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PROGRAM DOCUMENT

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AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER SOUTH (AFS)

International Monetary Fund

AFRICA
REGIONAL TECHNICAL ASSISTANCE CENTER SOUTH
(AFRITAC SOUTH)

"We welcome the increasing and positive role played in this regard by the Africa Technical Assistance Centers (AFRITACs). Therefore we call for the expansion of TA delivery through AFRITACs—including the opening of new centers—which would ensure better traction in recipient countries and lower overall costs. We reaffirm that the willingness of countries within the region to contribute to the AFRITACs is testimony to their relevance and effectiveness, while at the same time supports country ownership and oversight."

African Governors in a Letter of October 2008 to the Managing Director of the IMF

PROGRAM DOCUMENT
(DECEMBER 2010)

EXECUTIVE SUMMARY

This document proposes the establishment of a Regional Technical Assistance Center (RTAC) in Southern Africa (AFRITAC South (AFS)). AFS would cover Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe. This document outlines how AFS together with other TA providers would assist the recipient countries in building their capacity through technical assistance and training in macroeconomic management. The estimated total cost of operating AFS for the first five years is about US$59 million to be borne by donors, the recipient countries, and the IMF.

The three existing AFRITACs have a strong track record in assisting countries to implement reforms in macroeconomic and financial management in areas of the Fund's core expertise: macroeconomic policy, revenue policy and administration, public financial and debt management, monetary policy and operations, financial sector supervision, macroeconomic and financial statistics, and macro-fiscal analysis. There are many concrete examples of the AFRITACs' contributions to achievements in recipient countries, ranging from assistance in establishing large taxpayer offices, strengthening fiscal analysis through better public financial management, developing capacity for undertaking debt sustainability analyses and designing sustainable borrowing policies in post-Heavily Indebted Poor Countries (HIPC) completion point countries, setting up risk-based supervisory frameworks for the financial sector and modernizing payments systems, to designing a statistical master plan for Poverty Reduction Strategy Paper (PRSP) monitoring and supporting customs administration in the context of customs unions.

Independent external evaluations, including the 2008–09 evaluation (Section I.C), have consistently given the AFRITACs high marks for the quality of their expertise, their rapid and flexible service delivery as well as responsiveness to countries' needs. They found that the AFRITACs are well suited to support the design and implementation of countries' Poverty Reduction Strategies and Programs; that they are an excellent vehicle to support regional harmonization and integration; and that their technical assistance (TA) in part contributed to improved transparency, accountability and control, and thus to reducing opportunities for corruption. The evaluations stressed the success of the governance model, with involvement of recipient countries, donors and IMF staff leading to 'ownership' of the recipient countries as well as effective donor coordination in the spirit of the Paris Declaration on Aid Effectiveness.

AFS will serve a diverse group of countries that generates about half of the Sub-Saharan Africa (SSA) GDP. Several of the middle income countries in the region have relatively strong government institutions, as well as a good track record of policy implementation and lasting growth. Lessons from those experiences could be an important input for AFS work, as well as a reference point for assessing the other countries' technical assistance needs and priorities. At the same time, knowledge of best international practices could be an asset for AFS to engage with upper middle income countries in specialized technical assistance areas of exhaustible resource management and supervision of bank and nonbank financial intermediaries, for example. In the case of lower middle income and low income AFS countries, which tend to have weak public administration capacity and need help on a broad front, technical assistance and institution-building support may focus on public financial management, monetary and exchange rate policies and operations, supervision of financial institutions, and economic statistics. There are some countries that will also need technical advice on management of exhaustible resources.

Establishment of AFS will extend a highly successful model of Fund TA delivery through regional technical assistance centers to a group of countries that are not currently covered by the existing three AFRITACs: (i) a Steering Committee—composed of representatives of beneficiary countries, donors, and the Fund—would provide strategic guidance to the center; (ii) a center coordinator—a Fund staff member—would be responsible for the day-to-day management; and (iii) the center's staff would comprise resident advisors, short-term experts recruited and backstopped by the Fund's TA departments, and administrative support. AFS work plans will be integrated with country reform agendas and the Fund's overall TA strategy for the region.

AFS will be one of the Regional Technical Assistance Centers (AFRITACs) under the IMF's Capacity Building Initiative for Africa. Responding to calls from African leaders, including under the New Partnership for Africa's Development, the Initiative launched in 2002 promotes capacity building in African countries to design and implement reforms that are supportive of their poverty reduction strategies. As part of the Initiative, the IMF has established three AFRITACs in Tanzania, Mali, and Gabon. In response to the positive experience to date with these centers, and increased demand from other African countries, the IMF is also planning to open an additional AFRITAC in West Africa that will cover non-francophone countries of the region, subject to adequate financing being available.

AFR Technical Assistance Centers (AFRITAC): Current and Proposed

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LIST OF ACRONYMS

AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Center
AFE	AFRITAC East
AFS	AFRITAC South
AFW	AFRITAC West
ASYCUDA++	Automated System of Customs Data
BNR	Banque Nationale du Rwanda
CABRI	Collaborative African Budget Reform Initiative
CBK	Central Bank of Kenya
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer price index
DFID	Department for International Development
EAC	East African Community
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
FPP	Financial programming and policies
FSAP	Financial Sector Assessment Program
FY	Fiscal year
GDDS	General Data Dissemination System
GNI	Gross national income
HIPC	Heavily Indebted Poor Countries
HQ	Headquarters
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFMIS	Integrated Financial Management System
IFS	International Financial Statistics
IOC	Indian Ocean Commission
IT	Information Technology
JSA	Japan Administered Account for Selected Fund Activities
JPA	Joint Partnership for Africa
LTO	Large Taxpayer Office
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEFMI	Macro-Economic and Financial Management Institute
MoF	Ministry of Finance
MTEF	Medium-term expenditure framework
NPS	National Payments System
NSS	National Statistical System
OTM	Office of Technical Assistance Management (IMF)
PBB	Program-based budget

PEFA	Public expenditure and financial accountability
PFM	Public financial management
PPI	Producer price index
PPP	Public private partnership
PRSP	Poverty Reduction Strategy Paper
RA	Revenue Authority
RAP	Resource Allocation Plan
RBS	Risk-based supervision
REER	Real effective exchange rate
ROSC	Report on Observance of Standards and Codes
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SC	Steering Committee
SDDS	Special Data Dissemination Standard
SECO	Swiss Secretariat for Economic Affairs
SFA	Framework Administered Account of Selected Fund Activities
SISTAFE	Sistema de Administração Financeira do Estado
SNA	System of National Accounts
SSA	Sub-Sahara Africa
TA	Technical Assistance
TSA	Treasury Single Account
USAID	United States Agency for International Development
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organization
WDIs	World Development Indicators
WTO	World Trade Organization

I. AFRITACs Achievements

A. What Do AFRITACs Do?

1. **The IMF's three Africa Regional Technical Assistance Centers (AFRITACs East, West, and Central) are a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors.** They originate from the IMF's response to African leaders' call to the international community to increase TA to Africa. The centers' strategic goal is to strengthen the institutional capacity of African countries to design and implement their poverty-reducing strategies and make progress toward achieving the Millennium Development Goals (MDGs), supported by sound macroeconomic and financial policies.

2. **The AFRITACs are regional technical assistance centers**, **a model of TA delivery launched by the IMF in 1992 in the Pacific Region**. Since then the model was expanded to four continents. The first center in Africa, AFRITAC East (AFE), was established in 2002, and is based in Dar es Salaam, Tanzania. It was followed, about half a year later, by AFRITAC West (AFW), temporarily established in Bamako, Mali in 2003, which covers the countries of French-speaking West Africa. In 2007, AFRITAC Central was opened in Libreville, Gabon, to provide assistance to countries in Central Africa. Through its AFRITACs, the IMF has been able to substantially increase its TA to the beneficiary countries.

