



International Monetary Fund - IMF Regional Technical Assistance Center

Building Macroeconomic Capacity in East Africa



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Background

1. Africa Regional Technical Assistance Centers

The five Africa Regional Technical Assistance Centers (East, West, Central, South, and West 2 AFRITACs) are a collaborative venture between the International Monetary Fund (IMF), the recipient countries, and bilateral and multilateral donors. They originated from the IMF's response to African leaders call on the international community to increase technical assistance (TA) to Africa and focus it more sharply on capacity building. Their strategic goal is to strengthen the institutional capacity of African countries to design and implement their Millennium Development Goals and poverty-reducing strategies, supported by sound macroeconomic and financial policies, as well as to strengthen the coordination of capacity-building TA.

Defining AFRITACS

The AFRITACs stem from the regional technical assistance center model, initially launched by the IMF in 1993 in the Pacific Region, and since expanded on four continents.

- East AFRITAC (AFE) Partly as a result of the success of East AFRITAC, the first Center to be established in Africa in 2002, and based in Dar es Salaam, Tanzania, serving *Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania (including Zanzibar), and Uganda* - the number of AFRITACs has now grown to five.
- AFRITAC West (AFW) AFRITAC West was opened in Bamako, Mali, in 2003 and moved to Abidjan, Côte d'Ivoire, in mid-2012 to serve ten countries in West Africa (*Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo*).
- AFRITAC Central (AFC) AFRITAC Central was opened in Libreville, Gabon, in 2007, to serve countries in the CEMAC (*Gabon, Cameroon, the Central African Republic (CAR), Chad, the Republic of the Congo and Equatorial Guinea*) group, plus *Burundi and the Democratic Republic of the Congo*.
- AFRITAC South (AFS) AFRITAC South was opened in Port Louis, Mauritius, in June 2011, to serve 13 countries in Southern Africa (*Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe*).
- AFRITAC West 2 (AFW2) AFRITAC West 2, based in Accra, Ghana, started operations in December 2013, covering the non-francophone countries from the Economic Community of West African States (ECOWAS) that are not served by the current AFRITAC West (*Cape Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone*).



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO



Ministry of Foreign Affairs of the
Netherlands

2. East AFRITAC Approach

Since its inception, East AFRITAC has adopted a demand-driven, hands-on, and output-oriented approach to TA deployment. As noted above, East AFRITAC's presence in the region is a hallmark of its TA delivery mode, which allows for prompt response in dealing with requests from member countries, while bringing to bear a deep knowledge of local context. Another key aspect is the development of local counterpart teams, which helps to contribute significantly to country ownership, promotes sustainability of the underlying reform effort, and leads to the creation of a future pool of national and regional expertise.

The Center effectively strengthens its support with strategic advice and technical backstopping from IMF Headquarters, ensuring the consistency, relevance, and quality of the assistance it provides. East AFRITAC does not operate in a vacuum, and its efforts are fully integrated with those of TA delivered from IMF headquarters in the region. TA efforts of AFE are a part of a bigger effort of the IMF, by which Headquarters provide the strategic direction and initial diagnostic evaluations that inform the Center's work. The Center's activities are thus embedded in initial and follow-up diagnostic missions from IMF headquarters, which often contribute to the foundation for the work that East AFRITAC then undertakes.

Internally, the East AFRITAC has adopted a results-based management framework anchored in an annual planning, implementation, and monitoring cycle. The framework identifies the main objectives for each area of work, the expected (and achieved) inputs and activities, main outputs, results, as well as next steps. The framework also makes explicit the links of East AFRITAC support to member countries reforms and poverty-reducing strategies, and the involvement of other donors. The management model for the Center as a whole translates into country- and sector-based frameworks. Member countries, through the Steering Committee, have expressed their appreciation of the clarity brought to the Center's operations through this approach.

As per its mandate, East AFRITAC has put considerable effort into liaising closely and coordinating with development partners in the formulation and delivery of TA. In this regard, East AFRITAC had rightly anticipated a trend towards greater donor cooperation in most of the countries of East Africa. Overall, the Center's model of TA delivery has enabled better alignment of capacity-building activities with country-driven initiatives in its areas of work, and has facilitated the tapping into, and use of, expertise available within the region.

