

FY 2015 ANNUAL REPORT

EAST AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER (EAST AFRITAC)





East AFRITAC
INTERNATIONAL MONETARY FUND
REGIONAL TECHNICAL
ASSISTANCE CENTER

A Multi-Donor Initiative Supported by Recipient Countries and the Following Donors



European Union



UKaid
from the British people



**Government
of Canada**

**Gouvernement
du Canada**



Australian Government

Department of Foreign Affairs and Trade



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

EAST AFRITAC MEMBER COUNTRIES



Eritrea



Malawi



Uganda



Ethiopia



Rwanda



Kenya



Tanzania

East AFRITAC Annual Report FY 2015

Africa Regional Technical Assistance Center East



Table of Contents

Opening Remarks	v
List of Abbreviations	vii
Section 1. Executive Summary	1
Section 2. Strategic Issues.....	4
A. Implementation of the Action Plan on the Mid-Term Evaluation	4
B. Strategy for the Next Five Years	5
C. Budget and Financing.....	5
D. Donor Coordination	7
Section 3. Report on Activities in FY 2015	9
A. Overview.....	9
B. Revenue Administration	14
C. Public Financial Management	17
D. Macro-Fiscal Analysis	20
E. Financial Sector Regulation and Supervision	21
F. Monetary Policy and Operations	23
G. Economic and Financial Statistics.....	25
H. Work on Regional Issues	27
I. Attachments	30
J. Peer-to-Peer Learning Initiative	31
K. East AFRITAC Training.....	32
Section 4. Work Plan for FY 2016	40
A. Revenue Administration	41
B. Public Financial Management.....	44
C. Macro-Fiscal Analysis	45
D. Financial Sector Regulation and Supervision	45
E. Monetary Policy and Operations and Payments Systems	46
F. Economic and Financial Statistics.....	47
G. Work on Regional Issues	48
H. East AFRITAC Training.....	48
I. Attachments and Regional Expertise.....	49
Boxes	
Box 1. Country Strategies	6
Box 2. East AFRITAC's Phase IV Program: Proposed New Areas of Capacity Development	7
Box 3. Supporting the EAC Single Customs Territory Initiative	16
Box 4. Some Key PFM Outcomes by Member Countries in FY 2015	18
Box 5. Public Expenditure Review Study on Payment Arrears in Tanzania.....	19
Box 6. Fiscal Transparency Evaluation in Kenya	20
Box 7. Forecasting and Policy Analysis Systems – Progress in FY 2015.....	24
Box 8. New GDP Statistics in Eastern Africa – A Five-Year Endeavor	27
Box 9. Revamping Fiscal and Debt Statistical Systems to Support Regional Integration	28
Box 10. IMF East AFRITAC Work on PFM Harmonization with the EAC	29
Box 11. Feedback on the Peer-to-Peer Learning Initiative	31

Box 12. IMF Online Training - New Opportunities for Low-Income Countries.....	33
Box 13. Strengthening Public Investment Management	35
Box 14. East AFRITAC - Collaboration on Training with Other Institutions.....	36
Box 15. Cooperation with the Toronto Center on Insurance Supervision.....	36
Box 16. Workshops on Compliance with CPSS-IOSCO Principles for Financial Market Infrastructure.....	37
Box 17. East AFRITAC - Improving the Evaluation of Training and Workshops.....	39

Figures

Figure 1. East AFRITAC: Scaling up of Activities, FY 2010 – FY 2015	6
Figure 2. East AFRITAC: Summary Statistics of FY 2015 Implementation	10
Figure 3. East AFRITAC: Deviation Analysis, FY 2015.....	14

Tables

Table 1. Status of Implementation of the Recommendations of the Mid-Year Evaluation.....	4
Table 2. East AFRITAC: Implementation Activities, FY 2015 (in Field Person Weeks)	10
Table 3. East AFRITAC: Allocation of Resources by Country, FY 2015 (in Field Person Weeks) ...	11
Table 4. East AFRITAC: Allocation of Resources by Sector, FY 2015 (in Field Person Weeks)	11
Table 5. East AFRITAC: Status of Milestones by Sector, FY 2015 (no. of milestones)	12
Table 6. East AFRITAC: Indicators of Progress by Sector, FY 2015.....	13
Table 7. East AFRITAC: Activities Planned, FY 2016 (in Field Person Weeks)	40
Table 8. East AFRITAC: Planned Allocation of Resources by Sector, FY 2016 (in Field Person Weeks)	40
Table 9. East AFRITAC: Planned Allocation of Resources by Country and by Sector, FY 2016 (in Field Person Weeks)	41
Table 10. East AFRITAC: Strategic Log Frame Summary by Topic Objective, FY 2016	42
Table 11. East AFRITAC: Planned Resources by IMF TA Department, FY 2016 (in Field Person Weeks)	43

Opening Remarks by Dr. Louis Kasekende, Deputy Governor, Bank Of Uganda

**At the 17TH East AFRITAC Steering Committee Meeting,
Kampala, Uganda, March 30, 2015**

On behalf of the Bank of Uganda, I warmly welcome you all to Kampala and most especially to the 17th Annual Steering Committee Meeting of the East AFRITAC. Let me also take this opportunity to once again congratulate our Guest of Honor, Hon. Matia Kasaijja, upon his recent appointment as Minister of Finance, Planning and Economic Development.



As you are all aware, this meeting shall precisely be wrapping up Phase III and designing the future course of the Centre and its extensive technical assistance work. I believe that at a broad strategic level, the itinerary for our deliberations over the next two days speaks to the core of the current issues in designing the post 2015 global development agenda and Africa's 2063 transformation agenda.

Some of these issues that are also fundamental for East AFRITAC's existence are capacity building including training of domestic expertise, ownership of policy prescriptions for countries especially on the African continent, and statistical capacity to formulate policies and measure outcomes. This meeting therefore, has the opportunity to determine the sustainable financing mechanisms for the Centre, prioritizing the Centre's activities and potentially re-aligning them with our various national macroeconomic and development capacity building priorities, and synergizing the Centre's activities with other technical assistance and training programs to ensure efficacy in resource use.

Hon. Minister and distinguished participants, I believe I speak for all present here today to say that the region has strongly benefited from East AFRITAC's work in enhancing our technical capacity in economic and financial governance. Allow me, therefore, to highlight some of the key areas in which Uganda has benefited from the work of the Centre.

Over the last few years, support from East AFRITAC has enabled Uganda to augment its capacity in monetary policy management and the compilation of National Accounts' statistics including rebasing of its GDP series and data quality assurance. We have also been supported in strengthening public financial management and revenue administration including the creation of a single treasury account and restructuring of our Ministry of Finance, Planning and Economic Development, i.e., the creation of a new Cash Management Department.

East AFRITAC has also provided invaluable assistance to the Bank of Uganda in preparation and implementation of a framework for consolidated banking supervision. This included an update of an action plan matrix, analysis of a survey of financial institutions, and the completion of first-draft procedures for consolidated supervision. The Centre has also impacted on the country's drive to modernize its payments system oversight and desire to establish an effective regulatory framework

for the National Payments' system. This has been through East AFRITAC's support to develop internal capacity, drafting guidelines and risk assessment frameworks for payment system oversight.

From the foregoing, the scope of work and contribution of East AFRITAC to the region is extensive and each of our countries has their own anecdotes of success stories. I, therefore, take this opportunity to thank all the financiers and staff of the Centre for the tremendous work being undertaken. I also applaud our own staff in the Partner States' Central banks, Revenue Agencies, National Statistical Offices and Treasuries, who collaborate with the experts from East AFRITAC to undertake the necessary technical work.

Ladies and Gentlemen, we have a tight schedule ahead of us but I hope you will find some time over the next two days to expend some of your *liquidity* in the real sector and, in a way, lend some support to Uganda's balance of payments position. Once again, I welcome you all to the "*Pearl of Africa*" and I hope we can meet the objectives of our gathering in this serene environment of Kampala Serena Hotel. It is now my singular pleasure and honor to invite Hon. Matia Kasaija to officially open this meeting.

I thank you all.

List of Abbreviations

AFE	East AFRITAC
AFRITAC	Africa Regional Technical Assistance Centers
AFS	AFRITAC South
AFW	AFRITAC West
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATI	Africa Training Institute (IMF)
BOP/ IIP	Balance of Payments/International Investment Position
BOT	Bank of Tanzania
BOU	Bank of Uganda
BPM6	BOP and International Investment Manual, 6th Edition
CBK	Central Bank of Kenya
CPI	Consumer Price Index
DFID	Department for International Development (United Kingdom)
EAC	East African Community
EAMU	East African Monetary Union
EFDs	Electronic Fiscal Devices
FAD	Fiscal Affairs Department (IMF)
FPAS	Forecasting and Policy Analysis System
FPW	Field Person Weeks
FSR	Financial Sector Regulation and Supervision
FTE	Fiscal Transparency Evaluation
GDP	Gross Domestic Product
GFS	Government Finance Statistics
IAIS	International Association of Insurance Supervisors
ICAAP	Internal Capacity Adequacy Assessment Process
ICD	Institute for Capacity Development (IMF)
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
LEG	Legal Department (IMF)
LTX	Long-Term Expert
MCM	Monetary and Capital Markets Department (IMF)
MDAs	Ministries Department and Agencies
MEFMI	Macroeconomic and Financial Management Institute for Eastern and Southern Africa
MFA	Macro-Fiscal Analysis
MFS	Mobile Financial Services
MNRW-TTF	Managing Natural Resource Wealth-Topical Trust Fund
MON	Monetary Operations and Policy
MPC	Monetary Policy Committee
MTBF	Medium-Term Budgetary Framework
NAS	National Accounts Statistics
NBE	National Bank of Ethiopia
NBR	National Bank of Rwanda
NPS	National Payments System

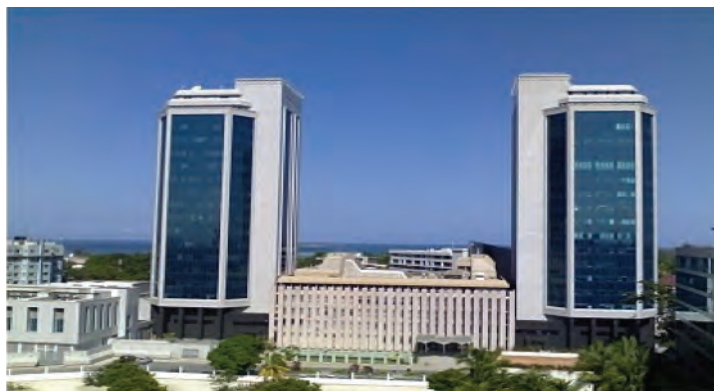
PBB	Program-Based Budgeting
PFM	Public Financial Management
PIM	Public Investment Management
PPI	Producer Price Index
PSM	Payments System Modernization
QGDGP	Quarterly Gross Domestic Product
QNA	Quarterly National Accounts
RA	Revenue Administration
RTAC	Regional Technical Assistance Center
RAP	Resource Allocation Plan
RBM	Reserve Bank of Malawi/Results-Based Management
RBS	Risk Based Supervision
RES	Research Department (IMF)
RSN	Regional Strategy Note
SC	Steering Committee
SCT	Single Customs Territory Initiative
SNA	System of National Accounts
STA	Statistics Department (IMF)/Macroeconomic Statistics
STX	Short-Term Expert
SUT	Supply and Use Tables
TA	Technical Assistance
TSA	Treasury Single Account
VAT	Value Added Tax
XMPI	Export and Import Price Indices

Executive Summary¹

Technical assistance and training—which together the IMF calls capacity development—are key IMF activities and important benefits of IMF membership². Building human and institutional capacity within a country helps the government implement more effective policies, leading to better economic outcomes. Technical assistance helps countries develop more effective institutions, legal frameworks, and policies to promote economic stability and inclusive growth. Training through practical policy-oriented courses, hands-on workshops, and seminars strengthens officials' capacity to analyze economic developments and formulate and implement effective policies. Work on technical assistance and training is managed from the IMF's headquarters in Washington, DC, and through a network of nine regional technical assistance centers (RTACs), regional training centers and programs, topical trust funds, and numerous bilateral donor-supported activities.

Five African Regional Technical Assistance Centers (AFRITACs) have been established, of which East AFRITAC is the oldest (opened in 2002) covering seven countries in East Africa – Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda. This regional approach to capacity development allows for better tailoring of assistance to the particular needs of a region, closer coordination with other assistance providers, and an enhanced ability to respond quickly to emerging needs. The AFRITACs are financed by contributions from a number of donors, the IMF, and host and beneficiary countries.

This annual report for fiscal year (FY) 2015 covers the 14th year of East AFRITAC's operations in building capacity for macroeconomic management in East Africa. This was also the final year of Phase III of the Center's operations, which covered 2009-2014, with considerable focus placed on preparing the strategy and required funding for Phase IV. The Center's main objective is to help East African governments build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies. Capacity development work is driven by member countries' demands and there is a strong focus on the impact of the support. IMF East AFRITAC provides highly valued assistance in building skills in finance ministries, central banks, revenue authorities, and statistics agencies across its seven member countries. Work strictly focuses on the Fund's core areas of expertise. Approximately one half of the technical assistance (TA) and training support is provided in fiscal issues (revenue administration, public financial management and macro-fiscal analysis) with the remainder split between financial sector work (regulation and supervision, monetary operations and payments systems) and macroeconomic statistics. Technical assistance and training is delivered in very close coordination with IMF Headquarters. East AFRITAC staff participates with IMF colleagues in diagnostic work in the above areas, but focus their support on helping with implementation of agreed actions.



IMF East AFRITAC Offices at the Bank of Tanzania, Dar Es Salaam, Tanzania

"We have had fruitful partnership with the Centre since its inception. The support has centered on the core mandate of the Central Bank of Kenya - specifically the area of monetary policy, bank supervision and the national payment system. The partnership has been both demand and output. Our assessment of the impact of the Technical Assistance from the Centre has been immense as evidenced by key performance indicators for monetary policy, financial stability and payment system. The relevance, depth and quality of training together with the opportunity to share experiences with counterparts in the region have clearly yielded the intended results."

—Dr. Haron Sirima
Acting Governor,
Central Bank of Kenya

¹ Fiscal year 2015 refers to May 1, 2014 - April 30, 2015. All annexes referenced in the report can be found in the Information Annex supplement to the report available on East AFRITAC's website: www.eastafrillac.org.

² The IMF's policies and practices on capacity development are available at: www.imf.org/external/np/pp/eng/2014/082614.pdf. Background on the RTACs can be found at <http://www.imf.org/external/np/exr/facts/afritac>.



IMF East AFRITAC Staff, Dar es Salaam, Tanzania, May 2015.

“Technical Assistance from East AFRITAC is relevant, effective and demand driven. The RTAC model enables countries to have a greater voice in formulating assistance from the IMF”

—Mr. Juma Reli,
Deputy Governor,
Bank of Tanzania

This annual report is structured as follows: (i) section I provides an executive summary; (ii) section II covers various strategic issues including how the Center has responded to a recent independent external evaluation, the strategy for the next five years (Phase IV program), budget and financing and donor coordination; (iii) section III reports on work plan implementation in FY 2015; and (iv) section IV outlines the work program for FY 2016. It is accompanied by a detailed information annex which can be found on the Center’s website (www.eastafrillac.org).

An independent external evaluation of the Center’s operations was completed in November 2013. Both IMF HQ and East AFRITAC have made good progress towards implementing the action plan responding to its findings. Strategic focus is being sharpened by the development of country strategies. The TA planning process is being strengthened to capture all IMF activities and improve alignment with the Fund’s strategic planning process. The Center is strongly focused on results, with its results-based management (RBM) system including intermediate and final outcome targets for each project. At the same time, considerable progress has been registered on implementing a new RBM system for all IMF technical assistance and training activities. Systems have also been put in place at the Center to ensure a more structured and robust assessment and follow up on training.

The Center is governed by a Steering Committee comprised of member countries, donors and the IMF. It is managed by a Center Coordinator, typically an experienced IMF staff member. The Committee endorsed a final draft of East AFRITAC’s Phase IV strategy (or program) document at the Center’s 17th Steering Committee meeting in Uganda at end-March 2015. The document sets out the priorities for East AFRITAC’s TA and training across its members over the next five years. It describes how Phase IV objectives build on achievements to date, details the framework for measuring results, and also clarifies how the strategy takes into account the findings of the mid-term evaluation. The strategy itself focuses on deepening capacity gains in existing areas of TA. Work will be expanded on emerging priorities, notably regional integration and natural resources management. The proposed budget for the next five years (\$53.5 million) represents a modest increase of 6 percent over the Phase III program budget. Securing such financing in a timely manner will be critical to maintain the momentum of capacity development gains that have been achieved with the Center’s support. Recipient countries themselves have expressed strong ownership of the Center by committing to substantially increase their financial contributions in Phase IV. Several donors have also pledged to continue providing resources for Phase IV. The IMF will continue to work to secure the remaining financing needs over the coming months, including through exploring strategic partnerships with new donors.

East AFRITAC was able to deliver a significant scaling up in its activity in FY 2015, meeting a broader range of capacity building needs and achieving good results. Overall delivery was 921 field person



Sukhwinder Singh, from the UK, has been Center Coordinator of East AFRITAC since 2013. He has worked in the African, Asian and Policy Departments of the IMF over 17 years, and at the Bank of England.

weeks, or 50 percent above FY 2014, with almost 90 percent of the planned level of activity executed. This included 30 highly rated training events, including 23 regional workshops bringing together officials from across countries for peer-to-peer learning. Over a dozen attachments of officials between member countries were organized and a mentoring program was piloted, allowing country officials to join East AFRITAC missions. In terms of results, 65 percent of all project targets or milestones were attained. Some important outcomes this year include: Parliamentary approval of the PFM Act in Uganda; completion of a Fiscal Transparency Evaluation in Kenya; a study on the prevention and management of payment arrears in Tanzania; enactment of a revised VAT law in Tanzania; rebasing of annual GDP in Kenya, Rwanda, Tanzania (Mainland and Zanzibar) and Uganda and their dissemination of quarterly GDP; and ministerial adoption of fiscal data development plans derived from the Center's TA program in Government Finance Statistics. Deviations from the work plan often derived from the postponement or cancellation of some activities due to changes in TA recipient priorities. Budget execution in FY 2015 was in line with the budget with total expenditures of \$10.7 million. Residual savings of \$1.8 million have allowed Phase III to be extended to end June 2015.