3. **Based on the success of this TA model, two more AFRITACs are being established**. One is to cover southern Africa, and another will provide TA for the countries in West Africa that are not covered by AFW. The southern African countries that would be served by the new AFRITAC are **Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe.**[1, 2] The proposed new center will extend a highly successful model of TA delivery to a diverse group of countries that generates about half of SSA GDP.

4. **With the AFRITACs, the IMF combines strategic TA advice from its Headquarters (HQ) with local expertise and on-the-ground capacity building.** AFE is governed by a Steering Committee (SC) that consists of representatives from recipient countries, donors, and the IMF; thus facilitating a coordinated design, implementation, and monitoring of TA programs in AFRITAC recipient countries. Broad TA needs and workplans are identified in conjunction with the SC, alongside the area and TA Departments

[1] The IMF currently does not deal with and recognize a government for Madagascar. Hence, no TA will be provided until the IMF determines to deal with and recognize a government for Madagascar.

[2] The Executive Board of the IMF suspended delivery of IMF TA to Zimbabwe in 2002, and partially lifted the suspension in 2009. AFS will provide TA to Zimbabwe only in areas in which the suspension has been lifted.

at IMF HQ, complemented by a bottom up exercise, where the African department and country authorities discuss IMF TA to the country, including that provided through the AFRITAC. The IMF's TA is integrated with its core lending and surveillance operations, as well as coordinated with that of other providers. Backstopped and supported by the experts and services of IMF HQ, the RTACs are becoming an increasingly important way of delivering effective, efficient and responsive IMF TA.

5. **AFRITACs deliver capacity-building TA and training in Fund areas of expertise to 24 countries in Western, Central, and Eastern Africa: Benin, Burundi, Burkina Faso, Cameroon, Central African Republic, Chad, Cote d'Ivoire, Democratic Republic of Congo, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Guinea, Guinea-Bissau, Kenya, Malawi, Mali, Mauritania, Niger, Republic of Congo, Rwanda, Senegal, Tanzania, and Togo.** The costs of running the AFRITACs is defrayed by grants from recipient countries, the African Development Bank (AfDB) and numerous bilateral donors including Australia, the European Commission (EC), France, Germany, Italy, Luxembourg, the Netherlands Switzerland, and the United Kingdom), and contributions from the IMF. In complementing the center's resource pool, the host countries Gabon, Mali, and Tanzania as well as Kenya generously provide in-kind contributions.

6. **AFRITACs are managed by a center coordinator, and staffed by six to eight resident advisors with substantial expertise in his/her respective sector.** The resident advisors are based in the host country; they travel throughout the region, which allows them to develop rapport with country authorities and familiarity with national and regional contexts and needs. The skill mix of the advisors reflects the identified priority needs of the beneficiary countries. In addition, AFRITACs deploy short-term experts brought in to deliver targeted TA in areas of specific expertise not covered by the resident Advisors or in the same area if needed to meet demand. AFRITACs also provide seminars and workshops, both at the national level and regionally; they sometimes invite selected African countries, not covered by the AFRITAC organizing the workshop, with a view to sharing experience and enhancing networking, including across the AFRITACs.

B. AFRITACs Results in Recipient Countries

7. **Results-focused management for building human and institutional capacity is inherently difficult.** Achievements in these areas take time to materialize and are not easy to attribute and are difficult to measure. Change can often take decades and is correlated with many variables. This, together with the presence of many other TA providers in Africa, makes it difficult to measure the impact of AFRITACs' capacity building on recipient countries.

8. **Notwithstanding these broad difficulties, the IMF and its regional TA centers are in the process of introducing a results-focused management framework.**[3] The framework is anchored in an annual planning, implementation, and monitoring cycle. It identifies the main objectives for each area of work, the expected (and achieved) inputs and activities, main outputs, results, as well as next steps. The framework also makes explicit the links of AFRITAC support to member countries' reforms and poverty-reducing strategies, and the involvement of other donors.

9. **Though the absence of results-focused management over the AFRITACs' two full three-year cycles does not allow a comprehensive review, examples of AFE and AFW results in recipient countries provided below are strong indicators of their positive impact in a wide range of TA areas**.[4]

10. **Facilitating trade through better customs administration**—AFW focused on computerization, the World Trade Organization's (WTO) transaction-based customs assessments, and simplified risk-based customs procedures (notably post release audits). All AFW countries, except Guinea-Bissau, have now fully computerized their customs clearance procedures, with Senegal and Côte d'Ivoire strengthening their own computerized system—Gaindé—and the eight others bringing on line the new and improved Automated System of Customs Data developed by the United Nations Conference on Trade and Development (ASYCUDA++). As a result, substantial progress have been made in trade facilitation, with customs clearance now completed within 24 hours, along with a major improvement in revenue collection in most countries. In the process, Benin, Guinea, and Mali have simplified their customs clearance procedures, taking advantage of the features of ASYCUDA ++. Mali has gone further by revising its Customs Code, with a view to legalizing electronic signature (e-signature) in a paperless customs clearance process. AFW also assisted Guinea in introducing the West African Economic and Monetary Union (WAEMU)/Economic Community of West African States common external tariff, and Mauritania in modernizing its Customs Code in line with the harmonized WAEMU Customs Code.

11. **Results-focused budgeting in Ethiopia**— since 2006, AFE has supported the introduction of program budgeting, on a pilot basis, within the Federal Government of Ethiopia in an effort to shift the focus of resource allocation from "inputs" to "results and outcomes." Since 2007, AFE has offered annual training programs that have assisted the production of program budget submission during the preparation of budget estimates for the Fiscal Years (FY) 2007–08, 2008–09, and 2009–10. A program budget unit was established within the Ministry of Finance to spearhead the reform and the authorities recruited a long-

[3] Introducing results-focused management is an important element in the IMF's comprehensive TA reforms, which were initiated in 2008. See http://www.imf.org/external/np/pp/eng/2008/040308a.pdf.

[4] Please also see http://www.imf.org/external/np/afr/2008/ar/eafritac.pdf for additional detailed examples and a list of major outcomes in Appendix I.

term expert to provide strategic direction and capacity building during the implementation of the reform.

12. **Establishing a Risk-Based Supervisory Framework in Kenya**—With assistance from AFE, Kenya took initial steps to implement a system of risk-based supervision (RBS) in April 2004. The AFE Bank Supervision Advisor served as mentor and general resource-person to the various teams involved in the process. A survey was conducted in September 2004 to determine the status of risk-management practices by banking institutions in Kenya. A draft policy paper was adopted in April, 2005. Risk-Management Guidelines were circulated to banks for comments and formally issued to financial institutions in August 2005 to provide guidance on the minimum requirements for sound risk-management practices. The "Bank Examination Manual" and the format of the "Examination Report" were revised. Since then, the Central Bank of Kenya (CBK) has undertaken several on-site examinations using the new framework and has developed supervisory programs for institutions upon completion of these examinations. CBK commented that RBS had contributed significantly to its better understanding of the risk profiles of institutions, a more methodical approach to monitoring institutions, greater efficiency in conducting examinations and the production of reports, which are now more concise and focused. The general strengthening of supervisory arrangements by CBK and the development of RBS provide critical support to Kenya's "Vision 2030," which sees the country becoming a regional financial center.

13. **Developing the legal and regulatory frameworks for microfinance**—AFW developed a successful coaching program for officials of microfinance supervision agencies to improve the quality of on-site inspections and implement a risk-based onsite supervision. AFW also help several WAEMU members to separate the activities of promotion and supervision of microfinance institutions with the Ministry of Finance now responsible for the former and the latter being undertaken by distinct entities, which generally report to a Minister other than the Minister of Finance. Following several AFW missions in collaboration with an outside consultant from the Financial Sector Reform and Strengthening Initiative, Guinea has implemented a new legal and regulatory framework regarding microfinance activities.

