

East AFRITAC News

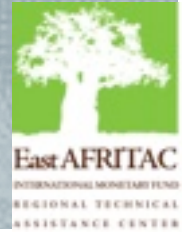


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Highlights of East AFRITAC (AFE) Activities in October 2013

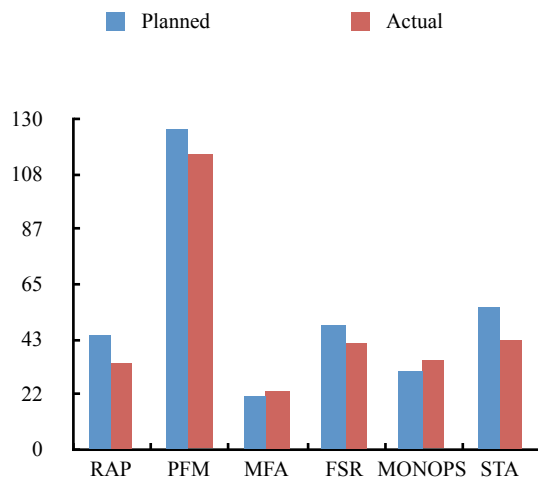
- **AFE over the first half of FY 2014:** A brief snapshot of AFE activities over the first 6 months of FY14 is provided showing the work plan as well actual delivery.
- **Public Financial Management:** AFE's resident advisors joined IMF led missions to Tanzania and Ethiopia to identify PFM reform priorities and review the performance of the PFM advisors. Malawi was advised on strengthening Integrated Financial Management Information System controls. A mission to Tanzania reviewed the audit committee guidelines. An AFE mission examined and provided advice on improving the output-based budgeting system in Uganda.
- **Financial Sector Regulation:** AFE undertook a mission to the Central Bank of Kenya to provide technical assistance on consolidated supervision. The National Bank of Rwanda was advised on the roadmap for implementation of Basel II and III.
- **Revenue Administration:** A short term expert assisted Malawi in consolidating customs risk management and post clearance audit. AFE's revenue advisor and a short term expert provided assistance on customs service delivery in Kenya.
- **Macro-Fiscal Analysis:** A follow-up mission was conducted to the National Bank of Rwanda to provide assistance on the methodology for GDP forecasting. AFE Advisor also visited the Finance Ministry for a TA needs assessment. The advisor assisted Malawi in advancing their framework for fiscal projections and best practice on inter-institutional coordination.
- **Statistics:** Tanzania (Zanzibar) was assisted in developing preliminary benchmark supply and use estimates and improving annual and quarterly estimation worksheets. Assistance was also provided to Malawi on implementing import and export prices surveys.
- **Workshops:** AFE conducted two regional workshops on Effective Cash Management in Zanzibar, and Customs Risk Management in Kenya. A regional workshop on Quarterly National Accounts that was planned in October was postponed until February 2014 following a security alert in Uganda.
- **Center Coordinator:** The Coordinator visited Kenya to conduct a needs assessment. The Coordinator also attended the Customs Risk Management workshop.
- **Forthcoming AFE Activities:** In addition to a number of planned missions to AFE member countries in November and December, AFE has organized a workshop in November on implementation of Basel II and III in Kigali, Rwanda.

AFE over the First Half of FY 2014

The October report marks the mid year point in FY 2014. A comprehensive report on activities of the first six months is under preparation for the Steering Committee.

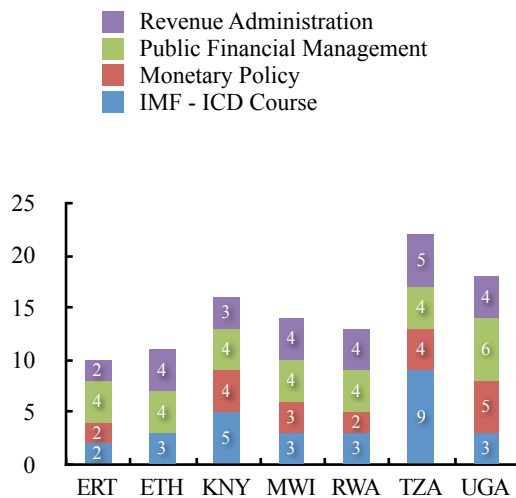
Two charts below summarize aspects of AFE activities over the first half year. Chart 1 shows a comparison of actual and planned resource use, while Chart 2 illustrates AFE member countries' participation in regional workshops and IMF/ICD courses.

Chart 1: AFE Planned and Actual Resources by Sector in Field Person Weeks (May - October 2013)



Note: Field Person Weeks includes all technical assistance missions and training from resident advisors and short term experts.

Chart 2: Participation in AFE Regional Workshops by Country (May - October 2013, number of officials)



Ethiopia

Public Financial Management: A PFM advisor joined a short mission from the IMF's Fiscal Affairs Department (FAD). The mission visited Ethiopia during October 8-9, 2013 and held discussions with relevant officials to identify PFM reform priorities and review the performance of the PFM advisors.

