

FY 2016 ANNUAL REPORT

**EAST AFRICA
REGIONAL TECHNICAL
ASSISTANCE CENTER
(EAST AFRITAC)**





East AFRITAC
INTERNATIONAL MONETARY FUND
REGIONAL TECHNICAL
ASSISTANCE CENTER

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Ethiopia



Rwanda



Kenya



Tanzania



**IMF East
AFRITAC
Annual Report
FY 2016**

**Africa Regional
Technical Assistance
Center East**

Table of Contents

EXECUTIVE SUMMARY	3
I. STRATEGIC ISSUES	5
A. Context for IMF East AFRITAC Technical Assistance.....	5
B. Implementation of the IMF's Action Plan on the Mid-Term Evaluation	6
C. Phase IV, Budget and Financing.....	9
D. Development Partner Coordination and Outreach	11
II. REPORT ON ACTIVITIES OVER FY 2016	12
A. Overview	12
B. Revenue Administration.....	18
C. Public Financial Management.....	20
D. Macro-Fiscal Analysis.....	23
E. Financial Sector Regulation and Supervision.....	24
F. Monetary Policy and Operations.....	26
G. Economic and Financial Statistics.....	29
H. Work on Regional Issues	31
I. Attachments, Mentoring and Regional Expertise	33
J. IMF East AFRITAC Training.....	34
III. WORK PROGRAM FOR FY 2017	39
A. Revenue Administration	44
B. Public Financial Management.....	44
C. Macro-Fiscal Analysis	45
D. Monetary Policy and Operations.....	45
E. Financial Sector Regulation and Supervision.....	46
F. Financial Market Infrastructures and Payments	47
G. Economic and Financial Statistics.....	47
H. Work on Regional Issues	48
I. IMF East AFRITAC Training.....	48
J. Attachments, Mentoring and Regional Expertise.....	50

TABLES

Table 1: IMF East AFRITAC, Activities and Resources Summary, FY 2016	12
Table 2: IMF East AFRITAC, Allocation of Resources by TA Area, FY 2016	14
Table 3: IMF East AFRITAC, Allocation of Resources by Country, FY 2016.....	14
Table 4: IMF East AFRITAC, Resource Distribution by Sector and Country, FY 2016	14
Table 5: IMF East AFRITAC, Status of Outcome Milestones by Sector, FY 2016	15
Table 6: IMF East AFRITAC, Strategic Log Frame, FY 2017	40
Table 7: IMF East AFRITAC, Planned Activities, FY 2017.....	41
Table 8: IMF East AFRITAC, Allocation of Resources by Sector, FY 2017	42
Table 9: IMF East AFRITAC, Resource Distribution by Sector and Country, FY 2017	42
Table 10: IMF East AFRITAC, Resource Allocation by TA Department, FY 2017.....	43

BOXES

Box 1: Status of Implementation of the Recommendations of the Mid-Term Evaluation	8
Box 2: Tax Administration Diagnostic Assessment Tool (TADAT) – A Tool that Facilitates Tax Administration Reform and Coordination in Technical Assistance	19
Box 3: Strengthening Public Investment Management (PIM) in East Africa	21
Box 4: Fiscal Transparency Evaluations (FTE) in the East African Community.....	23
Box 5: Collaboration with Specialized Agencies - Regional Workshop on Insurance Supervision with the Toronto Centre.....	26
Box 6: Modernizing Monetary Policy: Forecasting and Policy Analysis Systems – Progress in FY 2016.....	28
Box 7: Improving Government Finance and Public Debt Statistics in the East African Community	31
Box 8: Supporting Fiscal Surveillance in the East African Community.....	32
Box 9: Strengthening Prevention and Management of Expenditure Arrears.....	36
Box 10: Training on Residential Property Price Indexes (RPPIs).....	38

FIGURES

Figure 1: Macroeconomic Developments in Sub-Saharan Africa and the IMF East AFRITAC Region.....	7
Figure 2: IMF East AFRITAC, Activities, FY 2015 and FY 2016.....	13
Figure 3: IMF East AFRITAC, Distribution of Support by Country, FY 2016.....	13
Figure 4: IMF East AFRITAC, Status of Activities by Sector, FY 2016	16
Figure 5: IMF East AFRITAC, Deviation Analysis, FY 2016.....	17
Figure 6: IMF ICD Online Training Participants by Country (2014-16).....	34
Figure 7: IMF East AFRITAC, Distribution of Resources by Sector and Country, FY 2017 (percentage shares).....	43

List of Abbreviations

AFE	IMF East AFRITAC
AFRITACs	Africa Regional Technical Assistance Centers
BOT	Bank of Tanzania
CABRI	Collaborative Africa Budget Reform Initiative
CBK	Central Bank of Kenya
CD	Capacity Development
CPI	Consumer Price Index
DfID	Department for International Development (United Kingdom)
EAC	East African Community
EAMU	East African Monetary Union
FAD	Fiscal Affairs Department (IMF)
FMI	Financial Market Infrastructures
FPAS	Forecasting and Policy Analysis System
FPW	Field Person Weeks
GDP	Gross Domestic Product
GFS	Government Finance Statistics
ICD	Institute for Capacity Development (IMF)
IMF	International Monetary Fund
LEG	Legal Department (IMF)
LoU	Letter of Understanding
MAC	Monetary Affairs Committee (EAC)
MCM	Monetary and Capital Markets Department (IMF)
MEFMI	Macroeconomic and Financial Management Institute for Eastern and Southern Africa
MOFEC	Ministry of Finance and Economic Cooperation, Ethiopia
NAS	National Account Statistics
PBB	Program-Based Budgeting
PFMI	CPSS/IOSCO Principles for Financial Market Infrastructures
PPI	Producer Price Index
QGDP-E	Quarterly National Accounts by Expenditure
RA	Resident Advisor
RBM	Reserve Bank of Malawi/ Results Based Management
RTAC	Regional Technical Assistance Center
SC	Steering Committee
SCT	Single Customs Territory
SDGs	Sustainable Development Goals
SNA	System of National Accounts (2008)
STX	Short Term Expert
TADAT	Tax Administration Diagnostic Assessment Tool
TA	Technical Assistance
TPA-TTF	Tax Policy and Administration Topical Trust Fund
TSA	Treasury Single Account
VAT	Value Added Tax

Opening Remarks by H.E. Ato Newai Gebre-ab, Economic Advisor to the Prime Minister of Ethiopia

At the 18th IMF East AFRITAC Steering Committee Meeting, Addis Ababa, April 4, 2016

On behalf of the Ethiopian government and on my own, I would like to welcome you all to Addis Ababa, the “New Flower” of Ethiopia, the de facto capital city of our beloved African continent, the land of mosaic peoples and cultures, and the cradle of mankind and the protégé of ancient civilization.



As you may all know, Ethiopia has been on the development path and made impressive strides over the last two decades in achieving broad based and rapid economic growth, reducing poverty and narrowing of income inequality gaps. Specifically, during the last 5 years of GTP period, Ethiopia registered 10.1 percent annual average economic growth, which put it among one of the world’s fastest growing developing economies. During this period, Ethiopia has managed to maintain macroeconomic stability, rapid growth in domestic savings and investment. Except for few months in 2015, inflation has largely been kept within single digit since March 2013. Government’s prudent fiscal and monetary policies and overall development objectives have helped to ensure macroeconomic stability and growth. Efforts have also been made to ensure the safety and soundness of the Ethiopian financial sector and to enhance financial intermediation, inclusion and access to vast spectrum of the population. Accordingly, domestic resource mobilization, investment and savings culture are showing steady growth. Despite external and internal shocks, Ethiopia is striving to maintain its external competitiveness by pursuing a mix of policy tools at its disposal.

All these achievements were made possible through hard work of the Ethiopian people and people-centered policies of the developmental state. The financial assistance and capacity building initiatives of our development partners such as the IMF, World Bank and other bilateral and multilateral institutions has also been instrumental in realizing the development objectives set during GTPI period. It is worth to note here the impressive role the IMF played through its technical capacity building programs both at its headquarters and at regional levels, in providing multi-disciplinary and demand-driven capacity building trainings, workshops as well as advisory and consultancy services to its member countries including Ethiopia. In particular, Ethiopia has significantly benefitted from such services of the IMF both at its Washington headquarters and East AFRITAC located in Dar es Salaam, Tanzania.

As you may recall, currently, the Ethiopian government has begun implementing GTP II which stretches from 2015/16-2020/21. Like its predecessor, this five year strategic plan also envisages to ensure macroeconomic stability, sustain the rapid economic growth, accelerate poverty reduction and redress income inequality and ultimately to set the momentum for Ethiopia to reach middle income country status by 2025. The achievement of these strategic goals and objectives while largely contingent upon coordinated efforts and stamina of the Ethiopian people and government, the contribution of our development partners, including that of IMF and World Bank, is highly sought. In this respect, the IMF through its headquarter and its

regional wing, East AFRITAC, can play an enhanced role in line with its core competence in providing streamlined, demand driven and trustful policy advice, technical assistance, and other capacity building and experience sharing workshops and trainings pertinent to the general and specific needs of member countries, including Ethiopia. Like in the past year, we particularly welcome East AFRITAC's technical assistance in areas of monetary operations, supervision of financial institutions, fiscal sector and statistical fields.

It is against this backdrop that we value the convening of the 18th East AFRITAC Steering Committee meeting not only for hosting it for the second time in Addis Ababa, the de facto capital city of Africa, but also during a time when the African Development Week, jointly organized by the Economic Commission for Africa (ECA) and the African Union Commission, is taking place in Addis Ababa beginning March 31 up to April 2016. I hope that the 18th Steering Committee meeting will take this opportunity not only to deliberate on the progress made in implementing its previous decisions but also to set clear, objective and attainable strategic goals for the coming years with a view of assisting member countries sustain their macroeconomic stability, rapid and inclusive economic growth and improved living standards to the benefit of the whole population of the East AFRITAC region and beyond. At this juncture, I would also like to express the full support and cooperation of the Ethiopian government in contributing to the full realization of the capacity building objectives of East AFRITAC. I also call upon our development partners to continue assisting and strengthening the efforts of East AFRITAC.

Finally, I wish you fruitful deliberation over the next two days and joyful stay in Addis Ababa. With this I declare that the 18th East AFRITAC Steering Committee meeting officially opened.

I thank you.

Executive Summary

The IMF builds human and institutional capacity in macroeconomic management across the globe through technical assistance and training. This work – collectively referred to as capacity development – is a core part of the IMF’s operations and its contributions to global growth and prosperity. Over one quarter of the Fund’s resources are devoted to capacity building, mainly in fiscal policy and management, monetary and financial systems, statistics and in legal frameworks. Such support is delivered through a variety of vehicles – from IMF HQ, via regional technical assistance and training centers, through thematic trust funds, and bilateral donor-supported activities. This work is supported through a partnership with various donors who share mutual goals. Partners and recipients value the Fund’s model of in-house delivery that is tailored, demand driven, responsive and closely coordinated with other stakeholders. Moreover, it is closely integrated with the IMF’s surveillance and lending activities. Regionally, the highest volume of support is provided to Africa, with much of this delivered by the on-the-ground Regional Technical Assistance Centers (RTACs). IMF East AFRITAC is the oldest of the five RTACs which cover all of sub-Saharan Africa. It serves seven East African members – Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda. The Center has just begun its fourth five-year program of assistance.



IMF Capacity Development Brochure



IMF External Training Catalog

This report covers the first year of Phase IV of IMF East AFRITAC’s operations (FY 2016, May-April 2016)¹ and outlines the work plan for FY 2017. The Center’s work has been an integral part of the IMF’s contribution to capacity development through training and technical assistance. In this way, the Center is also contributing to the Fund’s efforts in support of the Sustainable Development Goals and the Financing for Development Agenda.² Technical assistance and training provided have closely followed the strategic priorities set out in the [Phase IV program document](#) endorsed by the Steering Committee, its governing body of member countries, donors and the IMF. Despite funding uncertainties, a sustained level of technical assistance and training services has continued to be delivered with encouraging results and positive feedback. However, some important new TA streams – such as those planned in natural resources management and fiscal law – continue to be delayed until financing is secured.

The Center’s work has been delivered in close cooperation with the IMF’s technical assistance departments, the African Department, and with the Institute for Capacity Development. The number of activities undertaken and resource use in FY 2016 was close to the plan, with virtually all targeted results milestones being completed or in progress. Some notable achievements over the year include the completion of tax administration diagnostics in Ethiopia, Malawi, Rwanda, Tanzania and Uganda; Fiscal Transparency Evaluations in Tanzania and Uganda in collaboration with the IMF’s Fiscal Affairs Department; substantial

¹ Phase IV started in July 2015 following a two month extension of Phase III, but the report covers the full FY 2016 period (May 2015 to April 2016).

² The Regional Technical Assistance Center’s are a key vehicle for the IMF’s delivery of capacity development services. Background is provided in Annex I.

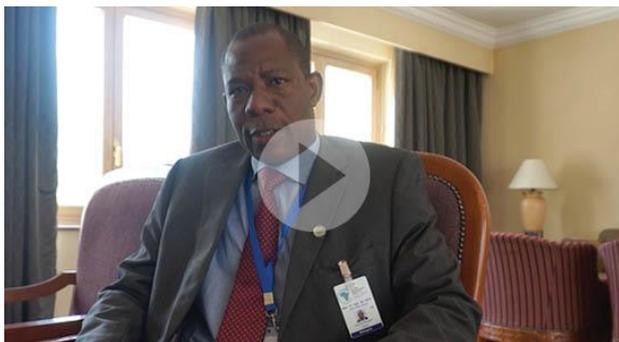
progress to help improve fiscal analysis across the region through compiling/disseminating new broader fiscal datasets and developing East African Community (EAC) GFS/public sector debt statistics guidelines; and a range of work on regional integration with the EAC, including on the architecture for financial system oversight under monetary union, on harmonized standing facilities, and on the Single Customs Territory.

Progress continues in implementing the recommendations from the mid-term evaluation of Phase III and incorporating lessons into Phase IV operations. In particular, the Fund has advanced in adopting a results based management (RBM) system for all IMF capacity development. The efficiency of operations has also been strengthened through development of a new RTAC handbook which standardizes operating guidelines for RTACs.

The Center continues to work closely with development partners and keep them informed. This includes the sharing of TA reports, monthly newsletters, debriefings during missions, and participation in donor groups. This year cooperation has extended to joint missions in the tax administration area. Outreach remains a high priority, including the sharing of success stories. Launched in FY 2016, the Center's new Facebook page has been a success, allowing reach to new audiences.

The draft work program for FY 2017 envisages a moderate increase in activity from FY 2016. Activity in most areas reflects continuation of projects underway, where results are sound and there continues to be strong demand for follow on support. Financial market infrastructures and payments system work will be scaled up following the recruitment of a dedicated advisor. Support for the EAC's regional integration agenda will also remain a prominent component of activity. Financing uncertainties complicated development of the draft FY 2017 program, including delaying new areas of work. While activity levels proposed are higher than delivered in FY 2016, they are below those executed in FY 2015, and work plan delivery remains subject to financing risks. A contingency plan developed in case additional funding is delayed implies cancelling a number of important new projects and prematurely terminating ongoing work.

Accordingly, ensuring the remainder of Phase IV is fully funded remains a key priority. Disbursements from the EU, UK, Switzerland, the Netherlands, and Malawi have been welcome, as are signed LoUs from Uganda and Rwanda. Nevertheless, approximately a third of the Phase IV budget is yet to be funded. While a scaling back of TA delivery has been avoided thus far, continuing financial uncertainty is affecting work program planning going forward. Continued financing gaps will eventually lead to delays and cancellations of TA/training delivery, with negative impact on member countries' reform efforts and EAC regional integration. Important elements of financial sustainability include clarification of development partners' future financing plans and follow through on member countries' commitment to double their contributions as a share of Phase IV financing.