14. **Modernization of the retail payment and settlement systems and the harmonization of cross-border systems in selected East African Community (EAC) countries (Kenya, Rwanda, and Tanzania)**—In Kenya, AFE assistance resulted in significant strengthening of CBK capacity for the modernization, management, and oversight of the national payment system (NPS) through the creation of suitable regulatory and oversight regime and enhancing CBK's capacity to develop standards, requirements, and regulatory measures for nonbank money transfers and mobile banking and remittance services. Similarly, AFE assistance is at the heart of the ambitious NPS modernization strategy adopted and being implemented by Banque Nationale du Rwanda (BNR). The assistance resulted in the drafting of the framework and strategy and helped BNR implementing several of its integral elements, including the introduction of new products and

services, such as real-time gross settlement, electronic banking, and mobile payment and remittance services. AFE TA also resulted in creating a regulatory and oversight function at BNR. In Tanzania, AFE TA resulted in Bank of Tanzania reformulating the existing on and off-site oversight framework, developing risk-management guidelines for retail payments systems, including electronic banking and mobile payments; and considering the introduction of standards, requirements, and regulatory measures for money transfer and other retail payment systems and products.

15. **Design of statistical master plans of Poverty Reduction Strategies for Tanzania**—AFE supported Tanzania's National Statistical System (NSS) to review progress being made in the Statistical Capacity/NSS project, which, in turn, helped coordination with the World Bank and other development partners. AFE also provided assistance in developing Tanzania's draft Statistical Master Plan (FY2008–13), which is a component of Tanzania's PRSP.

C. External Evaluation of the AFRITACs

16. **An external evaluation of the three existing AFRITACs completed in early 2009 found them to be highly effective and efficient** (Box 1).[5] The evaluation also highlighted the positive role of the AFRITACs' governance structure and the Centers' ability to provide cost-effective and flexible TA.

- The AFRITACs' governance structure provides an appropriate platform for implementing the March 2005 Paris Declaration on Aid Effectiveness,[6] which calls for efforts to harmonize, align, and manage aid for results.
- The geographical proximity of AFRITACs to beneficiary countries provides a quick and cost-effective way to deliver TA.
- Being integrated into the IMF's surveillance and lending operations, TA through AFRITACs reflects prioritized country needs.
- AFRITACs can strengthen regional collaboration by anchoring specific TA activities in regional economic initiatives, organizing training jointly with regional institutions, and helping to establish regional professional networks.
- AFRITACs' emphasis to use African professionals provides an avenue for building and sustaining local expertise.

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[5] See AFE's second independent evaluation since 2002. The previous evaluation also positively assessed AFE's performance during the first financing cycle (http://www.imf.org/external/np/pp/eng/2005/040105d.htm).

[6] See http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html.

Box 1. External Evaluation of the AFRITACs: A Success Story

The FY 2008–09 external evaluation of the Central, East, and West AFRITACs is part of the AFRITACs' governance structure. With the objective of providing stakeholders an assessment of the Centers' achievements, challenges, and plans for improvement, the evaluation was based on an electronic survey to seek input from users and TA providers (more than 700 respondents), interviews at IMF HQ, visits of all three AFRITACs and eight recipient countries, and reviews of available documents and data.

The evaluation rated the performances of all three AFRITACs as at least *good* (see table below). This is despite about two-thirds of the AFRITAC membership having an institutional absorptive capacity that is rated as poor or modest, thus creating a challenging environment for TA implementation. The exercise evaluated TA projects in the following five functional areas: public finance management, revenue administration, monetary operations, banking supervision and statistics, along these four dimensions: relevance, effectiveness, efficiency and sustainability. The ratings were done on a scale of 1 (poor) to 4 (excellent).

	AFRITAC East	AFRITAC West	AFRITAC Central
Relevance	3.3	3.2	3.0
Effectiveness	3.1	2.8	2.7
Efficiency	3.0	2.8	2.9
Sustainability	2.9	2.7	2.7

Among other findings, the evaluation team noted that:[1]

- AFRITACs provided rapid and flexible services with all TA delivery modes effective, particularly the regional seminars and mission work of AFRITAC resident Advisors;
- the quality of the expertise in AFRITACs was good and seemed to have enhanced IMF's reputation;
- AFRITAC TA was responsive to countries' needs (close to the countries) and was "owned" by the countries: the involvement of recipient countries, donors, and IMF staff in the AFRITAC governance structure has proven to be a successful model;
- AFRITACs are well suited to play a leading role in the IMF's support for regional harmonization and supported countries' Poverty Reduction Strategies and Programs; and
- some AFRITAC TA improved transparency, accountability, and control, thus contributing to reducing opportunities for corruption.

[1] Respondents to the survey also rated the AFRITACs as better than other TA providers in terms of responsiveness, knowledge of the countries, flexibility, reaction times, cost effectiveness, and use of African expertise.

17. **The evaluation also found areas for improvement which are being addressed.**

- **Recommendation 1:** Office of Technical Assistance Management (OTM)'s presentations during the negotiations for the next financial replenishment should argue for additional resources to strengthen the human and financial resources of the AFRITACs and necessary support from HQ together with implementing the recommendations of the evaluation.

Response: The proposed budgets for the AFRITACs incorporate a request for more resources (see Section III.J for a detailed discussion on the budget). In addition to the expansion of the existing AFRITACs and new AFRITACs, the IMF is planning to step up TA to African countries through topical trust funds (see Section III.A for more details).

- **Recommendation 2:** The three AFRITACs should, in coordination with the TA departments, by the end of calendar year 2010, adopt a three-year plan for each cluster of TA interventions in a country that sets out the strategic objectives and outcomes that the capacity building initiative expects to achieve and provides a framework with indicators against which progress can be monitored.

  Response: This program document is proposing medium-term plans for all AFS countries for each cluster of TA interventions, which are integrated with the relevant country reform program and which also set out the strategic objectives of AFS's initiatives. These proposals will be further elaborated after the first year of AFS's operations. The proposals include verifiable indicators against which progress can be monitored. The annual report of AFS will report on the progress made toward these indicators.

- **Recommendation 3:** While recognizing that beneficiary countries should lead donor coordination, all three AFRITACs need to strengthen their donor coordination and information dissemination strategies.

  Response: Coordination with donors will be strengthened through a combination of measures, including by sharing information after AFRITAC missions and enhanced communication through each AFRITAC's website. The IMF has also adopted in May 2009 streamlined and strengthened procedures for the wider dissemination of TA-related information, including its mission planning, regional TA strategies and specific TA reports (Section III.C for more detail on coordination and dissemination).

- **Recommendation 4:** All AFRITACs, the SCs as well as the center coordinators, resident advisors, the TA departments, and OTM must do some strategic thinking about how to strengthen TA sustainability. Among other things, this will involve providing more follow up and financing to support the implementation of recommendations resulting from TAs. During its fieldwork, the evaluation team came across several cases where government officials said that while they agreed with and wished to implement the TA recommendations, the necessary funds were not available.

  Response: This recommendation will be implemented through strengthened coordination with donors and other TA providers. Resident Advisors, through their periodic missions to AFRITAC countries, would indicate whether there is a need for funds to implement the recommendations such as for information technology, software and hardware, or support for undertaking surveys. Such needs would also be highlighted at SC meetings. The need for follow-up TA will be disseminated to downstream TA providers through regular donor updating by AFS experts.

- **Recommendation 5:** Each AFRITAC should prepare a plan to indicate how it will use a regional approach to facilitate the development of the macroeconomic tools in its areas of competence that are necessary to support regional integration and harmonization and present the plan to their SCs in 2010.

  Response: This program document sets out on how AFS would support regional integration and harmonization (see Section II for more details). AFS will report progress in these areas at the SC to facilitate coordination with other TA providers.