East AFRITAC has been active in informing its member countries, donors and the wider public of its activities. In addition to this annual report and reports to the Steering Committee, it produces a detailed monthly newsletter covering all its past and forthcoming activities, which is posted on its website. This has been supplemented with donor debriefings, staff participation in donor groups, surveys of donor activities and the sharing of work plans. Over 50 technical assistance reports, covering all member countries and the EAC, have been shared with eligible members of the Steering Committee over the year (see Information Annex IX). The Center has also been able to leverage its resources through collaboration with other training institutions such as with the IMF's own Africa Training Institute, the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI) and through work with the Toronto Center on Insurance Supervision. The Center's outreach activities are being enhanced including through an improved website and the recently launched social media (Facebook) page (www.facebook.com/EastAFRITAC).

The FY 2016 work program builds on the success of activities in FY 2015. Almost three-quarters of projects are a continuation of existing work. Work on regional issues remains prominent, and the Center will also gradually step up its work on new areas of demand such as natural resources management and payments systems. Overall activity is programmed to be 879 field person weeks, marginally lower than FY 2015 but consistent with countries' absorptive capacity, supply constraints given existing staffing levels, and the financing outlook.

Strategic Issues

Implementation of the Action Plan on the Mid-Term Evaluation

Significant progress has been made by both IMF headquarters and East AFRITAC in implementing the action plan responding to the November 2013 independent mid-term external evaluation of the Center's operations. The IMF reports progress bi-annually, and a summary of the actions taken is provided in Table 1 below and in Information Annex VI.

Table 1. Status of Implementation of the Recommendations of the Mid-Year Evaluation

Country Strategies, Sustainability, Costing
<ul style="list-style-type: none"> Country strategies developed as part of Phase IV (see Box 1). Improved Regional Strategy Notes/Resource Allocation Plan (RSN/RAP) process to capture all IMF TA to the East AFRITAC region. Better alignment with the Fund's strategic planning cycle. Financial sustainability strategy for Phase IV: (i) establishing long-term strategic partnerships with key donors (ii) diversification of the donor base; and (iii) a gradual increase in member country contributions.
RTAC Reporting, Results Orientation, Standardization of Practices, Improving Governance
<ul style="list-style-type: none"> The RTAC Handbook, which addresses a number of issues from the mid-term evaluation on standard operating guidelines for RTACs, has been finalized and is currently in the process of being published. The Handbook includes a communications strategy/outreach plan for RTACs and enhancing donor visibility. ICD is working on a capital project on a Capacity Development Information Management System, which aims to strengthen and standardize the processes related to the recording of financial information for donor-financed TA. The IMF will introduce real-time system tools to monitor and analyze the cash flows, budgets and expenditure related to donor-financed activities. This will help to standardize and automate financial reporting to donors.
Efficiency of East AFRITAC Operations
<ul style="list-style-type: none"> Short term experts are being used for longer missions, and TA missions tied in with regional training, where appropriate. Succession planning strengthened. Early initiation of recruitment of replacements for departing advisors. Overlap implemented for all new recruits to foster efficient transition. Research analyst recruited to support the work of the resident advisors and assist the Coordinator in improving the analysis of the Center's activities.
TA delivery should be improved and made more results-oriented, and the effectiveness of the implementation of Results-Based Management should be enhanced
<p>Considerable progress made toward implementing an RBM system for all IMF TA and training, irrespective of financing source.</p> <ul style="list-style-type: none"> New software for the RBM system has been configured and change management on RBM is in process. The new system will help aggregate results across topics, regions, and TA delivery modes, which will considerably improve the consistency and comparability of reporting on results and facilitate the tracking of project deliverables. TA departments have developed a catalog of harmonized outcomes and associated indicators for each TA product line. The new system will be piloted in functional departments from mid-June, 2015, and is expected to be implemented in the second half of 2015. East AFRITAC's existing results framework will remain in place for now and will continue to be refined, including by benefiting from developments at IMF HQ level (e.g. by drawing on the harmonized structure of outcomes and indicators 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 (see Box 17).
<ul style="list-style-type: none"> East AFRITAC's post workshop feedback questionnaires have been standardized, consistent with ICD templates. Databases on training participants and evaluations have been revamped. Post workshop reports are systematically including follow up actions, both related to further training and future TA needs. From FY 2016, the Center will undertake systematic post workshop tracking through participant and sponsor questionnaires. New social media site may be used for virtual peer-to-peer, post-training learning networks.

Strategy for the Next Five Years

A five-year strategy (program) document for Phase IV of East AFRITAC's operations has been completed and endorsed by the Steering Committee. The document summarizes the achievements under Phase III, sets out the macroeconomic context and key capacity building challenges in the region, and details the work agenda by sector over Phase IV (2015-2020). Recommendations of the Phase III mid-term evaluation have served as a key input for the design of Phase IV, with many of the actions noted above implemented in the course of the next program cycle. Country notes are included for the first time in the strategy document (Box 1). The strategy proposes the Center continue to focus on the main sectors covered under Phase III given the significant work that remains in deepening the capacity gains that have been achieved. At the same time, in response to member country demands and their macroeconomic significance, the strategy is to step up work on new areas of critical demand (Box 2). The program document includes a full results-based management framework including newly compiled baseline indicators which draw, where possible, on internationally accepted measures of progress in key indicators of macroeconomic management. The overall budget proposed is \$ 53.5 million,³ or approximately 6 percent above the Phase III program budget. A pledging session was held following the 17th Steering Committee Meeting at end-March, 2015. Member countries agreed to double their contributions as a share of total financing. This provides a strong signal of ownership and a move towards ensuring longer term financial sustainability of the Center. The largest donors to the Center – notably the EU and the UK's DFID – also signaled their intention to continue supporting the IMF's TA activities through East AFRITAC. The Fund will continue efforts to secure remaining financing needs for Phase IV and to diversify the donor base.



IMF East AFRITAC's 17th Steering Committee Meeting in Kampala, Uganda, March 2015



Discussions during the AFE Steering Committee Meeting in Kampala, Uganda, March 2015

Budget and Financing

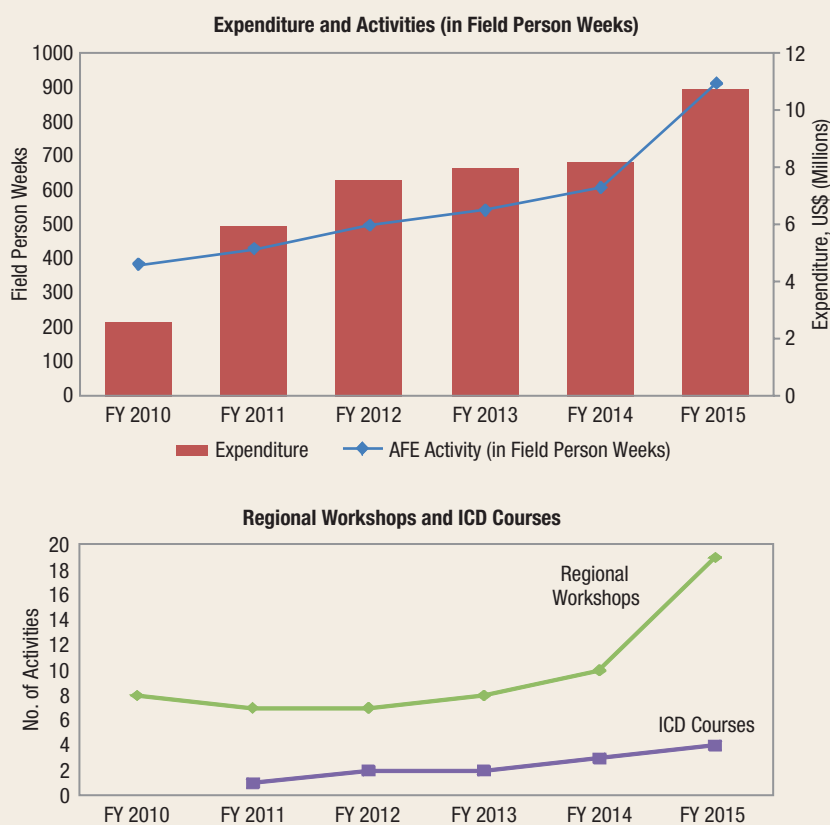
At the end of FY 2015, East AFRITAC had executed 99 percent of its budget of \$10.7 million (see Information Annex XIV). This shows a significant scaling up in activity given total annual spending averaged about \$6.5 million per year from FY 2010-14 (Figure 1). Spending on training and backstopping/project management was slightly above budget as new activities were added and on account of improved recording. The execution of the budget for short-term experts was somewhat lower than projected reflecting the slower rate of implementation in Monetary Operations and PFM. The budget for diagnostic missions was cut back significantly given Phase III was drawing to a close, but has continued to be underutilized. On the financing side, all Phase III pledges of \$39.9 million (Information Annex XIV)

³ This excludes the \$1.8 million residual savings from Phase III which will be used over the first two months of FY 2016.

Box 1. Country Strategies

Country strategies have been developed as part of East AFRITAC's Phase IV program to ensure an improved strategic focus allowing RTAC activities to remain targeted and relevant. A key objective is to help ensure alignment with other economic and financial management reform initiatives both at the regional and country level. This includes identifying work in related areas being done by East AFRITAC's donors in order to improve information sharing and coordination of activities. Another key purpose is to clarify how IMF and, in particular, East AFRITAC TA and training is integrated with IMF country analysis generated through IMF surveillance and programs. The country notes reconstruct sector log frames by country to highlight the main medium term strategic TA objectives and the key results being sought to measure progress. They have been developed drawing on similar exercises done by AFS and capacity development country pages used by the IMF to summarize medium-term TA priorities and rate the progress being made by current projects. Collectively, and along with the log frame for regional activities, they constitute a regional strategy. The latter is closely aligned with priorities established by the EAC for regional integration. These notes are a work in progress. In the future, these country pages could also be developed to include more information on TA results, how these have shaped the TA strategy, further information on training activities, and more information on implementation challenges. They are also being developed into shorter two-page outreach notes. These will eventually be included in future annual reports to the Steering Committee and the public.

Figure 1. East AFRITAC: Scaling up of Activities, FY 2010 – FY 2015



Box 2. East AFRITAC's Phase IV Program: Proposed New Areas of Capacity Development

Preparation for each new phase of an RTAC affords a rethinking of strategic priorities. This includes consideration of new and emerging issues within the IMF's mandate where there are strong demands for TA and training. These demands need to be balanced against sustaining medium-to-long-term, institution-building priorities in existing areas, absorptive capacity, resources and comparative advantage. As a result, and in close collaboration with member countries, donors and IMF HQ, the Center proposes to add three new areas to its portfolio of work. Moreover, with regional integration activities accelerating following the signature of the EAMU protocol, the Center will be stepping up its work in support of this process across all sectors. More specifically, this will cover the customs union, monetary union architecture including new regional bodies, policy harmonization, and the support of countries' monitoring of convergence criteria.

- **Natural Resources Management:** Effective management of large discoveries of gas and oil are critical to East Africa's future growth and poverty reduction prospects. East AFRITAC will provide follow-up implementation support to IMF policy advice delivered through the Managing Natural Resource Wealth (MNRW) Topical Trust Fund's interventions in the region. Its engagement will primarily be in fiscal regime modeling and resource revenue forecasting – particularly support in using the Fiscal Analysis of Resource Industries model; aspects of natural resource revenue administration and resource revenue PFM issues including incorporating resource revenue management in PFM systems, implications for MTBFs and Sovereign Wealth Funds; and strengthening domestic institutional arrangements between multiple government agencies involved.
- **Fiscal Tax Law:** Sustainable implementation of fiscal law reforms—including in the EAC context—requires more intensive TA overseen by the IMF's Legal Department. More intensive LEG TA than is available from IMF HQ is required to ensure the sustainable implementation of projects underway. Technical assistance from IMF HQ focuses mainly on high-level policy and legal design, while downstream TA—implementation through secondary legal instruments and legal capacity building—is currently not systematically available. For this purpose, East AFRITAC will host a resident legal advisor in the area of fiscal law for a two-year period. The expert will work on both tax law and public finance law, in close coordination with IMF LEG and the Center's tax administration and PFM/Macro-Fiscal advisors.
- **Financial Markets Infrastructure:** There is strong demand from member countries for further work in financial market infrastructure, principally in payments, but also clearing and settlement systems. East AFRITAC's focus will be on oversight legislation and regulation, supervision, and compliance with international standards. This may extend to effective oversight frameworks for mobile payments, an important tool for financial inclusion in the East Africa region. Some work has already been delivered in this area, but the scale of demand necessitates a specialized resident advisor, who will initially be recruited on a pilot basis for one year and shared with AFRITAC South, the RTAC covering southern Africa.

have been received. The final donor contribution from the EU was received in June 2014 and, despite budgetary pressures, member countries demonstrated their commitment to the Center by making all outstanding contributions in FY 2015. Despite the scaling up in activity in FY 2015, there is likely to remain residual savings from Phase III of approximately \$1.8 million. This will facilitate a two-month extension of the Phase to end-June 2015, as endorsed by the Steering Committee in early March.

Donor Coordination

The Center continues to work closely with its donor partners and has further enhanced information flow on its work in FY 2015. Close cooperation with other providers of capacity development has many benefits, including enhancing complementarities and avoiding duplication. The Steering Committee structure is particularly helpful to this end as it brings together recipient countries,

donors, and key providers. Monthly newsletters provide reports on TA and training activities, both recent and those expected in the coming months. In FY 2015, the Center disseminated 51 technical assistance reports on its secure extranet site covering all sectors and countries, with access available to Steering Committee members who have signed confidentiality agreements. The Center actively keeps donor counterparts informed of their work, through participation in donor group meetings, e.g. in mission debriefs and/or through periodic communication. Working with the EAC Secretariat, the Center is building up an inventory of donors working with the EAC in related areas to East AFRITAC.

A debrief for Steering Committee members was held at the Center at the mid year in December.

This permitted feedback on performance and revisions to FY 2015 work plan. Three other initiatives have been implemented to further strengthen collaboration with donors and outreach. First, in preparation of the country strategy notes, AFE donors were sent a questionnaire seeking information on their recent, current and planned capacity building activities in AFE's sectors, and views on areas that AFE should cover. Second, in early March, the Center sought donor inputs into the FY 2016 work plan. The full FY 2016 work plan is attached (Information Annex XII) and is summarized in section IV. Third, two-page country pamphlets on AFE's program in each member country are under development and will be used for outreach.

Report on Activities in FY 2015⁴

Overview

In the FY 2015, East AFRITAC delivered 88 percent (in field person weeks - FPWs) of its original full year work program as circulated to its Steering Committee at end-May 2014 (table 2). Figure 2 summarizes the composition of actual versus planned activities over FY 2015, and the status of the activities in the work plan. Total FPWs delivered was 51 percent higher than FY 2014. Of 258 activities (223 originally planned plus 35 new activities added), 197⁵ were completed by end FY 2015, 29 were postponed to FY 2016 and 32 were cancelled after further discussions with the authorities. The full project by project status of execution of the work plan for FY 2015 can be found in Information Annex X. Twenty-three regional workshops were undertaken in FY 2015 (see Information Annex XI). A seminar on IFMIS was postponed to FY 2016 and a LEG tax seminar was cancelled. Four courses were delivered by the IMF's Institute for Capacity Development. A review by country indicates lower than planned assistance to Eritrea, Ethiopia and Malawi (Table 3) was mainly due to difficulties in confirming activities as well as country-specific factors such as the elections in Malawi. This was compensated by higher regional activities as well as stronger than programmed demand from Uganda and Rwanda. By sector (Table 4), execution was particularly high in the financial sector regulation and supervision, statistics and public financial management work streams. Delivery fell short in (non-FPAS) monetary operations mainly as some missions were postponed by member countries.

In terms of results, progress on the milestones set for the year has been encouraging. A total of 258 milestones were set for the year across projects (223 original milestones plus 35 associated with new activities added intra year—see Table 5). Of these, 170 were met by end-April. A further 30 are in progress and likely to be completed in FY 2016 and 29 are related to activities which are delayed to FY 2016. On account of the cancellation of some activities, 29 milestones will not be met. These are largely the result of the reprioritization of activities by the authorities, particularly in public financial management.

