

## ANNUAL REPORT

FISCAL YEAR 2017

# 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



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



# Annual Report

FY 2017

IMF East Africa Regional  
Technical Assistance  
Center (IMF East  
AFRITAC)



# Table of Contents

<b>I. EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>II. STRATEGIC ISSUES .....</b>	<b>3</b>
A. Context for IMF East AFRITAC Technical Assistance .....	3
B. Implementation of the IMF's Action Plan on the Mid-Term Evaluation.....	5
C. Phase IV, Budget and Financing.....	8
D. Outreach and Coordination with Development Partners .....	9
<b>III. REPORT ON ACTIVITIES OVER FY 2017 .....</b>	<b>11</b>
A. Overview .....	11
B. Revenue Administration.....	17
C. Public Financial Management .....	20
D. Macro-Fiscal Analysis .....	23
E. Financial Sector Regulation and Supervision.....	24
F. Monetary Policy and Operations .....	26
G. Financial Market Infrastructures .....	27
H. Real Sector Statistics.....	28
I. Government Finance Statistics.....	30
J. Work on Regional Issues.....	32
K. Attachments, Mentoring and Regional Expertise .....	34
L. IMF East AFRITAC Training.....	35
<b>IV. WORK PROGRAM FOR FY 2018 .....</b>	<b>39</b>
A. Revenue Administration .....	45
B. Public Financial Management .....	45
C. Macro-Fiscal Analysis .....	46
D. Monetary Policy and Operations.....	46
E. Financial Sector Regulation and Supervision.....	47
F. Financial Market Infrastructures and Payments .....	47
G. Real Sector Statistics .....	48
H. Government Finance Statistics.....	48
I. Work on Regional Issues.....	49
J. Attachments, Mentoring and Regional Expertise.....	49
K. IMF East AFRITAC Training .....	50

## TABLES

Table 1: IMF East AFRITAC, Activities and Resources Summary, FY 2017.....	12
Table 2: IMF East AFRITAC, Allocation of Resources by Sector, FY 2017.....	13
Table 3: IMF East AFRITAC, Allocation of Resources by Country, FY 2017 .....	13
Table 4: Resource Distribution by Sector and Country, FY 2017.....	14
Table 5: IMF East AFRITAC, Status of Outcome Milestones by Sector, FY 2017 .....	14
Table 6: FY 2016 East AFRITAC Training Statistics .....	35
Table 7: IMF East AFRITAC: Strategic Log Frame, FY 2018.....	40
Table 8: IMF East AFRITAC, Planned Activities, FY 2018.....	41
Table 9: IMF East AFRITAC: Allocation of Resources by Sector, FY 2018.....	42
Table 10: IMF East AFRITAC: Resource Distribution by Sector and Country, FY 2018 Baseline Work Plan .....	42
Table 11: IMF East AFRITAC: Resource Distribution by Sector and Country, FY 2018 Contingent Work Plan .....	43
Table 12: IMF East AFRITAC, Resource Allocation by Sector, FY 2018 Baseline Work Plan .....	44

## BOXES

Box 1: Status of Implementation of the Recommendations of the Mid-Term Evaluation.....	5
Box 2: Results Based Management at IMF East AFRITAC.....	7
Box 3: Improving the Integrity of the Taxpayer Registration Database – Rwanda and Tanzania.....	19
Box 4: Strengthening Public Investment Management (PIM) in East Africa.....	21
Box 5: Integrating Banking Supervisory Processes in East Africa .....	25
Box 6: Strengthening compilation of national accounts statistics .....	29
Box 7: The government finance statistics (GFS) capacity development program (CDP) with EAC partner states .....	31
Box 8: Interview with Professor Thomas Kigabo (Rwanda) about the workshop on medium-term convergence programs in the EAC.....	32
Box 9: Regional workshop on making more effective use of IFMIS .....	37

## FIGURES

Figure 1: Macroeconomic Developments in Sub-Saharan Africa and the IMF East AFRITAC Region.....	4
Figure 2: IMF East AFRITAC, Activities, FY 2016 and FY 2017.....	
Figure 3: IMF East AFRITAC, Distribution of Support by Country, FY 2017 .....	
Figure 4: IMF East AFRITAC, Status of Activities by Sector, FY 2017 .....	16
Figure 5: IMF East AFRITAC, Deviation Analysis, FY 2017 (Continued).....	16
Figure 6: IMF East AFRITAC, Deviation Analysis, FY 2017 (Continued).....	17
Figure 7: IMF ICD Online Training Participants by Country (2014 – December 2016) .....	36
Figure 8: IMF East AFRITAC, Resource Allocation by Sector and by Country, FY 2018 Baseline Work Plan (percentage shares) .....	43
Figure 9: IMF East AFRITAC, Resource Allocation by Sector and by Country, FY 2018 Contingent Work Plan (percentage shares) .....	44

## List of Abbreviations

AFE/Center	IMF East AFRITAC
AFRITACs	Africa Regional Technical Assistance Centers
CD	Capacity Development
CPI	Consumer Price Index
DfID	Department for International Development (United Kingdom)
EAC	East African Community
EAMU	East African Monetary Union
FAD	Fiscal Affairs Department (IMF)
FMI	Financial Market Infrastructure
FPAS	Forecasting and Policy Analysis System
FPW	Field Person Weeks
FSR	Financial Sector Supervision and Regulation
GDP	Gross Domestic Product
GFS	Government Finance Statistics
ICD	Institute for Capacity Development (IMF)
IMF	International Monetary Fund
LEG	Legal Department (IMF)
LoU	Letter of Understanding
MAC	Monetary Affairs Committee (EAC)
MCM	Monetary and Capital Markets Department (IMF)
MEFMI	Macroeconomic and Financial Management Institute for Eastern and Southern Africa
MFA	Macroeconomic and Fiscal Analysis
NAS	National Account Statistics
PBB	Program-Based Budgeting
PFM	Public Financial Management
PFMI	CPSS/IOSCO Principles for Financial Market Infrastructures
PPI	Producer Price Index
QGDPE	Quarterly National Accounts by Expenditure
RA	Resident Advisor or Revenue Administration
RBM	Results Based Management
RSS	Real Sector Statistics
RTAC	Regional Technical Assistance Center
SC	Steering Committee
SCT	Single Customs Territory
SDGs	Sustainable Development Goals
SNA	System of National Accounts (2008)
STX	Short Term Expert
TADAT	Tax Administration Diagnostic Assessment Tool
TA	Technical Assistance
TSA	Treasury Single Account
VAT	Value Added Tax



## Opening Remarks by Charles Chuka, Former Governor of the Reserve Bank of Malawi.

**At the 19<sup>th</sup> Steering Committee Meeting (Lilongwe, Malawi, April 4, 2017).**

Esteemed Steering Committee members of the IMF East AFRITAC, partner countries, development partners, observers, ladies and gentlemen. On behalf of the Malawian government and indeed on my own behalf, I would like to warmly welcome all of you to Lilongwe, the capital city of Malawi.

During the last five years Malawi experienced a rough patch in its endeavor to grow the economy and reduce poverty. Real GDP growth averaged 4.1 percent between 2012 and 2016. The relatively low growth in recent years is attributed to exogenous factors that hit the economy, including two consecutive droughts and a deterioration in terms of trade due to the downturn in commodity prices. On top of all these shocks, the economy underwent a major exchange rate correction since 2012 and in these circumstances the inflation increased significantly. In an effort to contain inflation, the monetary authorities adjusted the policy rate from 13 percent in May 2012 to 25 percent in that same year, and then raised the policy rate again to 27 percent by 2016. The tide appears however to have turned around. Projections for real GDP for Malawi in 2017 are between 4 and 5 percent growth, owing to improved crops and optimism amongst economic agents in the other sectors. Inflation is also projected to close the year below 15 percent. This in turn would lead to lowering of interest rates and spur private sector activity.



The macroeconomic stability that is steadily unfolding is partly attributed to the close collaboration that the country has had with the IMF in the last few years. The IMF has played a major role in capacity building in Malawi through technical assistance delivered at both headquarters and regional level through the East African Technical Assistance Center, IMF East AFRITAC. The Center recently provided TA to the Malawi National Statistical Office (NSO) in the area of national accounts by helping the office to come up with a series of quarterly GDP figures. The NSO also benefited from TA in developing trade indices. TA was also provided to the Reserve Bank of Malawi in three areas: foreign exchange market operations, foreign exchange intervention guidelines and money market operations.

Ladies and Gentlemen, according to the annual report to the 19th steering committee that covers the second year of Phase IV, IMF East AFRITAC has made some remarkable achievements. This includes firming up the integrity of taxpayers registers in Tanzania, Rwanda and Malawi; improving compliance risk analysis capacity in Rwanda and Uganda; providing an assessment of the tax administration system in Kenya; and enabling Uganda to get its Charter for Fiscal Responsibility approved by the parliament recently. In addition, the center facilitated the submission of fiscal risk statements by East African Community (EAC) partner countries to the EAC secretariat. Further to



that, IMF East AFRITAC has helped to enhance the supervision of the financial sector in Malawi and Kenya. It also initiated capacity development programs in Ethiopia, Malawi and Zanzibar in government finance statistics, as well as helped improve the national accounts in many countries in the region. The Center is supporting the regional integration process in EAC partner states. But that is not all, progress is being made in the execution of the recommendations of the 2013 mid-term evaluation. A lot of resources have been allocated to IMF East AFRITAC by the IMF headquarters to have new projects rolled out using the new results-based management system (RBM). This is expected to improve quality and availability of information to monitor the effectiveness of technical assistance and training. The proportion of training in the Center's activity is expected to raise to 38 percent in the 2018 fiscal year from 33 percent in the preceding fiscal year. Reflective of IMF East AFRITAC priorities, the share of activity in the macro-fiscal analysis and monetary policy and operations are expected to raise in the coming fiscal year as experts in these fields have joined the Center recently.

Ladies and Gentlemen, it is our expectation that the 19th steering committee meeting will take this opportunity not only to fervently discuss the progress made in implementing the earlier decisions but also to set sound objectives and goals for the near term that will support member countries in achievement of sustained macroeconomic stability, fast and inclusive growth, as well as better standards of living. As Joseph Stiglitz once said "development is about transforming the lives of people not just transforming the economies" and thus the Center's efforts must revolve around making growth inclusive. At this point, I would also like to say that the Malawi government would continue to actively support the capacity building objectives of IMF East AFRITAC and call upon fellow member countries to do the same. I also implore our development partners to continue supporting and firming up the efforts of IMF East AFRITAC.

Lastly, I'm looking forward to some great discussions over the course of this meeting and hope that your time in Lilongwe will be exciting and memorable. With these few remarks, I declare that the 19th IMF East AFRITAC steering committee officially opened.

I thank you.



# I. Executive Summary

**1. This report covers the second year of Phase IV of IMF East AFRITAC's operations (FY 2017, May 2016-April 2017) and outlines the work plan for FY 2018.** The rate of execution of the FY 2017 work plan is estimated at about 95 percent and the overall progress on reaching the milestones set for the year has been strong. The high execution rate, however, did not preclude flexibility in addressing changes in circumstances. Technical assistance and training provided have closely followed the strategic priorities set out in the Phase IV program document and the FY 2017 work plan endorsed by the Steering Committee, in particular higher domestic revenue mobilization, improving spending efficiency, developing financial systems, modernizing monetary operations, producing better data to inform policies, and promoting regional integration. The Center's work has been delivered in close collaboration with IMF headquarters and cooperation with development partners.

**2. Notable achievements in FY 2017 include, among others:** strengthening of the integrity of taxpayer registers in Malawi, Rwanda and Tanzania, improved compliance risk analysis capacity in Rwanda and Uganda, and an assessment of the tax administration system in Kenya; the publication by Kenya of its Fiscal Transparency Evaluation; the approval of the Charter for Fiscal Responsibility by the Ugandan Parliament; the submission of fiscal risk statements to the EAC Secretariat by EAC partner states; support to improve public investment management, both at the country level (e.g., Kenya and Uganda) and at the regional level; strengthened consolidated supervision of the financial sector in Malawi and Kenya to focus on group-wide assessment of risks, capital and corporate governance; progress in disseminating annual government finance statistics for the general government in EAC countries and initiation of capacity development programs in Ethiopia, Malawi, and Zanzibar; and better national accounts, with good progress in rebasing GDP in many countries. Support to regional integration in the EAC continued to be an important part of the Center's activity.

**3. Progress continues in implementing the recommendations from the 2013 mid-term evaluation.** The IMF is implementing its plan to roll-out a new results-based management (RBM) system for all IMF capacity development activities, including those of IMF East AFRITAC. Significant resources have been allocated at the Center to this major undertaking, with the objective of having new projects using the new RBM system from next fiscal year. This should eventually improve the quality and availability of information to monitor technical assistance (TA) and training and help improve the allocation of resources and the reporting to all stakeholders. The next mid-term evaluation will be launched in FY 2018.

**4. Efforts have been made to further improve outreach and coordination with development partners.** The Facebook page has become the main vehicle to provide access to capacity development activities and disseminate high-frequency information, and reaches a large audience in East Africa. The now quarterly newsletter, which is widely circulated, provides a summary of activities over the most recent quarter and provides a schedule of all planned missions for the next three months to facilitate coordination. The website was revamped and is better integrated with the Facebook page. New forms of outreach have also targeted new audiences (e.g., parliamentarians, journalists). Outreach

and close coordination with development partners have also continued to take place in the field, including occasionally in the form of joint missions.

**5. Financing uncertainty requires cautious planning for FY 2018, with a level of activity in the baseline scenario lower than expected in the Program Document.** While significant new financing is expected to be received during FY 2018, the timing of disbursement remains uncertain, leaving the Center in a challenging financial situation and vulnerable to liquidity bottlenecks. To address this situation, the Steering Committee endorsed: (i) a cautious baseline work plan and budget for FY 2018, where the activity level is reduced compared to the Program Document; and (ii) contingent activities to be implemented if additional financing becomes available soon enough in the fiscal year. In this context, timely financial contributions from member countries are more important than ever. Securing financing for the remainder of Phase IV (about 25 percent of the total) remains a challenge.

**6. The share of training will further increase in FY 2018, reflecting the authorities' priorities.** It will rise from 32 percent in FY 2017 to 38 percent in the baseline scenario. The share of activity in the macro-fiscal analysis and monetary policy and operations areas, which were affected in FY 2017 by unexpected vacancies on the concerned resident advisor positions, will increase. This will also reflect the priority given to the modernization of monetary policy frameworks in the region, which the Center supports through technical assistance and, increasingly, training. The share of resources going to Eritrea and Ethiopia (the two countries with the lowest shares in FY 2017) will increase significantly, reflecting a more even distribution across all member countries.