Kenya

Financial Sector Regulation: From October 14-25, 2013, a TA mission to the Central Bank of Kenya (CBK) continued the support for the Bank Supervision Department's (BSD) action plan to fully embed consolidated supervision by 2015. The BSD has made excellent progress in implementing its action plan and the recommendations from prior AFE TA missions. Supervisory colleges have now been established for three Kenyan headquartered banks, with plans to have colleges in place by 2015 for all Kenyan banks with significant international operations. The legal framework for consolidated supervision is also now in place.

Revenue Administration: From October 17-November 1, 2013, AFE's resident advisor and a short term expert (STX), conducted a mission to Kenya to review key customs operations to enhance service delivery by improving clearance times and revenue productivity. The expert noted that Kenya Revenue Authority (KRA) continues to make progress in instilling risk management practices. To improve clearance times along the Northern Corridor, the three states of Kenya, Uganda and Rwanda were preparing to pilot test the Tripartite Single Customs Territory (SCT) initiative launched in June 2013 aimed at improving clearance times. However, urgent action is still required on: (1) clarifying the Post Clearance Audit (PCA) role in risk management and setting risk criteria, (2) strengthening exchange of information on activities and results; (3) implement release time monitoring on a monthly basis; (4) ensuring that the risk management module of the upgraded customs automated system addresses all of the documented weaknesses.

Malawi

Public Financial Management: The Government decided to temporarily shut down the Integrated Financial Management Information System (IFMIS) in order to identify and repair the system's weaknesses and strengthen its control. AFE fielded a PFM mission, from October 21-29, 2013 to provided the Government with practical guidance for strengthening IFMIS controls and planning for its reinstatement.

Revenue Administration: AFE's short term expert concluded a mission (October 28 - November 1, 2013) to assist the Malawi Revenue Authority (MRA) in consolidating risk management practices and PCA in customs. The expert made various recommendations to improve risk management practices including: (1) updating the risk management implementation strategy and timeframes for its completion; (2) developing risk matrices into the risk management framework for selectivity targeting; (3) developing importer profiles for large and high risk importers to support targeting and monitoring; (4) reviewing current selectivity criteria to ensure that channel selection for all criteria is based on the nature, not level, of risk; and (5) document and adopt more best practices into the PCA audit process.

Macro-Fiscal Analysis: From October 28-November 5, 2013, the advisor assisted the Economic Affairs Division of the Finance Ministry in advancing their framework for fiscal projections based on financial programming. The mission made important changes to the framework to improve its usefulness for policy-makers, provided a methodology for disaggregating fiscal projections and offered a user-friendly template. The mission also trained staff from several departments of the Ministry advised on good practice on inter-institutional coordination.

Rwanda

Financial Sector Regulation: AFE's mission visited Kigali from October 21 - November 1, 2013 to advise the National Bank of Rwanda (NBR) on its planning for the implementation of new prudential regulations based on the Basel II and III frameworks. The mission held discussions with the NBR and with banks. The NBR's project plan for implementation of a New Regulatory Capital Framework was reviewed. Training was provided to NBR supervisory staff in sessions covering Basel II and III. Over the next few years the NBR aims to realize a phased-in implementation of the Basel II and III standards.

Macro-Fiscal Analysis: The macro-fiscal advisor led a follow-up mission to the NBR to assess the Composite Indicators of Economic Activity used for GDP forecasting. The mission provided several improvements on the methodology, indicators and production system used and provided extensive training to staff from three departments of the NBR. The mission also visited the Ministry of Finance and Economic Planning for a needs assessment.

Tanzania

Public Financial Management: From October 1-4,

2013, PFM advisors carried out a desk review of audit committee guidelines which had been developed by a consultant appointed by the Internal Auditor General. Audit committees have been set up in budget institutions but often lack standard guidance on how to conduct their operations. The desk review noted that the guidelines will introduce uniformity in internal audit governance structures and other audit practices. The mission recommended that the guidelines should include: (i) templates for annual reporting by audit committees; (ii) a requirement for competitive appointment of audit committee members; (iii) specimen letter for appointment of audit committee members; (iv) a sample yearly work program; and (v) a requirement for the head of internal audit to provide audit committees with secretarial support. From October 3-7, 2013, PFM advisors joined a mission from FAD to review of the performance of the PFM advisors in Tanzania and to identify PFM reform priorities and possible FAD/AFE support.

Uganda

Public Financial Management: The primary purpose of Uganda's output-based budgeting (OBB) system is to establish the linkages between planning and budgeting over the medium term to ensure the achievement of development and policy objectives. The mission worked with the authorities, from October 14-25, 2013, to assess the extent to which this goal was being met and to consider options for strengthening the effectiveness of budget processes. As part of its review, the mission also considered associated budget preparation issues that impact budget effectiveness, including: (i) the credibility of the budget; (ii) robustness of rolling forward estimates contained in the medium term expenditure framework (MTEF); (iii) preparation and implementation of the public investment plan (PIP); (iv) auditing, monitoring, reporting and evaluation; and (v) relevance of budget documents submitted to Parliament. The mission suggested a number of changes to improve the relevance and effectiveness of budgeting processes.

