

PHASE IV PROGRAM DOCUMENT

EAST AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER (EAST AFRITAC)





East AFRITAC
INTERNATIONAL MONETARY FUND
REGIONAL TECHNICAL
ASSISTANCE CENTER

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East AFRITAC
INTERNATIONAL MONETARY FUND
REGIONAL TECHNICAL
ASSISTANCE CENTER



AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER EAST

(EAST AFRITAC)

EAST AFRITAC'S PHASE IV PROGRAM DOCUMENT

Amended May 2020



Amendment

The East AFRITAC Steering Committee endorsed the Phase IV Program Document at its 17th meeting held in Kampala, Uganda, March 30-31, 2015. The Program Document has since then provided the overarching framework for the work of East AFRITAC under Phase IV, which was initially expected to cover the period from mid-2015 to April 2020.

The Steering Committee subsequently endorsed the extension of Phase IV to end-June 2020 to allow the Center to use remaining Phase IV funds to finance its activities at the beginning of FY 2021. However, due to the current Covid-19 crisis and related restrictions on travel across and within member countries, significant underspending is now expected in the next few months. Therefore, Phase IV will be extended by a few more months, up to end-October 2020 based on current cash flow projections.

South Sudan was expected to become an East AFRITAC member at the beginning of Phase V, which initially was to start on May 1, 2020. With the proposed extension of Phase IV by a total of six months, South Sudan will still become a member country of East AFRITAC effective May 1, 2020, joining during the extended Phase IV. This will allow East AFRITAC to provide direct support to South Sudan as of FY2021, as planned.

During the Phase IV extension, support to member countries will continue to be provided in the same areas as in recent years, namely: revenue administration; public financial management (including macro-fiscal analysis); monetary operations and policy frameworks; financial sector regulation and supervision (including payment systems); and macroeconomic statistics (real sector and government finance).

The East AFRITAC Steering Committee agreed to this Amendment to the Program Document for Phase IV on April 30, 2020, on a non-objection basis.

Executive Summary

This document summarizes plans for the fourth phase of East AFRITAC, the longest established of the five African Regional Technical Assistance Centers (AFRITACs). East AFRITAC provides technical assistance (TA) and training in macroeconomic and financial management to seven low-income countries in East Africa—Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda—and on East African Community (EAC) regional integration issues. The track record of the Regional Technical Assistance Center (RTAC) model and East AFRITAC is strong, with tangible progress made in strengthening core macroeconomic institutions over the past 12 years. Specifically, East AFRITAC has made important contributions to the institutional underpinnings of strengthened macroeconomic performance in the region, including through modernizing public financial management (PFM) systems, strengthening revenue agencies, improving financial sector regulation and supervision, developing monetary operations, and enhancing the quality of statistics. Independent external evaluations corroborate beneficiary countries' strong support for the Center, concluding the assistance provided is of excellent quality, high relevance and strongly owned by member countries. The estimated total cost of operating East AFRITAC over Phase IV (2015–20) is US\$53.5 million, to be borne by donors, recipient countries, and the International Monetary Fund (IMF). Financial sustainability considerations are built into program financing including through higher recipient country contributions compared with Phase III.

Phase IV will deepen capacity building in existing areas, while addressing important new challenges and priorities. Capacity developing needs and demand for IMF technical assistance and training remain high in the core areas of PFM, macro-fiscal analysis, revenue administration, monetary operations and payments systems, financial sector regulation and supervision, and macroeconomic and financial statistics. In addition, there is strong demand for support on new priorities, particularly enhanced assistance for regional integration following signature of the East African Monetary Union (EAMU) protocol and with implementation of policy advice in natural resources management. Work on new critical priorities account for the bulk of the increase in resources compared with Phase III.

The next phase of East AFRITAC's operations will incorporate improvements in strategic focus and in TA planning, monitoring and reporting to further strengthen results and cost effectiveness. Recommendations from the mid-term external evaluation of Phase III have been incorporated. Interventions will be underpinned by enhanced country strategies, while planning is to be strengthened further to ensure East AFRITAC's support is fully coordinated with all IMF TA to the region. The Center's support will continue to be closely coordinated with assistance from IMF headquarters (HQ) and donors. In parallel with further improvements in East AFRITAC's results based management (RBM) framework that better capture progress towards strategic objectives, an RBM system will be introduced for all IMF TA. Reporting and accounting will also be further strengthened during Phase IV.

East AFRITAC will continue to follow the highly successful model for delivering IMF TA through Regional Technical Assistance Centers. Governance will continue through a Steering Committee (SC) comprised of beneficiary countries, the EAC, donors, and the IMF. Resident experts will be closely backstopped by IMF staff to ensure the continuation of high quality outputs. High priority will remain on close coordination and information sharing with member countries and donors, donor visibility, outreach on the Center's activities, and rigorous financial management and procedures over the Center's resources.

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List of Abbreviations

AFE	East AFRITAC
AFI	Alliance for Financial Inclusion
AFR	African Department (IMF)
AFRITAC	Africa Regional Technical Assistance Centers
AFS	AFRITAC South
AFW	AFRITAC West
AGD	Accountant General's Department
AML/CFT	Anti-Money Laundering /Combating the Financing of Terrorism
AMPI	African Mobile Financial Services Policy Initiative
ANA	Annual National Accounts
ASB	Accounting Standards Board
ATAF	African Tax Administration Forum
ATI	Africa Training Institute (IMF)
BOE	Bank of Eritrea
BON	Bank of Namibia
BOP/ IIP	Balance of Payments/ International Investment Position
BOT	Bank of Tanzania
BOU	Bank of Uganda
BPM6	BOP and International Investment Manual, 6th Edition
CBK	Central Bank of Kenya
CBMPI	Construction Building Materials Price Index
CC	Center Coordinator
CIEA	Composite Indicators of Economic Activity
COA	Chart of Accounts
CPI	Consumer Price Index
DFIs	Development Finance Institutions
DFID	Department for International Development (United Kingdom)
DSA	Debt Sustainability Analysis
EAC	East African Community
EAMU	East African Monetary Union
ERCA	Ethiopian Revenues and Customs Authority
EU	European Union
FAD	Fiscal Affairs Department (IMF)
FPAS	Forecasting and Policy Analysis System

FPW	Field Person Weeks	MINECOFIN	Ministry of Finance and Economic Planning (Rwanda)
GDP	Gross Domestic Product		
GFS	Government Finance Statistics	MOFED	Ministry of Finance and Economic Development (Ethiopia)
GFSM-2001/14	Government Finance Statistics Manual 2001/2014		
GoK	Government of Kenya	MTBF	Medium-Term Budgetary Framework
GoM	Government of Malawi	MTDS	Medium-Term Debt Management Strategy
GoR	Government of Rwanda		
GoT	Government of Tanzania	MTEF	Medium-Term Expenditure Framework
GoU	Government of Uganda		
IAIS	International Association of Insurance Supervisors	NAS	National Accounts Statistics
		NBE	National Bank of Ethiopia
ICAAP	Internal Capacity Adequacy Assessment Process	NBR	National Bank of Rwanda
		NPS	National Payments System
ICD	Institute for Capacity Development (IMF)	PBB	Program-Based Budgeting
IFMIS	Integrated Financial Management Information System	PFMI	Principles for Financial Market Infrastructure
		PPI	Producer Price Index
IFRS	International Financial Reporting Standards	QA	Quality Assurance
		QGDP	Quarterly Gross Domestic Product
IMF	International Monetary Fund		
IPSAS	International Public Sector Accounting Standards	QNA	Quarterly National Accounts
		RA	Resident Advisor
LCR	Liquidity Coverage Ratio	RBM	Reserve Bank of Malawi/ Results Based Management
LEG	Legal Department (IMF)		
LTX	Long-Term Expert	RBS	Risk Based Supervision
MCM	Monetary and Capital Markets Department (IMF)	SC	Steering Committee
		SoE	State Owned Enterprises
MDA	Ministries Department and Agencies	STA	Statistics Department (IMF)
		STX	Short-Term Expert
M&E	Monitoring and Evaluation	SUT	Supply and Use Tables
MCM	Monetary and Capital Markets Department (IMF)	TA	Technical Assistance
		TSA	Treasury Single Account
MEFMI	Macroeconomic and Financial Management Institute for Eastern and Southern Africa	VAT	Value Added Tax
		XMPI	Export and Import Price Indices
MERP	Monetary and Exchange Rate Policy	TZA- ZZB	Tanzania (Zanzibar)
MFS	Mobile Financial Services		



Background and Achievements

The Africa Regional Technical Assistance Centers (AFRITACs) of the International Monetary Fund are a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors. They originate from the IMF's response to the call of African leaders for the international community to increase technical assistance (TA) to Africa. Their strategic goal is to help countries strengthen human and institutional capacity to design and implement macroeconomic and financial policies that promote growth and reduce poverty. AFRITACs are financed by contributions from a number of donors, the IMF, and beneficiary countries. The current network includes five centers covering almost all countries of sub-Saharan Africa. Through this network, member countries have benefitted from substantially increased IMF TA and training. East AFRITAC was the first AFRITAC, established in 2002, and is based in Dar es Salaam, Tanzania. Its membership is comprised of Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda, all of which are low-income countries, and some of which are considered fragile states. Assistance is also provided at the regional level to the East African Community Secretariat.

The capacity development work of East AFRITAC is closely coordinated with donors and all other IMF technical assistance. The RTAC model combines strategic technical advice from IMF HQ with local expertise and hands-on capacity development and implementation support through RTACs. Moreover, East AFRITAC's activities are closely integrated and coordinated with the IMF's surveillance and program work in each member country, and other TA delivered by the IMF. Capacity development by East AFRITAC is carried out in close cooperation with donor partners. For example, the Center's advisors participate in PFM donor groups and routinely debrief relevant donors on their work. Each AFRITAC is governed by a Steering Committee that consists of representatives from beneficiary countries, donors, and the IMF. This facilitates coordination in the design, implementation, and monitoring of TA programs in recipient countries.

All IMF TA, regardless of financing source and delivery mode, is integrated with each other and with the IMF's broader lending and surveillance activities. The IMF's African Department (AFR) identifies TA needs and priorities across TA sectors in each East AFRITAC coun-

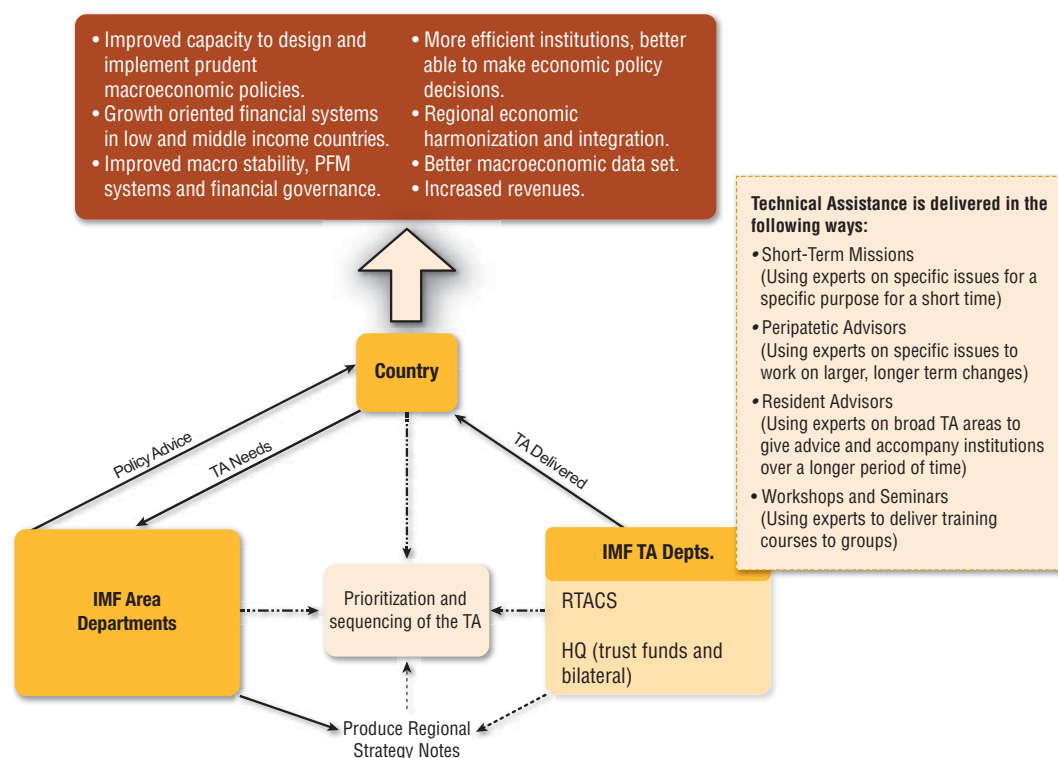
try, in close consultation with the member country and TA departments (Figure 1). These needs and the associated strategic objectives are fully informed by the IMF's surveillance and program work in the countries. The resulting AFR Regional Strategy Note sets out a medium-term TA agenda for the region and for each country and incorporates the work of East AFRITAC and other delivery vehicles such as the TTFs. To best meet countries' needs, specific delivery modes are chosen depending on the complexity of the task and countries' implementation capacity. Diagnostic HQ-led missions, often including RTAC staff, generate multi-year blueprints for reform projects. Implementation is often devolved to the RTAC, given the resident advisors' deep country knowledge and relationship with client countries. RTAC training is closely coordinated with the overall TA program and the curriculum of the Africa Training Institute (ATI).

East AFRITAC is highly appreciated by member countries and has achieved notable results in capacity development since its inception. Member countries value the RTAC model for its tailored approach, close coordination with other assistance providers, sustained follow-up on assistance, and flexibility and responsiveness to emerging needs. The recent mid-term evaluation of East AFRITAC's third phase concluded that technical assistance being provided is of excellent quality, high relevance and strongly owned by member countries. Within East AFRITAC, some high-profile project successes include the implementation of consolidated banking supervision in Kenya, with it becoming only the second country on the continent to hold institution-specific supervisory Colleges. New PFM laws and regulations have been designed in Kenya, Rwanda and Zanzibar. Improvements in core macroeconomic data include rebasing of GDP in Kenya, Rwanda, Uganda and Tanzania, and the introduction of new high-frequency indicators for policy making in Rwanda and Uganda. East AFRITAC has also been supporting the modernization of monetary policy regimes in Kenya, Uganda, Rwanda and Tanzania.

More specifically, tangible progress has been made across each of the capacity building areas supported by the Center:

- **Public Financial Management:** the Center has helped modernize PFM laws and regulations across the region. Budget and accounting classi-

Figure 1: The Fund's TA Planning Process



fication and fiscal reporting have been improved and countries are progressing towards Medium-Term Expenditure Frameworks and program budgets. Core Treasury Single Account arrangements have been established and assistance provided for Integrated Financial Management Information Systems implementation and development. Support has also been provided on intergovernmental fiscal relations. Weaknesses in basic PFM systems have been identified, highlighting the importance of ensuring effective institutions are in place.

- **Macro-Fiscal:** TA and training have produced good results relative to the objectives set for Phase III, with financial programming and forecasting frameworks put in place, macro-databases established, and high-frequency macroeconomic indicators developed. Capacity is also being built on assessing fiscal risks, including in-house capability to undertake debt sustainability analyses.
- **Revenue Administration:** advances have been made in improving organizational design, use of information technology, improved risk manage-

ment practices, and developing strategies and programs to improve tax compliance. Despite this progress, tax-to-GDP ratios remain relatively low in the majority of East African countries and tax bases narrow, underscoring the need to further improve revenue administration in parallel to IMF TA in the areas of tax policy and legislation. At the regional level, East AFRITAC has supported the EAC in establishing an appropriate governing structure to address EAC Customs Union issues and to develop a roadmap to guide future cooperation in this area.

- **Financial Sector Regulation and Supervision:** the Center has played a key role in developing financial sector regulatory and supervisory frameworks in the region. Strong partnerships and results have been achieved in enhancing risk-based banking supervision frameworks, consolidated supervision, and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) supervisory frameworks. Work has also started on implementation of the post-crisis Basel III

framework, financial stability frameworks and the non-bank sector, including insurance supervision. Highly topical issues, such as the regulatory, supervisory and oversight regimes for mobile money are also being covered.

- **Monetary Policy and Operations:** The Center has helped member countries develop the building blocks of more forward-looking monetary policy frameworks. In particular, forecasting and policy analysis systems that underpin monetary policy decision-making; money, government securities and foreign exchange market development; liquidity forecasting; international reserves management and modernization of central bank laws. Work in the area of financial market infrastructure has concentrated on strengthening payment and settlement systems, including legislation, oversight, regional harmonization, and application of international standards.
- **Macroeconomic Statistics:** the quality of national accounts and price statistics has improved within the General Data Dissemination System (GDDS) framework. Most EAST AFRITAC members have implemented many of the 2008 System of National Accounts methodological changes, rebased their annual gross domestic product (GDP) estimates, and disseminated quarterly GDP by economic activity at current and constant prices. Technical

assistance has also been provided to rebasing and improving the compilation methodology for Consumer and Producer Price Indices, and for developing trade price indices.

- **Support has also been provided to regional integration and harmonization initiatives, particularly in the EAC.** Over recent years, East AFRITAC has actively contributed to regional integration and convergence objectives through incorporating regional goals in national TA projects, and via more specialized regional seminars focused on harmonizing institutions, methodology, and practices. For example, workshops to foster peer-to-peer learning and identify capacity gaps have been held with EAC members on harmonizing PFM systems/fiscal reporting, and in various statistical areas including national accounts, government finance, and prices. Moreover, much of the national TA and training on adopting best practices is consistent with the requirements for establishing an effective monetary union. The outputs of this TA are feeding into the design of the EAC surveillance architecture. Over the past year, support for regional integration has been stepped up further following signature of the monetary union protocol and the EAC becoming a member of East AFRITAC's Steering Committee.

Addressing the Region's Macroeconomic and Financial Challenges

East AFRITAC countries—while being diverse—have several common characteristics. The membership ranges from fragile states such as Eritrea to economies en route to becoming emerging markets such as Kenya. That said, all East AFRITAC countries are classified as low-income and share common features such as high poverty rates, averaging more than 40 percent. Many face domestic agricultural shocks and continued vulnerability to external commodity price shocks. Major challenges in improving governance and the business climate remain, and financial intermediation indicators lag sub-Saharan African averages. Beyond longstanding macroeconomic capacity needs, pressing key new challenges for future growth and poverty reduction confront limited institutional capacity. Notable are: (i) managing large reserves of gas and oil in several countries; (ii) ensuring that the scaling-up of physical infrastructure underway in the region is underpinned by strong public financial and debt management; (iii) putting in place sound macroeconomic conditions needed for a successful monetary union and seizing the opportunities from regional integration; and (iv) effective regulation and supervision of growing and increasingly sophisticated financial sectors, with increased cross-border transactions.

The macroeconomic context in the East AFRITAC region is largely favorable, underpinned by improvements in macroeconomic management capacity over recent years. Economic growth has remained buoyant (averaging 6.1 percent over 2009–13), inflation has abated, and external debt levels have declined substantially following debt relief in recent years. On average, fiscal deficits remain above the sub-Saharan Africa (SSA) average but this masks high variations across countries, ranging from comparatively low deficits in Rwanda to a double digit deficit in Eritrea. Revenue performance remains below the SSA average. External current account deficits have widened over 2009–13 reflecting terms of trade changes, foreign direct investment (FDI) inflows and sizable increases in domestic demand for imported goods. The latter reflects economic growth in general as well as scaling up of public investment, which has contributed to widening fiscal deficits.

East AFRITAC's key overall objectives are to build on the capacity development successes achieved over recent decades and to help member countries address new priorities and challenges. Notwithstanding the commendable progress made over the past two decades, a significant agenda remains in building macroeconomic institutions. Assistance under Phase IV will therefore focus on deepening and broadening the capacity development under way in its existing core sectors. Additional resources being sought will help address the new priorities of regional integration and scaled-up support for natural resources management. Some resources will be maintained in a contingency reserve to allow the Center to respond flexibly to urgent needs as they arise. Cross-country allocations will be driven by a combination of needs assessments and TA effectiveness indicators, with due attention devoted to the poorest members.

More specifically, each sector will build on Phase III achievements and remaining needs as follows:

- **Public Financial Management:** each East AFRITAC country is looking to enhance its PFM capacity and systems under the following broad objectives, where different degrees of progress has been made under Phase III: (i) modernizing PFM legal and regulatory frameworks; (ii) strengthening planning and budget practices; (iii) improving the quality of accounting and fiscal reporting; (iv) strengthening budget execution and treasury and cash management; and (vi) developing the internal control environment and financial management systems.
- **Macro-Fiscal:** key capacity development areas to support PFM frameworks include: (i) macro-fiscal reporting; (ii) macro-fiscal forecasting and budgeting; (iii) fiscal risk analysis and reporting; and (iv) resource revenue forecasting and management.
- **Revenue Administration:** planned East AFRITAC support under Phase IV is very much in line with member countries' reform plans, as summarized in national development strategies and corporate plans for revenue agencies. East AFRITAC's focus will remain on increasing voluntary compliance by strengthening planning frameworks, understand-

ing/mitigating risks to revenue systems, enhancing tax registers and information systems, and improving the accuracy of reporting. Further AFE support will focus on improving operational effectiveness and efficiency by improving processes, systems and organizational design. Some aspects of natural resources tax administration will be integrated into this sector's work plans, in close cooperation with the MNRW and TPA TTF's.

- **Financial Sector Regulation and Supervision:** over the next phase, work will continue on the areas covered under Phase III, with greater relative emphasis on the areas taken up recently. Specifically, East AFRITAC will continue to focus on needs in banking supervision, including regional convergence of supervisory frameworks. Work will continue on macro-prudential supervision, financial stability, and risk-based insurance supervision. As in Phase III, East AFRITAC will maintain flexibility to respond to short-term requests, for example relating to financial sector crises, supervision of foreign exchange markets, and compliance with International Financial Reporting Standards. Demands in areas such as capital markets regulation and supervision and pensions reform will need to be met from a combination of IMF HQ or other donors, such as the World Bank.
- **Monetary Policy and Operations:** priorities will include further developing monetary policy frameworks and establishing the operational frameworks for monetary union. East AFRITAC will continue to support members with forecasting and policy analysis systems, developing money and capital markets, strengthening monetary and exchange rate policy, and modernizing central bank laws. Others will need continued support on strengthening reserve money targeting. The Center will also meet some of the large demand for TA on financial market infrastructure, particularly payments systems supervision and regulation, in close cooperation with other donors involved in this area.
- **Macroeconomic Statistics:** East AFRITAC will assist member countries to improve the quality of national accounts, prices, external sector and government finance statistics, as well as consistency with the latest international standards. Providing advice on strengthening statistical infrastructure and systems and the underlying source data for

these statistics will also be an important aspect of East AFRITAC TA. During Phase IV, East AFRITAC will assist member countries to make progress in implementing the Special Data Dissemination Standard (SDDS), with the Center primarily focusing on fiscal sector and real sector statistics, while the IMF Statistics Department (STA) supports external and financial sector statistics. Key areas of support will include assistance to further implement 2008 SNA standards, implement the next round of GDP rebasing and compile quarterly GDP by expenditure at current and constant prices; the next round of rebasing of the CPI, PPI and trade indices; and to satisfy the fiscal sector SDDS requirements. East AFRITAC will also finance some STA work on improving external sector statistics.

Under Phase IV, East AFRITAC will enhance its work in two emerging important areas: to support capacity building for regional integration and in the area of natural resources management. Given East AFRITAC's focus on implementation support, the Center is facing strong demand in both areas. This will be met through country-level TA projects and more regionally based activities, both of which will complement and reinforce each other. These demands will be met from additional resources so that delivery capacity in existing core work areas is not compromised. Moreover, existing work streams will include more regional focus. There are regional integration dimensions in each of East AFRITAC's work streams (e.g. harmonizing statistics for convergence criteria or PFM systems for fiscal surveillance and reporting). Given this, the most effective approach would be to add more regional integration work to existing work streams across sectors and draw on specialized short-term experts, rather than recruit additional resident advisors. This can also be done in aspects of the new natural resources management work such as PFM, revenue administration and fiscal frameworks for resource windfalls in the macro-fiscal stream, but more specialized expertise is required in fiscal regimes, licensing and contracting. East AFRITAC's activities will be very closely coordinated with IMF HQ assistance in these areas, including the Management of Natural Resource Wealth Topical Trust Fund (TTF) and the World Bank's support on natural resource management.

- **East African Regional Integration:** the signing of the monetary union protocol has given momentum to the regional integration process, with new institutions envisaged and harmonization objec-

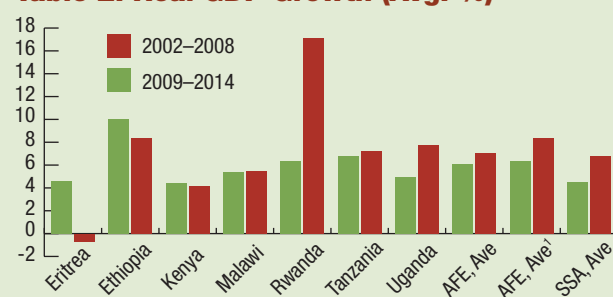
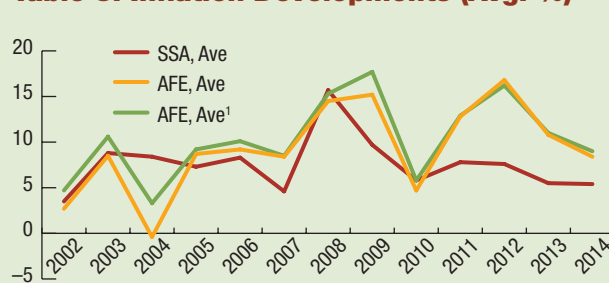
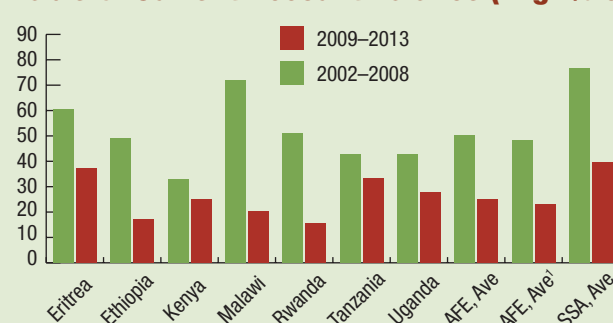
Figure 2: East AFRITAC Selected Macroeconomic Indicators**Table 1. AFE Countries: Selected Characteristics**

	Main characteristic	Main export	Population (2013, in million)	GDP per capita (2013, in US \$)	HDI Ranking ² (2012)	Poverty ¹ (% of population)
Eritrea	Low-income	...	6.3	544	181	69
Ethiopia	Low-income	Coffee	88.9	490	173	30
Kenya	Frontier market	Tea (Value)	41.8	1057	145	46
Malawi	Low-income	Tobacco, tea, and sugar	14.8	258	170	51
Rwanda	Low-income	Minerals	10.8	698	167	45
Tanzania	Low-income	Gold	46.3	703	152	28
Uganda	Low-income	Coffee	36.8	626	161	25
AFE			246	625*	164*	42*
Sub-Saharan Africa			877	1503*	151*	

¹ Headcount ratio at national poverty line. Data coverage varies by country (Eritrea: 1993, Ethiopia and Rwanda: 2011, Kenya: 2005, Malawi: 2010, Tanzania: 2013, Uganda: 2009)

² The Human Development Index (HDI), which ranks 187 countries, is a composite of life expectancy, literacy levels, and PPP income.

* Unweighted averages

Table 2. Real GDP Growth (Avg. %)**Table 3. Inflation Developments (Avg. %)****Table 4. Fiscal Balance (Avg. % of GDP)****Table 5. External Debt (Avg. % of GDP)****Table 6. Current Account Balance (Avg. % of GDP)**

tives in many of the areas of macroeconomic policy where the Center has been building capacity. The EAC has an extensive work agenda covering the institutional set up and operationalization of the new monetary union architecture, policy harmonization (fiscal, monetary, foreign exchange, etc.), and the data requirements for, and monitoring of, convergence. It views the IMF and East AFRITAC as a critical partner in achieving its integration objectives given the Fund's experience with other monetary unions and the support that has been provided over recent years. In general, the Center's support under Phase IV will be carefully prioritized and focused on the building blocks of monetary union. East AFRITAC's support will focus on implementation aspects such as assisting with harmonization of data for the EAC's macroeconomic convergence criteria, and convergence in fiscal and financial institutions and practices. East AFRITAC's technical assistance will initially be stepped up to the EAC Secretariat and regional policy committees (Monetary Affairs Committee, Committee on Fiscal Affairs and Committee on Statistics) and their sub committees. Regional TA programs will be developed and in parallel these objectives will be incorporated into TA programs at the national level. With East AFRITAC in a supporting role, IMF HQ will lead in the design of regional institutions notably the East African Statistics Bureau, the East African Surveillance, Compliance and Enforcement Commission, the EAC Financial Services Commission, and input into the establishment of the East African Monetary Institute. Subsequently, technical assistance and training is anticipated for these new regional institutions which the EAMU protocol stipulates will be established in the course of Phase IV. Such assistance will aim to establish the functionality of these new institutions, primarily in implementing and coordinating agreed regional policy and operational objectives within their mandate.

- **Natural Resources Management:** diagnostic work and policy advice in this critical area would clearly remain in the remit of IMF HQ. The focus of East AFRITAC's support would be to help implement some of this policy advice to ensure the sustainability of Managing Natural Resource Wealth (MNRW) TTF interventions in the region. The Center will

also be more actively involved in HQ missions on natural resource management to ensure coordination with its own PFM, revenue administration, and macro fiscal technical assistance. Its engagement in follow-up would be in very specific areas where HQ support is constrained: fiscal regime modeling and resource revenue forecasting – particularly support in using the Fiscal Analysis of Resource Industries model; aspects of natural resource revenue administration and resource revenue PFM issues including incorporating a revenue management systems in PFM systems, implications for MTBFs and Sovereign Wealth Funds; and strengthening domestic institutional arrangements between multiple government agencies involved in the sector. The work on fiscal regimes, licensing and contracting is highly specialized. It is proposed that this be implemented through the use of specialized short-term experts or a resident advisor (possibly funded through the MNRW-TTF) to follow up on the diagnostic work of the MNRW-TTF.