These issues were discussed at IMF East AFRITAC's 18th Steering Committee meeting in Ethiopia (April 3-5, 2016)³ where member countries and development partners made strong statements in support of the Center's work. The Committee agreed with the importance and urgency of securing full financing for Phase IV given the region's substantial macroeconomic capacity building needs.

Dr. Ronald Mangani, Permanent Secretary to the Treasury, Malawi and Monique Nsanzabaganwa, Deputy Governor, National Bank of Rwanda

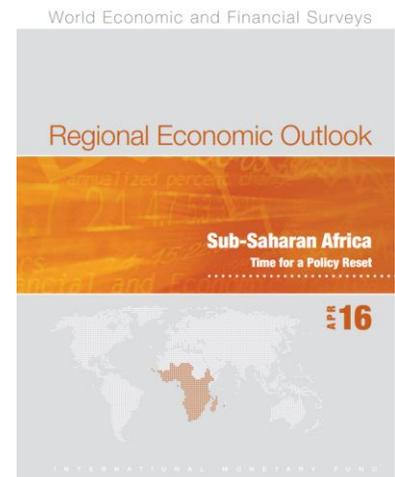
³ The agenda and minutes of the 18th Steering Committee meeting are appended as Annex II and Annex III respectively.

I. Strategic Issues

A. Context for IMF East AFRITAC Technical Assistance

Sub-Saharan Africa is facing a weakening of growth driven by falling commodity prices and a tightening of the accommodative global financial conditions that had facilitated capital flows to the region over recent years.⁴ The external environment has also been weaker with slower growth than the past in emerging markets, most notably in China. However, in contrast to other regions of sub-Saharan Africa, growth is holding up in most of East Africa and inflation remains contained (Figure 1). The sub-region is not as exposed to commodity exports as the rest of sub-Saharan Africa and activity is being buttressed by ongoing public infrastructure investment and private consumption growth. Nevertheless, some economies in the region exhibit significant macroeconomic imbalances and others are facing weather related shocks. Most are also facing these challenges with much lower macroeconomic buffers than at the onset of the global financial crisis. Several countries have experienced considerable depreciation of their exchange rates and volatility in their money markets. To reignite the engine of sustainable growth and secure medium term prospects, the IMF has called for a strong policy reset (listen to [the podcast](#)).

This includes actions to preserve fiscal stability including by boosting tax revenues and better prioritizing spending, rebuilding macroeconomic buffers, continuing to allow for exchange rate flexibility, and strengthening financial system soundness. In addition, structural measures such as enhancing the business climate and improving the quality of public investment would help export growth, employment and diversification. This challenging environment reinforces the importance of capacity development (CD) and institution building. This includes IMF East AFRITAC's assistance in areas such as improving domestic revenue mobilization, improving the efficiency of public spending, developing more forward looking monetary policy frameworks, and improving data quality and availability. The shock also points to careful assessment of financial stability implications. Here again the Center's work on strengthening financial sector regulation and supervision is important for preserving macroeconomic stability.



IMF Regional Economic Outlook for Sub-Saharan Africa, Time for a Policy Reset, April 2016.



IMF Deputy Managing Director Carla Grasso, ICD Director Sharmini Coorey, and IMF Officials with AFE Resident Advisors and Staff at the Center, March 2016

⁴ See IMF Regional Economic Outlook for Sub-Saharan Africa, Time for a Policy Reset, April 2016

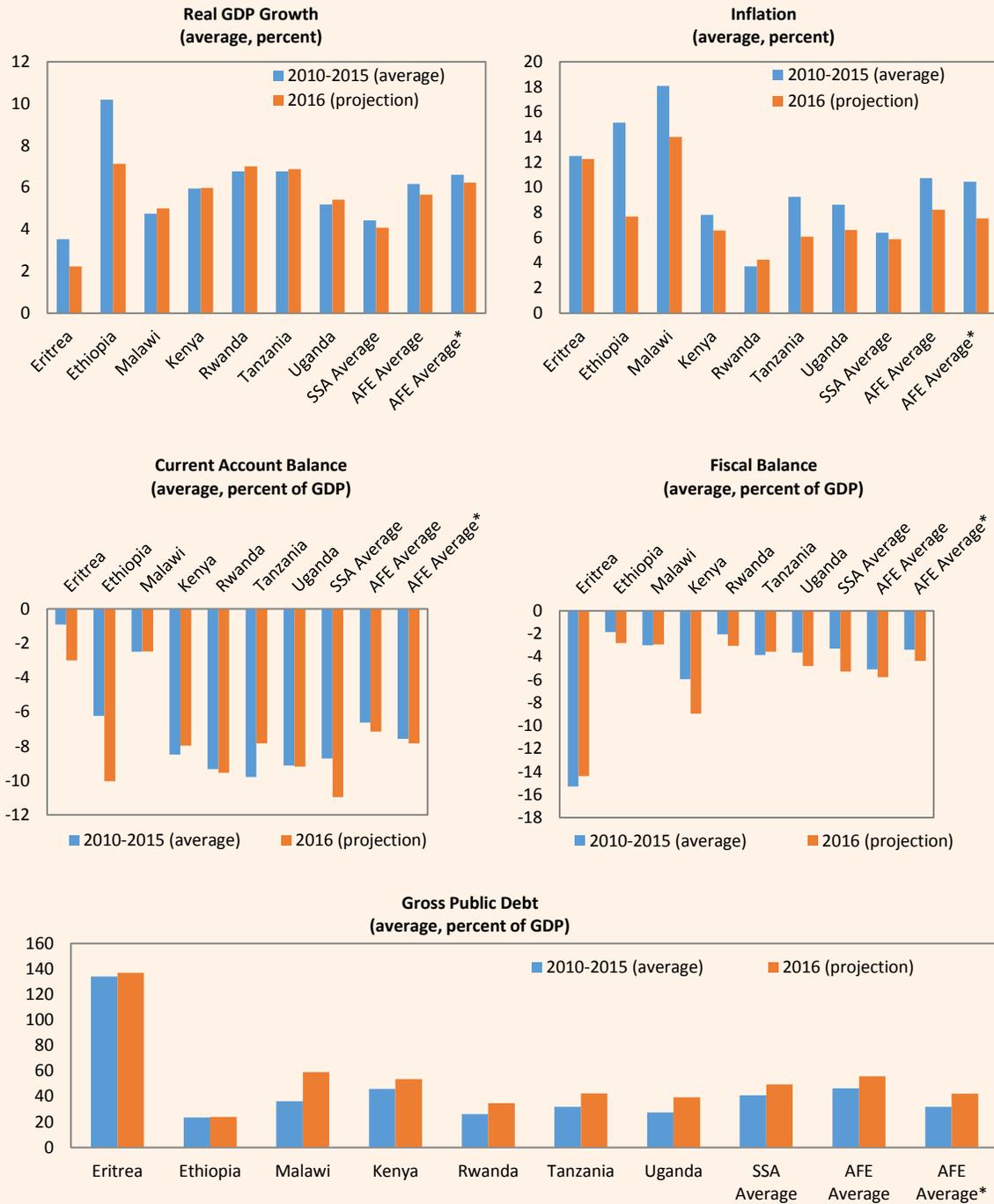
Over the last year, the international development agenda has been given fresh impetus by UN conferences on the Sustainable Development Goals (SDGs) and their financing, with important implications for the IMF's capacity development work. The international conference on Financing for Development in Addis Ababa resulted in a consensus on a broad range of commitments to promote financing for development. These included a particular focus on domestic revenue mobilization (the Addis Tax Initiative), infrastructure investment, equity and financial inclusion, as well emphasis on assisting fragile and conflict-affected states. The New York conference on the SDGs adopted the 2030 Agenda for Sustainable Development, including the SDGs that will guide the development community for the next 15 years. The ambitious agenda integrates the three dimensions of sustainable development: the economic, social, and environmental spheres ([Read Keynote Remarks by Christine Lagarde, IMF Managing Director](#)). The IMF has a deep commitment to support these efforts, including through its capacity development work. These conferences validate and guide IMF East AFRITAC's work, including its assistance on tax administration, strengthening public financial management, developing financial systems and monetary operations, improving the statistical foundations for effective economic policy making, and promoting regional integration.

B. Implementation of the IMF's Action Plan on the Mid-Term Evaluation

IMF East AFRITAC reports bi-annually on implementation of the IMF's action plan responding to the November 2013 mid-term external evaluation of the Center. Box 1 summarizes actions taken since the 17th Steering Committee meeting in Kampala (March 30-31, 2015).⁵

⁵ A full update of the matrix of actions responding to the evaluation can be found in Annex VI of the Information Annex.

Figure 1: Macroeconomic Developments in Sub-Saharan Africa and the IMF East AFRITAC Region



*Excludes Eritrea
Source: Country Authorities and IMF Staff estimates

Box 1: Status of Implementation of the Recommendations of the Mid-Term Evaluation

Country Strategies, Sustainability, Costing

- Improved Regional Strategy Notes/Resource Allocation Plan (RSN/RAP) process to capture all IMF TA to the IMF East AFRITAC region. Better alignment with the Fund's strategic planning cycle. AFE has played an integral part in IMF country capacity consultations on several AFE countries and the EAC, where the IMF's TA strategy for the country, its effectiveness, and TA/training priorities have been discussed.
- Financial sustainability strategy for Phase IV: (i) establishing long-term strategic partnerships with key donor partners; (ii) diversification of the donor partner base; and (iii) a gradual increase in member country contributions. On the latter, there has been general agreement to double member country contributions, a commitment that the IMF is following up.

RTAC Reporting, Standardization of Practices, and Improving Governance

- The RTAC Handbook, which addresses a number of issues from the mid-term evaluation on standard operating guidelines for RTACs, was published in summer 2015 (see AFE secured website). It was discussed at RTAC Center Coordinator and RTAC Office Manager Retreats in September 2015, which sought to strengthen and harmonize practices across RTACs and IMF HQ departments, foster collaboration and peer learning. A revised version of the Handbook, reflecting the retreats' discussions and suggestions is planned to be published in the summer of 2016 and will be posted on the AFE secure website. The overall objective of the Handbook is to strengthen the operational efficiency of RTACs. It includes a communications strategy/outreach plan for RTACs and enhancing donor partner visibility. The Handbook is a living document and will be regularly updated to reflect evolving practices.
- The capital project on a Capacity Development Information Management System (CDIMS) is ready for rollout. Demos and training on the new system are planned to begin in March/April 2016. CDIMS aims to strengthen and standardize the processes related to the recording of financial information for donor partner-financed TA. The IMF will introduce real-time system tools to monitor and analyze the cash flows, budgets and expenditure related to donor partner-financed activities. This will help to standardize and automate financial reporting to donor partners.
- Executive summaries of the evaluations of other RTACs will be circulated to SC members. Evaluations of PFTAC and AFRITAC South were circulated at the time of the AFE FY 2016 mid-year report. An executive summary of the evaluation of CARTAC is attached (Annex VII). Further RTAC evaluation reports will be circulated as they become available.

Efficiency of IMF East AFRITAC Operations

- Succession planning has been strengthened with systematic early initiation of recruitment of replacements for departing advisors and overlap between advisors.
- The Research Analyst position was extended given positive experience in assisting the Center Coordinator improve analysis at AFE and provide research support for resident advisors.

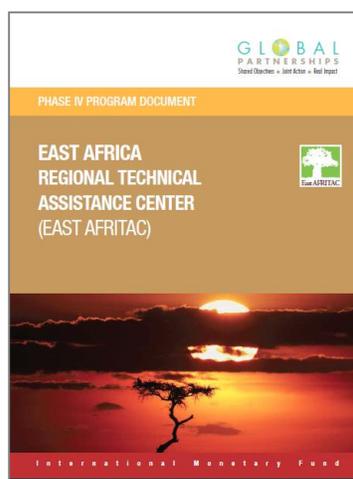
Results Orientation

Considerable progress has been made toward implementing an RBM system for all IMF CD, irrespective of financing source.

- The RBM system is ready for operational use. The focus in the recent months has been on change management, and to train the TA providers and project managers in the Fund on the use of the new system and its accompanying catalog when designing new TA projects.
- Donor partners will benefit from having discussions anchored in a clearer results framework based on international best practices and aligned with IMF priorities.
- The new RBM system will considerably improve the quality and availability of information for monitoring TA and training. It will serve as a management tool that addresses the planning, monitoring and implementation of the entire CD project cycle. TA departments have developed a catalog of harmonized outcomes and associated indicators for each TA product line based on the knowledge of top experts. The RBM system will help to aggregate results across topics, regions, and TA delivery modes, which will considerably improve the consistency and comparability of results reporting both internally and to donor partners. The new software will facilitate tracking of project deliverables.
- Implementation of the new system is continuing and along with the catalog, it continues to be rigorously tested. The catalog of outcomes is likely to evolve over time, as improvements are made. The framework will be progressively extended to all IMF CD, including training. AFE'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 in the catalog). Over time, the Center's existing strategic log frame will be phased out and will be fully integrated in the Fund-wide RBM framework.

Effectiveness of Workshops and Training

- Databases on training participants and evaluations have been constituted. Testing has been introduced in selected workshops.
- Work on post workshop tracking through participant and sponsor questionnaires is underway. Specifically, on a pilot basis the Center is tracking the effectiveness of courses conducted in the first half of FY 2016.



**AFE Phase IV Program Document
Covering the Center's Strategy
2015-2020**

C. Phase IV, Budget and Financing

Phase IV activity started cautiously given uncertainties over financing, but activity levels have been broadly sustained at those delivered towards the end of Phase III. Work over the first two months (May and June) was covered by the Phase III extension to end June. Uncertainty nevertheless remained over the timing and scale of Phase IV financing following the pledging session held at the 17th Steering Committee meeting. Operationally, the uncertainty led to a slower supply of services than desired over the first semester, including through a delay in training workshops and restraint in the launch of new activities e.g. in natural resources management, and in the recruitment of experts in new areas such as financial market infrastructure and fiscal law. Activity was stepped up over the second semester as pledges materialized (although remained below FY 2015

levels). Total spending until April 2016 (including the two month Phase III extension to June 2015) was US\$9.5 million (of a FY 2016 budget of US\$11.0 million⁶). This compares with FY 2015 expenditures of US\$10.7 million.

Several donor partners have made important pledges and disbursements.

- The European Union (EU) provided EUR 6 million (US\$ 6.6 million) for IMF East AFRITAC from its intra-African, Caribbean and Pacific (ACP) envelope for the RTACs. In April 2016, the EU pledged a further contribution to Phase IV of EUR 7 million (US\$ 7.8 million).
- In June 2015, the IMF signed a letter of understanding (LoU) with the United Kingdom for a contribution of GBP 4.5 million (US\$ 6.9 million). This contribution covers the first two years of Phase IV. The UK has also confirmed it will contribute to the remaining years of Phase IV.
- A LoU was also signed in July with Switzerland (US\$ 1 million), covering the first two years of Phase IV; Switzerland has indicated it may make a further contribution to Phase IV.
- In November 2015, the IMF signed a LoU with the Netherlands for a contribution of EUR 7 million (US\$ 7.7 million) to all AFRITACs. The IMF will allocate the funding between the AFRITACs based on funding needs. The allocation for AFE Phase IV will be approximately EUR 3-4 million (US\$ 3.3 – 4.4 million).

