



Project Proposal for

African Countries

January 2025

Component: Revenue

Module: RM II – Revenue Administration



PROJECT SUMMARY

COUNTRY: African countries

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: January/2025 – December/2027

FUNDING PROGRAM TITLE: AfCFTA Implementation – GPFP Revenue Module III&IV

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ESTIMATED BUDGET \$ 842,769

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ACRONYMS

AfCTA	African Continental Free Trade Area
CD	Capacity development
FAD	IMF's Fiscal Affairs Department
JSA	Japan Administered Account for Selected IMF Activities
REC	Regional economic community
STX	Short-term expert
TA	Technical assistance
WCO	World Customs Organization

I. PROJECT PURPOSE

Country request and relevance/importance

This new capacity development (CD) project aims to enhance customs capacities in Africa to support regional and continental trade integration and tax collections, focusing on the effective implementation of preferential trade agreements, especially the African Continental Free Trade Area (AfCFTA). Customs administrations play a crucial role in facilitating trade flows and ensuring control to prevent fraud, which is vital for revenue mobilization, economic growth, and fair competition. The project builds on previous work by staff of the IMF's Fiscal Affairs Department (FAD), who analyzed the AfCFTA's implications and developed implementation proposals, discussed with 48 customs administrations, 7 regional economic communities (REC) and the World Customs Organization (WCO) during a series of workshops across the continent (This was previously funded by the Japan Administered Account for Selected IMF Activities (JSA)).

Description of Modules

The project aims to support African customs and tax administrations in implementing FAD's recommendations for the successful execution of the AfCFTA, which will be detailed in a technical note to be published in FY25. The recommendations emphasize the need for customs to efficiently process legitimate claims for preferential treatment under the agreement, fostering a cycle of trade growth and economic impact, while ensuring only compliant traders benefit from tariff elimination to protect revenue collections. The project also focuses on enhancing resources such as modern technology, training, and structural adjustments to meet these goals. Additionally, it will review data collection and reporting mechanisms to enable trade policy analysis, measure AfCFTA progress, and assess the proper definition and reporting of goods' origin and provenance. Furthermore, the project will address the expansion of cross-border activities by strengthening domestic tax administration, improving tools for data exchange, mutual assistance, and dispute resolution, and developing new instruments for effective cross-border trade management under the AfCFTA. This project will build on the implications of the free trade area scoped during the previous JSA funded project, focusing now on the practical solutions on implementing the AfCFTA. This will be done with a combination of analytical work, defining the implementation plan (module III), peer-to-peer learning to both help perfect the plan as well as provide practical applications that can be used by the participating countries (Module IV), and finally through direct in-country CD (Module II). The in-country CD will be embedded within individual Module II country projects with the indicative budget shown in this proposal.

The estimated budget for this project is \$ 842,769, and endorsement is requested for the full amount through FY27.

II. BACKGROUND

Macro-fiscal situation

The AfCFTA agreement creates the world's largest free trade area measured by the number of participating countries: 54 out of 55 African countries have signed it. They have a total population of 1.3 billion people, and a GDP estimated at US\$3.4 trillion. The AfCFTA was conceived by the African Union in 2012; its negotiations started in 2015 and were completed in 2018. Officially, it entered into force on May 30, 2019, when the required number of State Parties had ratified it. Trading under the AfCFTA was planned to commence on January 1, 2021; however, due to the COVID-19 pandemic it started in October 2022, under the "AfCFTA-Guided Trade Initiative" with eight participating countries.

It is an ambitious initiative with considerable potential. The IMF and the World Bank concur that the AfCFTA presents a major opportunity to help African countries diversify their exports, accelerate growth and attract foreign direct investment in a global economy that is increasingly fragmented and hard hit by multiple shocks since 2020. A 2023 IMF study concludes that, in an "AfCFTA+ scenario... the median bilateral trade flow between African countries would grow by 53 percent, of which 15 percentage points would be from tariff and non-tariff measure reductions, and the remaining 38 percentage points from improvements in the trade environment."¹ However, as highlighted in academic papers, proper implementation will determine whether the objectives of the agreement are met, and the expected benefits are obtained.

