage of monetary and financial statistics can be expanded to include NBFIs' financial accounts.	**Technical assistance is required.**	Real sector statistics / Public financial management
	Madagascar			
1	Large reduction of tax revenue	The decline in economic activity and tax exemptions to reduce the impact of COVID-19 has resulted in a significant fall in tax revenue.	Continue to modernize customs and tax revenue administration to improve compliance and reduce tax evasion	Customs administration / Tax administration
2	Non-performing loans are eroding capital buffers and affecting	Liquidity injections and relaxation of reserve requirements have allowed banks to preserve profitability.	Strengthen financial sector stability through better supervision	Banking supervision and regulation

3	Non-priority spending	Limiting non-priority spending is required to increase fiscal space	▪ Strengthen the planning and monitoring of wage bill ▪ Reforms to contain the deficit of civil servant's pension fund ▪ Mitigate fiscal risks related to SOE's (JIRAMA & Air Madagascar)	Public financial management
4	Public investment requires better prioritization and	Identification of implementation capacity, absorptive capacity constraints and proper costing are required.	FAD technical assistance recommendations are being implemented by Authorities.	Public financial management
5	Reviving the PFM reform agenda	Improve the efficiency and transparency of public expenditure remains a priority. Implementation of a Single Treasury Account. Strengthening the controls to fight corruption.	**Technical assistance is ongoing.**	Public financial management
6	Exposure to climate related shocks	Climate change events constitute as significant fiscal risks.	Related fiscal risk assessment is being supported by IMF.	Public financial management
7	Enforcing anti-corruption legal	Authorities are committed to devoting resources to enforce framework.	Technical advice on draft amendment law currently under consideration.	Financial and Fiscal law
8	Central bank to buy and hold unrefined gold.	Gold program is intended to diversity official reserve assets Being of a quasi-fiscal nature, the gold program can undermine credibility and independence of Central bank.	Central bank has requested technical assistance on the best alternatives to achieve its objective of diversifying its reserves.	Monetary policy operations
9	Signs of weakened financial sector	Financial sector needs to be strengthened. Financial inclusion needs to be improved.	RBS is needed for microfinance institutions.	Banking supervision and regulation

Mauritius				
	Issues	Comments	Action	Policy Area
1	Recapitalization of Central Bank's balance sheet	Expansion of the Central Bank's balance sheet has reached an unprecedented level due to monetary policy operations, COVID-19 measures, and impact of transfer to Central Government. Central Bank has negative net worth due to significant write-offs. The Central Bank has potentially strengthened its balance sheet by building-up reserves through depreciation.	Appropriate strategy to recapitalize balance sheet such as transfer of marketable public debt instruments has been prescribed by IMF staff.	Accounting and Monetary Policy
2	Weak monetary policy framework	With the deployment of substantial financial measures to tackle COVID-19, the balance sheet of the Central Bank has weakened. Subsequently, the price stability mandate has been undermined. Chronic problem of structural excess liquidity has persisted, resulting in weak monetary policy transmission mechanism.	Review of monetary policy framework is underway **Technical assistance is being provided.**	Monetary Policy
3	Inconsistent FX intervention strategy	No synchronization between exchange rate policy and interest-rate based monetary policy.	Implement a new FX intervention strategy aimed at curtailing undue volatility in the FX market and allow for greater exchange rate flexibility. **Technical assistance is required.**	Monetary policy / financial market operations
4	Long-term structural deficiencies	Traditional sectors of growth should be upgraded to boost productivity. Sustainable tourism should be targeted. Sectors such as education and technology are needed to structurally re-engineer the economy.	Widespread use of technological innovations is still at a nascent stage. **Technical assistance on Central Bank Digital Currency is underway**	Real sector / Payment infrastructure

5	Substantial increase in public debt	Deterioration of the fiscal position due to COVID 19 financial measures. Targeted and priority expenditure programs have been recommended. Sustainable debt remains vulnerable to exchange rate movements.	Re-introduction of a fiscal rule. New rule should foster debt sustainability and build buffer shocks. Consideration should be given between debt stabilization versus fiscal consolidation.	Public financial management
6	Pension spending > Pension revenue	Forthcoming pension policies point to a surge in pension spending by FY2023/24, which will exceed pension revenue.	Reform to pensions by country authorities is already underway.	Public financial management
7	Use of the Mauritius Investment Corporation by the Central Bank to carry out quasi-fiscal operations	Spending carried out by the Mauritius Investment Corporation is of fiscal nature. Equity of Mauritius Investment Corporation originates from the Central Bank. Fiscal transparency is lacking.	Remove exposure of Mauritius Investment Corporation from Central Bank's balance sheet.	Public financial management
8	Weak public financial management	Abuse in financial reporting and procurement management. Previously identified issues in public sector procurement have persisted.	Technical assistance mission recommended a less fragmented approach to public investment management would help to implement reforms.	Public financial management
9	Treatment of the transfer of Rupees 60 billion to Central Government from Central Bank	Inconsistency in the treatment of transfers to Central Government from Central Bank: Revenue versus Financing item Implication for computation of budget deficit	Reforming the Bank of Mauritius law to pre-empt further transfers	Public financial management / Financial and fiscal law
10	Statistical data discrepancies	Statistical discrepancies between the expenditure and production measures of GDP remain substantial. Price index does not cover owner occupied housing. Strengthen tracking of the global business sector (GBC)	**Capacity development from STA and AFRITAC South is underway** **Technical assistance on residential price property index is recommended.**	Real sector statistics

Mozambique				
	Issues	Comments	Action	Policy Area
1	Extreme climate change events	Significant impact on socio-economic development Human casualties	Need to enhance resilience and response capacity Substantial support needed to improve socio-economic infrastructure resilience National Resilience Strategy is being developed with the support of World Bank	
2	Distressed debt position	Authorities are in discussions with private creditors to restructure Mozambique external debt financing.	Authorities have been advised to rely on grant financing and highly concessional loans.	Public financial management
3	Fiscal consolidation	Create fiscal buffers to deal with future natural disasters and help ensure public debt remain on a downward path.	Eliminate primary fiscal deficit after grants by 2022 through a combination of revenue enhancing measures (elimination VAT exemptions) and spending rationalization (reform wage policy in public sector)	Public financial management
4	Accumulation of domestic arrears	Domestic payment arrears to government suppliers have accrued.	Strengthen commitment controls and ensure a health spending chain. Improve cash management	Public financial management
5	Fiscal risks	Improvements in assessing and mitigating fiscal risks Publication of fiscal risks assessment	Ongoing efforts to improve fiscal risks projections Deepen assessment of fiscal risks related to SOEs Fiscal decentralization to districts and provinces – gradual transfer of revenue and spending responsibilities	Public financial management
6	Unsuccessful sterilization operations	Central bank should consider other options to sterilize excessive structural liquidity.	The use of long-term reverse repos should be examined instead of short-term treasury bills.	Monetary policy operations
7	Financial dollarization	Increase reserve requirements on foreign currency deposits to deter dollarization should be carefully explained to market participants.	De-dollarization requires building a track record of strong macroeconomic fundamentals combined with incentives to use local currency.	

