

# East AFRITAC



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## Highlights of East AFRITAC (AFE) Activities in September 2013

**Public Financial Management:** Mission to Ethiopia provided Financial Reporting Framework Guide and Reporting Guidelines. PFM advisors assessed the Integrated Financial Management Information System (IFMIS), reviewed the PFM legal framework and provided technical assistance (TA) on moving to program-based budgeting (PBB) during an IMF HQ-led mission to Malawi. AFE's advisor visited Mauritius' Ministry of Finance and Economic Development for fact-finding on PBB and IFMIS.

**Financial Sector Regulation:** Rwanda received TA on the regulation and supervision of foreign exchange bureaus. The National Bank of Ethiopia (NBE) was advised on its financial stability framework and report. Officials from the Bank of Eritrea were attached to the National Bank of Rwanda on insurance supervision.

**Monetary Policy and Operations:** AFE fielded missions to the Bank of Uganda (BoU) and the Reserve Bank of Malawi (RBM) on national payments system oversight and the interbank money market, respectively.

**Revenue Administration:** AFE's new resident advisor visited the Tanzania Revenue Authority to follow-up on previous IMF recommendations on tax reform. A short term expert assisted Malawi on effective risk management system. AFE's resident advisor participated in an African Tax Administrators Forum (ATAF) in Zimbabwe on natural resource taxation where most AFE member countries participated.

**Macro-Fiscal Analysis:** AFE's resident advisor visited Malawi for a TA needs assessment. He also contributed to an IMF Institute for Capacity Development (ICD) regional integration course held in Tanzania and conducted training in Zanzibar on macroeconomic analysis and fiscal reporting.

**Statistics:** Tanzania (Zanzibar) was assisted in developing preliminary benchmark supply and use estimates and improving annual and quarterly estimation worksheets. TA was also provided to Malawi to implement import and export prices surveys.

**Workshops:** AFE and the IMF's Institute for Capacity Development (ICD) conducted two regional workshops on Economic Issues in Regional Integration and Monetary and Exchange Rate Policies, in Tanzania. AFE also contributed to a regional pilot MTEF workshop in Mauritius organized by AFRITAC South (AFS), which aided preparation for a similar course to be held by AFE.

**Center Coordinator:** the coordinator visited Ethiopia to conduct a needs assessment, and met with Steering Committee members and other officials of the Finance Ministry and Central Bank. The Coordinator also represented the Fund and AFRITACs at a multi-agency seminar in Addis Ababa on coordinating work on national accounts statistics.

**Forthcoming AFE Activities in the next two months:** In addition to a number of TA missions, AFE plans Workshops on: Effective Cash Management to Support Budget Execution, Implementation of Basel II and III, and Quarterly National Accounts Training. However, a workshop on the MTEF reported in an earlier newsletter has been deferred to early 2014.

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## Ethiopia

**Public Financial Management:** AFE's mission, on September 9–26, 2013, provided the authorities with practical guidance on strengthening annual reports to integrate financial and non-financial information. AFE's advisor was joined by short term experts. The focus was on assisting the authorities with the development of guidelines and financial reporting policies associated with core specimen financial statements that had been developed towards the end of FY2013. Significant progress has been achieved in improving annual consolidated financial reporting but public bodies continue to present financial statements separately from annual physical performance reports. The mission illustrated new reporting formats and developed guidelines for annual consolidated fiscal reporting.

**Financial Sector Regulations:** Following on from an attachment to the BOT, the NBE continued its efforts in setting up a financial stability function and has been working on the compilation of a Financial Stability Report (FSR). AFE's September mission, which drew on a short term expert formerly of the Bank of England, reviewed the work done so far and advised on possible improvements in the framework and structure used for the first draft report. In addition, the mission made suggestions on how to organize production of an FSR within the NBE. The expert will return in December 2013 to provide further support.

## Eritrea

**Financial Sector Regulations:** The Bank of Eritrea (BOE) is undertaking efforts to build capacity and improve its supervision over the insurance sector. Prudential reporting and off-site analysis have been put in place. As a next step the BOE aims to develop on-site supervision. Accordingly, AFE arranged a two week attachment of two BOE officers to the insurance supervision department of the National Bank of Rwanda (NBR). The attachment included joining an on-site examination. Based on this experience, BOE aims to develop its own on-site examination procedures and a follow-up mission is scheduled in early December.

## Malawi

**Public Financial Management:** From August 26–September 9, AFE participated in an IMF HQ-led mission to review the PFM legal framework and IFMIS. On IFMIS, the government has made a number of improvements based on recommendations of previous missions. However, IFMIS-related problems are manifold and will not be resolved until

business processes, controls and capacity issues are addressed. The PFM legal framework was found to be reasonably sound, covering most of the main elements of the PFM cycle. The mission noted a gap between the requirements of the Act and actual PFM practices. It recommended improving the definition of roles and responsibilities, and the inclusion of provisions for managing fiscal risks and strengthening the oversight of parastatals and local governments. The mission also worked with several line Ministries to review their respective output-based budget presentations and on how to move to program-based budgeting. Assistance was also provided in identifying areas for strengthening the current budget presentation. The Budget Director's Office has established a PBB Core Team to spearhead the move to PBB and provide training to spending agencies. The mission proposed a work plan to support the Core Team in its endeavors and a follow-up mission is expected in early 2014.