- **Recommendation 6:** By the end of the Financial Year (FY2010)[7] OTM should prepare a manual that codifies the organization, management and administrative procedures for the RTACs.

  Response: This work is in progress. OTM hosted a two-day internal RTAC retreat with center coordinators and IMF HQ staff in December 2008, at which action items were identified and a timetable was developed. There also is currently a departmental working group in the Fund, which aims to further strengthen and streamline procedures. OTM is working on a manual, which is expected to be finalized in 2011. While most of the manual would be on internal procedures, relevant parts would be shared with the SC.

- **Recommendation 7:** As part of the next RTAC review, OTM should prepare a Ten-year vision for RTACs that outlines the strategic implications for the IMF.

  Response: OTM intends to prepare a RTAC Review for discussion at the IMF Executive Board in FY 2012, which will lay out the IMF's long-term vision on the RTACs.

- **Recommendation 8:** By the end of 2009 the AFRITACs and OTM should develop formal action plans, identifying the necessary resources and monitorable benchmarks to implement the accepted evaluation recommendations and report the implementation status to the SCs in FY2010 and FY2011.

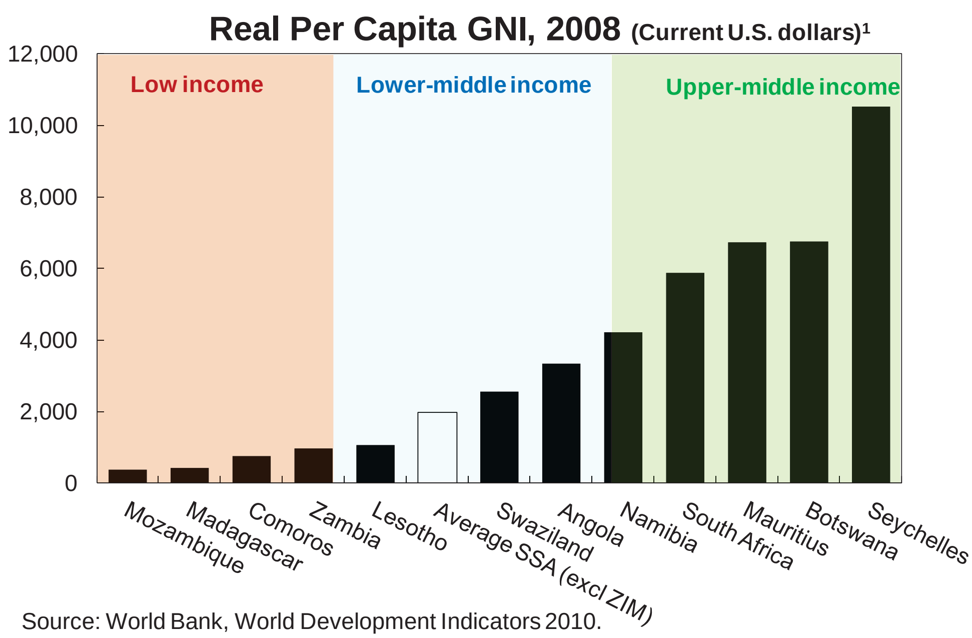
  Response: Progress on the implementation of the recommendations of the evaluation will be reported at the AFRITAC's SCs.

[7] The IMF's financial year runs from May 1 to April 30.

II. How AFRITAC South Would Assist in Addressing the Region's Macroeconomic Challenges

A. Where Does the Region Stand Now?

18. **AFS will serve a diverse group of countries that generates about 50 percent of the total GDP of SSA.** There are (i) five upper middle income countries (Botswana, Mauritius, Namibia, Seychelles, and South Africa); (ii) three lower middle income countries (Angola, Lesotho, and Swaziland); and (iii) five low-income countries (Comoros, Madagascar, Mozambique, Zambia, and Zimbabwe).[8] South Africa contributes about 70 percent of the combined GDP of AFS countries. Natural resource endowments are also diverse across countries: Angola, Botswana, Namibia, Mozambique, and Zambia are rich in mineral resources while the beaches of the islands of Mauritius and Seychelles are popular tourist destinations. Mauritius also has a dynamic export sector for textiles and clothing, fish and fish products, and re-exports.



Source: World Bank, World Development Indicators 2010.

[1] Excludes Zimbabwe due to lack of data.

19. **After nearly a decade of robust economic growth, several countries in AFS experienced marked slowdowns in 2008 and 2009, reflecting the impact of the global**

[8] The classification of countries into income groups follows the World Bank's World Development Indicators (WDI). The 2010 WDI defines the following thresholds based on 2008 per capita gross national income: US$975 or less (low income); US$976–US$3,855 (lower middle income); US$3,856–US$11,905 (upper middle income); and US$11,906 or more (high income).

economic downturn. Angola, Botswana, Namibia, and South Africa were the hardest hit as demand for their minerals and precious stones fell markedly. Many of the other countries also experience slowdowns in 2009 but two of the low-income countries—Mozambique and Zambia—were able to sustain high growth during the global crisis. In response to an acute balance of payments and debt crisis, Seychelles implemented a far-reaching adjustment program beginning in late-2008 which has succeeded in stabilizing the economy in 2010. A rebound in growth is estimated for nearly all AFS countries in 2010.[9] Zimbabwe's economy has started to grow after a decade-long output decline. However, significant external, financial, and political vulnerabilities are weighing heavily on prospects for the Zimbabwe economy.

AFRITAC South: Growth and Inflation

	Share in AFS Region's GDP	Average Growth Rates (In Percent)			Avg. Annual Inflation Rate (In Percent)		
		2000-07	2008	2009	2000-07	2008	2009
Upper middle-income and oil producer							
Angola	14.5	11.8	13.3	0.7	97.1	12.5	13.7
Botswana	3.0	5.3	3.1	-3.7	8.3	12.6	8.1
Mauritius	1.9	4.0	5.0	2.5	4.9	9.7	2.5
Namibia	2.1	5.2	4.3	-0.8	6.9	10.0	9.1
Seychelles	0.2	2.5	-1.3	0.7	3.0	37.0	31.8
South Africa	69.0	4.3	3.7	-1.8	5.3	11.5	7.1
Average		5.5	4.7	-0.4	20.9	15.5	12.1
Average (excluding Angola)		4.3	3.0	-0.6	5.7	16.2	11.7
Lower middle-income and low-income							
Comoros	0.1	2.1	1.0	1.8	4.3	4.8	4.8
Lesotho	0.4	3.4	4.5	0.9	6.9	10.7	7.2
Madagascar	1.8	3.6	7.1	-3.7	10.8	9.2	9.0
Mozambique	2.1	8.5	6.7	6.3	11.6	10.3	3.3
Swaziland	0.7	2.4	2.4	1.2	6.9	13.1	7.6
Zambia	2.8	5.2	5.7	6.3	18.4	12.4	13.4
Zimbabwe	1.2	-5.0	-18.9	5.7	…	…	…
Average (excluding Zimbabwe)		4.2	4.6	2.1	9.8	10.1	7.5

Source: IMF, African Department database; and World Economic Outlook database.

20. **Inflation has been at low-to-moderate levels in most AFS countries over the last decade**. The main exception is Zimbabwe which experienced hyperinflation in 2006–08, but following full official dollarization in 2009, prices stabilized. Members of the Rand Common

[9] See IMF, *Regional Economic Outlook: Sub-Saharan Africa*, October 2010.

