

East AFRITAC News



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Highlights of East AFRITAC (AFE) Activities in March 2014

- **AFE's 16th Steering Committee Meeting:** The 16th Steering Committee meeting was held in Arusha, Tanzania. It discussed the execution of FY 2014 work program, key strategic issues and operations of the Center in FY 2015. It was followed by a press conference.
- **Public Financial Management:** An FAD-led mission to Ethiopia covered extending program budgeting and treasury reforms to regional governments. A HQ-led mission visited Uganda on implementing the Public Financial Management Bill. Tanzania benefited from technical assistance on developing ICT oversight capacity of internal auditors. An FAD-led mission visited Malawi to review the PFM reform program.
- **Revenue Administration:** AFE worked with the Revenue Authority in Ethiopia to strengthen compliance management in tax administration and strengthen risk management practices in customs. The resident advisor joined an FAD mission on natural resource taxation in Tanzania.
- **Macro-Fiscal Analysis:** Macro-fiscal training and assistance in improving a macro-fiscal databank was provided to Kenya's National Treasury.
- **Financial Sector Regulation and Supervision:** AFE organized missions on consolidated supervision to Rwanda and Tanzania and assisted the Bank of Eritrea in reviewing prudential regulations for banks.
- **Monetary Policy and Operations:** A joint AFE/World Bank mission assisted the National Bank of Ethiopia in drafting a national payments system oversight policy framework.
- **Economic and Financial Statistics:** Assistance was provided to Rwanda in finalizing the Supply and Use Tables (SUT) as well as implementing improvements to the balance of payments methodology. Further assistance was provided to Tanzania (Zanzibar) to finalize the SUT estimates and revised GDP estimates.
- **Workshops:** PFM advisors contributed to the World Bank-supported workshop on harmonization of Public Financial Management in support of implementation of the Monetary Union Protocol for the EAC member countries.
- **Forthcoming Activities:** This newsletter enhances the dissemination of information on forthcoming AFE activities. A table is included listing all activities through end-May 2014.
- **Country Corner:** The newsletter introduces a new feature where member countries showcase a project they have or are undertaking with AFE. We begin with Rwanda and its progress on Composite Indicators of Economic Activity.

AFE's 16th Steering Committee Meeting

The Steering Committee (SC) met in Arusha, Tanzania from March 27-28, 2014 to review activities over the fiscal year 2014, discuss a number of strategic and operational issues facing the Center, and discuss the FY 2015 work plan. Officials from six of the seven member countries attended, together with donor representatives, the East African Community Secretariat, and IMF staff, as well as the Executive Director representing the United Kingdom at the IMF.



East AFRITAC's 16th Steering Committee Members, Arusha, Tanzania, March 26-28, 2014.

Steering Committee members commended AFE's capacity building activities and the successful execution of the work plan in 2014. East AFRITAC was applauded for its work on regional activities in support of integration in the East African Community. The SC members endorsed the Center's work plan for 2015 and welcomed the new initiatives in 2015 to support the region's central banks modernize their monetary policy frameworks, as well as help strengthen government finance statistics to improve the monitoring of macroeconomic convergence criteria for regional integration.



The 16th Steering Committee Meeting, Arusha, Tanzania.

There was extensive discussion of the IMF's plans to implement the recommendations of the mid-term external evaluation of the Center, including steps to further improve monitoring and reporting of results, efficiency, the effectiveness of training and RTAC governance. The meeting also extended the current Phase of AFE operations to April 2015 and discussed preparations for the next Phase (IV), including emerging capacity building topics that could be covered, process, timing, and financial sustainability aspects. In addition, the IMF's Institute for Capacity Development (ICD) gave a presentation on the newly-established IMF Africa Training Institute (ATI) based in Mauritius. A press conference was held at the end of the meeting to strengthen outreach on the Center's activities and a press release was issued (see <http://www.imf.org/external/np/sec/pr/2014/pr14141.htm>)



Chair of the 16th Steering Committee, Deputy Governor Reli from the Bank of Tanzania, East AFRITAC's Center Coordinator (Center) and Dr. Abuka from the Bank of Uganda at the press conference.

Eritrea

Financial Sector Regulation and Supervision: A TA mission visited Asmara from March 31-April 4, 2014 to review the central bank's prudential regulations for banks. It advised on the how to cover all the relevant material risks to bring the existing Basel I framework in line with the regional best practices. Following a desk review by a short term expert, the mission developed a roadmap for the implementation of its recommendations. These are split into short term actions focusing on improvement of the prudential requirements, and longer term measures on risk management and corporate governance practices of the banks.