Overall progress is captured by some sectoral indicators in Table 6. Some notable outcomes in FY 2015 include:

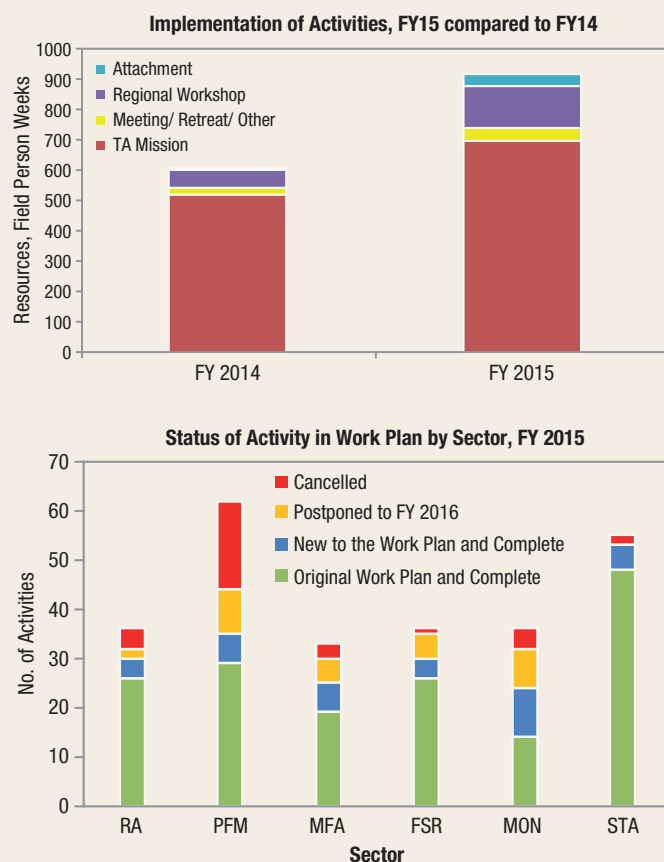
- Rebasing of annual GDP in Kenya, Rwanda, Tanzania (Mainland and Zanzibar), and Uganda and their dissemination of improved quarterly GDP price estimates.
- Parliamentary approval of the PFM Act in Uganda, completion of an FAD-led Fiscal Transparency Evaluation in Kenya, issuance by the Kenyan Accounting Standards Board of standards and formats for central governments and counties for the FY 2014 annual financial statements and, in Tanzania, a study on the prevention and management of payment arrears and inclusion of information on public corporations in the draft consolidated statements for FY 2014.
- Development of compliance risk management policies and frameworks which will guide preparation of taxpayer compliance plans (for 2015/16) to improve revenue mobilization in Ethiopia, Kenya, Rwanda, Tanzania and Uganda.
- Development of a regulation incorporating the relevant elements of the Basel II-III capital adequacy framework at the National Bank of Rwanda and of a basic stress-testing approach for insurance by the National Bank of Ethiopia.

⁴ Details of the implementation of the FY 2015 work plan can be found in Information Annexes VII to XI, with Annex X providing a project by project report.

⁵ Although 197 activities were completed, the total number of milestones completed or in progress was 200. Three milestones were met without the need for an associated AFE activity.

Table 2. East AFRITAC: Implementation of Activities, FY 2015 (in Field Person Weeks)

AFE Activities (number)	FY 2015			
	FY 2014	Plan	Actual	Execution Rate (%)
TA Mission	190	184	134	73
Meeting/Retreat/Other	-	20	20	100
Regional Workshop	10	19	19	100
ICD Workshop	3	3	4	133
Attachment		20	13	65
National Training	-	12	7	58
Total Number of Activities	203	258	197	76
Resources (Field Person Weeks)				
Resident Advisor	363	443	421	95
Short-Term Expert	236	426	384	90
Attachments	11	55	33	60
IMF HQ Staff	-	124	83	67
Total Field Person Weeks	610	1048	921	88

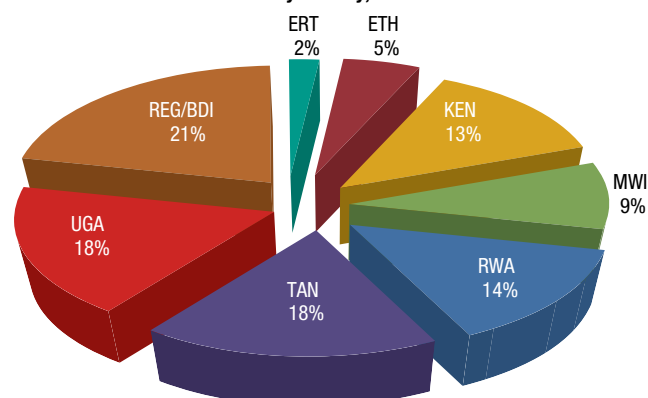
Figure 2. East AFRITAC: Summary Statistics of FY 2015 Implementation

**Table 3. East AFRITAC: Allocation of Resources by Country, FY 2015
(in Field Person Weeks)**

Member Country	FY 2014	Country Share (%)	FY 2015		Execution Rate (%)	Country Share (%)
			Plan	Actual		
Eritrea	21	3	28	16	59	2
Ethiopia	65	11	67	49	74	5
Kenya	71	12	147	117	80	13
Malawi	78	13	114	80	70	9
Rwanda	82	13	174	128	73	14
Tanzania ¹	132	22	199	169	85	18
Uganda	74	12	151	168	112	18
Regional/AFE/Burundi	87	14	167	193	116	21
Total	610	100	1048	921	88	100

¹Tanzania includes Zanzibar in all tables, unless otherwise stated.

Allocation by Country, FY 2015



**Table 4. East AFRITAC: Allocation of Resources by Sector, FY 2015
(in Field Person Weeks)**

TA Area	FY 2014	FY 2015		Execution Rate (%)	TA Share (%)
		Plan	Actual		
Revenue Administration	78	132	116	88	13
Public Financial Management	201	255	244	96	27
Macro-Fiscal Analysis	66	119	97	82	11
Financial Sector Regulation and Supervision	97	119	123	103	13
Monetary Policy and Operations	72	242	159	66	17
Economic and Government Statistics	96	182	182	100	20
Total	610	1048	921	88	100

Table 5. East AFRITAC: Status of Milestones by Sector, FY 2015 (no. of milestones)

TA Area	FY 2015				
	Planned ¹	Completed ²	In Progress	Postponed	Cancelled
Revenue Administration	36	13	17	2	4
Public Financial Management	62	31	4	9	18
Macro-Fiscal Analysis	33	23	2	5	3
Financial Sector Regulation and Supervision	36	25	6	5	0
Monetary Policy and Operations	36	24	0	8	4
Economic and Government Statistics	55	54	1	0	0
Total	258	170	30	29	29

¹Includes new activities added in the course of the year.

²Countries are expected to complete 3 milestones without a mission from East AFRITAC (see Annex X).



In July 2014, East AFRITAC's PFM Advisors joined IMF HQ and other RTAC PFM staff to share best practices.

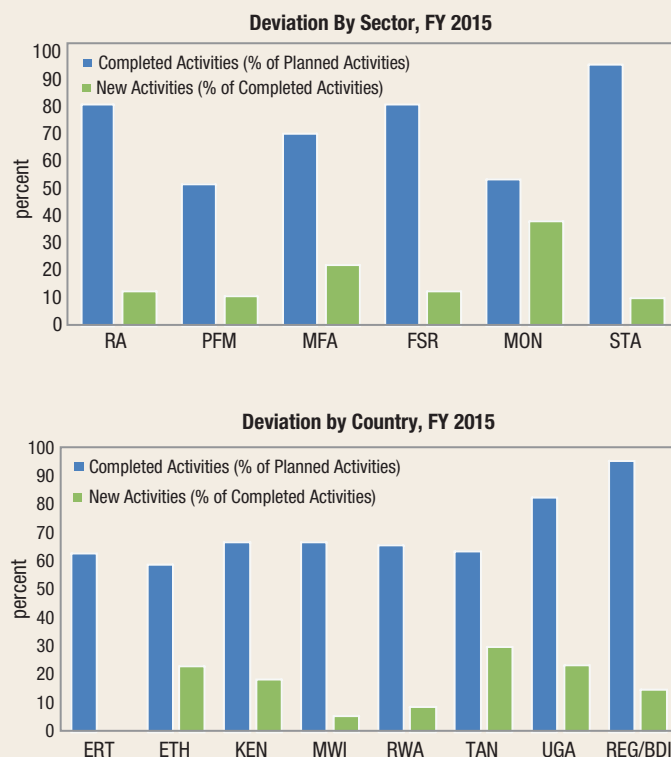
- Successful completion of the first phase of the TA program in Government Finance Statistics with the EAC Sectoral Council on Finance and Economic Affairs' endorsement of the national fiscal data development plans developed by all EAC countries.

Some basic analysis of deviations from the work plan endorsed by the Steering Committee was undertaken. Deviations were measured by assessing the share of original activities completed, and the proportion of new activities introduced to the work plan (figure 3). Over FY 2015, it confirms the particularly high deviations in monetary operations and PFM. By country, changes were most prevalent in Ethiopia and Tanzania.

Over the year, most of East AFRITAC's advisors have participated in specialized retreats for their sectors aimed at enhancing the quality of their advice. These retreats, convened at IMF HQ in Washington DC, have been extremely valuable for strengthening the Center's work. They have allowed experts to share experiences with colleagues in other RTACs, engage with IMF HQ experts

Table 6. East AFRITAC: Indicators of Progress by Sector, FY 2015

Sector	Performance Indicator	Baseline FY 2008	Outcome FY 2014	Outcome FY 2015	Target FY 2016
Revenue Administration	Number of countries with first-generation comprehensive compliance strategies.	0 out of 7 countries	3 countries (Kenya, Uganda, and Ethiopia)	4. (Ethiopia, Kenya, Rwanda, Uganda. (Malawi has just begun the process to develop a strategy)	6 (Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda)
Public Financial Management	PFM legal framework amended to reflect best practices	0 out of 7 Countries	2 out of 7 (Kenya and Rwanda)	3 out of 7 (Kenya, Rwanda and Uganda)	4 out of 7 (Kenya, Rwanda, Uganda and Tanzania, including Zanzibar)
Macro-Fiscal Analysis	Number of countries with 'A' score on PEFA Indicator PI-6, "Comprehensiveness of information included in budget documentation"	2 (Tanzania and Uganda)	4 (Uganda, Rwanda, Malawi and Ethiopia)	4 (Uganda, Rwanda, Malawi and Ethiopia)	5 (Uganda, Rwanda, Malawi, Ethiopia and Kenya)
Financial Sector Regulation and Supervision	Realization of Milestones for the Fiscal Year: > 60% based on the assumption that at least 80% of the activities planned for the FY are conducted and that 75% of the milestones related to the activities are realized (80% * 75% = 60%).		37%	72% (23 out of initial 32 planned milestones realized, 5 in progress, 4 postponed to FY16/17)	> 60%
Monetary Policy and Operations	Number of countries with substantial progress towards price-based monetary policy frameworks	0 out of 7 countries	2 (Uganda and Kenya)	2 (Uganda and Kenya)	3 (Kenya, Uganda and Tanzania)
	Number of countries conducting assessments of their national payments and settlement systems against international standards	0 out of 7 countries	2 (Kenya and Tanzania)	2 (Kenya and Tanzania)	5 (Uganda, Ethiopia, Rwanda, Kenya and Tanzania)
Economic and Financial Statistics	Number of Countries Disseminating QGDP at constant prices	1 (Kenya)	5 (Kenya, Rwanda, Tanzania, Uganda and Zanzibar)	5 (Kenya, Rwanda, Tanzania, Uganda and Zanzibar)	5 (Kenya, Rwanda, Tanzania, Uganda and Zanzibar)
	Number of Countries Disseminating QGDP at current prices	0 out of 7 countries	1 (Rwanda)	5 (Kenya, Rwanda, Tanzania, Uganda and Zanzibar)	5 (Kenya, Rwanda, Tanzania, Uganda and Zanzibar)
Government Finance Statistics	Number of EAC countries with established time-bound fiscal and debt statistics development plans.	0 countries	0 countries	5 countries (Kenya, Rwanda, Tanzania, Uganda and Burundi)	Indicator already completed; no further target
	Number of EAC countries on track with implementation of their time-bound fiscal and debt statistics development plans.	0 countries	0 countries	5 countries (Kenya, Rwanda, Tanzania, Uganda and Burundi)	Maintain 5 countries (Kenya, Rwanda, Tanzania, Uganda and Burundi)

Figure 3. East AFRITAC: Deviation Analysis, FY 2015

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

and among each other on best practices, and meet IMF country teams to ensure strong alignment of TA work with IMF surveillance and programs. These visits were also valuable in determining TA priorities for the Phase IV program document.

Revenue Administration

The end goal of the Center's work in building revenue administration capacity is to contribute to higher domestic resource mobilization to support development activity and to improve the business climate. Of the 32 TA activities planned for the year, 26 were completed. Four activities were added to the work plan in the course of the year and completed: i.e., outreach on the new Handbook on Administering Fiscal Regimes for Extractive Industries; quality assuring key revenue administration information communication and technology systems in Kenya; and participation of the advisor on FAD HQ-led revenue administration follow-up missions in both Ethiopia and Uganda. Of the six activities not completed: a FAD HQ follow-up mission in Malawi was cancelled; a mission to help build an effective border control and protection capacity in

customs in Kenya was postponed to FY 2016 to align with other IMF HQ support; and two activities in Tanzania to leverage the use of Electronic Fiscal Devices (EFDs) and to support the implementation of a revised VAT law were cancelled by the authorities due to a revision of priorities. The other two

activities involved LEG: a regional workshop planned with LEG on the legal framework for extractive industries to support the EAC was cancelled following a realignment of regional priorities; and a LEG mission to draft a tax procedure code in Uganda was cancelled at the request of the authorities in preference to reviewing the natural resource tax law framework under the MNRW–TTF.

Good progress has continued across all the objectives. Organizational design in revenue administrations is improving, policies have been formulated and modern practices have been adopted to guide and improve compliance management, corporate risk management units have been established, risk analysis and tax assessment practices are improving, and information collection and analysis to support voluntary compliance is being strengthened through use of information technology. The Center has also stepped up work on the EAC Customs Union (Box 3). Of the 36 milestones covering the strategic objectives below, 13 have been met, four were cancelled and the remaining 19 are in progress and carried forward to FY 2016.

- **Strengthen organizational design to improve revenue administration performance:** In Eritrea, AFE reviewed the Internal Revenue and Customs departments' organizational structures to improve program planning and design and to strengthen oversight of tax and customs administration functions. In tax administration, the authorities were further assisted to improve the effectiveness of core tax administration functions, namely: registration; filing; payment and debt management; and audit. Guidance was also provided to improve the design and delivery of a new computerized tax administration system—ERITAS. In customs, the authorities were guided on developing and retaining skilled staff and improving the effectiveness of the cargo clearance process, including on the use of the risk management module in the customs ASYCUDA system. These recommendations are being considered by the authorities.
- **Improve compliance management in tax and customs:** Compliance risk management policies and governance frameworks were developed for Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda. The frameworks provide a formal and structured approach to managing compliance risks and will guide the preparation of national and segment-based compliance plans for the 2015/16 financial years. Effective implementation of well-designed compliance plans will be critical to improving revenue mobilization in these countries. TA also included in-country training on compliance risk management approaches to develop capacity in this critical topic area. In Tanzania, AFE supported LEG to conduct a review of the draft VAT Act to ensure alignment with good international practices. The Act was subsequently approved by parliament.
- **Embedding risk management to raise compliance and improve trade facilitation:** AFE assistance focused on helping Kenya, Malawi, Rwanda and Tanzania to establish effective corporate risk management structures and frameworks. Governance aspects and linkages between corporate and operational risk management units in both customs and tax areas were tightened to improve coordination and effectiveness. In addition, the authorities in Eritrea, Rwanda and Uganda were guided on improving the use of the risk management systems in the customs administration. The objective is to help these countries develop capacity to effectively target the few resources they have to the highest risks and optimize revenue collection outcomes.
- **Improve use of information technology for trade facilitation, compliance and service delivery:** AFE TA assisted the authorities in Uganda to assess and develop solutions to data quality and integrity issues which is important to support compliance risk management planning, implementation, and tracking initiatives and ultimately revenue mobilization. The authorities have subsequently commenced data cleansing activities and are also implementing a data warehouse solution. Additional technical assistance in this area will be provided in the FY 2016, and support will be provided to Ethiopia which is facing similar challenges.

- **Supporting the East African Community Integration Agenda:** FAD and AFE TA assisted the EAC Secretariat to review the design and implementation of the Single Customs Territory (SCT) (see box 3).

Box 3. Supporting the EAC Single Customs Territory Initiative

The Single Customs Territory Initiative is a key step towards regional integration and attaining a full customs union in the EAC. In collaboration with other donors, FAD together with AFE has provided support to the EAC in terms of advice on options to design and implement the initiative. The initiative, launched in November 2013, has revolutionized customs clearance procedures and the movement of goods within the EAC, resulting in a significant reduction in costs of trading across borders and doing business.

The SCT is characterized by: (i) clearance at external borders; (ii) payment of duties in the destination country, using e-payment facilities, whilst the goods are still at the ports of Mombasa and Dar es Salaam for imports into the EAC and at points of export for intra-EAC trade; (iii) a single declaration for the transfer of goods between partner states; and (iv) monitoring of goods to the final destination (replacing road checks).

Key initial benefits include:

- **Reduced dwell and transit times:**

- Typical times from the declaration of SCT goods in Mombasa to their arrival in Kampala has fallen from 18 days to 5 days, and arrival in Kigali has fallen from 22 days to 7 days.
- Roadside checks (customs, weighbridges, etc.) on transit have been replaced by electronic cargo tracking systems.

- **Better administration and reduced documentation:**

- Revenues accrue more quickly to the accounts of the destination Partner State owing to declaration and clearance while the goods are still at the port of arrival.
- Customs systems across the region are increasingly interconnected, e.g. notification of clearance by a destination state is sent automatically to the dispatching state to generate the movement document. Customs brokers are now allowed to operate in other countries within the EAC.
- Less and more simplified documentation. One declaration instead of two or three for transfer of goods from one state to another. A simplified declaration introduced by Uganda for EAC origin goods. Lighter control procedures for reliable traders (Authorized Economic Operators - AEO).

