

IMF East AFRITAC News

August 2016



IMF Regional Technical Assistance Center for East Africa
Building Macroeconomic Capacity in East Africa



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EAST AFRITAC NEWS – AUGUST 2016

HIGHLIGHTS

- **Revenue Administration:** AFE assisted authorities in: (i) Ethiopia to develop an effective customs valuation practice (July 25- August 5); (ii) Uganda to develop a methodology for monitoring trends in accuracy reporting in tax returns, develop compliance risk analysis skills and provide training to embed the TADAT methodology in the URA performance monitoring framework (July 25- August 5); (iii) Tanzania to develop annual audit plans and associated performance measurement framework (August 15-26).
- **Public Financial Management:** AFE conducted missions: (i) in Tanzania to build capacity in strengthening the medium term orientation of the budget (July 25-August 5); (ii) in Kenya to participate in the national post-budget review workshop (August 3); (iii) in Zanzibar to review the progress on IFMIS since a major software upgrade (August 8-19); and (iv) in Uganda to facilitate a national workshop on strengthening of medium term expenditure frameworks (August 10-30).
- **Financial Sector Regulation and Supervision:** AFE conducted technical assistance missions to: (i) Eritrea to advise on enhancements to the regulatory framework for insurance supervision (August 1-5); (ii) Tanzania to develop capacity on risk-based capital requirements and stress-testing for insurers (August 9-16); and (iii) Rwanda to assist in developing the supervisory framework for foreign exchange bureau supervision (August 16-26).
- **Financial Market Infrastructures and Payments:** A mission to Bank of Tanzania gave practical guidance to conduct an initial assessment of the systemically important payment systems (SIPS) against the international standards (July 25-August 5). A technical assistance mission also visited Nairobi to assist the Central Bank of Kenya's efforts towards adopting the international standards for payment, clearing, and settlement systems, the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMI) (August 8-19).
- **Economic and Financial Statistics:** A mission visited Malawi to assist in improving compilation of consumer price index (CPI) (August 15-26).
- **Government Finance Statistics:** AFE conducted its first-ever GFS TA and training mission to Malawi (July 25-August 5); and a GFS TA mission to Kenya (August 8 – 19).
- **Regional Activities:** AFE organized two regional workshops: (i) An economic and financial statistics workshop on national accounts focusing on the analysis of household budget survey and international trade data in support of the GDP rebasing and supply and use tables development; the workshop took place in Rwanda (August 1-6); and (ii) A macro-fiscal forecasting workshop, with emphasis on forecasting key macro variables such as GDP, inflation, government revenue and expenditure (August 8-18).
- **Forthcoming Activities and TA Dissemination:** All forthcoming activities through end October 2016 are provided in Table 1. TA reports disseminated on the secure site are listed in Table 2.



Farewell to Sukhwinder Singh, outgoing center coordinator at IMF East AFRITAC

It has been a privilege to serve East African member countries over the past three years and work with all the Center's stakeholders. I am very grateful to all for the very constructive engagement towards building institutional capacity in the region. Strengthening institutions and building human capacity is critical to the region's continued progress. My experience of the past three years is that there are many grounds for optimism based on the success stories, but also much work remaining. IMF East AFRITAC provides a trusted partner that is responsive to demands and provides high quality practical and tailored support.



I will continue to work on the IMF's capacity development agenda as Director of the new IMF South Asia Regional Training and Technical Assistance Center (SARTTAC) in New Delhi. I look forward to remaining in touch and finding opportunities for both regions to share their reform experiences.

ERITREA

Financial Sector Regulation and Supervision:

AFE conducted a technical assistance mission to Eritrea to advise on enhancements to the regulatory framework for insurance supervision (August 1-5), using the Insurance Core Principles of the International Association of Insurance Supervisors as a benchmark, while taking into account the local circumstances. To support previously provided technical assistance for off-site and on-site supervision, the mission also provided refresher training on financial analysis and participated in a meeting with the national insurance company.

ETHIOPIA

Revenue Administration: AFE assisted the Ethiopian Revenues and Customs Authority to strengthen the customs valuation practice in line with the World Trade Organization Customs Valuation System (WTO CVS) (July 25- Aug 5).

