

**2024 -
June**

CEMAC

Component: Revenue

Modules: RM II – Revenue Administration

CEMAC

PROJECT SUMMARY	
COUNTRY:	Cameroon, Central African Republic, Chad, Congo, Republic of, Equatorial Guinea, Republic of, Gabon
LEAD DEPARTMENT:	FAD
REGION:	AFR
PROGRAM ID:	[To be filled out by Secretariat]
PLANNED DATES:	FY25
FUNDING PROGRAM TITLE:	[to be added by Secretariat]
PROJECT MANAGERS:	Ramarozatovo, Anthony (R2) – Lead
RM II – REVENUE ADMINISTRATION	Ramarozatovo, Anthony (R2); Cantens, Thomas (R2)
ESTIMATED BUDGET	\$216,076
BUDGET FOR ENDORSEMENT:	\$216,076

CEMAC

Contents

PROJECT SUMMARY	2
Acronyms	4
I. Project Purpose.....	5
II. Background	6
III. Project Modules - Description	7
Table 1. Summary of Objectives covered by the Proposal	7
A. RM II – Revenue Administration.....	7
Scope	7
Program Objectives	7
Expected Results (outcomes)	7
IV. Organizational Arrangements	8
A. Country Engagement	8
B. Delivery Modalities	8
C. Coordination / Cooperation	9
V. Risk Assessment and Mitigation	9
VI. CD Delivery Plan	10
Table 2. Summary of Indicative CD Delivery	10
Table 3. First year workplan	10
VII. Program Financials.....	11
VIII. Targeted Logical Framework.....	11
A. RM II – Revenue Administration.....	11

CEMAC**ACRONYMS**

CEMAC	Economic and Monetary Community of Central Africa
CD	Capacity development
DRM	Domestic revenue mobilization
FAD	IMF's Fiscal Affairs Department
STX	Short-term expert

CEMAC**I. PROJECT PURPOSE**

The authorities have expressed strong interest in a new capacity development (CD) project to continue FAD's supported reforms to increase revenue collection and modernize tax and customs administrations. The four-year extended credit facility (ECF) program adopted in June 2023, which aims to support the fiscal consolidation efforts to create fiscal space to fund poverty and development needs and reduce debt sustainability risks, is underpinned by structural reforms designed to mobilize more revenue. The low tax revenue to GDP ratio, expected to reach 8 percent in 2023, should grow by 0.3 percentage points each year until 2027.

This CD program will help the Economic and Monetary Community of Central Africa (CEMAC) Commission to impulse revenue administration reforms within the Community with a view to enhance domestic revenue mobilization (DRM) by strengthening revenue administration governance arrangements, core tax and customs administration functions. To this end, the project will help the CEMAC Commission and the six member states to develop a regional DRM strategy, while strengthening the Commission's leadership and capacity to initiate and manage revenue administrations' reforms. In addition, the project will assist with implementation the structural reforms developed under the former Revenue Mobilization Thematic Fund project to strengthen core customs and tax functions, and effective application of the governance frameworks adopted for the Community and member states.

During the 2024 Spring Meetings, the President of the CEMAC Commission expressed his strong interest in benefiting from a Global Public Finance Partnership medium-term support project. He requested that the ongoing close collaboration between FAD and the CEMAC Commission should be further strengthened. Confirming the President's position, the CEMAC Commissioner in charge of the Common Market sent to FAD director a formal letter on April 25, 2024 explaining further the CEMAC Commission's expectations.

The estimated budget for this three-year project is \$632,250, but endorsement is only being requested for \$216,076 through FY25.

CEMAC**II. BACKGROUND**

The non-oil tax revenue ratio to non-oil GDP average of the CEMAC area is the lowest among regional groupings even if it has increased from 11.1 to 12.5 percent between 2022 and 2023. It is far from sufficient to meet the huge development funding needs and ensure greater debt sustainability of the six member countries (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon), of which five are oil exporters, and four are categorized as Fragile and Conflict-Affected States (FCS). Relying on oil revenues, the region has delayed the launch of structural reforms in tax and customs administration.