An FAD/AFE mission in 2015 advised that moving to full implementation requires: standardized risk management and valuation practices performed on a regional basis; delegated powers to Customs to carry out primary inspections for other agencies; fully interface Customs IT systems; and as a priority, a single “integrated tariff” compiling all taxes and regulations. The implementation of the SCT initiative also calls for an urgent review of the planned establishment of large infrastructures at internal borders between EAC partner states.

To support the full implementation of the initiative, AFE will build programs providing support both at regional and Partner States levels commencing FY 2016. AFE's support will focus on developing a regional approach on risk management, valuation, and transit management. AFE will also provide support to build a common integrated tariff (i.e. a tariff compiling all regional and national taxes and regulations applicable to international trade). Support to Partner States, on the other hand, will concentrate on building capacity in the targeted areas as well as supporting entrenchment of good practices.

Public Financial Management

The overall objective of the Center's work in this area is to bring PFM systems of member countries closer to accepted international practices and standards, build PFM capacities and promote regional PFM harmonization. East AFRITAC was active in all member countries in FY 2015, making tangible contributions towards strengthening PFM capacity and processes and supporting the EAC partner states in harmonizing their legal and reporting frameworks. The PFM advisors completed 35 of 56 planned PFM activities. Lower than planned implementation followed both TA supply and recipient country factors including: the slow uptake of planned missions (Ethiopia, Malawi and Zanzibar); requests to postpone missions both on the part of the authorities and IMF HQ in order to avoid mission overload; and the induction/settling-in period for one new PFM advisor who joined in May 2014. Despite this, Box 4 notes a number of important outcomes achieved by member countries which serve to shape the requests for future TA.

Milestones in FY 2015 covered the strategic objectives below. Of the 62 milestones (including 6 new), 31 were met, 4 are in progress, and another 9 have been delayed to FY 2016. More specifically, by strategic objective:

- Modernizing PFM Legal and Regulatory Frameworks:** AFE participated in FAD-led missions to Uganda and Tanzania that were supported by LEG. In Uganda, in anticipation of parliamentary approval of the PFM Bill, a mission provided assistance in drafting particular sections of the supporting Financial Regulations. In Tanzania, the authorities were guided in their ongoing work to strengthen the legal framework through a revised Public Financial Management Act (PFMA) and development of a new Budget Bill. The Bill has since been drafted and submitted for parliamentary consideration. The Tanzanian authorities were also guided on gas revenue management and particularly on the macro-fiscal policy framework (using AFE's macro-fiscal expertise), budget management of gas revenues, the establishment of natural resource revenue funds, reporting and transparency.
- Strengthening Planning and Budget Practices:** Technical Assistance was aimed at improving the linkages between budget allocations and strategic policy objectives and supporting migration from output to a program-based budget (PBB) system. In Rwanda, the TA focused on tightening the links between programs and sector strategies and streamlining the budget presentation through the use of a simple, consolidated program template. In Tanzania, the emphasis was on consolidating PBB practices amongst pilot MDAs. In Uganda, AFE proposed improvements in the budget classification system and Output Budgeting Tool to enhance the effectiveness of the performance budgeting system. In Kenya, TA was provided to help MDAs further improve the program structure through training of a designated PBB Core Team and discussions with their respective planning units. Support was also provided to four counties in Kenya as the PFM Act requires counties to implement a programmatic approach from FY 2014/15. Missions to Tanzania and Uganda reviewed the main stages of the public investment



Guy Anderson, a UK national, has been a resident PFM advisor at East AFRITAC since 2010. He has 30 years of experience in working with central and local governments in Africa, Asia and the Pacific. He specializes in IFMIS, financial reporting and treasury management.



Tawfik Ramtoolah is a PFM advisor from Mauritius. He has extensive experience in working across Africa with the World Bank and IMF. He specializes in budget planning, preparation and in program-based budgeting.

Box 4. Some Key PFM Outcomes by Member Countries in FY 2015

Kenya: Restructuring of the National Treasury: A structure has been approved which reorganizes the Treasury's functions in five core clusters, each headed by a Director General. It represents a significant rationalization from the previous flatter structure; recognizes the revised responsibilities and relationships required by the 2010 Constitution and PFM legal framework; improves operational efficiency; and encourages greater communication, transparency and accountability. The new structure is consistent with recommendations offered by two FAD/AFE missions.

Kenya: Improvements in financial reporting: The Accounting Standards Board, established in February 2014, prescribed the standards and formats for the FY 2013/14 financial statements. These are based on international standards and will dramatically improve the quality of annual reporting.

Uganda: Parliamentary approval of the Public Finance Act: The passing of this Act represents a major milestone in the modernization of Uganda's PFM legal framework. The Act: integrates previous PFM legislation; revises the budget calendar; addresses key gaps, inconsistencies and loopholes in the previous legislation; codifies good PFM practices that Uganda has developed; and prepares the PFM system for the challenges of oil revenue management. FAD, LEG and East AFRITAC contributed to the development of the Act. Inputs have since refocused on assisting with further developing the supporting regulations and implementation of new legal requirements.

Tanzania: Improvements in financial reporting: In FY 2012 AFE worked with the Accountant General's Department (AGD) to develop a roadmap for implementing international public sector accounting standards (IPSAS). Since then the AGD has incrementally improved the quality of its annual statements by implementing the standards and disclosing additional information on assets and liabilities. A major improvement was achieved in the draft consolidated statements for FY 2014 by the inclusion of information on its public corporations. This data enables a better appreciation of the size of the public sector and for analysis of the risks that it poses.

management process and submitted proposals for improvement, including on developing links between public investment management and public-private partnerships (PPPs).

- **Strengthening Budget Execution:** In Tanzania, as one of the important studies commissioned by the Public Expenditure Review, AFE was requested to lead a study on the prevention and management of payment arrears. As described in Box 5, the study assessed the nature and causes of payment arrears and proposed measures for preventing their further accumulation and

for clearing the existing stock. In response to the findings and conclusions of the study, the government has prepared a strategy for moving forward.

- **Improving the Quality of Fiscal Reporting:** Box 6 describes the IMF's new Fiscal Transparency Evaluation tool and its application in Kenya, an FAD-led exercise in which AFE was closely involved. In Rwanda, AFE assisted in developing an IPSAS adoption roadmap. This has since been



Program-Based Budgeting Mission, Ministry of Finance, Planning and Economic Development, Kampala, Uganda, December 2014.

Box 5. Public Expenditure Review Study on Payment Arrears in Tanzania

The PER process provides a forum where representatives from the Government, development partners, academia, the private sector and civil society organizations agree on an analytical agenda, guide and finance its implementation and review all outputs. Its overall objective is to improve fiscal policy formulation and management. During FY 2015 the PER had commissioned several important studies to address emerging public finance issues. East AFRITAC was requested to undertake one of these studies, concerning the need to curtail the accumulation of future expenditure arrears and to suggest appropriate measures for clearing the existing stock of arrears. The recent trend of accumulating payment arrears had also been identified as a significant fiscal risk as part of IMF surveillance/program.

The EastAFRITAC team provided inputs over several missions, coordinating with the PER Secretariat, a government appointed work group, and internal audit survey teams. Important aspects of the work included: establishing the level and sources of payment arrears and testing the reliability of the regular monitoring reports; identifying the main causes of payment arrears and the challenges faced by government in ensuring the timely settlement of its obligations; and making recommendations for the prevention and management of arrears.

The study's findings concluded that weaknesses existed at each stage in the budget cycle (budget formulation, expenditure commitment, expenditure verification and payment) and had been compounded over time by reduced compliance to standing instructions and the lack of effective enforcement. Those findings were presented to a technical meeting of senior officials and PFM development partners. Feedback has been incorporated to the final report, which will be presented to the Annual National Policy Dialogue forum. In the meantime the Ministry of Finance has adopted and commenced implementation of a number of the report's recommendations.

“On behalf of the Intergovernmental Fiscal Relations Department of the Finance Ministry in Kenya, I would like to convey our sincere gratitude to AFE for its continued support which has gone a long way in facilitating smooth rollout of devolution. The Department looks forward to further partnership with AFE.”

—Albert Mwenda,
Acting Head of IGFDR

agreed by the authorities and a working group established to oversee its implementation. In Malawi, PFM advisors formed part of an FAD-led team that focused on identifying short-term reforms to help improve basic controls and accountability. The mission confirmed significant gaps in the accounting and reporting framework. Detailed guidance was provided on prioritized activities to address these gaps whilst subsequent AFE missions provided practical guidance on inclusion of key government accounts into the IFMIS.

- **Strengthening Treasury and Cash Management:** AFE provided TA to guide the introduction and extension of the national Treasury Single Account (TSA) arrangements in Kenya and Uganda. Following recent adoption of TSA concepts, these countries have made demonstrable progress in the design and implementation of appropriate TSA arrangements. AFE will continue with peripatetic support so that TSAs progressively capture and manage aggregate government cash balances. In Ethiopia, Kenya and Uganda, support has also focused on strengthening cash forecasting and cash management practices so as to maximize the benefits from the TSAs.
- **Enhance Financial Management Systems:** In Ethiopia and as part of AFE's ongoing assistance to guide the design and implementation of its new financial management system (IFMIS), PFM advisors contributed to a proposed World Bank Ethiopian PFM project appraisal document, which will support the IFMIS rollout as a major component. In Kenya, TA reviewed the business processes and requirements for improving efficiencies through automating the work flows for exchequer releases and payments.



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

Box 6. Fiscal Transparency Evaluation in Kenya

In August 2014, Kenya underwent a Fiscal Transparency Evaluation (FTE), the second African country to do so after Mozambique. The FTE is a new tool based on the IMF Fiscal Transparency Code, which was updated following the global financial crisis. It assesses the fiscal positions and risks facing countries, and the extent to which current practices recognize, disclose and manage them. Its assessment currently considers measures under three pillars: (i) fiscal reporting; (ii) fiscal forecasting and budgets; and (iii) fiscal risk analysis and management. The FTE had been piloted in several developed and transitioning economies and has proved relevant and useful to those countries. The approach, analysis and findings in Kenya have proved informative and relevant, especially in identifying the nature, size and disclosures of public sector assets and liabilities. Whilst finalization and publication of the Kenya FTE is awaited, the results have helped to redefine Kenya's PFM reform priorities, particularly for more comprehensive and consistent fiscal reporting.

Tanzania has requested a FTE assessment to be carried out during FY 2016 and it is expected that similar assessments will be progressively applied across the region. Amongst other purposes, the completion of FTEs by all EAC partner states is viewed as an important instrument for better understanding their underlying fiscal positions and for monitoring compliance with the fiscal convergence criteria required in advance of them joining the East African Monetary Union (EAMU).

- **Strengthening the Internal Control Environment:** In the course of two missions to Malawi, AFE provided assistance on developing a prioritized PFM reform strategy and action plan. The strategy aimed to address the underlying weaknesses in the PFM framework and restore stakeholder confidence in government's financial management systems and practices whilst taking account of ongoing initiatives and the government's implementation capacity.

Macro-Fiscal Analysis

The Center's macro-fiscal work focuses on supporting improvements in PFM by building skills to analyze fiscal developments, and to strengthen fiscal reporting, forecasting and the budgeting process. In FY 2015, macro-fiscal TA was provided to all member countries. Of the 27 planned activities, 19 were completed by April 2015. These include eight TA missions, seven regional courses or workshops, two attachments, and one in-country training course. Of the eight activities which were not completed, three were cancelled and five were postponed for FY 2016. Factors responsible for cancellations and postponements were staff availability at the host institutions (Rwanda and



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

Kenya) and changed priorities by the authorities (Ethiopia and Tanzania). As a result, six new (unplanned) activities were undertaken in FY 2015, including new demands in Tanzania to support PFM legislation and gas revenue management, and in Uganda to advise on the Charter of Fiscal Responsibility. New activities also included a regional workshop on Financial Programming and Policy and a retreat for macro-fiscal advisors at IMF HQ.

Strong results were achieved in Ministries of Finance where macro-fiscal databases were developed for the first time, as shown by the quality and availability of data made available for analysis. Forecasting is another area of progress where the tools developed during the missions were generally put to practical use. Of 27 milestones planned for FY 2015, 23 were completed and two are in progress. The remaining were either postponed to FY 2016 or cancelled. The milestones for six new activities added in FY 2015 were met. In terms of macro-fiscal strategic objectives:

- **Fiscal Analysis and Reporting:** AFE continued to work with Zanzibar on its macro-fiscal database, specifically to develop a template for regular economic reports and in-year fiscal reports. Publication of these reports is the milestone set for FY 2015 and is well under way. A first macro-fiscal database was developed with the Finance Ministry in Ethiopia to support fiscal analysis and reporting, and more generally to help improve data quality.
- **Fiscal Forecasting and Budgeting:** A revenue forecasting model was developed for Rwanda, tailored to data availability and the tax regimes in place. The authorities are using the model to support the next budgetary exercise in FY 2016. An in-country workshop in Eritrea introduced the principles of fiscal forecasting and budgeting in the context of the medium-term budget framework (MTBF), and drew on experiences in the region. A mission to Uganda provided an assessment of the readiness of its macro-fiscal unit to comply with the requirements of the new Public Financial Management Act and advised on how to improve the effectiveness of its forecasting tools.
- **Macroeconomic Forecasting:** Support was provided to Malawi on enhancing the quality of GDP estimates and projections, using the business interview approach. Recommendations were also made as to how to improve the timeliness of macroeconomic forecasts, including changes to methodology and institutional arrangements. Guidance on improving the financial programming model—which is heavily relied on for developing the medium-term fiscal framework—was also provided.
- **Identification of Fiscal Risks:** The macro-fiscal advisor joined FAD's FTE team in Kenya. He contributed to the evaluations of forecasting and fiscal risk analysis. Actions were also developed in these areas, which will receive follow-up TA in FY 2016.
- **Natural Resource Management:** In response to a request by the EAC Secretariat, AFE organized a course on fiscal and monetary issues in resource-rich economies, jointly with the IMF's Africa Training Institute (see Box 14). The macro-fiscal advisor joined two FAD missions in Tanzania, under the Managing Natural Resource Wealth Topical Trust Fund (MNRW-TTF). These missions developed the macro-fiscal/PFM work agenda to address potentially significant increases in natural gas revenues in the future. To support the discussion on the possible fiscal rules that can guide resource revenue management, technical training was provided in the use of FAD's model of fiscal frameworks in resource-rich economies.

Financial Sector Regulation and Supervision

The Center's work is focused on strengthening the ability of East Africa's regulators and supervisors to safeguard the health of their financial systems and analyse financial sector developments. Assistance has been provided on achieving higher levels of compliance with international standards for bank and insurance regulation and supervision, and supporting MCM's work on financial stability and macro-prudential frameworks. Current multi-year projects relevant across the region relate to the implementation of consolidated supervision, the transition towards the Basel II-III frameworks (both also harmonization objectives for the EAC, to be realized by end 2018), and the implementation of risk-based supervision and solvency frameworks for the insurance sector. Substantial progress is being made, especially on implementation of the Basel II-III



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

Over the past 10 years, Kenya's banking sector has undergone major transformation, prompting the need for radical engineering of the supervisory framework. We turned to the Centre for Technical Assistance. Since 2004, the Bank has worked closely with the Centre to move away from the traditional backward looking approach of banking supervision that focused on bank's financial performance to a forward-looking risk-based supervision approach. The partnership with the center has led to the enhancement of the risk-based approach to embed consolidated supervision in view of the rapidly expanding regional footprint of Kenyan banks. Of particular note is the establishment of supervisory colleges which serve as an information sharing and supervisory coordination mechanism for us as the home supervisor and host supervisors of countries in which subsidiaries of Kenyan banks operate.

—Dr Haron Sirima,
Acting Governor,
Central Bank of Kenya

frameworks and consolidated supervision. The further continuation and rollout of these projects will be an important part of the FY 2016 work program.

Of the initial 32 activities planned for FY 2015, the large majority (26 or 81 percent) were executed. One activity was cancelled and 5 were postponed to FY 2016 or FY 2017. To compensate, 4 new activities were added in the course of the year. These were further support for existing projects (insurance in Uganda, and rollout of the Basel II-III framework in Rwanda), TA on reinsurance for Ethiopia and an ad hoc request to support an MCM TA activity on macro-prudential stress testing for the EAC. The cancelled activity concerned TA by LEG to the Reserve Bank of Malawi on amendments in the legal framework for bank resolution, but the RBM has accomplished this without further support. On results, 22 of 32 milestones set in the initial work program were met, five were postponed and six are in progress. Milestones for all but one of the new activities have been met and one is in progress.

TA achievements by strategic objective realized during FY 2015 are:

- **Bank Supervision Compliant with International Standards**

- **Consolidated Supervision:** Technical assistance was provided to the Central Bank of Kenya to develop a structured approach for the assessment of regulatory and supervisory frameworks of host supervisors and to the Bank of Tanzania for the rollout of the road-map for the implementation of consolidated supervision. For both projects follow-up TA is planned for FY 2016.
- **Basel II-III Implementation:** AFE provided assistance to the Central Bank of Kenya and the Reserve Bank of Malawi on the implementation of ICAAP and SREP. Both countries are making good progress with implementation. Both Kenya and Malawi have issued regulations and developed a supervisory approach. The approaches will need to be tested and refined further going forward. Follow-up TA is planned for FY 2016. AFE also supported the National Bank of Rwanda in developing a draft regulation for minimum capital requirements incorporating the main elements of the Basel II and III framework. The regulation is expected to be issued for consultation to the banking sector in the first half of 2015. To support the Basel II and III implementation plans, AFE provided tailored training to the supervisory staff of the National Bank of Rwanda and the Bank of Tanzania. As a part of its capital adequacy framework, AFE also assisted the Bank of Uganda in drafting a regulation for capital requirements for market risk and a supervisory framework for country risk. The market risk regulation is expected to be approved and issued in the course of 2015.
- **Supporting the Broader Supervisory Framework Including Risk-Based Supervision:** Activities included developing a risk-based AML/CFT approach for the Reserve Bank of Malawi; laying the basis for a Banking Sector Soundness Assessment Framework for the National Bank of Ethiopia; advising on agent banking regulations and training for the Bank of Uganda; developing a supervisory training program for the Bank of Tanzania; and the review of the financial sector prudential regulations of the Bank of Tanzania.