Nevertheless, approximately one third of Phase IV financing remains to be secured. As of April 2016, total firm commitments from donor partners and the IMF (commitment of US\$3.7 million) amount to US\$29.3 – US\$30.4 million (Annex XV) out of total phase financing of US\$53.5 million. In addition, member countries are expected to contribute 10 percent of the Phase IV program budget (US\$5.5 million). The LoUs were shared with the member countries in early 2016, and the IMF has requested these be signed and first disbursements received at the earliest. By the end July 2016, Malawi had signed the LoU and made a first installment, and both Uganda and Rwanda had signed LoUs. Taking into consideration expected member country contributions, the funding gap for Phase IV is approximately US\$17.6-US\$18.7 million.

⁶ The \$11 million budget covered full FY 2016 (May 2015 – Apr 2016). Approximately \$1.7 million was charged to the Phase III budget, which covered May and June 2015.

D. Development Partner Coordination and Outreach



IMF East AFRITAC Facebook Page



IMF Institute for Capacity Development Facebook Page



Olivier Coupleux, Head of Economics and Governance, European Union Delegation, Tanzania, discusses collaboration with Sukhwinder Singh, Center Coordinator, IMF East AFRITAC

Development

partner coordination, visibility and outreach are priorities for IMF East AFRITAC. Monthly newsletters provide detailed information on the Center’s work, to supplement real ongoing collaboration taking place between advisors and donor partner colleagues. In FY 2016, this has extended to operational collaboration with donor partners in areas of common interest. Prominent examples are: (i) the tax administration diagnostic (TADAT) missions to Ethiopia, Malawi, Rwanda, Tanzania and Uganda; and (ii) the tripartite partnership with the AfDB and EAC on GFS and public sector debt statistics to monitor compliance with the East African Monetary Union protocol. Advisors have continued to provide mission debriefs and to work with donor partner groups. An example was PFM advisors’ participation in the annual joint mission to review PFM reform progress in Tanzania. A TADAT briefing was also arranged for the budget support group in Tanzania. A mid-year debrief for Steering Committee members on work plan implementation was held in November and a draft of the forthcoming year’s annual work plan circulated to development partners for input. A total of 59 technical assistance reports had been disseminated by mid-March on the Center’s secure extranet site (Annex XI).

The initial results of IMF East AFRITAC’s venture into social media have been encouraging. Supplementing its traditional outreach vehicles, the Center launched a Facebook page in June, serving as a pilot for the IMF’s offices in sub-Saharan Africa (www.facebook.com/IMFEastAFRITAC). To date the page has received over 12,000 likes concentrated in countries across the region. Material has been shared on the Center’s activities as well as broader IMF work relevant to AFE members. The page complements and is coordinated with the IMF’s own Facebook page on capacity development and a new twitter feed.⁷ Revamp of the new AFE website is also in the pipeline as part of creating a standard environment for all AFRITAC websites.



IMF East AFRITAC’s Monthly Newsletter

⁷ <https://www.facebook.com/IMFCapacityDevelopment>) and <https://twitter.com/IMFCapDev>.

II. REPORT ON ACTIVITIES OVER FY 2016

A. Overview

Despite funding uncertainties weighing on activity, a high rate of support was delivered and some notable results achieved. In aggregate, activity levels were very close to the levels planned and TA/training supply (measured in field person weeks) was around 90 percent of the original and revised (at mid-year) work plan (Table 1 and Figure 2). Around three-quarters of activity is technical assistance and the remainder training, although in practice overlaps exist and the work streams are closely integrated. Annex VIII presents the status of all activities in the FY 2016 work plan; Annex IX lists all training workshops conducted; Annex X lists all TA reports produced and Annex XI those disseminated; and Annex XII lists all short term experts who delivered services for the Center.



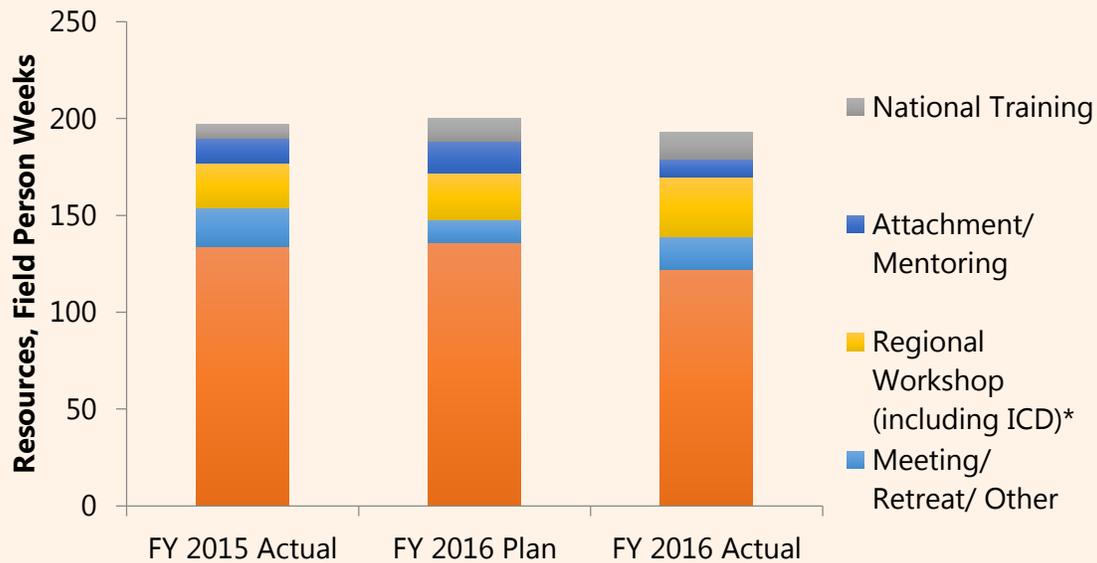
Tanzanian TA/Training recipients meet IMF Deputy Managing Director Carla Grasso and IMF officials, March 2016

Table 1: IMF East AFRITAC, Activities and Resources Summary, FY 2016

	FY 2015		FY 2016	
	Annual Actual	Annual Plan	Annual Actual	Execution Rate (%)
AFE Activities (number)				
TA Mission	134	136	122	90
Meeting/ Retreat/ Other	20	12	17	142
Regional Workshop (including ICD)*	23	24	31	129
Attachment/Mentoring	13	16	9	56
National Training	7	12	14	117
Total Number of Activities	197	200	193	97
Resources (Field Person Weeks)				
Type of Activity				
Technical Assistance	724	661	585	88
Training	196	221	209	95
	921	882	794	90
Modalities				
Resident Advisor	421	413	371	90
Short Term Expert	384	365	338	93
Attachments	33	48	32	66
IMF HQ Staff	83	55	53	96
Total Field Person Weeks	921	882	794	90

*Includes workshops where AFE staff participated as resource staff; multi-sector workshops are recorded by each sector involved.

Figure 2: IMF East AFRITAC, Activities, FY 2015 and FY 2016



Execution was generally high across all sectors, averaging 90 percent of planned delivery (Table 2). In PFM, lower resource use partly reflected replacing some larger scale interventions with shorter and smaller missions, or the merging of activities. Delivery in monetary operations was affected by changes in recipient country plans. Payments system work was delayed pending arrival of a new advisor in the last quarter. By country, execution fell short in Kenya, Tanzania, and Uganda (Table 3, Figure 3) for various reasons such as reprioritization by the authorities, changes in leadership at key partner institutions, and delays in confirming activities including due to elections. Table 4 provides a snapshot of allocation of resources across countries by TA area. On the training front, a total of 45 regional and national workshops were undertaken, either to reinforce TA projects underway across countries or as the agreed optimal form of capacity development support in themselves (Table 1 and Annex IX).

Figure 3: IMF East AFRITAC, Distribution of Support by Country, FY 2016

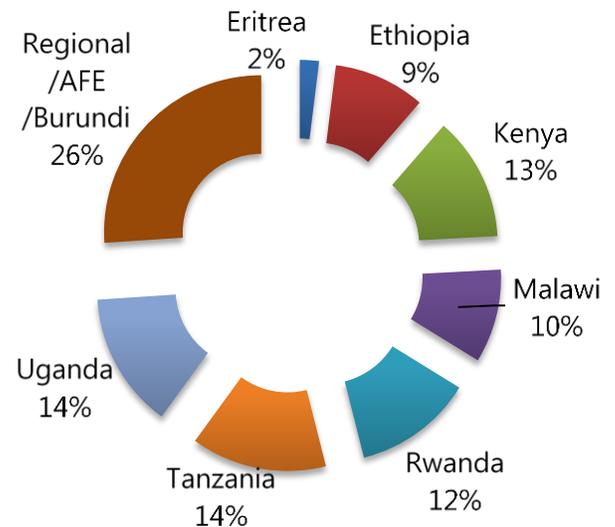


Table 2: IMF East AFRITAC, Allocation of Resources by TA Area, FY 2016

(In Field Person Weeks)	FY 2015	FY 2016			
TA /Training Area	Annual Actual	Plan	Actual	Execution Rate (%)	TA Share (%)
Revenue Administration	116	96	109	114	14
Public Financial Management	244	220	180	82	23
Macro-Fiscal Analysis	97	79	76	96	10
Financial Sector Regulation and Supervision	123	90	94	105	12
Monetary Policy and Operations	159	162	127	78	16
Payment Systems	-	35	11	30	1
Economic and Financial Statistics	182	199	198	99	25
Total	921	882	794	90	100

Table 3: IMF East AFRITAC, Allocation of Resources by Country, FY 2016

(In Field Person Weeks)	FY 2015		FY 2016		
Member Country	Annual Actual	Country Share (%)	Annual Plan	Annual Actual	Execution Rate (%)
Eritrea	16	2	17	16	96
Ethiopia	49	5	79	76	96
Kenya	117	13	126	100	80
Malawi	80	9	70	81	115
Rwanda	128	14	114	91	79
Tanzania*	169	18	137	109	80
Uganda	168	18	142	114	80
Regional/AFE /Burundi	193	21	197	207	105
Total	921	100	882	794	90

*Tanzania includes Zanzibar in all tables, unless otherwise stated

Table 4: IMF East AFRITAC, Resource Distribution by Sector and Country, FY 2016

(In Field Person Weeks)	Total	RA	PFM	MFA	FSR	MONOPS	PAY	STA
Eritrea	16	4	2	2	8	0	0	0
Ethiopia	76	15	23	7	6	13	0	13
Kenya	100	13	24	4	10	25	4	20
Malawi	81	14	31	7	12	7	0	10
Rwanda	91	21	17	5	10	16	0	21
Tanzania	109	12	17	7	11	29	0	34
Uganda	114	16	23	11	13	14	5	34
Regional/AFE/Burundi	207	15	43	32	26	25	2	65
Total	794	109	180	76	94	127	11	198

As for results, overall progress on the milestones set for the year has been encouraging. Most of the targets set for AFE's projects in FY 2016 were attained. Of 252 project milestones set at the outset of, and during FY 2016, 70 percent (175) were attained and a further 7 percent (18) are in progress and should be completed in FY 2017 (Table 5). In some cases this reflects delayed implementation, while in others additional time was justified to implement TA mission advice. The substance of these results is covered in the sector summaries (sections B-G below). Postponements and/or cancellations largely reflected a reprioritization of demand by the authorities.

Table 5: IMF East AFRITAC, Status of Outcome Milestones by Sector, FY 2016

TA /Training Area	Planned	Completed*	In Progress	Postponed**	Cancelled
Revenue Administration	27	25	1	1	10
Public Financial Management	40	31	8	7	6
Macro-Fiscal Analysis	19	17	2	3	0
Financial Sector Regulation and Supervision	29	27	5	1	0
Monetary Policy and Operations	26	20	1	4	10
Payments Systems	11	4	0	4	6
Economic and Financial Statistics	48	51	1	2	5
Total	200	175	18	22	37

* Includes milestones for new activities added in the course of the year.

** The milestone is delayed and is expected to be implemented in FY 2017

In terms of outcomes, some notable achievements in FY 2016 include:

- **Comprehensive tax administration diagnostics** and related training in Ethiopia, Malawi, Rwanda, Tanzania and Uganda that provide a clear understanding of the status of revenue administration assessed against international good practice.
- **Completion of Fiscal Transparency Evaluations (FTEs)** in Tanzania and Uganda, in collaboration with FAD. These evaluations assess the fiscal position and risks faced by countries and the extent to which they are recognized, disclosed and managed. The authorities are strongly encouraged to publish the FTEs.
- **Substantial progress in implementing national fiscal data development plans and developing EAC government finance/public sector debt statistics guidelines** which provide a clearer picture of the fiscal position of general government, help improve fiscal analysis, and support monitoring of the macroeconomic convergence criteria for East African Monetary Union.
- **A range of work supporting regional integration in the EAC**, including on the architecture for financial system oversight under monetary union, consolidated supervision, harmonized standing facilities, preparation of fiscal risk statements, and on the Single Customs Territory.



TADAT Team Briefing the Authorities in Malawi, May 2015

The Center demonstrated a flexible response to changes in demand, while anchoring its work in core medium-term projects. While aggregate supply was almost as per plan, there was some deviation in composition, including postponements and cancellations in consultation with TA users (Figures 4 and 5). The Center responded flexibly to accommodate 50 new activities, related to existing streams of TA activity. Deviations were particularly high in Monetary Policy and Operations and Revenue Administration, and in Kenya and Tanzania. Much of this reflected revisions to the authorities’ preferences as new urgent needs emerged, including following changes in management at key institutions or new IMF diagnostic work. Some cancellations resulted from activities being handled by the IMF’s Topical Trust Funds or other AFRITACs (e.g. GFS work on Burundi transferred to AFRITAC Central).