Two new long term advisors are envisaged for a part of the Phase IV cycle in financial market infrastructure work and on fiscal law. There is strong demand from member countries for further work in financial market infrastructure, principally in payments systems. East AFRITAC's focus will be on oversight legislation and regulation, supervision, and compliance with international standards. Work may also take place on oversight frameworks for mobile payments, which are an important tool for financial inclusion in the East Africa region. The Center has been delivering some payments system work as part of the monetary operations stream. But given the scale of demand and this somewhat artificial combination, this stream will be separated from the monetary operations work, and a specialized resident advisor recruited, initially for a one-year period on a pilot basis. The advisor will be shared with AFS although will be based at AFE. Sustainable implementation of fiscal law reforms—including in the EAC context—requires more intensive LEG TA. In the past, LEG has provided HQ-based TA in fiscal law to most countries in the AFE region as well as to the EAC Secretariat. Going forward, sustainable implementation of these projects would greatly benefit from more intensive LEG TA than is available from HQ. Technical Assistance from IMF HQ focuses mainly on high-level policy and legal design, while downstream TA—implementation through secondary legal instru-

ments and legal capacity building—is currently not systematically available. For this purpose, AFE will host a resident legal advisor in the area of fiscal law for a two-year period, with timing dependent on resource avail-

ability. The expert will work on both tax law and public finance law, in close consultation with AFE's tax administration and PFM/Macro Fiscal advisors. The advisor will be backstopped by LEG, in consultation with FAD.



East AFRITAC—The Next Five Years

A. Coordination

EAST AFRITAC will continue to closely coordinate its activities with donors and regional partners. The Center works closely with institutions and countries providing TA to the region – namely the African Development Bank, the European Union (EU), the World Bank, other UN agencies, and the development agencies of the UK, Germany, Norway, Japan, and the US. Likewise with regional and international capacity building institutions such as the Macroeconomic and Financial Management Institute for Eastern and Southern Africa, Collaborative Africa Budget Reform Initiative, the Toronto Center and the Alliance for Financial Inclusion. The RTAC Coordinator serves as the focal point for liaison with bilateral and multilateral agencies in the field, supported by resident advisors in their sectors at the country level. Specific actions supporting coordination include: (i) dissemination of the RSN overview, which defines the IMF's medium-term TA strategy for sub-Saharan Africa; (ii) dissemination, in line with the IMF's dissemination policy, of TA reports prepared by East AFRITAC's experts to Steering Committee members (and others, upon request); (iii) a monthly newsletter and East AFRITAC website that share information on recent and forthcoming activities; (iv) semi-annual reports to the Steering Committee, supplemented by donor briefings, both at the Center's headquarters and during missions, and (v) publication of an EAST AFRITAC annual report.

B. Planning and Monitoring East AFRITAC's Activities

TA planning and monitoring will be strengthened in Phase IV. The recommendations of the Phase III mid-term evaluation have served as a key input for the design of Phase IV. Implementation of a number of actions relating to strategic planning, efficiency and cost effectiveness of operations, results orientation of TA delivery, improved reporting, and strengthened training have already been underway in Phase III. Under Phase IV, strategic focus will be strengthened further by developing country strategies (Annex II) which will ensure activities remain well targeted and relevant. These strategies provide the context for TA (including the Fund's policy advice from surveillance/programs), spell out broad medium-term objectives and results sought, summarize donor and HQ

involvement in related areas, provide information on recent and upcoming AFE activities, and highlight implementation challenges. Planning will be strengthened further by an improved Regional Strategy Notes (RSN) and the Resource Allocation Plan (RAP) process which captures all IMF TA to the East AFRITAC region and ensures better alignment with the Fund's strategic planning cycle.

East AFRITAC uses a results-based management framework to plan and track the progress of TA projects and activities in each country. RBM provides consistency, coherence, and predictability in the planning, execution, and monitoring of East AFRITAC TA. Monitoring against pre-set objectives and outputs contributes to timely and effective TA, fosters a culture of continuous feedback and implementation of lessons learned, and strengthens accountability vis-à-vis country authorities and donors. The RBM framework, which was introduced and refined in Phase III, is comprised of an overall strategic log frame derived from topical log frames (Annex I). These define objectives, outcomes, milestones and outputs per area of work and across all East AFRITAC countries, and for regional activities. Beyond monitoring, the RBM framework serves as a management tool feeding into development and adjustments to the work plan. Results are reported in the bi-annual reports to the Steering Committee.

Further enhancements to the RBM framework are built into Phase IV design. During Phase IV an RBM system will be implemented for all IMF technical assistance irrespective of financing source, providing for a consistent framework for monitoring all IMF capacity development efforts. As a result, donors should benefit from having discussions anchored in a clearer results framework aligned with IMF priorities. For the IMF, the new system will considerably improve the quality and availability of information for monitoring TA and training. It will help aggregate results across topics, regions, and TA delivery modes, which will considerably improve the consistency and comparability of reporting on results and facilitate the tracking of project deliverables. East AFRITAC's existing results framework will remain in place for now and will continue to be refined, including by benefiting from developments at IMF HQ level (e.g. by drawing on the harmonized structure of outcomes and indicators). However, over time it will be phased out and be fully

integrated in the Fund-wide RBM framework. Another important innovation in the Phase IV RBM is the use of internationally accepted standards for annual/medium-term targets where possible, and defining a baseline using these indicators. These indicators will draw on best practice such as the Public Expenditure and Financial Accountability indicators for PFM or indicators used by the TTFs, such as the Tax Administration Diagnostic Assessment Tool (TADAT) framework for measuring tax administration results.

East AFRITAC's Phase IV operations will also benefit from Fundwide improvements in standardization of practices and reporting. Operations of the Center will be guided by a Regional Technical Assistance Center (RTAC) Handbook which will address a number of issues from the mid-term evaluation. It will establish a set of rules and standard operating guidelines for RTACs, and for the IMF's functional and area departments and the Institute for Capacity Development (ICD) in relation to RTACs' operations. Among other things, the handbook will contribute to a greater degree of standardization in procedures and processes among functional departments. Reporting will also be standardized across the RTACs to allow improvement of formats, quality and timeliness of reports. An RTAC-specific accounting package will be introduced over the medium term and, to ensure accurate costing, more robust budgeting and charging mechanisms will be implemented, especially for backstopping and project management. The IMF will introduce real-time system tools to monitor and analyze the cash flows, budgets and expenditure related to donor-financed activities. This will also help to standardize and automate all forms of financial reporting to donors.

Several of the lessons of the mid-term evaluation related to efficiency are incorporated in Phase IV design. Work planning will ensure the large majority of projects under Phase IV are of a medium-term nature, but the Center will retain space to respond to emerging, ad-hoc or crisis needs for technical assistance. Multi-year projects will be clearly distinguished from shorter term (less than one year) interventions. Short term experts will continue to be used for longer missions where appropriate. Very active succession planning will be in place to ensure effective handover and continuity in TA provision. The Center has piloted a research analyst to support the work of the resident advisors and, if successful, this arrangement will be continued.

C. Agenda for Phase IV by Sector

This section summarizes work by macroeconomic sector and country, and enhanced support for regional integration and natural resources management which will be delivered across sectors. Focus will be on medium-term projects, but the Center will retain some flexibility to adapt its work program to respond to urgent or new demands. Likewise, the Center's support for regional integration will need to be calibrated to the progress being made, and may entail some mid-course resource reallocation.

i) Revenue Administration

Member countries have prioritized the importance of improving their government revenue to gross domestic product. They recognize the importance of modernizing tax administration to adopt best practices. East AFRITAC will continue its support for these objectives, focusing on improving: (a) overall efficiency and effectiveness of tax administration; (b) integrity of taxpayer registers; (c) accuracy of reporting and supporting voluntary compliance; and (d) capacity to assess risk. As needed, the Center will also provide support on administration issues related to the international aspects of tax systems such as those arising from base erosion, profit shifting and transfer pricing.

During Phase IV, East AFRITAC TA support is expected to deliver the following outcomes:

- **Improving effectiveness and efficiency of customs and tax administrations**—East AFRITAC will assist member countries to strengthen revenue performance by exploiting modern technologies to transform processing, collection, reporting and accounting systems and improving organizational design. AFE will assist member countries to strengthen operational performance of customs administration by supporting development of prams aimed at providing benefits to compliant importers and developing capacity in post clearance audits and valuation.
- **Strengthening the integrity of taxpayer registers**—member countries are expected to improve the knowledge of their potential taxpayer bases and improve the accuracy and reliability of information in their tax registers.

- **Supporting voluntary compliance**—East AFRITAC will assist member countries to improve voluntary compliance through improving public understanding of the revenue system, accuracy of reporting and improving quality of information.
- **Improving assessment of risk**—the Center will assist member administrations improve the understanding of risks to customs and tax administration systems and develop actions to mitigate such risks.
- **Natural resources tax administration**—some areas of implementation will be covered in the next phase in close cooperation with the MNRW TTF, including: compliance management; clarifying roles and responsibilities of the various government agencies involved in the sector; and governance and transparency.

Regional Issues: FAD and AFE TA have been limited to advice on the implementation of the single customs territory initiative and on establishing an appropriate governing structure to address EAC Customs Union issues. The community has taken strides towards the creation of a single customs union with the implementation of the Customs Management Act. Over the next five years, FAD will review customs collection risks, Common External Tariff (CET) implementation, support the single customs territory initiative, and review implementation of WTO trade facilitation agreements. On the tax side, AFE will support EAC harmonization of VAT, excise duty and corporate income tax rates, and build capacity on international taxation.

Eritrea: Over the last decade, Fund TA has been provided to modernize tax administration. FAD TA focused on strengthening operational policy design, large taxpayer's management, audit and collection enforcement and revisions of tax proclamations especially to support self assessment. In terms of progress, strategic planning has improved, a modern organizational structure has been implemented, and computerized processes adopted. While reforms stalled over the past few years, recently activity has picked up. Over the next five years, AFE support to Eritrea will focus on: (a) strengthening organization of tax and customs administrations to improve operational effectiveness; (b) developing compliance programs to improve registration, including designing programs to detect unregistered businesses; (c) filing, payment and accuracy of reporting, including building a

reliable tax register; and (d) improving use of risk management approaches in tax and customs.

Ethiopia: Fund TA to Ethiopia over the last 5 years has largely been provided under the Tax Policy and Administration Topical Trust Fund (TPA TTF). AFE has focused on strengthening compliance enforcement and implementing integrity programs. Ethiopia is making steady strides to improve voluntary compliance evidenced by the drafting of a compliance management policy, success of the Merkato business district compliance improvement plan, bringing largely informal sector business activity into the tax net, and implementation of an Enterprise Risk Management Framework. Over the next five years, AFE support will focus on: (a) exploiting modern technologies to transform processing, collection, reporting and accounting systems; (b) improving voluntary compliance by determining compliance gaps and designing mitigation responses; (c) raise data quality; (d) strengthen integrity of the taxpayer register; and (e) improve the capacity to assess risks to the revenue system.

Kenya: Kenya has received considerable IMF TA over the years focused on tax legislation reform, improving efficiency and effectiveness of customs operations, strengthening compliance management and, more recently, providing advice on moving from a revenue authority model to separate customs and tax administrations. Steady progress is underway. Steps to improve compliance include developing a draft tax compliance risk management policy, setting up a corporate risk management unit, improved international taxation capacity, deeper taxpayer segmentation, and strengthened risk profiling and targeting capacity in customs. Progress under fiscal law reforms includes finalizing draft VAT regulations, the Excise Duty Act and the Tax Procedures Act. Over the next five years, AFE will continue to support the authorities to: (a) reorganize the Kenya Revenue Authority; (b) exploit modern technologies to transform processing, collection, reporting and accounting systems; (c) improve voluntary compliance by determining compliance gaps and mitigation responses; (d) strengthen integrity of the taxpayer register; and (e) improving capacity to assess risks to the revenue system.

Malawi: Key focus areas for FAD TA have been strengthened strategic, reform program and performance management. AFE TA has focused on strengthening compliance management in tax administration, implementation of risk management practices in customs and supporting

efforts to implement a new computerized tax administration system. A governance framework for modernization efforts and program management office have been established. In improving voluntary compliance, the authorities have deepened taxpayer segmentation, improved compliance among large taxpayers and deployed electronic fiscal devices. Risk management practices are taking root in the administration with the adoption of risk selection and profiling practices in customs. AFE will support Malawi over the next five years to: (a) improve administration effectiveness by exploiting modern technologies to transform processing, collection, reporting and accounting systems; (b) strengthen the integrity of taxpayer register; (c) improve voluntary compliance by building knowledge of the accuracy of reporting; and (d) improving capacity to assess risks to the revenue system.

Rwanda: Key support areas for FAD HQ TA have included improving both indirect and direct tax law design and tax expenditure advice, and improving revenue compliance management including VAT performance gap analysis. AFE TA has focused on improving risk management practices and developing compliance improvement plans. Positive steps have been taken to strengthen management of enterprise and compliance risks by setting up a corporate risk management unit. Electronic fiscal devices have been deployed and plans are advanced to implement a data warehouse solution to support compliance management activities. Effectiveness of customs operations has been improved with the deployments of a new customs IT system. In the next five years, AFE will support Rwanda to (a) improve tax processing, including VAT refunds, collection, and accounting systems (b) build a reliable tax register (c) develop compliance improvement programs to improve registration, filing, payment and accuracy of reporting and support a tax gap study; and (d) strengthen capacity to assess risks to the revenue system.

Tanzania: IMF TA to the Tanzania has been provided under the Managing Natural Resources Wealth Topical Trust Fund (MNRW-TTF), FAD and Legal HQ missions and from AFE. Areas covered include administration of taxpayers in the natural resource sector, revising the VAT law, improving the efficiency of the VAT refund system and strengthening risk management practices in customs. Tanzania has taken strides to improve compliance by consolidating taxpayer segmentation, strengthening international taxation capacity, and deploying electronic fiscal devices. Customs has been strengthened with the acquisition of an automated risk management system. With

the help of the IMF Legal Department, a draft revised VAT law has been developed. Over the next five years, AFE support will focus on: (a) improving tax processing, including VAT refunds, collection, and accounting systems with emphasis on strengthening electronic filing and data matching; (b) building a reliable tax register and programs of initiatives to detect unregistered businesses; (c) developing compliance improvement programs to improve registration, filing, payment and accuracy of reporting; and (d) strengthen risk management practices in tax and customs. Under the MNRW-TTF, support will focus on improving the TRA's capacity to manage taxpayers in the natural resource sector. In addition, AFE will support the TRA in implementation of the new VAT Law, once approved.

Uganda: IMF assistance to Uganda has focused on: improving tax compliance and revenue performance; strengthening risk management practices in customs; developing international taxation capacity; develop a Tax Administration Act; and address data management and integrity. Uganda has developed a draft compliance management strategy, strengthened taxpayer segmentation, improved registration and filing compliance, strengthened risk profiling and targeting capacity in customs, and strengthened business continuity. Electronic filing and payment facilities have also improved collection and reporting systems. In the next five years, AFE will support Uganda in (a) improving tax processing, including VAT refunds (b) improve data integrity and build a reliable tax register and detect unregistered businesses and persons; (c) strengthen compliance management to improve registration, filing, payment and accuracy of reporting; and (d) improve capacity to assess risks to the revenue system. Additionally, AFE will support Uganda in carrying a tax administration diagnostic assessment using the Tax Administration Diagnostic Assessment Tool.

ii) Public Financial Management

Similar PFM challenges exist across the region, although countries are at different stages in addressing them. In PFM, Phase IV will build on main areas of work and objectives over the last five years, seeking to enhance PFM capacity and systems, and institutionalize good PFM practices. Its program will include activities to identify and manage emerging fiscal risks, particularly from decentralization, increased reliance on IT systems, investments in large infrastructure projects and the use of new financing instruments (e.g. public-private partnerships,

concessions, guarantees and treasury bonds). Phase IV activities will contribute to outcomes envisaged in national PFM reform programs, with careful attention to topics where East AFRITAC has comparative advantage. PFM TA will support further advances of the member country reform programs by focusing on enhancing PFM capacity and systems under the following five broad objectives:

- **Improved laws and effective PFM institutions**—by improving the legal framework covering the entire PFM cycle and developing the capacity and effectiveness of the central fiscal authorities.
- **Comprehensive, credible and policy based budget preparation process**—including a credible medium term fiscal framework (MTFF) in budget documentation; publication of a comprehensive and unified annual budget; a credible medium term budget framework (MTBF) is integrated with the annual budget process and program-based and performance informed budget processes are improved.
- **Improved budget execution and control through:** strengthened controls over expenditure commitments; implementation of risk-based internal audit function in central government agencies; and improvements in the planning, appraisal, selection and implementation of public investments.
- **Improved coverage and quality of fiscal reporting**—including implementation of chart of accounts based on international standards; publication of comprehensive and high quality fiscal reports; strengthening of fiscal reporting capacity for the wider public sector; and publication of audited annual financial statements and scrutiny by parliament.
- **Improved integration of asset and liability management framework**—through progressive increase in the coverage of TSA arrangements; accurate and timely cash flow forecasts for the central government; capacity development for cash and debt management and their gradual integration; and improvement in the management of state assets.
- **Strengthened identification, monitoring and management of fiscal risks**—by improving fiscal oversight of central fiscal authorities over sub-national government, public corporations; and dis-

closure and management of contingent liabilities and other specific fiscal risks.

Regarding emerging regional issues, the Center will also actively participate in relevant missions on natural resources management to ensure PFM dimensions are consistent with broader PFM reform efforts. A further area of greater prominence than in previous phases is work on identifying and managing public sector fiscal risks—including the strengthening of the central finance agency's oversight of sub-national governments, state-owned enterprises and extra-budgetary agencies.

Eritrea: The Phase IV program aims to maintain engagement and be responsive to the authorities' needs and interest. Since Phase II and at the request of the authorities, AFE has had limited engagement in the PFM area. TA has been confined to meeting requests for in-country training on international good budget and cash management practices. Such engagement will continue.

Ethiopia: During Phase III AFE and FAD have supported improvements in budgeting, cash management, the legal framework, fiscal reporting and in planning for the implementation of a new integrated financial management system (IFMIS). Progress has been achieved in each of these areas. TA to the federal government in these areas will continue. Additionally, AFE will support the federal government in the rollout of budgeting, cash management and IFMIS reforms to its regional governments.

Kenya: PFM reforms continue to be driven by the requirements of the 2010 Constitution and 2012 Public Finance Act. AFE and FAD were actively involved in the development of the Act and its supporting regulations. After the Act was promulgated, targeted TA has supported its implementation. This has concentrated on the National Treasury and has supported the introduction of program-based budgeting, the design and establishment of a national treasury single account (TSA), improved fiscal reporting, restructuring of the National Treasury and a fiscal transparency assessment. Future TA will support: (i) the ongoing budgeting, cash management and reporting initiatives; (ii) extending the budgeting, TSA and reporting reforms to the 47 county governments; (iii) achieving EAMU fiscal reporting convergence criteria; (iv) implementing changes to improve fiscal transparency and the management of fiscal risks; and (v) providing guidance on the design of PFM systems to account for natural resource (oil) revenues.

Malawi: Phase IV support will concentrate on helping to establish well-functioning PFM systems and restore stakeholder confidence in the management of public finances. During Phase III, AFE has provided guidance on strengthening the legal framework, cash management practices, budgeting and fiscal reporting. More recently, Malawi's PFM reform program has been re-shaped by: (i) the need to urgently address PFM weaknesses exposed by recent check fraud and (ii) its decision to replace its financial management system (IFMIS). AFE and FAD have contributed to the design of the next phase of Malawi's Public Finance and Expenditure Management (PFEM) program by identifying priority reforms and assisting in drafting the reform strategy which comprises five broad themes: expenditure controls; compliance to the PFM framework; upgrading ICT systems; improving budget allocations; and increasing audit capacity. In coordination with other development partners, AFE will: (i) guide implementation of commitment control processes; (ii) assist in strengthening of the PFM legal and regulatory framework; (iii) quality assure IFMIS procurement, configuration, implementation and transition arrangements; (iv) support improved cash forecasting, cash management and fund release practices; and (v) continue to support improvements in the formulation and presentation of the budget. TA will also be directed towards preventing the recurrence, and managing the stock, of payment arrears.

Rwanda: AFE support will focus on improving budget processes and medium term fiscal planning. During Phase III, AFE and FAD contributed to a revised legal/regulatory framework, improvements in budget and fiscal reporting practices, and overseeing decentralized units and expanding budget coverage to include donor transactions. Phase IV TA will continue to: refine the annual budget presentation and its linkages to the medium term expenditure framework; incrementally introduce IPSAS compliant consolidated financial statements; and advise on attaining EAMU fiscal reporting convergence criteria. New areas of AFE support include enhancing public investment management, strengthening of MINECOFIN's management of fiscal risks (including oversight of SoEs) and improving inter-governmental relations. AFE will also support a fiscal transparency assessment.

Tanzania: AFE will support the country's PFM reform program (PFMRP IV). Over Phase III, the government has improved its banking arrangements; revised the budget calendar and introduced program-based budget on a

pilot basis; and incrementally disclosed accrual information in the annual financial statements. It has also commenced a review of its PFM legal framework for which it is drafting a Budget Bill and revised PFM Act. Strategies are also being developed, through the Public Expenditure Review (PER) process, for managing payment arrears. AFE has supported these government initiatives and will continue to provide practical guidance to these areas of reform. Additionally, it will (i) conduct a fiscal transparency assessment; (iii) support the Treasury Registrar in strengthening its oversight of state owned enterprises; (iv) assist the Ministry of Finance in achieving the EAMU fiscal reporting convergence criteria; and (v) provide guidance on the PFM systems for managing natural resource (gas and oil) revenues. AFE will also provide TA support to the central finance agency in Zanzibar. During Phase III, AFE has supported a range of PFM reform efforts in Zanzibar, including: drafting a revised PFM Act; supporting the piloting of a program-based budgeting approach; improving fiscal reporting by individual ministries and at the consolidated level; and preparing for an upgrade in its IFMIS. AFE inputs will continue to support these areas. In addition, it will provide guidance for strengthening the finance ministry's oversight of its SOEs and for improving budget execution.

Uganda: Phase IV will support PFM reforms to improve governance, promote efficient use of government resources and management of natural resource revenues. Much of the TA provided by AFE during Phase III has been coordinated with FAD and has concentrated on the design and content of an integrated PFM law, which was passed by Parliament in November 2014 and includes provisions for managing oil revenues. Related inputs have assisted in developing: a framework for the supporting financial regulations; an outline of the fiscal responsibility charter; and an appropriate TSA design. AFE has participated in missions managed under the MNRW TTF. It also assisted with the development of IPSAS-compliant accounting policies, a review of the output budgeting tool, and development of guidelines for appraising capital investment proposals. Phase IV inputs will both continue to support these activities, and support: (i) achieving EAMU fiscal reporting criteria; (ii) the strengthening of measures to prevent and manage expenditure arrears; (iii) improvements to cash forecasting, cash management and fund releases practices; (iv) the extension of the TSA arrangement; and (v) a fiscal transparency assessment.

iii) Macro-Fiscal Analysis

During phase III, progress has been made in AFE countries in improving the quality and availability of data, strengthening analytical and forecasting capacity at macro-fiscal departments at Ministries of Finance and improving inter-institutional coordination through technical working groups. More specifically, with AFE support, macroeconomic datasets have been put in place in Ethiopia, Malawi, Kenya and Zanzibar; real sector and fiscal forecasting models have been developed in Kenya, Malawi, Rwanda, and Uganda. AFE has contributed (with the IMF and World Bank) to build in-house capacity in debt sustainability analysis and medium-term debt strategy in Tanzania. In Phase IV, the focus on building strong analytical and forecasting capacity within macro-fiscal units will continue. In the context of recent discoveries of natural resources in the region, this will also include modeling specifically related to natural resource management. New areas will also include supporting EAC countries and the EAC Secretariat as countries prepare their accession to a monetary union. More specifically, work will center around the following four key areas that support PFM, consistent with demands from member countries:

- **Macro-Fiscal Reporting**—the emphasis will be on developing or strengthening existing macro-fiscal databases, and the quality of economic and fiscal reports.
- **Macro-Fiscal Forecasting and Budgeting**—further capacity development needs remain to enhance the Medium-Term Fiscal Frameworks many countries have put in place. Work will cover inter-institutional coordination, macro-modeling and forecasting, the legal framework, the formulation of fiscal principles and objectives, and the quality and coverage of budget documentation.
- **Fiscal Risk Analysis and Reporting**—rapid increases in infrastructure spending, including via state owned enterprises and public-private partnerships, entail fiscal risks. At present, most countries do not have the legal and institutional frameworks and the technical capacity to measure, report and mitigate fiscal risks. East AFRITAC will help its member countries to measure, report and manage potential risks to government finances.
- **Resource Revenue Management**—large natural resource discoveries in some members require a transparent framework for the ownership, con-

tracting, taxation, and utilization of natural resource endowments. East AFRITAC, in close coordination with the MNRW TTF project managers, will provide customized training on the management of natural resources and support the establishment of the legal framework, notably the setting up of fiscal principles that govern the use of revenue from natural resources.

Eritrea: Engagement in the macro-fiscal area has been limited over recent years. Absent a reform agenda at present, future engagement is unpredictable beyond inclusion in AFE's macro-fiscal training. The authorities have expressed interest in building capacity on medium-term forecasting and budgeting through in-country workshops and regional training and workshops.

Ethiopia: AFE has supported Ethiopia in building a macroeconomic database which has improved data availability to support policy formulation. This has complemented IMF HQ support to improve data quality in Ethiopia. Efforts have also focused on training staff in financial programming, revenue forecasting, and preparing medium-term fiscal frameworks. AFE will continue to provide hands-on training and will develop tools for macro-fiscal forecasting to support medium-term budgeting.

Kenya: AFE has trained staff of the Treasury in Kenya on macro-fiscal forecasting and modeling, and has helped deploy a macro-fiscal database within the Treasury. AFE also participated in the FAD led recent fiscal transparency evaluation. In Phase IV, AFE will help implement some of the actions that were identified in the area of fiscal forecasting and budgeting. Support for EAMU will focus on fiscal risk analysis and reporting, and fiscal convergence.

Malawi: AFE will assist on the medium-term fiscal framework and to develop proper structures for monitoring and reporting fiscal risks. A Phase III project initiated on a macro-fiscal database will be completed. Support will be provided on strengthening forecasting capacity, to improve budget credibility and support the transition to medium-term budgeting. Further support will be provided to build in-house capacity to undertake debt-sustainability analyses and report fiscal risks, including the development of a fiscal risk statement.

Rwanda: AFE will continue to advice on macroeconomic/fiscal forecasting and on the analysis and reporting of fiscal risks. Work initiated on developing revenue forecasting models will be continued. Support will be provided

on the integration of fiscal forecasting tools within the medium-term fiscal framework, and to improve predictability and budget execution. In addition, TA will be provided on macro-fiscal issues related to implementation of the fiscal objectives and the reporting requirements in the EAMU Protocol and the EAC fiscal surveillance program.

Tanzania: In Phase III, AFE has supported work by IMF HQ and the World Bank to strengthen capacity in analyzing debt sustainability and preparing a medium-term debt strategy. Reforms are under way to establish a macro-fiscal framework to govern the use of resource revenue and a revenue management framework within the budget process. AFE will work closely with IMF HQ to support the reform process, including in revenue forecasting and fiscal sustainability analysis. AFE will also provide support on the preparatory work leading to the EAMU.

AFE will also continue its support to build macro-fiscal capacity in Zanzibar. In Phase III, AFE helped set up an inter-agency macroeconomic working group, which has started addressing data quality and inconsistencies across the government sector. AFE support in Phase IV will include improving the quality of budget documentation, supporting the development of fiscal principles and objectives and the improvement of public participation in the budgeting process.

Uganda: Support in Phase III has focused on building capacity in GDP forecasting both at the Ministry of Finance and the Bank of Uganda. Under Phase IV this will extend to fiscal forecasting. As Uganda strengthens its PFM legal framework, AFE will provide TA on the preparation of the Fiscal Responsibility Charter. AFE will also build capacity on the preparation of fiscal frameworks for the management of revenue from natural resources, in close coordination with the MNRW-TTF.

iv) Fiscal Law

In the area of tax law, the resident legal advisor will primarily support the delivery and implementation of HQ-based TA at both country and EAC level. Several countries in the AFE region have recently embarked on tax law reforms, in most instances following HQ-based TA by FAD and LEG. This is the case in particular for Kenya, Tanzania and Uganda, concerning various areas or tax including VAT, excises, tax procedures and natural resource taxation. The resident advisor will provide follow-up TA to ensure successful and sustainable implementation of these reforms, and participate in further

HQ-based LEG missions and/or joint missions with FAD. The advisor will also follow-up on EAC developments regarding tax harmonization and provide technical support to the EAC Secretariat where relevant. In all these areas and where relevant, the advisor will work closely with the AFE's resident advisor for revenue and customs administration to ensure that legal outputs adequately reflect FAD's policy advice.

In the area of public finance law, the resident legal advisor will primarily follow up on developments at EAC level, but also at country level, with respect to regional fiscal integration. This involves following up on the development at EAC level of the regional legislation to establish an institution for surveillance of the Monetary Union macro-fiscal convergence process, building on FAD and LEG HQ-based TA in this area. The advisor will also follow-up on country-specific HQ-based TA in the PFM area, in particular in Tanzania (PFM), Kenya (SWF), and Uganda (PFM), and assist in the AFE's ongoing work on the harmonization of PFM legislation within the EAC. In all these areas and where relevant the advisor will work closely with the AFE's resident PFM advisors.

An important part of the resident legal advisor's assignment is strengthening the capacity of the legal function in tax administrations and ministries of finance in the region. The focus here will be on (i) the role of the legal function in the broader operations of the institutions, (ii) enhancing legal-technical skills (e.g. legislative drafting), (iii) sharing best practices in fiscal law design, and (iv) updating country and EAC counterparts on recent developments through topical workshops and seminars. The advisor will also provide training and share best practices for dealing with fiscal law issues—such as issues of legislative interpretation—the arise in the course of the regular operations of tax authorities and ministries of finances.

v) Financial Sector Regulation and Supervision

In the financial sector regulation and supervision area, East AFRITAC will focus on the following topics during Phase IV, with other reform areas such as pensions, capital market development, and AML/CFT primarily addressed by IMF HQ and other agencies:

- **All aspects of banking supervision** which will account for approximately one half of the available TA resources used.

- **Insurance supervision**, focusing specifically on risk based supervision, consolidated supervision and solvency frameworks.
- Supporting IMF Monetary and Capital Markets Departments' programs on **macro-prudential supervision and financial stability**.

Regional issues: AFE's work on Risk Based Supervision (RBS) started in 2004, and capacity development in line with international developments remained an important strain of work during Phase III. Apart from Eritrea, all countries have implemented Risk Based Banking Supervision. Insurance supervision is less developed, but supervisors are aiming to implement risk based supervision and develop solvency frameworks. Convergence of regulatory and supervisory frameworks, which includes implementation of main elements of the Basel II and III framework, is a priority in the region. This is driven by EAMU and the EAC Central Banks' objective is to realize the convergence of the regional regulatory and supervisory frameworks by end 2018. Another important topic – especially in the EAC countries—is consolidated and cross-border supervision for banking and insurance groups and for mixed financial conglomerates, as a result of the growing importance and dominance of (regional) cross-border financial groups. AFE's capacity building efforts will support these developments through bilateral TA, regional workshops as well as working with regional work groups established by the EAC. Where relevant, AFE will continue to involve Burundi and South Sudan in regional activities.