## II. Strategic Issues

### A. Context for IMF East AFRITAC Technical Assistance

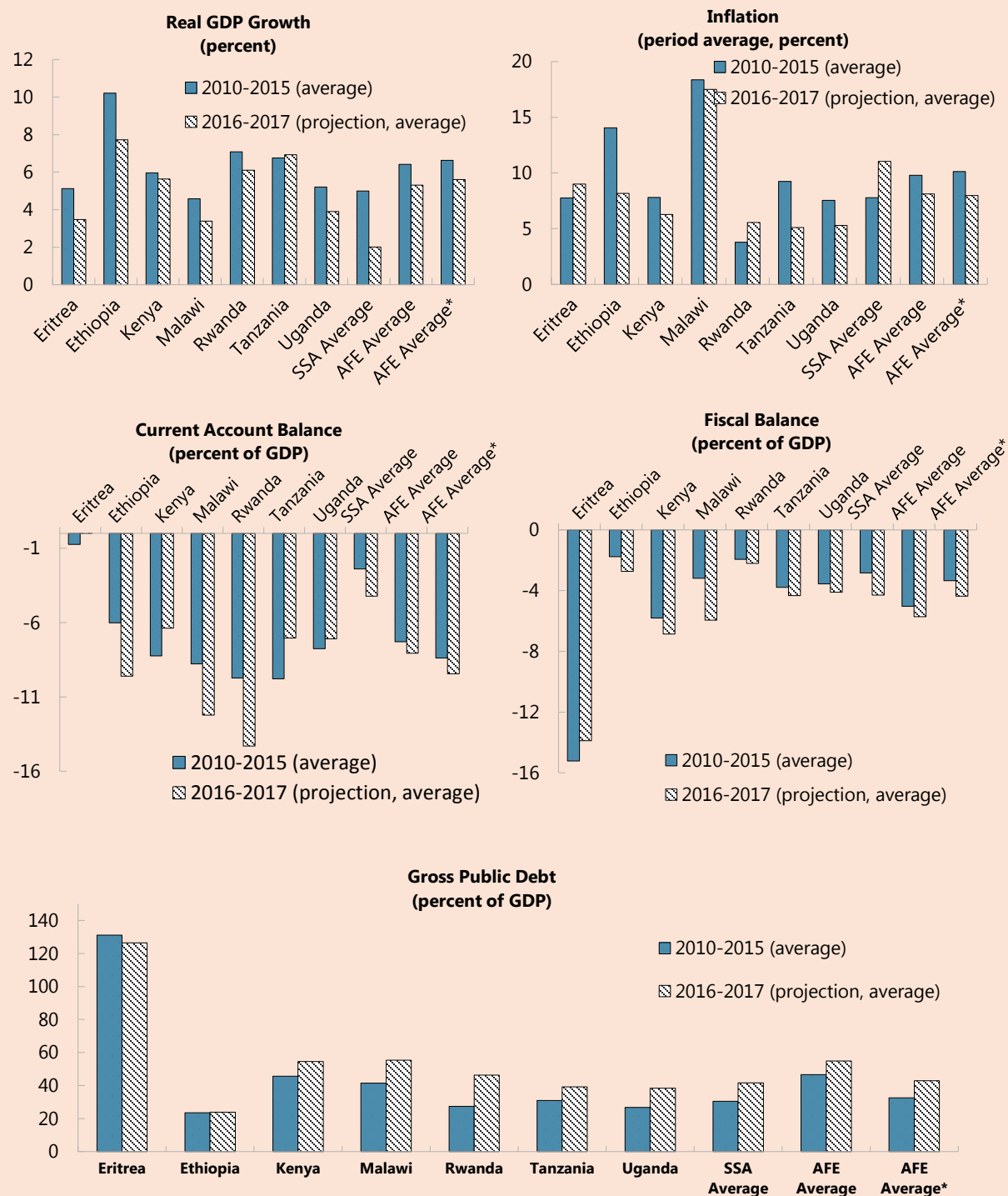
7. **Economic growth in sub-Saharan Africa in 2016 is estimated to have dropped to 1.4 percent, well below population growth, with only a modest recovery expected in 2017.** Growth slowed down sharply on the back of tighter financing conditions, continued subdued commodity prices and demand, and a by-and-large inadequate policy response from many of the countries most affected by the commodity price shock. Growth would recover somewhat in 2017, largely driven by specific factors in the region's largest economies. But at 2.6 percent, it would remain well below the high rates of the past 15 years and barely exceed population growth.

8. **However, the aggregate growth number for sub-Saharan Africa masks a picture of multispeed growth.** While most commodity exporters have been under severe economic strains, most non-resource-intensive countries—half of the countries in sub-Saharan Africa—have continued to perform relatively well, as they have benefitted from lower oil prices, an improved business environment, and continued strong infrastructure investment. Most countries in East Africa are in this latter category, with Ethiopia, Kenya, Rwanda, and Tanzania expected to record growth of about 5 percent or more in 2016-17, despite the negative impact of a severe drought, while inflation would remain moderate.

9. **Countries that are still doing well should rebuild buffers in comparatively favorable times.** While policy action is not as urgent as for the hardest-hit countries, debt has been on an upward trend for many of the fast-growing countries. For them, in an environment of tighter and more volatile financial markets, striking the right balance between much-needed developmental spending and hard-won debt sustainability remains the main challenge. In this regard, these countries should rebuild fiscal buffers in comparatively favorable times to stem the increase in public debt.

10. **This challenging environment makes the Financing for Development agenda, agreed by the international community in 2015 in Addis Ababa, even more relevant.** This agenda focuses, among others, on infrastructure investment, domestic revenue mobilization, spending efficiency, and financial sector development. These areas are central to IMF East AFRITAC's assistance to its member countries, with its focus on strengthening tax administration and public financial management (PFM), developing financial systems and monetary operations, better data for decision making, and promoting regional integration.

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



\*Excluding Eritrea

Source: Country authorities, and IMF staff calculations.

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

11. IMF East AFRITAC reports periodically on progress in the implementation of its action plan responding to the November 2013 mid-term external evaluation. Table 1 summarizes actions taken in this area, with a focus on measures implemented since the 18th Steering Committee meeting in Addis Ababa (April 2016).

12. The next mid-term evaluation will be launched in the fall of 2017. Preliminary evaluation findings would be available by the fall of 2018 (around the time preparation of the new program document would start) and a fleshed-out evaluation report by end-2018. This would allow the April 2019 meeting of the Steering Committee to focus on the report and the IMF's response to it and proposed action plan to be included in the draft Phase V program document.

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

#### Country Strategies, Sustainability, Costing

- Improved Regional Strategy Notes/Resource Allocation Plan (RSN/RAP) process to capture all IMF TA to the East AFRITAC member countries. Better alignment with the Fund's strategic planning cycle.
- Financial sustainability strategy for Phase IV:
  - (i) establishing long-term strategic partnerships with key development partners;
  - (ii) diversification of the development partner base; and
  - (iii) a gradual increase in member country contributions. On the latter, general agreement to double member countries' funding share of the program budget.



Wipada Soonthornsima, Deputy Division Chief, IMF Statistics Department

#### RTAC Reporting, Results Orientation, Standardization of Practices, Improving Governance

- An updated version of the RTAC Handbook, which addresses several issues from the mid-term evaluation on standard operating guidelines for RTACs, was published in September 2016 (see IMF East AFRITAC secured website). It was discussed at RTAC Center Coordinator and RTAC Office Manager Retreats in September 2016, which sought to strengthen and harmonize practices across RTACs and IMF HQ departments, and foster collaboration and peer learning. The Handbook is currently being revised again to reflect the retreats' discussions and suggestions. The overall objective of the Handbook is to strengthen the operational efficiency of RTACs. It includes a communications strategy/outreach plan for RTACs and enhancing



development partner visibility. The Handbook is a living document and will be regularly updated to reflect evolving practices.

- The Capacity Development Information Management System (CDIMS) is now operational. CDIMS aims to strengthen and standardize the processes related to the recording of financial information for development partner-financed TA. The IMF will introduce real-time system tools to monitor and analyze the cash flows, budgets and expenditure related to development partner-financed activities. This will help to standardize and automate financial reporting to development partners. To allow for more efficient communications with development partners, a new online portal—Partner Connect—is being introduced to replace Donor Gateway. Partner Connect will be incorporated as part of the IMF Connect, which is the main interface that the IMF uses to communicate with external partners.
- Executive summaries of the evaluations of other RTACs have been circulated to SC members.

#### **Efficiency of IMF East AFRITAC Operations**

- Succession planning continues to be strengthened, with early initiation of recruitment of replacements for departing advisors and overlap between advisors whenever possible.
- The Research Analyst position was extended given the positive experience in assisting the Center Coordinator improve analysis and outreach at IMF East AFRITAC and research support for resident advisors.

#### **TA delivery should be improved and made more results-oriented, and the effectiveness of the implementation of Results Based Management (RBM) should be enhanced**

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

- The RBM system is ready for operational use. In the coming months, all new TA projects are expected to use the new system. Training of TA providers and project managers is ongoing. Change management initiatives are under way to ensure that those working on TA internalize a more results-oriented focus and are ready to use the new system.
- Development partners will benefit from having discussions anchored in a clearer results framework based on international best practices and aligned with IMF priorities.
- The new RBM system, once fully implemented, will considerably improve the quality and availability of information for monitoring TA and training. It will serve as a management tool that addresses the planning, monitoring and implementation of the entire CD project cycle. The RBM system will help to aggregate results across topics, regions, and TA delivery modes, which will considerably improve the consistency and comparability of results reported both internally and to development partners. The new software (CD-Port) will facilitate tracking of project deliverables. The new system and catalog continue to be rigorously tested. The catalog of

outcomes is likely to evolve over time, as improvements are made. All new TA projects are currently using CD Port. The framework will be progressively extended to all IMF CD, including training.

- At IMF East AFRITAC, a RBM advisor was recruited in October 2016 to coordinate this transition (see Box 2 for a detailed description).

### **Effectiveness of Workshops and Training**

- Databases on training participants and evaluations have been constituted. Testing introduced in selective workshops.
- Work on post workshop tracking through participant and sponsor questionnaires underway, with a view to introducing some tracking.

## **Box 2: Results Based Management at IMF East AFRITAC**



**Eric Lautier is the Result Based Management (RBM) Advisor. A national of France he joined IMF East AFRITAC in 2014 and was previously the center's research analyst.**

IMF East AFRITAC continues to implement the recommendations of the 2013 midterm evaluation with the move to a more programmatic approach to monitor capacity development (CD). Over FY 2017, individual programs have been aligned with the catalog of outcomes and indicators developed by IMF headquarters. Logical frameworks (logframes) have been developed with a medium-term horizon to cover the entire Phase IV (2015-20). Using a harmonized terminology, the new work program identifies strategic elements of a TA project (inputs, activities, outputs, outcomes, indicators and objectives) and their causal relationships. The logframes also include assumptions on risks that may affect the implementation of a project. This will help clarify expectations for (and risks to) the individual components of CD and the overall CD effort at both the individual project and broader strategic levels. Over FY 2017, logframes for each sector have been developed at IMF East AFRITAC, resulting in more than 200 logframes created covering 26 topic objectives across 7 member countries.

RBM will provide project managers and other stakeholders with consistent and up-to-date information on where projects stand relative to expected outcomes and objectives. This will help decide where support may be required to move a project along or if budget and other resources can be allocated more effectively. Transparency and accountability on CD activities will also be improved as IMF East AFRITAC will report on the effectiveness of its CD activities using harmonized and agreed-upon indicators to inform the steering committee of the successes and challenges of CD delivery.

Following feedback from the initial trials at IMF headquarters of the new IT system—the Capacity Development—Projects, Outputs, and Results Tracking (CDPORT)—some refinements are being

made to enhance the user interface, improve the budgeting processes, and design of reporting outputs. The RBM Advisors in the Regional Technical Assistance Centers have been closely engaged in this process to ensure that the specific requirements of the centers are appropriately integrated.

For FY 2018, the RBM work at IMF East AFRITAC will continue focusing on enhancing reporting and evaluation techniques. Logframes will be entered in the new IT system CD-PORT with the aim of generating information to be used for the FY 2018 Annual Report. The RBM advisor will also continue to train resident advisors and administrative staff and develop tailored training materials and reference documents. Outreach to member countries will also be conducted and training on the new framework will be provided on demand.

### C. Phase IV, Budget and Financing

**13. Several development partners and member countries have made important contributions, but a financing gap remains for Phase IV (2015-20).** The European Union (EU) pledged and disbursed € 6 million (US\$6.6 million), and recently made an additional commitment of € 10 million (US\$10.6 million). The United Kingdom pledged and disbursed GBP 4.5 million (US\$7 million) for the first two years of Phase IV, and indicated the possibility of a follow-up agreement, which might be forthcoming later in 2017. Switzerland pledged and disbursed US\$1 million. The IMF signed a letter of understanding (LoU) with the Netherlands for a contribution of € 7 million, of which € 4 million (US\$4.3 million) has been allocated to IMF East AFRITAC. The IMF's own contribution will be about US\$3.7 million. Member countries are expected to contribute 10 percent (a total of US\$5.5 million for all of them) of the Phase IV program budget. So far, Eritrea, Malawi, Rwanda, and Uganda have signed LoUs, and Eritrea, Malawi, and Rwanda have made the first disbursement. As of end-April 2017, total received contributions and expected commitments from development partners, the IMF and member countries amount to approximately US\$38.7 million. Discussions with other development partners (e.g., Germany, the African Development Bank, and Norway), are ongoing to address the remaining financing gap for Phase IV of about US\$12.5 million, and Germany recently announced a contribution of € 15 million for the five IMF AFRITACs.

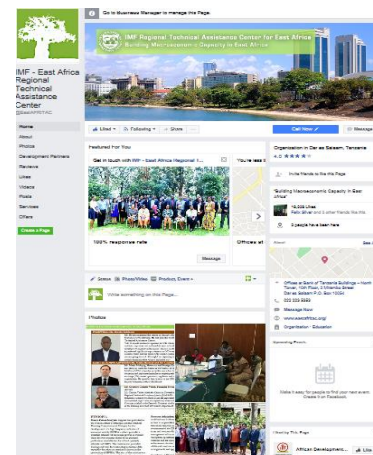
**14. Financing uncertainty requires cautious planning for FY 2018, with a level of activity in the baseline scenario lower than expected in the Program Document for Phase IV.** While significant new financing is expected to be received in the course of FY 2018, the timing of disbursement remains uncertain, leaving the Center in a challenging financial situation and vulnerable to liquidity bottlenecks. Available financing for IMF East AFRITAC was \$4.15 million at the beginning of FY 2018, i.e., less than half what the Center was expected to spend annually in the Program Document. To address this situation, the Steering Committee endorsed: (i) a cautious baseline work plan and budget for FY 2018, where the activity level is reduced significantly compared to the initial Program Document; and (ii) contingent activities to be implemented only if additional financing becomes available soon enough in the fiscal year (see Section IV). In this context, timely financial contributions from member

countries are more important than ever. Getting their dues from all member countries (i.e., the first three annual payments) would allow raising close to \$3 million and fund 3-4 months of activity.

## D. Outreach and Coordination with Development Partners

15. The Facebook page (<https://www.facebook.com/EastAFRITAC/>), which was launched in June 2015, has become the main vehicle to disseminate high-frequency information on IMF East AFRITAC activities. The page is used to showcase selected missions, workshops and relevant publications to the users. Free online courses delivered by ICD are also shared along with content from other IMF pages. The Facebook page has exceeded 23,000 “likes”, with an audience concentrated in East Africa in the 25-44 age group, which represent 80 percent of all users.

The link between the Facebook pages of the official IMF account on Capacity Development (<https://www.facebook.com/IMF-CapDev>) and IMF East AFRITAC also increased the reach and dissemination of the work of IMF East AFRITAC, which helped further enhance the visibility of development partners. The Center has also increased the level of interaction with the users by introducing Facebook live videos, which allows the Center to communicate with the users about the support provided to the region through live broadcast sessions on Facebook (like webinars). The first live session, which was dedicated to improving integrated financial management and information systems (IFMIS), was hosted by Paul Seeds, PFM advisor, in March 2017. The use of this feature will further increase awareness of the Center’s work in the region.



IMF East AFRITAC Facebook Page

16. IMF East AFRITAC has undertaken a rationalization and better integration of its main outreach products to increase their effectiveness. To reduce the overlap between the Facebook page and the newsletter, the latter has become quarterly (as in most other RTACs). The new newsletter was revamped to make it easier to read while providing more information on outcomes. It provides a summary of IMF East AFRITAC’s activities over the most recent quarter, lists all reports posted on IMF East AFRITAC’s secure website during that period, and provides a schedule of all planned missions for the next three months. Newsletters are posted on the website and Facebook page, and circulated widely by email to interested parties by the center coordinator and IMF resident representatives in member countries. The IMF East AFRITAC website has been revamped and further integrated with the Facebook page. The website is the main repository for longer-lasting information (e.g., annual reports and work plans). These changes are expected to improve the experience of users and increase effectiveness of the Center’s outreach activities.