The CEMAC Commission has been coordinating the implementation of structural reforms, in collaboration with the Secretariat of CEMAC's Economic and Financial Reforms Program. They should continue to play a central role in monitoring and encouraging progress on both country-specific structural reforms and regional integration. The harmonization of tax procedures and customs practices in the CEMAC area is an important cross-cutting endeavor that can improve the regional business climate and support the regional integration in the broader context of the implementation of the African Continental Free Trade Area (AfCFTA).

The CEMAC's economic and financial reforms continue to be framed around the agenda laid out by the August 2021 Heads of States summit. The Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC) points modest progress in non-oil revenue mobilization and modernization of the tax and customs administrations in the region. Accelerating structural reforms is essential to remedy the persistent structural reform delays. Faster progress on longstanding reforms, including the strengthening of tax and customs administrations' governance frameworks coupled with bolder steps towards the business climate and trade facilitation, would help broaden the non-oil tax base and support economic growth and diversification.

A comprehensive regional strategy can bolster non-oil tax revenue mobilization, help improve the business climate and trade facilitation. This requires, among other measures and reforms, broadening the tax base, speeding-up the digital transformation, strengthening the monitoring of the large-scale tax suspension and exemption regimes, stepping up the fight against tax and customs fraud, and modernizing the functioning of revenue administrations.

CEMAC

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to the CEMAC Commission and the six member states of the Community in the area of revenue administration. FAD CD will support improvements within the strategic objectives presented in Table 1 below:

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II – Revenue Administration	• Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM • Strengthened core tax administration functions (SDG 17.1) - TAD • Improved customs administration functions (SDG 17.1) - CAD

A. RM II – Revenue Administration

Scope

Against this background, the project is aligned with the CEMAC Commission and member states' priorities which aims to adopt a regional strategic reform plan, increase reform implementation capacities, and strengthen the tax and customs administration core functions. As part of the CEMAC's Economic and Financial Reforms Program (PREF-CEMAC) and consistently with the Country Strategy Note (CSN) for the ECF program of five of the countries, the authorities have agreed to strengthen non-oil tax revenue mobilization. CD will therefore be deployed to: (i) develop a regional multi-year reform strategic plan; (ii) strengthen reform management capacities; (iii) adopt and disseminate the regional tax procedures code; (iv) introduce standard customs operating procedures and modernize and harmonize customs practices on this basis; (v) help properly implementing the customs tariff and origin of goods rules; (vi) strengthen cargo transit monitoring; and (vii) improve tax and customs administrations transparency and accountability.

Program Objectives

The program's objective is to boost revenue administration's structural reforms in the region and strengthen the CEMAC's Commission so that it effectively initiates and drive tax and customs administrations in their modernization initiatives. With a view to strengthen the capacities of the member states to raise more non-oil tax revenue, improve the business climate, facilitate trade and deepen regional integration, the CD activities will support the member states to (i) speed-up tax revenue administrations' structural reforms, (ii) harmonize, consolidate and align tax and customs administrations practices and procedures with international standards, and (iii) strengthen the leadership and the capacities of the CEMAC Commission in initiating and driving regional reforms.

Expected Results (outcomes)

- Enhancing the CEMAC Commission, and the member country authorities' capacities to design, adopt, implement, and manage a regional DRM reform program.
- Improving transparency and governance framework of the tax and customs administrations.

CEMAC

- Scaling-up modernization, harmonization, and consolidation of the core tax procedures applicable within CEMAC community.
- Increasing harmonization, in practice, of the application of customs rules and common external tariff throughout CEMAC with a positive impact on revenue mobilization and trade facilitation.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

Substantial work was done with the CEMAC Commission under the previous Revenue Mobilization Thematic Fund project and the project for the IMF's Africa Technical Assistance Center for Central Africa. The strategic objectives of this support were to: (i) initiate at regional level reforms that had struggled to be initiated at country level, (ii) improve the strategic position of the Commission, and (iii) strengthen CEMAC capacities. Outcomes include: a regional tax procedures code and its user guide, a regulation creation of a body to monitor implementation of community rules and performance achieved by the national customs and tax administrations, regulations to implement the revised customs code (prepared with FAD's support). The authorities always collaborated effectively. The current project proposal include support to the full implementation of these ongoing reforms.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration. The project will seek to use Spanish-speaking experts for Equatorial Guinea.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