Over Phase III, the region (except Eritrea) made significant progress on improving the legal framework related to ML/FT risks and in setting up Financial Integrity Units, with AFE support provided to Rwanda, Malawi and Uganda. But implementation of these frameworks and supervisory practices need to be strengthened over Phase IV. Support will be led by the AML/CFT TTF, but AFE will help where needed. In addition to the longer term projects noted above, AFE has been providing support to a range of smaller projects (foreign exchange bureau supervision, bank intervention and resolution in Malawi, IFRS compliance, agent banking supervision). AFE's ability to respond flexibly to emerging needs or ad-hoc requests has been greatly valued by its member countries, and AFE plans to continue this approach during Phase IV.

Eritrea: During Phase III, AFE advised the Bank of Eritrea (BOE) on improving its regulatory framework for

banking supervision (upgrading the Basel I regulations). The implementation of this advice will extend into Phase IV. Developing sound risk management practices in the banking sector and the effective implementation of RBS will need substantial further attention during Phase IV. AFE is also supporting the development of insurance supervision, including advice on insurance regulations. On-site insurance supervision is still in its infancy and will need continued attention and support during the next funding cycle.

Ethiopia: AFE's Phase III support to the National Bank of Ethiopia (NBE) was mainly on the development, implementation and training of RBS. NBE's basic framework needs to be strengthened further during Phase IV. Banking sector regulations are still based on Basel I, and growth in the economy and financial sector will likely elicit more demand for implementing elements of Basel II and III during Phase IV. In insurance supervision, AFE provided support on developing a draft solvency framework and implementation of a RBS framework for insurance supervision, which will need to be implemented under Phase IV. In Phase III, AFE has also worked on developing a financial stability/macro prudential framework and organizational structure, advising on stress-testing, and developing a banking sector soundness assessment framework. These frameworks still are in their initial phase of development. AFE will continue its support in this area, assisting the NBE in developing the first full versions of these frameworks.

Kenya: A major objective achieved during Phase III was the implementation of consolidated supervision for banking groups, where Kenya ranks with South Africa as the most advanced country in sub-Saharan Africa. Looking ahead, an important stream of work will be to support the CBK in the implementation of the convergence criteria agreed by the EAC (covering market risk, capital requirements, the convergence of prudential provisioning and liquidity requirements based on Basel III, and the framework for risk based supervision). AFE will also continue its existing project that supports implementation of ICAAP and SREP. Additional demand is anticipated in (i) setting up supervisory arrangements for consolidated supervision for mixed financial conglomerates, which will also involve the Capital Markets Authority and the Insurance Supervisor; (ii) capacity building at the Financial Services Commission (the integrated financial sector supervisor, covering financial sector supervision except

banking) into which the Kenyan financial sector supervisors are expected to be merged during Phase IV.

Malawi: During Phase III, AFE's main TA to the Reserve Bank of Malawi focused on the implementation of RBS, including a risk based approach for AML/CFT supervision. Malawi also implemented the standardized approaches of the Basel II framework. Over the past two years, AFE provided ad-hoc support on early bank intervention and resolution. Given the significant remaining issues in this area, a World Bank supported resident advisor on banking supervision has been appointed since July 2014, with whom AFE will coordinate closely. Over Phase IV, the RBM is expected to develop and implement frameworks for more advanced approaches of Basel II and the relevant elements of the Basel III framework.

Rwanda: The main projects supported in banking supervision during Phase III were the drafting of prudential regulations and further improvement and capacity building on the RBS framework. Going forward, AFE will support the National Bank of Rwanda in implementing EAC convergence criteria (as noted above for Kenya) and continue the existing project on implementation of Basel II and III. AFE will also provide support to the NBR on work it has been requested to do by the EAC's Monetary Affairs Committee on consolidated supervision. In this area the NBR has been tasked to take the lead in developing the regional standards for consolidated supervision.

Tanzania: With the Bank of Tanzania (BoT), during Phase III the main TA has focused on capacity building on the RBS framework and the implementation of consolidated supervision. Going forward, AFE will provide support on the convergence criteria agreed by the EAC (as noted above for Kenya) and help develop a roadmap for implementation of Basel II and III. AFE will continue its support to Tanzania Insurance Regulatory Authority on the implementation of Risk Based Supervision and developing a stress-testing framework. Where opportune AFE will also continue follow up on MCM's activities on crisis management for which the BOT is in the lead within the EAC.

Uganda: During Phase III, AFE provided support to the Bank of Uganda (BOU) on improving its RBS framework (including AML/CFT supervision), the implementation of consolidated supervision, the development of a regulatory framework for market and country risk, and capacity building for agent banking supervision. During Phase IV, AFE will provide support on EAC convergence criteria

(as noted above for Kenya), with much of the work done during Phase III (on RBS, consolidated supervision and the framework for market and country risk) already in line with the implementation of the EAC convergence agenda. AFE will continue its support on the risk based supervision project for the Insurance Regulatory Authority of Uganda. Additional demand is expected during Phase IV for the implementation of consolidated supervision for insurance companies as well as the further development of the solvency framework.

vi) Monetary and Exchange Operations

The monetary policy and operations program's objective is to assist with the transition to more forward-looking and price-based monetary policy frameworks, while strengthening reserve money programming in some members. Specific focus will be on:

- **Developing modeling, forecasting and analysis** to strengthen understanding of the interest rate's transmission mechanism (in close collaboration with the IMF's Research Department).
- **Strengthening monetary and exchange rate operational frameworks including liquidity** forecasting and management, foreign exchange intervention and the collateral framework.
- **Deepening key financial markets** such as for money, foreign exchange and government bonds.
- **Improving international reserves management**, particularly investment policies and guidelines.
- **Reviewing central bank legislation** to ensure its financial and operational independence to fulfill its mandate.

Regional: Monetary policy frameworks, instruments and operations vary substantially across AFE countries. These range from countries reliant on reserve money targeting to those that are transitioning to inflation targeting. At the same time, the four EAC members of AFE are seeking greater monetary integration en route to monetary union, which entails a common monetary policy framework between member countries. Resulting specific TA needs include modernization of the monetary policy framework, modelling the monetary transmission mechanism, strengthening and harmonizing monetary operations and instruments, and developing money and foreign exchange markets.

Eritrea: AFE has provided TA on the policy, guidelines and training for the management of international reserves. In Phase IV, AFE will continue to support capacity in macroeconomic analysis to inform monetary policy formulation and implementation.

Ethiopia: There was limited engagement in the monetary operations area in Phase III. This is expected to continue in collaboration with the World Bank. Over phase IV, AFE TA will focus on strengthening liquidity forecasting and management and the NBE's international reserves management.

Kenya: Over phase III, AFE assisted in developing the repo market, liquidity management during the transition from reserve money targeting to inflation targeting, GDP forecasting and nowcasting, and the establishment of a fully operational forecasting and policy analysis system required for the inflation targeting regime announced in 2014. Following on from this, AFE TA will focus on developing the building blocks of an inflation targeting monetary policy framework. Specifically assistance will be provided on further developing the forecasting and policy analysis system, including improving forecasting of GDP and inflation. The CBK will also need support on the monetary and exchange rate operational framework to align the operations appropriately to the IT. In addition, TA will be provided to further develop money, foreign exchange and government securities markets to support monetary policy transmission and on aspects of foreign exchange reserves management. Capacity building in sharia compliant monetary instruments will also be provided.

Malawi: Following the major liberalization of the exchange regime in 2012, the central bank received guidance from MCM and AFE on alignment of the monetary and exchange rate operational framework with the new policy environment. This framework needs to be strengthened further as monetary policy becomes more forward-looking and the role of the interest rate is strengthened. This will require a fully operational forecasting and policy analysis system, including improved macroeconomic data collection and analysis for reports that feed into monetary policy decisions. AFE will also provide assistance in order to review the internal foreign exchange market intervention guidelines.

Rwanda: During Phase III, IMF HQ TA was provided to enhance the central bank's monetary and foreign exchange operations, liquidity management, and on money

market development to lay the basis for forward-looking decisions on monetary policy implementation. AFE provided training on the oversight of external managers of international reserves. The establishment of a fully operational FPAS is ongoing and is expected to continue. The central bank will need to strengthen its monetary and exchange rate operational framework and align it with the evolving monetary policy regime. It will also need support in further developing the interbank money market, the foreign exchange market, and government securities market.

Tanzania: Considerable TA has been provided in areas such as monetary policy communications, liquidity forecasting, the interface between monetary and fiscal operations, especially treasury cash management, and inflation forecasting. Support on increasing the role of interest rates in the monetary policy operational framework and establishment of a fully operational forecasting and policy analysis system are in progress. The evolving monetary policy framework places greater emphasis on the collection and analysis of monetary statistics, the strengthening of the monetary and exchange rate policy implementation framework, improvements in the collateral regime, money market development and the management of international reserves. These areas will be covered under Phase IV.

Uganda: Monetary operations work in Uganda over Phase III has covered reform of the primary dealer system for government securities, and establishment of a forecasting and policy analysis system. The FPAS work is ongoing and considerable progress is expected by the end of Phase III. Follow up work in Phase IV is expected in refining the macro model, and increasing staff proficiency in the use of system outputs in decision making. It is expected that Uganda will move from Inflation Targeting Lite (ITL) to a fully-fledged Inflation Targeting (IT) monetary policy regime during AFE Phase IV. This means that TA will focus on strengthening the building blocks of an IT regime. The monetary and exchange rate operational framework will also require strengthening and alignment with the fully-fledged IT regime.

vii) Financial Market Infrastructure

Financial market infrastructures (FMIs), also known as payment, clearing and settlement systems, are of systemic importance. When they operate efficiently, FMIs contribute to financial and overall economic stability and development. However, they concentrate risk and

can be sources of financial shocks or a channel through which these shocks are transmitted across domestic and international financial markets.

The objective of AFE's program on FMIs is to assist with modernizing and strengthening the FMIs the region. This will increase the safety and efficiency of payment, clearing and settlement systems and contributes to financial stability. Specific focus will be on:

- **Oversight of FMIs.** With several other donors active in this area, FMI work will focus in particular on oversight legislation and regulation, supervision, and compliance with international standards. This may include an assessment of the oversight and supervisory structure against international standards and best practices.
- **The development and reform of 'the national payment system' in a country.** This is relevant for a complete and consistent application of international standards and best practices and includes not only the establishment or reform of payment, clearing and settlement systems, but also the establishment of a national payment system strategy, supervision and oversight function and a national payment system council.
- **Assessment of FMIs,** such as large value payment systems, retail payment systems and central securities depositories, to determine the level of observance with international standards and best practices.

Regional: Demand for FMI TA remains strong and is increasing. Considerable follow-up TA and training is needed following AFE's work on compliance with international standards. Work over Phase IV is expected to focus on internal oversight capacity on payment, clearing and settlement systems, (including rapidly growing financial services such as in the mobile payments industry). In 2012, new international standards were issued for FMIs, (i.e. the CPMI-IOSCO Principles for Financial Market Infrastructures and the Disclosure Framework and Assessment Methodology). There is considerable interest among AFE member countries' regulatory agencies to examine the impact of these new standards on the regulation, supervision and oversight of FMIs in their respective jurisdictions and on central bank-operated FMIs. AFE successfully organized a first workshop in September 2014 on the basics of the new standards and a more

advanced workshop in April 2015. East AFRITAC's work will be coordinated with World Bank regional payments systems work.

Eritrea: AFE TA on NPS development led to the establishment of the Asmara Clearing House. Future priorities in this area include oversight over the Asmara Clearing House, further development of the clearing house, and overall payment system development including guidance on the establishment of the RTGS and mobile payments.

Ethiopia: During phase III, AFE TA focused on setting the strategy for the development of the national payments system (NPS); designing the NPS oversight frameworks and building the internal NBE capacity on its oversight role. In phase IV, this is expected to continue in collaboration with the World Bank. In addition AFE will assist the NBE in its regulatory framework, interoperability in retail system and observance of PFMI.

Kenya: AFE provided TA in a number of areas covering regulation and oversight of mobile payments. Under Phase IV, support will also be needed in strengthening further the regulatory, supervisory and oversight framework of the payment and settlement system. More specifically, work on risk assessment and the establishment of a business continuity and disaster management plan for FMIs will also take place.

Malawi: In phase III, AFE assisted with the formulation of a comprehensive payment system strategy for the central bank, regulation and oversight of mobile payments, and reviewed the overarching NPS bill which was enacted into law. In phase IV, close collaboration will continue with the World Bank, given there are a number of activities under the FSTAP, including the review of the oversight guidelines.

Rwanda: In the payment's system area, AFE work focused on: the NPS oversight framework; guidance on introduction of the RTGS and ACH; regulation of mobile payments and guidelines for new entrants in the Payments Services Provider (PSP) category. In phase IV, capacity building will focus on the oversight framework.

Tanzania: Further strengthening of the payment and settlement system regulatory framework, supervisory and oversight framework will also be needed. In phase IV, the BOT will establish an efficient and effective legal and institutional framework capable of regulating new payment systems.

Uganda: In the payments system area, considerable support was delivered, covering regulation and oversight of mobile payments; formulation of a vision and strategic framework for NPS development; and development of internal capacity for NPS oversight. In phase IV, Uganda will need to develop its legal framework.

viii) Macroeconomic and Financial Statistics

East AFRITAC will continue to build capacity for good quality economic and financial statistics to support effective planning, policy and program development, and monitoring and evaluation at the national and regional level. East AFRITAC will assist member countries to improve the coverage, accuracy, reliability, frequency, and timeliness of national accounts, prices, external sector and government finance statistics, as well as assisting with implementation of the latest international statistical classifications and standards. Providing advice on strengthening the national statistical infrastructure and systems, as well as improving the underlying source data for these statistics will also be an important aspect of East AFRITAC TA. During Phase IV, East AFRITAC will assist Rwanda and Uganda to graduate to Special Data Dissemination Standard (SDDS) and assist Ethiopia, Kenya, Malawi and Tanzania in making progress towards SDDS for these statistics. The Center will primarily focus on fiscal sector and real sector statistics, with the IMF Statistics Department supporting external and financial sector statistics.

- Key areas of support on the **national accounts** will include assistance to further implement 2008 SNA standards, implement the next round of GDP rebasing, and compile quarterly GDP by expenditure at current and constant prices.
- In the **prices** areas, East AFRITAC will support member countries on the next round of rebasing of the CPI, PPI and trade indices, as well as methodology. East AFRITAC will also finance some STA work on improving balance of payments and International Investment Position statistics.
- Technical assistance on **Government Finance Statistics** will aim to assist East AFRITAC member countries to satisfy the fiscal sector SDDS requirements. This will entail expanding coverage of fiscal statistics to the general government and production of quarterly central government fiscal data. In

additional, East AFRITAC will support member countries to compile and disseminate government debt statistics in line with SDDS requirements.

Eritrea: Eritrea does not participate in the General Data Dissemination System of the IMF. With the exception of external sector statistics (BoP and IIP), no statistics TA was requested from AFE during Phase III. On developing and/or improving its macroeconomic statistics. The quality of BOP statistics has been improved and the BOE has commenced compilation of IIP statistics. AFE will continue to support the BOE on implementing BPM6 standards, and most importantly, the dissemination of these statistics. Assuming that the Eritrean National Statistics Office is interested in requesting TA on economic statistics, AFE is ready to provide further assistance.

Ethiopia: Ethiopia participates in the GDDS and has received significant TA from AFE during Phase III. Ethiopia has improved, rebased and disseminated its Consumer Price Index (CPI) and annual Gross Domestic Product (GDP) estimates. Considerable TA has been provided on improving annual GDP both by economic activity and expenditure. Work has also been done on redeveloping and improving the Producer Price Index and developing exports and imports price indices. Responsibility for producing NAS is expected to be transferred to the CSA from MOFED in January 2015 and AFE expects to provide assistance on implementing 2008 SNA standards; compiling a SUT and an input/output matrix for the next GDP rebase; developing independent annual and quarterly estimates of GDP by expenditure at current and constant prices; and compiling quarterly estimates of other key NAS aggregates. Assistance will also be provided for the next rebase of the CPI and PPI, and to develop XMPI, as well as with improving GFS.

Kenya: Kenya also participates in the GDDS, as well as the IMF-DfID Enhanced Data Dissemination Initiative Quarterly National Accounts Statistics Module. It has rebased and released its Construction Inputs Price Indices, CPI, XMPI and estimates of GDP, as well as improving the associated data sources and compilation methodologies. An SUT, quarterly GDP by economic activity at current prices and manufacturing PPI have been produced for the first time. During Phase III, AFE has conducted several missions on national accounts and prices statistics to support these outcomes. Specifically, work has focused on improving statistics prerequisites; review of source data and compilation meth-

ods; improving GDP compilation methodology; and reviewing the SUT and rebased GDP estimates prior to dissemination. In prices, AFE's work has been on CPI rebasing and improving, rebasing and providing training on CIPI, PPI and XMPI. AFE also helped develop Kenya's GFS data development plan that will guide TA priorities going forward. Over Phase IV, AFE will provide assistance to the National Bureau of Statistics to further implement 2008 SNA standards; improve the compilation of the SUT and input/output matrix for the next GDP rebase; compile annual institutional sector accounts; compile quarterly GDP by expenditure approach at current and constant prices; compile quarterly estimates of other key NAS aggregates; and improve quarterly seasonally adjusted GDP estimates. In addition, support will be provided on the rebasing and revision of the CPI and PPI, to expand coverage of the PPI and further improve the XMPI once the prices survey is implemented. AFE will fund IMF HQ TA delivery on compiling an annual IIP statement and to implement the BPM6 standards. Finally, AFE will assist the authorities implement their fiscal data improvement plans, aimed at aligning GFS compilation and dissemination with international guidelines.

Malawi: Malawi participates in the GDDS. With sustained AFE support it has rebased and released its CPI and a new manufacturing PPI has been developed and released. The quality of NAS has been improved, and BOP statistics follow BPM6. Statistics Norway has continued to provide TA to the National Statistics Office on producing the annual SUT and GDP estimates, albeit at a reduced level. The authorities have now requested AFE support with the compilation of the annual estimates of GDP by economic activity using the benchmark indicator approach; compiling quarterly GDP by economic activity and expenditure at current and constant prices; and compiling quarterly estimates of other key NAS aggregates. In addition, AFE will provide TA on the next rebasing of the CPI and the Manufacturing PPI, as well as improving the frequency of the PPI to monthly, consistent with the SDDS. AFE will also continue to assist in improving the quality of annual external sector statistics and supporting the development of quarterly BOP and IIP estimates, as well as improving the quality of GFS.

Rwanda: Rwanda is actively participating in the GDDS and the IMF-DFID QNA Statistics Module. It has rebased its CPI and estimates of GDP as well as improving the associated data sources (especially the new Agriculture

Survey) and compilation methodologies. A comprehensive SUT and input/output matrix have been produced for the first time. Dissemination of PPI, XMPI and quarterly GDP by economic activity at constant and current prices has commenced. In addition, a Construction Inputs Prices Survey has been implemented. The quality, timeliness and consistency of external sector statistics have been improved and a BOP and IIP following BPM6 is being produced. AFE also helped develop Rwanda's GFS data development plan that will guide TA priorities going forward. Considerable AFE support has been provided on prices and national accounts statistics. AFE will work with other development partners, in particular the UNDP, to assist the National Institute of Statistics with further implementation of 2008 SNA standards; compilation of the SUT and input/output matrix for the next GDP rebase; compilation of quarterly GDP by expenditure at current and constant prices; compilation of quarterly estimates of other key NAS aggregates; and developing quarterly seasonally adjusted GDP estimates. In addition, AFE will provide assistance on the rebasing of the CPI, PPI and XMPI, and improving the frequency of the PPI to monthly, consistent with SDDS. AFE will also continue to assist the National Bank of Rwanda in further improving the quality of annual external sector statistics, including refining the BPM6 estimates, and compilation of quarterly BOP and IIP estimates for dissemination. Finally, AFE will provide support to the Rwandan authorities to implement their fiscal data improvement plans, aimed at aligning GFS compilation and dissemination with international guidelines.

Tanzania: Tanzania is participating in the GDDS and the IMF-DFID QNA Statistics Module. During Phase III, several GFS, NAS, and price statistics missions were undertaken to Tanzania (Mainland) and Zanzibar. The National Bureau of Statistics (NBS) has rebased its CPI and estimates of GDP as well as improving the associated data sources and compilation methodologies. A comprehensive SUT and input/output matrix have been produced for the first time. Dissemination of XMPI and quarterly GDP by economic activity at constant and current prices has commenced. Tanzania (Zanzibar) is also participating in the IMF-DFID QNA Statistics Module. It has rebased and released its CPI, and estimates of GDP as well as improving the associated data sources and compilation methodologies. A SUT has been produced for the first time. Dissemination of quarterly GDP by economic activity at constant and current prices has commenced. Phase

III GFS work focused aligning Mainland Tanzania and Zanzibar's fiscal data with international standards, and developing a fiscal data development plan to guide TA priorities going forward. AFE will work with other development partners, in particular the World Bank and DFID, to assist the authorities further implement 2008 SNA standards; improve the compilation of the SUT and input/output matrix for the next GDP rebase; compile independent estimates of annual and quarterly GDP by expenditure at current and constant prices; compile quarterly estimates of other key NAS aggregates; and improve quarterly seasonally adjusted GDP estimates. In addition, AFE will also assist with the next rebasing of the CPIs and PPIs for Tanzania Mainland and Zanzibar, and the XMPI. Through STA missions funded by AFE, assistance will also be provided to improve external sector statistics and to implement the BPM6 standards. Finally, AFE will provide support to the authorities to implement their fiscal data improvement plans, aimed at aligning GFS compilation and dissemination with international guidelines.

Uganda: Uganda participates in the GDDS and the IMF-DFID QNA Statistics Module. AFE has undertaken over a dozen NAS missions and several prices statistics missions to Uganda during Phase III. The Uganda Bureau of Statistics (UBOS) has rebased and released its CPI, PPI and estimates of GDP, as well as improving the associated data sources and compilation methodologies. A SUT has been compiled; and quarterly GDP by economic activity at constant and current prices disseminated. The quality and timeliness of the external sector statistics produced by the Bank of Uganda have been improved, and the statistics are now aligned with BPM6 standards. With the support of AFE, Uganda developed a fiscal data development plan to guide future TA priorities in this area. AFE will continue to provide TA to further implement 2008 SNA standards; improve the compilation of the SUT and input/output matrix for the next GDP rebase; compile independent annual and quarterly estimates of GDP by expenditure at current and constant prices; compile quarterly estimates of other key NAS aggregates; and improve quarterly seasonally adjusted GDP estimates. In addition, AFE will provide assistance on the rebasing of the CPI, PPI and XMPI, improving the frequency of the PPI to monthly, and improving the quality and timeliness of external sector statistics, consistent with SDDS. Finally, AFE will provide support to the Ugandan authorities to implement their fiscal data improvement plans, aimed at aligning GFS compilation and dissemination with international guidelines.

D. Regional Integration

Regional work will take on greater prominence under Phase IV both in the form of regional projects, and through more explicit incorporation of regional goals in national level TA and training. A large work agenda exists to support East African Monetary Union, with implications for all of East AFRITAC's work sectors. Initial focus will be on harmonizing practices and strengthening the statistical prerequisites, while support in later stages of Phase IV will turn to capacity building at newly established regional institutions as they are set up. A careful division of labor will be ensured with IMF HQ and other donors' support, with East AFRITAC helping implement IMF HQ diagnostics and its work on the design of EAMU architecture. Although IMF HQ will lead, East AFRITAC will provide inputs to the IMF Legal Department's work on bills for the new regional institutions. By sector, regional work will focus on the following:

- **Revenue Administration:** At the regional level, East AFRITAC will contribute to support the implementation of the customs union and common market protocols. It will assist member states and the EAC Secretariat in achieving the regional agenda in tax and customs as the EAC region transits to a Single Customs Territory. This will include work on harmonizing tax and customs practices to facilitate trade and the removal of non-tariff trade barriers. Support would be envisaged for both the EAC's Customs Directorate as well as EAC member states, possibly as part of a new regional project to implement the Single Customs Territory.
- **Public Financial Management:** both the PFM implications of regional monetary union and emerging regional issues are reflected in the Phase IV program. The Center will work closely to follow up IMF HQ work on the design of the framework for fiscal surveillance including national medium term convergence programs. In particular, its work program will support the attainment of the EAMU protocol's objectives of harmonizing and supporting good practice PFM legal and fiscal reporting frameworks.
- **Macro Fiscal Analysis:** East AFRITAC will support regional institutions build their technical capacity on fiscal issues as it scales up its activities during the move to a monetary union. It will assist countries in developing macro-fiscal frameworks

that are in line with convergence criteria. The macro-fiscal resident advisor will work closely with PFM advisors to support strengthening and harmonization of practices on fiscal risk reporting.

- **Financial Regulation and Supervision:** Convergence of regulatory and supervisory frameworks is high on the EAC's (and Southern African Development Community's) regional integration agenda. This is also motivated by the growing importance and dominance of cross-border (pan-African) banks and financial conglomerates. East AFRITAC's capacity building efforts will aim to support these developments through bilateral TA, helping its member countries to implement standards in accordance with the regional objectives. This will be accomplished through regional workshops, but also through support to regional working groups such as that on macro-prudential analysis, that have been set up by the Monetary Affairs Committee of the EAC to lead on specific convergence and harmonization issues.. The Center does not envisage significant work on the Financial Services Commission which will focus on non-bank regulation and supervision.
- **Monetary Policy and Operations:** Key interim steps ahead of a regional central bank envisaged for 2024 include establishing an East African Monetary Institute by 2015 to undertake preparatory work on harmonizing monetary and exchange rate policies for EAMU. The Center's focus will remain on providing TA at the national level on monetary policy frameworks and foreign exchange market operations. However, the East AFRITAC resident advisor's activities will be closely coordinated with regional objectives. S/he will liaise very closely with the IMF resident regional advisor on monetary policy operations for the EAC tasked with developing a framework for the regional harmonization of monetary policy and associated regional operational frameworks in money and foreign exchange markets. To facilitate cooperation with AFE's own monetary operations advisor and ensure this support is coordinated through the EAC, this position (which was based in Nairobi) will be based at East AFRITAC (albeit funded by separate TA resources provided to the IMF from Japan).

- **Macroeconomic Statistics:** East AFRITAC support will focus on ensuring sound and common statistical underpinnings of the convergence criteria for EAMU. Support will aim to establish harmonized statistical methodologies, classifications, data dissemination practices, and legal and institutional frameworks for producing robust economic and financial statistics necessary for monitoring macroeconomic convergence and undertaking regional macroeconomic surveillance. Specifically, efforts with the EAC will concentrate on ensuring harmonized statistical methodologies for GFS, national accounts and prices statistics, and include developing regional methodological guidelines and standardized data reporting templates for assessing compliance with the convergence criteria. Regional workshops will be used to foster peer review and learning. The Center will also be engaged in IMF work on an East African Statistics Bureau.

E. Training

East AFRITAC's training program is designed to complement its technical assistance. Training helps strengthen the skills of officials to analyze economic developments and formulate and manage effective macroeconomic and financial policies. It also enhances the IMF's dialogue on policy issues and facilitates peer-to-peer learning. Training for officials from the region will be supplied IMF HQ, via distance learning and online courses, at the Africa Training Institute (ATI) in Mauritius, and by East AFRITAC. Given their comparative advantage, courses on macroeconomic management will principally be delivered by non-East AFRITAC vehicles. East AFRITAC's training over Phase IV will focus on the specific needs identified from the TA program and will continue to exploit synergies between TA and training. Delivery will continue to be through regional and national courses. A few courses where there are clear synergies with the TA program will be delivered in the region each year in collaboration with ICD. The Center will continue to step up its collaboration and coordination with ATI/AFS, including both joint courses and through ATI trainers delivering some targeted training in East Africa to support East AFRITAC's TA program. In addition, East AFRITAC will continue to support attachments of officials between institutions and through country officials participating in East AFRITAC TA missions. Under Phase IV, the Center will continue to seek innovative opportunities for peer-to-

peer learning. This will involve using the IMF's network of RTACs to ensure East AFRITAC member countries are exposed to the most appropriate reform experience, either in sub-Saharan Africa or elsewhere. The Center will also continue its partnerships with regional bodies such as the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI). Target audiences for training are carefully vetted and greater focus will be placed on targeting senior management. Training effectiveness will be carefully assessed including through strengthening training databases, post-course participant questionnaires and training surveys of the authorities. Opportunities for post-training platforms for interaction between officials will be sought.

F. Resource Needs

East AFRITACs resource needs are determined by the results achieved under Phase III, the large ongoing work agenda, and by new priorities expressed by its membership. The Phase IV strategy has been carefully costed, with budgets developed in close alignment with workplans across sectors and countries. Financing needs for the five year period are estimated to be US\$53.5 million, about 6 percent higher than Phase III program budget of \$50.6 million (Table 1). This is primarily to support the increased work on regional integration, fiscal tax law, payments systems and new natural resources management work. Budgetary resources will need to be secured in advance and would be funded by the IMF, the host country, recipient countries, and donors. The proposed budget—see table below—envisages:

- Eleven resident advisors (compared with nine at the end of Phase III). This includes three on PFM, two in macroeconomic statistics (as opposed to one over most of Phase III), and one each in revenue administration, macro-fiscal analysis, financial sector regulation and supervision, monetary operations, financial market infrastructure, and fiscal law respectively. The budget allows for training in each of these areas. The additional statistics resident advisor will continue work on government finance statistics that began at the end of Phase III, at least for part of Phase IV. In Phase IV, Financial Market Infrastructure/Payments System work will be separated from Monetary Operations, with a dedicated resident advisor shared with AFS. This advisor will initially be recruited on a one year pilot basis to assess this sharing arrangement, al-

though the budget incorporates a 5 year need. The fiscal law advisor is planned for two years, with the start dependent on the financing availability for Phase IV. Natural resources management work on fiscal regimes and licensing will be implemented either through short term experts or a resident advisor supported by the MNRW-TTF.

- Additional resources (equivalent to approximately one-tenth of the budget) to cover work on regional integration, fiscal law, payments systems and natural resources management. Some will be implemented through new advisors, while that on regional integration and natural resources (except fiscal regimes) will be implemented by existing resident advisors (including through using short term experts).
- Short-term expert visits to complement the work of the resident advisors. The IMF will continue to seek regional expertise where possible.
- Diagnostic interventions led by IMF HQ, which are a critical complement in designing strategic advice.
- Backstopping and project management from HQ to ensure quality and consistency of East AFRITAC's advice with IMF and international best practice.
- An independent external mid-term evaluation.