IMF East AFRITAC newsletter



**17. New forms of outreach have also targeted new audiences.** IMF East AFRITAC, in collaboration with the IMF multimedia team, has produced a promotional video to showcase its support to member countries. The video focuses on the GFS capacity development program (CDP) in Tanzania, which is implemented in collaboration with the EAC Secretariat. The video, which is available on the website and Facebook page, explains in simple terms what this activity consists in and includes testimonies from various stakeholders (e.g., authorities, donors, civil society) on the benefits generated by it. The center coordinator made presentations to a broad range of audiences, such as parliamentarians from the region and donor countries, journalists, and members of civil society.



IMF East AFRITAC Promotional Video

**18. Outreach and coordination with development partners, regional organizations and training centers have also taken place in the field.** While on mission, advisors endeavor to meet with development partners with an interest in their activities. The new center coordinator in the past seven months visited all member countries and met with development partners during his visits to brief them about IMF East AFRITAC's activities and discuss coordination issues. Development partners were invited to attend, and sometime participate actively, in selected regional workshops. Operational collaboration with development partners has also taken place in a number of areas of common interest, such as comprehensive tax administration diagnostics (e.g., the TADAT mission in Kenya included experts from the Netherlands, U.K., and U.S.), capacity development in government finance statistics in EAC countries (which involved the African Development Bank), financial sector supervision (which involved the Toronto Centre), and economic and financial statistics (with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa, MEFMI).



The Center coordinator with parliamentarians from a range of countries discussed capacity building in East Africa

### III. REPORT ON ACTIVITIES OVER FY 2017

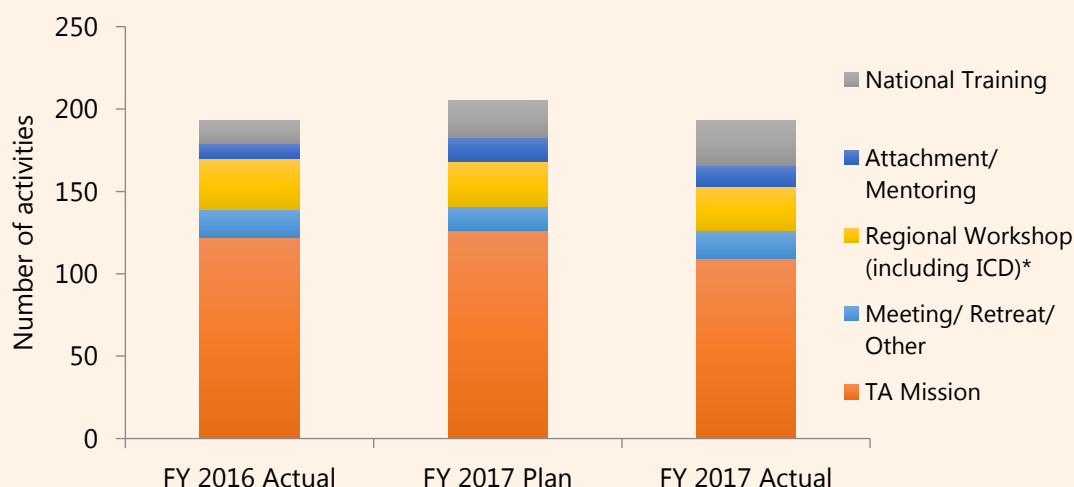
#### A. Overview

19. In FY 2017, IMF East AFRITAC implemented about 94 percent of the work program presented to the Steering Committee in April 2016 (Table 1 and Figure 2). A total of 193 activities were completed. Technical assistance to member countries represented about 60 percent of all activities, followed by regional workshops and national training. The number of attachments, a modality of capacity building highly valued by member countries, increased from 9 to 13. The share of resources dedicated to training (measured in terms of field person weeks, FPWs) increased from 26 percent in FY 2016 to 32 percent in FY 2017; the real share of training is even higher than this, as many technical assistance missions include training activities not measured in a systematic way. Annex VIII presents the status of all the activities included in the original FY 2017 work plan, while Annex IX focuses on the regional workshops. Annex X lists all the TA reports produced during this period, and Annex XI those disseminated on IMF East AFRITAC's secure website.



TA mission on program based budgeting in a discussion with officials from the Zanzibar house of representatives.

Figure 2: IMF East AFRITAC, Activities, FY 2016 and FY 2017

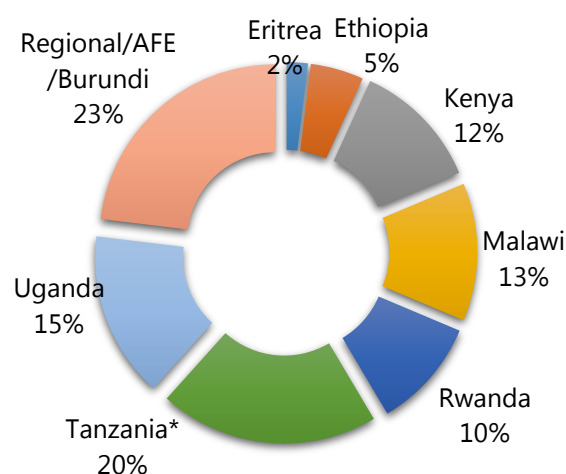


**Table 1: IMF East AFRITAC, Activities and Resources Summary, FY 2017**

	FY 2016	FY 2017		
IMF East AFRITAC Activities (number)	Annual Actual	Annual Plan	Annual Actual	Execution Rate (%)
TA Mission	122	126	109	87
Meeting/ Retreat/ Other	17	15	17	113
Regional Workshop (including ICD) *	31	27	27	100
Attachment/Mentoring	9	15	13	87
National Training	14	22	27	123
<b>Total Number of Activities</b>	<b>193</b>	<b>205</b>	<b>193</b>	
<b>Resources (Field Person Weeks)</b>				
<b>Type of Activity</b>				
Technical Assistance	585	612	552	90
Training	209	264	265	100
	<b>794</b>	<b>876</b>	<b>817</b>	<b>93</b>
<b>Modalities</b>				
Resident Advisor	371	412	351	85
Short Term Expert	338	386	391	101
Attachments	32	18	25	139
IMF HQ Staff	53	59	50	85
<b>Total Field Person Weeks</b>	<b>794</b>	<b>875</b>	<b>817</b>	<b>93</b>

\*Includes workshops where IMF East AFRITAC staff participated as resource staff; multi-sector workshops are recorded by each sector involved.

20. The high execution rate did not preclude flexibility in addressing changes in circumstances. Tables 2-3 and Figure 3 provide a snapshot of the allocation of resources by countries, while Table 4 provides more detail on the allocation of resources by country and TA area. Deviation from the plan stemmed from various reasons, such as unexpected vacancies on some resident advisor positions (macro-fiscal and monetary policy and operations) and reprioritization by the authorities, with requests to postpone or add activities. The former reason mostly explains the slight under-performance in the execution of the

**Figure 3: IMF East AFRITAC, Distribution of Support by Country, FY 2017**



work program in the aggregate. Reprioritization affected almost all sectors and all countries (Figures 4-6), but was handled flexibly through re-allocation of resources within sectors and sometimes across countries (e.g., there was under-execution of the work program in Ethiopia, Kenya, Malawi, and Rwanda but over-execution in Eritrea, Tanzania, and Uganda).

**Table 2: IMF East AFRITAC, Allocation of Resources by Sector, FY 2017**

(In Field Person Weeks)	FY 2016	FY 2017			
TA/Training Area	Annual Actual	Plan	Actual	Execution Rate (%)	TA Share (%)
Revenue Administration	109	122	121	99	15
Public Financial Management	180	243	243	100	30
Macro-Fiscal Analysis	76	77	48	62	6
Financial Sector Regulation and Supervision	94	101	105	104	13
Monetary Policy and Operations	127	116	83	72	10
Financial Market Infrastructures & Payments	11	41	37	90	5
Real Sector Statistics	92	95	98	103	12
Government Finance Statistics	107	81	82	101	10
<b>Total</b>	<b>796</b>	<b>876</b>	<b>817</b>	<b>93</b>	

**Table 3: IMF East AFRITAC, Allocation of Resources by Country, FY 2017**

(In Field Person Weeks)	FY 2016		FY 2017			
Member Country	Annual Actual	Country Share (%)	Annual Plan	Annual Actual	Execution Rate (%)	Country Share (%)
Eritrea	16	2	12	16	133	2
Ethiopia	76	10	74	40	54	5
Kenya	100	13	122	98	80	12
Malawi	81	10	116	103	89	13
Rwanda	91	11	98	82	84	10
Tanzania*	109	14	163	166	102	20
Uganda	114	14	100	124	124	15
Regional/AFE/Burundi	207	26	192	188	98	23
<b>Total</b>	<b>794</b>		<b>876</b>	<b>817</b>	<b>93</b>	

\*Tanzania includes Zanzibar in all tables, unless otherwise stated

**Table 4: Resource Distribution by Sector and Country, FY 2017**

(In Field Person Weeks)	Total	RA	PFM	MFA	FSR	MONOPS	FMIP	RSS	GFS
Eritrea	16	2	8	2	4	0	0	0	0
Ethiopia	40	13	0	3	15	0	2	3	4
Kenya	98	20	40	10	8	0	6	12	3
Malawi	103	12	36	7	11	19	0	9	9
Rwanda	82	24	0	0	17	18	0	13	11
Tanzania	166	21	51	3	21	23	10	21	16
Uganda	124	13	56	6	6	10	8	13	14
Regional/AFE/Burundi	188	16	52	18	24	14	13	27	25
<b>Total</b>	<b>817</b>	<b>121</b>	<b>243</b>	<b>48</b>	<b>105</b>	<b>83</b>	<b>37</b>	<b>98</b>	<b>82</b>

21. **The overall progress on reaching the milestones set for the year has been strong.** A total of 205 milestones were set for the year across projects. Twenty-five milestones were postponed to FY 2018, while 23 were cancelled. Thirty-six new milestones were added to reflect new requests from the authorities, of which 34 were completed and 2 are in progress. This brings the total of milestones completed to 176 at the end of April 2017, with an additional 17 milestones in progress and likely to be completed over FY 2018 (Table 5). More detailed results by sectors are provided in the next sections. This favorable outcome suggests strong commitment to, and ownership of, the reforms from the authorities, which may itself be fostered by the Center's focus on demand-driven TA and training and close collaboration with the authorities at the planning stage.

**Table 5: IMF East AFRITAC, Status of Outcome Milestones by Sector, FY 2017**

TA Training Area	Planned	In Progress	Postponed to FY 2018	Cancelled	New Milestones Completed	New Milestones in progress	Total Milestones Completed
Revenue Administration	30	0	1	4	6	0	31
Public Financial Management	39	4	5	7	5	2	28
Macro-Fiscal Analysis	22	0	7	2	2	0	15
Financial Sector Regulation and Supervision	29	3	0	2	6	0	30
Monetary Policy and Operations	21	0	7	2	1	0	13
Financial Market Infrastructures & Payments	15	0	0	4	3	0	14
Real Sector Statistics	29	4	2	2	4	0	25
Government Finance Statistics	20	4	3	0	7	0	20
<b>Total</b>	<b>205</b>	<b>15</b>	<b>25</b>	<b>23</b>	<b>34</b>	<b>2</b>	<b>176</b>

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

## 22. Some notable achievements in FY 2017 include:

- Strengthening of the integrity of taxpayer registers in Malawi, Rwanda and Tanzania, improved compliance risk analysis capacity in Rwanda (where a targeted compliance plans for the construction and hotel industries was prepared) and Uganda, and an assessment of the tax administration system using the TADAT methodology in Kenya.<sup>1</sup>
- The publication by Kenya of its Fiscal Transparency Evaluation, which assesses the comprehensiveness, clarity, reliability, timeliness, and relevance of its reporting on public finances against international standards. The approval of the Charter for Fiscal Responsibility by the Ugandan Parliament and the submission of fiscal risk statements to the EAC Secretariat by EAC partner states. All these achievements required close collaboration of public financial management and macro-fiscal experts. Support to improve public investment management increased, both at the country level (e.g., Kenya and Uganda) and at the regional level.
- Strengthened consolidated supervision in Malawi and Kenya to focus on group-wide assessment of risks, capital and corporate governance.
- Progress in disseminating annual government finance statistics (GFS) for the general government in EAC countries and initiation of capacity development programs in Ethiopia, Malawi, and Zanzibar.
- Better national accounts, with good progress in rebasing GDP in many countries (e.g., Rwanda disseminated estimates in March 2017).
- A range of work supporting regional integration in the EAC, including harmonization of financial statements and medium-term convergence programs towards the establishment of the East African Monetary Union (EAMU) and the drafting of two new chapters on “Debt” and “Public Private Partnerships” for the *EAC Guidelines for the Compilation of Government Finance and Public Sector Debt Statistics* (hereafter, *EAC Guidelines*).



<sup>1</sup> The Tax Administration Diagnostic Assessment Tool (TADAT) is a global tool to assess the relative strengths and weaknesses of a country's tax administration system in the context of international good practice. TADAT assessments focus on administration of the major direct and indirect taxes critical to central government revenues, specifically corporate income tax, personal income tax, value added tax and pay as you earn. The aim of TADAT is to provide an objective assessment of the health of key components of the system of the tax administration, the extent of reform required and the relative priorities for attention. The TADAT report does not include recommendations but it provides the basis for discussion about reform goals, implementations strategies and prioritization and sequencing of interventions.