**Monetary Policy and Operations:** A mission to the Reserve Bank of Malawi (RBM) from September 17–27, provided TA on the development of the interbank money market, to assist monetary policy operations. The mission made recommendations to address the challenges RBM is facing in developing the market.

**Revenue Administration:** A short term expert assisted the Malawi Revenue Authority (MRA) in consolidating risk management practices in customs operations. The expert reviewed progress in implementing advice from previous missions. Findings of the assignment will be reported in the October newsletter.

**Macro-Fiscal Analysis:** The macro-fiscal advisor visited the Ministry of Finance and the Ministry of Economic Planning and Development of Malawi on a needs assessment mission. Future technical assistance in medium-term fiscal projections was discussed and agreed for October.

## Rwanda

**Financial Sector Regulations:** The resident advisor and a short term expert reviewed and advised on foreign exchange bureau regulations and supervisory framework for the National Bank of Rwanda (NBR). They also reviewed the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law, given potential risks in the foreign exchange and money remittance sectors. Specifically, the mission advised on improvements in the prudential reporting forms for bureaus; assessed the effectiveness of the on-site inspections by reviewing several on-site inspection reports; prepared a framework for sanctions that the NBR can apply to non-compliant foreign

exchange bureaus; and trained NBR staff on AML/CFT.

## Tanzania

**Public Financial Management:** Over September 23-27, AFE's mission reviewed the government of Zanzibar's cash management and budget execution arrangements. The mission suggested ways to provide line managers with greater certainty of fund releases on a quarterly basis and of ways to smooth expenditures whilst taking account of the seasonality of major revenue streams.

**Revenue Administration:** The newly installed AFE revenue and customs advisor visited TRA to follow up on recommendations made by the IMF diagnostic mission of February 2012. While significant progress has been made, some key recommendations still require more concerted effort. In particular: (1) the establishment of a single Domestic Revenue Department with a strong headquarters and a network of operational offices that include the Large Taxpayer Office; (2) expanding the number of large and medium taxpayers; (3) prioritizing cleaning of the taxpayer register; and (4) proactive management of tax arrears.

**Macro-Fiscal Analysis:** The macro-fiscal advisor visited Zanzibar from September 9 – 20 to train government staff in macroeconomic analysis and assisted the Ministry of Finance and the Planning Commission to enhance fiscal reporting. The mission built a template for semi-annual economic reports and trained staff in time series analysis and forecasting.



*Advisor Fazeer Rahim (Seated at the Center) and Short term Expert Reza Kibria with Zanzibar Government Staff.*

**Economic and Financial Statistics:** AFE's advisor provided further advice and assistance to the Statistics Office in Zanzibar during September 3-14, on redeveloping the annual and quarterly current and constant price methodology; and development of product supply and use balances for 74 products

and preliminary benchmark estimates for 11 economic activities (accounting for around 52% of GDP).

## Uganda

**Monetary Policy and Operations:** The Bank of Uganda was assisted with strengthening its National Payments System (NPS), specifically to prepare a policy and strategy to guide internal NPS oversight capacity enhancement. The mission reviewed the institutional setting for dealing with NPS oversight policies and activities, including the organizational and staffing arrangements; assisted in developing an oversight framework including the policy stance; provided guidance on implementation of the oversight function; and defined a training program for the staff executing the oversight function.

## Workshops

**Public Finance Management:** During September 23-27, one of AFE's PFM advisors participated in a MTEF workshop in Mauritius organized by AFRITAC South (AFS). AFE's workshop participation followed guidance by the two RTAC steering committees to increase interaction for better synergy, especially in sharing workshop themes and materials. Under the arrangement an AFS advisor will reciprocate by facilitating at a future AFE MTEF workshop. The workshop was attended by participants from AFS member countries, the EU, COMESA and MEFMI. Following on from the workshop in Mauritius, the advisor undertook a two-day visit to Mauritius' Finance Ministry to: (i) gather information on the status of PBB implementation, the latest development in IFMIS, the links between the Public Sector Investment program and the budget etc.; (ii) discuss the potential for study tours and attachments for AFE member countries; and (iii) learn about the role and functions of the new Regional Multidisciplinary Centre of Excellence. The Financial Secretary welcomed greater interaction with AFE member countries.