8	Revamping of supervisory capacities	Macroprudential surveillance and communication on financial stability issues are needed. The use of realistic Capital Adequacy Ratio has been emphasised.	Strengthen RBS Strengthen the prudential framework for loan loss provisioning Publish Financial Stability Indicators	Banking supervision and regulation
9	Governance, transparency, and accountability	Reforms needed to support integrity of financial sector and reduce vulnerabilities to corruption.	Fiscal governance, transparency, market regulation, central bank governance are some of the reforms required.	
Namibia				
	Issues	**Comments**	**Action**	**Policy Area**
1	Deterioration in fiscal position	Reflected by a shortfall in tax revenues (mining and non-mining) and spending pressures due to COVID-19 crisis	Large financing needs have been covered by government deposit withdrawals, government domestic borrowing from financial sector and support loan.	Public financial management
2	Financial sector risks have increased	Reduction in interest rates have started to weigh on banks' profitability. Non-performing loans have increased.		Banking supervision and regulation
3	Strengthen the public financial management system	Public finance governance mechanisms will ensure appropriate use of resources.	Adoption of Public Financial Management Bill by end 2021	Public financial management / Financial and fiscal
4	Rise in public debt	The rise in public debt reflects exceptional budgetary financing needs and real GDP contraction.	Implement fiscal reforms to increase expenditure efficiency, strengthen tax administration, and mobilize additional tax revenues.	Public financial management
5	Debt vulnerabilities are rising	Repayment of US $ 500 million 2010 Eurobond falling due and an anticipated sharp decline in SACU revenues. Delays in the planned medium-term fiscal consolidation is expected to worsen debt dynamics	Active debt management, including pre-financing could allow Authorities to take advantage of favourable international market conditions.	Public financial management

6	Absence of liquidity forecasting framework	To improve liquidity management by strengthening liquidity forecasting	Technical assistance is required.	Monetary policy / financial market operations
7	Preserving financial stability	Banks' earnings and asset quality could further deteriorate as borrowers' capacity to service loans weakens and loan payment moratorium is lifted.	Strengthen banks' regulatory framework and resolution framework Increase stress-testing capacities to monitor portfolio quality and credit risks Implementation of regulatory bills for the non-bank financial sector will support move towards RBS	Banking supervision and regulation
Seychelles				
	Issues	**Comments**	**Action**	**Policy Area**
1	Fiscal consolidation is necessary to reduce debt sustainability risks	Structural fiscal weaknesses persist: • Lack of MTFF • Weak debt and state-owned enterprise management	Authorities envisage a liability management operation that reduces rollover risks	Public financial management
2	Improving the efficiency of government spending	To ensure fiscal sustainability and enhance growth prospects.	Improve public procurement with assistance from World Bank Public Investment Management Assessment (PIMA) is planned for FY23 Better targeting of social welfare programmes	Public financial management
3	Climate change adaptation and digitalization	Climate change adaptation investments in key areas (tourism, food security, biodiversity, water security). Digitalization in areas of government service delivery and financial services.		
4	Anchor inflation expectations	Central Bank is encouraged to expand the survey of inflation expectations.		Monetary policy operations

5	Broaden Central Bank's toolkit	Include FX swaps for intervention purposes. Strengthen risk management by introducing forward products. Impose differentiated capital requirements based on currency denomination of loans.		Monetary policy operations
6	Reform the primary market for government securities	Selected market participants should be allowed for competitive auctions. More long-term securities should be issued. Establishment of trading platforms		Financial market infrastructures
7	Strengthen debt management capacity	Establish medium-term debt management strategy Improve government cash flow forecasting capacity Set-up market determined auction mechanism		Public financial management
8	Need for a robust crisis management, bank resolution and safety net framework	Strengthen the legal basis of the financial stability committee and enhance macroprudential tools.		Banking supervision and regulation
9	Inadequate GDP series	Large inconsistencies in historical GDP series	Adequate resources and more staff are required to improve national accounts compilation	Real sector statistics
South Africa				
	Issues	**Comments**	**Action**	**Policy Area**
1	Worsening public debt trajectory	Rising budget deficit has lifted public debt. The increase in budget deficit is driven by transfers to SOEs, mainly Eskom and compensation to employees.	Gradual and growth-friendly reduction of the government deficit Limiting increases in recurrent expenditure (transfers to SOEs, ill-targeted subsidies) Introduce a public debt ceiling as a fiscal anchor	Public financial management