Figure 4: IMF East AFRITAC, Status of Activities by Sector, FY 2017

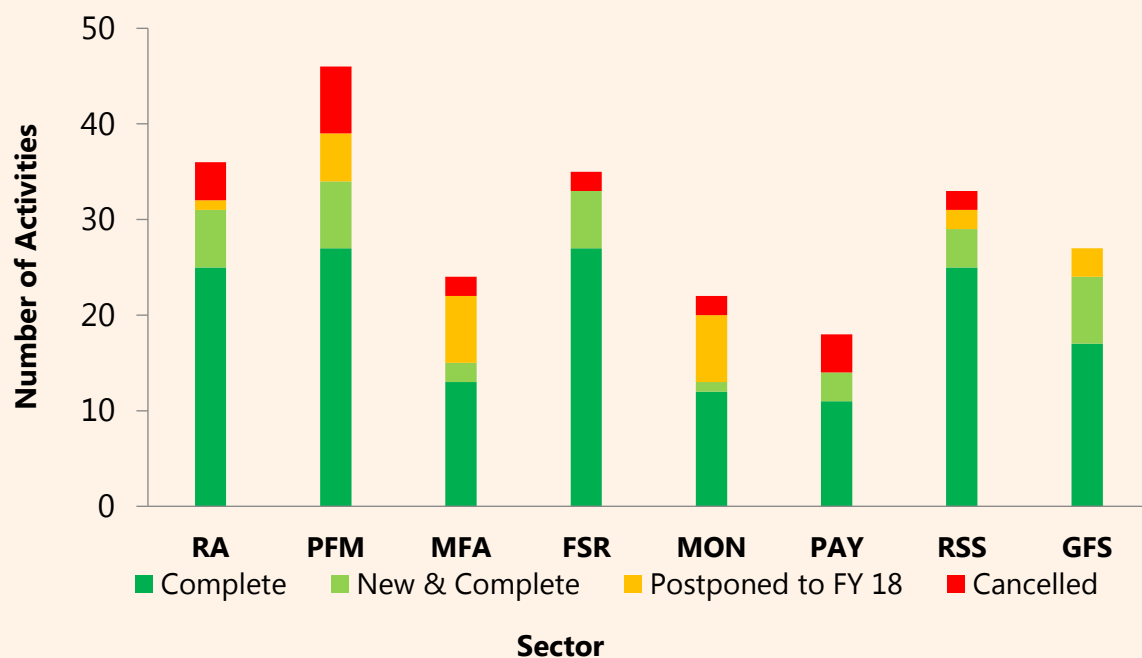
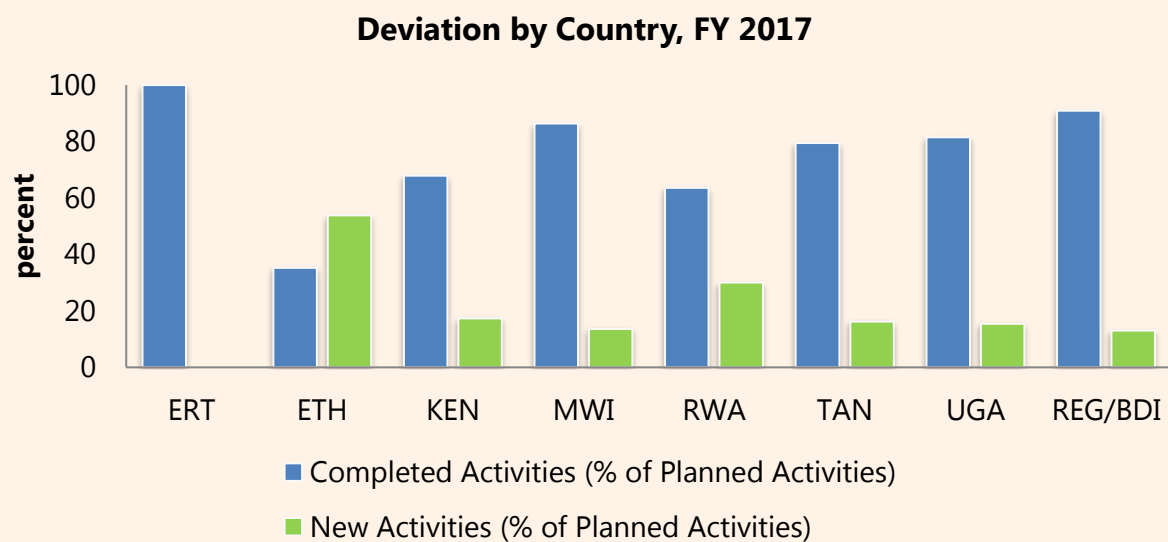
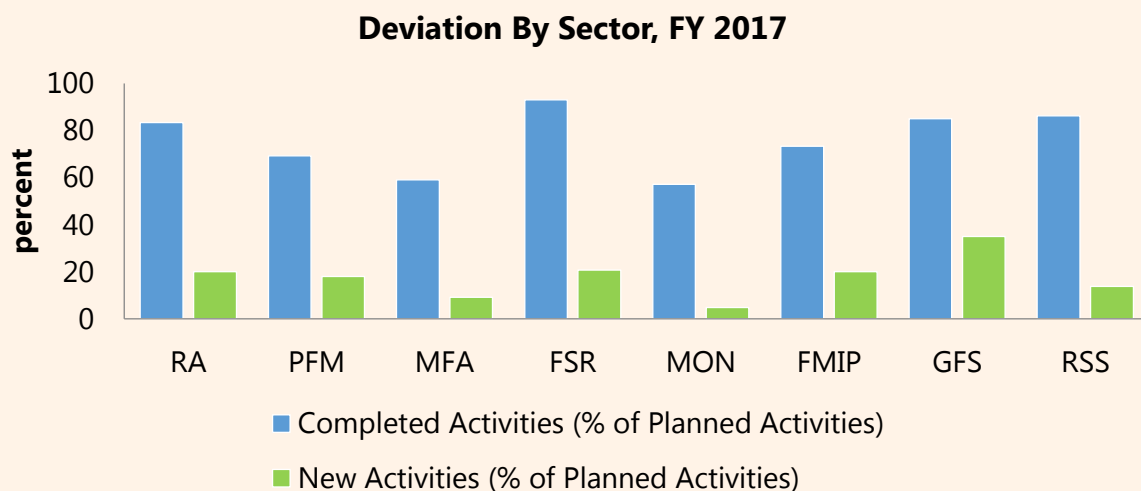


Figure 5: IMF East AFRITAC, Deviation Analysis, FY 2017 (Continued)



**Figure 6: IMF East AFRITAC, Deviation Analysis, FY 2017 (Continued)**

## B. Revenue Administration

23. IMF East AFRITAC has continued to support revenue mobilization capacity by addressing weaknesses identified in assessments using the Tax Administration Diagnostic Assessment Tool (TADAT). In FY 2017, efforts focused on strengthening the integrity of taxpayer registers in Malawi, Rwanda, and Tanzania, and on developing compliance risk analysis capacity in Rwanda and Uganda. Of the 30 planned activities, 25 were completed, 4 were cancelled while one activity was postponed to FY 2018. Six new activities were completed during the year, compensating cancelled and postponed activities. Deviations from the planned activities mainly resulted from change in approaches to updating tax legislation and developing new laws relating to extractive industries in Kenya and Tanzania. New activities were requested to address weaknesses identified by TADAT assessments in Ethiopia and Rwanda, to undertake a mission to assess possible support under the revenue mobilization trust fund in Ethiopia, and to provide training in good practices in tax administration in Zanzibar. Of the milestones (including 6 new), 31 were achieved, 4 cancelled and 1 postponed to FY 2018.

24. The main achievements by strategic objective in FY 2017 were:



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

- Revenue Diagnostics and Needs Assessments:** An assessment of the tax administration system using the TADAT was conducted in Kenya. The aim was to provide an objective assessment of the health of key components of the tax administration system, the extent of reform required and the relative priorities for attention.
- Improving Risk Assessment and Management Capacity:** Malawi, Rwanda, and Uganda received support to develop compliance risk analysis capacity using the Australian Tax Office's risk differentiation framework. Rwanda progressed to operationalize the framework, and developed compliance plans for the construction and hotel industries. In addition, Rwanda developed tools based on the framework to support audit case selection in a centralized manner.
- Improving Compliance Management in Tax and Customs:** Malawi, Tanzania and Rwanda received support to improve the integrity of taxpayer registers as a basis for managing tax compliance effectively (Box 3). Rwanda has made progress in strengthening authentication processes for tax registrants, and in using third party data to identify unregistered and non-compliant registered entities. Tanzania has commenced an exercise to validate taxpayer identification numbers and to update taxpayer information. Uganda is developing strategies to recruit taxpayers from the informal sector. Kenya and Rwanda are developing capacity to manage compliance in the telecommunications sector, and Ethiopia to manage compliance in the financial sector. Tanzania was assisted to improve audit planning and impact assessment, and Uganda to develop mechanisms to monitor inaccurate reporting trends. In the customs area, Malawi was supported to strengthen post-clearance audit, and Ethiopia to strengthen valuation capacity.
- Improving Effectiveness of Tax and Customs Administration:** Ethiopia received support to review the structure, governance and functional direction arrangements of its revenue and customs authority. Rwanda was assisted to develop and quality assure key function procedures for the new tax administration system.



Workshop on Developing Tax Compliance Risk Analysis Skills, October 10-14, 2016 in Uganda.



### Box 3: Improving the Integrity of the Taxpayer Registration Database – Rwanda and Tanzania

TADAT assessments carried out in Rwanda (August 2015) and Tanzania (February 2016) identified the low reliability of the taxpayer registration database as a foundational weakness affecting all other core functions of the tax administration. With assistance from IMF East AFRITAC, the Rwanda Revenue Authority (RRA) and the Tanzania Revenue Authority (TRA) are in the process of improving the state of their taxpayer registers. Both administrations have set up project teams to ensure the accuracy and reliability of taxpayers' registration information. So far, notable achievements include:

#### Rwanda

- set up a multi-agency Project Steering Committee (RRA, Rwanda Development Board (Registrar General's office), the National Institute of Statistics of Rwanda and Ministry of Trade, Industry and East African Community Affairs) to provide oversight to the project team.
- developed a taxpayer registration policy to guide the classification structure identifying active, dormant and inactive taxpayers;
- conducted training for staff from relevant agencies on International Standard Industrial Classification of All Economic Activities (ISIC) Revision 4 (standard for the Government of Rwanda) in collaboration with the National Institute of Statistics of Rwanda;
- strengthened the procedure for the authentication of data for new registrants;
- simplified the de-registration process to exclude the need for approvals from other agencies besides the RRA; and
- completed an update of registration information for large and medium taxpayers. The project is now moving on to small taxpayers.

#### Tanzania

- developed a Taxpayer Registration Guide for taxpayers and front office staff of TRA;
- reviewed the registration forms and effected enhancements to the TIN registration module to allow for online TIN application;
- strengthened procedures for authentication of data for registrants;
- set up 14 verification centers in Dar es Salaam (12) and Zanzibar (2) to facilitate renewal and update of TIN records for Phase 1 of the project;
- to date, verified 66 percent and 51 percent of business and non-business TINs respectively under Phase 1; and
- commenced Phase 2 to cover 8 major tax regions.



## C. Public Financial Management

25. In FY 2017, support was provided to strengthen public investment management (Box 4), cash management, and fiscal reporting. Overall, implementation has been broadly in line with plans, except in Ethiopia and Rwanda where a few missions were postponed at the request of the authorities. Of the 39 planned activities, 27 were completed, 5 were postponed to FY 2018, and 7 were cancelled. Seven new activities were added in view of the reprioritization by member countries, of which 5 were completed and 2 are in progress. In terms of results, 28 milestones were achieved and 6 are in progress, out of a total of 46 milestones (including 7 new) set for FY 2017. Support was provided to improve PFM practices and capacity across a broad range of areas.

26. The main achievements by strategic objective in FY 2017 were:

- **Comprehensive, Credible and Policy-Based Budget Preparation:** Uganda is transitioning to program-based budgeting (PBB); Tanzania (mainland and Zanzibar) and Malawi are strengthening their medium-term expenditure frameworks (MTEF) as a basis for anchoring the implementation of PBB. Training was also provided to Eritrea on the prerequisites for an MTEF.
- **Improved Budget Execution and Control:** Kenya and Uganda are exploring ways to strengthen public investment management. Tanzania and Uganda received support on the management and prevention of expenditure arrears. Malawi, with the Center's support, has continued building and sustaining financial controls and streamlining the debt management function to gain better control over domestic borrowing and the short-term cash position.



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



TA mission on management and prevention of government expenditure arrears, January 9 – 20, 2017 in Uganda

- **Improved Coverage and Quality of Fiscal Reporting:** Kenya and Tanzania received support to assess the coverage and quality of the annual financial statements for FY 2014/15 against international public sector accounting standards (IPSAS) and the EAMU fiscal reporting convergence criteria. Guidance was provided to further improve the reliability and relevance of the financial statements for decision-making purposes. In Zanzibar, support was provided to guide the implementation of its upgraded version of IFMIS, and to improve system controls for budget execution and financial reporting.
- **Improved Integration of Assets and Liability Management Frameworks:** Uganda is developing cash management guidelines, strengthening the institutional arrangements, and improving cash flow forecasting. Kenya is working on the design of the treasury single account (TSA) using a centralized payment model, and automating the exchequer releases to support cash forecasting and planning. Tanzania is enhancing the regulatory and institutional arrangements for cash management and better integration of cash and debt management functions. A mission to Malawi provided guidance on strengthening cash management and extending the TSA arrangements.
- **Strengthened Identification, Monitoring and Management of Fiscal Risks:** Kenya published its Fiscal Transparency Evaluation. Kenya was also supported on the fiscal decentralization program.



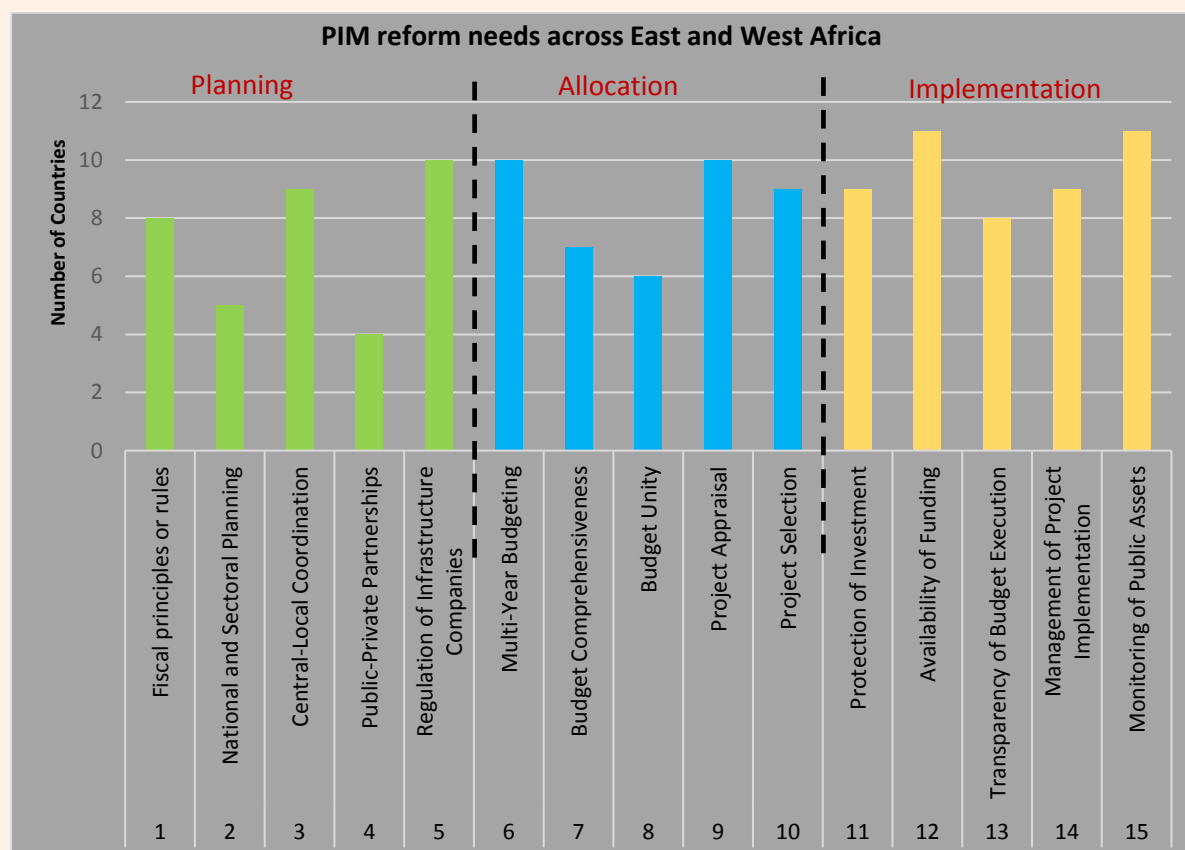
Kubai Khasiani is Kenyan and joined the Center in July 2015. He has worked for the IMF in Liberia, and for many years for the Kenyan Government, rising to Deputy Budget Director. He is a founding chair of CABRI.



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

#### Box 4: Strengthening Public Investment Management (PIM) in East Africa

IMF East AFRITAC organized a regional workshop on public investment management (PIM) which was held in Kigali, Rwanda and attended by thirteen countries from East and West Africa. The workshop was held against the background of increased infrastructure investment in the two regions, especially in power generation, transportation (air, rail and roads), telecommunications, water, and sanitation. Three thematic areas were considered: planning sustainable public investments, effective investment budgeting, and timely and cost-effective project implementation. Following an individual country self-assessment using the IMF PIMA tool (<http://www.imf.org/external/np/fad/publicinvestment/>), participants prioritized their perceived PIM needs as summarized in the table below; these priorities are closely aligned with the participants' perception of their countries' institutional weaknesses.



Discussions during the workshop revealed that, across East and West African countries, institutions responsible for planning are relatively stronger than those responsible for budgeting, which in turn are stronger than the “implementing” institutions. For example, while most countries had formal laws or procedures in place covering the main elements of public investment, the execution of these formal arrangements was often less than adequate.