The program budget has incorporated careful review of Phase III budget outturn data which, along with improved cost charging processes, will help avoid unspent balances in Phase IV. The continuation of work on topics supported under Phase III, and critical demands in new areas, implies that spending right from the outset of Phase IV will need to be sustained at the levels at the end of Phase III. To avoid highly costly disruptions of TA and training activities, this implies the critical importance of ensuring financing is secured at the outset of Phase IV.

G. East AFRITAC Sustainability

Financial sustainability considerations have been incorporated into the strategy. Continued high financial needs under Phase IV and budgetary pressures in traditional donor countries raise issues of financial sustainability. A threefold approach is taken to risk mitigation: (i) establishing long-term strategic partnerships with key donors (ii) some diversification of the donor base; and (iii) a gradual increase in member country contributions, in line with capacity to pay and reflecting new

areas of TA delivery. Increased member contributions will be essential to demonstrate country ownership of the Center and for continued donor support. Currently, country contributions at East AFRITAC are significantly lower than in most other RTACs. The IMF proposes an increase to about 10 percent or doubling as a share of the Center's total financing in Phase IV. The IMF's contribution along with the host country's (Tanzania's) in kind contribution is expected to be just under \$4 million. A trust fund management fee of 7 percent will be levied on all donor expenses.

On the sustainability of TA results, continued strong commitment of beneficiary countries will be critical for East AFRITAC maintaining its high effectiveness.

Existing strong ownership can be bolstered by increased country accountability for results through the RBM framework and a strong role in governance, including through active participation in the Steering Committee. In addition, member countries are expected to be actively engaged in TA follow up, and inputting to the semi-annual reports, monthly newsletters, and TA evaluation missions, including the mid-term evaluation.

**Table 1. East AFRITAC: Phase IV Program Document Budget
(Five years, 2015–2020)**

Expenses	Phase III US\$	Phase IV US\$
Long-term Experts	14,514,960	16,817,721
<i>Fiscal</i>	8,049,635	6,942,844
Public financial management (3)	4,829,781	4,347,846
Revenue administration (1)	1,609,927	1,299,678
Macro-fiscal analysis(1)	1,609,927	1,295,320
<i>Monetary</i>	3,219,854	3,962,702
Financial sector supervision (1)	1,609,927	1,561,586
Monetary policy and operations (1)	1,609,927	1,561,586
Financial Market Infrastructure (1)	-	839,530
<i>Statistics</i>	1,609,927	2,975,737
Macroeconomic statistics (1)	1,609,927	1,487,868
Government financial statistics (1)	-	1,487,868
<i>Legal</i>	-	576,970
Tax law and PFM legal framework (1)	-	576,970
<i>Regional Travel</i>	1,635,544	2,359,468
Short-term Experts	10,951,452	14,863,187
Fiscal	7,522,563	6,359,100
Monetary	2,099,320	3,699,915
Statistics	1,049,660	3,639,692
Legal	279,909	255,147
Research	-	909,333
Training	5,167,172	6,332,960
TA seminars	3,303,957	5,229,000
Training on macroeconomic and financial issues	1,863,215	1,103,960
Diagnostic Missions	3,751,688	2,019,469
Fiscal	2,678,155	1,482,673
Monetary	726,870	193,758
Statistics	171,719	150,788
Legal	174,943	192,251
Backstopping/Project Management/Staff Travel	5,595,173	4,821,021
Backstopping	2,925,675	2,381,414
Project Management	1,753,132	770,080
Staff Travel	916,365	1,669,528
Other	1,520,112	1,665,092
Evaluation	300,000	300,000
Miscellaneous office costs	1,220,112	365,092
Contingency	-	1,000,000
Subtotal Donor Expenses	41,500,556	46,519,449
Trust Fund Management	2,905,039	3,256,361
Total Donor Expenses	44,405,594	49,775,811
Office Coordination IMF Expenses	6,206,635	3,703,989
Grand Total	50,612,230	53,479,800

East AFRITAC Governance, Operations, Visibility and Financial Management

East AFRITAC is guided by a Steering Committee of representatives from recipient countries, donors, and the IMF. The EAC also has a seat on East AFRITAC's Steering Committee (SC). The Committee is the main forum for accountability and embodies the aid effectiveness principles outlined in high-level forums (Paris, Accra, Busan). It provides strategic guidance and helps set East AFRITAC's priorities, including through endorsing work plans, and is a vehicle for feedback on TA quality. East AFRITAC's Steering Committee meets annually and is chaired on a rotating basis by the principal representative of one of the beneficiary countries. An external evaluation of the work of East AFRITAC will be carried out by a team of independent experts around three years into the program phase, assessing the relevance, effectiveness, efficiency, sustainability, and impact of East AFRITAC activities.

The Center comprises a Coordinator, resident advisors and support staff seconded from the Tanzanian authorities. The Center Coordinator is responsible for day-to-day management of East AFRITAC and its operations, with strategic guidance from the Steering Committee and general oversight from the IMF. In consultation with the Steering Committee, the African Department, TA departments, and the IMF's Institute for Capacity Development (ICD), the Coordinator pulls together the East AFRITAC work plan developed by resident advisors and monitors its implementation. East AFRITAC staff in composed of specialist resident advisors in each of the TA areas and office support personnel, typically seconded from the host country. A pool of short-term experts are drawn upon for specific assignments, with regional expertise sought where possible. Strong quality control is exercised by the IMF. It selects and hires East AFRITAC resident advisors, providing them with the technical support to ensure quality and consistency in their advice and activities. IMF HQ TA departments review and authorize the reports produced by resident advisors. Short-term experts for peripatetic and/or specific assignments are recruited through IMF HQ from its roster of qualified experts and are backstopped by the resident advisors and IMF HQ.

The annual EAST AFRITAC work plan is developed in close consultation with member countries and do-

nors within the framework of the IMF TA prioritization process. Key capacity-building needs are identified via the IMF's continuous dialogue with member countries through surveillance, programs or TA diagnostic work. Country TA strategies and detailed work programs are formulated jointly by East AFRITAC and IMF HQ. Steering Committee members are also consulted on work plans to ensure effective coordination. The development of the annual work plan is also coordinated with the IMF's budget cycle, ensuring resource allocation leads to timely and predictable delivery of planned TA. In parallel, focus is on development of multiyear projects which facilitates the planning and reporting of longer-term interventions. However, some interventions are necessarily shorter term by their nature or are required to respond to new urgent needs. The work plan is monitored via an RBM framework, which embodies annual milestones agreed with the TA recipients.

East AFRITAC will intensify its outreach efforts, enhancing the Center's public profile and donor visibility. As part of the RTAC Handbook, ICD is developing a communications strategy/outreach plan for RTACs to foster communication with donors, member countries, other TA providers and all other RTAC stakeholders. More specifically, under Phase IV the Center's outreach will aim to expand beyond development partners and member countries to include civil society. Existing tools which include annual reports, newsletters, website, press releases/conferences, as well as donor debriefings, will be supplemented by other vehicles such as social media. Donors will be systematically recognized in the Center's outreach, with acknowledgement in publications and continued efforts to seek their involvement in the Center's activities.

Rigorous financial management procedures are in place. Contributions from donors and recipient countries are placed in the multi-donor East AFRITAC subaccount established under the IMF's Framework Administered Account for Selected Fund Activities (SFA). The subaccount is used to receive and disburse all financial contributions for East AFRITAC activities; all resources contributed to the subaccount are used solely to implement or support EAST AFRITAC's work program. The basis for the financial arrangements between donors and the IMF is a Letter of Understanding es-

tablishing the purposes of the contributions related to this program document and subject to the Terms and Conditions of the subaccount and the SFA framework instrument. The IMF manages all contributions as a trust fund in accordance with IMF financial regulations and procedures. The IMF reports to donors on subaccount expenditures and commitments through a secure

external gateway. Separate reporting on the execution of the East AFRITAC budget is being provided at SC meetings. The operations and transactions conducted through the subaccount during the IMF fiscal year are audited by an external firm, with the report published. East AFRITAC is also subject to audits by the IMF's Office of Internal Audit.

East AFRITAC Topical Logframe and Results Based Management Framework

East AFRITAC Strategic Logframe



EastAFRITAC



Improved Macroeconomic Policy Frameworks to Foster Sustainable Growth and Poverty Reduction

Topic Objectives/Outcomes	Verifiable Indicators for FY 2020	PROGRESS on INDICATORS	General Risks/Assumptions/ Risk Mitigation (as necessary)
1. PFM systems of member countries closer to internationally accepted good practices and standards, enhanced PFM capacities and improved regional harmonization in this area.	100 percent implementation of topic outcome indicators		A. Sufficient ownership of reform measures by the country authorities and regional organizations.
2. Improve member countries' medium term fiscal frameworks and build capacity in macroeconomic analysis and forecasting.	100 percent implementation of topic outcome indicators include ICD courses each year over FYs 2016-2020		B. Sufficient financing for East AFRITAC's Phase IV is mobilized.
3. To strengthen tax and public finance law at country and regional level.	100 percent implementation of topic outcome indicators		C. Complementary HQ and other donors' TA is available.
4. Improve efficiency and effectiveness of tax and customs administrations and promote regional harmonization and standardization based on good international practice	100 percent implementation of topic outcome indicators		D. No major exogenous economic shocks and no deterioration in political conditions in the member countries
5. Achieve higher level of compliance with international standards in the area of financial sector supervision and promote regional harmonization and greater cross-border cooperation among supervisors	100 percent implementation of topic outcome indicators		<u>Risk mitigation measures include:</u> Tailoring the work program to absorption capacity levels
6. Improve member countries' framework for monetary policy, strengthen operational instruments, and develop money markets with the objective of enhancing implementation of monetary and exchange rate policies	100 percent implementation of topic outcome indicators		Targeting outcomes in less sensitive areas but with the highest possible benefits in countries with unstable political environments.
7. To develop the payment system and other financial market infrastructures to enhance the safety and efficiency of the financial system.	100 percent implementation of topic outcome indicators		Conducting extensive outreach with the donor community and parliamentarians
8. Bring member countries closer to compliance with international standards for the compilation of national accounts, price and government finance statistics	100 percent implementation of topic outcome indicators		Integrating planning of the center's activities with the IMF resource allocation plan, and earmarking some resources in reserve which could be activated in case of urgent crisis-related need.
			Contingency plans in place in case of resource shortfalls

a) RBM Public Financial Management

Public Financial Management				
Bring PFM systems of member countries closer to accepted international practices and standards, build PFM capacities, and promote regional harmonization in this area				
Topic Objectives	Topic Outcomes	Verifiable Indicators FY 2020	Baseline for INDICATORS	General Risks/ Assumptions
Improved Laws and Effective PFM Institutions	1.1 Legal framework covering all stages of PFM cycle is improved	Promulgation of laws, approval and publication of regulations.	Existing legal and regulatory frameworks in member countries (See PFM Table)	A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones B. No major exogenous economic shocks and no deterioration in political conditions in the member countries
	1.2. Capacity and effectiveness of central finance agencies are better developed	Existence of PFM reform strategy and action plan that is monitored and updated.		
		Reduced incidence of non-compliance to legal framework in Auditor General's reports.		
Comprehensive, Credit and Policy based budget Preparation	2.1 Credible MTFF is included in budget documentation	Inclusion of MTEF in budget presentations to Parliament. Improved scores for PEFA indicators 1,2,3,4, 6, 7, 10, 12 and 13 in at least 4 countries Improved OBI scores in at least 3 countries	Last PEFA assessment available (see table) and/ or incremental improvement	C. Identification of a number of common thematic reform challenges apparent in the region D.Close collaboration with other donors to avoid duplication of work
	2.2 Credible and unified annual budget is published.			
	2.3 Credible MTBF is integrated with annual budget process			
	2.4 Program-based and performance informed budget process are improved			
Improved Budget Execution and Control	3.1 Controls over expenditure commitments are strengthened	Regular reporting on stock and flow of arrears; strategy for arrear management and prevention is implemented. Improved scores for PEFA indicators 22, 23 and 14 in at least 4 countries.	Last PEFA assessment available (see table) and/ or incremental improvement	E. Priorities agreed with the authorities according to their needs, capacities and requests;
	3.2 Strategy to implement risk-based internal audit function in place and being implemented			
	3.3 Planning, appraisal, selection and implementation of public investments are improved			
Improved coverage and quality of fiscal reporting	4.1 COA based on international accounting standards implemented	Dates for production, submission and publication of in-year and year-end financial reports.	Last PEFA/ OBI assessment available (see table) and/ or incremental improvement	
	4.2 Comprehensive and high quality fiscal reports are gradually published	Improved OBI survey scores		
	4.3 Fiscal reporting capacity for wider public sector is strengthened Audited annual financial statements are published and scrutinized by Parliament	Improved scores on PEFA indicators 27, 28, and 30 in at least 4 countries.		
	4.4 Audited annual financial statements are published and scrutinized by Parliament			
Improved Integration of Assets, and Liability Management Framework	5.1 Central government revenues and expenditures progressively conducted through a TSA	1) Percentage increase in coverage of government expenditure administered through the TSA. 2) Improved scores on PEFA indicator 26 in at least 4 countries	Last PEFA assessment available (see table) and/ or incremental improvement	
	5.2. Cash flow forecasts for all central government are more accurate and timely			
	5.3 Cash and debt management is gradually integrated and capacity developed			
	5.4. Management of state assets is improved			
Strengthened Identification, Monitoring and Management of Fiscal Risks	6.1 Fiscal oversight of and analysis capacity of SN governments being developed by central finance agencies	1) Inclusion in the annual consolidated statements disclosures of financial assets, liabilities and contingent liabilities. 2) Improved scores for PEFA indicators 8 and 9 in at least 4 countries.	Last PEFA available (see table) and/ or incremental improvement	
	6.2 Fiscal oversight of public corporations is unified and analysis capacity being developed by central finance agencies			
	6.3 Management of contingent liabilities and other specific fiscal risks are gradually made more comprehensive and published			
Activities/Inputs				
	LTX, STX, Missions, Workshops			
Topic Outputs	Topic Inputs FY 2014			
Number of TA reports: TBC Number of workshops: 3 per fiscal year	Number of TA reports: TBC			

Public Financial Management Table: PEFA Scores

PEFA Scores (selected indicators)							
	Ethiopia	Kenya	Malawi	Rwanda	Uganda	Tanzania	Zanzibar
	2010	2012	2011	2010	2012	2013	2010
Credibility of the budget							
PI 2	C	C+	C+	D	D+	D+	A
PI 3	B	B	D	A	D	C	B
PI 4	A	C+	NR	B	C+	C	B
Comprehensiveness and Transparency							
PI 5	B	C	A	A	A	B	D
PI 6	A	C	A	A	A	B	C
PI 7	D+	D	NR	D+	D+	D+	D+
PI 9	C+	C	B	C	C	C	D
Policy based budgeting							
PI 12	C	C+	C+	C+	C+	C	C+
Predictability and control in budget execution							
PI 16	B	B	B	B+	C+	C	C+
PI 17	B	B	A	B	B	C	C+
PI 20	B+	C	C+	B+	C	D+	D+
Accounting, recording and reporting							
PI 24	B+	C+	C+	D+	C+	C+	C+
PI 25	C+	D+	C+	D+	C+	B+	C+

b) RBM Tax Administration

Tax Administration				
Improve efficiency and effectiveness of tax and customs administrations and promote regional harmonization and standardization based on good international practice				
Topic Objectives/ Outcomes	Verifiable Indicators FY 2020	Baseline for Indicators FY2015	Progress towards Outcomes	General Risks/Assumptions
1. Tax and customs administration operations are effective and efficient and focus on the most important functions and outcomes	1.1 Achievement of annual revenue targets; 1.2 Efficiency of filing and payments processes and extent of use of electronic payment and filing arrangements; 1.3 Efficiency of processing key documents and taxpayer entitlements	see Table on country baselines		A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones including moving to risk based approaches; B. No major exogenous economic shocks and no deterioration in political conditions in the member countries C. Identification of a number of common thematic reform challenges apparent in the region
2. Taxpayers are included in the taxpayer bases and information held about them is accurate	2.1 Taxpayer Registration databases hold adequate, accurate and reliable information; 2.2 Knowledge of the potential taxpayer base	see Table on country baselines		D. Close collaboration with other donors to avoid duplication of work E. Priorities agreed with the authorities according to their needs, capacities and requests;
3. Most taxpayers meet their obligations as per requirements of the law	3.1 Year on Year improvements in performance in key tax administration areas: Voluntary registrations, Filing rates , Payment rates and Arrears management and Accuracy of reporting	see Table on country baselines		F. Acquisition of ICT tax and Customs administration systems; J. Skills in methods of determining potential taxpayer bases G. Resources to implement compliance improvement plans;
4. Administrations clearly understand the risks to the revenue systems and proactively and systematically address the risks	4.1 Processes established to identify, assess and prioritize compliance risks; 4.2 Action taken to respond to highest risks and desired outcomes documented as part of planning framework; 4.3 Systematic processes to monitor and evaluate actual outcomes against planned/ desired outcomes established	see Table on country baselines		H. Improved willingness to use the RA FIT and establishment of performance baselines; I. Acquisition of ICT tax and Customs administration systems. J. Adequate resourcing of revenue administrations
Topic Outputs	Topic Inputs FY 2014			
Number of TA reports: TBC Number of field person-weeks: TBC Number of workshops: 2 each fiscal year				

RBM Tax Administration Baseline Indicators

Performance Outcome Areas and Indicators	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Tanzania	Uganda
Effectiveness and Efficiency of Tax Administration							
Tax and Customs Revenue Outcomes	B. the ratio is 100 percent or above for two of the past three years. However, tax to GDP still lower than average of Sub-Saharan Africa	B. the ratio is 100 percent or above for two of the past three years. However, tax to GDP still lower than average of Sub-Saharan Africa	B. the ratio is 100 percent or above for two of the past three years. However, tax to GDP still lower than average of Sub-Saharan Africa	B. the ratio is 100 percent or above for two of the past three years.	B. the ratio is 100 percent or above for two of the past three years. However, tax to GDP still lower than average of Sub-Saharan Africa	B. the ratio is 100 percent or above for two of the past three years. However, tax to GDP still lower than average of Sub-Saharan Africa	B. the ratio is 100 percent or above for two of the past three years. However, tax to GDP still lower than average of Sub-Saharan Africa
Use of efficient collection and reporting systems	D. (1) Withholding at source is not used, or may only be used for employment income. (2) There is little use of third party information or inter-agency information sharing.	D. (1) Withholding at source is not used, or may only be used for employment income. (2) There is little use of third party information or inter-agency information sharing.	D. (1) Withholding at source is not used, or may only be used for employment income. (2) There is little use of third party information or inter-agency information sharing.	D. (1) Withholding at source is not used, or may only be used for employment income. (2) There is little use of third party information or inter-agency information sharing.	D. (1) Withholding at source is not used, or may only be used for employment income. (2) There is little use of third party information or inter-agency information sharing.	D. (1) Withholding at source is not used, or may only be used for employment income. (2) There is little use of third party information or inter-agency information sharing.	D. (1) Withholding at source is not used, or may only be used for employment income. (2) There is little use of third party information or inter-agency information sharing.
	(3) Pre-filled returns are not in use	(3) Pre-filled returns are not in use	(3) Pre-filled returns are not in use	(3) Pre-filled returns are not in use	(3) Pre-filled returns are not in use	(3) Pre-filled returns are not in use	(3) Pre-filled returns are not in use
	D. There is no differentiation for either filing or payment for different taxpayer segments,	C. (1) There is no differentiation in return filing and payment frequency based on different taxpayer segments.	C. (1) There is no differentiation in return filing and payment frequency based on different taxpayer segments.	C. (1) There is no differentiation in return filing and payment frequency based on different taxpayer segments.	C. (1) There is no differentiation in return filing and payment frequency based on different taxpayer segments.	C. (1) There is no differentiation in return filing and payment frequency based on different taxpayer segments.	C. (1) There is no differentiation in return filing and payment frequency based on different taxpayer segments.
Extent to which electronic filing arrangements are available and used by taxpayers and agents	(2) Design does not consider costs of compliance	(2) the design of filing and payment systems takes some account of cost of compliance of smaller taxpayers	(2) the design of filing and payment systems takes some account of cost of compliance of smaller taxpayers.	(2) the design of filing and payment systems takes some account of cost of compliance of smaller taxpayers.	(2) the design of filing and payment systems takes some account of cost of compliance of smaller taxpayers.	(2) the design of filing and payment systems takes some account of cost of compliance of smaller taxpayers.;	(2) the design of filing and payment systems takes some account of cost of compliance of smaller taxpayers.;
	There are no periodic payments made by taxpayers for CIT and PIT self-employed to smooth government revenue flows.	(3) Periodic payments are made by taxpayers for CIT to smooth government revenue.	(3) Periodic payments are made by taxpayers for CIT to smooth government revenue.	(3) Periodic payments are made by taxpayers for CIT to smooth government revenue.	(3) Periodic payments are made by taxpayers for CIT to smooth government revenue.	(3) Periodic payments are made by taxpayers for CIT to smooth government revenue.	(3) Periodic payments are made by taxpayers for CIT to smooth government revenue
	Tax and Customs D. Electronic filing is not available or requires substantial manual intervention, or is below 30 percent for all core taxes	Tax and Customs C. Electronic filing is available for some for some core taxes and for some taxpayers and tax agents	Tax and Customs C. Electronic filing is available for some for some core taxes and for some taxpayers and tax agents	Tax and Customs C. Electronic filing is available for some for some core taxes and for some taxpayers and tax agents	Tax and Customs C. Electronic filing is available for some for some core taxes and for some taxpayers and tax agents	Tax and Customs C. Electronic filing is available for some for some core taxes and for some taxpayers and tax agents	Tax and Customs B. Electronic filing is available for all core taxes for all taxpayers and intermediaries;

Efficiency of processing and accounting systems		(Rate of electronic filing is at least 30 percent for at least one core tax).	(Rate of electronic filing is at least 30 percent for at least one core tax).	(Rate of electronic filing is at least 30 percent for at least one core tax).	(Rate of electronic filing is at least 30 percent for at least one core tax).	(Rate of electronic filing is above 50 percent for all taxes)
	Tax and Customs D. Electronic payment facilities are not available (Tax) D. Not all transactions are posted to the taxpayer ledgers within 72 hours. Customs D: Not all entry declarations are processed for clearance within 72 hours	Tax and Customs B. Electronic payment facilities are available for some core taxes and e-payments account for more than 15 percent of total tax collections D. Not all transactions are posted to the taxpayer ledgers within 72 hours. Customs D: Not all entry declarations are processed for clearance within 72 hours	Tax and Customs A. Electronic payment facilities are available for all core taxes and e-payments account for more than 40 percent of total tax collections. D. Not all transactions are posted to the taxpayer ledgers within 72 hours. Customs D: Not all entry declarations are processed for clearance within 72 hours	Tax and Customs B. Electronic payment facilities are available for some core taxes and e-payments account for more than 15 percent of total tax collections. D. Not all transactions are posted to the taxpayer ledgers within 72 hours. Customs D: Not all entry declarations are processed for clearance within 72 hours	Tax and Customs B. Electronic payment facilities are available for some core taxes and e-payments account for more than 15 percent of total tax collections. D. Not all transactions are posted to the taxpayer ledgers within 72 hours. Customs D: Not all entry declarations are processed for clearance within 72 hours	Tax and Customs C A. Electronic payment facilities are available for all core taxes and e-payments account for more than 40 percent of total tax collections. D. Not all transactions are posted to the taxpayer ledgers within 72 hours Customs D: Not all entry declarations are processed for clearance within 72 hours
	D. (Processing of VAT refunds): the ratio is above 125 percent.	D. (Processing of VAT refunds): the ratio is above 125 percent.	D. (Processing of VAT refunds): the ratio is above 125 percent.	D. (Processing of VAT refunds): the ratio is above 125 percent.	D. (Processing of VAT refunds): the ratio is above 125 percent.	D. (Processing of VAT refunds): the ratio is above 125 percent.
	D. (Processing Income Tax returns): the ratio is above 150 percent.	D. (Processing Income Tax returns): the ratio is above 150 percent.	D. (Processing Income Tax returns): the ratio is above 150 percent.	D. (Processing Income Tax returns): the ratio is above 150 percent.	D. (Processing Income Tax returns): the ratio is above 150 percent.	D. (Processing Income Tax returns): the ratio is above 150 percent.

RBM Tax Administration Baseline Indicators (Cont'd.)

Integrity of the Registered Taxpayer Base						
Accurate and reliable information	C. Two registration systems with different TIN configuration systems but with good minimum demographic data. However, only TINs can, a single view of taxpayer filing and payment across tax times be achieved	A. A single computerized national registration database with good demographic data, with a unique TIN offering both a single view of taxpayer for compliance management purposes and national view for	A. A single computerized national registration database with good demographic data, however registered taxpayers have more than one identification number, unlikely to provide a single or national	C+. A single computerized national registration database with good demographic data, however registered taxpayers have more than one identification number, unlikely to provide a single or national	A. A single computerized national registration database with good demographic data, with a unique TIN offering both a single view of taxpayer for compliance management purposes and national view for	A. A single computerized national registration database with good demographic data, with a unique TIN offering both a single view of taxpayer for compliance management purposes and national view for
	C. Procedures exist and mostly adhoc action is taken to clean the registration database of erroneous records and verify accuracy and currency of information taxpayers are encouraged to advise changes in circumstances however audit and management reports indicate a weak level of operational certainty as to the number of active taxpayer	C. Procedures exist and mostly adhoc action is taken to clean the registration database of erroneous records and verify accuracy and currency of information taxpayers are encouraged to advise changes in circumstances however audit and management reports indicate a weak level of operational certainty as to the number of active taxpayer	C. Procedures exist and mostly adhoc action is taken to clean the registration database of erroneous records and verify accuracy and currency of information taxpayers are encouraged to advise changes in circumstances however audit and management reports indicate a weak level of operational certainty as to the number of active taxpayer	C. Procedures exist and mostly adhoc action is taken to clean the registration database of erroneous records and verify accuracy and currency of information taxpayers are encouraged to advise changes in circumstances however audit and management reports indicate a weak level of operational certainty as to the number of active taxpayer	C. Procedures exist and mostly adhoc action is taken to clean the registration database of erroneous records and verify accuracy and currency of information taxpayers are encouraged to advise changes in circumstances however audit and management reports indicate a weak level of operational certainty as to the number of active taxpayer	C. Procedures exist and mostly adhoc action is taken to clean the registration database of erroneous records and verify accuracy and currency of information taxpayers are encouraged to advise changes in circumstances however audit and management reports indicate a weak level of operational certainty as to the number of active taxpayer
Knowledge of potential taxpayer base	C. No specific initiatives feature in tax administration annual compliance plans to detect potential taxpayers but routine adhoc actions exists to detect non registration.	B. The annual business plans specify limited range of initiatives to detect unregistered citizens and businesses including a combination of systematic and adhoc cross checks of third party data sources and random inspections of business premises and traders	B. The annual business plans specify limited range of initiatives to detect unregistered citizens and businesses, but adhoc actions undertaken in previous year to detect unregistered taxpayers.	C. No specific initiatives included in annual compliance plans to detect unregistered citizens and businesses, but adhoc actions undertaken in previous year to detect unregistered taxpayers.	B. The annual business plans specify limited range of initiatives to detect unregistered citizens and businesses including a combination of systematic and adhoc cross checks of third party data sources and random inspections of business premises and traders	B. The annual compliance plans specify limited range of initiatives to detect unregistered citizens and businesses including a combination of systematic and adhoc cross checks of third party data sources and random inspections of business premises and traders

Supporting Voluntary Compliance

Taxpayer Service Scope, currency and accessibility of information	Tax and Customs C.				Tax and Customs C.		Tax and Customs C.	
	Taxpayers can obtain information and advice on some core taxes and obligations/entitlements easily, at minimal cost and through a variety of information channels, but the administration does not have a documented service delivery channel strategy.				C, the ratio is in the range of 50 to 75 percent		C, the ratio is in the range of 50 to 75 percent	
Filing of Tax Returns Filing and On-Time rates (CIT, VAT and PAYE) Payment of Obligations Timeliness of payments and flow of stock and flow of tax arrears	C, the ratio is in the range of 50 to 75 percent Paid on Time Numbers B , the ratio is in the range of 50 to 75 percent				C, the ratio is in the range of 50 to 75 percent Paid on Time Numbers B , the ratio is in the range of 50 to 75 percent		C, the ratio is in the range of 50 to 75 percent Paid on Time Numbers B , the ratio is in the range of 50 to 75 percent	
	Electronically filed returns are processed and posted to taxpayer accounts routinely by the IT system				Electronically filed returns are processed and posted to taxpayer accounts routinely by the IT system		Electronically filed returns are processed and posted to taxpayer accounts routinely by the IT system However, electronically filed returns are NOT processed and posted to taxpayer accounts routinely by the IT system	
Accuracy of Reporting Knowledge of level of accurate reporting	Total Arrears to Total Revenue C- the ratio is in the range of 20 to 40 percent Tax Arrears >12 month to Total Arrears C- the ratio is in the range of 50 to 75 percent				Total Arrears to Total Revenue C- the ratio is in the range of 20 to 40 percent Tax Arrears >12 month to Total Arrears C- the ratio is in the range of 50 to 75 percent		Total Arrears to Total Revenue C- the ratio is in the range of 20 to 40 percent Tax Arrears >12 month to Total Arrears C- the ratio is in the range of 50 to 75 percent	
	There are no recent initiatives to build knowledge of the level of accurate reporting in returns				There are no recent initiatives to build knowledge of the level of accurate reporting in returns		There are no recent initiatives to build knowledge of the level of accurate reporting in returns	

RBM Tax Administration Baseline Indicators (Cont'd.)

