

# IMF East AFRITAC News

## September 2016



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



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### HIGHLIGHTS

- **Revenue Administration:** East AFRITAC (AFE) delivered training in Eritrea on good international practices in tax administration. In Tanzania, AFE participated in an IMF Fiscal Affairs Department-led (FAD) diagnostic mission in tax and customs.
- **Public Financial Management (PFM):** An AFE mission to Tanzania provided guidance on strengthening cash management practices and banking arrangements. An FAD-led mission to Malawi reviewed progress on urgent PFM reform priorities, including bank reconciliation, IFMIS sustainability, and enhancing debt management.
- **Macro-Fiscal Analysis:** An AFE Mission to Zanzibar supported the development of a macro-fiscal database that underlies its macroeconomic framework.
- **Financial Sector Regulation and Supervision:** Two regional workshops were conducted (see below). AFE also conducted a technical assistance (TA) mission to Malawi on IT risk supervision and a TA mission to Uganda on the implementation of risk-based insurance supervision.
- **Economic and Financial Statistics:** AFE provided TA in national accounts statistics to Tanzania mainland and Zanzibar to support GDP rebasing. Zanzibar also received assistance in the rebasing of its consumer price index (CPI).
- **Regional Activities:** AFE conducted four regional workshops: (i) developing high frequency government finance statistics (GFS) and chapters for guidelines; (ii) supervision of anti-money laundering and the combating of the financing of terrorism (AML-CFT); (iii) IT risk supervision; and (iv) supporting the preparation of medium-term convergence program documents by EAC countries.
- **Attachments:** On behalf of AFE, the South African Reserve Bank (SARB) hosted a one-week professional visit for a team of eight persons to gain hands-on exposure to the execution of the regulatory and oversight responsibilities for the financial market infrastructures (FMIs). The program was targeted to mid- to senior-level officials of central banks with responsibilities in this area.
- **Forthcoming Activities and TA Dissemination:** Forthcoming activities and disseminated TA reports are listed in Tables 1 and 2.
- **Announcement.** AFE is undertaking a rationalization and better integration of its main outreach products. AFE's Facebook page has become the main vehicle to disseminate high-frequency information on AFE activities. To reduce the overlap between the Facebook page and the newsletter, the latter will become quarterly from next month. The AFE website, which is being revamped and will be better integrated with the Facebook page, will remain the main repository for longer-lasting information. These changes are expected to improve the experience of users and to allow AFE advisors to dedicate more time to TA and training activities.

## ERITREA

**Revenue Administration:** AFE assisted the Inland Revenue Department with the training of its staff in good international practice in tax administration. The training covered all the core tax administration functions (September 5-9).

## MALAWI

**Public Financial Management:** The mission was led by IMF HQ (FAD), reviewed the progress on urgent PFM reform priorities and provided further guidance on their implementation (August 22-September 2). Some progress has been made in moving toward reconciling the bank accounts and the main government bank accounts have now been set up to process transactions through IFMIS. Forensic auditors and the Central Internal Audit Unit have been assigned to investigate differences in the period 2009-2014 and the first six months of 2015 respectively. AGD is working to identify differences on the government's six main accounts for the 2015/16 financial year. Advice was given on the further need for effective controls over bank accounts. Guidance was provided on managing IFMIS risks emanating from software which is no longer supported by the manufacturer. Assistance was given in developing a time-bound action plan. Further advice was given on readiness planning for the new replacement IFMIS, and on enhancing debt management.

**Financial Sector Regulation and Supervision:** AFE conducted a mission (September 19-30) to provide technical assistance on operationalizing the Information Technology (IT) risk examination framework developed with the assistance of AFE during a previous mission in March 2016. The mission focused on building capacity and developing experience with deploying the IT risk management guidelines and the use of the developed supervisory framework, including the examination procedures. This was accomplished through a self-assessment of the IT controls by two large banks, using the compliance checklist for IT risk management as developed by the March 2016 mission; and subsequently, an onsite examination of IT risks at one of the large banks. The mission has helped establish a sound baseline capacity within RBM for the supervisory assessment of IT risks.

## TANZANIA

**Revenue Administration:** AFE participated in an IMF HQ (FAD) diagnostic mission in tax and customs which focused on supporting the initiative undertaken by TRA to address weaknesses identified by the TADAT assessment mission earlier this year and to address concerns of the authorities regarding customs operations (September 21-October 5).