Ethiopia

Public Financial Management: As a continuation of the AFE-funded mission that commenced in January, from February 24-March 7, 2014 the mission facilitated working group sessions at which three regional governments considered federal experience with introducing budgeting and treasury reforms. They proceeded to develop implementation plans for extending those reforms to their regions.

Revenue Administration: A mission from February 24-March 7, 2014, provided TA to strengthen risk management practices in the customs administration. The mission provided further recommendations to reduce physical inspections in the clearance process, expand the customs program for compliant importers and strengthen audit capacity.

In tax administration, a mission to strengthen tax compliance management was conducted from March 14-27, 2014. The mission noted the continued progress in bringing the informal sector into the tax net and made recommendations to strengthen the organization and management of the large taxpayers unit, which aims to adopt a national risk management compliance approach and to improve data integrity.

Monetary Policy and Operations: A joint AFE/World Bank mission visited Addis Ababa from March 17-27, 2014 to assist the National Bank of Ethiopia (NBE) in drafting a National Payments System (NPS) oversight policy framework. Challenges that were discussed for implementing an effective oversight framework include: NBE capacity building, education of NPS stakeholders to oversight principles and responsibilities, organization of an NPS Council, oversight of non-financial payment system providers and inter-agency cooperation. AFE expects to provide further support to the NBE on NPS oversight. This work will facilitate compliance with international standards and contribute towards building and maintaining confidence in the NPS in Ethiopia.

Kenya

Macro-Fiscal Analysis: From March 17-24, 2014, an AFE mission provided training to staff of the Kenya National Treasury in macro-fiscal analysis and forecasting. The mission also completed a macro-fiscal databank which AFE had initiated in 2011. This database provides a secure repository of data and documents which staff are expected to use in their daily analysis and reporting.

Malawi

Public Financial Management: An FAD-led mission from March 25 to April 4, 2014 will provide technical assistance to review the PFM reform program. The mission will look to build on the current action plan for addressing the PFM weaknesses that led to the “cashgate” scandal. It will identify PFM reform priorities for the next three to five years and propose a strategy aiming to restore confidence in the government’s management of its public finances.

Follow-on AFE support is envisaged to assist with finalizing the PFM reform strategy and plan for wide dissemination.

Rwanda

Financial Sector Regulation and Supervision: The implementation of consolidated supervision is important as a large part of the banking sector in Rwanda is owned by foreign groups. A TA mission visited Kigali from March 3-14, 2014 to advise the National Bank of Rwanda (NBR) on the implementation of consolidated supervision from a host perspective. The mission also provided training to Bank Supervision Department staff on technical aspects of consolidated supervision and discussed in detail how to incorporate the assessment of group-wide risks in the current licensing process and the existing off- and on-site supervisory framework. The mission developed a six-step program for the implementation of consolidated supervision for the NBR, which should be realized over a one year horizon.

Economic and Financial Statistics: An AFE mission to the NBR from February 24-March 7, 2014 assisted with the reorganization of the compilation methodology and data collection system consistent with the Balance of Payments (BOP) and International Investment Position (IIP) Manual, sixth edition (BPM6). The NBR was assisted with improving data collection and the compilation methodology, reviewing existing quarterly estimates and implementing improvements in order for the NBR to disseminate quarterly BOP statistics; and assisting with the development of a work plan to implement BPM6 standards for compiling and disseminating BOP and IIP statistics.

Country Corner

Box 1. Rwanda - Composite Indicators of Economic Activity

To update the Monetary Policy Committee (MPC) on economic activity, the NBR has developed Composite Indicators of Economic Activity (CIEA) since 2010 using high-frequency indicators. Given the close correlation of these high-frequency indicators with movements in Gross Domestic Product (GDP), Composite Indicators are often used to track quarterly GDP data.

To address the deteriorating forecasting capacity of the nominal CIEA over time and to develop a volume indicator, BNR sought technical assistance from East AFRITAC. A mission which took place in October 2013 improved the methodology and developed a volume Composite Indicator. As a result, the current CIEA has turned into a robust tool to monitor economic activity ahead of quarterly GDP to help in monetary policy formulation.

In the future, the BNR may seek East AFRITAC’s assistance to improve the agriculture component of the Composite Indicators, and to further advance the compilation of BOP statistics.