Assessment of Risk						
Identification, assessment, ranking and quantification of compliance risks	Tax and Customs D. No risk assessment process exists.	(Tax and Customs) (B). A formal risk assessment process is linked to the annual planning process. Some gaps exist in the framework (Tax) C). Some attempt is made to estimate revenue leakage in specific areas and there is significant methodology weakness. Customs (D). No attempt is made to quantify the extent or revenue leakage	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.
	Tax and Customs D. No attempt is made to quantify the extent or revenue leakage	(Tax and Customs) C. Some attempt is made to estimate revenue leakage in specific areas and there are significant methodology weakness. Customs (D). No attempt is made to quantify the extent or revenue leakage	Tax and Customs D. No attempt is made to quantify the extent or revenue leakage	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.
Designing, implementing, monitoring and evaluating risk mitigation activities	Tax and Customs D. No risk assessment process exists.	Tax and Customs A. a formal structured process is in place as part of the multiyear strategic planning process to identify , assess and prioritize tax administration institutional risks	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.	Tax and Customs C. A less formal risk assessment process is in place; it is not tied to the annual planning process and gaps exist in the framework.
	Tax and Customs D. Compliance and institutional risks do not feature in the annual work planning and resource allocation decisions.	Tax and Customs C. Policy, legislative and administrative actions are taken to address or mitigate some (not all) priority compliance risks relating to core taxes and key taxpayer segments , as well as some institutional risk Tax and Customs D- There is no monitoring or evaluation undertaken of the compliance impact of risk mitigation activities	Tax and Customs D. Compliance and institutional risks do not feature in the annual work planning and resource allocation decisions.	Tax and Customs D. Compliance and institutional risks do not feature in the annual work planning and resource allocation decisions.	Tax and Customs D. Compliance and institutional risks do not feature in the annual work planning and resource allocation decisions.	Tax and Customs D. Compliance and institutional risks do not feature in the annual work planning and resource allocation decisions.

c) RBM – Macro Fiscal Analysis

Macro-Fiscal Analysis				
Improve member countries' medium term fiscal frameworks and build capacity in macroeconomic analysis and forecasting.				
Topic Objectives/ Outcomes	Verifiable indicators FY2020	Baseline for Indicators	Progress towards outcome	General Risks/ Assumptions
1. Macro-Fiscal Reporting	1.1 Macro-fiscal databases developed and routinely updated and used across AFE countries; 1.2 Regular economic and fiscal reports, including Citizen's Budget. 1.3 Improved PEFA Indicators PI-6 and PI-10 for at least four countries	Last PEFA assessment (see table)		A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones
2. Macro-Fiscal Forecasting and Budgeting	2.1 Credible medium-term budget frameworkintegrated with the annual budget process; 2.2 Macroeconomic forecasts are comprehensive, disclosed and explained, and are used as the basis of budget projections; 2.3 Fiscal outturns and projections are prepared for the medium-term and are included in budget documentation; policy orientation is supported by clear and measurable fiscal policy objectives; 2.4 Fiscal performance and forecasts are reconciled in budget documentation and are subject to independent evaluation. Improved PEFA Indicators PI-3 and PI-12 for at least four countries	Last PEFA assessment (see table)		B. No major exogenous economic shocks and no deterioration in political conditions in the member countries C. Identification of a number of common thematic reform challenges apparent in the region
3. Fiscal Risk Analysis and Reporting	3.1 Structures for fiscal risk analysis and reporting are put in place within Ministries of Finance; 3.2 Fiscal Risks Statements produced as part of budget documentation and report on macroeconomic risks and specific fiscal risks to long-term fiscal sustainability; 3.3 Fiscal oversight of public corporations is unified and analysis capacity being developed by central fiscal authorities; 3.4 Fiscal oversight of sub-national governments being developed by central fiscal authorities. Improved PEFA Indicators PI-8 and PI-9 for at least four countries.	Last PEFA assessment (see table)		D. Close collaboration with other donors to avoid duplication of work E. Priorities agreed with the authorities according to their needs, capacities and requests;
4. Resource Revenue Management	4.1 Fiscal objectives and rules are set on resource revenue management; 4.2 Macro-fiscal forecasting includes separate projections of resource and non-resource fiscal aggregates.	Fiscal legislation contains fiscal policy principles and objectives that govern the management of government revenue from natural resources. Currently, none of the resource-rich countries have such legislation.		
5. Regional Integration	5.1 EAC member countries have clearly-defined path on fiscal convergence and have harmonized reporting of fiscal risks. 5.2 The annual medium-term convergence program reports and fiscal risk statements of all EAC countries meet minimum standards set by EAC.	Gap in reporting on medium-term convergence and on fiscal risks against EAC minimum standards. This baseline does not exist as yet, but is expected to be in place by the end of 2015 - the minimum requirements are still being prepared by the EAC Secretariat and are expected to be finalized in 2015.		
Topic Outputs	Topic Inputs FY 2014			
Number of TA reports: TBC Number of field person-weeks: TBC Number of workshops: 1 each fiscal year				

d) RBM – Fiscal Law

Fiscal Law				
Strengthen tax and public finance law at country and regional level				
Topic Objectives/ Outcomes	Verifiable Indicators FY 2020	Baseline for Indicators	Progress towards Outcomes	General Risks/ Assumptions
1. Transparent and legally robust frameworks for EAC fiscal integration in line with international best practice.	1.1 EAC model frameworks and implementation roadmaps developed	TA to assist in implementation of regional fiscal legal frameworks: Model legislation, directives, guidelines for the harmonization and coordination of EAC fiscal policies		A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones B. No major exogenous economic shocks and no deterioration in political conditions in the member countries
2. Strengthened capacity of the legal function at EAC secretariat in the area of fiscal integration.	2.1 Legal function strengthened	Building capacity of legal function		C. Identification of a number of common thematic reform challenges apparent in the region D. Close collaboration with other donors to avoid duplication of work
3. Sustainable implementation of transparent frameworks for the efficient and effective implementation of fiscal and tax policies.	3.1 Laws, regulations, etc implemented, where relevant in line with EAC framework), and practice notes etc available and accessible to stakeholders 3.2 Reduced cost/time of compliance 3.3 Reduced number/ processing time of disputes	TA to assist in implementation of fiscal legal frameworks: Tax and customs laws and regulations; practice notes and guidelines PFM, PDM, SWF, SOE laws and regulations; practice notes and guidelines		E. Priorities agreed with the authorities according to their needs, capacities and requests;
4. Improve quality of fiscal legal frameworks: Assist in the design and implementation of legal frameworks for the efficient and effective implementation of AFE countries' fiscal policies in line with Fund advice	4.1 Laws, regulations, etc implemented, where relevant in line with EAC framework), and practice notes etc available and accessible to stakeholders 4.2 Reduced cost/time of compliance 4.3 Reduced number/ processing time of disputes 4.4 Legal function strengthened	TA to assist in implementation of fiscal legal frameworks: Tax and customs laws and regulations; practice notes and guidelines PFM, PDM, SWF, SOE laws and regulations; practice notes and guidelines Building capacity of legal function MoF and RA	Sustainable implementation of transparent frameworks for the efficient and effective implementation of fiscal and tax policies. Strengthened capacity of the legal function in ministries of finance and tax authorities.	
5. Strengthened capacity of the legal function in ministries of finance and tax authorities.	5.1 Legal function strengthened	Building capacity of legal function in MoF and RA		

e) RBM – Monetary and Exchange Operations

Monetary and Exchange Operations				
Improve member countries' framework for monetary policy, strengthen operational instruments, and develop money markets with the objective of enhancing implementation of monetary and exchange rate policies				
Topic Objectives/ Outcomes	Verifiable indicators FY2020	Baseline for INDICATORS	Progress towards Outcomes	General Risks/ Assumptions
1. Strengthened modeling, forecasting and analysis	1.1 Completion of FPAS project and move to (Rwanda, Tanzania and Malawi) or improve (Uganda and Kenya) forward looking monetary policy	Four countries (Uganda, Rwanda, Tanzania and Kenya) are already beneficiary of the FPAS project but are at different stages. Malawi will be beneficiary in Phase VI.		A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones
2. Strengthened monetary and exchange rate operational frameworks	2.1 Countries have complete operational toolboxes. 2.2 Reduced market interest rate volatility thereby improving policy signaling and transmission mechanism 2.3 Reduced intermediation margin.	Uganda and Kenya are moving to inflation targeting. Malawi, Rwanda and Kenya are transiting from quantitative to price targeting.		B. Non availability of data on a regular and timely basis, especially from banks, and government statistical offices C. Risk of staff turnover
4. Improved market Governance	4.1 Adoption of foreign exchange and money market code of conducts in line with international standard. 4.2 Countries set up market committees	Adoption and setting up are expected in Malawi, Rwanda, Tanzania, Ethiopia.		D. No major exogenous economic shocks and no deterioration in political conditions in the member countries
5. Deepening of key financial markets	5.1. Increased turnover in different market segments 5.2. Reduced bid offer spread 5.3. Indicative or firm two way pricing in foreign exchange and money market (market making agreement) 5.4. Reduced segmentation, 5.5. Reduced concentration 5.6. Reduced Central Bank intervention	Most countries have nascent financial market and non functioning financial markets.		E. Identification of a number of common thematic reform challenges apparent in the region
6. Strengthened liquidity management and forecasting	6.1. Reduced overnight interest rate volatility 6.2. Reduced access to standing facilities, 6.3. Reduced liquidity forecast errors 6.4. Reduced demand for excess reserve.	Most countries are still experiencing high overnight interest rate, large recourse to standing facilities, high demand for excess reserve and important forecast errors.		F. Close collaboration with other donors to avoid duplication of work I. Priorities agreed with the authorities according to their needs, capacities and requests;"
7. Enhanced legal Framework	7.1. Adoption of the Global Master Repurchase Agreement (GMRA) 7.2. Amendments to the Central Bank Laws in line with best practice enshrining price stability as the primary objective of monetary policy and with the necessary operational independence to meet the objective.	The adoption of a proper GMRA is expected in all countries. The Central Bank act will have to be reviewed in Uganda, Rwanda, Tanzania and Malawi		
Topic Outputs		Topic Inputs FY 2014		
Number of TA reports: TBC TBC Number of workshops: up to 3 per year		Number of field person-weeks:		

RBM – Monetary and Exchange Operations Baseline Indicators

Member Country	1. Developing modeling, forecasting and analysis	2. Strengthening monetary and exchange rate operational frameworks	4. Market Governance	5. Deepening key financial markets	6. Liquidity management and forecasting	7. Legal Framework
Eritrea	N/A in current context	Improving quantitative base targeting regime	N/A in current context	N/A in current context	N/A in current context	N/A in current context
Ethiopia	N/A in current context	Improving quantitative base targeting regime	N/A in current context	Implementation contemplated	Implementation in progress	N/A in current context
Kenya	Ongoing FPAS Project	Implementation of the building blocks to move from Inflation Targeting towards full Inflation Targeting	Implementation in progress	Implementation in progress	Implementation in progress	Implementation contemplated
Malawi	Implementation contemplated	Adapting the operational framework in order to move from quantity to price Targeting	Implementation in progress	Implementation in progress	Implementation in progress	N/A in current context
Rwanda	Ongoing FPAS Project	Adapting the operational framework in order to move from quantity to price Targeting	Implementation in progress	Implementation in progress	Implementation in progress	Implementation contemplated
Tanzania	Ongoing FPAS Project	Adapting the operational framework in order to move from quantity to price Targeting	Implementation in progress	Implementation in progress	Implementation in progress	Implementation contemplated
Uganda	Ongoing FPAS Project	Implementation of the building blocks to move from Inflation Targeting towards full Inflation Targeting	Implementation in progress	Implementation in progress	Implementation in progress	Implementation in progress

f) RBM – Financial Sector Regulation and Supervision

Financial Sector Regulation and Supervision				
Strengthening banking sector regulation and supervision, insurance sector regulation and supervision, macro-prudential and financial stability frameworks, other financial sector supervision				
Topic Objectives/ Outcomes	Verifiable Indicators FY 2020	Baseline for INDICATORS	Progress towards Outcomes	General Risks/ Assumptions
1. Strengthening banking sector regulation and supervision	1.1 All countries increased compliance with the Basel Core Principles, compared to most recent FSAP, peer-assessment, or assessment by independent expert in case of the absence of an FSAP	FSAPs, peer-assessment and available reports of TA experts	Assessments to determine the progress to take place during the next funding cycle	A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones
	1.2 Improved capital adequacy and liquidity frameworks and convergence of prudential standards within the EAC	EAC/MAC document describing the high level status of the convergence for banking sector regulation and supervision. For other countries see table with baselines		B. No major exogenous economic shocks and no deterioration in political conditions in the member countries
	1.3 Implementation of Pillar 2 and integration of the SREP into the RBS framework.	See table on country baselines		C. Identification of a number of common thematic reform challenges apparent in the region
	1.4 Cross-border, sectoral and cross-sectoral consolidated supervision (including supporting regulation) and supervisory colleges implemented for relevant banking groups and mixed financial conglomerates	See table on country baselines		D. Close collaboration with other donors to avoid duplication of work
2. Strengthening insurance sector regulation and supervision	2.1 Consistent insurance regulatory and supervisory frameworks implemented in the EAC member countries	See table on country baselines		E. Priorities agreed with the authorities according to their needs, capacities and requests;
	2.2 Regulation and supervisory frameworks supporting consolidated insurance supervision in place	See table on country baselines		F. Risks to achieve EAC convergence timetable
	2.3 Supervisory colleges for regional insurance companies with material cross-border activities implemented	See table on country baselines		I. The ability of the institutions to maintain the built capacity and implement effective resource and succession planning to execute the agenda.
	2.4 Risk-based Insurance Supervision frameworks in place	See table on country baselines		J. The needed changes to legal acts (and in some countries also regulations) need to be approved by government. This process can be protracted.
	2.5 Improved solvency requirements for insurance companies issued	See table on country baselines		
3. Strengthening macro-prudential and financial stability	3.1 Verifiable indicators to be set depending on the topics AFE's support is requested on in addition to MCM's TA	N/A		
4. Strengthening other financial sector supervision	4.1 Verifiable indicators for other financial sector supervision to be set depending on the topics AFE's support is requested on in addition to MCM's TA	N/A		
Topic Outputs		Topic Inputs FY 2014		
Number of TA reports: TBC		Number of field person-weeks: TBC		
Number of workshops: 2 per year				

Financial Sector Regulation and Supervision Baseline Indicators

Financial Sector Regulation and Supervision, Baseline Indicators, 2016–2020								
Member Country	1.2 Improved capital adequacy and liquidity frameworks and convergence of prudential standards within the EAC	1.3 Implementation of Pillar 2 and integration of the SREP into the RBS framework.	1.4 Cross-border, sectoral and cross-sectoral consolidated supervision (including supporting regulation) and supervisory colleges implemented for relevant banking groups and mixed financial conglomerates	2.1 Consistent insurance regulatory and supervisory frameworks implemented in the EAC member countries	2.2 Regulation and supervisory frameworks supporting consolidated insurance supervision in place	2.3 Supervisory colleges for regional insurance companies with material cross-border activities implemented	2.4 Risk Based Insurance Supervision frameworks in place	2.5 Improved solvency requirements for insurance companies issued
Eritrea	Basel I framework implemented. Market risk and operational risk frameworks currently no priority	N/A in current context	N/A in current context. If and when material cross-border activities develop to put on the agenda	N/A in current context	Mechanisms for information sharing with the relevant host supervisor need to be set-up as well as a framework for consolidated supervision	N/A in current context	N/A in current context	Risk-based capital requirements to be adopted
Ethiopia	Basel I framework implemented. To be extended with market and operational and relevant elements Basel III	N/A in current context	N/A in current context. If and when material cross-border activities develop to put on the agenda	N/A in current context	N/A in current context. If and when material cross-border activities develop to put on the agenda	N/A in current context	Implementation in progress. Baseline is the AFE April 2014 report	Risk-based capital requirements to be adopted
Kenya	Based on EAC/MAC document on convergence criteria	Implementation in progress	EAC MOU for banking supervision and supervisory framework in place. Colleges for 6 of the 11 Kenyan cross-border banks implemented. No colleges for mixed conglomerates yet. Regional standard under discussion	Strategy for convergence needs to be developed	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	No colleges in place yet	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	Risk-based capital requirements to be adopted
Malawi	Basel II framework implemented. To be extended with the relevant elements of Basel III	Implementation in progress	Baseline to be established	N/A in current context	Baseline to be established	Baseline to be determined	Baseline to be determined	Risk-based capital requirements to be adopted
Rwanda	Based on EAC/MAC document on convergence criteria	Implementation contemplated	EAC MOU for banking supervision in place, draft supervisory framework developed, implementation in progress, regional standard under discussion	Strategy for convergence needs to be developed	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	N/A in current context as home country cross border insurance activities are not material	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	Risk-based capital requirements to be adopted
Tanzania	Based on EAC/MAC document on convergence criteria	Implementation yet to start	EAC MOU for banking supervision in place, draft supervisory framework developed, implementation in progress, regional standard under discussion	Strategy for convergence needs to be developed	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	N/A in current context as home country cross border insurance activities are not material	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	Risk-based capital requirements to be adopted
Uganda	Based on EAC/MAC document on convergence criteria	Implementation yet to start	EAC MOU for banking supervision in place, draft supervisory framework developed, implementation in progress, regional standard under discussion	Strategy for convergence needs to be developed	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	N/A in current context as home country cross border insurance activities are not material	Baseline determined by the self assessment in the context of the East African Insurance Supervision Association	Risk-based capital requirements to be adopted

g) Financial Market Infrastructure

National Payment System Development ¹			
National Payment System Development and Reform—Enhancing the Safety and Efficiency of the Financial System			
Topic/Project Objective	Verifiable Indicators	General Risks/Assumptions	
To advise and assist the central bank (CB) and other relevant authorities in developing and reforming the national payment system.	Adoption of a national payments strategy and implementation of a time-bound action plan. Payment, clearing and settlement systems are developed in line with international standards. An oversight unit is in place at the central bank that coordinates with other relevant authorities supervising FMIs.	Assumes that the authorities and other relevant stakeholders continue to prioritize work in this area. Assumes sufficient donor funding and technical assistance will be available to support the development and reform process.	
Outcomes (expected results)	Verifiable Indicators	Milestones	Institutions
The authorities put in implementation a national payment strategy and subsequent action plan that lays out key steps for developing (or reforming) an effective national payment systems.	1. The national payments strategy is officially adopted. 2. Appropriate planning for implementing the national payment strategy is undertaken and actions are defined.	1. A document containing the national payment strategy is finalized and adopted. 2. A time-bound action plan is prepared. 3. An appropriate governance structure is set up (a national payment council), including a steering group and a working group, with all relevant and appropriate level stakeholders involved.	Central Bank Commercial banks, Securities and bank regulators, Banking Association, Competition Authority, Stock exchange and other FMIs, Consumer protection bodies, Relevant government agencies.
FMIs operate on the basis of a sound, transparent and enforceable legal and regulatory environment that is able to support the efficiency and the safety of payment arrangements	1. There is a National Payment Systems Law or comparable legislation. 2. There are adequate regulations issued governing FMIs. 3. The rules of various FMI systems are consistent with the legal and regulatory framework (verified by a court decision, legal opinions and/or other legal expert advice). 4. Central Bank Law establishes its operational and oversight responsibilities for the payment system.	1. National Payments Law or similar legislation is amended/drafted as needed 2. National Payments Law or similar legislation is presented to the Parliament. 3. Relevant regulations pertaining to FMI are drafted/modified. 4. Obtained expert opinion on the enforceability of the rules.	Central Bank Ministry of Finance
Formal and effective cooperation among the relevant authorities at both the local as well as the regional/international level.	1. Formal cooperation arrangements among authorities in the form of an MOU or comparable arrangement is in place. 2. Regular cooperation and coordination activities, such as regular meetings, joint assessments and exchange of information among authorities take place regularly.	1. MOU or comparable arrangement on authorities' framework for coordination and collaboration is concluded. 2. Agreement on regular meetings and procedures on exchange of information is in place. 3. Minutes of meetings and supporting documentation are available.	Central Bank and other relevant local, regional/ international authorities.
The oversight and supervisory framework for FMIs is set up by the relevant authorities according to their statutory powers	1. Authorities have an effective and disclosed policy and annual working plan covering FMIs' oversight and supervision. 2. The authorities' organizational setup supports the oversight and supervision functions, separated from operational functions. 3. Authorities conduct regular assessments against the CPSS-IOSCO principles for FMIs. 4. The authorities are compliant with the five responsibilities in the PFMs. 5. Authorities collect relevant information about the FMIs on an ongoing basis.	1. Developed and adopted an oversight supervision policy. 2. The oversight and supervision policies are disclosed. 3. An oversight unit (separated from the operations unit) is created and adequately staffed. 4. Annual oversight working plan developed and put in implementation. 5. Staff received training to effectively perform FMI oversight supervision. 6. A workshop on the assessments against principles for FMIs is conducted. 7. Relevant international principles for FMIs are adopted.	Central Bank and other relevant authorities
Systematically important FMIs comply fully with international standards.	The following FMIs comply with the CPSS-IOSCO Principles for FMIs: 1. Systemically important payment systems including the RTGS system. 2. Central securities depository and securities settlement systems 3. Central counterparty 4. Trade repository	1. An assessment by IFIs (or self assessment of FMI authorities) is conducted to affirm compliance with the PFMs. 2. Assessments show improvements compared to previous assessments. 3. In case of non-compliance with one of more principles, the relevant authority issues letter with a timeline to ensure FMIs action for future compliance.	Central Bank, other relevant authorities and FMIs.

g) Financial Market Infrastructure (continued)

National Payment System Development ¹			
National Payment System Development and Reform—Enhancing the Safety and Efficiency of the Financial System			
Interdependencies between FMIs and other systems, institutions, participants and markets are identified and risks are mitigated.	<ol style="list-style-type: none"> Interdependencies between FMIs, key participants and markets are identified by authorities and regularly revised. Crisis management arrangements are in place. 	<ol style="list-style-type: none"> Dependencies of markets are identified. Key participants are identified. The opening and closing times of FMIs are coordinated The FMI authorities and supervisors of key participants agree to exchange information in case the financial condition of a key participant deteriorates. A crisis management pack is developed by authorities, including phone numbers and an action plan, including alternative solutions in case of liquidity problems. 	Central Bank, other relevant authorities and FMIs.
Retail payment systems are efficient, sound and interoperable and support the offer of a wide range of payments instruments and services.	<ol style="list-style-type: none"> The automated clearing house (ACH), cheque clearing system and other retail payment systems comply with the PFMI where relevant. The ATM and POS infrastructure are interoperable. Electronic payment instruments (credit transfer, direct debit, cards) are available and promoted as a substitute for cash and cheques. Regulation on mobile payments is proportionate to risks and allows for safe and efficient offering of mobile payment services. 	<ol style="list-style-type: none"> An assessment by IFIs (or self assessment of FMI authorities) is conducted to affirm compliance with the PFMIs. A national payment switch is put in place. The number and value of transactions executed through electronic payments is substituting cash and cheques as a more efficient payment method. The central bank, commercial banks, operators, as well as large users of payment services (for example utility companies) engage in educational campaigns and use when possible price incentives to market the new payment instruments. 	Central Bank Commercial banks FMIs
Government collections and disbursements will be processed in a full electronic manner and in an environment that is safe and efficient.	<ol style="list-style-type: none"> Payments by government agencies are automated (i.e. tax collections and payments from the government, state-owned utilities and local government authorities). 	<ol style="list-style-type: none"> The CB and the Government agree on a concerted set of actions to automate government payments. Internal regulations and procedures for government agencies are adapted 	Central Bank Government, including tax agency and state-owned utility companies.
Outputs			
<ol style="list-style-type: none"> Conduct assessments against principles for FMIs. Advice on the National Payments Systems Law Review of regulations governing FMIs Draft MOU on authorities' framework for coordination and collaboration Advice on central bank's (CB) oversight role, goals and principles. Advice on CB's organizational set up to conduct oversight function. Development of a crisis management pack. Train staff on FMI oversight, supervision and/or the requirements of the PFMI. Advice on the regulation and supervision of mobile payments. 			
Activities/Inputs			
Multiple short-term missions by the Resident Advisor at East AFRITAC, short term experts and MCM staff. Regional and national workshops as needed.			
¹ Baselines for East AFRITAC will be developed once the Payments and Financial Markets Infrastructure Advisor is in post.			

h) RBM – Statistics

National Accounts Statistics and Government Finance Statistics				
Bring member countries closer to compliance with international conceptual standards and SDDS for the compilation of national accounts and price statistics.				
Topic Objectives/ Outcomes	Verifiable Indicators FY 2020	Baseline for INDICATORS (4)	Progress towards Outcomes	General Risks/ Assumptions
1. Improve the quality and expand the range of national accounts statistics (NAS) aligned with the latest international standards	1.1 NAS for Ethiopia, Malawi, Kenya, Rwanda, Tanzania (mainland and Zanzibar), and Uganda meet SDDS requirements, including greater consistency with 2008 SNA 1.2 GDP rebased and SUT produced for Ethiopia, Kenya, Malawi, Rwanda, Tanzania (mainland and Zanzibar), and Uganda 1.3 Production of independent annual estimates of GDP by expenditure at current and constant prices for Ethiopia, Rwanda, Tanzania (mainland and Zanzibar), and Uganda 1.4 Production of quarterly estimates of GDP by economic activity and expenditure at current and constant prices for Ethiopia, Kenya, Malawi, Rwanda, Tanzania (mainland and Zanzibar), and Uganda Production of institutional sector accounts for Ethiopia, Kenya, Rwanda, Tanzania (mainland and Zanzibar), and Uganda	“With the exception of Eritrea, all countries have commenced implementing 2008 SNA; three of the eight do not have a recent benchmark year for GDP. “Annual GDP by economic activity at current and constant prices are compiled by seven of the eight countries. “Quarterly GDP by economic activity at current and constant prices are compiled by five of the eight countries. Quarterly GDP by expenditure is not produced by any country. “Annual estimate of expenditure components are produced for six countries, but none compile independent GDP by expenditure estimates. Institutional sector accounts are not produced.”		A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones B. No major exogenous economic shocks and no deterioration in political conditions in the member countries C. Identification of a number of common thematic reform challenges apparent in the region D. Close collaboration with other donors to avoid duplication of work E. Priorities agreed with the authorities according to their needs, capacities and requests; F. Insufficient Human resources/capacity/staff turnover (regional seminars and workshops, and extensive hands-on training provided by missions; better involvement of the staff in the project work; better technical documentation of the project work) G. Shortage of financial resources and budget constraints (assistance with developing economic statistics strategies; funding proposals for improved data collection; improve access to and make more efficient use of the administrative data for statistical purposes).
2. Improve the quality and expand the range of prices statistics aligned with the latest international standards	2.1 Prices statistics for Ethiopia, Kenya, Rwanda, Tanzania (mainland and Zanzibar), and Uganda meet SDDS requirements; 2.2 Rebasing of CPI for Ethiopia, Kenya, Malawi, Rwanda, Tanzania (mainland and Zanzibar), and Uganda; 2.3 Rebasing of PPI for Ethiopia, Kenya, Malawi, Rwanda, Tanzania (mainland and Zanzibar), and Uganda; 2.4 Improving/rebasing XMPI for Kenya, Rwanda, and Tanzania; 2.5 Developing CIPI for Rwanda and Uganda; and Compilation of XMPI for Ethiopia and Uganda.	“Monthly CPI is disseminated by all countries, except Eritrea; six have recent price reference base periods, but need to be rebased on at least a five-yearly basis. “Quarterly PPI are produced for Kenya, Malawi, Rwanda, Tanzania, Uganda and Zanzibar but need to be rebased and compiled monthly for SDDS. XMPI are only compiled for Kenya, Rwanda and Tanzania.”		

Align AFE member countries and Burundi with international standards for the compilation and dissemination of government finance statistics.			
Topic Outcomes	“Verifiable Indicators FY 2017”	Baseline for INDICATORS	Progress towards Outcomes
1. Compilation of government finance statistics (flows) and public sector debt statistics (stocks) based on international standards.	1.1 Dissemination of monthly (budgetary central government), quarterly (central government), annual (general government), government finance statistics (flows), and quarterly public sector debt statistics (stocks) to the public, the EAC Secretariat, and publication in the IFS, GFSY, and PSDS.	None of the eight countries meet internationally required basic methodological standards, but five countries have begun transition to GFSM2001/14 (see STA Indicators, columns 1 and 2); Only one country satisfies the monthly data dissemination requirement and no country fully satisfy the quarterly and annual data dissemination requirements (see STA Indicators, columns 3-5); All countries have insufficient sector and instrument coverage as well as problems with valuation methods (see STA Indicators, columns 6-8).	
Topic Outputs	Topic Inputs FY 2014		
Number of TA reports: TBC Number of workshops: 2-4 per year	Number of field person-weeks: LTE Real Sector Missions/Workshops/SCM/HQ Visit : 158 Total: 787 LTE GFS Missions/Workshops/SCM/HQ Visit: 105 LTE Backstopping STE Missions: 112 STE Real Sector Missions/Workshops: 251 STE GFS Missions/Workshops:161 Total: 787 FPW		

Statistics Baseline Indicators

Real Sector Statistics Table: AFE Countries: Baseline Indicators, December 2014

	Annual National Accounts, GDP						Quarterly National Accounts, GDP				Prices Statistics			
	Methodological basis						Production approach		Expenditure approach		CPI	PPI	XMPI	CPI
	SNA 1993	Started introduction of 2008 SNA	Recent benchmark year (within last five years)	Next planned benchmark year	Independent GDP by Expenditure estimates	Sector Accounts	current prices	constant prices	current prices	constant prices	Recent price reference period	Recent price reference period	Recent price reference period	Recent price reference period
	1	2	3	4	5	6	7	8	9	10	10	11	12	13
Eritrea*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethiopia	X	X	2010/11	2015/16	-	-	-	-	-	-	2011	-	-	-
Kenya	X	X	2009	2015	-	-	X	X	-	-	2009	2011	2009	1972
Malawi	X	X	2010	2015	-	-	-	-	-	-	2012	2012	-	-
Rwanda	X	X	2011	2015	-	-	X	X	-	-	2014	2010	2010	-
Tanzania	X	X	2007	2015	-	-	X	X	-	-	2010	2013	2013	-
Uganda	X	X	2009/10	2015	-	-	X	X	-	-	2005/06	2004	-	2004
Zanzibar**	X	X	2007	2015	-	-	X	X	-	-	2010	2013	-	-
Number of countries	7	7	5	0	0	0	5	5	0	0	6	5	3	0

Source: GDDS and IMF staff.

*No official data available. Estimates on the IMF WEO database are compiled by IMF staff.

**Zanzibar has its own Statistics Office and Ministries of Finance and Planning within the Union of Tanzania that require macroeconomic indicators.

Government Finance Statistics Table: AFE Countries: Baseline Indicators, December 2014

Government Finance Statistics (flows)						Quarterly public debt (stocks)		
Methodological basis			Data compilation and dissemination			Coverage		
	GFSM 1986	Started introduction of GFSM2001/14	Budgetary central government, (monthly)	Central government* (quarterly)	General government** (annual)	Sector***	Debt instruments****	Valuation (nominal or market)
	1	2	3	4	5	6	7	8
Burundi	X	X	-	(BCG)	(BCG)	-	-	-
Eritrea	X	-	-	-	-	-	-	-
Ethiopia	X	-	-	-	-	-	-	-
Kenya	X	X	-	-	(BCG, LG)	(BCG, NFC)	(3)	(face value)
Malawi	X	-	-	-	-	(BCG)	(3)	(face value)
Rwanda	X	X	-	-	(BCG)	-	-	-
Tanzania	X	X	-	-	(BCG)	(BCG)	(2)	(face value)
Uganda	X	X	X	(BCG)	(BCG, LG)	(BCG)	(3)	(face value)
Number of countries	8	5	1	0	0	0	0	0

Source: GDDS and IMF staff.