**Public Financial Management:** An AFE mission noted that there has been some progress in improving cash management and strengthening banking arrangements (September 19-30). The focus has been on capacity building and rationalization of banking arrangements. The Budget Act 2015 provides a legal backing for the cash management function. The mission reviewed the current practices and proposed enhancements in the regulatory framework and streamlining of the institutional arrangements. It also provided practical guidance on improving cash flow forecasting and developing an integrated cash and borrowing annual plan on a monthly basis and recommended use of T-bills for overcoming temporary cash shortages within the overall borrowing limit. The mission also delivered a workshop on cash management.

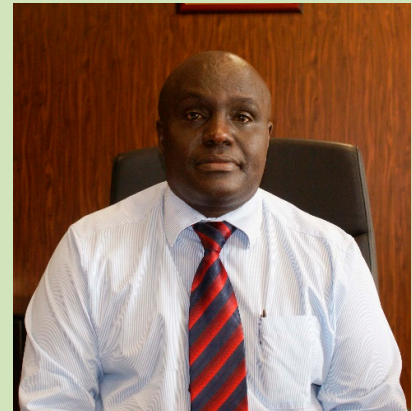
**Macro-Fiscal Analysis:** The aim of the mission was to provide further support on the macroeconomic database and forecasting framework in Zanzibar, with a view to improving the quality of information available for policy-making and supporting the integration of its macroeconomic framework with that of Tanzania mainland (September 5-16). Support provided include examining cross-account data consistency; developing a flow of funds; and training staff in the conceptual and practical framework underpinning a financial program.

**Economic and Financial Statistics:** A mission visited the National Bureau of Statistics (NBS) (September 12-23) to assist with the compilation of supply and use tables which shows the relationship between components of value added, industry inputs and outputs, and product supply and demand. These tables are a source for the data underlying Gross Domestic Product. The mission compiled an inventory of existing data and investigated tax legislation in place. Conversion tables between

## **COUNTRY CORNER: Interview with Professor Thomas Kigabo (Rwanda) on the EAC/AFE workshop on medium-term convergence programs in the EAC.**

**Tell us a bit about you and your involvement in the EAC integration process.**

I am the Director General of Monetary Policy and the Chief Economist at the National Bank of Rwanda. I hold visiting professor positions in Rwanda and countries in the region. Together with colleagues from other central banks in the region, we participated in the preparation of the East African Monetary Union Protocol that was signed by EAC Head of States in 2013. Our contribution focused on the choice of macroeconomic convergence criteria that would determine whether EAC partner states can go ahead with a monetary union or not in 2024.



**What was the aim of this workshop?**

Three years later, and as required by the Protocol, Partner States have started to prepare their annual medium-term convergence program (MTCPs). This is a policy document submitted by each partner state to the EAC Secretariat to show its five-year macroeconomic outlook and policy actions to be taken in order to achieve convergence. It is a very important document that allows us to peer-review each other to find out how close we are to achieving our objectives of converging towards sound macroeconomic fundamentals – low inflation and budget deficit, sustainable debt and high level of international reserves. It is worth stressing that having sound macro fundamentals is key to the viability of a monetary union.

This workshop, facilitated by AFRITAC East, provided a venue for officials to review each other's MTCPs, learn from the experiences of other monetary unions through expert presentations and harmonize the format of future MTCPs to facilitate peer review and cross-country comparisons.

Our first MTCPs were primarily prepared by the Ministries of Finance. Though this workshop, central banks were also able to bring in their contribution, notably on the monetary aspects of convergence.

**What have been the benefits of this workshop?**

This is the first time we are comparing our convergence programs, and probably the first time we are having a conversation among central banks and ministries of finance about some of the operational implications of the convergence requirements in the Protocol. For example, what does the phasing out of central bank borrowing as required by the Protocol really mean in practice? More generally, we have discovered that we sometimes have differences in interpretation, and we used this workshop to iron out some of these differences.

Equally important, we wanted our MTCPs to be comparable – they should cover the same projection years, discuss the government policy in broadly the same way and outline the various risks that can alter the fiscal outlook. I am happy to say that we have now agreed on an enhanced template for our MTCPs that we have agreed to follow going forward.



various classifications such as the Harmonized System (HS) vs. Central Product Classification (CPC) and CPC vs. the International Standard Industrial Classification (ISIC) were developed and advice provided on how data by different classifications are combined. Results of the Census of industrial production (CIP) 2013 were analyzed and compared with the integrated labor forces survey (ILFS) 2014 results to assess their suitability for the purposes of national accounts.