2	Corporate and household balance sheets have weakened	Banks' high interconnectedness with the broader financial system and idiosyncratic vulnerabilities in small and medium-sized banks pose risks. The uptick in non-performing unsecured credit has persisted.		Banking supervision and regulation
3	Large declines in liquidity ratios of small	Difficulties encountered by small banks in meeting debt obligations	More supervisory attention of small banks Introduction of resolution regime	Banking supervision and
Zambia				
	Issues	**Comments**	**Action**	**Policy Area**
1	Rapid increase in public debt and debt vulnerabilities	An expansionary fiscal stance financed by non concessional borrowing and domestic expenditure arrears have led to a surge in public debt. A significant percentage of public sector indebtedness is held by foreign creditors. Public debt is unsustainable	Sustained fiscal adjustment programme is required. Moratorium on new external nonconcessional borrowing and reduced capital spending can put debt on a downward trajectory. Improvements in debt management would help mitigate debt vulnerabilities (close monitoring of undisbursed debt and portfolio risks, improve monthly cashflow forecasts, improve SOE debt management). Revenue mobilization is needed to create fiscal space (widening tax base and strengthening compliance).	Public financial management
2	Low dividend from public investment programme	Low efficiency in public investment and high import content in infrastructure projects. Weaknesses in public procurement processes. Continued build-up of public sector expenditure arrears continues to delay private sector activity.	Improvements in vetting of projects and better appraisals of domestically financed projects. Implement a unit within the Ministry of Finance to monitor and mitigate risks for large capital expenditure projects.	Public financial management
3	Foreign-financed capital expenditure and interest payments keep rising	Tighter domestic debt markets and structural weaknesses in expenditure controls resulted in an accumulation of domestic arrears.	Curtailing accumulation of expenditure arrears should improve domestic liquidity.	Public financial management
4	Climate-related economic shocks	Droughts have adversely affected agricultural activity and hydroelectricity generation.	Resilience to weather-related shocks programmes is underway, supported by IMF and AfDB.	

5	Stresses from sovereign-financial nexus have increased	High levels of domestic arrears are slowing the decline in NPLs, holding back credit growth and private sector led economic activity.	Banking supervision and crisis preparedness frameworks needs strengthening.	Banking supervision and regulation
6	Weak external position	Rising public sector external indebtedness has led to a deterioration in the international investment position, adding pressure on the exchange rate.		Public financial management
7	Data provision	Strengthen data collection and estimation of key national accounts statistics. Improve the reconciliation of data between fiscal reports and government accounts.		Real sector statistics
Zimbabwe				
	Issues	Comments	Action	Policy Area
1	Large deviation in budgeted expenditure	Actual and budgeted expenditure deviated on average by about 45 percent	Contain spending on inefficient subsidies and transfers Prioritize capital expenditure	Public financial management
2	Climate change shocks	Cyclone Idai and ongoing drought has severely affected agriculture and electricity production.		
3	Sharp jump in inflation	Since end-2019, inflation has increased, reflecting exchange rate depreciation from the monetary overhang of past monetary financing of deficits, continued quasi-fiscal activities of Central Bank and removal of subsidies on electricity and fuel.	Reserve money targeting is recommended to reduce inflation	Monetary Policy
4	Quantitative monetary targeting framework has not been operationalized.	Reserve money has been volatile Absence of a credible nominal anchor	Enhanced disclosure by Central Bank Avoid long delays in the provision of monetary statistics	Monetary Policy
5	Distorted foreign exchange market	Exchange rate depreciated sharply following the massive expansion of reserve money. Higher premiums on exchange rate reflect policy uncertainty and lack of publicly available statistics to guide market operation	Continued liberalization of FX controls	Monetary policy / financial market operations

6	Banking sector vulnerabilities	Sharp shrinkage of banking sector assets due to new exchange rate Inability to maintain credit lines with foreign banks and fund corporate needs Private sector credit as a share of GDP has contracted for five consecutive years.	Urgent financial sector reforms are needed: Strengthen bank resolution regimes Strengthen banking supervision (focus on DSIBs, improve supervisory data) Conduct Asset Quality Review	Banking supervision and regulation
7	Debt distress	High domestic debt due to large fiscal deficits and negligible access to external finance	Fiscal prudence across public sector and support for debt arrangement by creditors	Public financial management