* Central government = Budgetary central government (BCG) and extra budgetary units (EBU).

** General government = budgetary central government (BCG), extra budgetary units (EBU) local government (LG), and social security funds (SSF).

*** Public sector = X (general government (GG), nonfinancial corporations (NFC), and financial corporations (FC)).

**** Four (4) instruments= X, including Currency and Deposits, Special Drawing Rights, Loans, and Debt Securities

i) Regional Integration

Regional Integration				
Topic Objectives/ Outcomes	Verifiable Indicators FY 2020	Baseline for INDICATORS	Progress towards Outcomes	General Risks/ Assumptions
1. PFM legal and fiscal reporting frameworks harmonized	1.1 PFM legal frameworks and practices improved and harmonized to achieve EAMU fiscal reporting convergence criteria.	Confirmed improvements and convergence by EAC Secretariat by the four AFE/ EAC member countries	Assessment as presented to EAC workshop in January 2015	A. Sufficient ownership of reform measures by regional organizations and Commitment of authorities to reach selected milestones
2. Harmonize Tax and Customs Practices	2.1 Efficiency of Tax and Customs Operations; Draft EAC policy on harmonization of domestic taxes 2.2 Development of Customs Management Act and the Single Customs Territory Initiative	Improved VAT refund processing; improved customs clearance times and strengthened use of risk management practices in revenue administration.		
3. Develop Macro-Fiscal Frameworks in Line with Convergence Criteria	3.1 EAC member countries have clearly-defined path on fiscal convergence and have harmonized reporting of fiscal risks. 3.2 The annual medium-term convergence program reports and fiscal risk statements of all EAC countries meet minimum standards set by EAC.	Gap in reporting on medium-term convergence and on fiscal risks against EAC minimum standards. This baseline does not exist as yet, but is expected to be in place by the end of 2015 - the minimum requirements are still being prepared by the EAC Secretariat and are expected to be finalized in 2015.		
4. Convergence of Regulatory and Supervisory Frameworks	4.1 Convergence of prudential standards and risk based supervision frameworks	EAC/MAC high level document describing the current status of the convergence for banking sector regulation and supervision.		C. Identification of a number of common thematic reform challenges apparent in the region
5. Harmonization of Monetary Policy Frameworks in the EAC and Regional Operational Frameworks.	5.1 Convergence of the operational frameworks towards price based monetary policy.	Based on countries regime declarations. Three are quantitative target (Tanzania, Rwanda and Burundi) and two are price targeting (Kenya and Uganda)		D. Close collaboration with other donors to avoid duplication of work
6. Harmonized Statistical Methodologies in the EAC for the reporting on Convergence Criteria	6.1 Published regional GFS and debt statistics guidelines. 6.2 Reporting of annual general government finance statistics and quarterly central government finance and public sector debt statistics based on standardized templates. 6.3 NAS for Kenya, Rwanda, Tanzania (mainland and Zanzibar), and Uganda to meet SDDS requirements, including greater consistency with 2008 SNA. 6.4 CPI for Kenya, Rwanda, Tanzania (mainland and Zanzibar), and Uganda to meet SDDS requirements, including greater consistency with the CPI Manual recommendations.	No guidelines or data templates currently exists. See STA Indicators table for availability of convergence criteria data.		E. Priorities agreed with the authorities according to their needs, capacities and requests;
7. Support EAC fiscal integration: Assist in the design and implementation of legal frameworks for the harmonization and coordination of fiscal policies in the EAC in line with Fund advice.	7.1 EAC model frameworks and implementation roadmaps developed 7.2 Legal function strengthened	TA to assist in implementation of regional fiscal legal frameworks: -Model legislation, directives, guidelines for the harmonization and coordination of EAC fiscal policies -Building capacity of legal function	Transparent and legally robust frameworks for EAC fiscal integration in line with international best practice. Strengthened capacity of the legal function at EAC secretariat in the area of fiscal integration	F. No major exogenous economic shocks



Country Strategy Notes

Annex—Uganda

I. Context and Medium-Term Outlook

Recent economic performance has been positive, reaching 5.2 percent in FY 2013/14. However, growth decelerated with respect to the previous year owing to depressed exports as demand in trading partners stalled. Annual inflation remains low, at 2.1 percent in November, supported by a sharp decline in food prices. The external current account deficit narrowed significantly despite weak export performance as imports slowed, tourism receipts strengthened, and earnings repatriation declined.

This performance combined with resilient FDI and a sharp pick up in portfolio inflows boosted international reserves, bringing its coverage to a peak of 4.7 months of imports in June 2014. The overall deficit increased from 3.4 to 4.1 percent of GDP, providing some stimulus. The medium term outlook remains favorable, with growth driven by scaled-up public investment and a recovery in private demand.

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 2012–17

	2012	2013	2014	2015	2016	2017
			(f)	(f)	(f)	(f)
Real GDP growth Rate	6.0	5.2	6.1	6.2	6.5	6.8
Inflation Rate	5.8	6.7	5	5	5	5
Investment Rate*	24.5	22.6	27.1	26.1	27.2	27.6
Savings Rate*	14.9	16.1	16.5	–16.4	17.4	19.1
Central Government Overall Fiscal Balance, Incl. Grants*	–4.1	–4.1	–6.8	–5.5	–5.9	–5.1
Gross public sector debt*	30.1	30.6	33.7	37	39.3	40.7
Current account balance*	–9.3	–6.2	–10.3	–9.4	–9.5	–8.2

Source: 2014 Article IV Consultation - Staff Report (July 2013)

* As a percentage of GDP

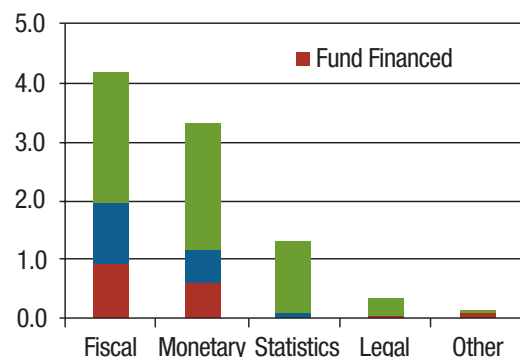
Policy Issues From IMF Surveillance/Program

- Monetary policy:** Uganda is successfully completing the transition to fully-fledged inflation targeting. In the context of the current PSI program, an inflation consultation clause was introduced and the base money indicative target was subsequently removed from the conditionality. The Bank of Uganda has succeeded since then in keeping inflation low. AFE is contributing to strengthen monetary policy operations, improve modeling, enhance risk-based supervision, payment systems, agent banking, etc.
- Fiscal policy and PFM:** Fiscal priorities center on improving the low revenue collections (the current PSI targets an increase of 0.5 percent of tax to GDP per year), strengthening PFM and governance. TA is supporting these areas, including the introduction of the Single Treasury Account and the preparation of the regulations to allow for the implementation of the newly approved PFM bill. A new Charter for Fiscal Responsibility will be developed. There is also work ongoing on the design of the legal framework for natural resource

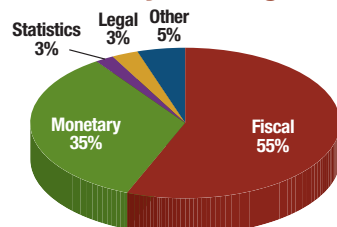
management aimed at ensuring consistency with public finance management provisions. PFM framework and fiscal regimes will need to be updated to account for natural resource revenues.

- Statistics:** The GDP has just been rebased with AFE support. In 2009/10, the new base year, GDP was 17.3 percent higher than the 2002-based previously published number, reflecting better coverage of economic activities (including the informal sector) and a revamped national accounts methodology). Improvements are ongoing in quarterly national accounts, consumer price indexes and other statistical areas.

Uganda IMF TA Delivery In Person Years 2011–2014



Fund Financed Projects—Uganda



II. AFE TA Activities

In PFM, over phase III, AFE has done extensive work with FAD on the design and content of an integrated PFM law. AFE also assisted the government and its central bank on establishing; an outline of the fiscal responsibility charter, a treasury single account, and an IPSAS compliant accounting policies. During phase IV, AFE will help improve governance and promote efficient use of government resources and management of natural resource revenues. AFE will also help Uganda, to achieve EAMU fiscal reporting criteria, improve cash forecasting and fund release practices, and support the extension of the TSA arrangement.

In Macro-Fiscal Analysis, in phase III, AFE has helped Uganda in GDP forecasting. During phase IV, as Uganda strengthens its PFM legal framework, AFE will provide TA on the preparation of the Fiscal Responsibility Charter. AFE will also build capacity on the preparation of fiscal frameworks for the management of revenue from natural resources.

In Revenue Administration, in phase III, AFE has been instrumental in strengthening risk management practices and deploying automated tax administration systems at the Uganda Revenue Authority (URA). AFE also assisted Uganda in develop IT's strategies and implementing new IT tax and customs systems. In phase IV, AFE will support Uganda in improving tax processing, build a reliable tax register, and improve compliance and capacity to assess risks. AFE will also help Uganda in carrying a tax administration diagnostic assessment using the Tax Administration Diagnostic Assessment Tool.

National Development Strategy

Uganda Vision 2040	A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years"
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Key Donors AFE Activities FY 2014

EU	Provides support to the Financial Management and Accountability Program (FINMAP) (development of improved revenue forecasting and revenue mobilization).
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Major projects by IMF HQ TA Depts in AFE sectors

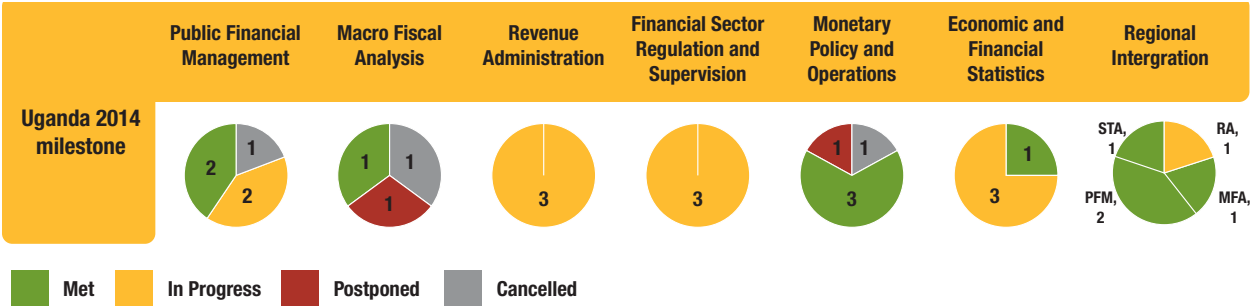
STA	
FAD	Managing Natural Resources Wealth (to May 2014) and support to EAC Secretariat
MCM	Managing Natural Resources Wealth (to May 2014) and support to EAC Secretariat
LEG	Implementation of tax reforms: tax procedures, extractive industries

In Financial Sector Regulation and Supervision, AFE supported Uganda during phase III on enhancing the risk based supervision framework and in closing specific gaps identified during the previous FSAP. The FPAS work is ongoing and considerable progress is expected by the end of Phase III. Considerable support was delivered in phase III on payments systems area, covering regulation and oversight of mobile payments; formulation of a vision and strategic framework for NPS development. During phase IV, AFE will continue its support on the project for the Insurance Regulatory Authority of Uganda on the implementation of Risk Based Supervision

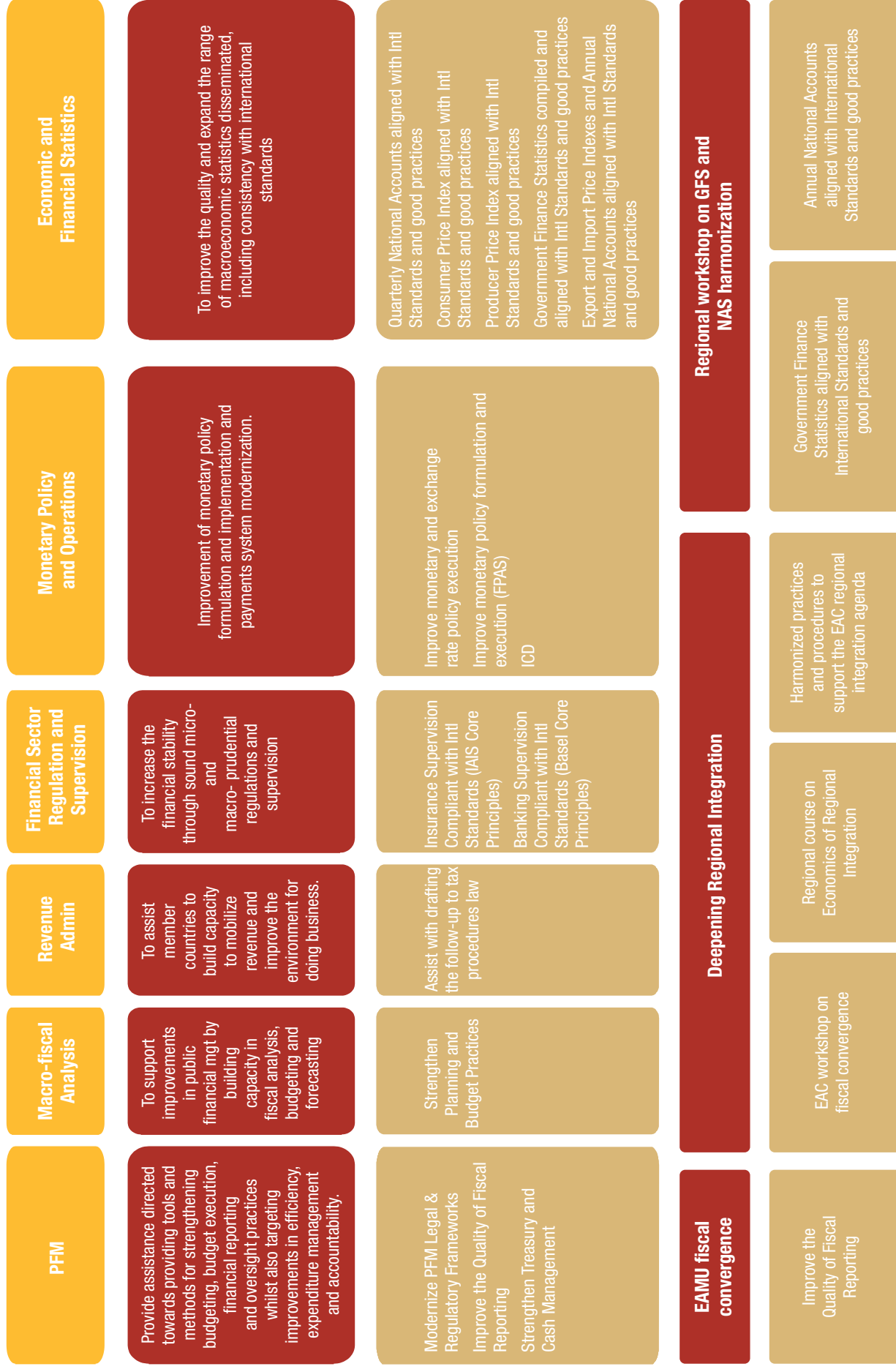
On Monetary operations, during phase III, AFE provided TA to the BOU on reform of the Primary Dealers System (PDS) for government securities and establishment of a forecasting and policy analysis system. Over phase IV, TA will focus on strengthening the building blocks of an IT regime. The monetary and exchange rate operational framework will also require strengthening and alignment with the fully-fledged IT regime.

In Economic and Financial Statistics, AFE has been key in phase III helping Uganda to meet milestones of producing a SUT, rebasing GDP estimates and disseminating quarterly GDP. In phase IV, AFE will provide assistance on the rebasing of the CPI, PPI and trade price indices, improving the frequency of the PPI to monthly, and improving the quality and timeliness of external sector statistics. AFE will also support the authorities to implement their fiscal data improvement plans, aimed at aligning GFS compilation and dissemination with international guidelines.

AFE TA Results



Uganda East AFRITAC Strategic Logframe



AFE Workplan**FY 2014****Public Financial Management**

- Cash management - TSA
- Assessing Output Budgeting Tool
- Financial reporting - assets
- Compliance with Reporting Requirements
- Implement the TSA

FY 2015**Public Financial Management**

- EAMU fiscal convergence
- Implementing the TSA
- Revising the financial regulations
- Improving the capital budgeting process

Milestones

- EAMU fiscal reporting convergence
- Roadmap agreed
- TSA phase 1 design agreed.
- Financial regulations developed.
- Defined framework for improving capital budget monitoring adopted by FGE

Macro-Fiscal Analysis

- Improve forecasting capacity
- Improve fiscal policy analysis (GDP forecasting tool)

Macro-Fiscal Analysis

- Assisting in QGDP forecasting

Milestones

- Improved quarterly GDP forecasts

Revenue Administration

- Consolidating customs national targeting capacity and selectivity
- Enhancing the deployment and usage of appropriate information technology
- Improving taxpayer Services and Tax compliance Management

Revenue Administration

- EAMU fiscal convergence
- Implementing the TSA
- Revising the financial regulations
- Improving the capital budgeting process

Milestones

- EAMU fiscal reporting convergence - Roadmap agreed
- TSA phase 1 design agreed.
- Financial regulations developed.
- Defined framework for improving capital budget

FY 2014**Economic and Financial Statistics**

- Training and assistance in producing the rebased GDP estimates.
- Further assistance with improving QGDP-P constant price estimates
- Assisting with development of the PPI index methodology and prices data collection

FY 2015**Economic and Financial Statistics**

- Assist with the development of the XMPI methodology
- Assist with finalizing the rebased GDP estimates for dissemination
- Assist with developing the QGDP-E compilation methodology
- Peer review the rebased CPI and provide training
- Assist with the development of the XMPI methodology
- Peer review the rebased PPI
- Developing a GFS compilation and GFSM2001 migration plan
- Assessment of implementation of GFS compilation and GFSM2001 migration plan

Milestones

- Redevelopment of NAS compilation system and finalize SUT
- Compile QGDP by expenditure share in current and constant prices.
- Release of rebased CPI
- Development of export and import price indices
- Rebasing of PPI
Commence implementation of GFS compilation and -GFSM2001 migration plan
- Implementation of concrete steps in GFS compilation and GFSM2001 migration plan

FY 2014**Financial Sector Regulation and Supervision**

- Strengthening the Solvency Framework for insurers in Ethiopia
- Strengthening the financial stability framework of the National Bank of Ethiopia
- Strengthening the solvency and risk based supervision framework for insurance in Ethiopia

FY 2015**Financial Sector Regulation and Supervision**

- Implementation of a capital charge for market risk
- Developing procedures for assessing country and transfer risk
- Reviewing draft regulations and training on agency banking
- Implementation of risk based insurance supervision in Uganda
- Attachment on AML/CFT supervision Training on consolidated supervision

Milestones

- Increased capacity and the enhancement of the regulation for the Capital Charge for Market Risk
- Developed draft procedures for assessing Country and Transfer Risk
- Increased supervisory capacity and draft of Agency Banking Regulations reviewed
- Updated and implemented on- and off-site risk based supervision framework

Monetary Policy and Operations

- Reform of the PD system in government securities
- Building internal capacity for oversight of the NPS in BOU
- NPS oversight policy in Uganda
- Guidelines for NPS oversight
- Regulation/oversight of mobile phone payments and agent banking

Monetary Policy and Operations

- NPS oversight guidelines
- NPS risk assessment
- Review of liquidity forecasting framework
- Monetary policy implementation under inflation targeting
- Develop a Forecasting and Policy Analysis System
- Central Bank Act amendment

Milestones

- Completion of draft NPS oversight guidelines
- Completion of risk assessment framework
- Completion of review liquidity forecasting framework
- Completion of strategy for monetary policy implementation under ITL

Annex—Tanzania

I. Context and Medium-Term Outlook

Economic growth is projected to remain strong at 7 percent next year and in the medium term. Inflation is at 6 percent, gradually converging to the authorities' 5 percent medium term objective. The external current account deficit remains among the largest in the region, at 14% of GDP this year. Fiscal revenue shortfalls and overruns in domestically-financed spending led the deficit to rise to 6.8% of GDP in 2012/13. Revenue shortfalls

in 2013/14 compared to the budget approved by parliament have prompted the authorities to undertake expenditure cuts during the fiscal year in an effort to meet their 5% of GDP target. A major upside risk for the long term, not yet incorporated in the baseline projections, relates to sizable finds of offshore natural gas that, if confirmed, could bring in large revenues during the next decade.

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 2012–17

	2012	2013	2014	2015	2016	2017
			(f)	(f)	(f)	(f)
Real GDP	6.9	7.1	7.1	7.1	7.0	7.0
Inflation Rate	16.0	7.9	6.2	4.8	5.2	5.2
Investment Rate*	34.5	32.7	32.2	32.2	32.1	31.9
Savings Rate*	17.3	14.7	18.0	18.7	19.7	20.2
Central Gov Fiscal Balance, Incl. Grants*	–6.0	–5.4	–4.6	–4.4	–4.0	–4.0
Gross public sector debt *	40.0	41.2	42.7	44.0	44.2	44.3
Current account balance*	–15.9	–13.6	–13.2	–12.2	–11.1	–10.8

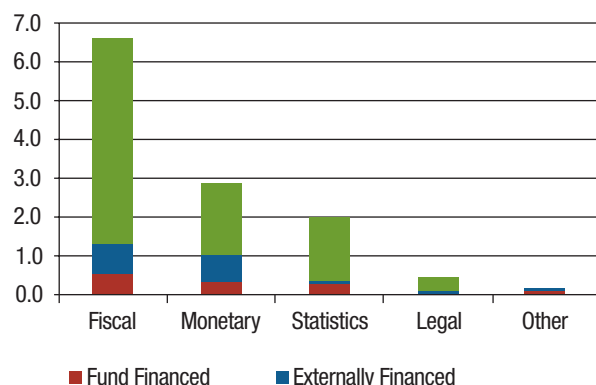
Source: 2014 Article IV Consultation - Staff Report (August 2014)

* As a percentage of GDP

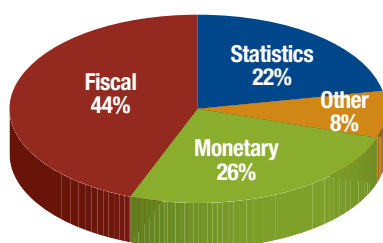
Policy Issues From IMF Surveillance/Program

- Fiscal policy:** Tanzania's new PSI was approved by the Board on July 16, 2014. The main objectives of the program are to maintain macroeconomic stability and strengthen fiscal sustainability, and address vulnerabilities that stem from large current account deficit and weaknesses in fiscal policy implementation, particularly in the area of PFM.
- PFM:** The recurrence of large domestic payment arrears is a major risk to the program and undermines the fiscal framework. Consistent with the AFE TA, the authorities are developing a comprehensive strategy to strengthen monitoring and reporting of arrears, prevent emergence of new ones, and repay the existing stock.
- Monetary policy:** The AFE is assisting the BoT in the reforms of the monetary policy framework to prepare for transition to interest rate based policy. TA is being provided to develop capacity in forecasting and policy analysis, modeling and liquidity management.
- Financial Stability:** Strengthening the prudential framework for banking supervision is an important priority. The assistance from the AFE will be instrumental in assessing the adequacy of BOT's supervisory mandate, including in light of the forthcoming regional integration, and to address the remaining gaps identified in the 2010 FSAP.
- Zanzibar has been receiving intensive TA from the AFE. Going forward, TA to Zanzibar should be provided in the areas that address the most pressing needs, have a meaningful impact, and can be assessed as effective.

Tanzania IMF TA Delivery In-Person—Years 2011–2014



Fund Financed Projects—Tanzania



II. AFE TA Activities

In PFM, support will focus on improving budget processes and medium term fiscal planning. Over phase III, AFE contributed to a revised legal/regulatory framework, improvements in budget and fiscal reporting practices, determining PFM priorities, overseeing decentralized units and expanding budget coverage. Over phase IV, TA will focus on refining the annual budget presentation and its linkages to the medium term expenditure framework; incrementally introduce IPSAS compliant consolidated financial statements; and advise on attaining EAMU fiscal reporting convergence criteria.

In Macro Fiscal Analysis, over phase III, a macro fiscal data base was initiated. AFE will continue to advise on macroeconomic/fiscal forecasting and on the analysis and reporting of fiscal risks. During phase IV, TA should focus mainly on revenue mobilization, including rationalization of tax exemptions and tax administration, macro-fiscal and budget preparation, banking and non-bank supervision, financial sector development, national accounts and monetary and exchange rate management

In Revenue administration, over phase III, AFE TA has focused on improving risk management practices and developing compliance improvement plans. Effectiveness of customs operations has also been improved with the deployments of a new customs IT system. Over phase IV, AFE will support Rwanda to improve tax processing and develop compliance management strategies and supporting programs.

National Development Strategy

Tanzania's Development Vision 2025	Achieve a high quality livelihood for its people attain good governance through the rule of law and develop a strong and competitive economy.
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Key Donors Activities FY 2014

DFID	Supports Revenue reforms management, Government finance statistics improvement and Public expenditure review process
EU	Provide capacity building to the oversight institutions. Strengthening of economic data and statistics

Major projects by IMF HQ TA Depts in AFE sectors

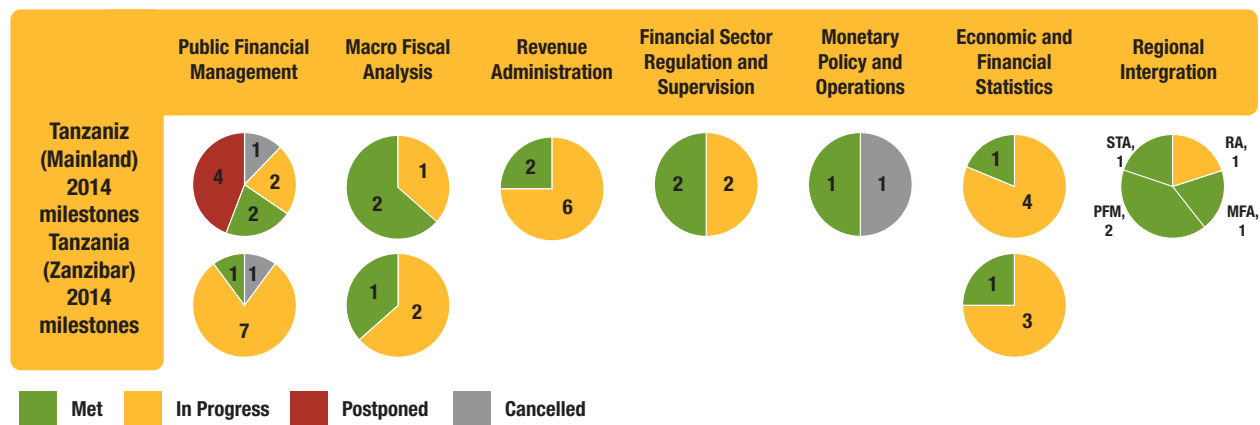
STA	PFM mission funded by HQ
FAD	Managing Natural Resources Wealth and support to the East African Community
MCM	No HQ Missions for FY 2015
LEG	Implementation of tax reforms: tax procedures, extractive industries

In Financial Sector Regulation and Supervision, over phase III, TA focused on risk-based (banking) supervision and the development and roll-out of the implementation of the Basel II-III roadmap on which the RBM is making good progress. Over phase IV, AFE will continue supporting the Basel II and III roll out, and will help the NBR comply with EAC convergence criteria.

In Monetary Operations, during phase III, AFE provided training on the oversight of external managers of international reserves. The establishment of a fully operational FPAS is ongoing and is expected to continue over the next years. Over phase IV, the central bank will need to strengthen its monetary and exchange rate operational framework and align it with the evolving monetary policy regime. It will also need support in further developing the interbank money market, the foreign exchange market, and government securities market.

In Economic and Financial Statistics, during phase III, AFE TA has helped to improve national accounts and price statistics within the GDDS framework, implement a number of 2008 SNA methodological changes, review the rebased GDP series, and disseminate quarterly GDP estimates. In phase IV, AFE will assist with development of annual institutional sector accounts and quarterly GDP expenditure estimates. Also, AFE will provide support to the Rwandan authorities to implement their fiscal data improvement plans, aimed at aligning GFS compilation and dissemination according to international guidelines.

AFE TA Results



Tanzania East AFRITAC Strategic Logframe



Strategic Target

Topic Objective

EAC Regional Activities

B) AFE Workplan

FY 2014

Public Financial Management Mainland

- Improve cash management
- Improving program alignment on strategic objectives
- Financial reporting - EAC convergence
- Compliance with Reporting Requirements
- Strengthening Internal Control Environment
- Improving program alignment on strategic objectives
- Internal audit governance structures
- Management of payment arrears

Zanzibar

- Preparing good strategic documents to implement PBB
- Improve reform program
- Development of PFM law
- Develop reporting formats
- Development Partners' meeting
- Improve cash management
- IFMIS - QA of upgrade.
- Improving program design

FY 2015

Public Financial Management Mainland

- EAMU fiscal convergence
- Strengthen management of payment arrears.
- Improve cash forecasting
- Modernizing the PFM legal framework
- Strengthen IFMIS control environment
- Introducing PBB to MDAs
- Improving the budget classification system
- Developing audit committee guidelines
- Strengthen IFMIS control environment

Zanzibar

- Improving PBB reports
- Modernizing the PFM legal framework
- Improve financial reporting
- IFMIS upgrade

Milestones

- Finalization of a new template for PBB reporting
- Updated draft of PFA and regulations.
- Finalization of COA design and financial reporting guidelines
- IFMIS upgrade design and plan agreed

FY 2014**Macro-Fiscal Analysis****Mainland**

- Improve macro-fiscal capacity
- Using a Composite Indicator of Economic Activity to forecast Quarterly GDP
- Support MTDS

Zanzibar

- Improve macro-fiscal capacity
- Needs assessment
- Developing consistent macroeconomic projections

FY 2015**Macro-Fiscal Analysis****Mainland**

- Improving Capacity in Debt Sustainability Analysis
- Attachment on GDP forecasting

Zanzibar

- Improve macro-fiscal capacity
- Needs assessment
- Developing consistent macroeconomic projections

Milestones

- Staff trained in macroeconomic diagnostics
- Template for CIEA used by FP group for monthly CIEA
- Revised MTDS
- Dissemination of fiscal reports
- TA workplan with country developed
- Database with sectoral linkages
- Workshop delivered on Fiscal convergence for EAMU

Revenue Administration

- Improving taxpayer services and tax compliance management
- Consolidating customs national targeting capacity and selectivity
- Enhancing revenue administration performance measurement and management
- Enhancing the deployment and usage of appropriate information technology
- Improving VAT refund system in Tanzania
- Introductory and Follow up visit
- Development partners meeting
- FAD mission in Natural Resource Taxation

Revenue Administration

- Build border control and protection capacity in Customs
- Strengthening management and collection of local excise
- Leveraging the use of Electronic Fiscal Devices as a compliance Tool
- Developing a compliance risk management strategy and program
- Supporting the implementation of revised VAT law
- Entrenching risk management practices in tax and customs operations
- Follow up work on draft VAT bill and regulations

FY 2014**FY 2015****Milestones**

- Staff attachment and Roadmap developed
- Compliance management strategy developed and in use
- Completion of draft VAT bill and regulations
- Changes to the VAT LAW implemented smoothly
- Risk management functions, procedures and processes reviewed and updated; Revised procedures approved and adopted

Financial Sector Regulation and Supervision

- Strengthening the supervisory framework for assessing the compliance of bank's financial statements with IFRS
- Implementation of consolidated supervision on banks in Tanzania
- Training on agency- and mobile banking
- Attachment on Financial Stability

Financial Sector Regulation and Supervision

- National training on Basel II/III framework
- Aligning the prudential framework with international standards
- Developing a short a long term training program for the Banking Supervision Directorate
- Developing a risk assessment framework for Financial Stability
- Training on consolidated supervision
- Developing a stress testing framework

Milestones

- Increased capacity for the implementation of the Basel II/ III framework
- Areas for improvement of existing prudential regulatory framework identified
- Evaluating training needs and development of a short to long term training program for examiners.
- Developed draft of Financial Stability Risks Assessment Framework in line with framework used by Bank of Namibia and increase Financial Stability capacity
- Increased capacity on consolidated supervision
- Development of a roadmap for the implementation of stress testing

FY 2014**Monetary Policy and Operations**

- Introduction of Sharia compliant liquidity management instruments.
- Regulation/oversight of mobile phone payments and agent banking.