Key Areas of Work

In line with the main priorities set for the work of the East AFRITAC by its Steering Committee, the Center's mandate includes the following areas.

Revenue Administration

The Center's assistance in this area aims to assist member countries to build capacity to mobilize tax and trade revenues and broaden their tax bases. The key objective was to strengthen compliance management capacity by promoting voluntary compliance. Country assistance focused on: (1) improving tax compliance; (2) embedding risk management practices in tax and customs administrations; (3) improving organizational design and delivery; (4) increased and improved use of appropriate information technology; and (5) supporting regional integration.

Public Financial Management

The Center's assistance in this area is directed towards providing tools and methods for strengthening budgeting, budget execution, financial reporting and oversight practices whilst also targeting improvements in efficiency, expenditure management and accountability. East AFRITAC is also responding to emerging priorities of member countries to support the implementation of newly approved PFM legal frameworks, tighten the links among macro fiscal, forward estimates, budget ceiling and allocation, strengthen compliance and oversight environments and lever benefits from new technologies.

Macro-Fiscal Analysis

Work in the macro-fiscal area aims at supporting improvement in public financial management by building capacity in macroeconomic analysis and forecasting. This has taken the form of support to improve the fiscal framework that underpins budget formulation through better data, improved medium-term forecasting and better inter-institutional coordination; to improve budget documentation that are key to the accountability of the budget process; and to improve the analysis and reporting of fiscal risks. Going forward, the Center is expected to take a bigger role in supporting economic and monetary integration in the region, through the harmonization in the formulation of fiscal policy principles and objectives, in fiscal reporting and in fiscal surveillance.

Financial Sector Regulation and Supervision

The East AFRITAC's assistance in this area aims to strengthen the legal and regulatory framework for supervising banks, insurance companies and other nonbank financial institutions. This includes assisting countries in achieving compliance with the Basel Core Principles for Effective Banking Supervision and the Insurance Core Principles set by the International Association of Insurance Supervisors; improving on-site inspection and off-site supervision activities; making them more risk-focused; and implementing consolidated supervision to supervise banking groups and mixed financial conglomerates effectively. The Center also provides support for countries to address specific issues, such as anti-money laundering/combating the financing of terrorism (AML/CFT) measures; adopt international financial reporting standards (IFRSs); and supervise microfinance and foreign exchange bureaus.

Monetary Policy and Operations

East AFRITAC aims to support capacity creation at central banks in the area of monetary policy and operations. The focus of the work involves supporting central banks to create in-house capacity for the formulation and implementation of monetary policy; formulation of

strategies for the development of foreign exchange, money, and domestic debt markets;; enhancing institutional capacity for managing systemic liquidity and conducting efficient monetary operations; assisting national initiatives for the modernization of payment and settlement systems and harmonization of regional efforts involving cross-border systems; and supporting capacity creation for management of foreign exchange reserves. Support to member central banks in their efforts towards more forward looking monetary policy through, among others, developing fully operational forecasting and policy analysis systems has featured prominently in AFE's work in the recent past.

Economic and Financial Statistics

The Center has put considerable effort into building capacity in the region in order to produce accessible and good quality economic and financial statistics that are consistent with the latest statistical standards. Technical assistance and training has included helping member countries to develop and compile supply and use tables as part of the Gross Domestic Product (GDP) rebasing process; rebasing and improving the methodology and source data for compiling annual GDP by economic activity; developing and improving the methodology and source data for compiling quarterly GDP by economic activity at current and constant prices; as well as implementing the changes in methodology covered by the 2008 System of National Accounts (2008 SNA). In addition, support has been provided to most member countries for rebasing and improving the compilation methodology for the Consumer Price Index; rebasing, improving, and extending the Producer Price Index to other non-manufacturing industries; and implementing/rebasing and improving Export and Import Price Indices. Assistance has also been provided in improving the Balance of Payments (BOP) and International Investment Position (IIP) statistics. In early 2014, the Center commenced providing assistance in improving and expanding Government Finance Statistics. The aim is to achieve consistency among all the macroeconomic variables across member countries, which will in turn promote the formulation of sound macroeconomic and financial policies.



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