Source: National Bank of Rwanda

A mission from February 17-March 5, 2014 also assisted the National Institute of Statistics for Rwanda (NISR) with finalizing the SUT and rebasing of the annual GDP estimates. The mission assisted the NISR in finalizing the 2011 SUT estimates; completing an input-output table (for the intermediate uses of production); and developing systems to enable publication of annual estimates based on the 2011 SUT weights. As far as possible, the 2011 SUT brings the estimates into line with the System of National Accounts 2008 (SNA2008) and the International Standard Industrial Classification, Revision 4 (ISIC Rev.4). These annual GDP estimates at current and constant prices were published on March 25, 2014.

Tanzania

Public Financial Management: From March 17-April 4, 2014, a mission has been working with a task force from the internal audit division to: identify the risks associated with operating the government's computerized financial management systems; determine appropriate levels of internal audit coverage of ICT financial management operations and the extent to which these are being achieved; and develop strategies and an action plan for building internal audit capacity for overseeing ICT financial systems.

Financial Sector Regulation and Supervision: From March 24-April 4, 2014, the Bank of Tanzania (BOT) was assisted with the implementation of consolidated supervision. The small but growing presence of Tanzanian banks outside the country coupled with the large number of subsidiaries of foreign banks or financial institutions operating in Tanzania has spurred renewed efforts to introduce consolidated supervision. In addition the EAC has an initiative to roll-out consolidated supervision across the region. The mission developed with BOT's team from the Bank Supervision Directorate (BSD) a detailed implementation plan, revised the draft policy paper, reviewed the draft regulation on consolidated supervision, drafted procedures for consolidated supervision, and made presentations on these documents in a training seminar for the BSD.

Revenue Administration: From March 13-26, 2014, AFE's revenue advisor participated in an FAD mission to review progress in natural resource revenue administration and establish a platform from which further TA under the Managing Natural Resource Wealth Topical Trust Fund (MNRW-TTF) can be delivered over the next two years. The mission noted the preparations being made by the authorities to manage natural resource revenues and advised on the need to strengthen key fundamental revenue administration functions. These are notably: the

organization structure; reorganizing the audit function; improving filing and payment compliance, tax arrears management, the VAT refund process, risk management, and audit case selection.

Economic and Financial Statistics: A national accounts statistics mission to the Statistics Bureau in Zanzibar from March 10-14, 2014 provided assistance with finalizing the SUT industry and product balances; and compiling the 2007 benchmark and revised GDP estimates. An integrated annual and quarterly GDP compilation system has been developed, using benchmarking software where appropriate to derive quarterly estimates from annual benchmark data. Annual and quarterly GDP estimates at current and constant 2007 prices have been compiled.

Uganda

Public Financial Management: From March 17-28, 2014 AFE participated in HQ-led mission funded under the MNRW-TTF. The mission provided advice for clarifying parts of the draft bill and gave practical assistance in developing a framework for the supporting financial regulations, outlining a fiscal responsibility charter and guiding the next steps for implementing its treasury single account. The mission team included an official from the Government of Mozambique who shared that country's experiences on the benefits, challenges and processes for extending their treasury single account to donor-funded projects.

Workshops

Public Financial Management: From March 17-21, 2014, the World Bank and EAC conducted a workshop to promote the harmonization amongst EAC partner states of standards and practices across a range of PFM areas. As a continuation of its work on harmonizing the legal and fiscal reporting frameworks, AFE supported the workshop, facilitating breakout sessions on the harmonization of budgets and on the practices of Public Accounts Committees. Other sessions considered Accounting and Financial Reporting, Internal Audit, Procurement, External Audit, and professional Accounting Education Standards.

Forthcoming AFE Activities in April and May

Table 1 below provides information regarding planned AFE missions and workshops in April and May 2014.