FY 2015**Monetary Policy and Operations**

- Foreign exchange market intervention
- Interbank money market development
- Develop a Forecasting and Policy Analysis System

Milestones

- Completion of foreign exchange intervention policy
- Completion of strategy for interbank(cash) market development
- Agree with the authorities on a workplan to ensure full implementation of FPAS.

**Economic and Financial Statistics
Mainland**

- Peer review and quality assessment of rebased GDP estimates
- Further assistance with improving QGDP-P constant price estimates
- Further assistance with PPI index methodology and prices data collection
- Further assistance with MXPIs index methodology and prices data collection

Zanzibar

- Peer review and quality assessment of rebased GDP estimates.
- Further assistance with index methodology and prices data collection for the PPIs. Further assistance with improving QGDP-P estimates.

**Economic and Financial Statistics
Mainland**

- Assist with developing the QGDP-E compilation methodology
- Assist with finalizing XMPIs and PPI for dissemination
- Developing a GFS compilation and GFSM2001 migration plan
- Assessment of implementation of GFS compilation and GFSM2001 migration plan

Zanzibar

- Assist with developing the QGDP-E compilation
- Assist with finalizing the PPIs for dissemination

Milestones

- Compile QGDP by expenditure share in current and constant prices.
- Implementation of concrete steps in GFS compilation and GFSM2001 migration plan
- EAC GFS reporting by Partner States and Regional GFS harmonization

Annex—Rwanda

II. Context and Medium-Term Outlook

Rwanda's economic performance since the turn of the century has been remarkable. Strong policies have played a key role in maintaining GDP growth at 7.8 percent on average since 2000, with significant poverty reduction. The economy is recovering from the disruptions induced

by aid suspension through mid-2013, with growth bouncing back in the first half of 2014 and inflation well contained. Much of this success is due to prudent fiscal and monetary policies, including judicious use of foreign aid in support of economic development.

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 2012–17						
	2012	2013	2014	2015	2016	2017
			(f)	(f)	(f)	(f)
Real GDP growth Rate	8.8	4.7	6	6	7	7.5
Inflation Rate	6.3	4.2	2.1	4.1	5	5
Investment Rate*	25	25.5	25.5	25.5	25.5	25.5
Savings Rate*	6.3	9.5	6.8	9	11.9	12.6
Central Government Overall Fiscal Balance, Incl. Grants*	–3.2	–4.5	–3.2	–4.2	–3.4	–3.6
Gross public sector debt*	21.7	28.4	31.2	33.5	33.6	34.7
Current account balance*	–11.3	–7.1	–11.8	–11	–9.1	–9.2

Source: 2014 Article IV Consultation - Staff Report (December 2014)

* As a percentage of GDP

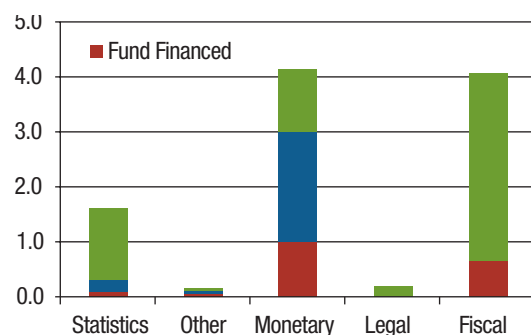
Policy Issues From IMF Surveillance/Program

- Revenue policy and Administration: Rwanda is raising domestic resources from improved tax collection and in this context is making considerable use of technical assistance provided by the Fund in agricultural, mining and property taxation. The authorities are targeting an increase of about ½ percent of GDP in FY15/16 from new tax measures in these areas. These measures combined with improvements in tax administration will help to raise the tax revenue ratio by 3 ½ percent of GDP during the duration of the current PSI program.
- Monetary policy: Rwanda is in the process of aligning its monetary policy actions to inflation prospects and has already started issuing quarterly inflation reports. AFE has supported improved analysis of monetary policy. The AFE will continue

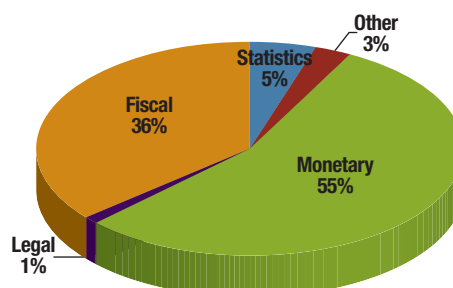
providing assistance with forward looking monetary policy tools and FPAS and support is also being provided in improving the bond and interbank markets to help strengthen financial markets in Rwanda and better price financial products.

- Econ/Stat policy: Rwanda has one of the best statistical systems in Sub-Saharan Africa and AFE has been instrumental in strengthening statistical capacity in the country. One of the major recent developments is the introduction of annual agricultural surveys which track agricultural production on individual plots of land and help to get a better understanding of agricultural output prospects which still accounts for about 30 percent of GDP

Rwanda IMF TA Delivery In-Person—Years 2011–2014



Fund Financed Projects—Rwanda



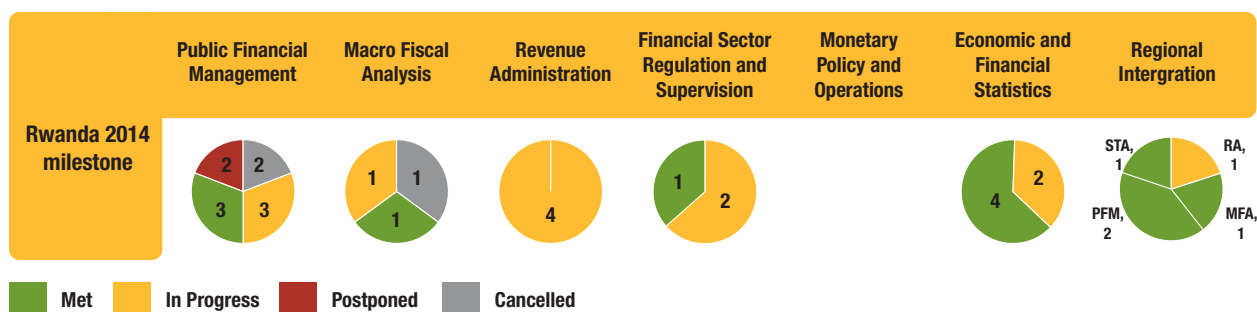
National Development Strategy	
Rwanda Vision 2020	Transform Rwanda into a middle-income country by the year 2020
Key Donors Activities FY 2014	
EU	Support the PFM reform strategy of the government as part of a coordinated approach

Major projects by IMF HQ TA Depts in AFE sectors	
STA	
FAD	Support to the EAC and Tax policy reform
MCM	On HQ funded mission on bond market development
LEG	

II. AFE TA Activities

- In PFM, support will focus on improving budget processes and medium term fiscal planning. Over phase III, AFE contributed to a revised legal/regulatory framework, improvements in budget and fiscal reporting practices, determining PFM priorities, overseeing decentralized units and expanding budget coverage. Over phase IV, TA will focus on refining the annual budget presentation and its linkages to the medium term expenditure framework; incrementally introduce IPSAS compliant consolidated financial statements; and advise on attaining EAMU fiscal reporting convergence criteria.
- In Macro Fiscal Analysis, over phase III, a macro fiscal data base was initiated. AFE will continue to advice on macroeconomic/fiscal forecasting and on the analysis and reporting of fiscal risks. During phase IV, TA should focus mainly on revenue mobilization, including rationalization of tax exemptions and tax administration, macro-fiscal and budget preparation, banking and non-bank supervision, financial sector development, national accounts and monetary and exchange rate management
- In Revenue administration, over phase III, AFE TA has focused on improving risk management practices and developing compliance improvement plans. Effectiveness of customs operations has also been improved with the deployments of a new customs IT system. Over phase IV, AFE will support Rwanda to improve tax processing and develop compliance management strategies and supporting programs.
- In Financial Sector Regulation and Supervision, over phase III, TA focused on risk-based (banking) supervision and the development and roll-out of the implementation of the Basel II-III roadmap on which the RBM is making good progress. Over phase IV, AFE will continue supporting the Basel II and III roll out, and will help the NBR comply with EAC convergence criteria.
- In Monetary Operations, during phase III, AFE provided training on the oversight of external managers of international reserves. The establishment of a fully operational FPAS is ongoing and is expected to continue over the next years. Over phase IV, the central bank will need to strengthen its monetary and exchange rate operational framework and align it with the evolving monetary policy regime. It will also need support in further developing the interbank money market, the foreign exchange market, and government securities market.
- In Economic and Financial Statistics, during phase III, AFE TA has helped to improve national accounts and price statistics within the GDDS framework, implement a number of 2008 SNA methodological changes, review the rebased GDP series, and disseminate quarterly GDP estimates. In phase IV, AFE will assist with development of annual institutional sector accounts and quarterly GDP expenditure estimates. Also, AFE will provide support to the Rwandan authorities to implement their fiscal data improvement plans, aimed at aligning GFS compilation and dissemination according to international guidelines

AFE TA Results



Rwanda East AFRITAC Strategic Logframe



Strategic Target Topic Objective EAC Regional Activities

AFE Workplan

FY 2014

Public Financial Management

- IFMIS - procurement
- Development of Finance Regulations
- Improving program alignment on strategic objectives
- Financial reporting - IPSAS
- Advancing the PBB Agenda
- Strengthening the MTEF
- Development of PFM Sector Strategy
- Quality assurance of Regulations

FY 2015

Public Financial Management

- EAMU fiscal convergence
- FAD-led mission on fiscal decentralization
- IFMIS review by quality assurance group
- Introducing PBB to MDAs
- Improving the capital budgeting process
- Enhance oversight of SOEs

Milestones

EAMU Fiscal reporting roadmap agreed
Diagnostic on fiscal decentralization accepted
IFMIS QAG report accepted.
Align programs with strategic objectives for nine Ministries and agencies
Agreed framework to improve project appraisal, implementation and follow-up.
Policy guidelines for improved oversight of SOEs developed

Macro-Fiscal Analysis

Improving Revenue Forecasting
Using a Composite Indicator of Economic Activity to forecast Quarterly GDP

Macro-Fiscal Analysis

- Developing Revenue Forecasting Framework
- Identification of fiscal risk

Milestones

- Improved medium-term fiscal framework
- Fiscal risks reporting in line with fiscal transparency code

FY 2014**Revenue Administration**

- Improving taxpayer services and tax compliance management
- Consolidating customs national targeting capacity and selectivity
- Enhancing revenue administration performance measurement and management
- Enhancing the deployment and usage of appropriate information technology

FY 2015**Revenue Administration**

- Developing a compliance risk management strategy and program
- Developing International Taxation capacity
- Implementing an automated Data Warehouse Solution
- Assist with drafting the follow-up to tax procedures law

Milestones

- Compliance management strategy developed and in use
- International Taxation Unit fully functional
- Data warehouse solution implemented

Financial Sector Regulation and Supervision

- Strengthening the prudential regulations for banks in Rwanda
- Developing and implementing on- and off-site supervision for foreign exchange bureaus
- Implementation of consolidated supervision from host perspective in Rwanda

Financial Sector Regulation and Supervision

- Implementing ICAAP and developing a framework for LCR and the countercyclical capital buffer
- National training on Basel II/III framework
- Developing supervisory capacity for the review of IFRS compliance of commercial banks
- Attachment on FX bureau supervision

Milestones

- Strategy for implementation of ICAAP and counter cyclical capital buffer in place and first version of LCR framework drafted
- Increased capacity on Basel Capital Adequacy standards and measurement
- Increased supervisory capacity for the review of IFRS compliance and first draft of supervisory framework ready to be tested.
- Increased capacity on FX bureau supervision

FY 2014**Monetary Policy and Operations**

- N/A

FY 2015**Monetary Policy and Operations**

- Strategy for bond market development
- Training in foreign exchange market operations
- Draft NPS oversight policy
- Staff attachment on NPS oversight
- Training in risk and performance evaluation
- Interbank market
- Develop a Forecasting and Policy Analysis System

Milestones

- Completion of bond market development strategy
- Completion of training in FX market operations
- Completion of NPS oversight policy
- Completion of attachment
- Completion of training in risk and performance measurement and evaluation
- Completion of strategy for interbank market development
- Agree with the authorities on a workplan to ensure full implementation

FY 2014**Economic and Financial Statistics**

- Improving methodology for QGDP-P estimates
- Assistance with redeveloping data collections consistent with BPM6 requirements
- Peer review and quality assessment of rebased GDP estimates
- Assistance with rebasing of CBMPIs
- Development of direct prices survey for MPIS
- Assist with finalizing SUT and compiling rebased GDP estimates

FY 2015**Economic and Financial Statistics**

- Assist with implementation of BPM6 standards
- Assist with redeveloping the NAS compilation system
- Assist with developing the QGDP-E compilation methodology
- Staff attachment on agriculture survey and statistics
- Assist with improving prices survey and index compilation
- Developing a GFS compilation and GFSM2001 migration plan
- Assessment of implementation of GFS compilation and GFSM2001 migration plan

Milestones

- External Sector Statistics aligned with International Standards and good practices
- Annual National Accounts aligned with International Standards and good practices
- Quarterly National Accounts aligned with International Standards and good practices
- Export and Import Price Indexes aligned with International Standards and good practices
- Government Finance Statistics compiled and aligned with International Standards and good practices

Annex—Malawi

I. Context and Medium-Term Outlook

Malawi's real GDP growth is estimated to have been 5.2% in 2013 and is projected to accelerate to 5.7% and 5.8% in 2014 and 2015 respectively, driven by tobacco exports and continued growth in the key sectors of agriculture, manufacturing and services. The main short-term challenge for the government is to consolidate macroeconomic stability and improve governance, while

strengthening the enabling environment for private sector investment for sustained and inclusive growth. While the country is on track to achieving four of the eight Millennium Development Goals (MDGs), it faces serious challenges in meeting the MDG targets relating to universal primary education and to reducing gender inequality and maternal mortality.

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 2012–17

	2012	2013	2014	2015	2016	2017
			(f)	(f)	(f)	(f)
Real GDP	1.9	5.0	6.1	6.5	6.5	6.0
Inflation Rate	21.3	27.73	15.15	6.9	5.8	8.6
Investment Rate*	16.9	20.4	21.2	22.49	23.5	17.3
Savings Rate*	12.5	16.9	18.6	20.3	22.7	14.8
Central Gov Fiscal Balance, Incl. Grants*	–6.9	–1.3	–4.2	–3.6	–3.4	–2.2
Gross public sector debt*	54.8	59.8	52	47.9	43.7	30.9
Current account balance*	–4.4	–3.5	–4.0	–3.2	–2.3	–2.5

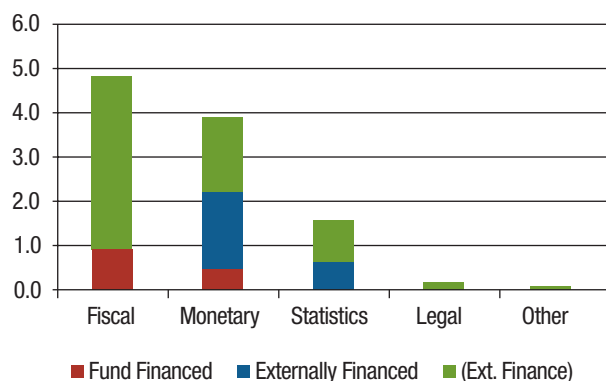
Source: 2012 Staff report tables for Malawi

* As a percentage of GDP

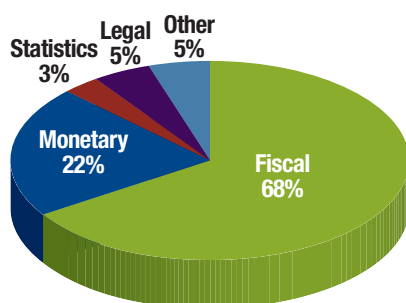
Policy Issues From IMF Surveillance/Program

- **Fiscal policy:** The fiscal framework has to take into account potential delays in external financial assistance while ensure that domestic financing is contained, no further domestic arrears are accumulated, and social spending is preserved.
- **PFM:** There is an urgent need to strengthen PFM systems in order to restore confidence and trust in the budget process in the wake of the “cashgate”. The authorities have prepared a new PFM strategy, drawing on the findings and recommendations of an initial forensic audit and past Fund/AFE TA missions. The challenge ahead will be to implement that strategy.
- An updated PFM action plan will have to incorporate the recommendations of the final forensic audit and the most recent Fund/AFE TA missions. Continuation of AFE support will be critical in PFM area.
- **Monetary policy:** Measures in this area should aim at tightening the monetary stance to bring inflation down to single digit levels by 2016, while avoiding squeezing private sector credit. The RBM will need AFE support in monetary and FX operations.
- **Financial sector stability:** Reforms should aim at addressing weak banks and strengthening the regulatory framework for the financial system. Continued AFE support in financial sector regulation and supervision will be critical.

Malawi IMF TA Delivery In Person-Years 2011-2014



Fund Financed Projects—Malawi



National Development Strategy

MGDS II	The Malawi Growth and Development Strategy II
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Key Donors AFE Activities FY 2014

EU	TA to Accountant Generals Department (AGD) on Strengthening Internal Controls and procedures in PFM; and supporting the Oversight of the Central Payment Office
DFID	Tax policy and revenue administration review. TA on drafting PFM strategy.

Major projects by IMF HQ TA Depts in AFE sectors

STA	
FAD	Support to priority PFM reforms, review of the tax system
MCM	Support for the monetary and exchange rate operational framework.
LEG	

II. AFE TA Activities

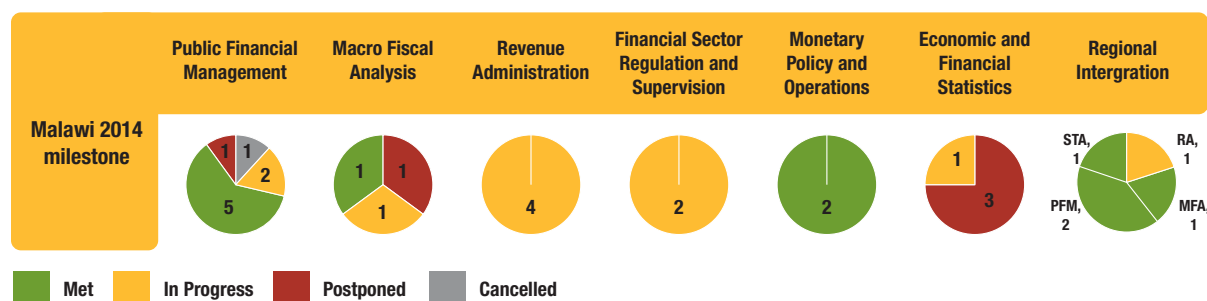
- In PFM:** A major financial breach in government budgeting controls breach has led Malawi to reassess its PFM processes and capacity. During phase III, AFE has provided guidance on strengthening the legal framework, cash management practices, budgeting and fiscal reporting and strengthen its financial management system (IFMIS). AFE and FAD have also contributed to the design of the next phase of Malawi's Public Finance and Expenditure Management. In phase IV AFE support will concentrate on helping to establish well-functioning PFM systems and restore stakeholder confidence in the management of public finances.
- In Macro-Fiscal,** during phase III, AFE provided key support on updating and improving the database, making it a better tool for medium-term fiscal forecasting. Over phase IV, AFE will assist on the medium-term fiscal framework and to develop proper structures for monitoring and reporting fiscal risks. Further support will be provided to build in-house capacity to undertake debt-sustainability analyses and report fiscal risks, including the development of a fiscal risk statement.
- In Revenue Administration,** over phase III, AFE TA has focused on strengthening compliance management in tax administration, implementation of risk management practices in customs and supporting efforts to implement a new computerized tax administration system. A governance framework for modernization efforts and program management office has also been established. During phase IV, AFE will continue to support Malawi over the next five years to improve tax and customs operation efficiency and compliance management practices.
- In Financial Sector Regulation and Supervision,** in phase III, AFE assisted the Reserve bank of Malawi in the implementation of the RBS. AFE also worked on crisis-monitoring projects and advised on the implementation of a risk-based approach to AML/CFT supervision. Also, AFE assisted with the formulation of a comprehensive payment system strategy for the central bank, regulation and oversight of mobile payments, and reviewed the overarching NPS bill which was enacted into law. In phase IV, the RBM is expected to develop and implement

frameworks for more advanced approaches of Basel II and the relevant elements of the Basel III framework.

- **In Monetary Policy and Operations**, in phase III, the central bank received guidance from MCM and AFE on alignment of the monetary and exchange rate operational framework with the new policy environment. During phase IV, AFE will continue its supports to implement a fully operational forecasting and policy analysis system, including improved macroeconomic data collection and analysis for reports that feed into monetary policy decisions.

- **In Economics and statistics**, Malawi is participating in the GDSS. With AFE support, it has rebased and released its CPI over phase III and a new Manufacturing PPI has been developed and released. The quality and consistency with international standards of external sector statistics and NAS have been improved. During phase IV, AFE will provide further assistance with developing quarterly GDP estimates and price indices.

AFE TA Results



Malawi East AFRITAC Strategic Logframe



■ Strategic Target
 ■ Topic Objective
 ■ EAC Regional Activities

AFE Workplan

FY 2014

Public Financial Management

- Improve cash management
- IFMIS - Strengthen controls
- Internal audit governance structures- Compilation of annual reporting guidelines and formats
- Moving from output-based to program-based budgeting
- Improving program alignment on strategic objectives
- IFMIS In-house training workshop
- Agreed draft outline of the revised PFM legal framework
- Stock take on PFM reform action plan

FY 2015

Public Financial Management

- Review banking arrangements – Strengthen Treasury & Cash Management
- Improve cash forecasting
- Improve the Quality of fiscal reporting (chart of accounts structure)
- Strengthen IFMIS controls and review IFMIS upgrade plans
- Introduce PBB to six pilot Ministries
- Improve Medium Term expenditure Frameworks
- Develop PFM reform strategies

Milestones

- QA of planned revisions to banking arrangements
- Agreed strategy for improving liquidity forecasts and introducing active cash management
- Agreed COA design to support PBB
- GoM acceptance of proposed plans and practices to enhance IFMIS controls, detailed specifications defined & IFMIS upgrade plan agreed.
- Six pilot ministries ready for migration to PBB
- -Medium term budgeting framework - Improving the binding nature of forward estimates
- PFM reform strategy document approved.

FY 2014**Macro-Fiscal Analysis**

- Identify country needs and develop a TA workplan
- Improving macroeconomic projections
- Improve database and fiscal report

FY 2015**Macro-Fiscal Analysis**

- Quarterly GDP forecast
- Improved capacity in use of FPP framework
- Improved Medium-Term fiscal framework

Milestones

- Assisting in QGDP forecasting
- Developing a Macro-Fiscal database
- Assisting in medium-term GDP forecasting.

Revenue Administration

- Consolidating customs national targeting capacity and selectivity
- Enhancing the deployment and usage of appropriate information technology
- FAD follow up mission in Revenue Administration
- ATAF conference in Natural Resource Taxation

Revenue Administration

- Improving efficient and effective cargo processing systems centered on a Data Processing Center
- Building an effective Authorized Economic Operator Scheme
- Developing a compliance risk management strategy and program in tax and customs
- Strengthening management of Large, Medium and Small Taxpayer segments

Milestones

- Roadmap to fully operational Data Processing Centre developed, Staff attachment
- Road map for implementing AEO scheme developed, Staff attachment
- Compliance management strategy developed and in use

FY 2014**Financial Sector Regulation and Supervision**

- Financial analysis of the banking system and individual banks based on the available information to improve quarterly reporting on the development of the banking system
- Advice on the sectorization used for the Asset Classification

FY 2015**Financial Sector Regulation and Supervision**

- Enhancing the supervisory practices for supervisory ML/FT assessments
- Enhancing the regulatory framework for liquidity risk management
- Integrating ICAAP in the supervisory framework
- Finalize amendments to the banking resolution legal framework
- Training on consolidated supervision
- Developing a stress testing framework

Milestones

- Developed supervisory practices (regulation is already in place) for conducting ML/TF risk assessments.
- Developed regulatory framework for Liquidity Risk Management
- Plan in place for the integration of ICAAP into the supervisory framework

FY 2014**Monetary Policy and Operations**

- Development of the interbank money market
- Foreign exchange market intervention in a liberalized foreign exchange market environment

FY 2015**Monetary Policy and Operations**

- Develop financial markets to support monetary transmission and debt management
- Workshop on Payments system modernization in compliance with international standards

Milestones

- Completion of benchmark yield curve development strategy

Economic and Financial Statistics

- Development of direct prices survey for MPis
- Assistance with redeveloping data collections consistent with BPM6 requirements
- Further assistance with improving benchmark-indicator methodology
- Development of a methodology for QGDP at constant prices

Economic and Financial Statistics

- Assist with implementation of BPM6 standards
- Assist with developing the QGDP-P compilation

Milestones

- Improved BOP and IIP estimates consistency with BPM6 standards
- Develop Quarterly National Accounts methodology
- EAC GFS reporting by Partner States and Regional GFS harmonization

Annex—Kenya

I. Context and Medium-Term Outlook

Kenya is poised to reap the rewards of extensive institutional reforms and prudent macroeconomic policy in a market-friendly environment. A surge in public investment in infrastructure; renewed interest of foreign investors in domestic and regional opportunities using Nairobi as a hub; and lower transaction costs helped by improve-

ments in information technology, are expected to lift economic activity. Convergence of interbank rates toward the central bank policy rate, and stability of the market-determined exchange rate reflect a positive impact of macroeconomic policies on credibility and expectations.

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 2012–17

	2012	2013	2014	2015	2016	2017
			(f)	(f)	(f)	(f)
Real GDP	1.7	7.5	2.8	8.8	4.1	8.9
Inflation Rate	9	4.6	9.2	5.4	8.6	5
Investment Rate*	18.7	18.7	22.3	22.6	23.2	23.1
Savings Rate*	10.6	11	13.9	14.7	16.1	16.5
Central Gov Fiscal Balance, Incl. Grants*	-5.5	-5.7	-6.2	-5.5	-5.1	-4.6
Gross public sector debt *	42.1	42.2	45.8	45.5	45.4	45
Current account balance*	-8.1	-7.8	-8.4	-8	-7.1	-6.5

Source: 2014 Article IV Consultation – Staff Report (October 2014)

* As a percentage of GDP

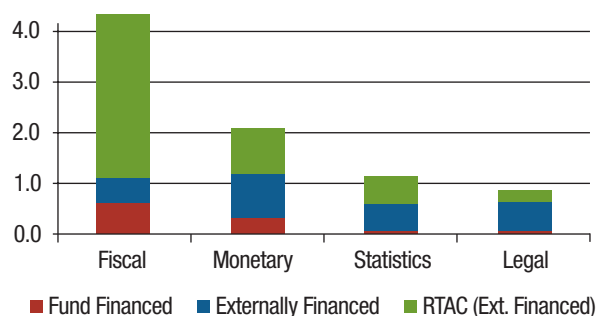
Policy Issues From IMF Surveillance/Program

- **PFM:** Devolution was rolled out during FY2013/14 at a fast-track pace. A more systematic framework is needed for the implementation of devolution to continue improving fiscal transparency and management of fiscal risks. TA assisted in developing the framework for the new PFM Act to support decentralization and will provide further support for implementing the Act. In FY2015, TA will continue to support the implementation of the 2012 Public Finance Management Act, particularly with regards to developing new regulations, establishing a national treasury single account, creating an accounting standards board, and National Treasury restructuring. Authorities are discussing the design of the legal framework for natural resource management aimed at ensuring consistency with public finance management provisions. PFM framework and fiscal regimes will need to be updated to account for natural resource revenues.
- **Monetary policy:** Kenya announced a move to an inflation targeting monetary policy regime in 2014. Inflation remains

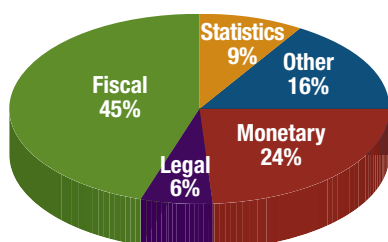
broadly in check, but rising food and energy prices as well as rapid credit growth require careful monitoring. AFE supported the review and helped refine the template for liquidity forecasting to reduce differences between liquidity forecasts and actual outturns. The AFE will continue providing assistance with forward looking monetary policy tools and FPAS.

- **Financial Stability:** Support will also be needed in strengthening further the regulatory, supervisory and oversight framework of the payment and settlement system. Domestic banks are expanding to neighboring countries and witness high credit growth. AFE will assist the CBK in consolidated supervision and in the implementation of the convergence criteria.
- **Fiscal policy:** Kenya's external buffers and the fiscal plans outlined in the Budget Policy Statement are consistent with meeting the EAMU convergence criteria by 2021. The quality of fiscal data will be improved with AFE support.