- **Insurance Supervision Compliant with International Standards**

- **Solvency Frameworks:** The planned mission on risk-based supervision and solvency frameworks to the National Bank of Ethiopia was, due to changed priorities, postponed and replaced by a technical assistance mission focusing on reinsurance supervision and developing a basic framework for stress testing. Reinsurance supervision has become a priority with a domestic reinsurance company planned.
- **Supporting the Broader Supervisory Framework Including Risk-Based Supervision:** The Insurance Regulatory Authority of Uganda realized four (pilot) examinations using a

CARMELS⁶ based approach as an intermediate step in its transition process towards the implementation of risk-based supervision. A similar mission piloting on-site examinations in Eritrea has been postponed to August 2016 due to planning difficulties.

- **Strengthening Macro-Prudential and Financial Stability Capacity and Frameworks**

As a follow-up to the Financial Stability attachment to the Bank of Namibia in FY2014, AFE conducted a mission to provide further assistance to the Bank of Tanzania in developing its financial stability risk assessment and reporting framework.

- **Overall Financial Sector Regulatory and Supervisory Framework Complying with International Standards**

Due to difficulties in identifying an expert, the mission to the National Bank of Rwanda to assist with the development of a supervisory program for the review of IFRS compliance of annual financial statements of commercial banks was postponed to FY 2016.

Monetary Policy and Operations

The focus of the assistance in this area is ultimately to help the region's central banks strengthen their control over inflation and to develop the efficiency of, and oversight over, payment systems. Over the past year, central banks were assisted in their efforts to improve monetary policy formulation and implementation and payments system modernization. Implementation was somewhat slower than planned, especially over H1, due both to TA recipient and AFE factors. A new monetary operations advisor joined the Center in September 2014 and has updated the work program following familiarization visits to six of the seven countries. AFE has also delivered TA to Burundi given EAC integration considerations.

A number of TA activities were postponed to next fiscal year or have been cancelled in Ethiopia, Kenya, Rwanda, Tanzania, and Malawi. Factors differ by country but include requests from TA recipients to delay for various reasons, and staff turnover at the Center. In addition, activities such as the Rwanda draft NPS oversight policy and amendments to the Central Bank of Kenya Act were completed without further AFE assistance.

Not including the significant FPAS work, 11 activities (13 planned) were undertaken, along with two regional workshops on payments systems. Eight activities have been postponed to FY 2016. Regarding the main achievements/milestones by strategic objective:

- **Developing Modeling, Forecasting and Analysis:** The CBK received assistance to develop a Composite Indicator of Economic Activity (CIEA) supporting the monitoring and forecasting of economic activity. The mission delivered a framework for producing short-term forecasts of GDP.
- **Developing Forecasting and Monetary Policy Analysis Systems (FPAS) suitable for forward-looking monetary policy frameworks (see Box 7).**
- **Improving Monetary and Exchange Rate Policy Implementation:** An in-house workshop sought to help the CBK improve its liquidity forecasting. The work discussed key practical issues in liquidity forecasting and management, including links with short-term interest rates. In Malawi, a mission sought to improve the alignment of the Reserve Bank's foreign exchange market operations with the liberalized foreign exchange market regime. The BOU received TA on assessing the effectiveness of monetary operations and instruments, including on the use of interest rates as an operational target in the move to a fully fledged inflation targeting framework. In the broader context of EAC integration, AFE assisted Burundi in improving its liquidity



Elias Kasozi served as AFE's resident monetary operations advisor for three years until September 2011. Prior to this he worked for 30 years at the Bank of Uganda.

"The FPAS is helping to lay the ground for a smooth transition to inflation targeting by facilitating the identification of the current knowledge gaps that require redress in order to better understand the Rwandan economy."

—Mr. Ananias Gichondo,
Director of the Research
Department, National Bank
of Rwanda

⁶ Capital, Assets, Reinsurance, Actuarial provisions, Management, Earnings, Liquidity and Subsidiaries and group issues.

Box 7. Forecasting and Policy Analysis Systems – Progress in FY 2015

In recent years, most central banks in the region have been modernizing their monetary policy frameworks. Monetary policy is becoming increasingly forward-looking, with an emphasis on the inflation outlook. Although forecasting and policy analysis tools are important under any regime, they are essential for forward-looking frameworks, as it takes time for policy to influence inflation. Significant effort has been invested in strengthening central banks' internal capacities to facilitate successful adoption of a Forecasting and Policy Analysis System (FPAS).

The FPAS is a complex system designed to support policy decision making. The main elements of the FPAS are: (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. As the above list makes clear, the FPAS combines analytical tools to be used by central bank staff with a set of processes that put those tools to good use for well-informed policy decisions.

The IMF's Research department, funded by AFE, has been working on FPAS with the central banks of Kenya, Uganda, Rwanda and Tanzania. Considerable progress was made in FY 2015. Missions were undertaken in each country where the TA projects are at different stages. Most advanced at this point is Kenya where CBK staff have independently started to prepare forward-looking policy recommendations to the MPC supported by model-based forecasts. The CBK also approved changes to its organizational structure to formalize the forecasting unit. In Uganda, the project has succeeded in developing a quarterly prediction model (QPM) for the Bank of Uganda (BOU), and the BOU staff begun to use its QPM-based outputs to inform the MPC. The TA project at the National Bank of Rwanda (BNR) is at an earlier stage. The TA assisted the BNR staff to develop the QPM, and core central bank's experts have been trained in operating the model. The project is beginning at the Bank of Tanzania (BOT). Two monetary policy experts were invited to present the FPAS concept at a BOT Board retreat in Zanzibar in September, followed by two TA visits that have helped the BOT develop the core forecasting model and train the BOT staff in model-based analysis. A third visit assisted BOT staff in updating the latest forecast and preparing a presentation to management.



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

forecasting and management in the context of the introduction of price-based monetary policy regime.

- **Deepening Financial Markets:** The BOT received TA in order to improve its liquidity management and the functioning of the money market. The mission focused on the collateralized market. The NBR received a TA mission to help develop the secondary bond market.
- **Management of International Reserves:** AFE conducted an in-house workshop with the National Bank of Rwanda on the oversight over external managers of the country's international reserves.
- **Central Bank Legislation:** The BOU received TA reviewing the legal and institutional setup for monetary policy, with support from LEG. The TA identified the legal/institutional reforms to foster the central bank's operational independence and enhance the effectiveness of monetary policy. The mission also looked at the proposed legal changes for progress in the following areas: (i) agreeing a sustainable BOU capital framework; and (ii) implementing a recapitalization framework agreed with the MoF.

- **Development of Financial Market Infrastructure:** A review of the BOT oversight guidelines was initiated by AFE and performed by IMF HQ. The development of the BOT's internal capacity in oversight of financial market infrastructure should provide an opportunity for peer-to-peer learning in the region. An expert from the BOT will seek to transfer knowledge to Uganda during an initial mission planned for FY 2016.



The Central Bank of Kenya's Operational Framework for Monetary Policy is being strengthened with the support of AFE.

Economic and Financial Statistics

Capacity development in statistics aims at improving the range and quality of macroeconomic statistics available for evidence-based policy making, monitoring of economic developments and increasing information available to the public. Almost all of the statistics milestones for FY 2015 were met. All EAC Partner States have put in place and have begun implementing national fiscal data development plans. Kenya, Rwanda, Tanzania (Mainland and Zanzibar), and Uganda released improved and rebased annual and quarterly estimates of Gross Domestic Product (GDP). AFE completed almost all of the planned statistics TA activities for the period. All but two of the 41 planned country activities were undertaken, and the five planned regional workshops—two on national accounts statistics (NAS) and three on government finance statistics (GFS)—were successfully conducted. An external sector statistics TA mission for Eritrea was cancelled as the country authorities require more time to implement previous missions' recommendations; and an attachment on agriculture survey statistics from Rwanda to Ethiopia was not needed as Rwanda was able to implement the milestone before the study tour. These were offset with a GFS mission to Zanzibar to assess current compilation practices, extension of a mission to Tanzania on NAS due to country demand, and extra NAS missions undertaken to Tanzania and Uganda. A new HQ mission to Uganda on developing quarterly institutional sectors' financial accounts and balance sheets was also undertaken. In terms of TA resources, a total of 97 resident advisor's field weeks (95 planned) and 85 short-term expert and HQ staff field-weeks (73 planned) were provided by end-April 2015.



Zia Abbasi, from Australia, served as the multi-sector statistics resident advisor for five years until April 2015. He has over 25 years experience in his field and has worked in the IMF's RTAC in the Pacific, as well as in Asia. Prior to the Fund he worked at the Australian Bureau of Statistics.



Pamela Audi, a Kenyan national, succeeded Mr. Abbasi in April 2015. She joins the Center from the Kenya National Bureau of Statistics (KNBS) where she served for 20 years. Ms. Audi has previously worked extensively in the region as a short term expert for AFE.



Johan Mathisen is the Center's GFS advisor, on leave from the IMF's Statistics Department. He has worked at the IMF for almost 20 years, including in the African and European Departments.

By strategic objective:

- Annual National Accounts:** Along with other TA providers, AFE has provided significant TA over the past five years in building capacity and assisting member countries rebase their GDP estimates to a more contemporary base year and implement several recommendations of the 2008 SNA (Box 8). As a culmination of these efforts, rebased and improved annual current and constant price GDP estimates were released for Rwanda, Kenya, Tanzania (Mainland and Zanzibar), and Uganda by December 2014. Assistance was provided to Ethiopia to achieve the milestone of compiling improved annual GDP by expenditure estimates.
- Quarterly National Accounts:** AFE has provided significant TA support on this project to each of these countries. In terms of FY 2015 milestones, Kenya, Rwanda, Tanzania (Mainland and Zanzibar) and Uganda released rebased and improved quarterly current and constant price estimates of GDP by economic activity. A compilation methodology to produce estimates of quarterly GDP by activity was developed for Malawi. Kenya, Rwanda, Tanzania (Zanzibar) and Uganda were assisted with developing their methodology to compile quarterly GDP by expenditure.
- Prices Statistics:** During FY 2015, a mission to Uganda reviewed and provided advice to improve the rebased CPI that is expected to be released in June 2015. Advice was provided to Ethiopia on improving its Manufacturing PPI. Further TA was provided to Tanzania (Mainland and Zanzibar) and Uganda in finalizing their PPI prices surveys and index compilation methodologies, so that the PPIs can be disseminated during FY 2015. In addition, missions to Ethiopia and Uganda assisted with developing a methodology to compile trade price indices (XMPI), while missions to Rwanda and Tanzania (Mainland) provided further advice to finalize the XMPI methodology.
- External Sector Statistics:** Reasonable progress is being made by Malawi and Rwanda in implementing further improvements in methodology and source data for balance of payments (BOP) and international investment position (IIP) statistics, as well as in implementing the Balance of Payments and International Investment Manual, Sixth Edition (BPM6) recommendations. Progress has been slower for Eritrea due to resource constraints.
- Government Finance Statistics:** All country missions, training courses, and workshops have proceeded as planned. The first set of missions focused on developing national fiscal data development plans, which were peer reviewed at a regional workshop in August and approved by the EAC Sectoral Council on Finance and Economic Affairs in November. The plans guide the TA work program which aims to assist with efforts to produce timely, comprehensive and comparable fiscal and debt statistics for surveillance and monitoring of the convergence process (see Box 9).

Box 8. New GDP Statistics in Eastern Africa – A Five-Year Endeavor

East AFRITAC, in collaboration with other TA providers, has provided significant TA on expanding and improving national accounts statistics (NAS) capacity in the region over the last five years. At the beginning of the project in FY 2010, there were significant staff capacity and other resource constraints as well as limited source data for compilation purposes. There was also significant scope to improve the statistical techniques used to compile annual national accounts and to develop quarterly estimates. In addition to improving statistics infrastructure and resources, advice has been provided on improving statistical techniques used to compile annual GDP estimates and developing or improving the compilation methods to produce quarterly GDP estimates.

With the exception of Eritrea, all AFE member countries have rebased their GDP estimates to a more recent base year. Important areas have been to help identify gaps and quality weaknesses in the source data, and provide advice to ensure that benchmark surveys and other source data for the supply and use tables (SUTs) and rebased estimates of GDP were of good quality. In addition, the Center has assisted with implementing the more complex aspects of the *1993 System of National Accounts* and several of the changes in methodology covered by the *2008 System of National Accounts*.

Supply and use tables ensure that when economic flows of domestic production, expenditure, imports and exports are put together at a detailed commodity level, they are consistent and reconciled. This ensures good quality benchmark estimates are available for the rebasing exercise. These tables were finalized for Kenya, Rwanda, Tanzania (Mainland and Zanzibar) and Uganda during 2014.

AFE reviewed and improved the SUTs and helped in their finalization. Assistance was also provided with reviewing or assisting in finalizing the rebased GDP estimates. The rebased GDP estimates for Ethiopia were released in February 2013; Malawi in May 2013; Rwanda in June 2014; Kenya in September 2014; Tanzania (Zanzibar) in October 2014; Uganda in November 2014; and Tanzania (Mainland) in December 2014. After rebasing, the average increase in GDP estimates for Uganda, Kenya and Tanzania were 17, 21 and 34 percent respectively.

AFE advice and assistance has focused on improving quarterly estimates of GDP. Estimates at constant and current prices have been disseminated for Kenya, Rwanda, Tanzania (Mainland and Zanzibar) and Uganda.

In addition to implementing compilation systems that are easier to use and improved data sharing mechanisms, significant training has been provided to ensure compilers can continue to produce the estimates on a regular basis. It will be important for the authorities to ensure the NAS unit staffing levels are maintained and funding of essential data collections is continued.

The improved and expanded NAS available in these member countries will contribute to improved economic analysis, monitoring and policy development by country authorities as well as helping the Fund improve its analysis and advice to the authorities. The detailed SUT estimates are also being used to assess and inform fiscal revenue policies and in forecasting and policy analysis systems for monetary policy decisions.

As part of the 2015 round of GDP rebasing, the Center will be assisting countries in improving their SUTs and in developing annual institutional sector accounts. Assistance will also be provided on improving their annual GDP by expenditure estimates and in developing and disseminating quarterly GDP by expenditure estimates.

Work on Regional Issues

Regional work continues to be an important element of the Center's work program. It accounted for 16 percent of total resource use in FY 2015. This underestimates support for regional goals to the extent that much of the national TA work in EAC countries aims to develop practices so they conform to regional integration objectives. Box 3 above highlights work that is being done to support implementation of the customs union protocol. Box 10 below illustrates work to support PFM harmonization at the level of the EAC, jointly by the PFM and macro-fiscal advisors at the Center.

Box 9. Revamping Fiscal and Debt Statistical Systems to Support Regional Integration

The EAMU protocol set a tall order for government statistical systems by requiring general government finance and public sector debt statistics to monitor the convergence process. Very few sub-Saharan African countries produce such statistics in line with international standards. Neither did EAC Partner States up to early 2014, as they generally only had fiscal data covering the main ministries and agencies, leaving out large sections of the government sector. Revenues collected by other levels of government, social contributions as well as their actual spending on investment, compensation of employees, goods and services and other expenditures were therefore typically not included in fiscal reports. As a consequence, the key fiscal variables required for surveillance, such as overall revenues and expenditures, were only partial. The government's impact on the overall economy was also not compiled or monitored, as the deficit only covered budgetary central government and transfers to and receipts from other levels of government. Debt statistics were similarly lacking in terms of timeliness, sector and instrument coverage required by international standards and the regional integration process.

To assist with the ambitious requirements of the EAMU protocol, AFE began in April 2014 a collaborative TA program with the EAC Secretariat, comprising country missions, training programs and regional workshops. National interagency GFS technical working groups were set up in every EAC Partner State, responsible for creating detailed, time-bound fiscal and debt data development plans to produce the required data by end 2017. The national plans were peer reviewed by the EAC Partner States and subsequently approved by the EAC Finance Ministers during the Sectoral Council on Finance and Economic Affairs meeting in November 2014. Finance ministers also directed timely implementation of the development plans. Achievement of the plans' fourteen concrete steps guided the country missions and the work of the national technical working groups. National training courses in Burundi, Kenya, Rwanda, and Uganda were conducted to address specific capacity issues related to their implementation. This work was complemented by regional workshops that focused on overcoming common challenges to regional harmonization of GFS, including ensuring uniform sector classification of government entities, reporting and treatment of grant-funded projects and tax exemptions.

Results to date on the collaborative AFE/EAC TA program are promising. Kenya, Rwanda, Tanzania, and Uganda have developed a complete list of government entities in line with international guidelines, and mapped their budget nomenclature to GFS classifications. Further progress in Burundi will require demonstrating the same political determination as in the other EAC partner states, and continued support is pending a progress report on implementation of the October 2014 TA mission's recommendations.

Recent progress in financial reporting in Kenya, Tanzania, and Uganda has vastly expanded the coverage of fiscal data, a key objective of the development plans. This has led to an impressive increase in government entities covered by fiscal statistics (see table below). These new datasets are now being vetted, further improved for

EAC Partner States: Number of Government Entities by Subsector and Data Coverage for Annual Fiscal Reports ¹						
			Kenya	Rwanda	Tanzania	Uganda
General government	Central government	Social Security funds	2	2	6	0*
		Local government	47	31	163	308
		Extra budgetary units	181	19	139	141
		Budgetary central government	46	85	84	66

Source: AFE Staff missions.
¹Green indicates increase in government entities covered by fiscal statistics.
 *Uganda's National Social Security Fund is classified as a provident fund outside the general government.