Figure 4: IMF East AFRITAC, Status of Activities by Sector, FY 2016

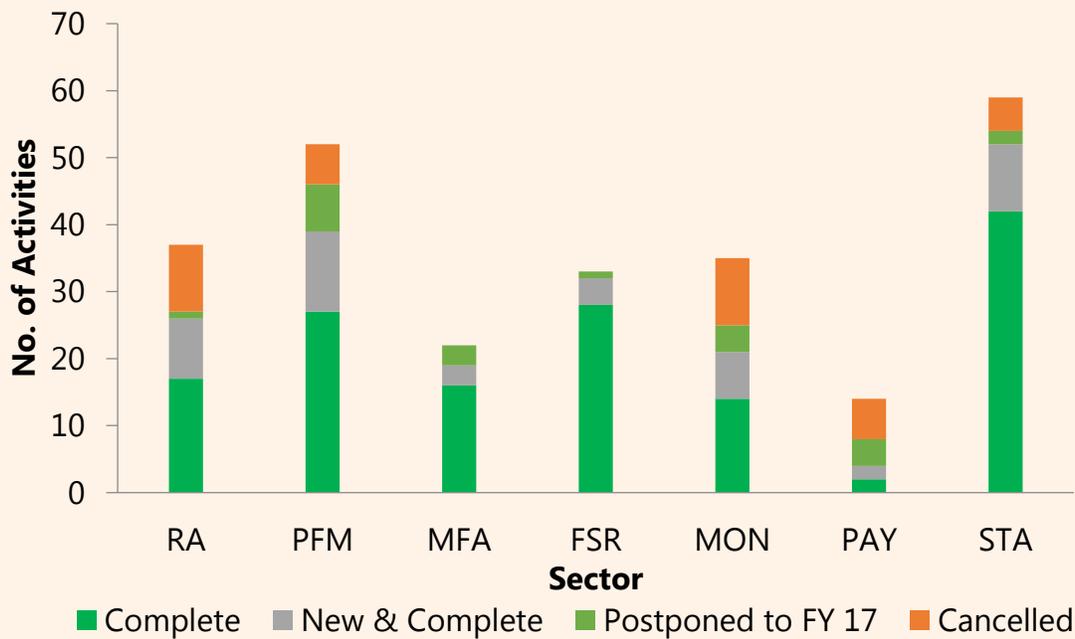
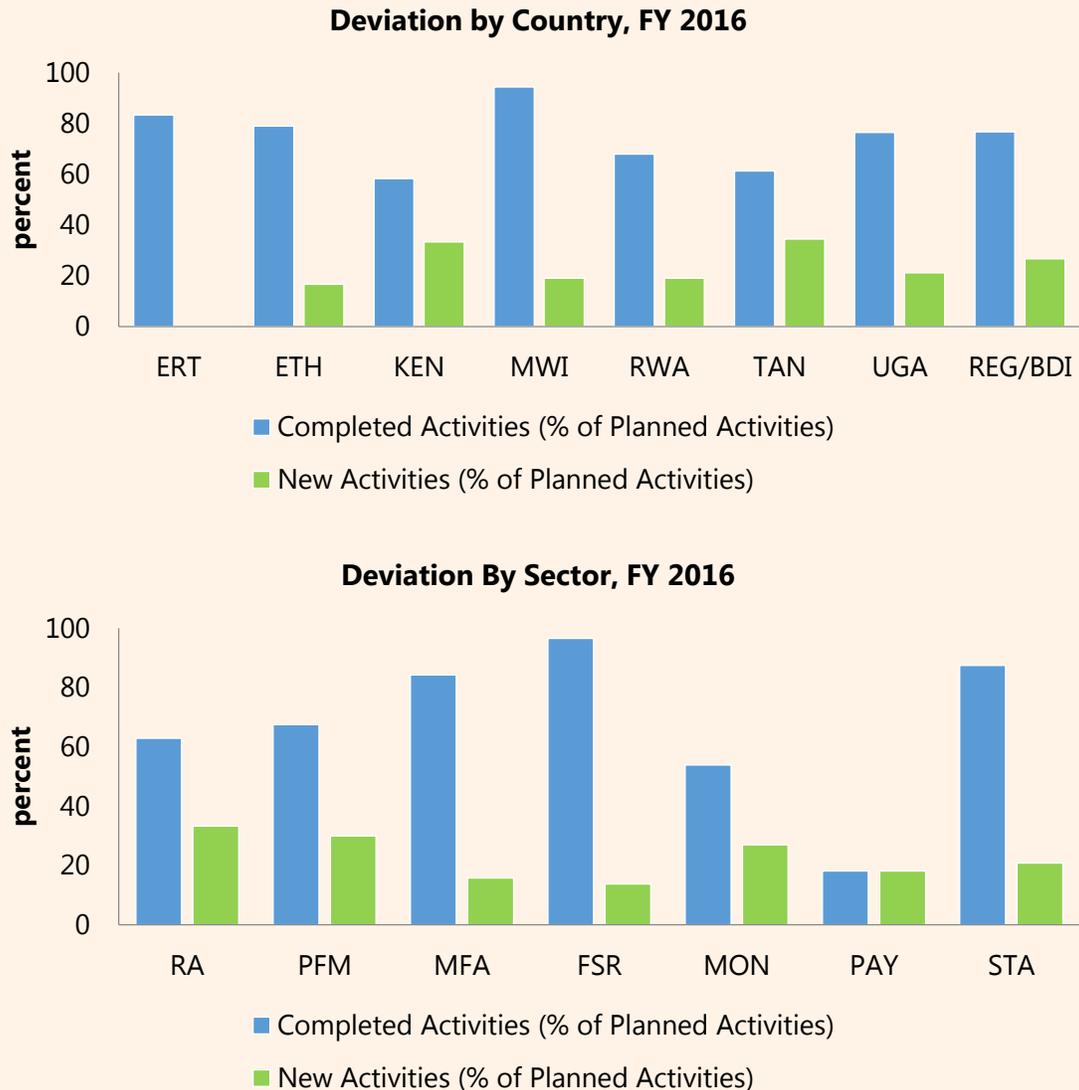


Figure 5: IMF East AFRITAC, Deviation Analysis, FY 2016



Work in the new technical assistance areas agreed for Phase IV was delayed given financing uncertainties. Recruitment of a fiscal law advisor is on hold, despite strong demand in this area. Support in this area was restricted to missions on the VAT/Income Tax Law to Kenya and work in Uganda to incorporate extractive industries into the Income Tax and VAT Acts. Likewise, AFE work to follow up interventions by the Managing Natural Resources Topical Trust Fund was contained to a regional training course on modeling the macroeconomic impact of resource revenue windfalls, in collaboration with the IMF's Research Department. The work on Financial Markets Infrastructure picked up in the fourth quarter once the new advisor joined the Center.

B. Revenue Administration

IMF East AFRITAC continued to support member countries improve the effectiveness and efficiency of tax and customs administration, with a heavy emphasis on TADAT diagnostic assessments. This was the Center's main contribution to the domestic resource mobilization agenda in AFE countries. Planned outcomes aligned well with actual outturns. Of 27 planned activities, 17 were completed, 9 were cancelled and 1 was postponed to FY 2017. Ten new activities were added during the year, all but two of which were completed. Deviations resulted from a combination of postponements by the authorities (Uganda), delivery via other IMF vehicles (Ethiopia), changes in priorities (Ethiopia and Tanzania) or political developments (Zanzibar). New requests were largely related to TADAT (Ethiopia, Tanzania and Rwanda), indicative of the authorities' recognition of its value. With 25 of the 37 milestones met, key achievements were the diagnostic assessments of the tax administrations and training in 5 member countries, and development of compliance plans for FY 2016/17 in four member countries. By strategic objective:

- Revenue Diagnostics and Needs Assessments:** particular emphasis was placed on carrying out TADAT diagnostic assessments to evaluate the impact of previous and ongoing technical assistance, establish baselines, and provide input into reform programs (Box 2).
- Improving Risk Assessment and Management Capacity:** Malawi, Rwanda, Tanzania and Uganda received assistance with developing structured compliance plans for the financial year 2016, with the latter three countries proceeding with their operationalization. Rwanda was further assisted in developing a compliance risk analysis tool.
- Improving Compliance Management in Tax and Customs:** Uganda, Rwanda and Ethiopia were assisted with addressing poor data integrity in their taxpayer registration databases. Malawi received audit training in customs and Eritrea in improving the effectiveness of core tax functions.
- Legal Work on Tax/Natural Resource Tax Administration:** IMF legal experts helped Uganda better accommodate the extractive industries in its VAT and Income Tax laws and Kenya to revise the Income Tax and VAT laws.



Muyangwa Muyangwa is IMF East AFRITAC's revenue administration advisor. A Zambian national, he has served as head of the both VAT and Customs in Zambia and has as worked for the IMF in West Africa.



Richard Tusabe, Commissioner General, Rwanda Revenue Authority



TADAT Mission in Rwanda, August, 2015. From L to R are Minister of Finance and Economic Planning, Rwanda Revenue Authority Commissioner, Board Chairman, and the Chairperson of the Board Audit Committee

Box 2: Tax Administration Diagnostic Assessment Tool (TADAT) – A Tool that Facilitates Tax Administration Reform and Coordination in Technical Assistance

In FY 2016, in collaboration with other development partners, AFE conducted TADAT assessments in Ethiopia, Malawi, Rwanda, Tanzania and Uganda and follow-up training in Rwanda and Uganda. The assessments and training helped the countries to: (i) assess their tax administration systems against international good practice; (ii) identify strengths and weaknesses of their tax administrations; (iii) develop informed and prioritized reform programs to improve the effectiveness of the tax administration systems; (iv) build capacity by exposing management and staff to international good practice in tax administration; and (v) begin to embed the TADAT methodology in their performance monitoring evaluation and reporting frameworks.



Agnes Kanyangeyo, Deputy Commissioner Planning and Research, Rwanda Revenue Authority

“The TADAT– Rwanda assessment enabled RRA to do a guided self-assessment of the core tax administration functions. The RRA management has already decided to embark on actions aimed at addressing the weaknesses identified during the TADAT assessment by incorporating them in the RRA Strategic plan 2015/16 -2017/18 and the subsequent annual action plans.”

The assessments were a useful tool and basis for AFE to: (i) understand the reform priorities of tax administrations that require immediate attention; (ii) develop the FY 2017 work plan to begin to address the tax administration weaknesses identified by TADAT; (iii) create baselines against which the impact of future TA will be assessed; and (iv) clarify core tax function weaknesses that are common to the tax administrations in the regions with a view to providing model solutions and peer to peer learning. These outcomes, and the baselines in particular, are equally important to development partners to assess value for money returns of their TA commitments going forward.

TADAT assessments have also laid a foundation for improved donor coordination in the AFE region. The assessments provided a shared view of reform priorities for the individual tax administrations among development partners. AFE worked with Department for International Development (DfID); Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); Her Majesty's Revenue and Customs (HMRC); Norwegian Tax Administration (NTA); Switzerland State Secretariat for Economic Affairs (SECO); United States Treasury Office of Technical Assistance (USTOTA); United States Agency for International Development (USAID); and the World Bank to deliver the five TADAT assessments in the region. AFE work is coordinated closely with the TADAT Secretariat at the IMF, with the Center's role being to participate in all and lead some of the TADAT diagnostic missions, contribute to training in the TADAT methodology, and to follow up diagnostics with its TA/training program in key areas identified by the framework.

C. Public Financial Management

In FY 2016, 40 PFM activities were planned, with the large majority completed. Realigning with member countries' reprioritized requirements, 6 activities were cancelled, a further 6 were postponed to FY 2017, and 12 new activities were added, resulting in 39 completed PFM activities. Execution was affected by a slow uptake of planned missions and requests to postpone (Rwanda, Kenya, Uganda and Zanzibar), and the induction/settling-in period for two new PFM advisors who joined in July 2015 and January 2016 respectively. Despite these constraints, significant progress was made against the medium term PFM verifiable indicators.

Of the FY 2016 targeted outcomes, 31 milestones were met and 8 are in progress. By strategic objective:

- Comprehensive, Credible and Policy Based Budget Preparation:** support was provided on the design of the program budgeting template in Uganda, improving program design and structure (Malawi, Kenya and Rwanda), and the integration of multi-year planning and budgeting (Ethiopia).
- Improved Budget Execution and Control:** Malawi received intensive support from FAD/AFE on restoring financial control and accountability. In Tanzania, assistance was given to strengthen the effectiveness of commitment controls in IFMIS and for achieving compliance with the new Budget Act 2015, aimed at preventing further incurrence of payment arrears. The recommendations made in the Center's desk review of Rwanda's draft Manual of Government Policies and Procedures: Financial Management and Accounting will, once implemented, strengthen internal controls. An important output was AFE's analysis of Public Investment Management practices in EAC partner states (Box 3).
- Improved Coverage and Quality of Fiscal Reporting:** in Kenya, assistance was provided in formulating a prioritized action plan to guide the development of annual financial reports aligned with IPSAS standards. The assistance in Malawi focused on incrementally improving the coverage and quality of in-year reporting. An FAD/AFE mission made recommendations on the Ethiopia IFMIS implementation plan, aimed at expediting rollout and promoting greater uptake and utilization.



Amitabh Tripathi joined IMF East AFRITAC as a PFM advisor in 2014. He has worked at India's Ministry of Finance, as well as for the World Bank. He specializes in budget execution, accounting, financial reporting and internal audit.



Kubai Khasiani is Kenyan and joined the Center in July 2015. He has worked for the IMF in Liberia, and for many years for the Kenyan Government, rising to Deputy Budget Director. He is a founding chair of CABRI.



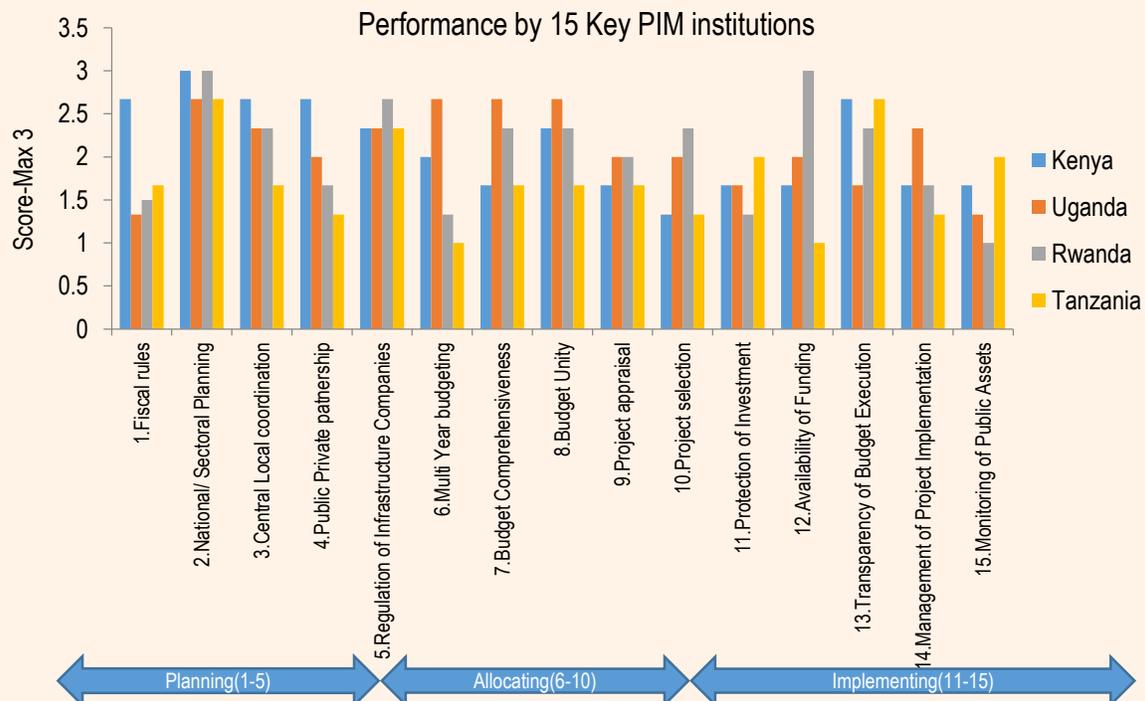
Paul Seeds from the UK has been with the Center since January 2016. He has 30 years experience in public financial management across 15 countries, including in East Africa.

Box 3: Strengthening Public Investment Management (PIM) in East Africa

The IMF has recently developed a Public Investment Management Assessment (PIMA) tool measuring performance across 15 key PIM institutions. It was applied to 25 countries from across developed, emerging and low income developing countries. Based on a comparison of the value of public capital and measures of infrastructure coverage and quality across countries, the PIMA shows that strengthening these 15 key public investment institutions could close up to two thirds of the public investment efficiency gap.

AFE recently carried out a desk review of Rwanda, Kenya, Tanzania, and Uganda using the tool. The initial results (see below) show that the region has a fairly strong PIM planning culture but this rarely results in adequate appropriations to public investments. Even where appropriations are made, PIM implementation remains weak. In terms of next steps, AFE/FAD and regional members will validate the preliminary findings, which will then provide a basis for objective assessment of PIM performance. AFE is planning to present the results of the regional survey to participants at a joint AFE/EAC workshop in Arusha.

These findings confirm those from TA missions to Tanzania and Rwanda over the past two years, which found that PIM in the region is underpinned by weak institutions. The specific areas of weakness include lack of project appraisal and absence of objective criteria for project selection; inability to manage multiyear commitments; lack of transparency in budget execution; poor management of project implementation and the absence of a monitoring system for public assets. AFE has made specific recommendations to strengthen these key PIM institutions.



Source: From PIMA Desk Reviews Conducted by AFE.

- **Improved Integration of Assets and Liability Management Framework:** in Uganda, follow on advice was provided to the newly formed cash management division on strengthening institutional arrangements and extending the treasury single account (TSA) arrangements. Building on previous assistance, guidance was provided to Malawi for improving cash forecasting, developing detailed guidelines on the cash management processes and extending the



Ethiopian Officials Being Trained on Cash Management, Addis Ababa, February 2016

bank account rationalization exercise. In Ethiopia, an in-country training workshop on cash forecasting and management was delivered for officials of MoFEC, the revenue authority and the central bank.

