



East AFRITAC News



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Highlights of East AFRITAC (AFE) Activities in February 2014

- One of East AFRITAC's main activities has been preparation of the work plan for FY 2015 which will be discussed at the 16th Steering Committee Meeting in Arusha (March 27-28, 2014). East AFRITAC's report to the committee was circulated on March 12, 2014.
- **Public Financial Management:** A PFM mission to Ethiopia provided TA on extending program budgeting and Treasury Single Account (TSA) reforms to regional governments. A mission to Kenya helped with implementing the TSA. An AFE mission visited Malawi to assist with program-based budgeting. A PFM advisor attended a meeting between development partners and the Tanzanian authorities on planning for a PFM reform program.
- **Revenue Administration:** AFE worked with the Revenue Authority in Rwanda to develop a consolidated modernization plan. The Ethiopian Revenues and Customs Authority was assisted with strengthening risk management practices in customs.
- **Financial Sector Regulation and Supervision:** The Center organized a training course on the supervisory aspects of agency banking for the Bank of Tanzania. The AFE advisor for financial regulation and supervision also organized a joint seminar with AFRITAC South on Mobile Financial Services: the Business and its Regulation.
- **Monetary Policy and Operations:** A mission to the Bank of Tanzania focused on modernizing the monetary policy framework. A joint AFE/World Bank visit to Ethiopia undertook a stocktake on the National Payments System (NPS).
- **Macro-Fiscal Analysis:** Assistance on developing a consistent macroeconomic dataset was provided to the Ministry of Finance and Planning Commission in Tanzania (Zanzibar).
- **Economic and Financial Statistics:** Technical assistance was provided to Zanzibar on compiling Supply and Use Tables (SUT) estimates and rebased annual and quarterly GDP estimates.
- **Center Coordinator:** AFE's Center Coordinator visited Malawi to discuss TA needs and other issues relating to AFE's support. The Coordinator also made a two day visit to AFS headquarters in Mauritius to open the joint AFE-AFS workshop on Mobile Financial Services, to discuss how the IMF's Africa Training Institute can support AFE countries, and to exchange views on processes and practices used at the two Centers. In addition, the Coordinator also participated in the biennial retreat for the IMF RTAC Center Coordinators at IMF Headquarters in Washington.
- **Workshops:** AFE conducted the first joint workshop with AFRITAC South (AFS) on "Mobile Financial Services: the Business and its Regulation" in Mauritius. The Center also held a regional workshop in Uganda to train national accountants on using available data to develop and/or improve quarterly gross domestic product (GDP) compilation.
- **Forthcoming Activities:** In addition to a number of TA missions to member countries over the next two months, a key event will be the **16th Steering Committee in Arusha, Tanzania** from March 27-28, 2014, hosted by the Bank of Tanzania. AFE has organized a regional workshop on Fiscal Risks from April 28-May 1, 2014.

Ethiopia

Public Financial Management: From February 24-March 7, 2014, AFE participated in the first half of an IMF FAD-led mission which reviewed the progress on major federal PFM reforms, and the options for roll out to regional governments. These concern the introduction of program-based budgeting (PBB) and improving cash and bank account management. The mission visited several federal public bodies to understand their experiences in these areas, as well as three regional governments selected for piloting the reforms. The mission will continue through the first week of March during which time the regional government stakeholders will participate in a workshop to identify the reform objectives, issues and challenges, and to develop implementation roadmaps.

Revenue Administration: From February 24-March 7, 2014, AFE fielded a mission to assist the authorities to strengthen risk management practices in customs. The mission will review progress in implementing initiatives and programs aimed at improving cost effectiveness in managing compliance and rewarding compliant taxpayers.

Monetary Policy and Operations: The first joint AFE/World Bank mission visited Ethiopia from February 10-14 and February 24-28, 2014 to review the progress on developing a modern NPS and to collect the information needed to assist the National Bank of Ethiopia in designing a NPS oversight policy. The mission also conducted seminars for managers and staff from relevant departments on key aspects of payments system oversight. The mission made recommendations on how to address the major gaps and challenges to further strengthen the role of the central bank in both supporting NPS development and establishing an effective NPS oversight function.

Kenya

Public Financial Management: The Center provided the Kenyan National Treasury with practical guidance (February 17-28, 2014) towards: establishing a core TSA arrangement, formalizing the memorandum of understanding between the National Treasury and Central Bank for managing the Government's bank accounts, using the IFMIS to support the maintenance of a comprehensive cash plan, and ensuring the legal framework supports the TSA concept. This input follows on from AFE and FAD missions that have introduced the TSA concept and provided options on how it might be applied in Kenya. This mission was the first in a series of short TA visits planned over the next two years to guide progress in implementing the

TSA arrangement and to ensure the realization of TSA benefits.