Box 9. (continued)

consistency and used to compile the first set of consolidated general accounts. Once this process is completed, these data sets are expected to provide the basis for fiscal surveillance in the region. Rwanda is expected to catch up with the other EAC partner states as they have established a thorough process aiming to complete the tasks of the data development plan well before the end of 2017. Finally, Kenya, Tanzania, and Uganda have begun regular publication of debt statistics based on international standards, although weaknesses persist.

The challenge going forward is to consolidate the progress, institutionalize and automate the production of fiscal statistics, and improve debt reporting. This will require gradually establishing the new more comprehensive and detailed revenue and expenditure estimates for policy making, surveillance, and external purposes. FY 2016 TA activities will support this process while gradually shifting focus to producing balance sheet data, essential to monitor economic and fiscal risks.

Box 10. IMF East AFRITAC Work on PFM Harmonization with the EAC

In January 2015, FAD and East AFRITAC facilitated at the third annual EAC/FAD workshop concentrating on regional PFM harmonization and the development of a surveillance framework to oversee macro-fiscal convergence, ahead of the proposed monetary union in 2024. The workshop provided updates, noting tangible improvements on the harmonization of regional PFM legislative frameworks, and fiscal reporting and statistics practices. It also identified activities to improve PFM standards, outlined options for enhancing parliamentary oversight of the budget and included discussions on the Kenyan experience with the new fiscal transparency evaluation. Major outcomes from this year's workshop included agreement by the partner states, at a technical level, on the templates for reporting on the medium-term convergence program and fiscal risk statements. These will need to be adopted by the TaskForce on Fiscal Affairs.



Outside of the annual workshops, a January IMF LEG mission provided assistance on the development of legislation to establish a regional institution to oversee surveillance of the monetary union macro-fiscal convergence process (the Surveillance, Compliance and Enforcement Commission). East AFRITAC has supported individual partner states in strengthening their legal frameworks, improving their fiscal and statistical reporting and identifying and disclosing their fiscal risks, consistent with the agreed EAC standards.

The statistics work stream has very clear regional integration dimensions. It includes regional training to support peer-to-peer learning on topics covered by the TA program, and TA support for various aspects of the EAMU process. Over FY 2015, the Center's TA and training on GFS has been explicitly motivated by the regional integration process (Box 9). The overall goals of the work, to produce general government finance statistics and public debt statistics by end 2017, were set to support the monitoring of compliance with the fiscal deficit and debt criteria prescribed by the EAMU protocol. The national GFS development plans that AFE developed with national interagency task forces over the past year were peer reviewed by EAC partner states at a regional workshop in August. Subsequently, they were approved by Finance Ministers on the EAC's Sectoral Council on Finance and Economic Affairs in November 2014, the first key milestone on GFS work. Periodic regional GFS

workshops support peer-to-peer learning, jointly assess progress on implementation with the other EAC partner states, and discuss the roadmap to achieve the regional data requirements associated with the convergence objectives. Finally, joint AFE/EAC training courses, including in Burundi, Kenya and Uganda, have been designed to address specific capacity issues and facilitate implementation of the national fiscal data development plans. National accounts training has also had a strong regional harmonization dimension (see Section K on training below).

In addition to regional training courses in financial regulation and supervision, the Center supported regional work on strengthening macro-prudential and financial stability capacity and frameworks. Specifically, assistance was provided to the Macro-Prudential Analysis and Stress-Testing working group of the EAC Central Banks. The working group discussed the steps to realize a common macro-prudential stress-testing framework for the EAC central banks. In monetary operations, the regional work has been manifested through two training workshops on the CPSS-IOSCO Principles for Financial Market Infrastructure.

Attachments

Attaching officials to institutions in other countries remains a highly valued capacity building modality. The Center was able to arrange 13 such attachments between agencies in FY 2015.

- In the PFM area, AFE arranged for four officials from the Kenyan National Treasury to visit the Finance Ministry and Central Bank in Turkey. This formed part of ongoing assistance being provided to implement a national TSA and introduce improvements in cash management practices. The officials gained from the first-hand exposure to cash management reforms adopted in Turkey. The information has helped the team to address uncertainties on the structure and operation of the national TSA.
- In the macro-fiscal area, AFE facilitated a two-week attachment of a Bank of Tanzania official to the National Bank of Rwanda. Both institutions have received support from AFE to improve their quarterly GDP forecasts using high-frequency indicators. With Rwanda more advanced on account of an earlier start, the attachment was useful for the Tanzanian staff to understand next steps. An official from the Ministry of Finance of Malawi was attached to the central bank in Tanzania, which leads an interagency macroeconomic working group widely seen as an example in the region. Malawi is keen to start a similar group and the attachment provided an opportunity to understand the institutional arrangements and the issues covered.
- Staff from Ethiopia revenue authority benefited from sharing experiences with Uganda Customs on managing transit goods to mitigate against risk of diversion, dumping and smuggling. In a bid to introduce modern goods clearance practices in Malawi, MRA staff visited Kenya and Rwanda to learn more about Authorized Economic Operators programs and the operation of the national single window system respectively. To improve the performance of excise taxes, staff from Tanzania visited Kenya to study the management of excise manufacturers using electronic tools.
- In financial sector regulation and supervision, two officers of the Bank of Eritrea visited the Bank of Uganda on risk-based supervision, while two officials from the Bank of Uganda were attached to the Reserve Bank of Malawi on AML/CFT supervision. AFE also facilitated an attachment on foreign exchange bureau supervision of two staff of the National Bank of Rwanda to the Central Bank of Kenya.
- In monetary operations, AFE and IMF technical assistance to Tanzania has stressed the importance of improving the design of the reserve requirement system. This was supported by two officials from the BOT visiting the CBK on reserve averaging.

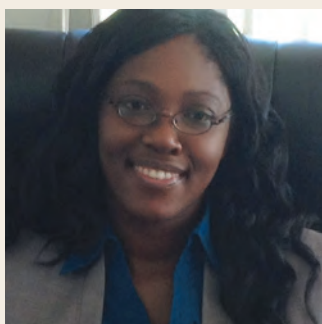
Box 11. Feedback on the Peer-to-Peer Learning Initiative

“Malawi was pleased to host Ms. Mariana Cosmas Lamosai from the Tanzanian Accountant General’s office as part of the January 2015 East AFRITAC mission. Mariana was included in the team under a peer-to-peer learning initiative, which provides an excellent means for sharing experiences, knowledge, skills and awareness. This mission focused on providing practical solutions to specific reform issues, and the insights shared by Mariana on how the Tanzanian IFMIS is configured to capture key bank account balances and transactions were very relevant and timely. We are encouraged by our first experience with this peer-to-peer learning scheme and see it as a way of strengthening the dialogue and developing cooperation between the member countries.” **(Patrick Matanda, Principal Secretary, MoF, Malawi)**



“It was a privilege to be included in a mission to Malawi under East AFRITAC’s peer-to-peer learning initiative. The mission provided me with an opportunity to share my experiences on managing government’s bank accounts through IFMIS. It was also a big learning experience for me to see first-hand the processes and systems used by a neighboring country. I also benefitted from the opportunity to interact with many senior officials in the MoF, including the Minister. I would like to thank the Accountant General in Tanzania for releasing me for this assignment, her counterpart in Malawi for his hospitality and East AFRITAC for providing me with this unique opportunity. My request to East AFRITAC is to make peer-to-peer learning among member countries a regular exercise as it will improve their performance in different aspects by learning from each other.” **(Ms. Mariana Cosmas Lamosai, Accountant General’s Department, Tanzania)**

“Through the East AFRITAC mentoring program, I had the opportunity to be included on an East AFRITAC Program-Based Budgeting (PBB) mission to Kenya in February 2015. It was an honor to be included in the mission and to be among experts in PBB as they provided technical guidance to the Kenyan government. I benefited from the technical guidance provided through the review of the program structure and associated performance information (outcome, outputs and indicators) for the various ministries and government departments under the PBB initiative. Furthermore, we reviewed the enabling factors for a successful PBB such as the Medium Term Fiscal Framework and Expenditure Framework and the linkage with the IFMIS. The experience has been beneficial on two fronts. Firstly, I was included in the various meetings held with the Kenyan MDAs and thus able to learn from the hands-on experience of my Kenyan counterparts. Secondly, I benefited from the experience of the experts. In addition, I was also given an opportunity to provide guidance to my Kenyan counterparts by pointing out some of the areas requiring improvement. I am grateful to East AFRITAC for introducing this new approach to peer learning; to the Malawi Government, in particular the Secretary to the Treasury and Budget Director for allowing me to benefit from it; and to the Kenyan Government for hosting me. It is my sincere hope that more officers from the region be given an opportunity to participate in similar missions.” **(Ms. Tithokoze Carolyn Samuel, Assistant Budget Director, Ministry of Finance, Economic Planning and Development, Malawi)**



Peer-to-Peer Learning Initiative

This initiative was launched this fiscal year on a pilot basis and involves country officials participating in East AFRITAC TA missions under the supervision of a resident advisor. Three such mentoring arrangements were undertaken in FY 2015. Two were in PFM, and one in FSR. A senior official from the Accountant General’s office in Tanzania was released to share experiences with

Malawian counterparts on how the accounting system can capture the balances and transactions of key bank accounts used for financing purposes. The second involved an official from Malawi's budget department joining an East AFRITAC mission on program-based budgeting to contribute her experiences on budget document preparation and presentation to her Kenyan peers (see Box 11). In FSR, a senior supervisor from the National Bank of Rwanda joined a consolidated supervision mission to Tanzania in November. This arrangement was aimed at helping him prepare for a regional meeting in May on the regional framework and standards for consolidated supervision where the NBR is taking the lead at the request of the Bank Supervision Subcommittee of the EAC's Monetary Affairs Committee.

East AFRITAC Training

East AFRITAC's training helps strengthen the skills of officials to analyze economic developments and formulate and manage effective macroeconomic and financial policies. It also enhances the IMF's dialogue with the Center's member countries on policy issues. The Center conducted 23 regional training courses and seven national training courses in FY 2015, a major scaling up compared to previous years. These were carefully selected to support the TA program and foster learning across countries. The three workshops in the PFM area focused on topical and emerging issues within



Regional Workshop on Strengthening the Oversight of State-Owned Enterprises, Addis Ababa, Ethiopia, April, 2015



Regional Workshop on High Frequency Indicators, Dar es Salaam, Tanzania, April, 2015

Box 12. IMF Online Training – New Opportunities for Low-Income Countries

The IMF has partnered with the edX learning platform founded by Harvard University and the Massachusetts Institute of Technology to deliver some courses online. This allows the Fund to expand the reach of its training program to more member country officials and to offer the wider public audience access to its courses through so-called massive open online courses (MOOCs).

The new courses created by the Institute for Capacity Development (ICD) in collaboration with other IMF departments are designed with short video segments interspersed with quizzes and hands-on exercises, and include a discussion forum to allow participants to network and discuss course content. The use of computer grading saves on instructor time and means that the IMF can allow virtually unlimited enrollment. Since the launch of the program in late 2013, these courses—free and open to anyone with an internet connection—have attracted over 10,000 active participants, of whom about 6,000 earned a certificate of completion.

Online learning is creating training opportunities for a wider range of country officials. Forty percent of online graduates are government officials. The most numerous recipients of this training have been officials in sub-Saharan Africa and the Western Hemisphere, shifting the distribution of training toward regions that have been under-represented in face-to-face training. Sixty percent of online training for officials has gone to low-income and lower-middle-income countries.

The courses have been well received, with participants expressing appreciation to the Fund for making this training openly available. By engaging youth (one-quarter of participants are students) and sharing knowledge, MOOCs help a diverse global audience better understand economic policies in their own countries and around the world.

Online courses to date include:

- Financial Programming and Policies, Part 1: Macroeconomic Accounts and Analysis (FPP.1x) provides an introduction to financial programming, presenting the principal features of the accounts of the four main sectors that comprise the macroeconomy (real, fiscal, external, and monetary) and their interrelations.
- Debt Sustainability Analysis (DSAx) gives a comprehensive overview of debt sustainability analysis and a medium-term debt management strategy framework as adopted by the IMF and the World Bank.
- Energy Subsidy Reform (ESRx) builds on an extensive cross-country analysis, which is reported in the recently published IMF book, *Energy Subsidy Reform: Lessons and Implications*, to make recommendations on how best to implement reforms aimed at reducing state subsidies on energy.

Upcoming courses include: Macroeconomic Forecasting; Financial Programming and Policies, Part 2: Program Design; and Financial Market Analysis. FPP, Part 1 has already been translated into French and will be translated into Spanish and Russian during FY2016.

the region. In September, the first was on “The Capital Budgeting Process”, with the central focus being on increasing the efficiency and effectiveness of public investment management (Box 13). The second aimed at strengthening governments’ oversight of their public corporations through equipping participants with: greater awareness of the nature and classification of public corporations; guidance on the governance roles and responsibilities; and a better understanding of accountability requirements. The third, delivered in April, was entitled “Enhancing Financial Reporting and Transparency” and focused on three themes: (i) coverage and comprehensiveness of reporting in terms of institutions, stocks and flows; (ii) standardization of reporting and compliance to international standards (e.g. GFSM and IPSAS); and (iii) disclosure and management of fiscal risks.



Joint AFE/MEFMI/ICD Regional Course on Economic Issues in Regional Integration, Arusha, Tanzania, March 2015



Regional Seminar on Forecasting Frameworks for Forward-Looking Monetary Policy, IMF Africa Training Institute, Mauritius, March 2015

The largest training agenda falls under the macro-fiscal work stream, as this also covers more general courses on macroeconomic management. Four training courses were delivered in collaboration with ICD: Macro-Fiscal Modeling and Analysis; Macroeconomic Diagnostics; Financial Programming and Policies; and, finally, training on Economic Issues in Regional Integration for staff of the EAC Secretariat and the Fiscal Affairs Task Force, which fit well with the step up in assistance on regional integration envisaged for Phase IV. The latter attracted participants from both AFE and AFS' membership and different regional blocks (COMESA, SACU, EAC, SADC). These courses have been supplemented by exciting new online training opportunities offered by the IMF (see Box 12). This and other East AFRITAC training has involved strategic partnerships with both other IMF-related institutions (ICD, ATI) and non-IMF expert bodies (MEFMI, Toronto Center, see Box 14). In addition, a regional workshop on the use of high-frequency indicators for providing early estimates and forecasts of Quarterly GDP was organized in April 2015, in collaboration with the IMF's Statistics Department. The workshop discussed the latest developments on methodologies and allowed the stock-taking of the results of four years of TA to Kenya, Rwanda, Tanzania and Uganda on Quarterly GDP forecasting.

Box 13. Strengthening Public Investment Management

Capital spending has been on the rise among East AFRITAC member countries as they emphasize meeting the challenge of infrastructure bottlenecks. It currently accounts for between 8 and 12 percent of GDP. If well targeted, carefully selected and prepared, and with adequate operations and maintenance allocations, such public investment can impact positively on economic growth. Investments should be carried out according to good international practice, with the challenge being to ensure that the various stages of public investment management (PIM) are well-designed, understood and practiced.

In response to requests from its members, AFE held a regional workshop focused on PIM and drawing on the experiences of practitioners from Chile, the United Kingdom and the World Bank. The workshop was structured around five thematic areas, one of which was how to increase the efficiency and effectiveness of capital spending. Lack of capacity in PIM was identified as a major constraint across the AFE membership. Chile's National Investment System has been very successful precisely because of the significant training in PIM carried out across all levels of government.

Following on from the workshop, a TA mission was fielded to Uganda during which the different stages of the PIM process, the institutional setup and legal framework that underpin it, were examined. The mission offered recommendations to strengthen the review stage, ensure stronger alignment between the selection process and the fiscal framework, manage the commitment of funds, and apply equally rigorous scrutiny to all projects irrespective of their financing (e.g. including public-private partnership decisions). A similar mission to Tanzania took place in January 2015. Project selection, review and commitment controls were identified as the biggest challenges. A major finding (consistent with the recommendations from the payment arrears study – see Box 5) concerned the need to better control multi-year commitments. The AFE team worked in close cooperation with leading World Bank experts in PIM both for the workshop and the missions. Follow-ups to both of these missions are planned. PIM activities are also expected to be undertaken in Rwanda, Kenya and Malawi in FY 2016.



Regional Workshop on Securing and Managing Taxpayers from the Informal Sector, Zanzibar, November, 2014

AFE conducted two regional workshops in revenue administration aimed at dealing with practical problems to improve compliance. The workshops on Auditing Specialized Sectors – Telecommunications and Financial Services – and on Strategies for Recruiting and Managing Taxpayers from the Informal Sector, provided participants with practical approaches to improving compliance in these sectors and highlighted the need to develop long-term plans to build institutional capacity.

Box 14. East AFRITAC – Collaboration on Training with Other Institutions

AFE has actively worked to find synergies between its training program and that being delivered by other IMF and non-IMF vehicles. On the former, it teamed up with AFS and ICD to deliver a course in “Macro-Fiscal Modeling and Analysis” which AFS had also included on its agenda. As the most advanced course in fiscal modeling, it requires a critical mass of highly specialized staff. This was found across the constituencies of the two RTACs.

A pilot workshop on medium-term budget frameworks, organized jointly by FAD, AFE and AFS in FY 2013, was replicated in Accra (Ghana) by AFW2. Similarly, material for a workshop on fiscal risks delivered by AFE in FY 2013 was used in a similar AFS workshop this year.