KENYA

Public Financial Management: AFE participated in a post budget review workshop and made a presentation on "challenges and opportunities for program based budgeting in Kenya" (August 3). The workshop was attended by about eighty participants from treasury and line ministries. The aim is to make the medium term expenditure framework (MTEF) more functional as the foundation for effective program based budgeting (PBB). The mission noted the available

opportunities for making PBB successful, including a strong PFM legal framework; improvements in the fiscal reporting area; new accounting standards; preparation of consolidated financial statement; and a long history of MTEF experience. The mission reiterated the need for Kenya to address recent recommendations aimed at strengthening the MTEF.

Financial Market Infrastructures and Payments:

A technical assistance mission visited Nairobi to assist the Central Bank of Kenya's (CBK) efforts towards adopting the international standards for payment, clearing, and settlement systems, the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMI) (August 8-19). The mission held workshops with the staff and provided guidance to conduct an initial assessment of the financial market infrastructures (FMIs). These workshops helped to clarify the risk management standards and equip the CBK to fulfill its regulatory and oversight responsibilities in line with the PFMI. The CBK has already taken important steps to mitigate financial and operational risks in the real time gross settlement (RTGS) system and is planning to acquire a new central securities depository and also harmonize and strengthen the laws governing the oversight of FMIs. These efforts will enhance the safety and efficiency of the FMIs and help support the development of the financial markets.

Government Finance Statistics: The GFS resident advisor, conducted a TA mission to Nairobi, Kenya (August 8-19). The mission was successful in assisting authorities in reconstituting the nation's

Center Coordinator Profile: Hervé Joly, Incoming Center Coordinator at IMF East AFRITAC

Q1: Welcome to the center Hervé! Could you tell us about the experience you have that qualifies you for the role of Center Coordinator at IMF East AFRITAC?

I think my early years at the French Ministry of Finance and my subsequent 17 years spent at the IMF have prepared me well for the job. In the past five years, I have worked on sub-Saharan countries, heading large divisions (including one covering East African countries) and leading missions to some of them (including Tanzania and the East African Community). This experience has given me a good sense of the issues facing our member countries and I have had the pleasure to meet and work with some of the officials in the region.



Q2: You were recently mission chief for Tanzania. How do you see the Fund's TA work working closely with its surveillance and program activities?

I think these activities are very complementary. In the context of surveillance or program work, the discussions with the authorities tend to focus on the big picture from the perspective of macroeconomic developments and policies. If you take the example of fiscal policy, we may discuss with the authorities whether the fiscal deficit should increase or decrease, and how to achieve this. We often agree with the authorities that increasing revenue mobilization is desirable to finance development priorities, and that increasing spending efficiency is particularly desirable when resources are scarce. In the context of capacity development activities (i.e., technical assistance and training), we support on the ground the authorities' efforts to reach these goals through specific measures and reforms, for instance by improving the organization and methods of the revenue administration or by improving the execution of national budgets and investment plans.

Q3: Do you believe that countries should have an early input into TA priorities and feedback on effectiveness? Do you have some ideas on how this can be implemented?

Absolutely! TA and training should be demand-driven. Ownership is critical for the effectiveness of capacity development support. Of course, there is a need to assess whether the authorities' needs can be best addressed by us or other providers of TA, in light of our areas of expertise and limited resources. I am planning to visit all seven member countries in the coming months to hear from them of their priorities for next year and have a preliminary discussion on what the Center could do to assist them.

Q4: Could you tell us more about your plans for the center?

As said earlier, I want first and foremost to hear the feedback from our member countries. Addressing their needs is our priority. Let's hear from them whether they think we could support them better, and how. I also want to meet with donors, both those financing the center and those providing TA in related areas, in the coming months to get their perspective.

GFS technical working group; finalizing a new multi-year results-based management GFS work plan; deciding to publish quarterly GFS for budgetary central government; reviewing and improving recently released GFS for general government for FY 2014/15; and checking the status of ongoing projects under the East African Community Secretariat – IMF AFE GFS Capacity Development Program.



GFS TA and Training Mission in Malawi, July 25- August 5, 2016)

MALAWI

Economic and Financial Statistics: AFE visited Malawi to assist in improving compilation of consumer price index (CPI) (August 15-26). Starting in January 2013 the NSO began the dissemination of an updated CPI with a reference base of December 2012. CPI is compiled at a very detailed level for each of 15 geographic/expenditure strata, but with limited level of detail at the national level. The mission assisted in developing national price indices at appropriate level of detail to meet the demand of users, especially from the unit responsible for the national accounts and other policy analysts.