Kenya IMF TA Delivery In-Person—Years 2011-2014



Fund Financed Projects—Kenya



National Development Strategy

Kenya Vision 2030 A
Globally Competitive
and Prosperous
Kenya

Strategy for PFM Reforms
(2013-18)
National Strategy for the
Development of Statistics

Key Donors AFE Activities FY 2014

World Bank	Strengthening Supervision of the Insurance Regulatory Authority
DFID	Balance of Payments Statistics

Major projects by IMF HQ TA Depts in AFE sectors

FAD	Managing Natural Resources Wealth and support to the East African Community
MCM	TA on Stress Testing at the Central bank

II. AFE TA Activities

In Public Financial Management, TA focus in TSA and cash management, program budgeting, fiscal decentralization, Accounting Standards Board, and National Treasury restructuring. In Macro fiscal AFE will assist in strengthening the comprehensiveness, timeliness and credibility of the medium-term fiscal framework.

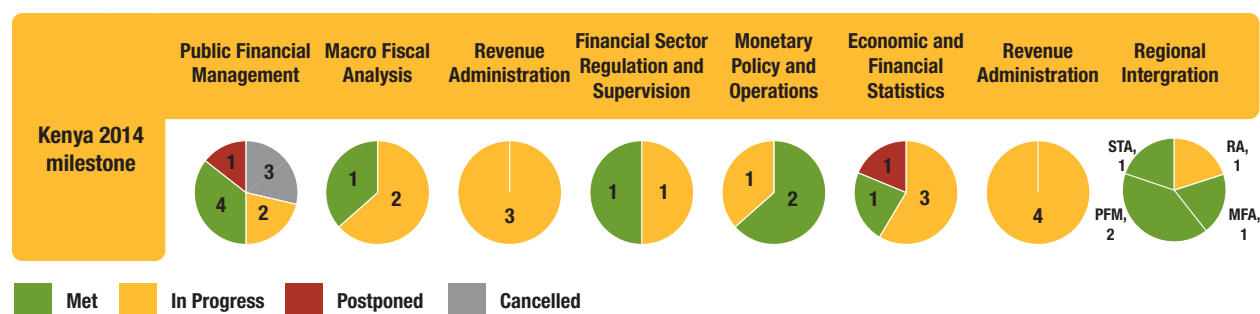
In Revenue Administration, the authorities have made good use of TA in the areas of Customs and VAT administration, as well as program budgeting, cash management and financial reporting. In Financial Sector Regulation and Supervision, Kenya has received TA on implementing risk-based supervision practices, including Anti-Money Laundering (AML). Kenya has also made improvements on banking supervision capabilities at the CBK.

In Monetary operation, the CBK was assisted with developing internal capacity for GDP forecasting and nowcasting. The mission provided a framework for producing short-term forecasts of GDP, tools for managing data related to short-term forecasting, and trained staff in forecasting techniques.

In Economics and statistics, AFE TA has been instrumental for member countries to improve national accounts and price statistics within the GDDS, implement 2008 SNA methodological changes, rebase GDP series, and disseminate quarterly GDP estimates.

Regarding the EAC integration, such TA would need to be undertaken against the backdrop of the broader monetary integration objective and seek harmonization of instruments and operations.

AFE TA Results



Kenya East AFRITAC Strategic Logframe



Strategic Target

Topic Objective

EAC Regional Activities

AFE Workplan

FY 2014

Public Financial Management

- Agreement on establishing a TSA and implementation plan.
- Produce Strategic documents for PBB and finalize PBB preparation
- Proposals for consolidating fiscal and performance reporting and improving the quality of consolidated in-year and annual reports.
- Review of the National Treasury structure
- Assisting in the setting up of an M&E unit
- Strengthening the MTEF
- Implement Internal audit governance structures
- Financial reporting EAC convergence.

FY 2015

Public Financial Management

- Implement the PFM Act - Strengthen the National Treasury
- TSA implementation
- Support Accounting Standards Board
- Improve links between budget estimates and programs
- Design and agree on an EAMU fiscal convergence roadmap

Milestones

- Report contributing to action plan for strengthening role of NT.
- Phase 2 TSA designed & implemented.
- Working procedures on Accounting Standards agreed
- Improved program alignment with objectives for 15 departments
- Workshop delivered on Fiscal convergence for EAMU

Macro-Fiscal Analysis

- Develop databases to support analysis and forecasting
- Identify fiscal risks
- Improve fiscal risks analysis and reporting
- Workshop in Medium-term budget framework and on fiscal rules in monetary unions

Macro-Fiscal Analysis

- Develop a Revenue Forecasting Framework
- Improve capacity in Macroeconomic Forecasting
- Fiscal Transparency Exercise to improve understanding of gaps in fiscal reporting, budgeting and risk
- EAC workshop on fiscal convergence

Milestones

- Revenue projections in line with macro projections
- Improved capacity on macro modeling and Financial Programming
- Improved understanding of gaps in fiscal reporting, budgeting and risk management
- Improved program alignment with objectives for 15 departments
- Workshop delivered on Fiscal convergence for EAMU

FY 2014**Revenue Administration**

- Produce a draft tax compliance risk management policy,
- Consolidate customs national targeting capacity and selectivity
- Enhance revenue administration performance measurement and management
- Support EAC Customs Union
- Capacity Building in Fiscal Management of Oil and Natural Gas in East Africa

FY 2015**Revenue Administration**

- Build border control and protection capacity in Customs
- Develop a compliance risk management strategy and program
- Strengthen the dispute resolution and appeal process
- Follow -up revenue administration (tax and customs)
- Tax Law Reform: VAT, excise tax and tax administration (LEG)
- Support the EAC regional integration agenda

Milestones

- Compliance management strategy developed and in use
- Revised dispute resolution processes approved and implemented
- Border control and protection plan developed and approved

Financial Sector Regulation and Supervision

- Capacity development and implementation of Consolidated Supervision/ implementation of consolidated on cross border banks and financial conglomerates in Kenya
- Assist in the implementation of the Internal Capital Adequacy Process (ICAAP) for banks
- Workshops on regional developments and prudential aspects of mobile- and agency banking and on the regional relevance and implementation of the Basel II and III framework.

Financial Sector Regulation and Supervision

- Develop a framework for a structured assessment of host country supervisory and regulatory framework
- Provide on-going project supports to the BSD in the implementation of ICAAP
- Assist in the Implementation of the Basel Core Principles.

Milestones

- Assessment framework for quality of supervisory and regulatory framework of host supervisor developed
- Enhanced Capacity in Internal Capital Adequacy Assessment Program (ICAAP) and plan for integration of ICAAP in the supervisory framework in place
- Banking Supervision Compliant with International Standards (Basel Core Principles)

FY 2014**Monetary Policy and Operations**

- Review of the GDP forecasting framework
- Attachment on Inflation forecasting
- Review of the liquidity forecasting framework

FY 2015**Monetary Policy and Operations**

- Review of the Liquidity forecasting framework
- Review GDP forecasting
- Develop a work plan for full implementation of Forecasting and Policy Analysis System
- Central Bank Law Reform

Milestones

- Completion of LF and GDP forecasting review
- Work plan for FPAS agreed with authorities
- Completion of amendments for CB law reform

Economic and Financial Statistics

- Peer review and quality assessment of rebased GDP estimates
- Further assistance with improving QGDP-P constant price estimates
- Assistance with rebasing of CBMPs
- Development of direct prices survey for MXPIs

Economic and Financial Statistics

- Assessment of implementation of GFS compilation and GFSM2001 migration plan
- Assist with developing the QGDP-E compilation
- Workshops on NAS and GFS EAC harmonization

Milestones

- Compile QGDP by expenditure share in current and constant prices.
- Implementation of concrete steps in GFS compilation and GFSM2001 migration plan
- EAC GFS reporting by Partner States and Regional GFS harmonization

Annex—Ethiopia

I. Context and Medium-Term Outlook

The economy continues to grow fast in 2013/14 on the heels of very strong real GDP growth in 2012/13. Based on the preliminary information on crop and cereal production and industrial production spurred by large-scale public and foreign direct investments, staff projects the economic growth in the 8.0–8.5 percent range in 2013/14 and 2014/15. Fiscal policy at the general govern-

ment level remains cautious. Public enterprises continue to provide an expansionary impulse, absorbing much of available credit and foreign exchange. Tight monetary policy has supported achieving the NBE's inflation objective in 2013/14. Inflation remained in the single digits throughout the year and was 8.5 percent in June 2014.

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 2012–17

	2012	2013	2014	2015	2016	2017
			(f)	(f)	(f)	(f)
Real GDP growth Rate	8.8	9.7	10.3	8.5	8.5	8.0
Inflation Rate	34.3	4.6	7.3	9.1	9.0	9.3
Investment Rate*	33.1	33	30.2	29.1	28.2	27.4
Savings Rate*	15	16	12.8	10.9	11.2	11.9
Central Gov Fiscal Balance, Incl. Grants*	–1.2	–2	–2.7	–3	–2.9	–2.7
Gross public sector debt *	32.7	37.4	44.7	50.6	54.3	56.4
Current account balance*	–6.5	–6	–7.1	–7.3	–6.7	–5.8

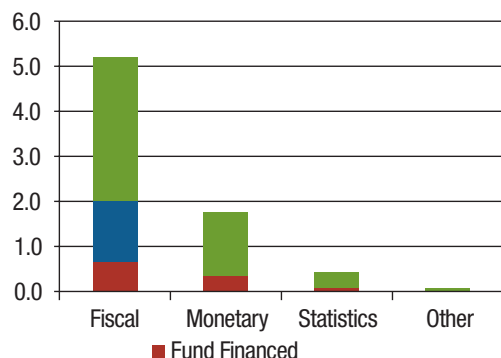
Source: 2014 Article IV Consultation - Staff Report (October 2014)

* As a percentage of GDP

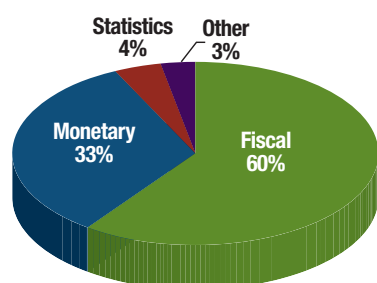
Policy Issues From IMF Surveillance/Program

- Revenue Policy and Administration:** Tax revenue mobilization remains a challenge for Ethiopia and the country continues to compare unfavorably to its regional peers. As discussed in the 2014 Staff Report, the tax revenues could be boosted by broadening the tax base and strengthening tax administration. Considerable progress has been made in ERCA's reform agenda, supported by AFE TA. Further efforts are needed in this area, and should primarily concentrate on strengthening compliance with respect to registration, arrears collection, underreporting and VAT refund, as well as ERCA staff training.
- PFM:** Reforms are progressing and yielding improvements in the budgetary process. Program-based budgeting is its third year of full implementation at the federal government level. For regional governments, the roll out is planned and the road map has been prepared. Cash management reform, with the aim of reducing idle cash in the various government accounts and improving the quality of fiscal reporting, is progressing well. The 2014 mission stressed the need to maintain the momentum in these areas, with further support from AFE.
- Financial Stability:** The concentration of large exposures to single entity in the largest state-owned bank warrants careful supervision and oversight by the NBE, with rigorous application of regulations limiting loans to related parties and a single borrower. Appropriate oversight and monitoring of the DBE's exposures and asset quality is also important in order to address emerging problems. AFE TA has been supporting those efforts by providing TA on banking and insurance supervision and financial stability reporting.
- Econ/Statistics policy:** In statistics, the national accounts weaknesses persist. The 2014 Staff Report stressed the need to improve national accounts compilation and urged the authorities to continue to avail themselves of TA and implement its recommendations.

Ethiopia IMF TA Delivery In Person Years 2011–2014



Fund Financed Projects—Ethiopia



National Development Strategy	
GTP	Ethiopia's Growth and Transformation Plan
Key Donors AFE Activities FY 2014	
EU	<ul style="list-style-type: none"> Strengthening data collection and analytical capacity to the Trade Promotion and Consumer Protection Agency and the Central Statistical Agency Enhancement and Facilitation Programme (TEFaP) aimed at improving efficiency and transparency of Customs clearance processes
Major projects by IMF HQ TA Depts in AFE sectors	
FAD	Tax Policy and Administration TTF and Support to Program Based Budgeting
MCM	Four Missions planned in FY 2015, on Banking Supervision, Financial Stability Reporting, MTDS, and a scoping mission for Debt market Development

II. AFE TA Activities

In PFM, during phase III, AFE has supported the introduction of a program-based budgeting, cash management, fiscal reporting and IFMIS development at the federal government level. Over phase IV, AFE will continue to support each of these areas. In addition, AFE will support the regional governments in the rollout of budgeting, cash management and IFMIS reforms.

In Macro-Fiscal, during phase III, T.A was focused on improving data and technical capacity at the Ministry of Finance. A national workshop on the Medium-Term Expenditure Framework was organized. Participants were trained in macroeconomic forecasting and elaboration of a medium-term fiscal framework. During phase IV, AFE will continue to provide hands-on training and will develop tools for macro-fiscal forecasting to support medium-term budgeting.

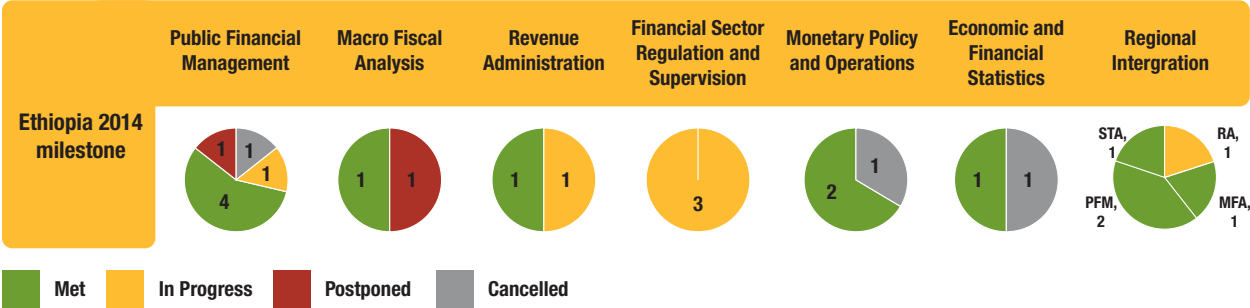
In Revenue Administration, In phase III, Ethiopia has improved compliance management with the drafting of a compliance management policy and other key compliance documentation. During phase IV, AFE will continue to support tax processing and collection as well as developing compliance improvement programs to improve registration, filing, payment and accuracy of reporting.

In Financial Sector Regulation and Supervision, in phase III, AFE supported the NBE in the development of its financial stability and macro prudential framework. These frameworks still are in their very initial phase of development. Another strain of work started in Phase III is the implementation of risk-based insurance supervision and improving the solvency framework which will need to be implemented under Phase IV.

In Monetary Operation, there was limited engagement over phase III, AFE provided Strategic direction for the development of the national payments system (NPS). Over phase IV, AFE TA will focus on strengthening liquidity forecasting and management and developing the government securities markets

In Economic and Financial Statistics, over phase III, Ethiopia has improved, rebased and disseminated its CPI and annual GDP estimates. In phase IV, AFE expects to provide assistance on implementing 2008 SNA standards and continue to provide assistance in compiling key economic aggregate. AFE will also be assisting with the rebase of the PPI and development of the XMPIs. Assistance will also be provided for the next rebase of the CPI and PPI, and to develop XMPI, as well as with improving GFS.

AFE TA Results



Ethiopia East AFRITAC Strategic Logframe



Strategic Target

Topic Objective

EAC Regional Activities

AFE Workplan

FY 2014

Public Financial Management

- IFMIS Implementation QA
- Training on Financial Statements
- Strengthening the MTEF process
- Improve cash management
- Quality assurance-PFM Law
- Extend TSA to the regions

FY 2015

Public Financial Management

- Quality assuring IFMIS plans
- Review IFMIS project management
- Implementing PBB at regional levels
- Improving cash forecasting
- Study tour: Peer learning on M&E
- Promoting fiscal and budget reporting from lower levels of government

Milestones

- QA on IFMIS implementation plan accepted
- IFMIS project management strengthened
- Follow-on mission on PBB and MTEF implementation
- Cash management improve forecasting
- Study tour takes place
- Framework defined for national fiscal reporting and budget monitoring adopted by FGE

Macro-Fiscal Analysis

- Improve forecasting capacity
- Improve database and fiscal reports

Macro-Fiscal Analysis

- Developing a macro-fiscal database
- Developing Capacity in Medium-Term Fiscal Frameworks
- Developing Revenue Forecasting Framework

Milestones

- Improve quality and timeliness of economic reports
- Participants trained in the development of a Medium-Term
- Fiscal Framework within the Medium-Term Budgeting Framework
- Building capacity in revenue forecasting

FY 2014**Revenue Administration**

- Consolidating customs national targeting capacity and selectivity
- Enhancing the deployment and usage of appropriate information technology
- FAD follow up mission in Revenue Administration
- ATAF conference in Natural Resource Taxation

FY 2015**Revenue Administration**

- Strengthening the enforcement and collection function
- Building an effective transit management capacity in Customs

Milestones

- Debt management plan updated, approved and Implemented
- Transit management procedures updated and in use

Financial Sector Regulation and Supervision

- Strengthening the Solvency Framework for insurers in Ethiopia
- Strengthening the financial stability framework of the National Bank of Ethiopia
- Strengthening the solvency and risk based supervision framework for insurance in Ethiopia

Financial Sector Regulation and Supervision

- Enhancing the off-site analysis framework / banking sector assessment framework
- Implementing risk based supervision and solvency regulations

Milestones

- Areas for enhancement and timeline for implementation identified
- Basic risk based insurance supervision in place and developed draft solvency regulations

Macro-Fiscal Analysis

- Draft a NPS oversight policy document.
- Attachment on mobile financial services oversight
- NPS Stocktaking

Monetary Policy and Operations

- Improve liquidity forecasting

Milestones

- Completion of liquidity forecasting framework

Economic and Financial Statistics

- Developing methodology for QGDP at constant prices
- Improving GDP-E estimation methodology

Economic and Financial Statistics

- Assist with the development of the XMPI methodology
- Review of PPI-Manufacturing
- Assist with implementing the GDP-E methodology

Milestones

- Development of export and import price indices
- Improve the producer price indices for manufacturing

Annex—Eritrea

I. Context and Medium-Term Outlook*

Economic growth is estimated to have fallen sharply to 1.1% in 2013 from 7% the previous year and is projected to progress slightly to 1.9% in 2014, reflecting shrinkage of economic activities in many sectors, except in mining. Improvements are under way in the education and health sectors thanks to increased investments in those sectors, but significant challenges remain, es-

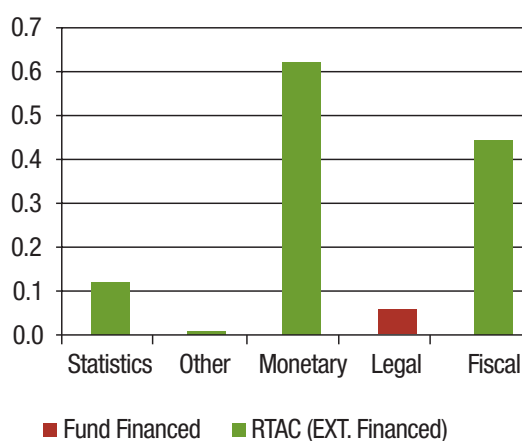
pecially with respect to creating an enabling business environment. The budget deficit improved to an estimated 10.3% of GDP in 2013 from 15.5% in 2010, and is projected to narrowly improve as a result of higher mineral revenues.

*Source: *African economic outlook*, AFDB/OCDE/UNDP

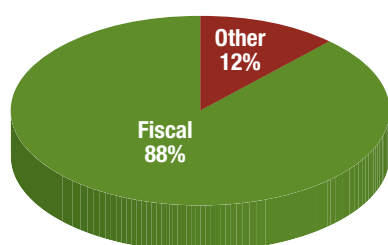
SELECTED ECONOMIC AND FINANCIAL INDICATORS, 2012–17

	2012	2013	2014	2015	2016	2017
			(f)	(f)	(f)	(f)
Real GDP	7.0	1.3	1.7	1.2	2.1	3.0
Inflation Rate	10.8	9.9	12.3	12.3	12.3	12.3
Investment Rate*	9.5	8.8	8.0	n/a	n/a	n/a
Savings Rate*	n/a	n/a	n/a	n/a	n/a	n/a
Central Gov Fiscal Balance,incl Grants*	-13.5	-12.5	-11.6	-12.1	-12.4	-13.6
Gross public sector debt*	96.7	100.4	101.9	103.6	104.8	107.1
Current account balance*	2.3	0.3	-0.2	-1.6	-1.8	-1.4

Eritrea IMF TA Delivery In Person Years 2011–2014



Fund Financed Projects—Eritrea



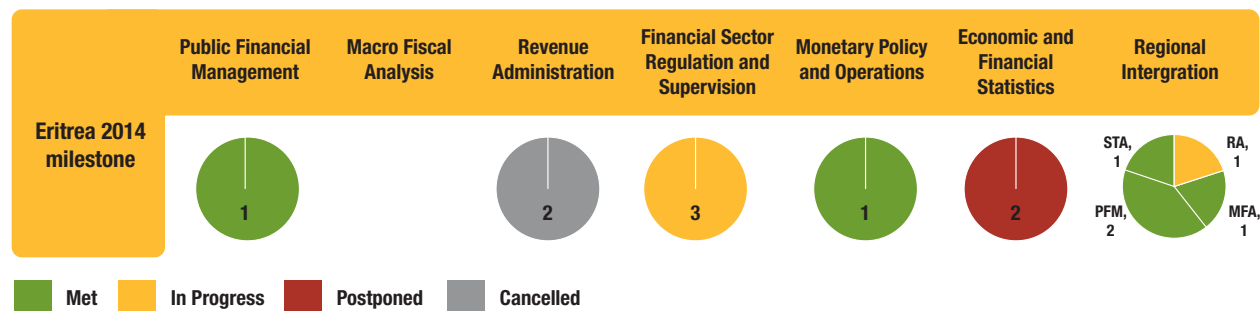
National Development Strategy

Currently being drafted

Major projects by IMF HQ TA Depts in AFE sectors

STA	No HQ led missions in FY15.
FAD	
MCM	
LEG	

AFE TA Results



Policy Issues From IMF Surveillance/Program

- Eritrea is one of the most fragile countries in the world. Fund surveillance has been severely compromised in recent years due to the lack of response from the authorities to the request for Article IV consultations (Last one was in 2009) and the lack of provision of basic macroeconomic data to the Fund.
- Information regarding the largest mining project in Eritrea is available from NEVSUN website (The Canadian company operating the Bisha mine). The new Minister of Finance, H.E. Berhane Abrehe attended the 2014 Annual Meetings and expressed the willingness of the Eritrean government to re-engage with the Fund and the World Bank.
- A possible staff visit to Asmara was contemplated in the discussions with the Minister, aimed at assessing the current macroeconomic conditions and possible arrangements for a future Article IV mission.

II. AFE TA Activities

In PFM, AFE has had limited engagement with the government over phase III, TA has been confined to meeting requests for in-country training on international practices on budget and cash management practice. The Phase IV program aims to maintain engagement and be responsive to the authorities' needs and interest

In Macro-Fiscal, engagement in the macro-fiscal area has been limited over recent years. The authorities have expressed interest in building capacity on medium-term forecasting and budgeting through in-country workshops and regional training and workshops.

In Revenue Administration, over the last decade, Fund TA has been provided to modernize tax administration. AFE assistance, during phase IV, will focus on improving operational effectiveness of tax and custom administration through process re-designs and improves the quality of the tax payer register.

For **Financial Sector Regulation and Supervision**, AFE supported the Bank of Eritrea (BOE) during phase III, in improving its regulatory framework for banking supervision (upgrading the Basel I regulations) and in developing supervisory capacity through

training and attachments in the area of banking and insurance supervision. This support will continue over phase IV, AFE is also supporting the development of insurance supervision, including advice on insurance regulations. On-site insurance supervision is still in its infancy and will need continued attention and support during the next funding cycle.

In Monetary Operation, over phase III, AFE has provided TA on the policy, guidelines and training for the management of international reserves. In Phase IV, AFE will continue to support capacity in macroeconomic analysis to inform monetary policy formulation and implementation.

In Economic and Financial Statistics, in phase III, Eritrea has improved the quality of BOP statistics and commenced compilation of IIP statistics, broadly consistent with international standards. AFE will continue assisting the Bank of Eritrea (BOE) in improving and expanding external sector statistics. In phase IV, AFE will continue to support the BOE on implementing BPM6 standards, and most importantly, the dissemination of these statistics.

PFM	Macro-fiscal Analysis	Revenue Administration	Financial Sector Regulation and Supervision	Economic and Financial Statistics
Provide assistance directed towards providing tools and methods for strengthening budgeting, budget execution, financial reporting and oversight practices whilst also targeting improvements in efficiency, expenditure management and accountability.	To support improvements in public financial management by building capacity in fiscal analysis, budgeting and forecasting	To assist member countries to build capacity to mobilize revenue and improve the environment for doing business.	To increase the financial stability through sound micro-and macro-prudential regulations and supervision	To improve the quality and expand the range of macroeconomic statistics disseminated, including consistency with international standards
Strengthen Planning and Budget Practices Strengthen Treasury and Cash Management	Improving Fiscal Analysis and Reporting	Strengthen Organizational Design to improve revenue administration performance	Banking Supervision Compliant with International Standards (Basel Core Principles) Insurance Supervision Compliant with International Standards (IAIS Core Principles)	External Sector Statistics aligned with International Standards and good practices

Strategic Target
 Topic Objective
 EAC Regional Activities

AFE Workplan

FY 2014

Public Financial Management

- PBB Training workshop

Macro-Fiscal Analysis

- N/A

Revenue Administration

- Improving taxpayer services and tax compliance management
- Enhancing the deployment and usage of appropriate information technology

Monetary Policy and Operations

- Drafting reserves management guidelines and training in reserves management sound practices

Economic and Financial Statistics

- Compilation of BOP statistics
- Compilation of IIP statistics

FY 2015

Public Financial Management

- In-country workshop on Medium term budgeting framework and Program-based budgeting
- In-country training on TS

Milestones

- Workshop completed

Macro-Fiscal Analysis

- Developing macro-fiscal capacity

Revenue Administration

- Building an Effective and Efficient Tax Administration
- Building an Efficient Customs Administration

Milestones

- Revised structures approved and implemented

Monetary Policy and Operations

- N/A

Economic and Financial Statistics

- Developing a BPM6 migration plan

Milestones

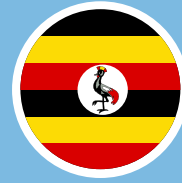
- Commence implementation BPM6 standards for BOP statistics



Eritrea



Malawi



Uganda



Ethiopia



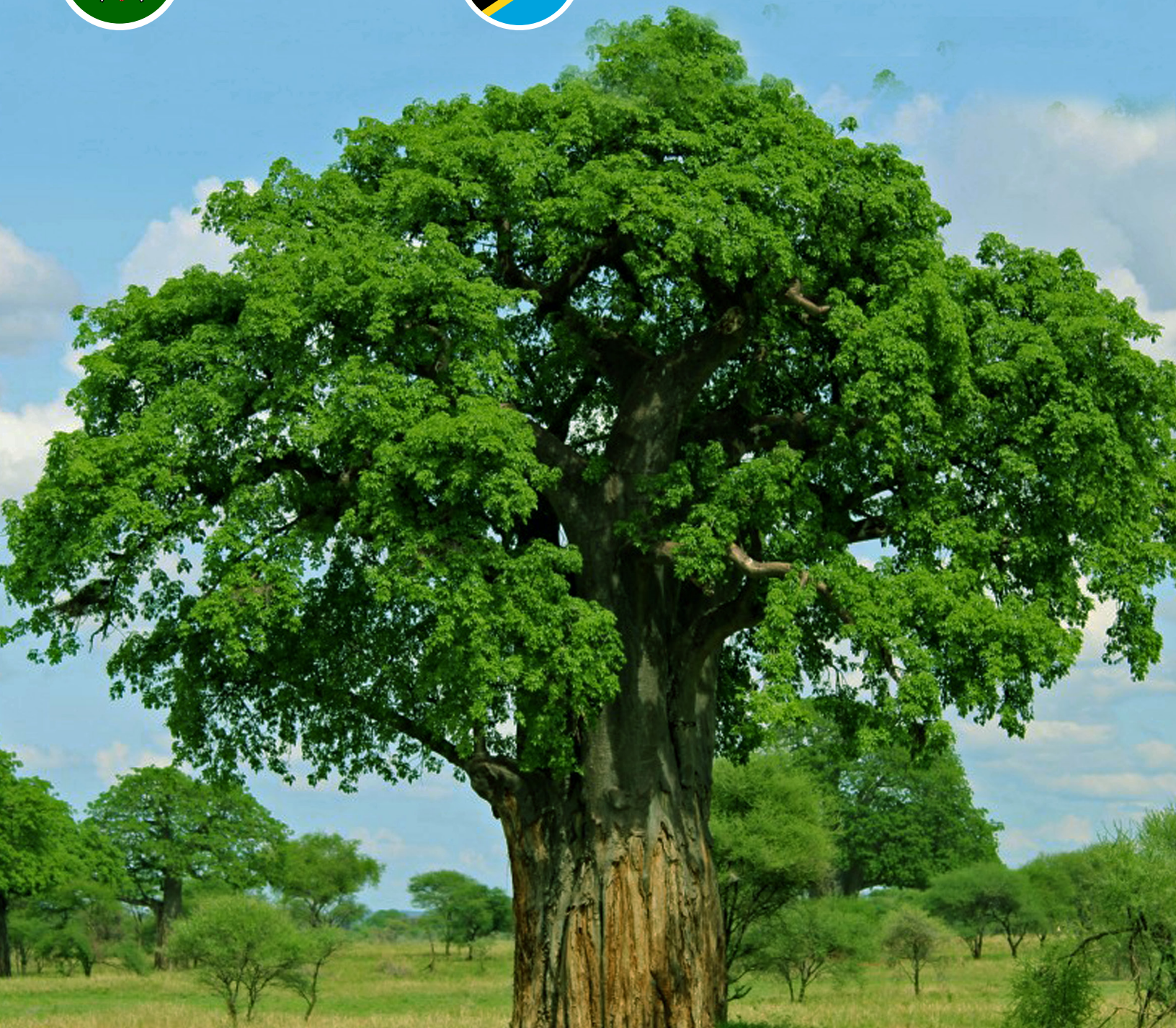
Rwanda



Kenya



Tanzania



**International Monetary Fund
Institute for Capacity Development
Global Partnerships Division**

700 19th Street NW
Washington, DC 20431
USA

Tel.: 1-202-623-7636

Fax: 1-202-623-7106

Email: GlobalPartnerships@imf.org

East AFRITAC

BOT North Tower, 10th floor
P.O. Box 10054

Dar es Salaam, Tanzania

Tel: 255 22 223 5353

Fax: 255 22 223 4204

Website: www.eastafrillac.org