Using ATI's expertise in macroeconomic management in resource-rich countries, AFE used an ATI trainer to offer a customized training in Arusha to the EAC Secretariat and members of its Fiscal Affairs Task Force on the fiscal and monetary implications of natural resource discovery. ATI also provided a second customized training to AFE in December 2014 on the Core Elements of Banking Supervision. AFE has also partnered twice this year with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). A regional workshop on micro-prudential stress-testing in Ethiopia attracted participants from nine countries covering both regions. Participants were trained in the Cihak framework developed by the IMF, which is being implemented by the central banks in the region. The training was motivated by this being an important tool for off-site supervision, but also in relation to the implementation of ICAAP and SREP and the development of macro-prudential stress-testing frameworks. Training collaboration in FY 2015 has also extended to new highly specialized partners such as the Toronto Centre on Insurance Supervision (see Box 15).



The IMF's Africa Training Institute in Mauritius

Box 15. Cooperation with the Toronto Center on Insurance Supervision

In cooperation with the Toronto Center, AFE organized a two-week regional seminar on insurance supervision. This was the first regional seminar on insurance supervision delivered by AFE, and its first collaboration with the Toronto Center, a leading global TA provider on insurance supervision. The seminar, conducted in cooperation with the Tanzania Insurance Regulatory Authority, was attended by 29 participants from insurance supervisors from eight jurisdictions (Burundi, Eritrea, Ethiopia, Kenya, Rwanda, Tanzania, Uganda, and South Sudan), and representatives from the EAC Secretariat and the Directorate for Financial Stability of the Bank of Tanzania.



East AFRITAC and Toronto Center Regional Seminar on Insurance Supervision, Dar es Salaam, Tanzania, September, 2014

Box 15. (continued)

The seminar was motivated by the growing importance of the insurance industry in the region, increasing cross-border operations, as well as significant regulatory challenges that are faced by practitioners in the region. The main content of the seminar was delivered by experts of the Toronto Center and supported by experts from AFE and the IMF's Monetary and Capital Markets Department. During the seminar, participants discussed priorities in their countries for enhancing their supervisory and regulatory frameworks, and also for consumer education. Participants received training and assistance on developing action plans and on the implementation of the measures needed to effectively realize some of the country priorities. In addition, technical presentations were held on financial analysis, capital adequacy, stress-testing, on- and off-site supervision, intervention, enforcement and winding-up, with participants working in groups on several case studies. To leverage the expertise in insurance supervision of the Toronto Center, AFE intends to continue this cooperation going forward. A joint regional workshop on financial analysis for insurance supervision has been planned for FY 2016.

Box 16. Workshops on Compliance with CPSS-IOSCO Principles for Financial Market Infrastructures

Financial market infrastructures (FMIs), notably payment, clearing and settlement systems, are of systemic importance. When they operate efficiently, FMIs contribute to financial and overall economic stability and development. However, they concentrate risk and can be sources of financial shocks or a channel through which these shocks are transmitted across domestic and international financial markets. In 2012, new international standards were issued for FMIs, i.e. the Committee on Payment and Settlement Systems – Technical Committee of the International Organization of Securities Commissions (CPSS-IOSCO),

Principles for Financial Market Infrastructures and the Disclosure Framework and Assessment Methodology. AFE is helping to modernize and strengthen FMIs in the region and to assist member countries in examining the impact of the new regulations and their efforts to apply and comply with these standards. This will increase the safety and efficiency of payment, clearing and settlement systems and contribute to financial stability. Accordingly, and resulting from strong demand, two workshops were organized for all member countries during this fiscal year.

The first workshop on Principles of Financial Market Infrastructures was undertaken in Kigali, Rwanda (September 9-12, 2014). Senior officials involved in the operation and oversight of national payment and settlement systems participated. This covered principles related to the general organization of FMI, the credit risk within an FMI, the central securities depositories and exchange-of-value settlement systems as well as general business and operational risk management. Given strong interest, a second follow-up workshop covering additional principles was organized for April 21-23, 2015 in Tanzania. This covered topics related to responsibilities of central banks and market regulators of FMIs and the key features and risks of CCPs (Central Counterparties). The workshop also addressed credit, investment, custody, liquidity and settlement bank risk in FMIs. Finally, the workshop covered crisis management arrangements.



Regional Workshop on Principles for Financial Market Infrastructures, Zanzibar, Tanzania, April,



Regional Workshop on GFS Harmonization, Kigali, Rwanda, March, 2015



Regional Workshop on National Accounts Statistics, Zanzibar, Tanzania, February, 2015

Training on financial sector supervision and regulation issues has focused on improving banking supervisory capacity, micro-prudential stress-testing capacity, AML/CFT supervision, and building peer learning on insurance supervision. With the support of the IMF's Legal Department, AFE organized a regional workshop on AML/CFT supervision in the second half of April 2015, which included staff from both bank supervision and from Financial Intelligence Units. Significant training has also been provided on payments systems development (Box 16).

Statistics training had a strong regional harmonization dimension. On regional harmonization of NAS, the Center's macroeconomic statistics advisor contributed to an EAC workshop in June 2014 and

Box 17. East AFRITAC – Improving the Evaluation of Training and Workshops

In order to improve the effectiveness of its training, AFE is revamping its evaluation and follow-up processes. Through better participant targeting and tracking, analysis of evaluations and rigorous follow-up with counterparts, AFE aims to improve the effectiveness of training activity, including its synergy with the TA program:

East AFRITAC aims to:

- **Strengthen its database of participants.** The current database is being reconstituted and continuously updated. It will help improve participant selection and include information on participant performance. The database could also serve to track the functions of key counterparts, an important factor in assessing training effectiveness.
- **Introduce and use a standardized nomination form.** This will facilitate a harmonized nomination process between institutions, countries and sectors.
- **Introduce and use a standardized evaluation form.** AFE has adopted a standard evaluation form to be used across sectors, in contrast to the current customization. This form will also be consistent with that used by ICD, which delivers a much larger volume of training. This will facilitate analysis and comparison of results across sectors, countries, institutions etc, and will allow the center to identify methods or factors which result in a higher level of participant satisfaction.
- **Conduct periodic post-training sponsor surveys.** These aim to provide feedback from the authorities of the usefulness of training, help in the planning of training, and help assess how training is being used.
- **Conduct high-level periodic evaluations.** In collaboration with TA departments, the Center Coordinator will periodically conduct evaluations of training activities with country counterparts.

conducted an AFE workshop in February 2015. The main objective of the two workshops was to assess progress by EAC and other AFE member countries in implementing improvements in the compilation methodologies and source data in order to harmonize the NAS in the region, consistent with 2008 SNA standards. The advisor also participated in the final regional workshop on the IMF-DFID Quarterly National Accounts (QNA) Project in Uganda in May. An assessment was made of progress over the last four years in improving the quality and range of QNA produced.

A series of national TA missions on GFS improvement culminated in a joint workshop with the EAC in Arusha in August. Focus was on improving GFS compilation and dissemination in the EAC region, country presentations and peer reviews of national fiscal development plans, and lessons from Europe for the overall EAC and national fiscal statistics frameworks. Based on the outcome of the workshop, the EAC Sectoral Council on Finance and Economic Affairs adopted the plans, which are currently guiding the GFS TA program.

Work Plan for FY 2016

East AFRITAC has developed a comprehensive work plan for FY 2016 which continues the higher level of activity delivered in FY 2015 (Table 7). This is summarized below by sector (Table 8) and country (Table 9), and IMF TA department (Table 11) and in detail in Information Annexes XII and XIII. The FY 2016 strategic log frame is presented in Table 10. The budget for full implementation is expected to be slightly below FY 2015 at \$10.4 million. The plan has benefitted from an assessment of needs conducted with country authorities and closely coordinated with the TA Resource Allocation Plan (RAP) process of the IMF which brings together the provision of all IMF TA and training. It focuses on areas where the Center has comparative advantage relative to other TA providers and takes account of donor work in related areas. It has factored in performance under the RBM framework and country ownership, including factors leading to delays in project results. In addition, some activities are a response to pressing needs arising from changes in country circumstances. In sum, 879 FPWs are planned, or 4 percent below the outcome for FY 2015. This

Table 7. East AFRITAC: Activities Planned, FY 2016 (in Field Person Weeks)

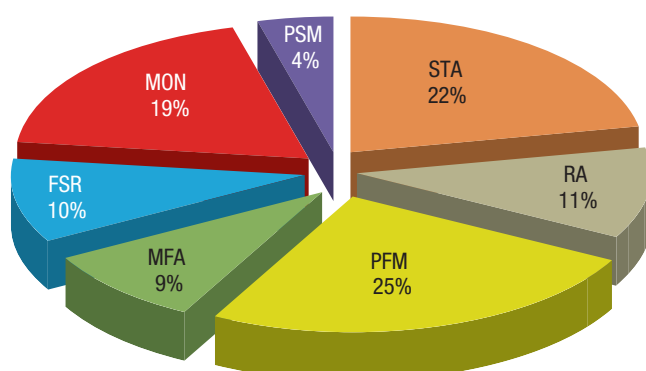
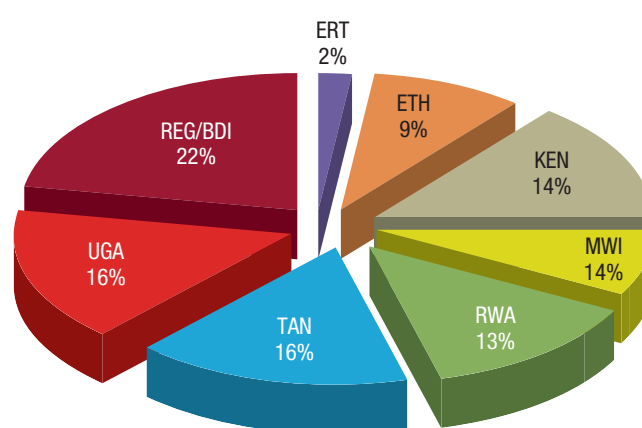
AFE Activities (number)	FY 2015 Actual	FY 2016 Plan
TA Mission	134	139
Meeting/Retreat/Other	20	12
Regional Workshop	19	19
ICD Workshop	4	1
Attachment	13	16
National Training	7	12
Total Number of Activities	197	199
Resources (Field Person Weeks)		
Resident Advisor	421	413
Short-Term Expert	384	363
Attachments	33	48
IMF HQ Staff	83	55
Total Field Person Weeks	921	879

Table 8. East AFRITAC: Planned Allocation of Resources by Sector, FY 2016 (in Field Person Weeks)

TA Area	FY 2015 Actual	FY 2016 Planned
Revenue Administration	116	96
Public Financial Management	244	220
Macro-Fiscal Analysis	97	79
Financial Sector Regulation and Supervision	123	90
Monetary Policy and Operations	143	162
Payment Systems Modernization	15	35
Economic and Government Statistics	182	197
Total	921	879

Table 9. East AFRITAC: Planned Allocation of Resources by Country and by Sector, FY 2016 (in Field Person Weeks)

	Total	Revenue Administration	Public Financial Management	Macro-Fiscal Analysis	Financial Sector Regulation and Supervision	Monetary Policy and Operations	Payment Systems Modernization	Economic and Financial Statistics
Eritrea	17	4	3	2	8	0	0	0
Ethiopia	77	9	31	7	7	10	3	11
Kenya	126	13	35	12	3	37	8	18
Malawi	70	12	25	7	9	3	4	10
Rwanda	114	8	29	6	15	35	3	20
Tanzania	137	19	30	11	12	28	3	34
Uganda	142	18	30	10	16	31	11	27
Regional/AFE/Burundi	197	15	37	25	21	19	4	77
Total	879	96	220	79	90	162	35	197

Proposed Allocation by Sector, FY 2016**Proposed Allocation by Country, FY 2016**

represents something of a steady state in terms of both absorptive capacity and effective supply at existing staffing levels. There are 199 activities set for FY 2016, each with an annual milestone on the road to longer term project outcomes. Information Annex XII presents the detailed work plan by sector and country, in log frame format.

A key factor affecting the FY 2016 work plan is the timing of committed Phase IV financial disbursements. Savings under Phase III will only cover activities through June. Therefore, the results sought for the remainder of the year are critically dependent on timely disbursements from donors and member countries alike. Delays in such disbursements risk hampering follow-up TA and training to sustain reform momentum and consolidate the results of past assistance.

Revenue Administration

Assistance during FY 2016 will focus on medium-term projects (FYs16-20) in the following areas:

- **Improve Effectiveness and Efficiency of Tax and Customs Administration:** Assistance will assess organizational effectiveness and advise on the organization and management of key revenue functions, business processes and roles. Support in this area will be provided to Eritrea, Ethiopia, Kenya, Malawi and Tanzania (Zanzibar).

Table 10. East AFRITAC: Strategic Log Frame Summary by Topic Objective, FY 2016

	Country									
	Burundi	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Tanzania	Uganda	Zanzibar	Regional
Revenue Administration										
Improve Effectiveness and Efficiency of Tax and Customs Administration		•	•	•	•		•		•	•
Improve Compliance Management in Tax and Customs			•		•		•	•		
Improving Risk Assessment and Management Capacity in Revenue Administration			•	•	•	•	•	•		
Supporting the EAC Agenda										•
Public Financial Management										
Strengthened Identification, Monitoring and Management of Fiscal Risks				•		•	•	•		
Comprehensive, Credible and Policy-Based Budget Preparation		•	•	•	•	•	•	•	•	•
Improved Budget Execution and Control					•	•	•			
Improved Integration of Assets, and Liability Management Framework			•	•	•	•	•	•		
Improved Laws and Effective PFM Institutions								•		
Improved Coverage and Quality of Fiscal Reporting			•	•	•	•	•		•	•
Macro-Fiscal Analysis										
Improve Fiscal Reporting and Database Management					•					
Macro-Fiscal Forecasting and Budgeting		•	•	•		•		•		•
Enhancing the Analysis and Management of Fiscal Risks				•			•	•		•
Deepening Regional Integration										•
Resource Revenue Management							•			
Financial Sector Regulation and Supervision										
Banking Supervision Compliant with International Standards (Basel Core Principles)			•	•	•	•	•	•		•
Insurance Supervision Compliant with International Standards (IAIS Core Principles)		•	•			•	•	•		•
Overall Regulatory and Supervisory Framework Compliant with International Standards		•								•
Monetary Policy and Operations										
Improve Monetary and Exchange Rate Policy Implementation	•		•	•	•	•	•	•		•
Develop Financial Markets to Support Monetary Transmission and Debt Management				•		•	•	•		•
Management of International Reserves			•			•				
Forecasting and Policy Analysis (FPAS)				•		•	•	•		
Payment Systems Modernization										
Payments System Modernization in Compliance with International Standards			•	•	•	•	•	•		•

Table 10 (Cont'd). East AFRITAC: Strategic Log Frame Summary by Topic Objective, FY 2016

	Country									
	Burundi	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Tanzania	Uganda	Zanzibar	Regional
Economic and Financial Statistics										
National Accounts Statistics			•	•	•	•	•	•	•	•
Government Financial Statistics Aligned with International Guidelines	•			•		•	•	•	•	•
Price Statistics			•		•		•	•		•

Table 11. East AFRITAC: Planned Resources by IMF TA Department, FY 2016 (in Field Person Weeks)

	LTX	STX	IMF HQ Staff	Attachments	Total	Regional Seminars (no.) ¹
FAD	217	139	25	14	395	8
Revenue Administration	48	36	6	6	96	2
Public Financial Management	123	78	13	6	220	2
Macro-Fiscal Analysis	46	25	6	2	79	4
MCM	105	86	8	16	214	5
Financial Sector Regulation and Supervision	46	35	6	4	90	2
Monetary Policy and Operations	44	39	2	4	89	2
Payment Systems Modernization	15	12	0	8	35	1
RES	0	55	16	2	73	0
Monetary Policy and Operations	0	55	16	2	73	0
STA	91	84	6	16	197	7
Economic and Financial Statistics	46	38	2	3	89	3
Government Finance Statistics	45	46	4	13	108	4
Total	413	363	55	48	879	20

¹Regional Seminars in FAD Macro Fiscal Analysis includes one ICD course

- **Improve Compliance Management in Tax and Customs:** Assistance seeks to ensure revenue administration processes foster voluntary tax compliance, i.e. to move beyond enforcement. It will include development of integrated compliance strategies, strategies for recruiting and managing taxpayers, strengthening taxpayer service and education, and enforcement and audit capacity. Work is planned in Ethiopia, Malawi, Tanzania and Uganda.
- **Improving Risk Assessment and Management Capacity in Revenue Administration:** The Center will assist with the actual drafting of compliance plans. AFE will also advise on institutionalizing risk management in tax and customs. Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda will receive TA in these areas.
- **Revenue Administration Diagnostics/Needs Assessment:** The IMF and the World Bank have developed a Tax Administration Diagnostic Assessment Tool (TADAT) designed to provide an objective assessment of the health of key components of a country's tax administration system. This framework focuses on nine key performance outcome areas covering most tax administration functions, processes and institutions. In FY 2016, AFE will collaborate with the TADAT Secretariat to carry out assessments in Malawi, Rwanda and Uganda.
- **Regional Integration:** Focus will be on the implementation of the Single Customs Territory Initiative, with TA delivered to the EAC and its members. A workshop on the SCT will also be held, which will also benefit non EAC members.