Country engagement and alignment to reform priorities

Recent CD visits highlighted that the AfCFTA is a high priority for African governments, offering opportunities for economic diversification and resilience through reduced trade barriers and increased intra-African trade. However, its practical implementation faces challenges, particularly in aligning goals with customs strategies. The AfCFTA's Guided Trade Initiative, a small-scale pilot for cross-border trade, remains limited, underscoring the need for broader customs reform and digitalization. Despite these challenges, progress is being made, with countries like Nigeria, Liberia, Togo, Guinea, and Cape Verde—who have received FAD assistance—taking steps toward aligning with the AfCFTA's objectives,

¹ Trade integration in Africa: unleashing the continent's potential in a changing world. Prepared by an IMF team led by Asmaa El Ganainy, Shushanik Hakobyan, Fei Liu, and Hans Weisfeld. International Monetary Fund. African Department (Series). Washington, DC: International Monetary Fund, 2023. DP/2023/003.

along with countries such as Mozambique, The Gambia, Sierra Leone, and Central African Monetary and Economic Community (CEMAC) that have requested support. This growing interest signals an increasing recognition of the AfCFTA's potential to boost trade, integrate economies, and diversify economies, highlighting the importance of effective implementation.

IMF priority areas / cross-cutting themes

The digital transformation of operations will be one of the main pillars in articulating the customs modernization reforms covered by the project. African customs administrations will be supported to digitalize as much as possible their procedures for certification, control and verification of the origin of exported and imported goods. The development of capabilities to electronically exchange customs information and track cargo in transit is also part of the scope of the project.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to African countries in revenue administration. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	Improved customs administration functions (SDG 17.1) – CAD
Revenue	RM II / Revenue Administration	Strengthened revenue administration management and governance arrangements

A. RM II - Revenue Administration; RM III – Training and Peer Learning; and RM IV – Analytical Work

Scope

This project is aligned with African governments' priorities and the IMF's recommendations on improving customs administration performance, voluntary compliance across the continent, and revenue mobilization. Recent technical assistance (TA) from FAD has identified key gaps and weaknesses in African customs administrations that could hinder the successful implementation of the AfCFTA. Addressing these gaps, the project focuses on strengthening the role of customs in driving regional integration, economic development, and revenue generation. It will cover four major components in a

complementary manner, namely: (1) enhancing customs organization, procedures, and capacity to manage tariff elimination; (2) designing IT infrastructure for information sharing and collaboration among customs; (3) ensuring accurate data for trade policy analysis; and (4) adapting domestic tax administrations to manage increased cross-border activities.

Program Objectives

This project aims to help African countries boost regional and continental trade integration, to increase trade flows and resulting economic growth and diversification, while ensuring effective control of trade transactions, to prevent fraud, which could reduce public revenues or enable unfair competition in internal markets. The project will work on four main axes in a complementary manner, namely: (1) appropriate customs organization, procedures and capacities, aimed at the adequate implementation of preferential trade agreements, with most emphasis on the adequate implementation of the AfCFTA; (2) design new IT concepts to support customs information sharing/collaboration for AfCFTA implementation; (3) support to technical definitions and procedures necessary to make accurate trade data available for research and analyses; and (4) promote adequate harmonized provisions and measures by tax administrations to adjust to the increased cross-border activities which will result from the AfCFTA.

Expected Results (outcomes)

The expected results of the project are the following:

- Increased trade volumes, particularly between African countries, mitigating or offsetting the impact of the reduction in customs revenue due to the tariff dismantling of the AfCFTA.
- Protection of government revenue through strengthened customs procedures to prevent abuse of the AfCFTA provisions (trade revenue) and adaptation of tax administration procedures to the expansion of cross-border activities (domestic revenue).
- Advancement by African revenue administrations of their digitalization agenda, including automation and digitalization for information sharing and collaboration among them.
- Facilitated trade policy research and AfCFTA progress monitoring through the reporting of comprehensive and accurate data by customs administrations.
- Promotion of harmonized provisions and tools by tax administrations to adjust to the increased cross-border activities which will result from the AfCFTA.

V. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

A significant expansion of intra-African trade in goods beyond the current RECs is expected if the AfCFTA Protocol on Trade in Goods is properly and swiftly implemented. Various initiatives have been engaged to speed up implementation of the Protocol on Trade in Goods. The AfCFTA Secretariat recently published a Rules of Origin Manual and an e-tariff book to ensure that tariff concession modalities and schedules are easily accessible to Trade and Customs authorities, traders and other relevant stakeholders. Twenty-four new State Parties are expected to join the Guided Trade Initiative in 2024, according to the AfCFTA Secretariat, which will bring the number of countries experiencing practical implementation of the Agreement provisions to 32 (out of 54 signatories). FAD has circulated the conclusions and recommendations of the series of workshops in Africa to the authorities of participating customs and RECs, who are presently analyzing them for action. A dozen jurisdictions have started to receive TA or have requested it (cf. II above). These developments together are expected to generate a growing interest from African authorities in IMF's customs administration assistance focused on the AfCFTA.

B. Delivery Modalities

The CD support will be crafted to integrate a mix of in-person and virtual modalities. The foundational aspect of delivery will thus comprise direct, in-person activities for hands-on engagement, complemented by virtual interactions to facilitate ongoing communication and operational effectiveness. The following CD activities will be delivered as a package, according to each project component:

- Short-term expert (STX) visits to provide specialized assistance and hands-on training in specific areas (certification and verification of origin, identification of commercial risk indicators, accounting and process auditing, etc.), customized to the beneficiary country's situation both through multi-country workshops and peer-to-peer learning facilitation; and specific country assistance, to help to inform and implement the recommendations.
- STX duty station activities to develop guidelines, manuals and online resources, such as e-learning modules, webinars, and downloadable guides. This modality will also be used to take stock of the legislations and frameworks in place and conduct comparative studies of the AfCFTA's rules of origin versus those of each African Regional Economic Community to assess the practical implications of the AfCFTA rules on control and verification of origin by customs authorities.

- Workshops (peer-to-peer) to share hands-on experience and practical knowledge by experienced trainers and subject matter experts, to exchange views among participating countries and agree upon standard measures to be taken. Additionally, virtual workshops using video conferencing platforms can be utilized to reach a wider audience and minimize travel costs.
- Staff missions both regionally and to countries to both help inform the implementation plan for the continent as well as garner inclusion in the peer-to-peer learning in the region.

Modalities will be adjusted to each of the four components of the project (III-A above). The approach envisaged is briefly described below.

- Component 1—Customs organization, procedures and capacities. CD will make a relatively more intensive use of the in-country and duty-station STX modalities to address (i) capacity-building of officers through specialist training and (ii) preparation of standard operating procedures (SOP) that customs authorities will be able to adjust to national and regional (customs union) frameworks.
- Component 2—The IT concept for information sharing among African customs. CD will be delivered through: (1) remote STX to study existing applications and ongoing IT initiatives to enable sharing of documentation and information on origin of goods among customs; (2) remote STX to design an IT concept; and (3) on-site and/or virtual workshops to review and finalize the proposed concept with customs representatives.
- Component 3—Customs data for trade policy and strategic analyses. The nature and sequence of activities will be the following: (1) remote STX to take stock of existing legislation and practices; (2) on-site and/or virtual workshops to review the needed actions to address gaps; and (3) remote STX to formalize proposals to all African RECs and national customs administrations.
- Component 4—Adaptation of the tax administration to manage increased cross-border transactions. A gradual approach will be adopted: (1) Virtual and on-site workshops to examine issues and outline responses; (2) STX to develop a concept note to serve as the basis for a tax procedures guide, and (3) workshop to: (i) finalize and adopt the note; and (ii) develop a roadmap for further steps towards the elaboration of tax procedures guide.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	Sharing of information, insights, and recommendations	IMF's Regional Capacity Development Centers	Regular
European Union (EU) / World Customs Organization (WCO)	Sharing of information, insights, and recommendations	EU-WCO Rules of Origin African Programme	Regular