Annex III. Recommendations of the Mid-Term External Evaluation

Updated Action Plan

Recommendations	IMF Response	Timeline	Main Responsibility
On Relevance			
Justification: The scope of the AFS program has increased and requires reprioritization followed by its budget restructuring.			
1. CD-Level: AFS SC should look for a budget restructured in Phase III with respect to Phase II, accommodating the new priorities – fragile countries and global topics – and reviewing the composition of budget allocations per funding program: i.e., a new resource allocation formula. Consideration should be given to the streamlining of PFM and RSS portfolios of CD activities, prioritizing areas that are essential (track 1) or show strong compliance.	The Phase III program and budget allocation across funding programs will reflect the new priorities, including CD on the global topics and to countries facing fragile conditions. CD will remain demand driven and closely linked to domestic reform programs of member countries. New resident advisors will support the global topics. The center will be guided by IMF policy documents and guidance notes in the delivery the program (e.g., New Framework for Enhanced Engagement on Governance and Corruption Issues, IMF Strategy on Gender, New IMF Strategy on Climate, IMF strategy on FCS, Staff Reports, IMF programs with member countries, etc.). In Phase III further effort will be made to strengthen the integration of CD with lending or surveillance. The center will continue to coordinate CD priorities for the region with donor partners.	**Start of Phase III**	**AFS in consultation with AFR and IMF CD Departments (CDDs)**
Justification: SC strategic guidance would benefit from more regular follow-up and participation.			
2. Entity Level: AFS SC monitoring should be strengthened by adopting a mid-year virtual meeting review of its program, in addition to its annual meeting, and consider participation from Planning, Tax and Customs, Statistics agencies and relevant regional bodies.	The June 2022 SC meeting endorsed the adoption of a mid-year virtual SC meeting and the participation of tax/customs authorities, statistics departments, and relevant regional bodies as observers. The mid-year review meeting will be held in December 2022/January 2023.	**Annually in December/January**	**AFS**
On Coherence and Impact			
Justification: Political economy constraints do affect the pace of reforms.			
3. CD-Level: AFS Center, supported by LTXs, should prioritize CD activities that face upfront lower political economy constraints that may prevent/delay the implementation of CD-related recommendations or the achievement of their associated milestones. Political economy constraints can be split into: (i) vested interests against reform implementation; (ii) electoral environments opposed to breaking the status-quo; or (iii) absence of or low leverage from reform champions to make regulatory changes or obtain sufficient budget.	Political economy considerations are taken on board while formulating CD plans. This includes assessment of risks related to political support, management support and technical staff capacity/commitment and risk mitigation strategies. Updates on political economy conditions are being gathered from multiple sources by AFS advisors, including from CD Departments, country teams, donor partners, and CD recipients. These conditions are reflected in reports -- briefing papers and back-to-office reports.	**Being implemented**	**AFS**
Justification: Wrap-up meetings on AFS missions among donors are irregular and spotty, and multi-donor co-financing of CD activities is ad-hoc.			
4. Entity Level: AFS Center, through LTXs, should organize regular CD briefings meetings with donors, defining ex-ante and per funding program, the chair of those meetings (focal points): either the local IMF Resident Representative or a leading DP which has a significant program in that area. IMF-HQ should look more proactively for strategic projects where complementary multi-year donor involvement may help guarantee sustained implementation.	AFS is sending notifications to donor partners for debriefings. The center also consults the donors during outreaches. The mid-year review meetings will provide additional platform for discussing CD priorities for the region.	**Being implemented**	**AFS**
On Effectiveness			
Justification: Some outcomes and milestones show minimal progress and may be outdated. For global topics, sound diagnostic studies before implementation should be best practice among RTACs.			
5. CD Level: AFS Center, supported by LTXs and in collaboration with IMF-HQ, should carefully review the existing country-based outcomes and milestones of the RBM logframe and collaborate with IMF HQ in the gradual definition of those referring to the global topics. These should contribute to justify the budget reallocations supporting the implementation of CD services in Phase III. Notably, MCM has already started this exercise. A review of this kind should be done in consultation with Authorities and donors involved in certain CD activities, so as to gain their ownership in setting the targets. And as soon as diagnostic studies are concluded on the new global topics, AFS Center should collaborate with the respective departments at IMF-HQ to gradually define country-based outcomes and milestones in the RBM catalog that will justify the budget allocated to their CD services. Proper baselines should also be set up front.	The RBM governance framework provides for updating the logframe regularly to take on board the evolving CD priorities of the IMF. AFS will actively contribute to adding and commenting on any deficiencies of the RBM framework, especially regarding whether existing outcomes and objectives link well to the AFS-funded CD activities. The center will also strengthen coordination with authorities to ensure appropriateness of milestones and outcomes iro the CD projects.	**Being Implemented.** **The RBM Catalogue has been updated to better capture work on the global topics.**	**AFS and ICD/RBM Team in consultation with AFR and CDDs**
Justification: User-friendliness of the RBM logframe (and CD Port) can be improved.			
6. Entity Level: IMF-HQ should continue providing regular trainings and set put appropriate management checks to ensure compliance by LTXs with regular updating of the ratings in the RBM logframe, and refine criteria to evaluate the DAC ratings of Impact and Efficiency.	The full implementation of the CDMAP system will ensure improved compliance for monitoring and reporting purposes.	**Being implemented**	**AFS and ICD/RBM Team in consultation with AFR and CDDs**
On Efficiency			
Justification: The pandemic brought significant cost-savings with virtual missions, but AFS fees for STXs show large dispersion.			
7. CD- and Entity Level: To foster cost efficiency, AFS Center, supported by LTXs, should define an optimal mix ratio between in-person and virtual missions for each funding program; and IMF-HQ should review and, if possible, adjust STX daily fees so as to reduce their dispersion. New ratios might learn from those of 2021, adjusted by CD activities that (i) have strategic priority; (ii) do require in-person missions; and (iii) do show progress in milestones. And as AFS does not set STX salaries and therefore cannot unilaterally adjust STX daily fees especially if these same STXs work for other Fund RTACs such revision can only be done by IMF-HQ while acknowledging the professional background and international salary scales that justify different levels of remuneration.	Some ratios on the mix of CD delivery modality have been considered in the FY23 work plan. Going forward these will be part of the discussion at SC meetings.	**FY23**	**AFS in consultation with AFR and CDDs**

Recommendation	Response	Timeline	Responsible
On Impact			
Justification: Progress on and impact of selected reforms proposed by CD delivery can benefit from joining efforts with IMF programs conditionality (CD-surveillance). Regarding the introduction of five global topics – good governance and anti-corruption, climate change, gender,			
8. Entity Level: AFS Center, in collaboration with IMF-HQ, (i) should consider linking certain CD delivery to IMF programs conditionality of certain structural benchmarks or quantitative targets (CD-surveillance) when appropriate as CD activities are generally demand-driven; (ii) organize national conferences on global topics, so that they are not perceived as donor-imposed in the national consultations of Phase III; and (iii)nIMF-HQ should keep creating a wider pool of potential STX and LTX experts. Extensive dissemination should be carried out for their diagnostic studies, through a well-planned and implemented Outreach and Communication Program. Moreover, special efforts should be made in hiring to include more regional LTXs and STXs from SSA, and in particular women. The ongoing STA exercise review of its roster of experts could usefully be replicated by all functional IMF departments.	AFS will continue to work with AFR team and IMF CD departments to ensure consistency of AFS CD with IMF program conditionalities. AFS reports will include recommendations from Article IV reports and IMF programs. The center will use appropriate high level events to further sensitize member countries on the global topics (as the one organized by AFR/ATI/AUC/AFS on governance). AFR and AFS Teams will continue to work toward increasing the share for experts from the SSA region	**FY23**	**AFS in consultation with AFR and CDDs**
On Sustainability			
Justification: Sustainability also faces three issues: (i) lowest absorption capacity, especially in fragile countries, (ii) follow-up supervisory missions are presently under-budgeted, and (iii) lack of a clear sustainability/exit/building capacity strategy.			
9. CD-Level: For low-capacity fragile countries, AFS Center should not refrain from asking IMF-HQ for the appointment of a dedicated resident LTX; and for all countries, AFS Center should ensure a sufficient budget for peer-learning and/or follow-up supervisory missions as well as for the design of customized sustainable exit building capacity strategies. LTX should be appointed in fragile countries in well-justified discipline(s) and have a comprehensive CD program, so as to optimize their hiring. Follow-up missions and exit strategies should be particularly needed for those CD activities whose initial positive compliance with milestones and TA recommendations shows promising achievement of outcomes.	The center will actively support the IMF's New Strategy on Fragile and Conflict-affected States and increase support to this group of countries, including through customized training and peer-learning opportunities.	**Being Implemented**	**AFS in consultation with AFR and CDDs**
Justification: LTXs rotation gaps have been too large and affect program implementation.			
10. Entity Level: AFS Center should monitor new procedures aimed at ensuring advanced, timely and effective recruitment of LTXs by IMF-HQ, led by back-stoppers. If unexpected delays occur, it should have the capacity to hire temporary STXs in order to bridge the gap of the transition period, thus leveraging out-going LTXs with STXs to facilitate the handover.	Outgoing LTXs are being used as short terms experts to support implementation of the annual work plan and for on-boarding of incoming experts.	**Being Implemented**	**AFS in consultation with AFR and CDDs**