Public Financial Management

Approximately 60 percent of the planned activities in the FY 2016 work program build on progress achieved in previous years as part of longer term reform projects. The work plan is classified according to the following six PFM objectives—which are based on the RBM catalog developed by FAD for classifying all Fund PFM TA in a consistent manner:

- **Improved Laws and Effective PFM Institutions:** AFE will be split between supporting the implementation of recently updated PFM legislation and guiding revisions to upgrade existing legislation. With FAD and LEG, AFE's assistance to Uganda will focus on supporting implementation of the enabling regulations and the introduction of new practices such as commitment appropriation.
- **Comprehensive, Credible and Policy-Based Budget Preparation:** Activities are planned for all member countries. In-country training on good international budget practices will continue in Eritrea, building on the achievement of the previous workshops. Rwanda, Uganda, Kenya and Tanzania (Mainland and Zanzibar) will receive further support for their PBB reforms. AFE will continue to assist Ethiopia and Kenya in introducing PBB to regions and counties respectively. Malawi will be assisted in tightening the links between the annual budget and its medium-term expenditure framework.
- **Improved Budget Execution and Control:** Last year's work on payment arrears (Tanzania) and PIM (Uganda, Tanzania) identified weaknesses in the recording and management of multi-year commitments. AFE will continue to work with Malawi and Tanzania to strengthen their commitment controls, with a special focus on recording and management of multi-year commitments. This will be reinforced through a regional PFM workshop on the prevention and management of payment arrears. AFE will also assist Rwanda in reviewing and strengthening the public investment management process.
- **Improved Coverage and Quality of Fiscal Reporting:** The objective seeks to improve the credibility and usefulness of annual financial statements and in-year reports. Results sought include the adoption of international standards, improved accountability and transparency, and enhancements to computerized financial management systems. AFE will also continue to help the four AFE EAC members design and implement their EAMU fiscal convergence roadmaps. In Kenya and Rwanda, this work will be carried out in conjunction with support for the progressive implementation of International Public Sector Accounting Standards (IPSAS). Assistance to Ethiopia, Malawi and Zanzibar will be through providing quality assurance on the functionality, design and implementation of new or upgraded computer systems.
- **Improved Integration of Assets and Liability Management Framework:** Kenya, Uganda and Ethiopia will receive follow-up TA to guide the extension of their TSA arrangements and develop their cash management capabilities. Practical guidance on strengthening their cash forecasting and management practices will be extended to Malawi and Rwanda, while Tanzania will be supported in developing a framework for the management of natural resources.
- **Strengthened Identification, Monitoring and Management of Fiscal Risks:** Planned activities include assisting Rwanda in finalizing regulations and guidelines for strengthening the oversight of its government business entities and assisting Kenya on the fiscal decentralization program. In Tanzania and Uganda, AFE will contribute to FAD-led FTEs which, among other things, will assess current practices in identifying, disclosing and managing fiscal risks. The FTE forms part of the surveillance regime ahead of EAMU. The EAC has agreed that all partner states will undergo FTE assessments by 2017.

Macro-Fiscal Analysis

East AFRITAC will continue with building macro-fiscal capacity to support improvements in public financial management. Two-thirds of planned activities are on-going projects and the remainder reflects new priority areas identified by the authorities. Work is planned along the following priority areas:

- **Macro-Fiscal Forecasting and Budgeting:** Demand in these areas is strong as members prioritize revenue mobilization and improvements in budget credibility. An ongoing project on revenue forecasting in Rwanda will continue, and similar projects will start in Ethiopia, Kenya and Uganda. A key milestone for these projects is the adoption of bottom-up forecasting techniques. In collaboration with the PFM sector, further support will be provided to Eritrea on medium-term budgeting through an in-country workshop.
- **Improve Fiscal Reporting and Database Management:** AFE will continue to support improvement in fiscal analysis and reporting in Malawi through the development of a macro-fiscal database. Further work will be done to improve baseline forecasting with the goal of improving fiscal projections.
- **Enhancing the Analysis and Management of Fiscal Risks:** The macro-fiscal sector will contribute to the Tanzania FTE mentioned above. The EAC countries will be supported in the preparation of their first fiscal risk statements due in FY 2016. Missions to Kenya and Uganda will focus on improving fiscal risk reporting.
- **Resource Revenue Management:** AFE will work closely with FAD on projects in Tanzania and Uganda, financed by the MNRW-TTF, to support the preparation of their natural resource revenue policy frameworks. Guidance will be provided on the establishment of fiscal objectives and fiscal rules, and the macro-fiscal implications of these rules.

Financial Sector Regulation and Supervision

At the end of its five-year Phase III funding cycle, AFE has contributed to enhancing supervisory capacity in all its member countries. Work will be continued in FY 2016 focusing on prudential regulations, risk-based supervision, financial stability, and stress-testing. Specifically:

- **Banking Regulatory and Supervisory Framework:** AFE will continue its support to the EAC countries on the rollout of consolidated supervision, with projects such as pilot examinations and training planned for Uganda, Tanzania, Rwanda and Kenya. On the Basel II-III framework, AFE has planned TA for Tanzania in developing capital adequacy regulations and for Rwanda on the development and implementation of ICAAP/SREP guidelines. AFE will continue supporting existing projects in Malawi and Kenya on ICAAP/SREP implementation. TA has also been planned for Rwanda on developing and implementing the Basel III liquidity framework and for Uganda on the rollout of the market risk regulation. AFE will start projects to assist the National Bank of Ethiopia on a banking sector crisis management framework and advise the Bank of Tanzania on domestic community banks. Another new project on realizing a supervisory framework for IT supervision is planned for Malawi. In the laws and regulations area, one new project advising on the Merger and Acquisition Regulations of the Bank of Uganda (to reach compliance with the relevant Basel Core Principles) is planned. AFE will also assist the Reserve Bank of Malawi in further developing its supervisory tool for off-site AML/CFT supervision, with similar support planned for Uganda and Rwanda.
- **Insurance Regulatory and Supervisory Framework:** The Bank of Eritrea has requested support with conducting a pilot on-site examination. Further support will be provided to the Insurance Regulatory Authority of Uganda in moving towards risk-based supervision—realizing the full

rollout of the CARMELS approach in FY 2016. The National Bank of Ethiopia will receive assistance in developing capacity on reinsurance supervision. Technical assistance focusing on capacity building in financial analysis and stress-testing has been programmed for Tanzania and Rwanda.

- **Macro-Prudential and Financial Stability Frameworks:** IMF MCM takes the lead in providing TA on crisis-management, macro-prudential analysis, and stress-testing at the EAC level. AFE will support MCM in its efforts as requested, such as participating in MCM's work on the future architecture of EAMU financial sector supervision.

Monetary Policy and Operations and Payments Systems

The monetary policy and operations sector will focus on the areas below and, in close collaboration with the new EAC regional monetary policy advisor, support the convergence of operating procedures in support of preparations for monetary union.

- **Research and Analysis:** Work in this area is critical for supporting increasingly forward-looking monetary policy decision making. Therefore, AFE will continue to deploy significant resources on FPAS under the leadership of RES. Results sought by country vary depending on their stage of FPAS development, but mainly pertain to institutionalizing FPAS-based presentations to monetary policy committees and adopting organizational structures and practices.
- **Management of International Reserves:** Rwanda and Ethiopia will receive assistance with training in key aspects of managing foreign exchange reserves, including performance evaluation and tools used to select and monitor the performance of external fund managers.
- **Monetary and Exchange Rate Policy Implementation:** Central banks in the region face challenges in the transition from targeting reserve money to price-based (interest rates) monetary policy regimes. Rwanda and Ethiopia will receive assistance on strengthening liquidity forecasting and money market development to help reduce short-term interest rate volatility. AFE will provide further help to Kenya and Uganda to strengthen their inflation targeting regime. Kenya has also asked for support on improving its monetary policy communication strategy. The BOU is leading the EAC's work on building a regional collateral and standing facility framework, and will receive TA from the Center to this end. Technical assistance will be provided to Tanzania, Malawi and Rwanda on foreign exchange market intervention. Other requests to be addressed include an in-house training for the Central Bank of Kenya on foreign exchange swaps, and training at both Kenya and Tanzania's central banks on the introduction of Islamic banks in the operational framework.
- **Financial Market Development:** AFE continues to work on the development of money and bond markets, given their centrality to monetary policy transmission. In FY 2016, AFE will assist Uganda and Kenya in devising strategies for the development of the government bond market. Kenya will be advised on improving the functioning of its money market, and Tanzania will receive TA on both the regulation of derivatives and drafting a code of conduct for the money and foreign exchange market.
- **Payments System Modernization:** The work program delivered in this area depends on the timing of recruitment of a specialist resident advisor on financial market infrastructures and payments systems. The intention is to assist Ethiopia with design of an overall strategy for the NPS. Fostering cross-regional exchange, an expert from the Bank of Tanzania will work with the Bank of Uganda on drafting guidelines for NPS oversight. Uganda will also receive TA on NPS risk assessment. Under a collaborative arrangement with the World Bank, AFE will also

assist Malawi in the review of its oversight guidelines. Rwanda will also receive TA in drafting a NPS oversight policy, a public document intended to develop and maintain confidence in the NPS. Finally, Kenya has asked for support in designing a framework for business continuity and disaster management for FMIIs.

Economic and Financial Statistics

AFE will continue to assist member countries to improve the coverage, accuracy, reliability, frequency, and timeliness of macroeconomic statistics, as well as assisting with implementation of the latest international statistical classifications and standards. During FY 2016, TA is planned in the following areas:

- **Annual National Accounts:** Ethiopia will get further assistance with improving GDP by expenditure estimates. A mission to Malawi will assist with compiling annual GDP by economic activity estimates. AFE missions to Kenya, Rwanda, Tanzania (Mainland and Zanzibar), and Uganda will review and assist with updating the supply and use tables frameworks in order to produce more representative industry and product benchmark estimates for the next GDP base year (i.e., 2015); identify related data gaps; and develop the methodology to compile institutional sector accounts.
- **Quarterly National Accounts:** A new project in Ethiopia will focus on compilation of quarterly GDP estimates. In Malawi, AFE will assist with finalizing new quarterly GDP estimates for dissemination. AFE missions to Kenya, Rwanda, Tanzania (Zanzibar) and Uganda will provide advice and assist with finalizing the newly developed quarterly estimates of GDP by expenditure for dissemination by April 2016, the milestone set by the authorities. Tanzania (Mainland) will be assisted in developing a suitable GDP by expenditure methodology.
- **Prices Statistics:** AFE's work focuses on helping develop a comprehensive set of price indices in order to better measure inflation, inform economic analysis and policy formulation, and improve compilation of national accounts. In Ethiopia, emphasis will be on redeveloping the producer prices survey and compiling export and import price indices. Malawi too will be assisted with the implementation of a new imports prices survey. Missions to Uganda will provide advice with the compilation of improved construction inputs price indices, improved hotels and restaurants price indices, and new trade price indices. Support to Tanzania (Mainland) will be on the consumer price index methodology and developing an implementation plan for its rebasing.



The EAC Secretariat, Arusha, Tanzania

- **Government Finance Statistics:** AFE's GFS missions will work with the national interagency GFS working groups to support implementation of the national fiscal and debt statistics development plans approved by the EAC Sectoral Council in November 2014. Country activities will focus on developing more comprehensive, detailed and comparable fiscal statistics, by helping efforts to institutionalize and automate the production of the new data. During the fiscal year, country activities will gradually shift towards producing balance sheet data, especially debt statistics in line with international standards.

Work on Regional Issues

The FY 2016 work program is consistent with the strong emphasis on regional work. Over one-fifth of resources will be devoted to regional activities, not counting considerable national TA work supporting regional integration. On EAMU architecture, the Center will provide inputs as needed to the design of the East African Monetary Institute, Statistics Bureau, Financial Services Commission, and East African Surveillance, Compliance and Enforcement Commission.

- The revenue administration work stream will assist the EAC Secretariat and partner states to improve the implementation of the Single Customs Territory Initiative, focusing on strengthening risk management practices, customs valuation and tariff classification.
- Given past success of the format, PFM, GFS and macro-fiscal advisors will contribute to a fourth annual EAC/FAD workshop on EAMU legal and fiscal reporting convergence and will assist the individual partner states in developing and then implementing their convergence plans. They will also collaborate with the World Bank's project supporting the harmonization of PFM standards in other areas amongst EAC partner states. In the macro-fiscal area, AFE will guide the EAC Secretariat on the choice of alternative fiscal indicators alongside the current fiscal convergence criteria, with the objective of improving the surveillance of the fiscal positions of partner states. This complements the ongoing work in the statistics area on the harmonization of fiscal data reporting.
- AFE will also support the IMF's Monetary and Capital Markets Department in its diagnostic work to assist the EAC design in its financial oversight architecture for the future EAMU. We will also support an EAC workshop to discuss regional standards on consolidated supervision. The Center will participate in regional training for bank supervisors organized by MEFMI. The Center's advisor on monetary operations will be working very closely with a regional monetary policy and operations resident advisor who will be based at East AFRITAC.
- East AFRITAC will continue to work with the EAC Secretariat on the harmonization of NAS data collection and compilation methodologies for EAC member countries. In this regard, AFE will assist with the conduct of a follow-up EAC workshop on NAS harmonization. AFE's work on regional government finance statistics will aim to support implementation of two regional statistical objectives: (i) publication of a regional GFS and debt statistics manual; and (ii) reporting on EAMU fiscal and debt convergence criteria based on standardized templates. This work will be done through continued TA missions to the EAC Secretariat and regional workshops focusing on regional harmonization of GFS.

East AFRITAC Training

A total of 32 training events are planned for FY 2016, comprising 20 regional workshops and 12 national training seminars. All this training is closely tied into the TA program. Revenue administration training will cover (i) building effective debt enforcement and collection capacity functions and (ii) implementing the Single Customs Territory Initiative. In PFM, national trainings are planned in Ethiopia on cash management and in Eritrea on budget practices. Two regional PFM

workshops are planned (possibly in collaboration with other RTACs) aimed at assisting governments improve the management of fiscal risks associated with payment arrears, and to strengthen budgetary institutions. The Center will also facilitate at the fourth annual EAC/FAD workshop on regional PFM harmonization.

In macro-fiscal, regional training on fiscal forecasting will be offered in collaboration with the ATI. Following up previous training on medium-term budgeting, a regional workshop on medium-term fiscal frameworks will discuss options for fiscal objectives and rules, macro-fiscal forecasting and long-term fiscal sustainability. Again building on work in 2014, a regional workshop will focus on the reporting of fiscal risks through the preparation of a fiscal risk statement (a key part of the EAMU fiscal surveillance). National training will be provided to Ethiopia on tax analysis and fiscal forecasting and to Eritrea on medium-term budgeting. AFE will collaborate with ICD on one regional course on macroeconomic management.

Two regional workshops have been planned in the financial sector regulation and supervision area: (i) crisis management and bank resolution frameworks; and, (ii) a joint regional workshop on financial analysis and stress-testing for insurance supervision, which continues last year's cooperation with the Toronto Center. Tailored national training is planned for the National Bank of Rwanda on Consolidated Supervision and on ICAAP/SREP. In monetary policy, the first of two workshops will aim at increasing the coordination of fiscal policy and monetary policy, notably by discussing fiscal dominance and the impact of government action on the central bank's liquidity forecasting and management. The second will address the advantages of developing a true interbank repo market against the current practice in the region of collateralized lending without transfer of ownership. In the payment systems area, a workshop will take place on how to deal with cross border issues.

Regional training on statistics will include a NAS workshop on data sources and methods, as well as the latest 2008 SNA standards. In GFS, we will hold a debt statistics training workshop to provide training on public sector debt statistics standards, and two GFS workshops to develop and finalize chapters of the EAC GFS manual and develop balance sheet data for the government sector. Responding to strong demand and need on asset prices, including from a financial stability viewpoint, AFE will also conduct a workshop for EAC countries on developing property price indices in collaboration with IMF HQ.

Attachments and Regional Expertise

Member countries see attachments as a very effective and practical mechanism for knowledge transfer between peers. We again envisage more than a dozen such arrangements this year, used selectively when an effective host can be matched with a critical need. For example, revenue administration officials from Malawi and Uganda will be attached to administrations where improved taxpayer services and risk management practices have taken hold. In PFM, staff from the Malawi cash management unit will gain experience at a unit within the region with good practices in cash forecasting and maintenance of a comprehensive cash plan. One of two attachments in the financial sector area envisages attaching Bank of Eritrea staff to the Bank of Tanzania to learn about the regulation of mobile financial services. Based on experience with the TA program, attachments will also prove useful for Uganda and Rwanda on liquidity forecasting and foreign exchange market monitoring respectively. Likewise, opportunities to expose Ugandan, Kenyan and Rwandan officials to experience within and outside the region on payment system oversight issues will be explored. Finally, we see value in Kenyan statistics experts learning first-hand from Rwanda's progress in introducing a continuous Seasonal Agriculture Sample Survey, and for officials from Uganda and Kenya to share how they have automated the production of comprehensive fiscal data.

Given the positive initial feedback, the mentoring program will continue in FY 2016. Beneficiary and host countries, participating officials, and AFE experts all report this to be a highly valued modality. Aside from the direct TA benefits, this program serves to build up a regional pool of expert talent that could be considered for the IMF roster of experts. Missions will be carefully selected where a regional official's participation would be beneficial. Efforts are also continuing to ensure staffing at the Center draws on regional expertise where possible. In this regard, two recent hires of resident advisors have been from AFE member countries.



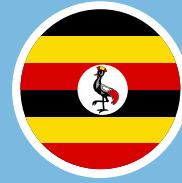
<https://www.facebook.com/EastAFRITAC>



Eritrea



Malawi



Uganda



Ethiopia



Rwanda



Kenya



Tanzania



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

700 19th Street NW
Washington, DC 20431
USA

Tel.: 1-202-623-7636

Fax: 1-202-623-7106

Email: GlobalPartnerships@imf.org

East AFRITAC

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

Dar es Salaam, Tanzania

Tel: 255 22 223 5353

Fax: 255 22 223 4204

Website: www.eastafrillac.org