CEMAC

C. Coordination / Cooperation

Coordination			
Partner	Type of coordination	Area of coordination	Frequency
AD country team, AFC, LEG, tax policy	CD design and delivery, mission timing, joint CD support, report review	Tax and customs administrations Tax and customs core procedures	Quarterly
Cooperation			
Partner	Type of coordination	Area of coordination	Frequency
European Union, World Bank, World Customs Organization, FERDI, AfDB, GIZ	Exchange information / agree on areas to be covered by each partner	Revenue administration	Annual

V. RISK ASSESSMENT AND MITIGATION

General or Module	Description	Risk Assessment	Mitigation Measures
External climate/conditions			
RM II	CEMAC country member sustained commitment to reform tax and customs administration.	Medium	Develop and adopt a regional revenue mobilization reforms roadmap with close implementation monitoring.
Political Support			
RM II	The CEMAC authorities' commitment to reform is strong. This level of commitment should last and, importantly, it should be associated with full commitment of the heads of the national tax and customs departments.	Medium	Engage regularly with the Commissioner in charge of the Common Market to ensure ownership of reforms and commitment.
Management and Technical Staff Support and Commitment			
RM II	Management's commitment is strong. However, there is a critical need to enhance reform management capacity.	Medium	Provide ongoing training to build the skills of CEMAC Commission's staff and define the profiles of new technical officers to be recruited.
Resource Adequacy			
RM II	Insufficient technical capacity and human resources necessary to help implement and monitor reforms in the member country are limited. Limited resources and working conditions not adapted.	High	Ensure CD plans include sufficient training and prioritize CD to risks areas where resources are limited.

CEMAC

VI. 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 and Staff visit	1	1	1	-	-	3
Workshops (inc. during HQ and remote CD)	3	3	3	-	-	9
STX visit (remote and field based)	3	3	3	-	-	9
Total	7	7	7	-	-	21

Note:

- In-person delivery was chosen in most instances because of the poor technology available in most of the countries in Central Africa, and because of the sensitivity of the CD messages being conveyed.
- Remote delivery was chosen in several instances because of the short duration of the activity, the cost of travel and security risks in the country.
- Hybrid delivery was chosen in several instances to enable AD other DPs to join the opening and closing meetings.
- 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		
Q1/FY25	Field based work	HQ-led CD Mission – Regional Domestic Revenue Mobilization strategy
Q2/FY25	Field based work	Workshop – Preparation of the Regional Domestic Revenue Mobilization Strategy
Q2/FY25	Field based work	Workshop – Finalization of the users' guide of the Tax Procedure Code
Q3/FY25	Field based work	Workshop – Preparation of the Regional Tax Identification Number

CEMAC

VII. PROGRAM FINANCIALS

	FY25	FY26	FY27	FY28	FY29	Total
RM II – Revenue Administration	\$201,940	-	-	-	-	\$201,940
Subtotal	\$201,940	-	-	-	-	\$201,940
Trust fund management fee (7%)	\$14,136	-	-	-	-	\$14,136
Total	\$216,076	-	-	-	-	\$216,076

The estimated budget for this two-year project is \$216,076, and endorsement for the full amount is requested for FY25.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective	
Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Outcome(s)	Indicator(s)
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	Administrative provisions are harmonized and consolidated, for example, under a tax procedures code
Objective	
Strengthened core tax administration functions (SDG 17.1) - TAD	
Outcome(s)	Indicator(s)
The integrity of the taxpayer base and ledger is strengthened	Knowledge of taxpayer base and potential taxpayers improved through robust taxpayer registration policies and procedures (TADAT POA1-2)
Objective	
Improved customs administration functions (SDG 17.1) - CAD	
Outcome(s)	Indicator(s)
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	Implementation of new initiatives, such as Single Window, coordinated border management, and Authorized Economic Operator
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	A larger share of trade controlled progressively through a properly designed post clearance audit program