

East AFRITAC News



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Highlights of East AFRITAC (AFE) activities in August 2013

- Public Financial Management:** AFE mission to Ethiopia provided practical guidance on the Integrated Financial Management System (IFMIS). A mission to Kenya focused on designing a consolidated financial reporting framework, while Malawi received support on improving compliance with legislative fiscal reporting requirements. AFE assisted Tanzania with program-based budgeting (PBB). Officials from the Finance Ministry of Rwanda were attached to Mauritius' Finance Ministry to gain experience on the PFM reform program and IFMIS design.
- Financial Sector Regulation:** AFE's mission to the Bank of Tanzania (BOT) advised on compliance of commercial banks' financial statements with international best practices.
- Monetary Policy and Operations:** AFE assistance on GDP forecasting and National Payments Systems (NPS) oversight was provided to the Central Bank of Kenya (CBK) and Bank of Uganda (BoU), respectively.
- Revenue Administration:** a mission to Rwanda facilitated consolidation of customs risk management practices and post clearance audit capacity. AFE's resident advisor participated in a development partner coordination meeting in Tanzania to discuss donor support for the 4th Corporate Plan of the Tanzania Revenue Authority.
- Macro-Fiscal Analysis:** AFE's resident advisor visited Kenya and Zanzibar to assess TA needs. The advisor also assisted the PFM advisor at an in-country workshop on the medium term budgeting framework in Ethiopia.
- Statistics:** Mission to Kenya peer-reviewed the preliminary estimates from the 2009 supply and use tables (SUT) and worked on improving quarterly estimation worksheets, and export, import and construction price indexes. AFE assisted Zanzibar with its Quarterly National Accounts (QNA) action plan and Malawi on implementation of import and export prices surveys.
- Workshops:** AFE participated in an East African Community (EAC) Workshop on National Accounts Statistics (NAS) harmonization and conducted an in-country workshop on the medium term budgeting framework in Ethiopia.
- AFE Activities over the next two months:** In addition to an array of missions, two PFM regional workshops are expected in cash management and the Medium Term Budgeting Framework, and the IMF Institute for Capacity Development (ICD)/ AFE regional courses on Economic Issues in Regional Integration and Monetary and Exchange Rate Policy.

Ethiopia

Public Financial Management: An AFE TA mission on the quality assurance of IFMIS implementation from August 5-16, 2013 provided the authorities with practical guidance on: (i) reviewing the IFMIS pilot implementation exercise; and (ii) assessing the IFMIS implementation, transition and data migration plans. The mission advised on ways to strengthen the government's ownership and management of the project and revise its implementation targets and expectations to more realistic goals. The mission met with the Budget, Planning and Macro Fiscal Directorates to discuss the IMF Fiscal Affairs Department (FAD)-led review mission scheduled for early 2014 and the next steps regarding AFE's continued assistance in macro-fiscal analysis, forecasting techniques and other support.

Kenya

Public Financial Management: AFE's mission to Kenya, August 19-30, 2013, focused on improving compliance with consolidated fiscal reporting legal requirements. The mission team worked with staff from the office of the Accountant General to design a consolidated financial reporting framework and illustrative annual consolidated financial statement. A financial reporting framework guide and guidelines for the preparation of consolidated financial statements were produced. A follow-up mission is envisaged to facilitate stakeholders from other departments on the use of reference and disclosure notes to accompany their departmental fiscal reports. The government intends to apply the consolidated financial reporting frameworks for 2013/14. The annual reports for 2012/13 will include statements of performance against agreed objectives and operation reviews. As a follow-up to AFE's first draft of public financial regulations, a working group has been established and is preparing revisions to address stakeholder concerns and feedback.

Monetary Policy and Operations: AFE fielded Monetary Policy and Macro-Fiscal Advisors on a mission to the CBK from July 29-August 9, 2013 to provide a framework for producing short-term forecasts of GDP, the tools for managing data related to short-term forecasting, and training in forecasting techniques. AFE provided training on the conceptual framework for estimating GDP and time series analysis techniques. Detailed manuals describing the methods and the application of the systems were developed.