Monetary Area—Lesotho, Namibia, South Africa, and Swaziland—maintained single-digit inflation rates during most of the period, as did Botswana and Mauritius. Inflation rates in Madagascar, Mozambique, and Zambia have been in the low double-digit range in recent years reflecting, inter alia, increases in liquidity associated with higher mineral exports and foreign aid inflows. Angola succeeded in curbing hyperinflation in the early 2000s and has maintained inflation at around 13 percent since 2006; the nominal stability of the kwanza has been instrumental in this regard, albeit at the cost of a significant real effective exchange rate appreciation. Most AFS countries saw an uptick in inflation in 2008 in the wake of rising world food and fuel prices. In the case of Seychelles, the rise in inflation in 2008 and 2009 partly reflected the initial impact of floating the exchange rate as part of the adjustment program initiated in November 2008.

21. **Fiscal consolidation advanced in many AFS countries over the last decade but deficits have widened recently, reflecting the impact of, and response to, the global economic crisis.** Country specific experiences include:

- In the consolidation phase (in the mid-2000s), improvements in the fiscal balance reflected a combination of factors, including a strengthening of revenue administration that increased tax revenues gradually (e.g., in Mozambique), declines in expenditure-to-GDP ratios due to curtailing nonpriority spending (e.g., Zambia) or adherence to strict fiscal rules setting upper limits to government expenditure (e.g., Botswana) or under-spending due to capacity constraints (e.g., Angola).

- Botswana, Lesotho, Namibia, and Swaziland experienced a significant decline in SACU transfers following the global financial crisis. Part of this decline is permanent, necessitating a sizeable fiscal adjustment in these countries. Lesotho has initiated the adjustment process in the context of an Extended Credit Facility. Swaziland is initiating the fiscal adjustment under an IMF staff monitored program. Namibia and Botswana, which experienced smaller declines in transfers, are implementing their domestic adjustment programs.

- In response to the adverse impact of the global crisis on output and employment, South Africa implemented a fiscal stimulus. It is intended to be gradually withdrawn in the medium term as the recovery takes root and high unemployment declines.

- With the establishment of full official dollarization in 2009, Zimbabwe has implemented a large fiscal adjustment by eliminating most of the quasi-fiscal activities of the Reserve Bank of Zimbabwe and reducing subsidies substantially. Thanks to price stability and tax policy and administration measures, budget revenues have recovered quickly to almost 30 percent of GDP. However, the government is experiencing challenges in controlling the wage bill and expenditure arrears.

AFRITAC South: Central Government Accounts

(In percent of GDP)

	Overall Balance (Including Grants) 1/			Domestic Revenue			Total Expenditure		
	2000-03	2004-07	2008-09	2000-03	2004-07	2008-09	2000-03	2004-07	2008-09
Upper middle-income and oil producer									
Angola	-5.4	8.3	0.2	43.4	42.5	40.9	49.7	34.4	40.7
Botswana	0.9	6.1	-6.2	39.7	38.1	32.4	39.5	33.1	40.6
Mauritius	-5.3	-5.3	-3.9	18.0	18.4	20.6	17.1	18.9	21.5
Namibia	-3.4	0.5	0.5	28.2	28.5	30.0	31.7	28.1	29.7
Seychelles	-7.4	-7.9	-3.1	34.3	39.2	33.9	43.4	43.4	33.4
South Africa	-1.6	-0.3	-3.0	24.6	27.1	28.5	26.0	26.9	31.3
Average	-3.7	***0.2***	***-2.6***	***31.3***	***32.3***	***31.0***	***34.6***	***30.8***	***32.9***
Average (excluding Angola)	-3.4	***-1.4***	***-3.1***	***28.9***	***30.3***	***29.1***	***31.5***	***30.1***	***31.3***
Lower middle-income and low-income									
Comoros	-3.1	-1.6	-1.0	14.1	14.4	13.5	21.0	20.9	24.4
Lesotho	-2.7	8.4	2.8	46.4	57.7	62.7	52.2	49.9	62.9
Madagascar	-5.0	6.3	-2.5	10.0	11.5	12.2	18.7	21.7	17.0
Mozambique	-5.1	-2.8	-4.0	12.0	14.5	16.9	26.2	25.7	30.4
Swaziland	-2.9	2.1	-2.1	25.8	35.5	38.0	29.5	34.3	41.3
Zambia	-4.1	3.3	-2.3	18.5	17.9	17.3	29.3	25.1	23.5
Zimbabwe	-7.2	-6.2	-2.9	22	16.6	11.8	29.1	22.9	15.1
Average (excluding Zimbabwe)	-3.8	***2.6***	***-1.5***	***21.1***	***25.2***	***26.7***	***29.5***	***29.6***	***33.2***

Source: IMF, African Department database; and *World Economic Outlook* database.

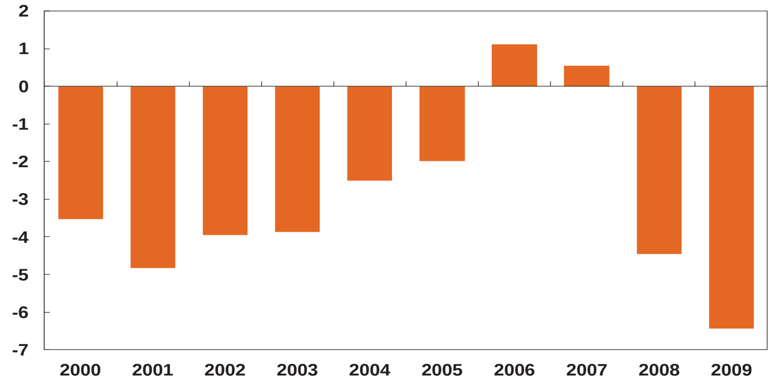
1/ Domestic revenue plus grants minus total expenditure. Excludes grants associated with debt relief under the Multilateral Debt Relief Initiative (MDRI).

22. **Developments in the external current account balance have broadly mirrored fiscal trends in most AFS countries**. Average current accounts balances for the region improved steadily between 2002 and 2006, in tandem with improvements in international terms of trade, especially in mineral-rich AFS countries. A deterioration in external balances during the period of 2007–08 was largely due to price increases of imported fuel and food products, while further deterioration in 2009 reflected the impact of the global crisis. Real effective exchange rates of Angola and HIPC countries (Madagascar, Mozambique, and Zambia) appreciated, reflecting their gains in terms of trade. By contrast, the real effective exchange rate (REER) of the rand monetary area and Botswana depreciated in the mid-to-late 2000s, in part reflecting policy action of the authorities.[10] However, the rand area has recently experienced a significant real effective exchange rate appreciation as a result of large capital inflows to South Africa.

[10] For example the Botswana authorities devalued the pula in 2004 and 2005, and targeted a stable REER for the pula thereafter.

Figure 1. Current Account and Central Government Balances and REER

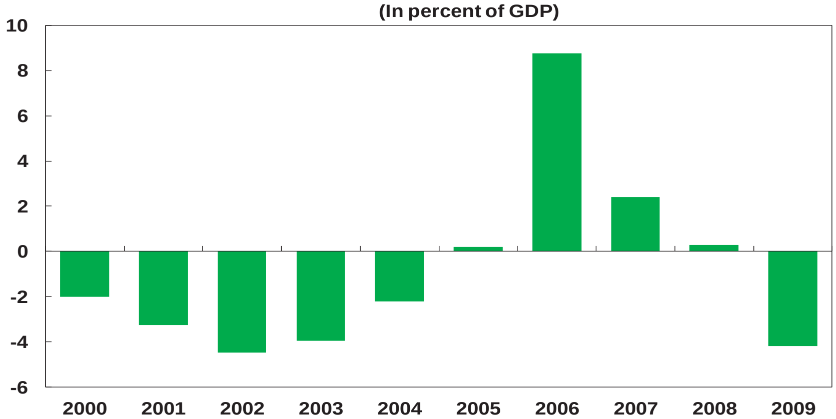
External Current Account Balance [1]
(In percent of GDP)



Source: IMF, African Department database; and *World Economic Outlook* (WEO) database.

[1] Average for all AFRITAC South except Seychelles and Zimbabwe.