Government Finance Statistics: AFE conducted its first ever GFS TA and training mission to Lilongwe and Salima, respectively (July 25 – August 5). The mission followed a 2015 IMF GFS TA mission to Lilongwe that produced 15 key recommendations. The AFE mission found that significant progress was made on 5 recommendations; some work was started on 5 recommendations; and 5 recommendations reflected no progress. The mission initiated continuous

engagement with Malawi on GFS; and left a draft multi-year results-based management work plan that Malawi authorities are expected to customize to fit the nation's needs. The one-week of GFS training received high score marks from participants.



GFS TA Mission in progress, Kenya, August 8-19, 2016

RWANDA

Financial Sector Supervision and Regulation: a technical assistance mission visited Rwanda to assist in developing the supervisory framework for foreign exchange bureau supervision (August 16-26). The mission reviewed the current on-and off-site practices and advised on further improvements to the on- on off-site supervisory framework. Given the level of development of the sector the mission advised to start with a compliance based approach and provided formats that can be used as a starting point for further enhancing the supervisory framework. The mission also took of the draft revised FX Bureau Regulation note and advised the NBR on the note. The mission compared the draft with the advice given by the 2013 mission and left an annotated version containing the mission's observations for NBR's consideration.

TANZANIA

Revenue Administration: AFE assisted the Tanzania Revenue Authority (TRA) with the development of an effective annual tax audit planning system, complete with a performance evaluation framework (Aug 15-26).

Public Financial Management: The mission facilitated the training of 60 officials in strengthening the medium term orientation of the

budget (July 25-August 5). The training included sessions on MTEF as the foundation for PBB; the concept and transition to PBB; Key performance indicators; public investment management; and structuring of PBB reform priorities and actions. Weaknesses in the medium term budget process are a constraint to the effective transition to PBB. Tanzania needs to enhance the credibility of the budget by strengthening the MTEF processes and tools. These include having more realistic revenue forecasts, reducing cash rationing, preparing more reliable forward estimate, enhancing prioritization and expenditure commitment, reducing and eventually eliminating expenditure arrears, and having more regular public expenditure reviews to inform budget preparation. The mission proposed an action plan for the transition to PBB and presented it to the authorities for consideration.

Financial Sector Supervision and Regulation: AFE conducted a technical assistance mission to the Tanzania Insurance Regulatory Authority to develop capacity on risk-based capital requirements and stress-testing for insurers (August 9-16). The mission focused on providing training and advising on the development and implementation of risk-based capital adequacy requirements. It also provided refresher training and supplementary guidance and support as a follow-up to previous missions on stress testing. The mission delivered its assistance in a workshop format to the insurance supervision staff. Two staff members of the National Bank of Rwanda, which is working on the same topic, also joined (participation funded by AFE) and shared the progress they made on the development of a risk-based capital regulation.

Financial Market Infrastructures and Payments: The legal and regulatory framework for FMIs was significantly upgraded with the passage of the National Payment System Act, 2015. The new law vests in the Bank of Tanzania (BoT) the responsibility and powers to regulate and oversee the payment systems to ensure they operate safely and efficiently. The technical assistance mission (July 25-August 5) gave practical guidance to conduct an initial assessment of the systemically important payment systems (SIPS) against the international standards. Through workshops and discussions, the mission helped to enhance the Bank's understanding of risk and strengthen its capacity to fulfill its regulatory and oversight responsibilities in line with

the PFMI. A project is also underway to integrate the central securities depositories operated by the Dar es Salaam Stock Exchange and the BoT to mitigate risk and enhance the efficiency of the clearing and settlement arrangements for government and other securities.

TANZANIA (ZANZIBAR)

Public Financial Management: The mission held discussions with key officials in Ministry of Finance and Planning and the MDAs to review the status, progress and future plans for the Integrated Financial Management Information System (IFMIS) (August 8-19). The mission identified a number of challenges arising from the software upgrades. The implementation of the new budget software (Isidore) has been reasonably successful, and the Budget Department has demonstrated good ownership in the implementation. There is a need for further capacity building in a number of areas, including use of the new software, refinement of the key performance indicators (KPIs), and performance reporting. The upgrade to the latest version of the core budget execution and accounting software (Epicor) was more challenging, and recommendations were made for improving controls and utilization of the system, and for prioritizing future enhancements. IFMIS management arrangements were reviewed, and proposals made for a structured approach to managing and resolving systems issues.