Table 1. AFE Activities Projected in April and May 2014

Public Financial Management			
TA Missions			
Country	Subject	Date	Expert(s)
Malawi	PFM Reform Program	March 25-April 4, 2014	Duncan Last (IMF HQ) Pokar Khemani (STX) Michael Bitz (STX) Robert Muwanga (STX)
Malawi	Quality Assurance on Program Design	April 28-May 2, 2014	Tawfik Ramtoolah (LTX)
Rwanda	Program-Based Budgeting	May 12-23, 2014	Tawfik Ramtoolah (LTX) Martin Bowen (STX)
Tanzania	Payment Arrears	To Be Determined	Guy Anderson (LTX) STX (To be Determined)
Tanzania	Program-Based Budgeting	May 26-30, 2014	Tawfik Ramtoolah (LTX)
Workshops			
Location	Subject	Date	Expert(s)
Eritrea (in-country workshop)	Medium Term Budgeting Framework	May 5-9, 2014	Tawfik Ramtoolah (LTX) Fazeer Rahim (LTX)
Regional	21 st ESAAG Annual International Conference in Johannesburg, South Africa.	April 7-9, 2014	Guy Anderson (LTX)
Revenue Administration			
TA Missions			
Country	Subject	Date	Expert(s)
Malawi	FAD Revenue Administration Mission	March 26-April 8, 2014	Muyangwa Muyangwa (LTX) Andrew Okello (IMF HQ) Graeme Ludlow (STX) Pierre Bertrand (STX)
Tanzania	Entrenching Risk Management Practices in Customs	April 9-23, 2014	Rob Tait (STX)
Tanzania	Reorganization of the Revenue Authority	May 28-12, 2014	Muyangwa Muyangwa (LTX)
Macro-Fiscal Analysis			
TA Missions			
Country	Subject	Date	Expert(s)
Uganda	GDP Forecasting	March 31-April 9, 2014	Fazeer Sheik Rahim (LTX) Anne Epaulard (STX)
Macro-Fiscal Analysis			
TA Missions			
Country	Subject	Date	Expert(s)
Uganda	GDP Forecasting	March 31-April 9, 2014	Fazeer Sheik Rahim (LTX) Anne Epaulard (STX)
Workshops			
Location	Subject	Date	Expert(s)
Entebbe, Uganda	Fiscal Risks	April 28-May 1, 2014	Tom Josephs (IMF HQ) Murray Petrie (STX) Guy Anderson (LTX) Fazeer Sheik Rahim (LTX)

Financial Sector Regulation and Supervision**TA Missions**

Country	Subject	Date	Expert(s)
Uganda	Insurance Supervision	April 14-May 2, 2014	Naren Sheth (STX)
Eritrea	Insurance Supervision	April 14-18, 2014	Michael Hafeman (STX)
Ethiopia	Insurance Supervision	April 21-May 2, 2014	Michael Hafeman (STX)

Monetary Policy and Operations**TA Missions**

Country	Subject	Date	Expert(s)
Malawi	Foreign Exchange Market Operations	April 29-May 9, 2014	Elias Kasozi (LTX) Steven Mulema (STX)
Uganda	National Payments System Oversight Framework	April 7-17, 2014	Elias Kasozi (LTX) Caraline Clarke (STX)

Government Finance Statistics**TA Missions**

Country	Subject	Date	Expert(s)
Uganda	GFSM2001 Migration Plan	April 7-8, 2014	J. Mathisen (LTX) M. Gitau (EAC)
Tanzania	GFSM2001 Migration Plan	April 10-11, 2014	J. Mathisen (LTX) M. Gitau (EAC)
Burundi	GFSM2001 Migration Plan	April 14-15, 2014	J. Mathisen (LTX) M. Gitau (EAC)
Rwanda	GFSM2001 Migration Plan	April 28-29, 2014	J. Mathisen (LTX) M. Gitau (EAC)
Kenya	GFSM2001 Migration Plan	May 2-5, 2014	J. Mathisen (LTX) M. Gitau (EAC)

Economic and Financial Statistics**TA Missions**

Country	Subject	Date	Expert(s)
Malawi	National Accounts Statistics	March 24-April 11, 2014	Pamela Audi (STX)
Rwanda	Prices Statistics – CIPI, PPI and XMPIs	March 31-April 11, 2014	David Collins (STX)
Rwanda	National Accounts Statistics	May 5-23, 2014	Robin Youll (STX)
Tanzania (Mainland)	Prices Statistics – PPI and XMPIs	May 12-23, 2014	David Collins (STX)
Tanzania (Zanzibar)	Prices Statistics – PPI	May 24-30, 2014	David Collins (STX)
Uganda	National Accounts Statistics	May 5-23, 2014	Zia Abbasi (LTX)

Workshops

Location	Subject	Date	Expert(s)
Uganda	IMF-DFID Quarterly National Accounts Workshop	May 26-30, 2014	Zia Abbasi (LTX) Marco Marini (IMF HQ) Donna Grcman (LTX AFW2)



East AFRITAC

Member Countries

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

External Donors

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

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