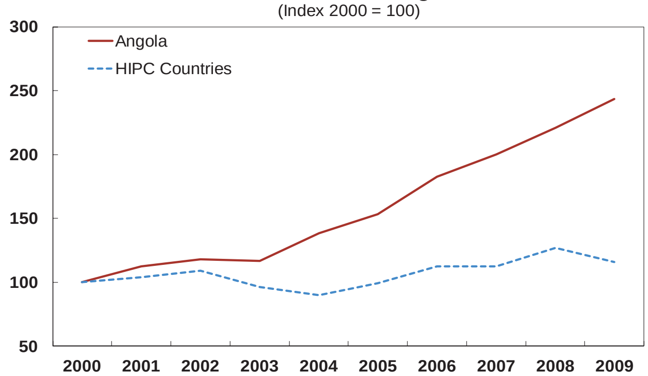
Overall Central Government Balance[1]
(In percent of GDP)



Source: IMF, IMF, African Department database; and *World Economic Outlook* (WEO) database.

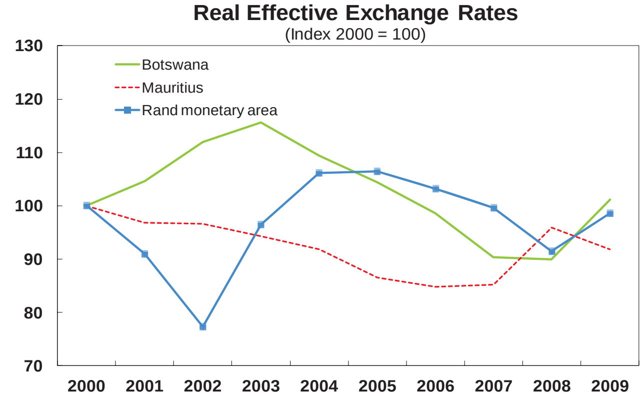
[1] Average for all AFRITAC South except Seychelles and Zimbabwe.

Real Effective Exchange Rates
(Index 2000 = 100)



Source: IMF, African Department database; and *World Economic Outlook* database.

Real Effective Exchange Rates
(Index 2000 = 100)

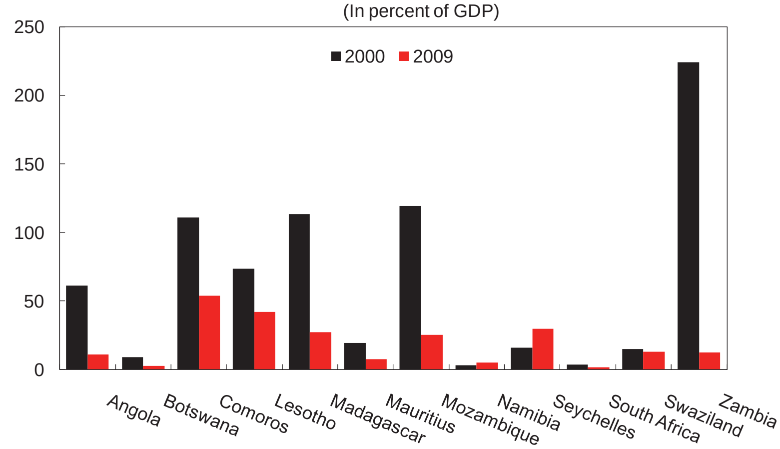


Source: IMF, African Department database; and *World Economic Outlook* database.

23. **External public debt levels for nearly all AFS countries either declined or remained at moderate levels between 2000 and 2009**. External debt reductions were significant for countries that reached the Completion Point under the HIPC Initiative and benefited from the MDRI (Madagascar (2004), Mozambique (2001), and Zambia (2005)). Seychelles' external debt to official creditors was about 30 percent of GDP in 2009. However, combined with the outstanding domestic debt, Seychelles' total public debt amounted to 128 percent of GDP at end-2009; it fell to 80 percent in 2010 after a successful debt restructuring exercise. Zimbabwe is in debt distress with external debt estimated at 122 percent of GDP at end-2009 (most of which is in arrears).

External Debt to Official Creditors[1]

(In percent of GDP)



Source: IMF, African Department database; and World Economic Outlook database.

[1] Excludes Zimbabwe due to lack of data.

24. **There are substantial differences in the depth of financial markets across AFS countries** (Text Table). South Africa's high broad money- and stock market capitalization-to-GDP ratios reflect the country's relatively high income per capita level and its well developed banking system. Mauritius also recorded relatively high broad money-to-GDP ratios due partly to large capital inflows, mainly foreign direct investment in tourism, fishing, and information and communications technology, along with strong regulation/supervision and banks' well-developed credit risk systems. Financial deepening in Namibia and Botswana has taken off in recent years in tandem with the development of nonbank financial institutions, such as insurance companies and pension and investment funds, whose assets as a share of GDP are higher than those of banks (Text Table). Nonbank financial institutions have been strong complements and competitors to commercial banks' lending activities generally in the more developed countries in the region. Other AFS countries (Angola, Lesotho, Madagascar, Mozambique, and Zambia) show rather low levels of financial intermediation on account of the low income of the majority of their populations and structural factors, such as weak contract enforcement and not yet fully developed credit information sharing.

B. What Should be Done in the Next Decade?

25. **The current global financial crisis highlights the need to strengthen institutional reforms to sustain and increase economic growth in AFS countries**. Five AFS countries have produced PRSPs in which they underscore key institutional constraints facing the

national authorities as they seek to reduce poverty rates and attain the MDGs (Box 2). For many countries, their traditional pillars of growth (e.g., copper in Zambia; diamonds in Botswana and Namibia; tourism in Mauritius and Seychelles) were affected by the global crisis and the authorities are seeking to diversify the production and export bases of the economies.

AFRITAC South: Financial Sector Features

(In percent)

	Broad Money (In % of GDP)		Comm. Banks' Claims on the Private Sector (In % of Broad Money)	
	2004	2009	2004	2009
Upper middle-income and oil producer				
Angola	16.5	42.4	35.7	52.5
Botswana	28.1	46.1	72.3	56.2
Mauritius	101.2	103.4	78.4	82.3
Namibia	37.1	39.1	125.8	118.1
Seychelles	104.1	44.7	27.2	53.0
South Africa	64.6	80.3	104.4	101.3
Average	**58.6**	**59.3**	**74.0**	**77.2**
Average (excluding Angola)	**67.0**	**62.7**	**81.6**	**82.2**
Lower middle-income and low-income				
Comoros	23.1	30.3	31.4	51.0
Lesotho	30.5	41.8	23.8	32.4
Madagascar	21.3	20.8	45.8	53.2
Mozambique	17.7	27.6	59.8	98.5
Swaziland	21.6	30.8	95.0	81.9
Zambia	21.5	21.4	37.5	56.1
Zimbabwe	34.9	27.0	55.2	54.8
Average (excluding Zimbabwe)	22.6	28.8	48.9	62.2

Source: IMF, African Department database; and *World Economic Outlook* database.

SACU Member States: Total Assets of Banks and Nonbank Financial Institutions, 2006

(In percent of GDP)

	Banks		Nonbank Financial Institutions: Total Assets				
	Total Assets	Claims on Private Sector	Insurance Companies	Pension Funds	Investment Funds	Building Societies	Other Nonbank
Botswana	60	20	21	48	...	2	10.0
Lesotho	42	19	18	5	...	...	0.2
Namibia	85	46	36	54	...	...	1.0
South Africa	120	82	79	95	35	...	...
Swaziland	31	20	2	41	...	3	6.0

Source: “The Role of Nonbank Financial Institutions in Botswana, Lesotho, Namibia, and Swaziland,” by Alfredo Torrez and Thomson Fontaine, IMF Country Report 08/355, October 2008.

1/ Includes mainly savings and credit unions.