Annex IV. Key Economic Indicators

Population (million)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	23.7	24.4	25.1	25.9	26.7	27.5	28.4	29.3	30.1	31.0	32.0	35.0
Botswana	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.6
Comoros	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	1.0
Eswatini	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2
Lesotho	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.2
Madagascar	21.7	22.3	23.0	23.6	24.2	24.9	25.5	26.5	27.5	28.5	28.3	30.5
Mauritius	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Mozambique	24.2	24.9	25.6	26.3	27.0	27.8	28.6	29.5	30.4	31.3	32.2	35.0
Namibia	2.1	2.2	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.5	2.6	2.7
Seychelles	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
South Africa	52.1	52.9	53.8	54.6	55.4	56.3	57.1	57.9	58.8	59.6	60.1	63.0
Zambia	14.3	14.8	15.2	15.7	16.2	16.7	17.2	17.8	18.3	18.9	19.5	21.3
Zimbabwe	12.5	13.1	13.4	13.8	14.0	14.2	14.4	14.6	14.9	15.2	15.5	16.5
AFS Total	157.7	161.7	165.5	169.3	173.2	177.2	181.2	185.7	190.2	194.8	198.0	212.1

Real GDP per capita (US dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	7,837	8,258	8,415	8,564	8,392	7,931	7,676	7,297	7,035	6,451	6,304	6,384
Botswana	14,030	13,840	15,206	15,871	14,873	15,654	15,965	16,272	16,404	14,668	16,167	17,176
Comoros	2,912	2,926	2,976	2,959	2,918	2,939	2,980	3,007	2,979	2,891	2,878	2,885
Eswatini	7,747	8,107	8,361	8,379	8,506	8,537	8,651	8,769	8,910	8,653	8,830	9,091
Lesotho	2,564	2,678	2,707	2,744	2,815	2,848	2,753	2,727	2,708	2,529	2,552	2,628
Madagascar	1,535	1,539	1,532	1,541	1,547	1,567	1,586	1,575	1,585	1,420	1,484	1,603
Mauritius	17,455	18,015	18,579	19,236	19,893	20,647	21,415	22,203	22,852	19,441	20,203	23,432
Mozambique	1,073	1,120	1,165	1,217	1,263	1,274	1,284	1,290	1,282	1,230	1,221	1,333
Namibia	9,504	9,802	10,161	10,579	10,823	10,623	10,317	10,232	9,955	8,943	8,864	9,155
Seychelles	22,905	23,548	24,597	25,360	26,276	27,490	28,531	29,121	29,736	27,213	29,128	32,826
South Africa	13,804	13,921	14,049	14,033	14,005	13,886	13,839	13,841	13,659	12,599	13,104	13,125
Zambia	3,130	3,267	3,328	3,380	3,373	3,395	3,407	3,438	3,383	3,191	3,231	3,294
Zimbabwe	2,048	2,279	2,260	2,256	2,258	2,234	2,312	2,387	2,201	2,045	2,132	2,206
AFS average	8,196	8,408	8,718	8,932	8,995	9,156	9,286	9,397	9,438	8,560	8,931	9,626

Real GDP (percent change)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	3.5	8.5	5.0	4.8	0.9	-2.6	-0.2	-2.0	-0.7	-5.6	0.7	3.6
Botswana	6.8	-0.2	11.1	5.7	-4.9	7.2	4.1	4.2	3.0	-8.7	12.5	4.1
Comoros	4.1	3.2	4.5	2.1	1.3	3.5	4.2	3.6	1.8	-0.3	2.2	4.0
Eswatini	2.2	5.4	3.9	0.9	2.2	1.1	2.0	2.4	2.6	-1.9	3.1	2.1
Lesotho	5.1	5.1	1.8	2.1	3.3	1.9	-2.7	-0.3	--	-6.0	2.1	1.9
Madagascar	1.6	3.0	2.3	3.3	3.1	4.0	3.9	3.2	4.4	-7.1	3.5	5.1
Mauritius	4.1	3.5	3.4	3.7	3.6	3.8	3.8	3.8	3.0	-14.9	3.9	4.5
Mozambique	7.4	7.3	7.0	7.4	6.7	3.8	3.7	3.4	2.3	-1.2	2.2	7.2
Namibia	5.1	5.1	5.6	6.1	4.3	0.0	-1.0	1.1	-0.9	-8.5	0.9	2.8
Seychelles	5.7	3.8	6.4	4.7	5.6	5.4	4.5	3.2	3.1	-7.7	8.0	4.8
South Africa	3.2	2.4	2.5	1.4	1.3	0.7	1.2	1.5	0.1	-6.4	4.9	1.5
Zambia	5.6	7.6	5.1	4.7	2.9	3.8	3.5	4.0	1.4	-2.8	4.3	3.9
Zimbabwe	14.2	16.7	2.0	2.4	1.8	0.5	5.0	4.7	-6.1	-5.3	6.3	3.2
AFS average	5.3	5.5	4.6	3.8	2.5	2.5	2.5	2.5	1.2	-5.9	4.2	3.7