Macro-Fiscal Analysis: The macro-fiscal advisor also conducted a TA needs assessment for the

National Treasury of Kenya; capacity building in macro-fiscal analysis was high on the priority list.

Economic and Financial Statistics: AFE's advisor assisted the Kenya Bureau of Statistics (KNBS) with finalizing the compilation worksheets for agriculture and construction production estimates; and peer reviewing the preliminary SUT estimates. AFE advised on improving the export and import price indexes (XMPI) and rebasing the Construction Input Price Index (CIPI). In relation to the XMPI, assistance was provided in designing new quarterly import and export price surveys and developing the questionnaires. For the CIPI, the conceptual basis of the index was reviewed. The new structure, composition and weighting pattern for the CIPI will be derived from the results of two surveys: the 2012 Survey of Industrial Production and a smaller Input Survey seeking detailed expenditure information on specific materials, machinery and equipment leasing charges and labour costs. A new quarterly price survey has also been designed.

Malawi

Public Financial Management: during August 5–16, 2013, AFE conducted a mission to improve compliance with legislative fiscal reporting requirements and development of reporting guidelines. AFE worked with the office of the Accountant General and the Directors of Finance from several ministries to design annual reporting formats for use by controlling officers. The mission outputs enable compliance with the requirements of the Public Finance Management Act 2003 and support the government's policies of decentralizing accountability to controlling officers and of producing consolidated financial statements compliant with best practice. Working sessions resulted in the development of: a financial framework reporting guide; a statement of accounting policies; disclosure notes; and annual reporting guidelines for integrated financial and non-financial performance information.

Rwanda

Public Financial Management: during August 12–16, 2013, four officials from the Finance Ministry were hosted by their counterparts in Mauritius and benefitted from discussions on the scope and sequencing of Mauritius' PFM reforms and on the enabling role that the IFMIS played. The knowledge gained from the visit will assist in informing the Rwandan PFM reform program and IFMIS design.

Revenue Administration: AFE's mission assisted the Rwanda Revenue Authority (RRA) to consolidate customs risk management practices and post clearance audit capacity. The mission: (i)

provided advice on strengthening the roles of the Risk Management Committee and the Risk Management and Intelligence Unit; (ii) assisted RRA to improve selectivity management on the automated system for customs data by reducing the level of targeting requiring examination and improving channeling decisions; (iii) helped RRA to improve risk assessment skills; and (iv) provided guidance to improve the implementation of green channel processing, the Gold Card Scheme and the National Targeting Center.

Tanzania

Public Financial Management: Building on Program-Based Budgeting (PBB) work carried out in October 2012, an AFE mission conducted hands-on sessions during August 19 – 30, 2013, with budget and planning staff from Finance and seven major spending ministries to improve program design. The sessions shared good practice models from other countries and resulted in the adoption of a program template and profiles. Going forward, the exercise requires follow-on efforts to identify the relevant key performance indicators, agree on quantitative targets and complete narrative sections. Such information will allow the budget teams to allocate indicative budgets by programs. The Budget Department's action plan intends to achieve this for the 2014/15 budget by December 2013.

Financial Sector Regulation: During August 19-30, 2013, AFE's Supervision Advisor and a regional expert reviewed and advised on BOT's internally developed supervisory review program on compliance of commercial banks' financial statements with international best practice. The mission also conducted a pilot examination, in close cooperation with BOT's core team. The pilot examination consisted of the off-site review of several commercial banks' financial statements, and discussing the findings with the Chief Finance Officer and members of the Board Audit Committee of the banks selected for the pilot. The pilot examination assisted the members of the core team to gain more experience and comfort with the quality of the developed supervisory program.

Revenue Administration: AFE's revenue advisor met the TRA's Commissioner-General and Director, Planning and Modernization. Discussions focused on the TRA's modernization and reform plans as detailed in the recently released Fourth Corporate Plan covering the period 2013/14 to 2017/18 under three main themes – Convenience, Compliance and Continual Improvement. The advisor also attended a meeting of development partner coordination at the TRA; where HMRC/DFID, United States Treasury, Office of Technical Assistance and Norwegian Tax Administration / NORAD participated. The meeting reviewed and updated

the: (i) modalities of Tax Modernization Project basket funding; (ii) modalities of technical assistance; and discussed donor commitments to the TRA's new Corporate Plan.