## TANZANIA (ZANZIBAR)

**Economic and Financial Statistics:** AFE conducted a TA mission to assist with the updating of the consumer price index (CPI) basket, in preparation for the release of a new CPI in February 2017 (September 12-23). The new CPI is designed to take into account the conceptual structure, the market basket, the index compilation formula, and the special indices that are used for the Mainland Tanzania CPI. Support in national accounts statistics focused on GDP rebasing with specific attention to the 2015 supply and use tables (SUT) dimensions; developing correspondence tables between various datasets in order to align them to the SUT framework; and analyses of the available benchmark surveys.

## UGANDA

### Financial Sector Regulation and Supervision:

AFE conducted a TA mission to the Insurance Regulatory Authority of Uganda, assisting with the implementation of risk-based insurance supervision (September 12-23). The mission built on previous AFE missions and focused on further building capacity through training and coaching of supervisors in the inspection of two insurance companies, using the assessment methodology discussed and tested during previous missions as well as a discussion and application of the concepts of risk-based capital for insurers. The mission provided both off-site and on-site support. Off-site support included the review of information of two companies and discussions (via Skype) to prepare the supervisory teams for the on-site visits. During the mission, coaching was provided to the teams at the companies, documentation supporting the assessments was reviewed and written comments were provided on the documented assessments. The

mission also discussed the concepts of risk-based capital for insurers and their application to the two companies. The support should help the supervisors to further enhance their understanding and ability to apply the developed risk-based supervisory approach.

## REGIONAL ACTIVITIES

### Financial Sector Regulation and Supervision:

AFE conducted a regional workshop on the supervision of AML/CFT in Zanzibar (September 4-9). Twenty-nine participants from financial intelligence units and central banks (bank supervision) from 8 different countries (Burundi, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda) attended the workshop. In addition to the participants from the region, the EU also sent an observer. The workshop provided training on risk-based AML/CFT supervision and discussed the main developments and challenges in the region. All countries made presentations on their national situations. In further enhancing the regionally used supervisory frameworks, AFE will need to take into account the information collected during the workshop going forward in advising on the supervisory approach of its member countries.

AFE also conducted a regional workshop on IT risk supervision (September 15-16). The workshop was attended by 24 participants from Ethiopia, Kenya, Malawi, Rwanda, Uganda and Tanzania.



The workshop was conducted at the conference center of the Bank of Tanzania. IT risk supervision is a topic that is quickly rising as a supervisory priority as a result of the developing cross-border banks using centralized IT platforms, innovative products using technology (for example mobile

financial services), mergers and acquisitions and resulting integration challenges and change management projects (for example the upgrade of existing core banking systems). During the two-day workshop the participants discussed their current approaches to IT Risk supervision and their plans going forward. AFE is supporting Malawi in developing a supervisory framework for IT Risk supervision. The last version of the developed framework will be shared with all the participants, after the second mission to Malawi (see also Malawi activities).

**Macro-Fiscal Analysis:** In a three-day workshop held in Arusha (September 19-21), AFE supported partner states of the East African Community (EAC) to review and harmonize their medium-term convergence programs (MTCPs). Macroeconomic convergence is a requirement for the establishment of the East African Monetary Union and the MTCP is a policy document prepared by each partner state to show its medium-term outlook and policy actions taken to achieve convergence. The workshop provided a venue for mid- to senior-level officials from these countries to review each other's MTCPs; learn from the experiences of other monetary unions through expert presentations; harmonize the format of future MTCPs to facilitate peer review and cross-country comparisons.



Participants at the workshop on Supporting the Preparation of EAC Medium-Term Convergence Program Documents, Arusha, Tanzania (September 19-21, 2016)

**Government Finance Statistics:** AFE conducted a regional GFS workshop and a time of recording task force (TRTF) meeting in Dar es Salaam (August 29 – September 2).

Workshop participants represented Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda. The workshop helped participants understand the

complexities of compiling and disseminating high-frequency GFS. In addition, participants initiated drafting of two new chapters on “Debt” and “Public Private Partnerships” for the *EAC Guidelines on the Compilation of Government Finance and Public Sector Debt Statistics*.



GFS Regional Workshop, Dar es Salaam, Tanzania (August 29-September 2, 2016)

TRTF meeting participants were from Kenya, Rwanda, Tanzania, Uganda, and Zanzibar. They reviewed TRTF efforts over the previous year and recent support from AFE's PFM Advisors, who are promulgating an accrual accounting transition plan in the EAC. Participants developed a document that delineated and clarified the roles that GFS compilers should play in the transition to accrual accounting under the PFM umbrella.