Inflation (percent change)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	13.5	10.3	8.8	7.3	9.2	30.7	29.8	19.6	17.1	22.3	25.8	8.9
Botswana	8.5	7.5	5.9	4.4	3.1	2.8	3.3	3.2	2.7	1.9	6.7	3.8
Comoros	2.2	5.9	0.4	0.0	0.9	0.8	0.1	1.7	3.7	0.8	1.5	3.3
Eswatini	6.1	8.9	5.6	5.7	5.0	7.8	6.2	4.8	2.6	3.9	3.7	5.0
Lesotho	5.0	6.1	4.9	5.4	3.2	6.6	4.4	4.8	5.2	5.0	6.0	6.2
Madagascar	9.5	5.7	5.8	6.1	7.4	6.1	8.6	8.6	5.6	4.2	5.8	6.1
Mauritius	6.5	3.9	3.5	3.2	1.3	1.0	3.7	3.2	0.5	2.5	4.0	6.1
Mozambique	11.2	2.6	4.3	2.6	3.6	17.4	15.1	3.9	2.8	3.1	5.7	5.8
Namibia	5.0	6.7	5.6	5.3	3.4	6.7	6.1	4.3	3.7	2.2	3.6	3.0
Seychelles	2.6	7.1	4.3	1.4	4.0	-1.0	2.9	3.7	1.8	1.2	9.8	3.0
South Africa	5.0	5.6	5.7	6.1	4.6	6.3	5.3	4.6	4.1	3.3	4.5	7.1
Zambia	8.7	6.6	7.0	7.8	10.1	17.9	6.6	7.0	9.2	15.7	20.5	25.3
Zimbabwe	3.5	3.7	1.6	-0.2	-2.4	-1.6	0.9	10.6	255.3	557.2	98.5	41.2
AFS average	6.7	6.2	4.9	4.2	4.1	7.8	7.2	6.2	24.2	47.9	15.1	9.6

General Governement gross debt (percent of GDP)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	29.6	26.7	33.1	39.8	57.1	75.7	69.3	93.0	113.6	136.8	86.3	49.3
Botswana	20.9	20.0	18.3	18.4	18.2	16.4	14.5	14.9	16.5	19.0	21.3	20.7
Comoros	27.7	25.1	10.3	11.9	14.4	16.3	17.2	16.9	19.5	22.3	25.2	34.9
Eswatini	14.2	14.4	14.7	13.9	19.3	24.9	27.6	33.9	39.6	42.1	42.8	42.2
Lesotho	36.4	39.8	41.2	41.5	45.7	40.6	40.0	49.0	50.5	54.2	54.7	47.9
Madagascar	29.9	30.4	36.2	37.8	44.1	40.3	40.1	40.4	38.5	49.0	53.4	56.3
Mauritius	55.7	55.1	57.5	60.6	65.0	65.0	64.3	66.2	84.6	99.2	100.7	95.3
Mozambique	34.7	37.4	50.1	64.3	87.4	119.2	100.0	103.6	96.1	119.0	102.3	87.0
Namibia	27.5	24.6	26.1	27.6	42.1	45.8	43.8	50.4	59.5	66.7	70.2	67.7
Seychelles	82.5	80.1	68.2	70.4	65.3	66.1	60.3	55.9	54.2	89.1	72.5	69.6
South Africa	34.7	37.4	40.4	43.3	45.2	47.1	48.6	51.6	56.3	69.4	69.1	76.8
Zambia	20.8	25.4	27.1	36.1	65.8	61.6	66.3	80.5	99.7	140.2	123.2	NA
Zimbabwe	42.9	38.3	36.9	42.2	47.5	49.1	74.1	51.0	93.2	102.6	67.6	61.5
AFS average	35.2	35.0	35.4	39.1	47.5	51.4	51.3	54.4	63.2	77.7	68.4	59.1

Fiscal balance (percent of GDP)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	8.1	4.1	-0.3	-5.7	-2.9	-4.5	-6.6	2.3	0.8	-1.9	2.8	0.8
Botswana	-0.1	0.9	5.8	3.9	-4.8	0.7	-1.1	-5.0	-8.5	-11.0	-4.7	0.4
Comoros	0.9	2.0	10.5	-0.3	2.6	-5.5	-0.1	-1.3	-4.3	-0.5	-2.4	-3.8
Eswatini	-3.8	3.3	0.6	-2.7	-6.0	-9.0	-6.8	-9.5	-7.0	-5.4	-5.7	-2.4
Lesotho	-10.0	4.2	-3.1	3.0	-1.4	-8.9	-1.1	-4.8	-7.5	0.3	-6.9	-4.6
Madagascar	-2.0	-2.2	-3.4	-2.0	-2.9	-1.1	-2.1	-1.3	-1.4	-4.0	-6.3	-4.2
Mauritius	-3.0	-1.8	-3.4	-3.1	-3.6	-2.8	-1.7	-2.2	-8.4	-10.9	-7.2	-3.7
Mozambique	-4.4	-3.5	-2.5	-9.9	-6.7	-5.1	-2.0	-5.6	-0.1	-5.1	-3.6	-2.2
Namibia	-7.1	-3.1	-4.7	-6.4	-8.3	-9.3	-5.0	-5.1	-5.5	-8.2	-8.9	-4.8
Seychelles	3.4	2.9	0.4	3.6	1.8	0.2	0.5	-1.0	0.9	-17.4	-5.8	-0.6
South Africa	-3.7	-4.0	-3.9	-3.9	-4.4	-3.7	-4.0	-3.7	-4.7	-9.7	-6.4	-6.6
Zambia	-1.8	-2.8	-6.2	-5.8	-9.5	-5.7	-7.5	-8.3	-9.4	-13.8	-8.7	-6.3
Zimbabwe	-2.5	0.0	-1.3	-1.1	-1.8	-6.6	-10.6	-5.4	-1.0	0.8	-2.0	-2.7
AFS average	-2.0	0.0	-0.9	-2.4	-3.7	-4.7	-3.7	-3.9	-4.3	-6.7	-5.1	-3.1

General Government Revenue (percent of GDP)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	45.5	41.3	36.7	30.7	24.1	17.5	17.5	22.9	21.2	20.9	22.1	18.5
Botswana	37.0	38.0	39.3	40.4	33.0	34.8	33.5	30.6	28.3	26.0	30.9	31.1
Comoros	14.1	16.8	25.3	14.2	21.7	13.4	18.8	17.8	15.8	18.3	17.0	16.5
Eswatini	20.6	29.6	28.5	28.8	27.6	25.2	28.2	25.1	27.3	28.7	25.5	25.4
Lesotho	50.3	62.7	55.9	53.2	50.4	45.0	49.8	50.0	48.4	55.3	46.3	47.1
Madagascar	10.0	9.3	9.3	10.6	10.2	12.4	12.8	13.0	13.9	12.4	12.4	14.5
Mauritius	20.3	20.4	20.5	19.9	20.8	21.2	22.7	22.5	22.7	22.7	23.8	24.4
Mozambique	25.0	25.2	29.6	30.4	26.0	23.9	27.1	25.8	29.7	28.1	27.1	27.1
Namibia	31.4	31.9	33.6	35.3	35.4	32.5	33.1	31.2	32.0	33.2	29.9	30.8
Seychelles	39.8	41.5	38.2	36.3	33.3	36.3	34.8	35.1	35.7	35.7	33.8	36.5
South Africa	24.4	24.6	25.0	25.4	25.8	26.2	25.8	26.4	26.8	25.1	26.7	26.9
Zambia	17.7	18.7	17.6	18.9	18.8	18.2	17.5	19.4	20.4	20.3	23.8	22.1
Zimbabwe	20.7	20.4	19.6	19.3	18.7	17.0	18.1	14.9	12.3	15.4	17.2	17.0
AFS average	27.4	29.3	29.2	28.0	26.6	24.9	26.1	25.8	25.7	26.3	25.9	26.0