Workshops

Public Finance Management: AFE conducted a workshop in Zanzibar from September 30 - October 4, 2013, on effective cash management to support budget execution. The workshop included 32 participants from all AFE member countries and Zambia, and discussions centered around three themes: (i) strengthening banking arrangements; (ii) establishing a comprehensive cash plan; and (iii) cash management supporting budget execution. The workshop included expert and country-team presentations, and country self-assessments of their cash management and banking arrangements. The

mixture of presentations stimulated interesting discussions. The workshop presentations are available on the AFE website (See http://www.eastafricitac.org/index.php?/regional_workshops/rw/category/public_financial_management/)



Participants at the Regional Workshop on Effective Cash Management, September 30 - October 4, in Zanzibar

Revenue Administration: AFE's advisor led a regional workshop on Customs Risk Management in Nairobi, Kenya from October 29 - November 1, 2013. The workshop was attended by 26 participants from customs administrations from all the AFE member countries. The main objective was to assist member countries develop structured and disciplined approaches to implementing and embedding solid risk management practices in customs organizations. The advisor and three short-term experts, including one from Ethiopia, facilitated the workshop. Country presentations on risk management practices in AFE member countries revealed that measurable progress continues to be made by most administrations. Based on feedback from participants, AFE will look into organizing a similar workshop in future for senior management staff in AFE member countries.



Participants at the Regional Workshop on Customs Risk Management, October 29-November 1, in Nairobi, Kenya

Economic and Financial Statistics: AFE had to cancel a workshop on Quarterly National Accounts that was scheduled for during October 21-25, 2013, due to an IMF ban on travel to Uganda following

terrorist threats. The workshop has been postponed to February 2014.

Center Coordinator: The Coordinator met with the Kenyan authorities from October 31- November 1, 2013, to discuss their assessment of AFE and key TA needs going forward. Priorities mentioned included TA on PFM regulations, cash management, macro-fiscal and continued support in financial regulation. In addition TA to build capacity for research related activities and EAC harmonization was highlighted. The Coordinator also closed the Customs Risk Management workshop.

Forthcoming AFE Activities

Public Financial Management: Over the next two months AFE plans mission to Ethiopia on improving cash management and to Kenya to follow-up on PBB implementation (both missions will be from December 2-13, 2013). A PFM advisor is expected to participate in an FAD-led mission to Kenya on financial regulations, inter-governmental fiscal relations and implementing the treasury single account on December 4 - 17, 2013. Missions to Rwanda will be on advancing PBB (November 4 - 15, 2013), and on developing public financial regulations (November 18-29, 2013). A mission will visit Tanzania (Zanzibar) from November 11-22, 2013 on enhancing annual fiscal reporting practices.

Financial Sector Regulation: From November 18 - 22, 2013, a regional workshop on the implementation of Basel II and III will be held in Kigali, Rwanda. The bank supervision advisor will then lead a mission to the Bank of Eritrea on insurance supervision from December 2 - 6, 2013. AFE's resident advisor and a short term expert will provide further assistance to the National Bank of Ethiopia on developing a financial stability framework and an enhanced draft of a first Financial Stability Report from December 2 - 13, 2013. This follows up work done in September.

Revenue Administration: Forthcoming missions include: (1) participation by the AFE advisor in an IMF HQ led mission to Kenya on enhancing tax and customs administration performance measurement and management (November 4-15, 2013); (2) short term expert to support the deployment and usage of appropriate technology in tax and customs in Malawi (December 2-13, 2013), Rwanda (November 11-22, 2013) and Uganda (November 25-December 6, 2013); and (3) a short term expert to provide TA on improving taxpayer service and



tax compliance management in Rwanda (December 9-20, 2013).

Macro-Fiscal Analysis: From November 12 - 21, 2013, the macro-fiscal advisor will join an IMF/AFE-World-Bank-MEFMI mission to Tanzania to assist in the development of its Medium-Term Debt Management Strategy.

Economic and Financial Statistics: From November 11-22, 2013, Malawi will be supported by a short-term expert in improving the compilation methods for external sector statistics. During November 4-22, 2013, Tanzania will be assisted by two short term experts to develop compilation worksheets for producing quarterly price estimates; implement import and export prices surveys; and improve the producer price index (PPI). Zanzibar will be assisted to improve the manufacturing and hotels PPIs (November 11–19, 2013). From November 4-15, 2013, the resident advisor will review the supply-use tables for Uganda and provide TA on the annual and quarterly compilation worksheets. From December 2-12, 2013, an AFE mission led by an STX to Ethiopia will provide advice on the development of gross domestic product (GDP) estimates using the expenditure approach. In addition, from December 2-13, 2013, the AFE advisor will review the preliminary supply-use tables (SUTs) and 2011 benchmark estimates for Rwanda and provide further advice on compiling independent annual and quarterly estimates of GDP by expenditure share.

East AFRITAC

Member Countries

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

External Donors

- African Development Bank
- Australia
- Canada
- The European Union
- European Investment Bank
- Germany
- The Netherlands
- Switzerland
- The United Kingdom

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