Time Recording Task Force (TRTF) Meeting, Dar es Salaam, Tanzania (August 30-September 2, 2016)

## ATTACHMENTS

### **Financial Market Infrastructures and Payments:**

At the request of AFE, the South African Reserve Bank (SARB) hosted a one-week professional visit (September 26-30) for a team of eight persons to gain hands-on exposure to the execution of the regulatory and oversight responsibilities for the financial market infrastructures (FMIs). The visit took place in Johannesburg and Pretoria. The program was targeted to mid- to senior-level officials of central banks responsible for the regulation, supervision and oversight of the FMIs and payments. It was designed to assist member countries as they move towards adopting the international standards (the CPSS-IOSCO Principles for financial market infrastructures – 2012, PFMI).

Four regional central banks participated in the program (from Ethiopia, Kenya, Tanzania and Uganda). In addition, under a reciprocal arrangement with AFRITAC West II whereby a similar program could be facilitated by the Bank of Ghana in the future, a nominee from the Bank of Ghana was also permitted to participate. This comprehensive program gave exposure not only to the core oversight and

operational responsibilities carried out by central banks, but also to the cooperative arrangements among the regulatory and oversight authorities, and the relationships between regulators and operators of the FMIs. Dedicated sessions and site visits were arranged with the *Strate*, the operator of the central securities depository in South Africa, its regulator, the Financial Services Board, the Payments Association of South Africa, and *BankServAfrica*, a payment clearing house. Participants reported that they gained practical insight into all facets of the payment and settlement systems and an enhanced understanding of the central bank's role in ensuring the safety and efficiency of the FMIs. With this new knowledge, participants were excited at the prospect of implementing the lessons learned to strengthen the payments function within their central banks. The aim is to achieve greater compliance of the FMIs with the international risk management standards and also ensure each central bank fulfils its responsibilities in line with the PFMI.

**Table 1. East AFRITAC: Forthcoming Activities October – November 2016**

<b>AFE Activities Expected in October - November 2016</b>			
<b>Revenue Administration</b>			
<b>TA Missions</b>			
<b>Country</b>	<b>Subject</b>	<b>Date</b>	<b>Expert(s)</b>
Uganda	TA in Developing an Operational Model and Strategy for Recruiting Taxpayers from the Informal Sector	Oct 10 -21	Shane Reardon (Short-term expert; STX)
Malawi	TA in Improving the Integrity of the Taxpayer Register - (Diagnostics, Development and Testing of Solution)	Oct 31- Nov 18	Cheryl -Lee Field (STX)
Kenya	Carrying out a TADAT Assessment	Nov 7-29	Therese Van Der Poel (IMF HQ) Charlestine Hardy (OTA) Jonathan Lee- Pemberton (STX) Stephanie Sweet (USAID) Muyangwa Muyangwa (AFE advisor) Josse Sebastien (HMRC, England)
<b>National Training</b>			
Rwanda	National Training in Improving the Collection and Management of Tax Arrears	Oct 3-14	Annette Chooi (STX)
Rwanda	National Training in Developing a Framework and Guidelines for Monitoring and Managing Compliance in the Telecommunications Sectors	Oct 17- 28	Andrew Chege (STX)
Ethiopia	National Training in Developing a Framework and Guidelines for Monitoring and Managing Compliance in the Construction and Financial Sectors	Nov 7-18	Martin Roche (STX)
<b>Workshop</b>			
<b>Country</b>	<b>Subject</b>	<b>Date</b>	<b>Expert(s)</b>
Uganda	Developing a Compliance Risk Analysis Tool and Model	Oct 10-14	Muyangwa Muyangwa (AFE advisor) Josh Aslett (STX)
Malawi	Regional Workshop in Operationalizing Customs Risk Management IT modules – case of Asycuda	Oct 17 – 22	Muyangwa Muyangwa (AFE advisor) Ernest Sigande (STX) Kebede Lidetu (STX)