- **Strengthened Identification, Monitoring and Management of Fiscal Risks:** AFE's PFM team made significant contributions to the FAD-led Fiscal Transparency Evaluations (FTE) in Tanzania and Uganda (Box 4).



Dr. Albert Musisi, Commissioner, Macroeconomic Policy Department, MoFPED, Uganda

Box 4: Fiscal Transparency Evaluations (FTE) in the East African Community

The FTE assesses the fiscal position and risks faced by countries, and the extent to which they are recognized, disclosed and managed by current practices (<http://www.imf.org/external/np/fad/trans/>). Its assessment is based on a revised fiscal transparency code with measures three pillars: (i) fiscal reporting; (ii) fiscal forecasting and budgets; and (iii) fiscal risk analysis and management. As part of the fiscal surveillance plan agreed between the EAC Secretariat

and Partner States, the latter have all agreed to undertake an FTE by the end of 2017. The evaluation is aimed at developing and harmonizing public financial management and reporting practices in the convergence ahead of the target date for the monetary union in 2024. An FTE assessment has been carried out by FAD and AFE for Kenya (2014), Tanzania (2015), and Uganda (2016) and is planned for Rwanda (FY 2017).

Following the assessment, Kenya has started addressing some of the issues relating to coverage and quality of fiscal reporting. The Accounting Standards Board has prescribed formats and standards for annual financial reporting. Annual financial reports now consolidate information on budgetary central government, public corporations and county governments.

The recently concluded FTEs in Tanzania and Uganda identified gaps in fiscal and budget management practices including on the quality and coverage of regularly produced financial reports; overoptimistic revenue estimates; significant in-year changes to the budget and absence of effective monitoring of multi-annual commitments that undermined the credibility of the budget process; and the absence of regularly published assessments of the main risks arising out of guarantees, PPPs, public corporations' finances and public sector pension liabilities. The FTE exercise in Tanzania also provided guidance on developing resource revenue transparency using the draft fourth pillar of the Code on resource revenue management. The approach, analysis, and findings in Tanzania and Uganda will help redefine PFM reform priorities. Improving fiscal transparency will provide the government with greater understanding of the fiscal position and its exposure to fiscal risks, which will support effective fiscal and budget management in the face of these challenges. It will also enhance the credibility of the government's fiscal strategy with external stakeholders.

D. Macro-Fiscal Analysis

This Center's macro-fiscal work complements and is closely coordinated with that in Public Financial Management. In FY 2016, 16 out of the 19 activities originally planned for this sector were completed, with three postponed to FY 2017, and three new activities added. Most activities are multi-year projects aimed at developing and improving data and its use for macroeconomic analysis, improving macro-fiscal forecasting, and strengthening the analysis of fiscal risks. More than three quarters of the milestones were achieved, with the remainder in progress or postponed to 2017. By strategic objective:



Fazeer Rahim is from Mauritius and has been with the Center since June 2013 as its Macro Fiscal Advisor. He has taught at universities in the UK and Portugal.

- Improving Fiscal Reporting and Database Management:** Further support has been provided to Malawi on its macro-fiscal database, which is used in the financial programming exercise and for forecasts in budget planning. Specific milestones achieved include the setting up of a cross-governmental macro working group to institutionalize this project.
- Improving Macro-Fiscal Forecasting and Budgeting:** A wide range of activities supported Eritrea, Ethiopia, Kenya and Rwanda to improve their forecasting and budgeting practices. AFE has in the past supported Uganda on its Charter for Fiscal Responsibility, which is now ready for consideration by the new Parliament. A Phase III project (with GIZ) - a bottom-up approach to revenue forecasting in Rwanda - has reached completion with new techniques being used to prepare the FY 2017 budget. Likewise, in Kenya, some of the forecasting tools developed for the macro working group have been used to support the preparation of the FY 2017 fiscal framework. Following the successful use of high-frequency indicators (HFIs) by other central banks in the region, AFE has extended its support to Ethiopia where there is strong interest in such timely data on the economy.
- Enhancing the Analysis and Management of Fiscal Risks:** The macro-fiscal advisor participated in FTEs completed for Tanzania (Box 4) and planned for Uganda and prepared the evaluation on fiscal risk reporting and management. Both exercises have enabled a better understanding of the fiscal positions and sources of risks in the respective countries. Uganda also benefited from AFE support to prepare its annual debt sustainability report and reporting of fiscal risks. A regional workshop on this topic enabled EAC partner states to complete their fiscal risk statement, thereby meeting their commitment to a first submission to the EAC Secretariat in FY 2016 (Box 8).
- Resource Revenue Management:** Tanzania has recently passed legislation on oil and gas revenue management, which benefited from AFE's support during Phase III.



Participants Being Trained on Macro Forecasting in Kenya, October 2015



Debt Sustainability Analysis and Fiscal Risk Reporting Workshop, Uganda, July 2015

E. Financial Sector Regulation and Supervision

Current multi-year projects relevant across the region relate to the implementation of consolidated supervision, the transition towards the Basel II-III frameworks, supporting regional harmonization, and the implementation of risk based supervision and solvency frameworks for the insurance sector. All but one of the planned 29 activities for FY 2016 were executed, with one activity (national training supporting the implementation of Pillar 2 of the Basel framework in Rwanda) postponed at the request of the authorities to FY 2017. Four new activities were added to the program. Of 29 planned milestones (one per

activity), the large majority (23) were achieved, illustrating high commitment of member countries to the jointly developed TA programs. Six target outcomes were postponed to FY 2017.

The main TA achievements/milestones by strategic objective over FY 2016 were:

- Bank Supervision Compliant with International Standards:** considerable work was done on: i) consolidated supervision – pilot on-site examinations incorporating group risk in Tanzania and Uganda; ii) Basel II-III frameworks - draft regulations were developed in Rwanda and Tanzania, and draft market risk regulations in Uganda and providing advice/training on and enhancing the supervisory review process under Pillar 2 of the Basel framework in Malawi and Kenya; iii) AML/CFT Supervision – using the IMF’s Legal Department, developing and testing tailored on- and off-site tools for AML/CFT supervision in Malawi, Rwanda and Uganda. In addition: Uganda received technical assistance on drafting prudential regulations for mergers and acquisitions; Malawi on developing an examination program for technology risk; and Ethiopia on developing a crisis management and bank resolution framework. AFE’s Bank Supervision Advisor also participated in an IMF MCM led mission to Kenya to review and assess the technical assistance needs for



Dirk Jan Grolleman has been the **Financial Sector Regulation and Supervision** advisor at IMF East AFRITAC since November 2012. He has worked for the Dutch Central Bank and also for a private bank in the Netherlands.



Augustin Hotay, Bank Supervision Directorate of the Bank of Tanzania, discusses AFE’s support with **Dirk Jan Grolleman**, FSR Resident Advisor at IMF East AFRITAC



Regional Workshop on Bank Resolution and Crisis Management, Addis Ababa, Ethiopia

banking supervision.

- Insurance Supervision Compliant with International Standards:** collaboration continued with the Toronto Centre, focusing on financial analysis and stress testing (see Box 5). Beyond this, AFE assisted Eritrea in undertaking its first on-site inspection of the national insurance company, Uganda in undertaking a pilot inspection of its national reinsurance company, and Ethiopia in enhancing its framework for reinsurance supervision.

Box 5: Collaboration with Specialized Agencies - Regional Workshop on Insurance Supervision with the Toronto Centre

In February 2016, AFE organized a one-week regional workshop for insurance supervisors in Rwanda. This was done jointly with the Toronto Centre, a specialized organization building capacity in insurance. The workshop focused on financial analysis and stress-testing and included participants from all AFE countries plus South Sudan. This built on a September 2014 workshop with the Centre. The agenda covered: (i) the role of financial analysis in supervisory frameworks; the importance of rigorous financial analysis; introduction to stress-testing; documentation and report writing of findings. Beyond theoretical instruction, participants worked through case studies and conducted financial analysis and stress testing on examples from their own insurance companies. Related to the workshop, AFE organized missions to Rwanda and Tanzania to assist insurance regulators in further tailoring the stress-testing tool to local circumstances and advising on how to incorporate the tool in their existing supervisory framework. AFE has built an effective partnership with the Toronto Centre and intends to deepen this collaboration going forward.



AFE Staff Present During a Regional Workshop on Insurance Supervision, Rwanda, February 2016.

F. Monetary Policy and Operations

The Center has continued to work closely with member country central banks to improve monetary policy formulation and implementation. Of 26 planned activities, 14 were completed, 13 were postponed or cancelled and 8 new activities added. Considerable work was undertaken developing forecasting systems for modernizing monetary policy frameworks. Of the 26 milestones set for FY 2016 (inclusive of FPAS), 16 were attained. The deviations reflect changes in demand by topic, on the timing of support and, in cases, delayed responses. Some reorientation to regional work also took place, such as Uganda's request for AFE help in developing a harmonized EAC wide framework for collateral management and standing facilities. The Center's monetary operations advisor also presented at the annual meeting of the African Association of Central Banks and to the Bank of Tanzania's training institute on the links between macro-prudential analysis and monetary policy.



Alain Vandepuete is from Belgium and joined IMF East AFRITAC in September 2014 as Monetary Policy advisor. Prior to this he worked for the IMF and ECB.

By strategic objective:

- Developing Modeling, Forecasting and Analysis:** Box 6 below summarizes the rationale for this work and support provided to the central banks in Kenya, Rwanda, Tanzania and Uganda.
- Money and Exchange Rate Operational Frameworks:** this has been a key focus, working at the regional and national level to develop operational frameworks, improve liquidity management and develop money markets to help improve the transmission mechanism. Specifically AFE support was provided to Malawi (money market development and review of its foreign exchange intervention guidelines) and Ethiopia (liquidity management and training organized with the ATI on monetary policy implementation).
- Deepening Key Financial Markets and Reserves Management:** Ethiopia was provided assistance in improving its reserves management. In the area of market governance, the Bank of Tanzania received assistance with a review of its money and foreign exchange market codes of conduct. These codes clarify the parameters within which banks are allowed to operate and are intended to deepen market expertise and enhance standards of market behavior.



African Association of Central Banks Seminar, Kenya, May, 2015



Stephen Mulema, Director, Financial Markets Department at the Bank of Uganda



National Training on the Implementation of Monetary Policy Under Reserve Money Targeting, Conducted in Ethiopia by ATI for AFE, November, 2015

Box 6: Modernizing Monetary Policy: Forecasting and Policy Analysis Systems – Progress in FY 2016

Most central banks in the region have been modernizing their monetary policy frameworks towards a more forward looking approach with emphasis on the inflation outlook. Forecasting and policy analysis tools are particularly important in such frameworks as it takes time for policy to influence inflation. Significant effort has therefore been placed on helping central banks adopt a Forecasting and Policy Analysis System (FPAS). A recent decision of EAC central banks to establish a regional FPAS working group reflects the growing interest in the AFE region.

The FPAS supports policy decision-making at central banks and consists of:

(i) a team fully dedicated to forecasting with clearly defined responsibilities, (ii) a data management system to collect and organize relevant information, (iii) a set of near-term forecasting and nowcasting tools, (iv) a quarterly projection model, (v) a regular cycle of meetings to update the forecast and interact with senior management, and (vi) a reporting process that presents the analysis in a coherent, clear and straightforward manner. The FPAS combines analytical tools with processes that put those tools to good use for well-informed policy decisions.

IMF East AFRITAC, ICD and RES has continued providing technical assistance and customized training to Kenya, Rwanda, Tanzania, and Uganda in their efforts to develop a modern FPAS. Considerable progress was made in FY 2016. Experts visited the central banks in Tanzania, Rwanda, and conducted joint workshops with the Central Bank of Kenya and Bank of Uganda. The TA projects are at various stages. Most advanced at this point are projects in Kenya and Uganda, where the staff have been regularly preparing forward-looking policy recommendations to the Monetary Policy Committee (MPC) supported by model-based forecasts.

- Achieving Compliance of FMIs with the PFMI:** as the financial market infrastructures (FMIs) and payments advisor joined in February 2016, only a limited amount of work – two missions (Uganda, Kenya) on enhancing the operation and oversight of the FMIs – was possible. The new resident advisor has undertaken familiarization visits and held discussions with member countries to identify possible areas for TA delivery during the current fiscal year as well as priority needs for FY 2017. Based on those efforts, a TA mission to Uganda was undertaken in April 2016 to assist the central bank in strengthening its oversight role and responsibilities in line with international standards and best practices. Specifically, an Oversight Procedures Manual was developed for the Bank of Uganda. The technical assistance provided to the Central Bank of Kenya helped to put in place an enhanced operational risk management framework, including a business continuity plan. This mission also highlighted the CBK's need for additional TA outside the scope of FMIs and Payments to develop and enhance its centralized risk management function.



Faith Stewart is the shared Financial Market Infrastructures and Payments advisor with AFS and joined in February 2016. She is from Jamaica and brings with her 22 years experience as a commercial and central banker, and has consulted in Africa and Southeast Asia.

G. Economic and Financial Statistics

IMF East AFRITAC continues to support member countries make progress towards Special Data Dissemination Standards (SDDS). Emphasis has been placed on the quality, coverage, periodicity and timeliness of national accounts, prices and government finance statistics. The Center focused its advice on two areas: real and government sector statistics. The real sector work covered national accounts and price statistics. Focus was on improving national accounts source data, supporting ongoing preparations for a round of national accounts rebasing (to a 2015 reference period), and developing high-frequency (quarterly) national accounts data. Price statistics work focused on rebasing CPIs, development of import-export price indices, improvement and expansion of Producer Price Indices, and initial work on property price indices. The GFS work program was motivated by both a desire to move toward international standards and the regional integration process' need for high quality and harmonized fiscal and public sector debt statistics to assess macroeconomic convergence.

Execution of the statistics capacity development program was strong. Milestones were met for most activities. Key achievements included continued improvement in capacity of staff to produce price statistics as well as national accounts estimates; good progress was made on the compilation of quarterly GDP by expenditure (QGDP-E) in several countries; significant advances in developing/disseminating new government fiscal datasets with a broader coverage of general government (partially fulfilling an important program outcome); the development of new EAC GFS/debt statistics guidelines, which will help harmonize the production of fiscal data; and the creation of data quality improvement work programs, which will help ensure that high-quality GFS data are produced. However, budget constraints facing some national statistical offices and high turnover remain impediments to the absorption of assistance and the availability of adequate source data for compilation of quality national accounts statistics. Of 48 planned activities, 42 were completed (four were cancelled and two were postponed to FY 2017). Postponements were of a national accounts mission to Zanzibar due to elections, and an EAC harmonization workshop due to budget constraints at the EAC. Eleven new activities were added during the year.

By strategic objective:

- **Annual National Accounts:** AFE supported Malawi's production of improved preliminary estimates of annual GDP by economic activity. An excel based compilation system was developed and staff trained,



Pamela Audi, from Kenya, joined the Center in April 2015. Previously, she was at the Kenya National Bureau of Statistics for 20 years. Ms. Audi has previously worked extensively in the region as a short term expert for AFE.



AFE TA Mission in Malawi on National Accounts, October, 2015

and GDP estimates produced for the period 2011 to 2012, with GDP volume measures based on 2010 prices (current base year).