Box 2. PRSP Reforms in the IMF's Areas of Core Expertise

Five of the countries to be covered by AFS—Comoros, Lesotho, Madagascar, Mozambique, and Zambia— have produced PRSPs.

PRSPs' overall strategy

All PRSPs target macroeconomic stability as a precondition for reaching sustainable growth and poverty reduction. Recommended policies include sustaining fiscal, financial, and external stability, while implementing structural reforms. PRSPs recognize the strategic role that good governance and capacity building play in attaining long-run sustainable growth and poverty reduction. Examples of good governance and institution building include the modernization of the public administration, the introduction of regulatory reforms, and improvements in the availability and quality of statistical information used for policymaking.

Revenue administration and public financial management (PFM) reforms

- **PFM reforms** in *Zambia's* PRSP seek to improve the budget execution and monitoring processes through periodic public expenditure reviews and financial accountability programs. Strengthening **revenue administration** and improving the tax structure are regarded as prerequisites for financing development programs in Zambia.

- *Comoros'* PRSP recommends enhancing budget transparency through audits and improved budget classification. The PRSP notes that IMF TA could assist the government in its efforts to improve its **tax structure and administration** and undertake **trade liberalization.**

- *Mozambique's* PRSP seeks to revise income tax laws and the country's value-added tax (VAT) in an effort to increase the tax system's efficiency and reduce the tax burden on the private sector. Reforms to improve **tax administration** and simplify the tax system are also included in the PRSP**.**

- *Lesotho's* PRSP notes the need to restructure **public financial management (improving bu**dgetary operations, strengthening the accounting system, and strengthening human capacity), as highlighted in the "Study into Public Financial Management in Lesotho" and the Department for International Development (DFID) project memorandum on public expenditure management**.**

Financial sector reforms

- *Comoros'* PRSP acknowledges that a strong **regulatory framework** is needed to help the central bank exercise its supervisory power and support the growth of the financial and microfinance systems.

- *Zambia's* PRSP recognizes the need to **enhance the effectiveness of monetary policy** by strengthening the central bank's operations and institutional framework. In addition, the Zambian authorities have developed a comprehensive **financial sector development plan**, whose main pillars are enhancing market infrastructure, increasing competition and access to finance in the country.

Box 2. PRSP Reforms in the IMF's Areas of Core Expertise (concluded)

- *Mozambique's* PRSP recommends training inspectors on the supervision and monitoring of microfinance institutions. The PRSP recommends a **strengthening of the central bank's regulatory and supervisory authority** to comply with international standards, such as the Basel core principles.

Macroeconomic statistics

- *Comoros'* PRSP highlights the importance of having reliable and relevant statistics to better monitor economic developments and assess short-term results, as well as the MDGs.

- *Zambia's* PRSP recommends a review of national accounts, balance of payments, and the consumer price index statistics, with a view to ensure best methodological practices for the production of these data. Improving these statistics should enhance the government's ability to monitor macroeconomic performance and improve policymaking.

- *Lesotho's* PRSP calls for evidence-based policy-making. This would entail capacity building at various ministries and the national center for statistics to ensure that relevant input, output, outcome, and impact data are obtained from the various data producers, which would then be analyzed to facilitate pro-poor policy advocacy.

AFS Country PRSP Reforms in the Fund's Areas of Core Expertise 1/

(November 2010)

	Latest PRSP 2/	Revenue	PFM	Banking Supervision	Central Bank Operations	Business Environment 3/	Statistics
Comoros	Interim Oct 2005	x	x	x	...	x	x
Lesotho	Mar. 2005	x	x	...	...	...	x
Madagascar	Oct. 2006	x	x	x	...	x	x
Mozambique	May 2006	x	x	x	...	x	...
Zambia	Dec 2006	x	x	x	x	...	x

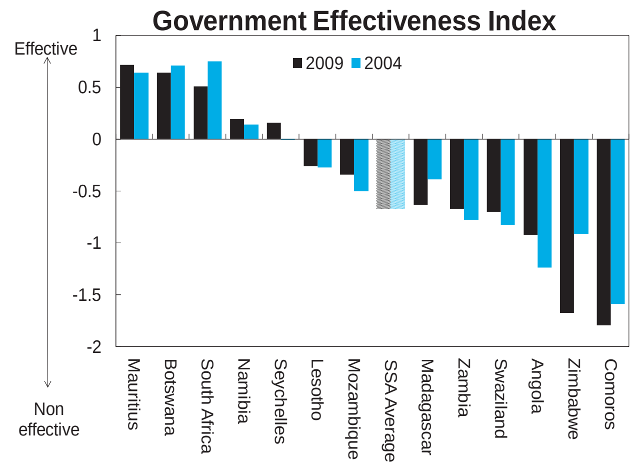
Sources: IMF; and country authorities.

1/ Angola, Botswana, Mauritius, Namibia, the Seychelles, South Africa, Swaziland, and Zimbabwe do not have a PRSP.

2/ Mozambique had its first PRSP in 2001, Zambia in 2002, and Madagascar in 2003.

3/ Reforms in the business environment that are in the core area of the Fund's expertise include simplifying the domestic tax system and improving access to credit.

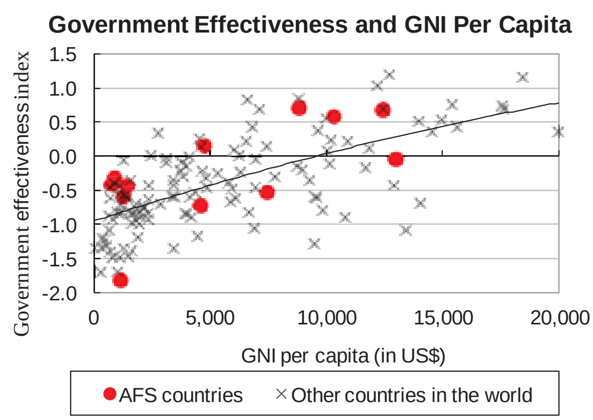
26. **TA needs of AFS countries depend on the individual countries' economic development stage.** Middle-income countries are likely to require technical support in areas of specialized economic management, while the rest of AFS countries may need long-run support on basic macroeconomic management issues. TA support in the areas of IMF core expertise include (i) strengthening government institutions; (ii) deepening financial intermediation; (iii) strengthening the quality of macroeconomic statistics; and (iv) supporting regional harmonization and integration initiatives.

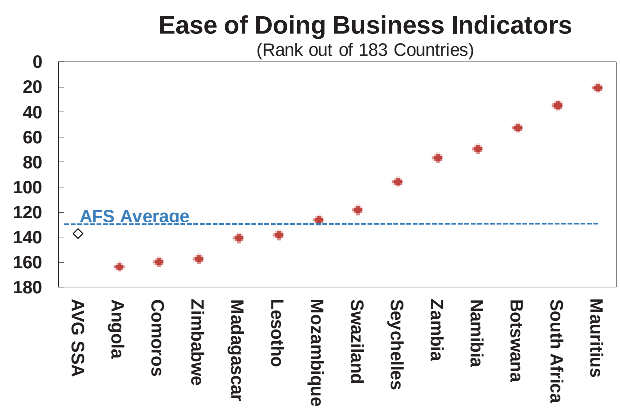


Source: The World Bank.

Strengthening government institutions

27. **Strong government institutions are critical for supporting high economic growth and a rapid reduction of poverty rates.**[11] In terms of the quality of government institutions, AFS countries may be divided into three groups. Botswana, Mauritius, and South Africa have effective government institutions according to the World Bank's government effectiveness indicators. Namibia and Seychelles rank significantly lower than the top three middle-income countries, as well as against countries around the world with similar gross national income (GNI) per capita. Government effectiveness in the remaining AFS member countries is rather low, especially in Angola, Comoros, and Zimbabwe, whose average effectiveness ratios are much worse than those for the SSA region.