Participants suggested a cross section of PIM reform initiatives, namely: building staff skills and capabilities in project design and the selection of projects; adoption of a unified methodology for appraising investment projects and PPPs; independent review of projects; effective implementation of laws and respect for the rule of law; introduction of performance budgeting and improved transparency in capital investment; multiyear appropriations for major projects; improved leveraging of donor funds and intra-government coordination; separation of the project approval process from budget preparation; approval of the financing of projects only if they are part of an approved pipeline; and establishment of a register of assets to better inform public investment decisions. A number of these reforms would require new legislation or the revision of existing legislation. More generally, the workshop findings point to broader weaknesses in PFM systems, and specifically in the procedures for setting fiscal targets and rules, allocating resources through the budget, and managing, controlling and reporting budget execution. A blog was published on the workshop and is available at: <http://blog-pfm.imf.org/pfmblog/>.

## D. Macro-Fiscal Analysis

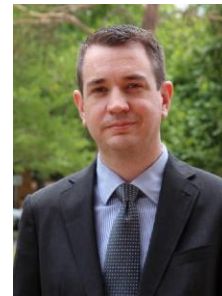
27. In FY 2017, IMF East AFRITAC has continued to help member countries to develop and improve datasets and their use for macroeconomic analysis, forecasting capacity, budgeting, reporting and management of fiscal risk. Of the 22 planned activities, 13 were completed, 7 were postponed to FY 2018, and 2 activities were cancelled. At the request of the authorities, 2 new activities were completed. As mentioned above, delivery was affected by a 3-month vacancy on the resident advisor position, but also by slow uptake in some countries, where activities were postponed at the request of the authorities. In terms of the results, 15 milestones were met out of a total of 24 milestones (including 2 new) for the year.

28. The main achievements by strategic objective in FY 2017 were:

- **Improve fiscal analysis and reporting:** Further assistance was provided to Malawi and Zanzibar on their macroeconomic databases and forecasting frameworks. The revised database in Malawi contributes to enhance the medium-term fiscal framework. In Zanzibar, the Center assisted in improving the quality of information available for policy-making and in supporting the integration of its macroeconomic framework with that of Tanzania mainland.
- **Fiscal forecasting and budgeting:** Support was provided to Ethiopia in revising estimation techniques for high frequency indicators of economic activity (HFIE) following new data collection efforts. These estimates will provide useful guidance to monetary and fiscal authorities in the conduct of monetary policy and in short-term fiscal planning, including cash management.
- **Enhancing the Analysis and Management of Fiscal Risks:** Kenya and Uganda were assisted in the preparation of their fiscal risk statement for FY 2017/18. Ugandan officials were trained on several analytical tools used for fiscal risk analysis and guidance was provided on the classification, quantification and reporting of fiscal risks.



Fazeer Rahim is from Mauritius and worked at the Center as macro-fiscal adviser from June 2013 to December 2016.



Bryn Battersby is Australian and joined the Center in March 2017. Previously, He has worked for the IMF in South Sudan, for the Australian Treasury, and held various government senior advisor positions in a range of countries.



Regional workshop on Macro-Fiscal Forecasting, August 9-18, 2016 in Tanzania.



## E. Financial Sector Regulation and Supervision

29. **Strengthening consolidated supervision, insurance supervision and financial stability** were key areas of focus in FY 2017. Of the 29 planned activities for FY 2017, 27 were completed. Six new activities were added and completed at the request of the authorities. Thirty milestones were achieved and 3 are in progress, and 2 were cancelled against a total number of 35 milestones (including 6 new) for the year.

30. The main achievements by strategic objective in FY 2017 were:

- Bank Supervision Compliant with International Standards:** Malawi and Kenya are building capacity, including through IMF East AFRITAC training, on consolidated supervision; Malawi also received training on pilot information technology. Eritrea is developing regulations for mobile financial services. Also, Tanzania received support on the implementation of Basel II/III. Kenya, Rwanda, and Tanzania are integrating their supervisory processes (Box 5).
- Insurance Supervision Compliant with International Standards:** IMF East AFRITAC continued its collaboration with the Toronto Centre on strengthening insurance supervision in the region. Support was focused on risk-based supervision and risk-based capital for insurers. Uganda was supported on on-site supervision; Eritrea received support on the development of prudential regulation for insurers; training was provided to Kenya and Ethiopia on risk-based supervision, and to Rwanda on stress testing and financial analysis.
- Strengthening Macroprudential and Financial Stability Capacity and Frameworks:** Tanzania is enhancing its financial stability policy analysis and stress testing frameworks, and developing its financial stability risk assessment framework for non-bank financial institutions and financial markets. Training was provided to Tanzania on (i) financial stability reporting and macroprudential policy; (ii) Risk-based supervision: keys to financial stability; and (iii) Macroprudential supervision.
- Overall Supervisory and Regulatory Framework Compliant with International Standards:** Rwanda is developing an on- and off-site framework for foreign exchange bureau supervision.



Courtney Christie-Veitch is from Jamaica and joined the Center in November 2016 from the IMF Caribbean Regional Technical Assistance Centre (CARTAC). Prior to joining the IMF, he has worked for the Bermuda Monetary Authority and the Bank of Jamaica.



A working group at a regional workshop on risk based supervision - Anti-money laundering/combating of the financing of terrorism, September 5–9, 2016, Zanzibar.

### Box 5: Integrating Banking Supervisory Processes in East Africa

The dynamic and evolving nature of supervision and regulation have resulted in different banking supervisory frameworks being implemented by regulators of the financial sector over time. However, if supervisory processes are not properly integrated and aligned, they can send mixed signals to both banks and policy makers and could reverse gains made in the harmonization of supervisory standards and stymie efforts to benchmark regional processes to international standards.

Banking regulators in East Africa, being cognizant of the need to have consistent approaches to risk assessment and capital requirements, have requested TA to align supervisory processes that have evolved over time. Consequently, the IMF East AFRITAC is providing TA to Rwanda, Tanzania and Kenya to integrate CAMELS<sup>1</sup>, risk-based supervision (RBS)<sup>2</sup> and the Basel II/Pillar II Supervisory Review Process. Both CAMELS and RBS have been expanded to include additional Basel II/Pillar II risks, such as concentration, reputation, interest rate in the banking book and systemic risks.

Additionally, supervisors are adjusting RBS ratings from 1 – 3 or 1 – 4 to a more granular 1 -5 rating scale (chart 3), to be consistent with the CAMELS rating system. This will facilitate the mapping risk ratings to Basel II/Pillar II and the assignment of capital charges based on risk exposures as well as determining supervisory actions based on risk assessments

Chart 1. RBS: Focusing on Inherent / Other Risks and The Quality of Oversight Functions



Chart 2. The Migration of the CAMELS

- Capital Adequacy
- Asset Quality (Credit and Concentration)
- Management
- Earnings and Profitability
- Liquidity
- Sensitivity to Market Risk /Other Risks
- Reputation + Regulatory / Legal
- Business Strategic + Operational + Banking Book Int. Rate Risks
- Systemic

Chart 3. Aligning Approaches to Risk Rating

Quality of Oversight/Risk Management		Level of Inherent / Other Risks				
		1	2	3	4	5
		Low	Medium Low	Moderate	Medium High	High
1	Strong	Low	Low	Low	Low	Moderate
2	Satisfactory	Low	Low	Medium Low	Moderate	High
3	Needs Improvement	Low	Medium Low	Moderate	Medium High	High
4	Deficient	Medium Low	Moderate	Medium High	High	High
5	Critically Deficient	Moderate	High	High	High	High

Source: Prepared by Courtney Christie-Weitch

The result is an integrated supervisory process with uniformed ratings, consistent with the EAC's harmonization agenda, facilitating information sharing across sectors and borders and benchmarked against international standards.

<sup>1</sup> CAMELS is a risk rating system. It assesses six components (capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risks), of a deposit taking financial institution's performance on a scale of 1 – 5, with 1 = Strong performance and 5 = Weak Performance.

<sup>2</sup> RBS focusses on identifying significant activities, assessing inherent risks and the quality of oversight as well as the impact on capital, earnings and liquidity. The original approach to RBS considers six main risks (credit, market, operational, insurance, legal & regulatory and strategic risks) on a scale of 1 – 4 as follows, 1-Low, 2-medium low, 3-medium high and 4-high)

## F. Monetary Policy and Operations

31. In FY 2017, IMF East AFRITAC continued to provide support to improve monetary policy formulation and implementation across a broad range of areas: forecasting and policy analysis systems (FPAS, in Kenya, Malawi, Rwanda, Tanzania, Uganda and the EAC); modernization of the monetary policy framework (Malawi and Rwanda); liquidity management (Malawi); lender of last resort issues (Tanzania and Uganda); and development of the repurchase agreement (repo) market in Uganda. Of the 21 activities planned, 12 were completed, 7 were postponed to FY 2018, and 2 activities were canceled. One new activity was completed. Delivery in this area was affected by a 6-month vacancy on the resident advisor position. However, engagement with authorities was maintained through the support of IMF headquarters and the use of short-term experts. As a result, 13 milestones were achieved against a total number of 22 milestones (including 1 new) for the year.

32. The main achievements by strategic objective in FY 2017 were:

- **Developing Modeling, Forecasting and Analysis:** The FPAS work at the country level in EAC countries was complemented by regional coordination work to facilitate convergence of monetary policy frameworks in the context of the transition to EAMU. The latter included participation in an EAC Monetary Affairs Committee (MAC) meeting to deliver a presentation on FPAS to central bank governors, as well as facilitating a meeting of the EAC FPAS working group, which was created as a regional forum for peer-to-peer learning. An FPAS development and capacity building project has also been launched in Malawi.
- **Money and Exchange Rate Operational Frameworks:** The Reserve Bank of Malawi is modernizing of its monetary policy framework, and a 2-year customized training and technical assistance work plan was developed for this purpose. The program for Malawi includes three interrelated work streams focusing on FPAS development, monetary operations and money market development, and enhancement of monetary policy communication strategies. Uganda and



**Mr. Marin Moloșag joined the Center in November 2016 from the National Bank of Moldova (NBM), where he served for more than 24 years. He spent his last six years at the NBM as First Deputy Governor and Deputy Chairman of the NBM Board.**



Tanzania are developing and operationalizing their lender of last resort frameworks, and harmonizing these frameworks in the context of the transition to EAMU. Rwanda is reviewing its monetary policy and operations framework and drawing up a time line of actions consistent with its aim of transitioning to inflation targeting.

- **Deepening Key Financial Markets and Reserves Management:** Uganda is developing the legal, regulatory, and operational foundations required to support a repo market, as well as refining the master repurchase agreement based on international practice.

## G. Financial Market Infrastructures

33. In FY 2017 efforts focused on building oversight capacity and proficiency in conducting assessments of the financial market infrastructures (FMIs) against the international risk management standards: *the CPSS-IOSCO principles for financial market infrastructures* (PFMI). Of the 15 planned activities, 11 were completed, 4 were cancelled. This was compensated by the completion of 3 new activities at the authorities' request. In terms of results, 14 milestones were achieved against a total of 18 milestones (including 3 new).



Staff of the NPS Oversight Division in a training session on retail payments oversight with short-term expert, Mr. Biagio Bossone, at Bank of Tanzania's offices in Arusha, Tanzania in February 2017.

34. The main achievements by strategic objective in FY 2017 were:

- **Oversight of FMIs:** Tanzania is drafting a new oversight policy framework document in line with international best practice and building capacity on the use of monitoring tools and the application of a risk-based approach to oversight. Kenya, Tanzania and Uganda received practical guidance and training to conduct an initial assessment of the FMIs against the PFMI. The training focused on analyzing potential risks in the main FMIs (the real-time gross settlement system, the East African Payment System (EAPS) and the central securities depository) from legal, credit, liquidity and operational risk perspectives—using the relevant principles of the PFMI.



Faith Stewart is the Financial Market Infrastructures and Payments advisor. She joined EAST AFRITAC in February 2016. She is from Jamaica and brings with her 22 years experience as a commercial and central banker, and has consulted in Africa and Southeast Asia on payment systems development issues.

## H. Real Sector Statistics

35. In FY 2017 continued emphasis was placed on supporting improvements in the quality, coverage, periodicity and timeliness of national accounts and price statistics. The Center focused on improving the capacity of statistics compilers to produce improved national accounts and prices, with extra attention provided to the East African Community (EAC) to support harmonization of these statistics. The center is also supporting countries to expand the scope and frequency of statistics compiled to provide more information relevant for decision making. Of the 29 planned activities, 25 were completed, 2 were cancelled and 2 were postponed to FY 2018. This was compensated by the completion of 4 new activities. A total of 25 milestones were achieved while four are still in progress, against a total number of 33 milestones (including 4 new) for FY 2017.

36. The main achievements by strategic objective in FY 2017 were:

- Annual National Accounts Statistics:** IMF East AFRITAC is implementing a program to assist its member countries to produce supply and use tables (SUTs)<sup>2</sup> for 2015 base year and rebased GDP series by 2018 (Box 6). Ethiopia, Kenya, Rwanda, Tanzania, and Uganda received assistance to advance/complete the rebasing process. The support focused on assessing the adequacy of the available data, identifying data gaps, and assisting with the analyses of benchmark datasets to ensure better measures are attained in the revision and rebasing. Rwanda completed and disseminated rebased GDP estimates in March 2017. Kenya and Tanzania (including Zanzibar) are redesigning and updating the models for compiling crops, livestock and construction estimates; updating the SUTs framework; and analyzing the available benchmark datasets. Uganda is harmonizing its quarterly and annual compilation systems to produce consistent GDP estimates, and to update the SUTs framework.
- Price Statistics:** The Center scaled up support on price statistics to improve and expand the range of prices compiled. This is aimed at producing and making available better quality price statistics to improve national accounts estimates and inflation measures. Uganda and Kenya are rebasing construction input price indices. Rwanda and Tanzania (Zanzibar) are



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



Joint IMF East ARITAC/MEFMI course on data requirements for economic management, October 10 – 21, 2016 in Uganda.

<sup>2</sup> The SUTs are useful for economic analysis, as well as improving the national accounts estimates by identifying gaps and inconsistencies at the industry and product level.

rebasing their CPI, and Malawi is improving the CPI compilation. Further support was provided to Kenya and Tanzania on the development and improvement of export and import price indices.

### Box 6: Strengthening compilation of national accounts statistics

Most IMF East AFRITAC member countries are in the process of compiling updated SUTs and rebased GDP estimates to improve quality of national accounts statistics. The Center conducted two workshops aimed at building the capacity of compilers to support the process, focusing on updating benchmark estimates, reviewing data sources and taking advantage of new available information.

In the first workshop, participants were assisted with the analysis of household budget survey (HBS) results and international trade data, as part of the process of developing the relevant components of SUTs. Participants also gained hands-on training in compiling the sequence of accounts for the rest of the world (ROW) using the international accounts available in the balance of payments statistics. These are expected to support the compilation of data sets that would bring countries closer to the implementation of the 2008 System of National Accounts (2008 SNA) in terms of the minimum requirement of the data sets and conceptual compliance.

The second workshop was on the compilation of national accounts statistics using government finance statistics (GFS) data. The workshop illustrated, using actual country data, key methodological and practical aspects of estimating the general government sector in the national accounts. Notably, the workshop considered the estimation of non-market output, intermediate demand and own account capital formation. In addition, countries were supported to compile estimates of consumption of fixed capital to produce output measures for the general government sector that are harmonized and in line with the recommended international practice.



**A workshop on harmonization of National Accounts -Developing Supply and Use Tables, February 6-10, 2017 in Uganda**



## I. Government Finance Statistics

37. In FY 2017 the GFS capacity development program (CDP) focused on improving the quality of fiscal statistics and frequency of dissemination. Of the 20 planned activities, 17 were completed and 3 were postponed to FY 2018. Seven new activities were completed at the request of the authorities. Twenty milestones were attained and additional 4 are in progress.