- **Quarterly National Accounts:** Kenya, Uganda and Tanzania received assistance to start compiling quarterly GDP by expenditure (QGDP-E) while Rwanda further improved their estimates. Ethiopia developed quarterly GDP estimates by activity for the first time and is expected to start regular dissemination later in 2016.
- **Price Statistics:** Tanzania concluded rebasing of its CPI and disseminated the new series in February 2016. Uganda and Ethiopia both received support to develop import and export price indices and PPI (hotels and restaurants). In collaboration with STA, AFE conducted a CPI harmonization workshop to validate the on-going progress and provide technical support on estimation of core inflation. Responding to strong country demands, AFE also collaborated with STA to conduct a regional workshop on Residential Property Price Indices (see Box 10).
- **Government Finance Statistics:** TA missions to the countries focused on supporting implementation of the national fiscal and debt data development plans; addressing GFS capacity issues at ministries of finance, central banks, and statistical offices; meeting international standards; and building the requirements for monitoring the East African Monetary Union Protocol convergence criteria (Box 7).



Brooks Robinson is from the US and joined the Center in January 2016 as the Advisor on Government Finance Statistics. He has 20 years of experience as a national accountant with the US Department of Commerce and has worked for the Center previously as a short term expert.

Box 7: Improving Government Finance and Public Debt Statistics in the East African Community

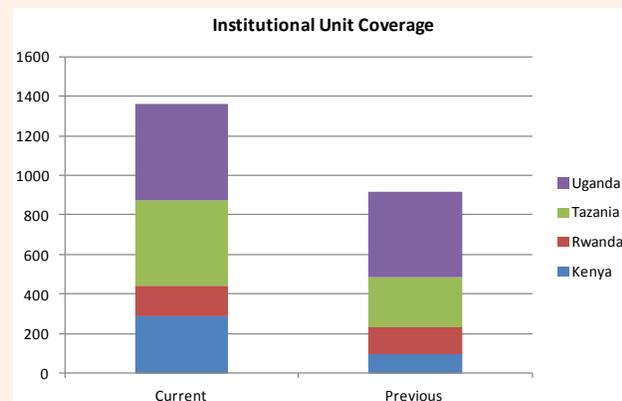
The overarching objective of AFE's fiscal statistics technical assistance to member countries is to assist authorities in producing comprehensive, comparable, timely, and high-quality government finance statistics (GFS) and public sector debt statistics (PSDS) that are consistent with international standards (the *Government Finance Statistics Manual 2014 (GFSM 2014)* and the *Public Sector Debt Guide for Compilers and Users*). This TA is guided by national fiscal and debt statistics development (GFSM 2014 Implementation) plans, which were approved at the regional level in August 2014.

During FY 2016, TA on fiscal statistics emphasized the first-time compilation of annual general government finance statistics, which reflect considerably expanded coverage of government institutional units (extra budgetary units (EBUs) and social security Funds (SSFs)) beyond those that were covered previously (budgetary central government (BCG) and local government (LG) units). Four AFE member countries have achieved this outcome (Kenya, Rwanda, Tanzania, and Uganda), while two countries (Kenya and Tanzania) have actually disseminated their new general government statistics. The FY 2016 fiscal TA also assisted authorities in developing plans to begin compiling and disseminating high-frequency GFS for central government (BCG and EBUs).

In addition, a joint AFE - East African Community (EAC) Secretariat regional workshop was conducted in Zanzibar in June 2015 that featured training on the compilation of PSDS. During the workshop, representatives of AFE member countries developed PSDS improvement work plans that are being implemented to expand sectoral and debt instrument coverage and valuation methods to meet international standards. Four AFE member countries are now reporting PSDS regularly or sporadically to the World Bank – International Monetary Fund Debt Database.

Technical assistance over the second-half of FY 2016 engaged selected AFE member countries in developing GFS data quality improvement work programs. Implementation of these programs will help ensure the internal consistency (stock-flow reconciliation) of the fiscal statistics produced.

FY 2016 ended with a regional workshop in Addis Ababa (April 2016) that featured training on measuring the stock of government assets and liabilities. Operationalization of this training will produce statistics that can be used in the aforementioned stock-flow reconciliation that is facilitated by the GFSM 2014 integrated statistical framework. Balanced GFSM 2014 integrated statistical frameworks are clear evidence of statistical quality, which is a key goal of AFE's fiscal statistics TA.



H. Work on Regional Issues

Regional integration related work has been prominent, consistent with the demands of member countries and the priority attached to such capacity building in the Phase IV program document.

- **Revenue Administration:** the Center followed up last year's work on the Single Customs Territory (SCT) with a regional workshop (with the EAC Secretariat) that sought to (i) strengthen implementation of the SCT directive and (ii) expose non-EAC AFE member countries to efficient SCT procedures that could assist their own trade facilitation.

- **Public Financial Management/Macro-Fiscal Analysis:** the fifth annual PFM workshop (with FAD) was conducted for EAC Partner States to review progress on the harmonization of PFM practices. In addition, FTEs done this year for Tanzania and Uganda are part of strengthened fiscal surveillance in advance of monetary union. The Center has also provided assistance on the reporting of fiscal risks within the EAC, a mandatory requirement from FY 2016 (Box 8).



Fiscal Risks Workshop in Arusha, Tanzania, January 2016

Box 8: Supporting Fiscal Surveillance in the East African Community

Learning from the experience of monetary unions around the world, the EAC Secretariat has set up a regional fiscal surveillance framework. This seeks to ensure transparency of the fiscal position of partner states during the transition phase to a single currency in 2024. Two key elements are the Medium Term Convergence Programmes (MTCP) and the Fiscal Risk Statements (FRS) that partner states have agreed to submit annually to the Secretariat. A partner state's MTCP is expected to contain its medium term fiscal policy objectives, performance against its objectives, and its fiscal plans that would ensure that it meets the EAMU convergence criteria by 2021. Its FRS is expected to show its wider fiscal position, and identify and quantify the various potential risks that can cause deviations from this position.

In a recent workshop (January 2016), AFE supported the preparation of fiscal risk statements in the EAC. While several countries had drafts FRS's, they remained largely qualitative in their approach. This hands-on workshop provided the tools for better quantification of some of the main sources of fiscal risks, such as Public-Private Partnerships, State-Owned Enterprises and contingent liabilities. Like other such workshops, it also allowed countries to learn from each other – in this context about measures their peers are taking to mitigate fiscal risks, including their integration into the budget. The revised fiscal risk statement developed in this workshop by each country using an EAC agreed template will be presented to the Fiscal Affairs Committee of the EAC for adoption. It is also expected to become an integral part of the budget planning process, as mandated by legislation in several EAC countries. At the request of the EAC Secretariat, a similar workshop will be undertaken in FY 2017 to support the preparation of MTCPs by partner states.

- **Financial Sector Regulation and Supervision:** the Center has contributed to the IMF's work advising the EAC on its architecture for financial sector supervision under EAMU. AFE has also supported EAC Bank Supervisors in developing the regional standards for consolidated supervision that were adopted in mid-2015.
- **Monetary Policy and Operations:** the Center's focus has been on developing a harmonized EAC wide framework for collateral and standing facilities. Once approved by the Monetary Affairs Committee of the EAC, this will serve as a key block in an operational framework that targets interest rates directly.

- **Economic and Financial Statistics:** work on harmonized GFS and public sector debt statistics began with a mission to the EAC Secretariat in May to prepare the key elements of the work program for FY 2016. This was followed by various country missions, national training, as well as regional workshops (joint with the EAC) on public sector debt statistics (Zanzibar, June 2015) and GFS (Tanzania, July 2015 and August 2015; Rwanda, November 2015; and Ethiopia, April 2016). A regional national accounts workshop was conducted to equip statisticians with the skills to implement methodological improvements and rebasing. The regional work on residential property price indices is also contributing to the EAC's development of regional financial stability indicators.

I. Attachments, Mentoring and Regional Expertise

IMF East AFRITAC and its members attach great importance to peer learning, both between AFE members and with other countries. Beyond regional training workshops, the Center uses attachments between organizations and has a mentoring program for officials. Twelve such attachments were organized in FY 2016. These included exchanges within the region on mobile financial services, on GFS data production and automation, accrual accounting, and good practice agriculture surveys. Some attachments were organized in southern Africa, such as when staff from the Uganda Revenue Authority were attached to the South African Revenue Service to learn about the evaluation of risk management practices. Moreover, with financing secured from a donor partner, PFM advisors facilitated an attachment on cash management for Finance Ministry officials from Malawi to Mauritius.

Mentoring has also been used to strengthen regional capacity. This has taken place both through the use of regional officials as short term experts and via officials joining missions to share or increase their expertise. Examples of using short term experts from the region include a supervisor from Malawi for Basel II work in Rwanda, a supervisor from Mozambique for work on Technology Risk in Malawi, a payments system expert from Tanzania to develop oversight guidelines in Uganda, an IFMIS expert from Rwanda to work with the Finance Ministries in Kenya and Malawi, and an economist from Rwanda

working with the macroeconomic team in Malawi. The Center has also continued implementing its program of arranging for a regional official to accompany AFE missions. A particularly effective example, given how TADAT has been mainstreamed in Rwanda, was an official from the Rwanda Revenue Authority (RRA) joining the TADAT assessment in Tanzania. A similar arrangement was made for a Kenyan official to participate in a mission to Rwanda on program budget costing. In addition, a seconded economist at the IMF's Tanzania Resident Representative Office participated as a member of a GFS TA mission to Kenya where his work on organizing expanded fiscal datasets in Tanzania was useful for advising on streamlining reporting requirements for Kenya and other EAC partner states.



Kennedy Komba
IMF Short Term Expert,
Bank of Tanzania

“The IMF has a unique policy on capacity building in the region by creating a pool of short-term experts who participate in delivering capacity to their peers. This boosts the individual’s morale to excel in their area of expertise, thus galvanizing on the capacity building that the IMF had hitherto offered. It also motivates peers to emulate the short term expert and thereby enhances learning.”

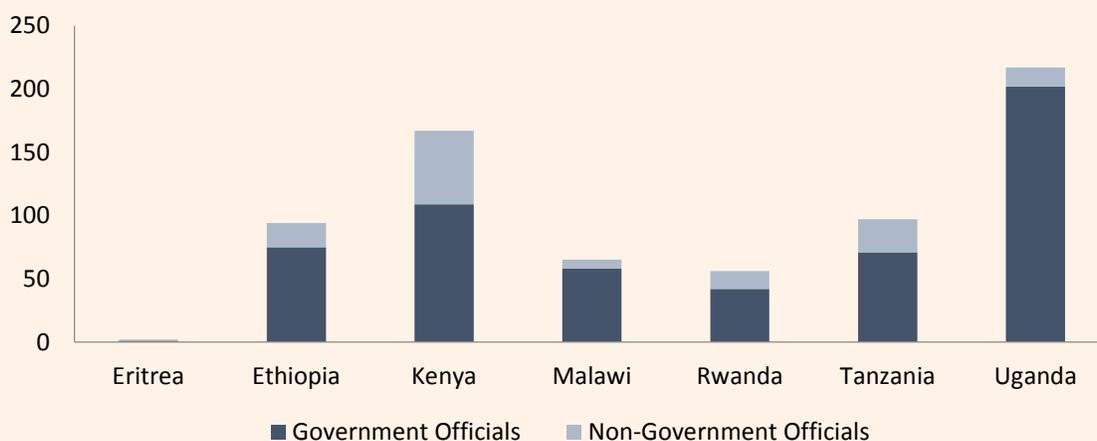
J. IMF East AFRITAC Training

A wide range of training, closely integrated with the Center's technical assistance projects, was delivered to AFE's membership. The Center's training is part of the high quality, practical and policy oriented training delivered by the IMF across the globe. This is highly valued and appreciated by AFE's membership (see various testimonials in the report). A total of 31 regional and 14 national workshops were conducted with 429 officials participating in the regional courses. The Center's advisors were also called on to serve as resource staff at various regional training events and conferences. In addition, officials from the region attended training at the ATI, IMF HQ and almost 300 were enrolled in the IMF's online training in FY 2016. Online training is an effective mechanism for widening reach in basic macroeconomic training and participation has been increasing (see Figure 6 below for cumulative participation since 2014). Various collaborations in training were deepened, including within the IMF (Africa Training Institute, IMF HQ), international agencies and institutions (Islamic Development Bank, Toronto Centre – see Box 5), and regional bodies (MEFMI, Collaborative Africa Budget Reform Initiative) and national institutions (Bank of Tanzania Training Institute). These collaborations allow AFE to leverage its resources.



Collaboration with MEFMI at its Regional Workshop for Intermediate Level Supervisors, Mozambique, October 2015

Figure 6: IMF ICD Online Training Participants by Country (2014-16)



[Click here to Listen to more information about IMF ICD online Training](#)

- **Revenue Administration:** Beyond the training on the Single Customs Territory noted above in regional work, AFE conducted a regional workshop on building an effective tax arrears management function.

Ethiopia, Rwanda, Tanzania and Uganda also benefitted from training in the TADAT methodology to strengthen their performance monitoring and evaluation frameworks.

- **Public Financial Management:** Two regional workshops were held in Tanzania. The first was on prevention and management of expenditure arrears (Box 9), and the second on strengthening budgetary institutions for MTEF and PBB. AFE also contributed to in-country workshops in Kenya, Zanzibar, Uganda, Eritrea and Ethiopia on various aspects of the budget preparation process and improving the policy orientation of budgeting and cash management.



National Public Financial Management/Macro-Fiscal Workshop, Eritrea, June 2015

- **Macro-Fiscal Analysis:**

- Two regional workshops covering key fiscal topics - Fiscal Rules and Fiscal Risks (see Box 8) – were conducted with the support of FAD and AFRITAC South respectively.
- Other training leveraged key competencies available across the IMF.
 - In Uganda, AFE teamed up with the IMF’s Strategy, Policy, and Review Department for training on debt sustainability analysis and supported the government’s preparation of the latest Debt Sustainability Report.
 - In Kenya, resources from ATI were used to train the government’s macro working group in advanced modeling and forecasting techniques.
 - Together with the IMF’s Research Department, a workshop trained officials from Kenya, Tanzania and Uganda on analytical tools that the IMF has developed to enable IMF economists and government officials to quantify the impact of resource revenue windfalls on the economy.
- Various other national level trainings were provided, including on medium-term/program budgeting (Eritrea), revenue forecasting (Ethiopia) and post clearance audits in customs (Malawi). ICD counselors and the macro-fiscal advisor delivered a regional training course on “Macroeconomic Diagnostics”. This is a highly appreciated practical course that demonstrates key tools to assess the economy. In a reciprocal arrangement with AFS, AFE’s macro-fiscal advisor lectured on natural resources management at a new training institute for Lusophone countries in Angola.



**Ms. Phyllis Makau,
Director, Parliamentary
Budget Office (PBO),
Kenya**

“This workshop was an eye opener for many of us. We learnt about challenges remaining to fully implement medium-term budgeting and discussed some of the legal and technical barriers that prevent some of our PBOs to perform effectively. By bringing together various institutions from our countries this workshop revealed how we can all perform better through better coordination and information sharing. To perform their role as watchdogs effectively, PBOs require strong technical capacity. AFE has recognized the changes happening in the region and has stepped up its engagement with PBOs over the years. Our staff has benefited from cutting-edge macro-fiscal training and the results in our work are becoming visible.

Box 9: Strengthening Prevention and Management of Expenditure Arrears

Accumulation of expenditure arrears is a persistent problem across some IMF East AFRITAC member countries, where they range between 1-3 percent of GDP. Arrears distort the planned implementation of the budget and negatively impact on the government's finances and ability to deliver essential public services. In addition, incomplete information on arrears presents a risk that the real size of the government's deficit is concealed and the level of its liabilities understated.