UGANDA

Revenue Administration: AFE assisted the Uganda Revenue Authority (URA) with the development of capacity to monitor improvements in accuracy of tax returns and also to assess the impact of various interventions including audits on the accuracy of declaration in returns (July 25- August 5). AFE also assisted the URA with developing practical skills in compliance risk analysis to build effective compliance improvements plans (August 15 -26). Lastly, AFE provided training to revenue administration staff from the Uganda and Rwanda revenue authorities to embed the TADAT methodology in their respect performance evaluation frameworks. The training was also attended by staff from the Ministry of Finance of Uganda to appreciate the requirements to build a tax administration system

that embraces good international practice in tax administration (August 23 -26).

Public Financial Management: Uganda has opted to transition from output based budgeting (OBT) to program based budgeting (PBB) from FY 2017/18. The mission delivered a national training workshop on PBB and public investment management (PIM) (August 10-30).

To lay a firm foundation for PBB, the mission recommended the authorities to strengthen the MTEF, design the proposed structure with program and subprogram as the main result levels; redesign the legal and administrative structures to align with a program structure and interface the performance budgeting system with other systems including the current IFMIS. The mission proposed to the authorities an activity plan leading to the transition to PBB, which takes into consideration the foregoing recommendations.

REGIONAL ACTIVITIES

Macro-Fiscal Analysis: In a nine-day workshop in Arusha (Tanzania), AFE trained government officials from Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda in macro-fiscal forecasting (August 8-18). The workshop covered two main areas: (i) macroeconomic forecasting, which focused on advanced time-series methods for forecasting GDP, inflation and other macroeconomic aggregates; (ii) fiscal forecasting, which focused on revenue and expenditure forecasting, and the analysis of budget financing and debt. The training provided a balanced mix of theory and practice using the econometrics package EViews.



Participants listening to Ongoing presentations the training at the Regional Workshop on Macro-Fiscal Forecasting, Tanzania (August 8-18, 2016)

Economic and Financial Statistics: AFE conducted a regional national accounts workshop in Gisenyi, Rwanda (August 1-6) to assist the member countries with the analysis of: (i) household income expenditure survey (HIES) data and (ii) international trade data, as part of the process of developing the relevant components of supply and use tables (SUTs). The SUTs are useful for economic analysis, as well as improving the national accounts by identifying gaps and inconsistencies at the industry and product level. Countries are expected to produce rebased GDP and 2015 SUTs by the end of CY 2017. 23 participants from Ethiopia, Kenya, Malawi, Rwanda Tanzania, Uganda and Zanzibar participated in the workshop.



Participants at the AFE organized Regional Workshop on National Accounts, Rwanda (August 1-6, 2016)

Table 1. East AFRITAC: Forthcoming Activities September – October 2016

AFE Activities Expected in September – October 2016			
Revenue Administration			
TA Missions			
Country	Subject	Date	Expert(s)
Tanzania	FAD Diagnostic Mission in Customs Administration	Sep 21– Oct 5	Giles Montagnat (IMF HQ) Thérèse van der Poel (IMF HQ) Andrew Master (IMF HQ) Brian Brimble (IMF HQ) Muyangwa Muyangwa (LTX)
National Training			
Eritrea	International Best Practice in Tax Administration	Sep 5-9	Muyangwa Muyangwa (LTX)
Workshop			
Country	Subject	Date	Expert(s)
Uganda	Developing a Compliance Risk Analysis Tool and Model	Oct 10-14	Muyangwa Muyangwa (LTX) Josh Aslett (STX)
Public Financial Management			
TA Missions			
Country	Subject	Date	Expert(s)
Malawi	FAD led mission on restoring control and integrity	Aug 22 – Sep 3	Paul Seeds (LTX)
Tanzania	Cash Management	Sep 19-30	Amitabh Tripathi (LTX) Per Olof Jonsson (STX)
Kenya	Cash Management and Treasury Single Account in IFMIS	Oct 24- Nov 5	Paul Seeds (LTX) John Gardener (STX)
Workshop			
Country	Subject	Date	Expert(s)
Tanzania	IFMIS: Strengthening PFM Operational Support and Control	Oct 18-21	Paul Seeds (LTX) Ali Hashim (STX) Soren odd Langhoff (STX) Jean de dieu Rurangirwa (STX)
Macro-Fiscal Analysis			
TA Missions			
Country	Subject	Date	Expert(s)
Tanzania (Zanzibar)	Developing a Macro-Fiscal Database	Sep 5-16	Anna Lennblad (STX)
Macro-Fiscal Analysis (Cont'd)			
Kenya	Supporting the preparation of a fiscal risk statement	Oct 3-10	Fazeer Rahim (LTX)