38. The main achievements by strategic objective in FY 2017 were:

- **Government Finance Statistics:** The GFS CDP with EAC partner states (Box 7) focused on motivating them to: disseminate annual GFS for general government that had already been produced; disseminate public sector institutional tables; improve the quality of the statistics; and compile and disseminate high-frequency GFS for budgetary central government. Efforts were directed at consolidating and extending work plans until 2019 and reconstituting GFS technical working groups. In addition, the following important milestones were reached: (i) initiation of GFS CDPs in Ethiopia, Malawi, and Zanzibar; (ii) initiation of the drafting and near completion of three new chapters on “Debt,” “Public Private Partnerships,” and “Above- and Below-the-Line Transactions,” for the EAC Guidelines for the compilation of government finance and public sector debt statistics; and (iii) holding of a well-attended press conference that released statistics that had been produced by the GFS CDP for EAC member states.



Brooks Robinson worked at the Center from January 2016 to February 2017 as the Advisor on Government Finance Statistics. He has 20 years of experience as a national accountant with the US Department of Commerce.



Regional workshop on Improving GFS Quality and Expanding the Guidelines, November 28-December 2, 2016 in Uganda.

### Box 7: The government finance statistics (GFS) capacity development program (CDP) with EAC partner states

In FY 2016, the primary achievements of the GFS CDP with EAC partner states was the expansion of the institutional coverage to general government and compiling and disseminating annual GFS for the general government. For FY 2017, achievements were built on extensive technical assistance through in-country missions, training, regional workshops, and mentoring activities. Those achievements included:

- Reconstituting GFS Technical Working Groups (TWGs);
- Disseminating up-to-date institutional tables;
- Harmonizing charts of accounts (COA) with the *Government Finance Statistics Manual 2014 (GFSM 2014)*;
- Automating GFS compilation for at least budgetary central government (BCG) through IFMIS;
- Continuing to disseminate annual GFS for general government;
- Disseminating high-frequency GFS for BCG; and
- Disseminating public sector debt statistics (PSDS) in accordance with the *Public Sector Debt Statistics Guide for Compilers and Users 2013 (PSDSG 2013)*.

Table A below summarizes progress achieved by Kenya, Rwanda, Tanzania, and Uganda.

Table A. Status of GFS CDP Achievements

No.	Achievements	Kenya	Rwanda	Tanzania	Uganda
1	Reconstituted GFS TWG				
2	Disseminated institutional table				
3	Harmonized COA with <i>GFSM 2014</i>				
4	Automated GFS compilation for BCG through IFMIS				
5	Disseminated annual GFS for general government				
6	Disseminated high-frequency GFS				
7	Disseminated PSDS in accordance with <i>PSDSG 2013</i>				

	Achieved
	Achieved partially
	Not achieved

During FY 2017, IMF East AFRITAC also worked with the EAC Secretariat and the aforementioned four EAC Partner States to: (i) conduct a press event on November 1, 2016 that featured over 60 participants to release statistics produced by the GFS CDP; (ii) develop three new chapters for the *EAC Guidelines on Compilation of Government Finance and Public Sector Debt Statistics* (one chapter completed and two chapters are near completion); and (iii) prepare the four EAC Partner States to compile and disseminate high frequency GFS and to improve the quality of the GFS that are compiled.

## J. Work on Regional Issues

39. **Activities to support regional integration in East Africa have continued as requested by member countries. In many areas of work, IMF East AFRITAC helped its member countries adopt best practices or international standards.** The support thus provided contributes to harmonizing data and policies, which is critical for regional economic and monetary integration. Below are a few examples illustrating this point:

- Improving capacity of real sector and government finance statistics compilers in the region to harmonize the preparation and publication of national accounts, price indices and GFS, compliant with international standards. Harmonized statistics in these areas will be critical for the monitoring of convergence towards the EAMU.
- Harmonization of PFM frameworks and practices amongst EAC partner states. This included strengthening the public investment management practices in the region and supporting implementation of international public sector and accounting standards (IPSAS) and moving towards the EAMU fiscal reporting convergence criteria (Box 8).
- Harmonization of monetary policy frameworks and operations in EAC countries, with the move towards inflation-targeting regimes in the context of EAMU.
- Regional workshops focused on macro-economic and fiscal forecasting capacity building as well as supporting the preparation of EAC medium-term convergence program documents. The workshops facilitated peer review and harmonization of medium-term convergence programs (MTCs), in the context of convergence towards the EAMU (Box 5).

### Box 8: Interview with Professor Thomas Kigabo (Rwanda) about the workshop on medium-term convergence programs in the EAC.

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

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





### What was the aim of this workshop?

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

This workshop, facilitated by AFRITAC East, provided a venue for officials to review each other's MTCPs, learn from the experiences of other monetary unions through expert presentations and harmonize the format of future MTCPs to facilitate peer review and cross-country comparisons. Our first MTCPs were primarily prepared by the Ministries of Finance. Though this workshop, central banks were also able to bring in their contribution, notably on the monetary aspects of convergence.

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

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

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



Participants of the regional workshop on medium-term convergence, September 19 – 21, 2016 in Tanzania

## K. Attachments, Mentoring and Regional Expertise

40. **Attachments are a valued capacity building modality and have increased, consistent with the strong feedback received from member countries.** The center was able to arrange 13 attachments/mentoring programs across sectors over FY 2017.

- **Revenue administration:** a project management expert from the Zambia Revenue Authority provided training to Rwanda Revenue Authority staff on how to strengthen project management arrangements for the new tax administration system (E-Tax).
- **Financial Sector Regulation and Supervision:** staff of the Bank of Uganda benefitted from an attachment to the National Bank of Georgia. It was an opportunity to learn about the National Bank of Georgia's analytical framework and experiences on several macro-prudential topics highly relevant for Uganda and East Africa in general, such as loan-to-value monitoring and risk weighting of foreign exchange-denominated loan. Staff of the National Bank of Rwanda joined and benefitted from a TA mission on stress-testing delivered to the Tanzania Insurance Regulatory Authority. The attachment was also an opportunity for Rwandan officials to share their work on risk-based solvency requirements, which has been supported by the World Bank.
- **Financial Market Infrastructures:** A one-week professional visit to the South African Reserve Bank was organized for officials from the central banks of Ethiopia, Kenya, Tanzania, and Uganda. Participants gained practical exposure to the core oversight and operational responsibilities carried out by central banks, as well as the cooperative arrangements among the regulatory and oversight authorities.
- **Public Financial Management:** Back-to-back missions to Kenya and Tanzania on annual financial reporting had officials from both countries as part of the mission. Staff from the Accountant General's Office in Tanzania participated and contributed to a mission to Kenya while staff from the National Treasury in Kenya took part in a mission to Tanzania. In addition, Eritrean officials were attached with the Budget Directorate in Uganda to study the new PFM legal framework and gain insight into the planning and budgeting processes.
- **Government Finance Statistics:** A Malawi GFS compiler observed Rwanda's use of IFMIS to compile GFS, and prepared a report on how a proposed new Malawi IFMIS might do the same.



**Delegates from EAC with the counterparts from SARB and BankservAfrica (the payment clearing house operator)**

## L. IMF East AFRITAC Training

41. **IMF East AFRITAC conducted a total of 54 regional workshops and national training activities in FY 2017, a significant increase from FY 2016.** In addition, training continued to be delivered in collaboration with the Africa Training Institute (ATI) and IMF headquarters, including online training offered by the Institute for Capacity Development (ICD). Table 6 summarizes the total number of officials from the region who received training in FY 2016 from IMF headquarters and the IMF's Regional Training Centers and Programs to country officials. A total of 869 participants attended regional and online training courses, of which 431 participants received in-person training directly from AFE. In FY 2017, 415 officials received in-person training directly from AFE. The training helped officials build the skills to understand economic developments and design effective macroeconomic and financial policies.

**Table 6: FY 2016 East AFRITAC Training Statistics**

Country	Number of Participants	Percent of Total
Eritrea	9	1
Ethiopia	91	10
Kenya	135	16
Malawi	131	15
Rwanda	98	11
Tanzania	169	19
Uganda	236	27
<b>Total</b>	<b>869</b>	

Source: ICD Participant and Applicant Tracking System (PATS); and staff calculations.

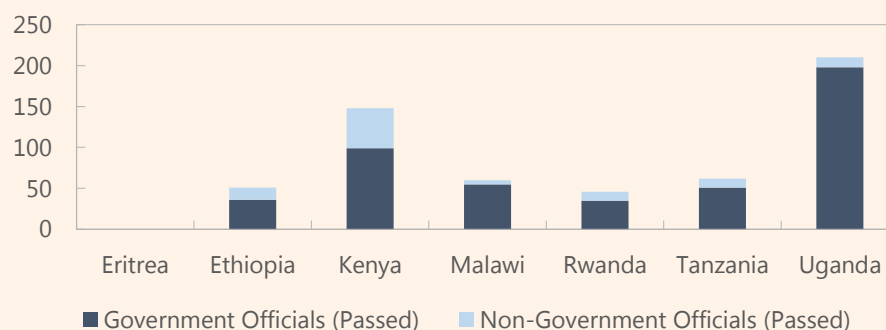
42. **Online training is proving a popular format and gaining prominence among officials in the region.** Between 2014 and 2016, 474 government officials in IMF East AFRITAC member countries took online courses offered by the ICD (Figure 7). The Center is also collaborating with other RTACs in delivering training, which enriches the experience of the participants as it fosters sharing of experiences with other regions. In addition, IMF East AFRITAC staff have continued to stay up-to-date by participating in specialized retreats for their sectors at IMF HQ. The retreats have allowed staff to share best practices with colleagues in other RTACs and in headquarters.

43. **Regional workshops were held on the following topics:**

- **Revenue Administration:** IMF East AFRITAC conducted two regional workshops on developing a compliance risk analysis tool using a matrix model and on operationalizing customs risk management IT modules. A workshop on compliance management for senior managers was conducted for the Zanzibar Revenue Board. Another workshop on the international survey on revenue administration (ISORA) was conducted with the Fiscal Affairs Department and IMF AFRITAC South. The purpose of ISORA is to have one single international survey on revenue administrations (tax and customs).
- **Public Financial Management:** Regional workshops were held on maximizing the gains from the IFMIS (Box 9), public investment management in collaboration with IMF AFRITAC West 2 (Box 3), and on the design, sequencing and implementation of PFM reforms. Beyond the regional workshops and the national training events, most TA missions also included a training component.

- **Macro-Fiscal Analysis:** A national training on the IMF/World Bank debt sustainability framework was provided to Kenya to build capacity on fiscal risks management. A training in Malawi supported the macroeconomic working group on forecasting, with a view to improving fiscal planning. The annual in-country PFM workshop in Eritrea extended training on medium-term and program-based budgeting to line ministries and sub-national authorities. A customized training on financial programming and policies was provided to Kenya and Uganda.
- **Financial Sector Supervision and Regulation:** Three regional training were provided on anti-money laundering/combating the financing of terrorism, financial information technology risk assessment, and risk-based solvency frameworks and supervision for insurance. Ethiopia received training on the development of a deposit insurance scheme, and Malawi received training on financial sector issues for the judiciary.
- **Monetary Policy and Operations:** A regional workshop was held on foreign exchange trading simulation and another one on evolving monetary policy frameworks.
- **Financial Market Infrastructures:** A regional workshop was held on the CPSS-IOSCO Principles for financial market infrastructures: challenges & strategies. Also, IMF East AFRITAC participated in a regional PFMI workshop organized by the Caribbean Regional Technical Assistance Center.
- **Economic and Financial Statistics:** Four regional workshops were held. In collaboration with MEFMI, the center conducted two workshops on national accounts statistics and agricultural producer price indices. Two other national accounts workshops were organized to support the regional work in producing harmonized estimates of supply and use tables and in preparing rebased GDP.
- **Government Finance Statistics:** National training programs were delivered in Ethiopia, Malawi, Rwanda, and Zanzibar. Three regional workshops featured efforts to: (i) consolidate and extend fragmented work plans for GFS and public sector debt statistics (PSDS); (ii) prepare GFS and PSDS compilers to improve the quality and accelerate the compilation and dissemination of statistics; and (iii) prepare three new chapters of *EAC Guidelines*.

**Figure 7: IMF ICD Online Training Participants by Country (2014 – December 2016)**



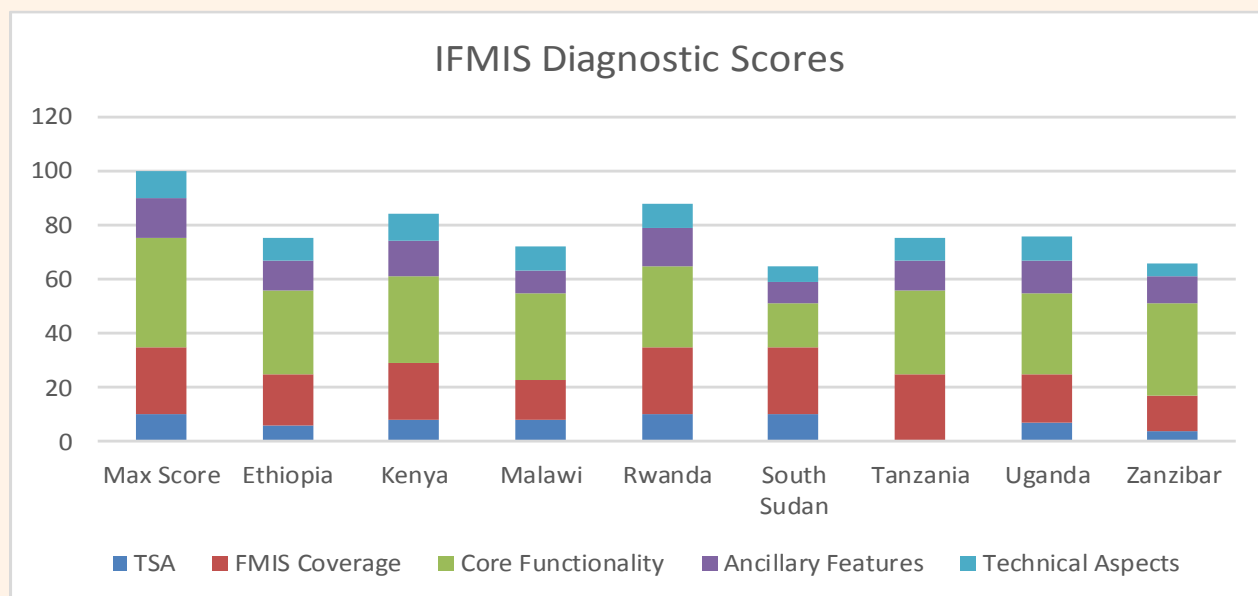


### Box 9: Regional workshop on making more effective use of IFMIS

All member countries, except Eritrea (which is currently planning to implement its IFMIS), have been operating an IFMIS for many years now. Despite delivering improvements in financial operations, controls and provision of financial information, IFMIS have failed to deliver the full range of anticipated benefits. IMF East AFRITAC organized a regional workshop aimed at making more effective use of IFMIS. The workshop looked at IFMIS functionality supporting operations throughout the PFM cycle: budget planning and execution, reporting and fiscal transparency. The IFMIS diagnostic tool developed by the World Bank, Independent Evaluation Group (IEG) was presented, covering: support to the TSA; comprehensive coverage; core functionality; ancillary features, and technical aspects.



Training Participants at the Regional workshop on making effective use of IFMIS



The country teams undertook a self-diagnostic using this tool, and although their scoring may have been generally generous, it proved useful in identifying areas requiring strengthening.

Key workshop findings included:

- Incomplete coverage, e.g., projects and public debt transacted outside IFMIS.
- No single repository of all financial information resulting in manual reporting.
- Vast numbers of bank accounts operating outside IFMIS.
- Cash forecasting and planning not informed by IFMIS.
- Limited system support for bank reconciliation and electronic payments.
- IFMIS fails to prevent financial scandals, which continue to make news headlines - system cannot address all the problems by itself – good governance is critical.