**Revenue Administration:** At the request of FAD, AFE's advisor participated in an African Tax Administration Forum (ATAF) conference focusing on natural resource taxation that was hosted by the Zimbabwe Revenue Authority over September 24 – 27, 2013. ATAF is a platform to promote and facilitate mutual co-operation among African Tax Administrations (and other relevant and interested stakeholders) with the aim of improving the efficacy of their tax legislation and administrations. Officials from Kenya, Malawi, Rwanda, Tanzania

and Uganda attended. AFE's advisor made a presentation on Key International Developments in Taxation of Natural Resources: Current Trends and Issues. The conference could have benefited from the participation of policy making government ministries involved in designing natural resource fiscal regimes across the continent.

**Macro-Fiscal Analysis:** From September 23 – 27, 2013, the macro-fiscal advisor contributed to a seminar organized by the ICD on Economic Issues in Regional Integration. The advisor gave a lecture on fiscal policy issues that arise in monetary unions, with particular emphasis on fiscal rules within the Euro zone and the design of fiscal rules within the East African Community (EAC). Nineteen participants attended, including from the EAC and South Sudan.



*Regional Workshop: Economic Issues in Regional Integration in Dar es Salaam, Tanzania*



*ICD's Marc Quintyn delivering a lecture during the Workshop on Economic Issues in Regional Integration in Dar es Salaam, Tanzania*

**Center Coordinator:** the Coordinator attended the inaugural meeting of the Continental Steering Committee on the Implementation of the 2008 SNA in Addis Ababa from Sept 18-19. The meeting was organized jointly by the AfDB, AU, and UNECA. The objective was to strengthen coordination Africa wide on the 2008 SNA, with a project proposal from the Pan-African institutions to this end. The Coordinator and the statistics advisor from AFS gave presentations on the Fund's work on national accounts in Africa on two panel sessions, and set

out the Fund's future engagement with the Committee. The Coordinator took the opportunity to engage the Ethiopian authorities on their assessment of AFE, and key needs in the period ahead. Priorities mentioned included TA on bond markets, monetary operations, financial stability, PBB, and CPI weighting. The authorities called for more national and regional workshops to be held in Ethiopia and confirmed their intention to resume participation in AFE Steering Committee meetings.

## Forthcoming AFE Activities

**Public Financial Management:** PFM missions will include: Restructuring the Accountant General's Office in Kenya (November 25–December 6), Budget Preparation Improvement in Uganda (October 14–25), Financial Regulations and Advancing the PBB agenda in Rwanda (November 11–22), and Enhanced Annual Fiscal Reporting Practices in Zanzibar (October 21–31). A workshop on the Medium Term Budgeting Framework originally planned in November has been deferred to February/ March 2014.

**Monetary Policy:** A mission on sharia compliant liquidity management instruments is anticipated for November 2013.

**Financial Sector Regulations:** Between October 14 – 25, AFE will undertake a mission on consolidated supervision to the CBK. Between October 21–November 1, it plans to assist the NBR on a roadmap for the implementation of Basel II and III. This will be followed by a regional workshop on the same topic between November 18 – 22.

**Revenue Administration:** AFE is to conduct a regional workshop on Customs Risk Management in Nairobi, Kenya from October 28 - November 1. Forthcoming missions include: Consolidating Customs Risk Management in Malawi (September 30 - October 11); Strengthening Risk Management in Customs Operations in Kenya from October 10 - 23; Enhancing the Deployment and Usage of Appropriate Information Technology in Rwanda (November 11-22) and Uganda (November 25-December 6); and an IMF HQ-led mission to Kenya, on Enhancing Revenue Administration Performance Measurements and Management in November, in which the revenue administration advisor will participate.

**Macro-Fiscal Analysis:** From September 30 – October 11, assistance will be provided to the National Bank of Rwanda on GDP forecasting using high-frequency indicators. During October 28



– November 5, AFE will assist the Ministry of Finance and the Ministry of Economic Planning and Development of Malawi to improve their medium-term macroeconomic projections.

**Economic and Financial Statistics:** From October 21-25, AFE will conduct a regional Quarterly National Accounts Training Workshop in Uganda. In November 2013, a mission to improve the compilation methods for external sector statistics in line with best practices will be conducted with Malawi's Statistics Office. AFE will also assist Tanzania in development of compilation worksheets for producing quarterly price estimates, implementing import and export prices surveys, and improving the producer price index (PPI). Zanzibar will be assisted to improve the manufacturing and hotels PPIs (November 11–19). AFE's advisor will review the balanced supply-use tables (SUTs) and 2009/10 benchmark estimates; and further assist with redevelopment of the annual and quarterly compilation worksheets for Uganda during a mission from October 21–25.

## East AFRITAC

### Member Countries

- Eritrea
- Ethiopia
- Kenya
- Malawi
- Rwanda
- Tanzania
- Uganda

### External Donors

- African Development Bank
- Australia
- Canada
- The European Union
- European Investment Bank
- Germany
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