Public Financial Management			
TA Missions			
Country	Subject	Date	Expert(s)
Kenya	Developing a Framework for Public Investment Management	Oct 12- 26	Kubai Khasiani (AFE advisor) Simon Groom (STX)
Kenya	Cash Management and Treasury Single Account in IFMIS	Oct 24 - Nov 4	Paul Seeds (AFE advisor) John Gardener (STX)
Tanzania	Review of IFMIS Controls and Enhancements	Nov 14-25	Paul Seeds (AFE advisor) (STX)
Uganda	Treasury Single Account and Cash Management	Nov 21- Dec 2	Amitabh Tripathi (AFE advisor) John Gardner (STX)
Workshop			
Country	Subject	Date	Expert(s)
Tanzania	IFMIS: Strengthening PFM Operational Support and Control	Oct 18-21	Paul Seeds (AFE advisor) Ali Hashim (STX) Soren odd Langhoff (STX) Jean de dieu Rurangirwa (STX)
Rwanda - EAC	Assessment of Public Investment Management	Nov 28 - Dec 2	Kubai Khasiani (AFE advisor) Paul Seeds (AFE advisor)
Macro-Fiscal Analysis			
TA Missions			
Country	Subject	Date	Expert(s)
Kenya	Supporting the Preparation of a Fiscal Risk Statement	Oct 31 – Nov 4	Fazeer Rahim (AFE advisor)
Uganda	Supporting the Preparation of a Fiscal Risk Statement	Nov 7 – 11	Fazeer Rahim (AFE advisor)
Ethiopia	Developing High-Frequency Indicators	Nov 7 - 16	Robin Youll (STX)
Financial Sector Regulation and Supervision			
TA Missions			
Country	Subject	Date	Expert(s)
Tanzania	Developing Basel II/III Based Capital Adequacy Regulations	Oct 17-21	Dirk Jan Grolleman (AFE advisor)
Rwanda	Updating the Risk-Based Supervision Framework	Oct 12-25	Jan Rein Pruntel (STX)
Tanzania	Developing an Integrated Risk-Based Supervision Framework	Nov 28 – Dec 2	Courtney Christie-Veitch (AFE advisor), Toronto Centre
Financial Market Infrastructures & Payments			
TA Mission			
Country	Subject	Date	Expert
Uganda	Strengthening Compliance with the PFMI	Nov 30 – Dec 13	Faith Stewart (AFE advisor)



Economic and Financial Statistics			
TA Missions			
Country	Subject	Date	Expert(s)
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 (AFE advisor)
Rwanda	Consumer Price index	Oct 24 – Nov 4	Joshua Klick (STX)
Tanzania	National Accounts Statistics	Nov 7 - 18	Pamela Audi (AFE advisor)
Kenya	Construction Input Price Indices	Nov 30 – Dec 13	Edwin St Catherine (STX)
Workshop			
Country	Subject	Date	Expert(s)
Uganda	National Accounts Statistics Workshop	Oct 10-21	Pamela Audi (AFE advisor) Ramesh Kolli (STX) Artashes Shaboyan (STX)
Government Finance Statistics			
TA Missions			
Country	Subject	Date	Expert(s)
Tanzania	Fulfilling Requirements of a New and Extended GFS Work Plan	Oct 17-28	Francois Engelbrecht (STX) Lize-Mari Janse van Rensburg (STX)
Ethiopia	Initiating a GFS Capacity Development Program in Ethiopia	Oct 17-28	Brooks Robinson (AFE advisor) Giovanna Dabbicco (STX)
Tanzania	Public (Press) Event: Improvements in East African Statistics Through Capacity Development	Oct 31–Nov 1	Brooks Robinson (AFE advisor)
Uganda	Fulfilling Requirements of a New and Extended GFS Work Plan	Nov 14-25	Brooks Robinson (AFE advisor) Francois Engelbrecht (STX)
Workshops			
Country	Subject	Date	Expert(s)
Uganda	Improving GFS Quality and Extending the <i>Guidelines</i>	Nov 28-Dec 2	Brooks Robinson (AFE advisor) Ismael Ahamdanech Zarco (STX) Francois Engelbrecht (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.

<b>Country</b>	<b>Title</b>	<b>Mission Dates</b>
Ethiopia	Strengthening Management of Tax Payer Registration and Ledger Data	March 21-April 1, 2016
Kenya	Improving Coverage and Quality of Annual Financial Reporting	May 30-June 10, 2016
Rwanda	Improving Revenue Forecasting	March 14-23, 2016
Tanzania	Aide Memoire - Improving Annual Financial Reporting	May 16-27, 2016
Tanzania (Zanzibar)	Improving Zanzibar's Government Finance Statistics	June 20-24, 2016



## Member Countries

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



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- Dirk Jan Grolleman, **Financial Sector Regulation and Supervision**
- Faith Stewart, **Financial Market Infrastructures and Payments**
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