In response to requests from its members, AFE organized a regional workshop focused on expenditure arrears. The workshop examined international good practices and identified practical strategies for the prevention and management of expenditure arrears. Like other AFE regional workshops, it provided a platform for knowledge sharing across the region. Country teams presented an assessment of the current situation, the issues and challenges in monitoring and preventing expenditure arrears and proposed measures to address these challenges. The workshop discussed measures in five main areas: (i) improving budget credibility and reliability; (ii) effective commitment controls including multi-year commitments and cash management; (iii) reporting of arrears; (iv) strengthening the PFM legal framework; and (v) strategy for preventing and clearing arrears. A blog was published on the workshop and is available at: <http://blog-pfm.imf.org/pfmblog/imf/>

Following on from the workshop, a TA mission was fielded to Tanzania on enhancing the effectiveness of commitment controls in IFMIS. The mission offered recommendations to strengthen the commitment control framework for achieving compliance with the new Budget Act 2015 and preventing further incurrence of payment arrears. It also underlined the importance of complementary reforms including strengthening the credibility of budget estimates, integrating multi-year projects into the annual budget preparation process, improving the budget release process, and strengthening cash planning and management practices. IMF East AFRITAC will continue to provide technical assistance to support expenditure arrears prevention in the region.



Training Participants at the “Expenditure Arrears: Strategies for a Recurring Problem” Workshop, Tanzania, December 2015



Ms. Perpetua Biraaro, Internal Audit, Ministry of Finance, Uganda

“Expenditure arrears are a recurring problem in the East African region. This workshop has been a wonderful opportunity for me to interact with participants from the region; share experiences on the measures being taken to prevent and control the accumulation of arrears in the different countries and to understand the importance of continuous monitoring and reporting on the stock of arrears.

- Financial Sector Supervision and Regulation:** of eight training activities, three supported EAC convergence on consolidated supervision, financial stability, and macro-prudential policy. Two of these were conducted jointly with the Bank of Tanzania Training Institute. Cooperation continued with MEFMI, by supporting their regional intermediate level bank supervision workshop, and the Toronto Centre (see Box 5). In addition, in collaboration with IMF MCM, the advisor organized a regional workshop on crisis management and bank resolution and a national training on consolidated supervision in Rwanda. In addition, AFE supported a financial sector policymaker's course in Kenya organized by Financial Sector Deepening Kenya and the Strathmore Business School in cooperation with the National Treasury.
- Monetary Policy and Operations:** three regional workshops undertaken covered: (i) the development of repo and foreign exchange swap operations given the current repo market arrangements – where repos in IMF East Africa are pledged rather than a transfer of ownership allowing collateral to be used - are not conducive to financial market development; (ii) the nexus and coordination between fiscal operations and the implementation of monetary policy; and (iii) the integration of Islamic banks into the monetary policy operational framework (in collaboration with the Islamic Development Bank and the Bank of Tanzania).



Godfrey Putunoi,
Deputy Head, Open
Market Operations,
Central Bank of
Kenya

“Our horizontal repo market is not yet well developed, so one of our expectations attending this workshop was to understand how to improve the uptake of our repo market. Our expectations were met. We have extensively covered the repo market, and the resource persons were very knowledgeable and brought international experiences from other repo markets. The expectations about this workshop from the central bank are very high. The first thing we will do once we get back to the office will be to brief management on this workshop and put forward our recommendations for the development of the repo market.”



IMF East AFRITAC MONOPs Workshop
on Developing the Repo Market

III. WORK PROGRAM FOR FY 2017

The draft baseline work program for FY 2017 is summarized in the strategic logframe below (Table 6) and fully detailed in Annex XIII. Overall the Center plans to deliver 876 FPWs, about 9 percent above the outturn in FY 2016 (Table 7), but below the level of activity in FY 2015. The estimated budget is US\$11 million, close to the original FY 2016 budget. Financing uncertainties have complicated preparation of the FY 2017 work program. A cautious approach to work planning was applied where support for a number of activities – including new areas of work – was not possible at this stage. The work plan has been discussed with counterpart agencies in all member countries via needs assessments undertaken by resident advisors. It has also been circulated for comment to development partners and IMF country teams and integrated into the resource allocation plan for overall IMF capacity development. The Center’s TA plans for FY 2017 were also developed as part of country capacity development strategies in the IMF which included thorough interdepartmental scrutiny and assessment. In addition to financing considerations, the level and composition of activity reflects an assessment of absorptive capacity and priority demands, evaluation of the results from ongoing projects, and a stocktaking of work being done by other IMF capacity development vehicles and development partners.

Given financing uncertainties, a contingency plan was also formulated that implies cutting back on some critical capacity development work. According to this plan (Table 7) activity would be scaled back to 80 percent (750 FPWs) of the level of FY 2015 and 85 percent of the FY 2017 baseline (and the budget is reduced to US\$10 million). Among the casualties of such downsizing would be the FPAS work being done with the region’s central banks, key work on compliance management in tax and customs, highly valued work on insurance supervision, and much of the Center’s work on public investment management, an important priority in the Financing for Development Agenda. Reversion to this contingency, and possibly an even more costly reduction in capacity development support, will depend on the evolution of financing in the coming months.



IMF East AFRITAC's Resident Advisors

Table 7: IMF East AFRITAC, Planned Activities, FY 2017

	FY 2016	FY 2017	
	Actual	Baseline Plan	Contingency Plan
AFE Activities (number)			
TA Mission	122	126	109
Meeting/ Retreat/ Other	17	15	12
Regional Workshop (including ICD)	31	27	25
Attachment	9	14	14
National Training	14	22	14
Total Number of Activities	195	204	174
Resources (Field Person Weeks)			
Type of Activities			
Technical Assistance	585	618	561
Training	209	258	189
	794	876	750
Modalities			
Resident Advisor	371	412	403
Short Term Expert	338	386	278
Attachments/Mentoring	32	18	20
IMF HQ Staff	53	59	49
Total Field Person Weeks	794	876	750

Activity is programmed to rise significantly in payments systems and also in public financial management (Table 8). The former is on account of the recruitment of the shared advisor with AFS. In PFM we anticipate a recovery from lower activity than planned in FY 2016 (particularly in Tanzania) as activity postponed from FY 2016 is executed and on account of a full complement of PFM advisors. The lower planned resource use in statistics (and by extension on regional work) reflects (i) less use of regional workshops and more TA as GFS compilers become more familiar with the 2014 GFS manual and (ii) programming space for missions to be added later in the year on an as needed basis. The distribution of activity by sector in each country is presented in Table 9. Figure 7 disaggregates percentage shares of aggregate activity by country and sector. Table 10 decomposes TA supply by the IMF's functional departments, which indicates just under one half of the center's activity is backstopped by FAD. Functional responsibility for quality assuring the IMF support for FPAS has now shifted from the Research Department to ICD.

Table 8: IMF East AFRITAC, Allocation of Resources by Sector, FY 2017

	FY 2016	FY 2017
TA Area	Actual	Planned
Revenue Administration	109	122
Public Financial Management	180	243
Macro-Fiscal Analysis	76	77
Financial Sector Regulation and Supervision	94	101
Monetary Policy and Operations	127	116
Financial Market Infrastructures & Payments	11	41
Economic and Financial Statistics	198	176
Total	794	876

Table 9: IMF East AFRITAC, Resource Distribution by Sector and Country, FY 2017

(In Field Person Weeks)	Total	RA	PFM	MFA	FSR	MONOPS	FMIP	STA
Eritrea	12	2	4	2	4	0	0	0
Ethiopia	74	13	24	12	9	3	0	14
Kenya	122	29	38	6	10	11	8	21
Malawi	116	14	36	9	12	27	7	12
Rwanda	98	17	21	5	16	11	2	25
Tanzania	163	18	49	11	21	22	9	33
Uganda	102	14	25	9	10	12	7	24
Regional/AFE/Burundi	192	15	46	23	20	30	9	49
Total	876	122	243	77	101	116	41	176

Figure 7: IMF East AFRITAC, Distribution of Resources by Sector and Country, FY 2017 (percentage shares)

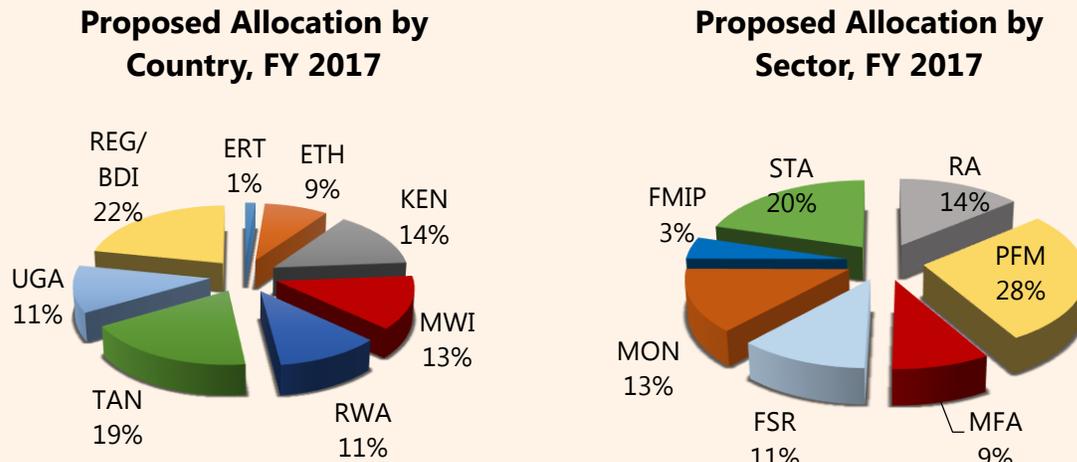


Table 10: IMF East AFRITAC, Resource Allocation by TA Department, FY 2017

	LTX	STX	IMF HQ Staff	Attachments	Total
FAD	235	176	23	8	442
Revenue Administration	46	66	3	0	115
Public Financial Management	140	87	12	4	243
Macro-Fiscal Analysis	49	17	7	4	77
LEG		6	2		8
MCM	96	72	14	8	190
Financial Sector Regulation and Supervision	48	45	3	4	101
Monetary Policy and Operations	23	17	9	0	49
Financial Market Infrastructures and Payments	25	10	2	4	41
RES	0	54	13	0	67
Monetary Policy and Operations	0	54	13	0	67
STA	81	84	9	2	176
Real Sector Statistics	47	44	2	2	95
Government Finance Statistics	34	41	7	0	81
Total	412	386	59	18	876

A. Revenue Administration

Assistance during FY 2017 will focus on medium-term projects seeking to improve the integrity of taxpayer registration databases, improve risk management and develop compliance risk analysis models, and strengthen data driven performance monitoring in core tax functions. Some of this assistance responds to the findings of the TADAT assessment. The main themes are:

Improving Effectiveness and Efficiency of Tax and Customs Administration: national training on good international practices in tax administration is planned for Eritrea, strengthening valuation capacity in customs in Ethiopia, and improving audit capacity in customs in Malawi. An FAD led tax and customs diagnostic mission will take place to Tanzania.

Improve Compliance Management in Tax and Customs: this work aims to build the integrity of taxpayer registration databases and improve monitoring of the accuracy of reporting to support compliance management in Ethiopia, Kenya, Malawi, Tanzania and Uganda. It will also include work to develop approaches to improving compliance in key economic sectors in Rwanda and Tanzania and developing approaches to recruit taxpayers from the informal sector in Uganda.

Improving Risk Assessment and Management Capacity in Revenue Administration: the Center will assist administrations develop a model and tool for compliance risk analysis in Rwanda and Uganda and develop capacity to utilize automated risk management systems in Malawi.

Revenue Administration Diagnostics/Needs Assessment: in FY 2017, AFE will collaborate with other development partners to carry out a TADAT assessment in Kenya and to train staff in the TADAT methodology in Uganda.

B. Public Financial Management

Approximately 2/3rds of the FY 2017 work program builds on existing projects with the remainder accommodating requests in new areas. During the year, significant progress is expected in improving the quality and coverage of fiscal reporting, and strengthening medium-term expenditure frameworks and public investment processes. The work plan is built around the following six PFM objectives:

Improved Laws and Effective PFM Institutions: AFE activities will support both the implementation of recently updated PFM legislation (Tanzania and Uganda) and guide revisions of the existing legislation (Ethiopia and Malawi). As a follow up to the work done in FY 2016, AFE along with FAD and LEG will continue to provide assistance to Uganda to support the development of supporting regulations for the new PFM Act.

Comprehensive, Credible and Policy Based Budget Preparation: a continuation of in-country training on budget practices will be provided to Eritrea building on the success of the previous workshops. Assistance will continue to Rwanda, Uganda, Kenya, Malawi and Tanzania (mainland and Zanzibar) in tightening the links between the annual budget and their medium-term expenditure framework, and strengthening program based budgeting.

Improved Budget Execution and Control: diagnostic work in FY 2016 reviewing public investment management processes will be carried forward by assisting Kenya, Rwanda and Tanzania in strengthening their PIM institutions. AFE will also assist Tanzania and Malawi in strengthening their commitment control system, focusing on recording and management of multi-year commitments.

Improved Coverage and Quality of Fiscal Reporting: AFE will continue to provide assistance to Kenya, Rwanda and Tanzania towards the progressive implementation of International Public Sector Accounting Standards (IPSAS) and implementation of the EAMU fiscal convergence roadmaps. It will assist Malawi, Tanzania and Zanzibar by providing quality assurance on the functionality, design, and implementation of new or upgraded computer systems.

Improved Integration of Assets and Liability Management Framework: Uganda, Malawi, and Tanzania will receive follow-on TA to guide the development of their cash management capabilities and extension of their TSA arrangements. AFE will provide practical guidance on improving cash forecasting and management practices and strengthening underlying institutional arrangements.

Strengthened Identification, Monitoring and Management of Fiscal Risks: in Rwanda, AFE will contribute to an FAD-led FTE which, among other things, will assess current practices in identifying, disclosing and managing fiscal risks. The EAC has agreed that all partner states will undergo FTE assessments by 2017 as part of their surveillance regime ahead of monetary union. AFE will also assist Kenya on the fiscal decentralization program.

C. Macro-Fiscal Analysis

In support of the public financial management work, the Center intends to work in the following areas, with key outcomes for the year to include the completion and submission of medium-term convergence programs by EAC member countries:

Macro-Fiscal Reporting: support to Malawi and Zanzibar on their macro-fiscal databases will continue. In Malawi, AFE will work closely with STA to deploy the database on the open-data platform in order to facilitate data exchanges within the government. Further work in Zanzibar will aim at harmonizing data classification to facilitate integration with Tanzania Mainland.

Forecasting and Budgeting: a range of activities will support Ethiopia, Tanzania and Uganda to improve forecasting practices. Further support will be provided to Eritrea on budget preparation and medium-term budgeting. Work on High Frequency Indicators will continue in Ethiopia and Tanzania aimed at improving data availability and methodologies. Uganda and Tanzania will be assisted on revenue forecasting. In Uganda, focus will be on improving forecasting within the financial programming framework.

Fiscal Risk Analysis and Reporting: Kenya will benefit from training in debt-sustainability analysis. Both Kenya and Uganda will receive TA on fiscal risk analysis and reporting. The macro-fiscal advisor will also contribute to the Fiscal Transparency Evaluation in Rwanda.

D. Monetary Policy and Operations

Technical assistance and training in monetary policy and operations will support priorities identified in the Phase IV program document, including facilitating convergence of operating procedures in support of preparations for monetary union (in close cooperation with the new EAC regional advisor based at IMF East AFRITAC):



Mr. Musa Kathanje, Head of Macro at the National Treasury, Kenya

Research and Analysis: AFE will continue to fund work on modernizing monetary policy frameworks under the leadership of ICD, with the end objective of establishing fully operational Forecasting and Policy Analysis Systems. Annual milestones toward this outcome in each of the four country cases – Kenya, Rwanda, Tanzania and Uganda – depend on the stage of the project in each country, but include forming and training of the core forecasting teams, presenting and discussing forecast results with the central banks’ managements, and adjusting MPC-related processes. Several missions will be fielded to the four existing TA users. In addition, following a request from Malawi, work will begin on assisting the central bank in modernizing the monetary policy framework.