Macro-Fiscal Analysis: The macro-fiscal advisor visited the President's Office, Finance, Economy and Development Planning (PO-FEDP) of Zanzibar to assess TA needs.

Economic and Financial Statistics: AFE's Advisor started a follow-up National Accounts Statistics mission to the Statistics office in Zanzibar during August 26-September 6, 2013. Tanzania is participating in the IMF-DFID Enhanced Data Dissemination Initiative Quarterly National Accounts (QNA) Statistics Module, which will assist with the implementation of the QNA development action plan and review progress with GDP rebasing and the preliminary 2007 benchmark estimates.

Workshops

Public Financial Management: Between August 24 – 27, 2013, AFE advisors facilitated a UNDP funded workshop, in Adama, Ethiopia, on the Medium Term Budgeting Framework (MTEF). The workshop provided training on MTEF and PBB concepts and design, and forecasting techniques. It included participants from the Ministry of Finance and Economic Development, the National Bank of Ethiopia and Regional Finance Bureaus.

Economic and Financial Statistics: At the request of the East African Community (EAC) Secretariat, AFE's advisor participated in an EAC Workshop on National Accounts (NA) Harmonization during August 12-16, 2013. This was a follow-up workshop to the AFE NA Harmonization Workshops in February 2011 and September 2012. The primary objective of the workshop was to (i) assess progress by EAC member countries in implementing changes in compilation methodologies and source data in order to harmonize the NA in the region; and (ii) to improve GDP estimates for the EAC. The advisor presented the proposed methodology that was agreed at the workshop.

Forthcoming AFE Activities

IMF ICD/ East AFRITAC: Two regional courses in Tanzania: (i) Economic Issues in Regional Integration from September 23 - 27, 2013, which include EAC participants, and (ii) Monetary and Exchange Rate Policy from September 30 - October 4, 2013. Both courses are targeting senior level management and about 22 participants are expected for each course.



Public Financial Management: Two regional workshops: (i) Effective Cash Management to Support Budget Execution from September 29–October 3, 2013 in Zanzibar, and (ii) Medium Term Budgeting Framework from November 25 - 29, 2013 in Uganda.

Monetary Policy: A mission to develop internal capacity for NPS oversight in Uganda between August 26 – September 6, 2013. From September 17-27, 2013, a mission on the development of the interbank money market in Malawi. In October 2013, a mission on Sharia compliant liquidity management instruments in Tanzania.

Financial Sector Regulations: Between September 2 –13, 2013 a mission to Rwanda on foreign exchange bureau regulations and supervisory framework and related training. From September 9 – 20, 2013 a mission to strengthen the financial stability framework for the banking sector in Ethiopia. From October 14 – 25, 2013 AFE will conduct training on Consolidated Supervision to CBK staff and supervisors from other countries in the region. From October 21 – November 1, 2013 there will be a mission to review the roadmap for implementation of Basel II/III in Rwanda.

Revenue Administration: (i) Advisor introductory and follow up visit to the TRA between September 9-13; 2013; (ii) follow-up missions to consolidate customs risk management and post clearance audit in Malawi and Kenya on September 16-27 and October 10-23, 2013 respectively; and (iii) October 28 - November 1, 2013, a regional workshop on Customs Risk Management in Nairobi, Kenya.

Macro-Fiscal Analysis: AFE to conduct a mission between September 9 - 20, 2013, to provide assistance in improving fiscal reporting in Zanzibar. Rwanda will be assisted on GDP forecasting using high-frequency indicators from September 30 - October 11, 2013.

Economic and Financial Statistics: Follow-up mission on September 16-27, 2013 to provide assistance with implementing import and export prices surveys and training in Malawi.

East AFRITAC

Member Countries

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

External Donors

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- Australia
- Canada
- The European Union
- European Investment Bank
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- Switzerland
- The United Kingdom

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