Malawi

Public Financial Management: An AFE mission assisted the PBB Core Team (February 17-28, 2014) in: designing an appropriate program template; presenting PBB principles to six pilot ministries; and illustrating how the pilot ministry programs could be structured in accordance with good international practice. In parallel to introducing PBB, the Government has initiated its Development Effectiveness and Accountability Program to introduce Results-Based Management (RBM) throughout the civil service. This program is supported by the UNDP and an RBM core team has been set up. Since the underlying accountability basis of the RBM will be the key performance (outcome-based) indicators included in the ministries' programs, the mission team worked very closely with the RBM team.

Rwanda

Revenue Administration: A short term expert conducted a mission from February 17-28, 2014, to assist the authorities in developing a modernization plan. The expert re-emphasized the need to consolidate all modernization programs into a single plan; strengthen modernization governance; and clearly define desired end-state for each project under the plan. A draft consolidated modernization plan was prepared for the authorities.

Tanzania

Public Financial Management: On February 10, 2014, along with other development partners, AFE's PFM Advisor participated in a meeting hosted by the Finance Ministry of Zanzibar to consider the scope, prioritization, sequencing and resource requirements for a cohesive program of PFM reforms. Members agreed on early steps for supporting PFM reforms including appointment and ToRs of the project manager.

Macro-Fiscal Analysis: East AFRITAC has embarked on a new project with Tanzania (Zanzibar) to develop a dataset based on the principles of financial programming. In this first mission, several data gaps and inconsistencies were identified. The mission successfully built a consistent database, provided training in analysis and forecasting and

developed a template for the setting up of a Financial Programming Working Group.

Financial Sector Regulation and Supervision: AFE delivered a training course on the supervisory aspects of agency banking for the Bank of Tanzania (BOT) from February 24-28, 2014. In February 2013, the BOT issued a prudential guideline allowing banks to use agency banking as a distribution channel. Given the growing importance of Mobile Financial Services in general and the expected growth of agency banking, the BOT requested the Center to assist in organizing an in-house training course on this topic. The training course was delivered by an experienced supervisor in this area from the Central Bank of Kenya and by an advisor from the BOT's National Payments System Directorate. Given demand from other countries, AFE is planning to deliver similar training courses in the region in FY 2015. This first training course on agency banking provides a good basis to build on for future TA.

Monetary Policy and Operations: A joint IMF HQ/AFE mission from February 5-14, 2014 focused on supporting the Bank of Tanzania in its effort to modernize the monetary policy framework. The mission focused on strengthening the interbank money markets to the point where interbank rates can be used as a benchmark. The mission also provided guidance on foreign exchange market operations to ensure that intervention is aimed at countering exchange rate instability. Finally, at the request of the BOT, the mission provided guidance on the appropriate strategy for the introduction of Sharia compliant liquidity management instruments, given the nascent but fast growing Islamic banking sector.

Economic and Financial Statistics: An AFE mission to Tanzania (Zanzibar) provided assistance in compiling the preliminary SUT and 2007 benchmark estimates. The compilation process has involved using various source data and price/volume adjusting these data to the 2007 base year. However, the SUT industry and product balances are yet to be reconciled and additional data needs to be collected. An integrated annual and quarterly GDP compilation system has been developed. With the exception of a few industries, the annual estimates for most economic activities are based on the sum of the quarterly estimates, as the indicators and price indexes used are the same for both. The worksheets are consistent with the latest international industry classification and at a detailed activity level as possible. Estimates have been compiled for 2007 to 2012 for most economic activities.

Center Coordinator

From February 5-7, 2014, the Center Coordinator (CC) met with the authorities in Malawi to discuss FY 2015 TA needs and other AFE related issues, including outstanding payments to the Center. The CC also visited AFS to open the joint workshop on Mobile Financial Services. This short visit was also an opportunity to share experience in RTAC operations and discuss collaboration with the IMF's Africa Training Institute (ATI). The IMF's Institute for Capacity Development also organized its biennial retreat for RTAC Center Coordinators in Washington DC from February 26-28, 2014 for sharing best practices between all nine RTAC Center Coordinators.

Workshops

Financial Sector Regulation and Supervision: A highly topical seminar on "Mobile Financial Services: the Business and Regulation" was organized jointly by AFE and AFRITAC South from February 10-14, 2014 in Mauritius with 38 central bank officials from across Southern and Eastern Africa participating alongside international experts.