Monetary and Exchange Rate Policy Implementation: AFE TA will continue to assist central banks face challenges in the transition from reserve money targeting to price based (interest rates) monetary policy regimes. Malawi and Tanzania will continue to be assisted in improving their operational framework and strengthening their liquidity management to reduce short-term interest rate volatility. Kenya will receive further assistance with its Inflation Targeting lite regime building on previous AFE and HQ missions. As the FY 2016 work on the EAC harmonization of standing facilities identified the need to distinguish such facilities from emergency support, technical assistance will be provided to the central banks in Uganda and Tanzania on a framework for Emergency Liquidity Assistance. The National Bank of Ethiopia will receive training on the different methodologies to assess the fair-value of the exchange rate.

Financial Market Development: AFE has provided considerable assistance in financial market development to aid the transmission of monetary policy. In FY 2017, work on money and repo markets will continue in Uganda, Malawi and Kenya. The BOU will also receive TA to review the draft code of conduct for the money and foreign exchange market.

E. Financial Sector Regulation and Supervision

In FY 2017 the focus will be on building capacity and developing integrated supervisory frameworks for bank supervision, continuing the assistance on developing Basel II/III regulations, and further work on insurance supervision, macro-prudential frameworks and financial stability. The main (intermediate) milestone sought in FY 2017 is the comprehensive integration of Pillar 2 in the supervisory frameworks of Kenya, Tanzania and Rwanda. By strategic objective:

- **Banking Regulatory and Supervisory Framework:** in addition to the integration of Basel Pillar 2, work will also take place on enhancing existing supervisory frameworks (Kenya, Tanzania and Rwanda). In addition, further support on developing Basel II/III based prudential regulations will be provided to Tanzania. Following up on TA provided in previous years, AFE will provide TA to the Reserve Bank of Malawi on piloting the developed IT/Technology risk examination program, assisting the Bank of Eritrea in developing regulations on mobile financial services, and assisting the Bank of Uganda in developing a supervisory framework for the supervision of agent banking.
- **Insurance Regulatory and Supervisory Framework:** AFE will continue its capacity building TA program for the Insurance Regulatory Authority of Uganda. It will review and advise on further enhancement to the risk-based supervision framework in Ethiopia. Following the on-site inspection in FY 2016, AFE will continue to work with Eritrea in reviewing the prudential regulations for insurance.
- **Macro-Prudential and Financial Stability Frameworks:** further support is planned to the National Bank of Ethiopia on strengthening its financial safety net through help in preparations for setting up a deposit insurance scheme. In addition, AFE will assist the Bank of Tanzania in developing analytical tools for assessing financial markets and infrastructure risks.

- **Overall Regulatory and Supervisory Framework:** In FYs 2014 and 2015 respectively, AFE supported Rwanda in reviewing the regulatory framework for foreign exchange bureau supervision and organized an attachment on supervisory frameworks. Following keen interest for continued support, this fiscal year AFE will assist in enhancing and further tailoring the on- and off-site supervisory framework for foreign exchange bureau supervision.

F. Financial Market Infrastructures and Payments

Building on the successes of previous workshops (2014 and 2015) to introduce the new international standards – the CPMI/IOSCO Principles for Financial Market Infrastructures (PFMI) – hands-on support will be provided to assist with the practical application of the Principles. Priorities in FY 2017 will be:

- **Oversight of FMIs:** AFE will continue to work with Kenya and Uganda in defining the scope and objectives of oversight. This will also help to clarify and reconcile the differing intra-organizational views regarding the placement and execution of the oversight function, and facilitate its effective implementation.
- **Assessment of FMIs:** as central banks move towards adopting the PFMI, there is increasing need for detailed guidance to carry out assessments using the PFMI Assessment Methodology and Disclosure Framework. The aim is to ensure FMIs consistently observe the standards and the authorities fulfill their responsibilities. AFE will provide TA to Uganda, Tanzania and Malawi to support an initial assessment against the PFMI.
- **National Payments System Development – Retail Payments:** given the many objectives and actors involved in retail payments systems development and its importance for financial inclusion, a clear oversight framework is required to ensure proper coordination and clear delineation of the central bank's role. AFE will work with individual countries – Tanzania and Malawi – to develop the oversight frameworks, so that the central banks' actions are focused and consistent with their policy objectives.

G. Economic and Financial Statistics

The next steps in the Center's support will be on the new round of rebasing of GDP, developing and improving quarterly GDP by expenditure, expanding the range of price statistics compiled, and deepening the work underway on national fiscal and debt statistics. The work plan for FY 2017 by priority areas is as follows:

- **Annual National Accounts:** AFE will support Kenya, Uganda, Tanzania and Zanzibar in their revision and rebasing of GDP. Specifically, countries will be assisted with analysis of various benchmark datasets, work on models for crops, livestock and construction activities, and analysis of general government data. Rwanda will be supported to re-reference the 2014 constant price GDP estimates to 2015 in line with EAC requirements of a common 2015 base year.
- **Quarterly National Accounts:** supported in slated for Ethiopia and Malawi. Ethiopia will get assistance in developing methodology for compiling quarterly GDP estimates by expenditure. Malawi is expected to produce revised quarterly GDP estimates by activity aligned to the new annual GDP series.

- **Prices:** assistance will be given to Kenya to develop import and export price indices, Rwanda/Zanzibar to undertake CPI rebasing (using the most recent household budget survey) and Malawi to improve the level of detail of the CPI compiled.
- **Government Finance Statistics:** GFS missions will work with national interagency GFS technical working groups in EAC partner states to support implementation of the national fiscal and debt statistics development plans approved by the EAC in 2014. Specifically, country activities will focus on extending the compilation of annual fiscal and debt datasets that increasingly meet international sectoral and economic classification coverage standards. As FY 2017 proceeds, emphasis will be on compiling high-frequency GFS with expanded coverage and improving quality including via stock-flow reconciliations.

H. Work on Regional Issues

The Center will continue to support the regional integration process alongside assistance being provided from IMF HQ.

- A core area where AFE is leading work is the sound measurement of convergence criteria. The next phase of technical assistance on **fiscal and debt statistics capacity building** will focus on improving general government statistics for measuring debt-GDP and the development of high-frequency GFS. EAC countries will receive assistance to produce more harmonized national accounts statistics with 2015 as a common base year for constant price GDP estimates.
- In parallel, work will continue with the EAC on its **regional fiscal surveillance framework**, in particular support to finalize preparation of Partner States' Medium-Term Convergence Programmes for submission to the EAC Secretariat. Together with FAD the Center will also contribute to the sixth annual workshop on PFM harmonization.
- Also with FAD, the Center is supporting the EAC in assessing the potential for strengthening **public investment management** in the region, and this will likely culminate in a regional workshop in early FY 2017.
- The workshop planned **on risk management in customs** will focus on developing a common approach to operationalizing the risk management function, which is a cornerstone for successful use of the Single Customs Territory procedures.
- At the EAC level and in cooperation with the new regional EAC Monetary Operations advisor, AFE will initiate work on the **harmonization of operational frameworks**, such as the operational target, reserve requirements, and open market operations. It will also commence advising on developing a harmonized Master Repurchase Agreement. AFE and ICD will also explore how to support an EAC regional initiative launched last year through formation of a regional FPAS working group by EAC central banks. Support in the financial sector will continue on the convergence of the regulatory and supervisory frameworks for bank supervision (mainly via bilateral TA).

I. IMF East AFRITAC Training

A rich set of regional training on highly topical and priority issues is planned in order to reinforce the technical assistance program.

- **Revenue Administration:** focus of the workshops in tax and customs will be on developing compliance risk analysis models and operationalizing risk management IT system modules, respectively.
- **Public Financial Management:** training will cover the formulation/monitoring of PFM reform strategies and action plans; IFMIS support to PFM operations; effective public investment management; and the annual PFM harmonization workshop that is undertaken with the EAC to highlight current status, challenges and reform initiatives in the member states, and review progress against member state's EAMU convergence plans.
- **Macro-Fiscal Analysis:** AFE will hold four workshops – one on macroeconomic forecasting, one on fiscal forecasting, one on reporting on convergence within the EAC (at the annual AFE-EAC PFM workshop) and one ICD supported training on Macroeconomic Management and Fiscal Policy.
- **Financial Sector Regulation and Supervision:** cooperation will continue with the Toronto Center on insurance for a third year, with this year's focus being risk-based supervision and solvency requirements. To support the TA program, the Center will collaborate with LEG on a regional workshop on risk-based AML/CFT supervision. AFE and the IMF Africa Training Institute will support the Bank of Tanzania Training Institute in delivering a regional course on financial stability analysis and policy. In addition, AFE will assist the Central Bank of Kenya in developing and delivering an in-house training course on consolidated supervision. A short regional workshop is also planned on Technology Risk supervision. Finally, training on micro-prudential stress-testing will be provided to the Financial Stability Directorate of the Bank of Tanzania.
- **Monetary Policy and Operations:** AFE will conduct two workshops. The first workshop (in conjunction with MCM) will cover the region's evolving monetary policy frameworks and the transition to interest rate targeting. A second workshop will pull together demand in both AFE and AFW2 regions on enhancing foreign exchange trading skills at central banks.
- **Financial Market Infrastructures and Payments:** a PFMI workshop is planned for FY 2017 to provide guidance on the use of the PFMI Assessment Methodology and Disclosure Framework. It aims to enhance participants' understanding of the Principles and build assessment proficiency in order to support the authorities' efforts to achieve compliance of the FMIs with the PFMI. The workshop will bring together the institutions involved in the regulation, supervision and oversight of the FMIs, namely central banks and securities regulators.
- **Statistics:** three regional GFS workshops have been designed to integrate ongoing GFS-related work programs and plans; to generate interest in and demand for the new statistics that are being produced; and to improve the quality of GFS. In national accounts, the rebasing process will be supported by a workshop on analyzing country household budget survey datasets, and a joint workshop with the EAC (postponed from FY 2016) on harmonization of national accounts statistics and reviewing progress in implementing the 2008 SNA. MEFMI, STA and AFE will jointly conduct an agriculture price statistics workshop to enhance capacity in developing the index.

National targeted training will complement the regional peer learning opportunities. Some topics to be covered include: international standards for fiscal statistics (Malawi/Zanzibar); public investment management (Kenya); program based budgeting for MDAs (Eritrea); insurance supervision (Rwanda/Tanzania); Pillar 2 of the Basel II framework (Rwanda); and frameworks for Systemically Important Institutions and consolidated supervision (Malawi).

J. Attachments, Mentoring and Regional Expertise

Attachments/Mentoring will continue to figure prominently for peer learning. Twenty such arrangements are currently contemplated but this could rise during the year as needed. Attachments have been requested by member countries under projects relating to public investment management (Kenya); debt management systems, planning and managing annual and in-year liquidity (Kenya); development of the PFM legal framework (Eritrea); and under Program Based Budgeting (Tanzania). In financial sector regulation and supervision these will cover loan to value focusing on real estate (for the Bank of Uganda) and supervision of Lease Financing (National Bank of Ethiopia). In addition, officials from Malawi and Mozambique will accompany missions to Rwanda and Malawi respectively as short term experts. To strengthen oversight of central securities depositories and securities settlement systems, the Center is also hoping that an attachment for regional officials to South Africa will materialize after being delayed in 2016. Staff of the National Bank of Ethiopia will also spend time with central bank counterparts in Uganda to benefit from the latter's experience in developing and using high-frequency indicators. Quarterly national accounts peer learning will be facilitated between Ethiopia and Rwanda, with the former visiting Rwanda to examine the use of administrative data. The Center will also look for further mentoring opportunities for regional officials. One already planned seeks to broaden a Tanzanian official's knowledge of regional GFS statistics through participation in a GFS TA mission to Uganda.



Eritrea



Malawi



Uganda



Ethiopia



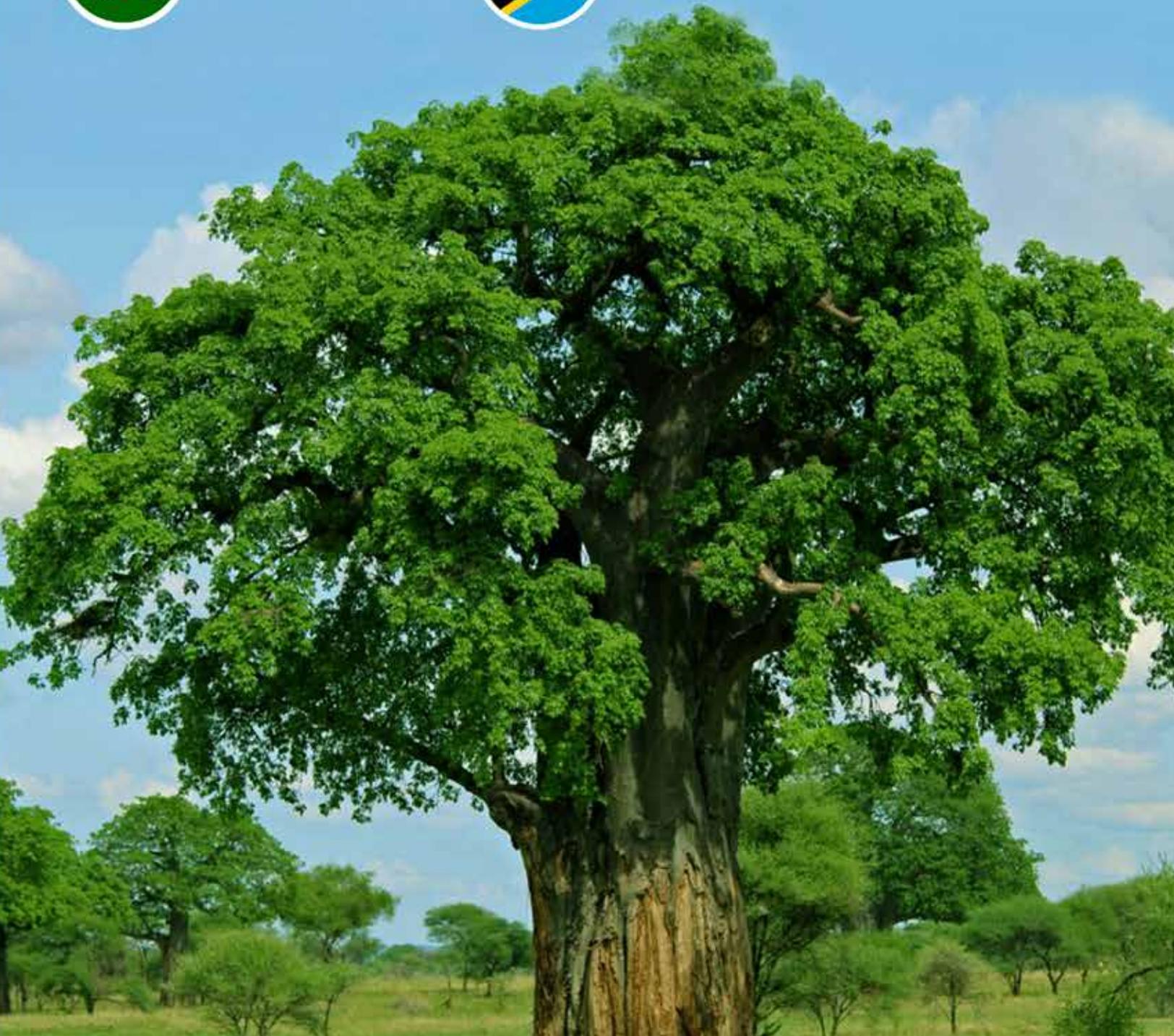
Rwanda



Kenya



Tanzania



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