VI. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM II – Revenue Administration	Deterioration of fiscal situation may impact availability of resources to finance reforms	Medium	Ensure sufficient flexibility in program execution and allow the ability to adjust activities as the situation dictates.
POLITICAL SUPPORT			
RM II – Revenue Administration	There may be vested interest in the current management of preferential origin arrangements in some countries. The return to sound international practice, i.e., management by customs, may be faced by political resistance.	Medium	Engage regularly with ministers and senior management to ensure government ownership of proposed actions and close consultation with the country team to help authorities recognize the relevance of the issue.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM II – Revenue Administration	Proper management of the AfCFTA requires that customs administrations develop the economic function of their mission while in many countries the focus remains largely or even exclusively on direct revenue collection.	Medium	Engage proactively with senior management and technical staff and explain the importance of regional integration and its positive impacts, including revenue mobilization.
RESOURCE ADEQUACY			
RM II – Revenue Administration	Insufficient technical capacity and human resources needed to monitor and control inter-regional trade.	Low	Ensure CD plans include sufficient capacity building and training elements.
OTHER RISKS			
RM II – Revenue Administration	Multiple donors are providing technical assistance on the management and control of the origin of goods and overlaps or divergencies in the recommended approach may arise as a result.	Low	Take an active role in engaging with other donors to ensure support is coordinated and aligned.

VII. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
RM II – Revenue Administration						
HQ-led CD mission (incl. LTX)	-	-	-	-	-	-
STX visits (incl. LTX)	2	5	2	1	-	10
LTX Regional Advisor Visits	--	-	-	-	-	-
Staff or other mission for workshop	1	3	3	1	-	8
Interactive Learning (virtual workshop)	1	3	1	-	-	5
Interactive Learning (in-person workshop)	-	2	3	1	-	6
TOTAL	4	13	9	3		29

Note: Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes, taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
FY25 – Q4	Interactive learning or workshop (Staff visit)	Engagement with authorities of 2-3 different customs administrations
FY25 – Q4	Duty station-based Work – DS (STX)	Development of a generic SOP on origin management and control – that can be adjusted at national level
FY25 – Q4	Duty station-based Work – DS (STX)	Comparing the AfCFTA's rules of origin versus those of each African Regional Economic Community
FY25 – Q4	Interactive learning or workshop (online)	Review content of proposed practical guide, selection of participating tax administrations
FY26 – Q1	Interactive learning or workshop (online)	Training of origin units on managing and controlling the origin of goods under the AfCFTA

VIII. PROGRAM FINANCIALS

Module	FY24	FY 25	FY26	FY27	TOTAL (USD)
Direct Delivery					
RM II - Revenue Administration	-	\$57,438	\$477,162	\$253,034	\$787,634
Subtotal					
Trust Fund Management Fee (7%)	-	\$4,020	\$33,401	\$17,712	\$55,134
TOTAL	-	\$61,458	\$510,563	\$270,747	\$842,769

Note: The estimated budget for this project is \$842,769, and endorsement is requested for the full amount through FY27. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

IX. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective	
Improved customs administration functions (SDG 17.1) - CAD	
Outcome(s)	Indicator(s)
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	Legal base, procedures and capacities strengthened to exchange information with the tax department, other government agencies and foreign customs.
Customs control during the clearance process more effectively ensures accuracy of declarations	Effective application of procedures based on international standards for valuation, origin and the tariff classification of goods improved.
Foreign trade operators better comply with their reporting and payment obligations	Alignment of customs procedures (including transit) with international standards and regional integration objective improved.
Trade facilitation and service initiatives better support voluntary compliance	Active engagement with the trade community supports voluntary compliance.
Objective	
Strengthened revenue administration management and governance arrangements	
Outcome(s)	Indicator(s)
Effective implementation of a new tax or modernized legislation	A framework for an effective implementation of a modernized legislation is developed.