The workshop was well received and considerations for improving effectiveness include:

- It is not just about the software – recognized importance of ownership and strong leadership, vendor support and change management.
- Take full opportunity of IFMIS to reengineer business processes, avoid merely replicating existing processes in IFMIS (“build a car, don’t mechanize the horse”).
- Need to consider logistical constraints when implementing at sub-national level.
- Recognize growing importance of performance (outputs v inputs): Smart KPIs, well-structured programs, and avoid overloading with data better served in other systems, e.g., education or health management systems.

The workshop materials can be seen on the IMF East AFRITAC website at:

[http://www.eastafrillac.org/index.php?/regional\\_workshops/rw/category/public\\_financial\\_management/](http://www.eastafrillac.org/index.php?/regional_workshops/rw/category/public_financial_management/)



## IV. WORK PROGRAM FOR FY 2018

44. **The baseline work program for FY 2018 is deliberately cautious** (Table 7 and Annex XIII). As mentioned above, while significant new financing is expected to be received during FY 2018, the exact timing of availability is uncertain. An ambitious work plan would increase the risk of quickly running out of funds, and therefore having to suspend planned activities while waiting for new financing. Therefore, the baseline work plan is conservative to allow currently available resources to finance about 6 months of activity. At about \$9 million (excluding the cost of the next mid-term evaluation), the FY 2018 baseline budget is about 20 percent below the expected level in the Program Document, and about 8 percent below the expected outcome for FY 2017. To limit the disruption to ongoing projects, savings will be made by significantly reducing the recourse to short-term experts, the delivery of TA and training from headquarters financed by the Center, and the number of regional workshops. The allocation of resources to activities across countries continues to reflect a range of factors, such as demand, an assessment of absorptive capacity and needs, an evaluation of the results from ongoing projects, a stocktaking of work being done by other IMF capacity development vehicles and development partners, and alignment with IMF priorities and expertise. The work plan has been discussed with counterpart agencies in member countries via needs assessments undertaken by resident advisors. It has also been circulated for comments to development partners and IMF country teams and integrated into the overall resource allocation plan for IMF capacity development.

45. **A contingency plan has also been formulated, which includes a number of additional activities that would be implemented if new financing were available soon enough in the course of the year.** These additional activities correspond to what a work plan more in line with the Program Document would look like. They would include, among others, 8 additional regional workshops, which could easily be organized in the second half of the year if/when additional financing becomes available. Twenty-four additional TA and training missions and attachments would also be considered, to provide more continuous and hands-on support to member countries in the implementation of their reforms.



IMF East AFRITAC team with IMF Deputy Managing Director Tao Zhang (Center)

Table 7: IMF East AFRITAC: Strategic Log Frame, FY 2018

	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Tanzania	Uganda	Zanzibar	Regional
<b>Revenue Administration</b>									
Better revenue administration, management and governance arrangements		•	•	•		•	•	•	•
Strengthen core customs administration functions	•			•	o	o			•
Stronger tax administration core functions		•	•		•				•
<b>Public Financial Management</b>									
Better budget execution and control		•	o						
Better budget preparation	•	•	•	•	•	•	•	•	•
Improved coverage and quality of Fiscal Reporting			•	•	•	•	•		
Improved Integration of Asset and Liability Management Framework		•	•	o		o	•		•
Strengthened Identification, Monitoring, and Management of Fiscal Risks				•	•				
Stronger PFM laws and institutions		•						•	•
<b>Macro- Fiscal Analysis</b>									
Better budget preparation	•	•	•	•	•	•	•	•	•
Harmonized PFM practices and improved fiscal surveillance of partner states									•
Strengthened identification, monitoring and management of fiscal risks				•	•				
<b>Financial Sector Regulation and Supervision</b>									
Banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability		•	•	•	•	•			•
Implementing Macro Prudential Policy						•			
Strengthened systemic risk monitoring, stress testing and crisis management to promote financial stability						•	•		•
Improved financial stability via early detection of and effective and timely responses to insurance sector vulnerabilities.	•	•		•			•		•
More Efficient use of supervisory resources to better oversee key risks in the banking system	•	•	•	•	•	•	•		
Strengthened Financial Sector Surveillance through upgrading of regulatory framework in line with international standards									o
To put in place a securities regulation and supervision framework that addresses key risks in the sector system			•	o	•	•			
<b>Monetary Policy and Operations</b>									
Developing and implementing a Forecasting and Policy Analysis System (FPAS) to the monetary policy decision-making process in all types of monetary policy and exchange rate regimes			•	•	•	•	•		•
Enhance the effectiveness of monetary policy implementation and strengthen central banks' operational framework within the monetary policy regime of choice		•	•	•	•	•	•		•

	Eritrea	Ethiopia	Kenya	Malawi	Rwanda	Tanzania	Uganda	Zanzibar	Regional
Enhancing the effectiveness and consistency of central bank FX operations with the chosen monetary policy and FX regime									•
Manage the foreign reserves to serve strategic objectives: Safety, Liquidity and Optimal Return	•		•						
<b>Financial Market Infrastructure &amp; Payments</b>									
National payment system development and reform—enhancing the safety and efficiency of the financial system	•	•	•			•	•	•	•
<b>Real Sector Statistics</b>									
Strengthen macroeconomic and financial statistics compilation and dissemination for decision making	•	•	•	•	•	•	•	•	•
<b>Government Financial Statistics</b>									
Strengthen macroeconomic and financial statistics compilation and dissemination for decision making	•	•	•	•	•	•	•	•	•
*o White circles indicate activities contingent on funding									

**Table 8: IMF East AFRITAC, Planned Activities, FY 2018**

	FY 2017	FY 2018	
	Actual	Baseline Plan	Contingency Plan
<b>EAST AFRITAC Activities (number)</b>			
TA Mission	111	82	97
Meeting/ Retreat/ Other	17	14	15
Regional Workshop	27	13	22
Attachment	14	13	16
National Training (including ICD)	26	35	41
<b>Total Number of Activities</b>	<b>195</b>	<b>157</b>	<b>191</b>
<b>Resources (Field Person Weeks)</b>			
<b>Type of Activities</b>			
Technical Assistance	551	424	491
Training	268	263	354
	<b>819</b>	<b>687</b>	<b>844</b>
<b>Modalities</b>			
Resident Advisor	355	354	415
Short Term Expert	389	269	340
Attachments/Mentoring	29	26	28
IMF HQ Staff	46	38	61
<b>Total Field Person Weeks</b>	<b>819</b>	<b>687</b>	<b>844</b>

46. **Activity in the baseline work plan is expected to decrease from FY 2017 in all sectors except macro-fiscal analysis and monetary policy and operations** (Table 9). The latter would recover from lower activity than planned in FY 2017, thanks to the presence of a full complement of advisors in these sectors and the priority given to the modernization of monetary policy frameworks in the region. The share of resources going to Eritrea and Ethiopia (the two countries with the lowest shares in FY 2017) would increase significantly, reflecting a more even distribution across all member countries. The distribution of activity by sector in each country is presented in Table 9. Figures 8-9 disaggregates percentage shares of aggregate activity by country and sector. Table 11 decomposes TA supply by the IMF's functional departments.

**Table 9: IMF East AFRITAC: Allocation of Resources by Sector, FY 2018**

(in Field Person Weeks)	FY 2017	FY 2018	
TA Area	Actual	Baseline Plan	Contingent Plan
Revenue Administration	121	77	94
Public Financial Management	233	208	241
Macro-Fiscal Analysis	53	60	68
Financial Sector Regulation and Supervision	101	71	84
Monetary Policy and Operations	90	106	147
Financial Market Infrastructures & Payments	37	31	44
Real Sector Statistics	98	66	80
Government Finance Statistics	86	69	87
<b>Total</b>	<b>819</b>	<b>687</b>	<b>844</b>

**Table 10: IMF East AFRITAC: Resource Distribution by Sector and Country, FY 2018 Baseline Work Plan**

(In Field Person Weeks)	Total	RA	PFM	MFA	FSR	MONOP S	FMIP	RSS	GFS
Eritrea	43	5	6	2	5	6	3	8	9
Ethiopia	70	12	28	3	6	6	4	3	9
Kenya	75	15	29	5	8	6	3	6	4
Malawi	89	11	22	7	9	28	0	3	9
Rwanda	75	4	33	12	5	8	0	6	7
Tanzania	118	11	27	10	10	21	6	19	14
Uganda	78	2	22	8	14	11	6	12	4
Regional/East AFRITAC/Burundi	138	16	41	14	13	22	11	9	13
<b>Total</b>	<b>687</b>	<b>77</b>	<b>208</b>	<b>60</b>	<b>71</b>	<b>106</b>	<b>31</b>	<b>66</b>	<b>69</b>

**Table 11: IMF East AFRITAC: Resource Distribution by Sector and Country, FY 2018 Contingent Work Plan**

(In Field Person Weeks)	Total	RA	PFM	MFA	FSR	MONO PS	FMIP	RSS	GFS
Eritrea	48	5	6	2	7	6	6	8	9
Ethiopia	82	12	34	3	6	6	7	6	9
Kenya	97	15	38	5	10	13	3	10	4
Malawi	106	18	28	7	11	28	0	6	9
Rwanda	99	8	33	12	5	21	0	6	15
Tanzania	142	11	33	10	10	26	9	19	24
Uganda	96	7	28	8	14	11	10	15	4
Regional/East AFRITAC/Burundi	173	18	41	21	20	38	11	11	13
<b>Total</b>	<b>844</b>	<b>94</b>	<b>241</b>	<b>68</b>	<b>84</b>	<b>147</b>	<b>44</b>	<b>80</b>	<b>87</b>

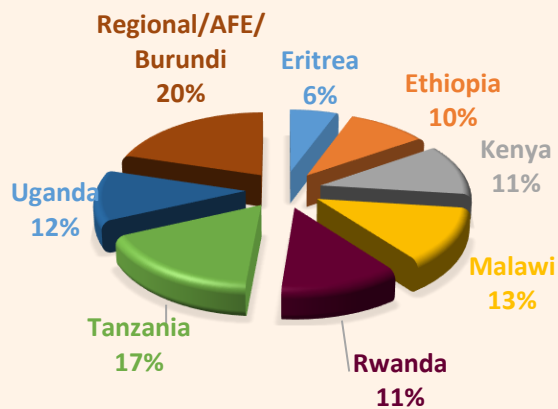
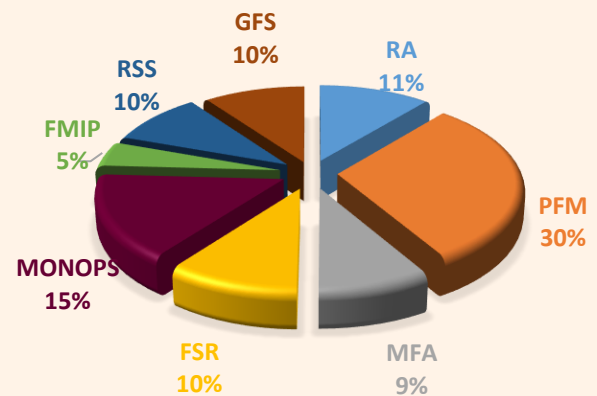
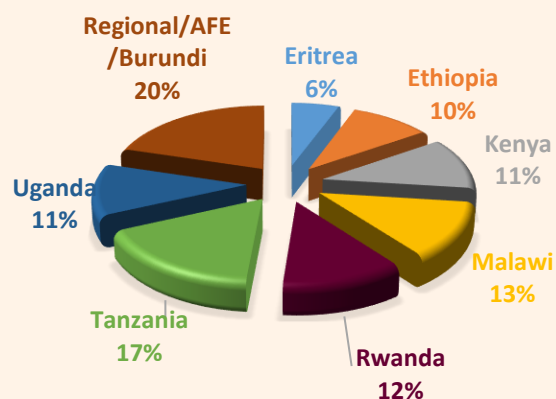
**Figure 8: IMF East AFRITAC, Resource Allocation by Sector and by Country, FY 2018 Baseline Work Plan (percentage shares)****Resource Allocation (FPWs) by Country****Resource Allocation (FPWs) by Sector**

Figure 9: IMF East AFRITAC, Resource Allocation by Sector and by Country, FY 2018 Contingent Work Plan (percentage shares)

Resource Allocation (FPWs) by Country



Resource Allocation (FPWs) by Sector

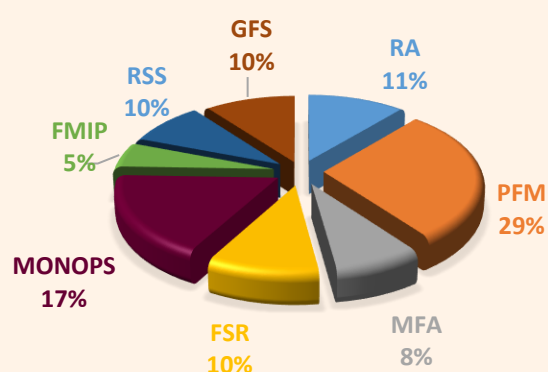


Table 12: IMF East AFRITAC, Resource Allocation by Sector, FY 2018 Baseline Work Plan

	LTX	STX	IMF HQ Staff	Attachments	Total
<b>FAD</b>	<b>187</b>	<b>132</b>	<b>13</b>	<b>12</b>	<b>345</b>
Revenue Administration	27	44	5	0	77
Public Financial Management	116	75	5	12	208
Macro-Fiscal Analysis	44	13	3	0	60
<b>MCM</b>	<b>86</b>	<b>51</b>	<b>7</b>	<b>14</b>	<b>158</b>
Financial Sector Regulation and Supervision	39	20	5	6	71
Monetary Policy and Operations	29	22	1	3	56
Financial Market Infrastructures and Payments	17	9	1	4	31
<b>ICD</b>	<b>4</b>	<b>30</b>	<b>16</b>	<b>0</b>	<b>50</b>
Monetary Policy and Operations	4	30	16	0	50
<b>STA</b>	<b>77</b>	<b>56</b>	<b>1</b>	<b>0</b>	<b>135</b>
Real Sector Statistics	38	28	0	0	66
Government Finance Statistics	39	29	1	0	69
<b>Total</b>	<b>354</b>	<b>269</b>	<b>38</b>	<b>26</b>	<b>687</b>



## A. Revenue Administration

47. **In FY 2018, support will focus on medium-term projects seeking to improve the integrity of taxpayer registration databases and compliance risk analysis capacity.** The assistance will continue to address findings of the TADAT assessments.

48. By strategic objective:

- **Improve Compliance Management in Tax and Customs:** Support will be provided to Ethiopia, Kenya and Rwanda to improve the integrity of taxpayer registration databases, to Kenya to strengthen customs valuation practice, and to Malawi to strengthen post-clearance audit capacity.
- **Improving Risk Assessment and Management Capacity in Revenue Administration:** Support will be provided to Ethiopia, Kenya, Malawi and Tanzania to develop a model and tool for compliance risk analysis, and to Uganda to develop structured compliance plans.
- **Improving Effectiveness and Efficiency of Tax and Customs Administration:** A review of key customs processes will be conducted in Eritrea. Support will be provided to Ethiopia and Kenya to develop prioritized TADAT implementation plans.

If additional funding is available soon enough in FY 2018, additional activities could be considered (e.g., tax administration in Malawi; and strengthening post clearance audit capacity in Rwanda and Uganda).

## B. Public Financial Management

49. **The FY 2018 work program builds on ongoing reform projects in member countries.** Progress is expected during the year in strengthening the medium-term expenditure framework, public investment processes, improving the quality and coverage of fiscal reporting and cash management.