General Government Expenditure (percent of GDP)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	37.4	37.2	37.1	36.5	27.1	22.0	24.1	20.6	20.4	22.8	19.3	17.7
Botswana	37.2	37.1	33.5	36.5	37.8	34.1	34.7	35.6	36.9	37.1	35.6	30.7
Comoros	13.2	14.9	14.8	14.5	19.1	18.9	18.8	19.2	20.2	18.8	19.3	20.2
Eswatini	24.4	26.3	27.9	31.5	33.6	34.2	35.1	34.6	34.3	34.1	31.2	27.8
Lesotho	60.3	58.4	59.0	50.3	51.8	53.9	50.9	54.8	55.8	55.0	53.1	51.7
Madagascar	12.0	11.5	12.7	12.6	13.0	13.5	14.9	14.4	15.4	16.3	18.7	18.6
Mauritius	23.4	22.2	23.8	23.0	24.4	24.0	24.4	24.8	31.1	33.6	30.9	28.2
Mozambique	29.4	28.7	32.1	40.3	32.7	29.0	29.1	31.3	29.8	33.2	30.6	29.3
Namibia	38.5	35.0	38.3	41.8	43.7	41.8	38.1	36.3	37.6	41.3	38.9	35.6
Seychelles	36.3	38.6	37.8	32.7	31.5	36.1	34.3	36.2	34.8	53.0	39.6	37.0
South Africa	28.1	28.6	28.9	29.3	30.2	29.9	29.9	30.2	31.5	34.9	33.2	33.5
Zambia	19.5	21.5	23.8	24.7	28.3	23.9	25.0	27.7	29.8	34.1	32.5	28.5
Zimbabwe	23.2	20.4	20.9	20.4	20.5	23.7	28.7	20.3	13.3	14.7	19.2	19.7
AFS average	29.5	29.3	30.1	30.3	30.3	29.6	29.8	29.7	30.1	33.0	30.9	29.1

Gross National Savings (percent of GDP)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	37.9	37.2	32.0	29.8	28.5	24.5	23.3	28.5	26.9	26.3	34.6	26.5
Botswana	35.8	33.0	30.8	36.8	31.8	30.8	31.4	26.6	23.8	23.8	27.3	29.4
Comoros	12.4	12.9	12.3	11.4	13.5	8.8	12.1	13.1	13.0	14.7	13.8	7.2
Eswatini	7.1	16.9	23.1	24.2	25.5	20.7	19.1	14.6	17.9	19.5	16.3	16.1
Lesotho	13.6	25.9	27.7	27.9	26.0	20.3	20.2	16.7	20.6	24.1	16.3	16.9
Madagascar	16.6	12.7	10.0	16.2	14.4	16.8	15.4	19.9	17.5	8.2	11.2	14.3
Mauritius	13.2	18.1	19.0	16.8	16.8	17.3	18.8	18.7	19.3	15.3	22.4	15.3
Mozambique	5.7	8.0	13.5	16.5	3.8	14.4	13.6	19.7	41.0	30.2	31.0	35.6
Namibia	15.7	20.0	21.3	25.3	16.9	5.8	13.3	11.5	13.4	17.7	6.8	11.9
Seychelles	12.4	17.0	26.5	15.1	15.6	10.3	11.1	11.6	11.2	-0.6	5.3	5.5
South Africa	16.8	13.9	13.8	13.7	14.3	14.3	14.2	13.6	13.4	14.7	16.6	13.8
Zambia	38.3	37.1	33.5	36.2	40.1	34.9	39.3	37.3	39.8	44.3	35.5	35.3
AFS average	18.8	21.1	22.0	22.5	20.6	18.2	19.3	19.3	21.5	19.9	19.8	19.0

Data on Gross National Savings not available for Zimbabwe

Total investment (percent of GDP)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	26.4	26.7	26.1	27.5	34.2	27.2	24.2	21.2	20.8	24.8	23.2	22.3
Botswana	39.1	36.0	24.9	25.3	28.4	22.1	25.0	25.9	30.9	32.8	27.7	26.7
Comoros	16.0	16.2	16.4	15.2	13.8	13.1	14.3	15.9	16.3	16.3	17.2	14.4
Eswatini	12.9	11.8	12.2	12.6	12.5	12.8	12.8	13.2	13.6	12.8	15.8	16.1
Lesotho	28.1	34.9	33.1	33.1	29.9	27.0	22.8	18.0	22.7	26.1	25.6	27.2
Madagascar	23.4	20.2	16.5	16.5	16.0	16.4	15.8	19.1	19.8	13.6	16.6	19.5
Mauritius	23.9	24.4	22.0	19.7	18.1	17.9	18.3	19.4	19.8	19.0	19.3	20.7
Mozambique	28.8	49.5	54.0	52.9	41.2	46.6	33.2	50.0	60.1	57.8	53.4	72.4
Namibia	18.9	25.6	25.6	36.0	28.9	22.0	17.7	14.9	15.1	14.4	14.1	15.8
Seychelles	35.4	38.1	38.5	37.5	33.7	30.0	30.2	29.0	27.4	22.4	25.6	26.8
South Africa	18.9	18.6	19.2	18.5	18.6	17.0	16.6	16.5	16.0	12.7	13.0	14.8
Zambia	33.6	31.8	34.0	34.0	42.8	38.2	41.0	38.6	39.3	32.3	28.7	31.4
AFS average	25.5	27.8	26.9	27.4	26.5	24.2	22.7	23.5	25.1	23.7	23.4	25.7