The seminar was motivated by the rapid growth in mobile financial services, its potential to enhance financial inclusion, as well as significant regulatory challenges. The seminar covered issues such as supervision of anti-money laundering and combating the financing of terrorism, the protection of customer funds in Mobile Network Operators' trust/escrow accounts, achieving interoperability, the development of technical and legal infrastructure for cross-border payments, and the regulatory status of the payment service providers.



AFS and AFE Center Coordinators and staff, alongside the Deputy Governor of the Bank of Mauritius (second left) at the Mobile Financial Services Workshop.



Participants at the Mobile Financial Services Workshop at the IMF Africa Training Institute in Mauritius, February 10-14, 2014.

Going forward AFS and AFE will consider how they can further facilitate peer-to-peer exchanges and provide technical assistance to their member countries in the area of mobile banking, including on agency banking supervision. The press release can be accessed at the following link <http://www.imf.org/external/np/sec/pr/2014/pr1460.htm>

Economic and Financial Statistics: AFE conducted a regional Quarterly National Accounts (QNA) Training Workshop in Uganda during February 3-7, 2014. The workshop built on and reinforced the training provided during the QNA training workshop in September 2012. Twenty-seven national accounts compilers from Ethiopia, Kenya, Malawi, Rwanda, Tanzania (Mainland and Zanzibar) and Uganda participated in the workshop. The workshop also included exercise sessions where participants worked in country teams to develop estimates using their own benchmark-indicator and prices data. However, participants expressed concern about the limited availability of sub-annual indicators and prices data in their countries due to poor statistics budgets, and reservations about the data quality. Alternative approaches to addressing the data gaps and quality concerns were discussed. Very positive feedback was received, including on the workshop exercises.



Participants and Experts at Quarterly National Accounts Workshop in Entebbe, Uganda from February 3-7, 2014.

Forthcoming Activities Over the Next Two Months

From March 26-28, AFE will hold its 16th Steering Committee Meeting in Arusha, hosted by the Bank of Tanzania.

Public Financial Management: A PFM advisor will contribute to a World Bank-supported workshop for the EAC on harmonization of PFM in line with the Monetary Union Protocol (March 17-21, 2014). AFE will participate in an FAD led mission to follow-up on the PFM legal framework and TSA implementation in Uganda (March 17-28, 2014). AFE will participate in an IMF HQ-led mission to Malawi to provide guidance on development and sequencing a sustainable PFM reform program (March 25-April 4, 2014). Malawi will also be assisted with quality assurance on program design in six pilot ministries (April 21-25, 2014). A mission to Tanzania (March 17-April 4, 2014) will focus on strengthening internal audit oversight of ICT and IFMIS and preventing/managing payment arrears (dates to be decided).

Financial Sector Regulation and Supervision: AFE will conduct missions on Consolidated Supervision to the National Bank of Rwanda (March 3-14, 2014) and the Bank of Tanzania (March 24-April 4, 2014) respectively. In April, three missions on insurance supervision have been scheduled: Eritrea (April 14-18, 2014), Ethiopia (April 21-May 2, 2014), and Uganda (April 24-May 2, 2014).

Revenue Administration: AFE mission plans are as follows: Ethiopia on tax compliance management (March 14-27, 2014); Tanzania on entrenching risk management practices in customs (April 9-23, 2014) and an FAD mission on natural resource taxation funded by the Managing Natural Resources Topical Trust Fund in which AFE will participate (March 13-26, 2014); and AFE will also participate in an FAD revenue administration mission (March 26-April 8, 2014) in Malawi.

Monetary Policy and Operations: A joint AFE/World Bank follow up mission will visit Ethiopia to assist in designing an NPS oversight policy (March 17-27, 2014).

Macro-Fiscal Analysis: A macro-fiscal mission will resume the development of a macro-fiscal database for the National Treasury of Kenya and will provide training in macroeconomic analysis and forecasting (March 17-24, 2014). AFE has organized a regional workshop on Fiscal Risks in Entebbe Uganda (April 28-May 1, 2014).



Economic and Financial Statistics: An AFE mission is assisting Rwanda with implementing improvements to balance of payments methodology and related data collection (February 24-March 7, 2014). Rwanda will also be assisted with the implementation of prices surveys for the Construction Input Prices Indices and Imports Prices Indices (March 31-April 11, 2014). Further assistance will be provided to Zanzibar to finalize the SUT estimates and revised GDP estimates during March 10-14, 2014. A mission to Malawi will assist with developing the methodology to compile quarterly GDP using the benchmark-indicator approach (March 24-April 11, 2014).

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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