50. By strategic objective:

- **Improved Laws and Effective PFM Institutions:** Support will continue to be provided in the implementation of recently updated PFM legislations in Tanzania and Uganda.
- **Comprehensive, Credible and Policy-Based Budget Preparation:** Follow up training will be delivered to Eritrea on budget preparation, project appraisal, monitoring and evaluation. Assistance will continue to be delivered to Ethiopia, Kenya, Malawi, Tanzania (mainland and Zanzibar) and Uganda in tightening the links between the annual budget and their medium-term expenditure frameworks, and in strengthening program-based budgeting. In Rwanda, support will be provided to improve the coverage of the annual budget.
- **Improved Budget Execution and Control:** Contingent on financing, TA to Kenya will focus on strengthening public investment management processes and institutions while building on previous training.
- **Improved Coverage and Quality of Fiscal Reporting:** The EAC member countries will continue to receive support towards the progressive implementation of International Public Sector Accounting Standards (IPSAS) and the implementation of the EAMU fiscal convergence

roadmaps. TA will be delivered to Malawi to enhance the comprehensiveness and quality of financial reporting.

- **Improved Integration of Assets and Liability Management Framework:** Support will be provided to Kenya, Malawi, Tanzania, and Uganda on the development of cash management capabilities and extension of TSA arrangements. Follow-on support to these countries during the year is contingent on availability of full financing.
- **Strengthened Identification, Monitoring and Management of Fiscal Risks:** Malawi will receive support to strengthen fiscal oversight and analysis of public corporations and Rwanda to identify, disclose, and manage fiscal risks.

## C. Macro-Fiscal Analysis

51. Support will continue to focus on building capacity in fiscal analysis, budgeting and forecasting.

52. By strategic objective:

- **Comprehensive, credible, and policy based budget preparation:** In Malawi, support will continue to be provided on developing a medium-term fiscal framework to provide a coherent quantitative picture of the government's fiscal strategy. In Uganda, activities on GDP and revenue forecasting originally planned for FY 2017 will be delivered. Training on macroeconomic analysis and forecasting will be delivered in Eritrea and training will be provided on tax policy and revenue forecasting in Ethiopia,
- **Strengthened identification, monitoring, and management of fiscal risks:** Hands on training on fiscal risk reporting and management will be provided to Malawi.

## D. Monetary Policy and Operations

53. Support will continue to focus on improving monetary policy frameworks and operations and harmonizing them in the case of EAC member countries.

54. By strategic objective:

- **Monetary Policy and Operations:** Technical support will be provided in the transition from reserve money targeting to price-based (interest rates) monetary policy regimes. Ethiopia will receive assistance in improving liquidity management, and Malawi in improving the operational framework. Support to Rwanda and Tanzania will focus on transitioning and implementing inflation-targeting lite regimes, while support to Uganda will focus on further strengthening the existing operational framework. Eritrea will be assisted to conduct a comprehensive review of its risk management practices in the context of a strengthening of the reserve management policy framework and management of foreign exchange reserves. Kenya will receive support on foreign reserve management. Contingent on financing, additional activities in Tanzania on the development of the money and repo markets (follow up) would be held.

- **Financial Market Development:** Missions to Malawi and Rwanda will focus on supporting financial market development.
- **Developing forecasting and policy analysis capacity:** Support will continue to be provided to Tanzania, Uganda and EAC in this area, and subject to availability of funding to Kenya and Rwanda. Malawi will be assisted in developing and using a core quarterly projection model.

## **E. Financial Sector Regulation and Supervision**

55. The FY2018 work program will reflect a multi-sector and multi-country approach to capacity building, consistent with its strategic objectives.

56. By strategic objective:

- **Banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability:** The Center will assist Ethiopia, Kenya, Rwanda and Tanzania in the implementation of Basel II/III.
- **More efficient use of supervisory resources to better oversee key risks in the banking system:** Eritrea and Malawi will receive TA in strengthening of institutional structure and operational procedures for RBS implementation. Ethiopia, Kenya, Tanzania and Uganda will be supported in strengthening risk assessment frameworks, capital adequacy frameworks and supervisory capacity, and Malawi will receive support in strengthening consolidated and D-SIBs supervision.
- **Improved financial stability via early detection of and effective and timely responses to insurance sector vulnerabilities:** The Center will assist Eritrea, Ethiopia and Malawi in developing their risk-based supervision frameworks and Uganda will receive TA in strengthening supervisory approaches for micro and medical insurance.
- **Strengthened systemic risk monitoring, stress testing and crisis management to promote financial stability:** TA in Tanzania will focus on financial stability, stress testing and macro prudential surveillance.
- **Enhanced securities regulation and supervision framework that addresses key risks in the sector:** Missions to Kenya, Tanzania and Uganda will focus on supervisory oversight of securities firms. Contingent on Financing a mission to Malawi will be supported in stress testing and risk-based securities supervision.

## **F. Financial Market Infrastructures and Payments**

57. The FY 2018 program will further strengthen oversight capacity and build assessment proficiency for the financial market infrastructures. These actions are being coordinated with other TA providers of technical assistance (MEFMI and World Bank).

58. By strategic objective:

- **Oversight of FMIs:** Kenya, Tanzania and Uganda will continue to be supported to increase their proficiency by commencing self-assessments of the FMIs and the authorities' fulfilment of the regulatory responsibilities against the PFMI.
- **National Payments System Development:** Eritrea will be supported to draft a national vision and strategy for NPS development. Uganda will be assisted to draft an enabling legislation for check truncation. TA will be provided to assist Ethiopia in adopting a risk-based approach to the oversight of retail payment systems, and to Tanzania to help advance the work commenced in this area in FY 2017. Both countries have requested additional TA support, that will be dependent on the availability of financing.

## G. Real Sector Statistics

59. **Further support will be provided to compile estimates of revised GDP statistics with extra attention on finalizing the updated SUTs.** More assistance will be provided in developing prices statistics to ensure availability of relevant statistics for better inflation measures and as an input to produce improved measures of GDP.

60. By strategic objective:

- **Annual National Accounts:** Kenya, Uganda and Tanzania will receive TA in finalizing the revision of national accounts estimates. Rwanda will be supported to produce constant estimates using 2015 as base year to comply with the EAC requirements. Eritrea will receive training in national accounts to develop capacity to compile GDP estimates by economic activity.
- **Quarterly National Accounts:** Ethiopia will be assisted to develop estimates of quarterly GDP by expenditure.
- **Prices statistics:** TA missions on CPI rebasing will be delivered to Ethiopia and Malawi. Kenya will receive assistance to finalize the rebasing of construction input price indices. Tanzania will be supported in developing agricultural producer price indices, Uganda in developing residential property price indices and contingent on financing on developing agricultural producer price indices.

## H. Government Finance Statistics

61. **Support will continue to be provided to produce more comprehensive, timely, and reliable government finance statistics.** Kenya, Rwanda, Tanzania, and Uganda will be supported in compiling and publishing high-frequency GFS; improving the timeliness of annual statistics dissemination; compiling of financial balance sheets; developing business process documentation; and conducting a GFS press event. Additional TA will be delivered to Ethiopia, Malawi, and Zanzibar on completing public sector institutional tables, expanding data collection, and preparing to publish GFS for general government. Eritrea, which joins the program this fiscal year, will receive training on the international GFS standard and will be assisted to ensure that the institutional, regulatory, and resource environment are adequate for GFS compilation and dissemination.

## I. Work on Regional Issues

62. Support the regional integration process in East Africa will continue to constitute an important part of the Center's work program, particularly in EAC member countries. More specifically:

- **Revenue Administration:** Support will continue to be provided to the EAC Secretariat to develop an action plan for regional customs integration, including integrated IT platform.
- **Public Financial Management:** EAC member states will continue to get support in the implementation of the EAMU fiscal convergence roadmaps.
- **Monetary Policy and Operations.** Support to inflation-targeting regimes and harmonization of monetary operations and repo frameworks will constitute an important part of the work program in EAC member countries, consistent with their commitments on the way to EAMU.
- **Statistics.** Support in the area of government finance statistics and national accounts will continue to be provided to EAC member states, with a view to moving to higher standards and further harmonizing them in the process. This effort will continue to be closely coordinated with the EAC Secretariats.

## J. Attachments, Mentoring and Regional Expertise

63. The attachment/mentorship program has become an important component of IMF East AFRITAC's work program because it offers hands-on and highly relevant experiences to participating officials. As a result, the share of attachment/mentorship activities in annual work plans has increased in recent years. In the FY 2018, the Center plans to arrange 16 new attachment programs:

- **Public financial management:** Two attachments will focus on PBB (Malawian officials will join Kenyan counterparts and Tanzanian officials will station in Uganda); Tanzania will host officials from Ethiopia and Kenya who will learn about internal audit processes and implementation of IPSAS, respectively. Rwandan officials will benefit from their Kenyan counterparts on fiscal decentralization.
- **Financial supervision and regulation:** Malawi and Uganda will learn from Kenya about supervision and regulation of medical aid schemes and actuarial reviews; and Ugandan officials will learn about agent banking in Tanzania.
- **Financial Market Infrastructures and Payments:** Officials from Kenya and Tanzania will benefit from an attachment program on payment systems operations and oversight.
- **Monetary Policy and Operations:** Rwandan and Tanzanian officials will learn from Uganda about implementing an inflation-targeting framework.



## K. IMF East AFRITAC Training

### 64. Regional workshops on issues of common interest will continue to provide opportunities for training and peer-learning.

- **Revenue Administration:** Two workshops will be held, one on maintaining high integrity taxpayer registers and another for General Commissioners to explore effective ways to develop post-TADAT reform plans. An additional workshop on the Revenue Administration Fiscal Information Tool (ISORA/RAFIT) has been placed on the contingency list due to financing uncertainties.
- **Public Financial Management:** Two regional workshops will focus on cash management and TSA and on improving budget documentation in the region. Should additional financing become available soon enough, the Center would be able to support financially the annual EAC/IMF workshop for the EAC member countries on harmonization of PFM frameworks and practices.
- **Macro-Fiscal Analysis:** A regional workshop will work on the role of macro-fiscal units in ministries of finance and, contingent on funding, a regional course on Fiscal Policy Analysis will be delivered in collaboration with ICD.
- **Financial Sector Regulation and Supervision:** A regional workshop focusing on financial soundness indicators and macro prudential supervision for banks and non-banks will be conducted. For the first time, also, a training workshop will be organized jointly with the COMESA Monetary Institute and AFRITAC South on implementing Basel II-III standards for bank supervision. Additionally, contingent on funding, a joint regional workshop (in collaboration with Toronto Centre) on insurance supervision and a regional workshop on consolidated supervision and supervisory oversight of domestic systemically important banks could be organized.
- **Monetary Policy and Operations:** A regional training workshop on exchange rate policies will be organized, and another one on the harmonization of operational frameworks in EAC countries. Contingent on financing, workshops on central bank communication and harmonizing repo markets in the EAC would be held.
- **Financial Market Infrastructures and Payments:** IMF East AFRITAC together with IMF Legal department, will host a regional workshop on the legal aspects of FMIs to build legal capacity within central banks and securities regulators to upgrade the legal and regulatory frameworks for the NPS. This is the first of its kind for the region. Subject to funding availability, a second workshop will be conducted to address emerging developments in the payments landscape, such as virtual currencies and other digital innovations.
- **Real sector statistics:** A regional workshop will be held on national accounts statistics. Subject to additional financing, an additional workshop would be conducted to provide further support on construction of supply and use tables.
- **Government finance statistics:** A regional GFS workshop will feature an analysis of the readiness of EAC member countries to begin compiling GFS for nonfinancial and financial public corporations. In addition, the workshop will finalize two chapters on “Public Private Partnerships” and “Above- and Below-the-Line Transactions” for the EAC Guidelines on the Compilation of



Government Finance and Public Sector Debt Statistics. Subject to additional financing being available soon enough, another workshop will focus on improving GFS compilation practices, including consolidation.





Eritrea



Malawi



Uganda



Ethiopia



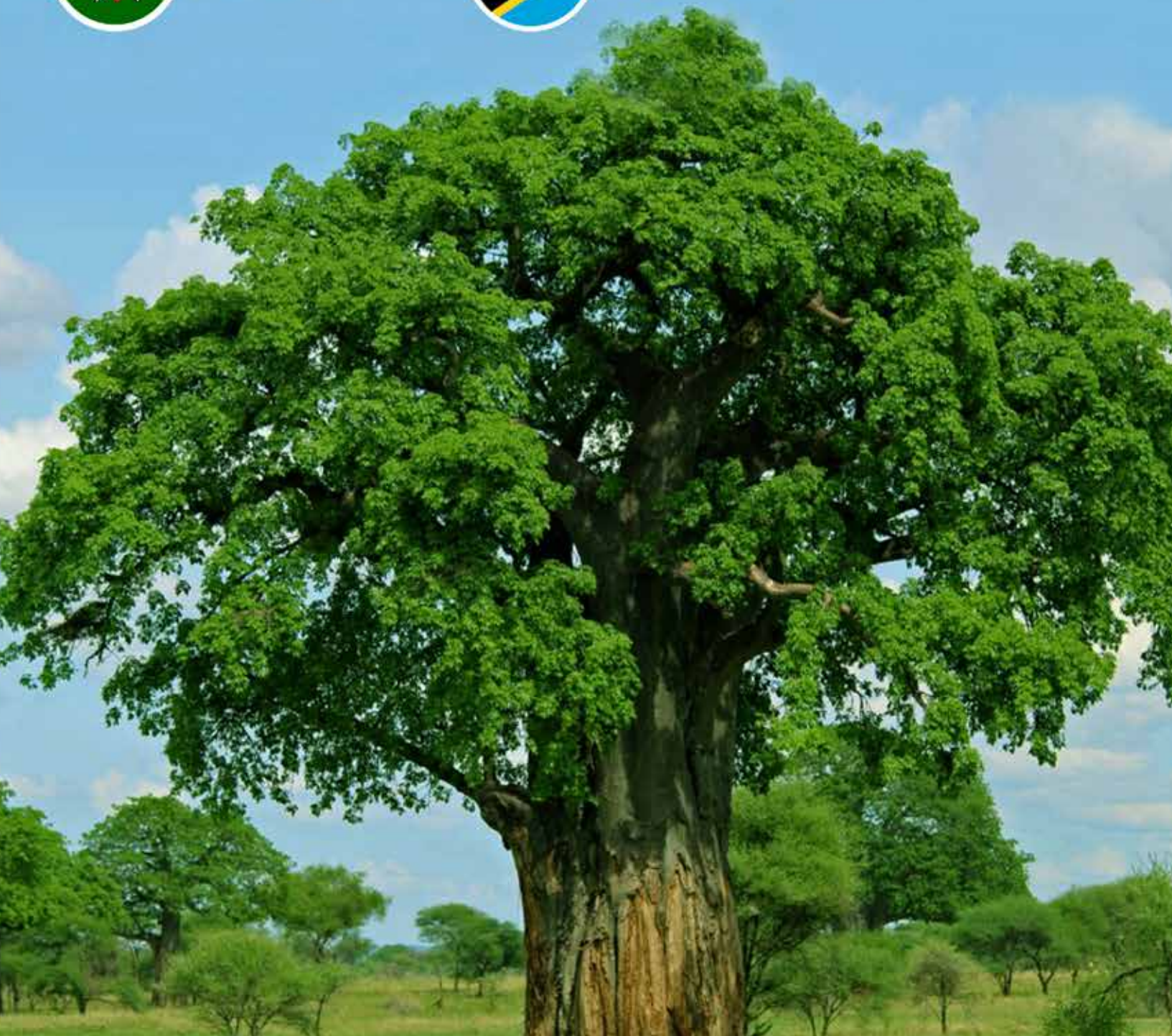
Rwanda



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](mailto:GlobalPartnerships@imf.org)

**East AFRITAC**

BOT North Tower, 10<sup>th</sup> floor  
P.O. Box 10054

Dar es Salaam, Tanzania

Tel: 255 22 223 5353

Fax: 255 22 223 4204

Website: [www.eastafrillac.org](http://www.eastafrillac.org)