Data on Total Investment not available for Zimbabwe

Current account balance (percent of GDP)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	11.7	10.8	6.1	-2.6	-8.8	-3.1	-0.5	7.3	6.1	1.5	11.3	4.2
Botswana	-0.9	-5.9	4.5	11.1	2.2	8.0	5.6	0.4	-7.0	-10.8	-0.5	2.7
Comoros	-3.6	-3.2	-4.0	-3.8	-0.3	-4.4	-2.1	-2.9	-3.3	-1.6	-3.4	-7.2
Eswatini	-5.8	5.0	10.8	11.6	13.0	7.9	6.2	1.3	4.3	6.7	0.5	0.0
Lesotho	-14.5	-9.0	-5.3	-5.2	-4.0	-6.7	-2.6	-1.4	-2.1	-2.0	-9.3	-10.3
Madagascar	-6.7	-7.5	-6.5	-0.3	-1.6	0.5	-0.4	0.7	-2.3	-5.4	-5.5	-5.3
Mauritius	-13.4	-7.1	-6.2	-5.4	-3.6	-4.0	-4.6	-3.9	-5.4	-12.5	-11.1	-7.2
Mozambique	-23.1	-41.5	-40.5	-36.3	-37.4	-32.2	-19.6	-30.3	-19.1	-27.6	-22.4	-36.8
Namibia	-6.9	-8.6	-8.2	-9.4	-13.6	-16.5	-4.4	-3.4	-1.8	3.0	-7.3	-3.9
Seychelles	-23.0	-21.1	-11.9	-22.4	-18.1	-19.7	-19.1	-17.4	-16.2	-23.0	-20.3	-21.3
South Africa	-2.0	-4.7	-5.3	-4.8	-4.3	-2.7	-2.4	-3.0	-2.6	2.0	3.7	-1.0
Zambia	4.7	4.9	-0.8	2.1	-2.7	-3.3	-1.7	-1.3	0.6	12.0	6.7	3.9
Zimbabwe	-19.5	-13.3	-13.9	-12.0	-8.0	-3.4	-1.3	-3.7	4.0	4.7	3.6	0.6
AFS average	-7.9	-7.8	-6.2	-5.9	-6.7	-6.1	-3.6	-4.4	-3.4	-4.1	-4.2	-6.3

Volume of exports of goods and services (percent change)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	-5.4	3.8	0.1	-2.1	6.7	-2.0	-1.3	-10.7	-5.9	-7.3	1.1	2.3
Botswana	-0.8	16.8	39.7	1.2	-7.4	-8.4	-5.5	11.9	-7.1	-18.1	40.2	1.5
Comoros	-1.8	-10.4	20.1	24.2	-7.4	-1.7	4.0	12.0	-0.5	-33.5	15.5	11.5
Eswatini	-21.3	11.0	2.0	10.8	-1.0	3.8	4.0	-2.8	16.3	-2.4	9.4	1.2
Lesotho	8.6	-2.3	-8.7	-3.5	16.7	9.5	5.5	0.3	-0.4	-21.6	-0.8	3.1
Madagascar	14.1	7.2	-10.1	-1.4	-7.7	-31.9	-9.7	-5.9	14.8	-30.6	25.8	3.5
Mauritius	9.2	9.4	-7.9	7.3	-2.0	-7.7	3.5	3.4	-6.0	-37.9	-9.1	12.5
Mozambique	25.6	40.9	8.9	-3.0	-1.1	-6.1	34.6	5.1	-3.0	-18.2	17.4	11.0
Namibia	-6.9	2.3	-6.8	0.6	-11.3	9.5	20.1	10.6	-7.7	-22.4	17.9	10.6
Seychelles	3.7	23.8	-8.8	12.3	29.2	-9.2	3.8	0.0	4.5	-23.5	-6.6	9.2
South Africa	3.0	1.1	3.7	3.6	3.1	0.4	-0.3	2.8	-3.4	-12.0	9.9	4.7
Zambia	1.3	28.0	23.2	-4.0	-11.4	-5.1	4.0	5.4	-11.7	9.2	-3.3	6.6
AFS average	2.4	11.0	4.6	3.8	0.5	-4.1	5.2	2.7	-0.9	-18.2	9.8	6.5

Data on Volume of exports of goods and services not available for Zimbabwe

Volume of imports of goods and services (percent change)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026 Average
Angola	10.9	8.2	8.3	10.4	-19.3	-30.7	5.9	-11.6	-11.3	-33.2	15.1	12.6
Botswana	11.1	25.3	14.3	-1.3	5.8	-20.9	-12.9	15.9	11.9	5.2	21.1	-0.2
Comoros	0.3	3.7	6.9	-5.7	-2.5	8.8	12.3	10.4	-1.6	5.8	3.0	4.8
Eswatini	-19.1	-2.4	11.8	0.4	2.7	8.3	7.3	4.6	1.5	-0.6	-10.4	1.1
Lesotho	4.3	4.2	-6.0	1.1	5.8	1.1	3.0	-5.0	1.0	-2.4	-3.4	1.9
Madagascar	5.0	16.8	14.3	2.3	-7.1	19.1	7.0	-0.5	1.8	-20.7	7.8	7.0
Mauritius	5.7	3.0	4.1	4.5	4.4	3.0	5.4	3.8	1.6	-11.4	9.3	4.8
Mozambique	43.0	64.4	8.3	-1.6	1.0	-21.2	-0.9	20.3	-8.2	-4.9	-2.5	9.5
Namibia	-2.8	22.2	2.8	16.4	11.4	-5.0	-2.1	2.8	-8.5	-21.6	35.1	6.1
Seychelles	1.5	12.4	1.8	21.2	7.9	7.5	6.8	2.6	-1.3	-25.4	-3.5	6.8
South Africa	11.8	3.9	4.0	-0.7	5.0	-4.1	1.5	3.2	0.5	-17.4	9.4	6.2
Zambia	27.3	24.9	16.4	-7.0	0.7	-8.1	12.4	6.3	-23.8	-18.3	17.5	9.3
AFS average	8.2	15.5	7.3	3.3	1.3	-3.5	3.8	4.4	-3.0	-12.1	8.2	5.8

Data on Volume of imports of goods and services not available for Zimbabwe

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