Workshop			
Country	Subject	Date	Expert(s)
Regional	Supporting the Preparation of EAC Medium-Term Convergence Program Documents	Sep 19-21	Fazeer Rahim (LTX) Sybi Hida (AFS)
Financial Sector Regulation and Supervision			
TA Missions			
Country	Subject	Date	Expert(s)
Uganda	Implementing Risk Based Insurance Supervision	Sep 12-23	Naren Sheth (STX)
Malawi	Pilot Examination Information Technology Risk	Sep 19-30	Abhilash Bhachech (STX) Dercio Mutimucuo (STX)
Tanzania	Developing Basel II/III Based Capital Adequacy Regulations	Oct 17-21	Dirk Jan Grolleman (LTX)
Ethiopia	Contingency Planning for Crisis Management	Oct 19-27	David Parker (IMF HQ) James Hambric (STX)
Workshop			
Country	Subject	Date	Expert(s)
Tanzania	Risk-Based Approach to AML/CFT Supervision	Sep 5-9	Dirk Jan Grolleman (LTX) Oormi Khuller (STX) Andrew Milford (STX) Ian Carrington (IMF HQ Legal) Rebecca Obare (IMF HQ Legal)
Tanzania	Information Technology Risk Supervision	Sep 15-16	Dirk Jan Grolleman (LTX) Abhilash Bhachech (STX) Dercio Mutimucuo (STX)
Economic and Financial Statistics			
TA Missions			
Country	Subject	Date	Expert(s)
Tanzania	National Accounts- GDP Rebasing	Sep 12-23	Varjonen Seppo (STX)
Zanzibar	National Accounts- GDP Rebasing	Sep 26-Oct 7	Pamela Audi (LTX)
Zanzibar	CPI Rebasing	Sep 12-23	Dale Smith (STX)
Kenya	Development of Import and Export Prices	Oct 17-28	James Thomas (STX)
Uganda	National accounts – GDP Rebasing	Oct 17-28	Robin Youll (STX)
Malawi	National Accounts Statistics	Oct 24 – Nov 4	Pamela Audi (LTX)
Rwanda	Rebasing of CPI	Oct 24 – Nov 4	Joshua Klick (STX)
Economic and Financial Statistics (Cont'd)			
Workshop			
Country	Subject	Date	Expert(s)

Uganda	National Accounts Statistics Workshop	Oct 10-21	Pamela Audi (LTX) Ramesh Kolli (STX) Artashes Shaboyan (STX)
Government Finance Statistics			
TA Missions			
Country	Subject	Date	Expert(s)
Tanzania	GFS TA Mission to Dar es Salaam, Tanzania	Oct 3- 14	Brooks Robinson (LTX) Francois Engelbrecht (STX)
Ethiopia	GFS TA and Training Mission	Oct 17-28	Brooks Robinson (LTX) Francois Engelbrecht (STX)
Tanzania	Public (Press) Event on GFS and PSDS	Oct 31-Nov 2	Brooks Robinson (LTX)
Workshops			
Country	Subject	Date	Expert(s)
Tanzania	“Comparing FY 2014/15 General Government Finance Statistics, Developing High-Frequency GFS Estimates, and Drafting Three New Chapters for the <i>Guidelines</i> ”	Aug 29 – Sep 2	Brooks Robinson (LTX) Ismael Ahamdanech Zarco (STX) Tim Youngberry (STX) Viera Karolova (IMF HQ)

Table 2: East AFRITAC's Technical Assistance Reports Posted on the IMF's Extranet

Below are final TA reports prepared by IMF East AFRITAC that have recently been posted on the IMF's secure extranet site. These reports have been cleared for dissemination by country authorities and are available to Steering Committee members who have signed a confidentiality agreement.

Country	Title	Mission Dates
Malawi	Reserve Bank of Malawi: Developing IT Examination Procedures for Banking Supervision	March 7-11, 2016
Malawi	Reserve Bank of Malawi: Follow Up on the Implementation of Pillar 2 of the Basel II	April 18-29, 2016
Rwanda	Developing Actionable Compliance Plans	May 2-13, 2016



Member Countries

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



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