Source: World Bank, Doing Business Report 2011.

28. **Information on World Bank's *Doing Business* indicators for AFS countries is broadly consistent with the government effectiveness rankings** (Table 1)**.** Conducting business in Botswana, Mauritius, and South

[11] A number of studies have suggested the centrality of governance to economic development. The results are summarized in Gupta, S., Powell R., and Yang Y. (2005) "Macroeconomic Challenges of Scaling up Aid to Africa," IMF Working Paper, No. WP/05/179.

Africa is easier than in the rest of the region. These three AFS countries are in the top (high performing) 30 percent of the country sample assessed by the World Bank. Rankings for Namibia and Seychelles are lower, although the reasons for the countries' grading vary. Registering property and trading across borders are drawbacks in Namibia, whereas getting credit and closing a business are serious obstacles for business development in Seychelles. Doing business indicators rank the rest of the AFS countries at about the average for the SSA. Notably, for almost all AFS countries, the costs of trading across borders (e.g., documents requirements, transport costs of exports and imports) tend to be rather high.

Table 1. Doing Business Indicators

(Rank out of 183 countries)

	Zambia	Swaziland	Mozambique	Lesotho	Madagascar	Zimbabwe	Comoros	Angola	AFS Low and Lower-Middle Income
Ease of doing business rank	**76**	**118**	**126**	**138**	**140**	**157**	**159**	**163**	**135**
Starting a business	57	153	65	140	70	143	168	164	**120**
Dealing with construction permits	158	40	155	163	110	172	68	128	**124**
Registering property	83	156	144	146	162	82	99	174	**131**
Getting credit	6	46	128	128	176	128	168	116	**112**
Protecting investors	74	120	44	147	59	120	132	59	**94**
Paying taxes	37	52	101	64	72	131	96	142	**87**
Trading across borders	150	147	133	140	106	168	135	166	**143**
Enforcing contracts	86	170	132	116	153	110	152	181	**138**
Closing a business	97	63	129	69	183	156	183	147	**128**

	Mauritius	South Africa	Botswana	Namibia	Seychelles	AFS Upper-Middle Income	AFS Average	SSA Average
Ease of doing business rank	**20**	**34**	**52**	**69**	**95**	**54**	**104**	**137**
Starting a business	12	75	90	124	109	**82**	**105**	**126**
Dealing with construction permits	39	52	127	36	61	**63**	**101**	**117**
Registering property	69	91	44	136	62	**80**	**111**	**121**
Getting credit	89	2	46	15	152	**61**	**92**	**121**
Protecting investors	12	10	44	74	59	**40**	**73**	**113**
Paying taxes	12	24	21	99	38	**39**	**68**	**115**
Trading across borders	22	149	151	153	36	**102**	**127**	**135**
Enforcing contracts	61	85	70	41	69	**65**	**110**	**117**
Closing a business	71	74	27	53	183	**82**	**110**	**128**

Source: World Bank, Doing Business Report 2011.

29. **Among AFS countries, many of the middle income ones have relatively efficient and accountable PFM systems while the low-income countries tend to have much weaker systems.** According to the Public Expenditure and Financial Accountability (PEFA) indicators, Lesotho, Madagascar, and Zambia show low scores for control in budget execution, timeliness of budget reporting, and external scrutiny. Mauritius and South Africa show relatively high scores in most areas.[12] The indicators generally point out that PFM in low-income AFS countries could be improved by reforms of key public institutions (e.g., the

[12] Though PEFA assessments have also been prepared for other AFS countries, they are not publicly available at this stage.

treasury), including the overhaul of administrative procedures and the establishment of effective checks and balances to monitor execution of the government budget and, in middle-income countries, significant improvement in many areas of PFM are still required. Addressing these quality gaps is important for assuring domestic stakeholders and development partners that public resources are being used efficiently, which could help maintain or even increase donor assistance to these countries (Table 2).

Strengthening the financial sector

30. **While financial intermediation has risen in many AFS countries, there is scope in most of the countries to strengthen the financial sectors.** In general, macroeconomic stability and the resilience that has been attained in financial systems offer a conducive setting for further developing the depth, efficiency and competitiveness of the financial sectors. This is a main message of assessments under the Financial Sector Assessment Program (FSAP) for AFS countries. Such assessments and updates have been carried out for 7 of the 13 AFS countries, including all upper middle-income AFS countries except Seychelles.[13]

31. **The FSAP assessments highlight a range of structural constraints that limit access to credit to varying degrees, in particular for the lower-income AFS countries.** They include deficiencies in contract enforcement, credit information sharing, financial reporting, and property rights enforcement. Progress in these areas may be hampered by a lack of resources, skills, and training. Reforms, where needed, would have to include improvements in the legal and regulatory frameworks and their implementation and enforcement.

32. **The FSAPs for the lower-income AFS countries also indicate the need to strengthen monetary policy.** These include foreign exchange management and operational aspects of monetary policy. For example, improvements in liquidity forecasting, the design of monetary policy instruments, and secondary market development may be necessary.

33. **The middle-income AFS countries are typically further along in modernizing their financial systems.** In these countries, financial sector concerns center more on enhancing risk-assessment tools, improving supervision of nonbank financial institutions, allowing a well-managed expansion of capital markets, and enhancing the analytical foundation for monetary and exchange rate policy, including in inflation-targeting regimes.

[13] The seven countries are Botswana, Madagascar, Mauritius, Mozambique, Namibia, South Africa, and Zambia.

Table 2. Public Expenditure and Financial Accountability Indicators of the Performance of Public Financial Management

		Botswana (2009)	Lesotho (2007)	Madagascar (2006)	Mauritius (2008)	Mozambique (2006)	South Africa (2008)	Zambia (2005)
A. PFM Out-turns: Credibility of the budget scoring								
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	B	B	A	B	A	C
PI-2	Composition of expenditure out-turn compared to original approved budget	C	C	A	B	B	A	D
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A	D	A	C	A	A
PI-4	Stock and monitoring of expenditure payment arrears	Not rated	D+	B	A	C+	A	D+
B. Key cross-cutting issues: Comprehensiveness and transparency scoring								
PI-5	Classification of the budget	C	C	A	B	B	A	C
PI-6	Comprehensiveness of information included in budget documentation	B	B	C	B	A	A	B
PI-7	Extent of unreported government operations	A	B	A	D+	B	A	D+
PI-8	Transparency of inter-governmental fiscal relations	C	...	B	A	B	A	D+
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D+	D	C+	B+	C+	B+	C
PI-10	Public access to key fiscal information	B	C	D	A	B	A	B
C. Budget cycle scoring								
(i) Policy-based budgeting								
PI-11	Orderliness and participation in the annual budget process	B	A	B+	B	B+	B	B
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	C+	C+	C+	D+	C+	B	C+
(ii) Predictability and control in budget execution								
PI-13	Transparency of taxpayer obligations and liabilities	B	Not rated	C	B	A	A	B
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B	Not rated	C+	B+	B	A	C+
PI-15	Effectiveness in collection of tax payments	D+	Not rated	D+	D+	C+	D+	D+
PI-16	Predictability in the availability of funds for commitment of expenditures	D+	B	B	A	C+	A	D+
PI-17	Recording and management of cash balances, debt, and guarantees	D+	C	B	A	B+	A	C
PI-18	Effectiveness of payroll controls	B+	Not rated	D+	B+	D+	A	D+
PI-19	Competition, value for money and controls in procurement	D+	Not rated	C	B+	C	D+	D+
PI-20	Effectiveness of internal controls for nonsalary expenditures	C+	D	C+	A	D+	C+	C
PI-21	Effectiveness of internal audit	C+	D+	C+	B+	B	A	D+
(iii) Accounting, recording, and reporting								
PI-22	Timeliness and regularity of accounts reconciliation	B	D	D+	A	B+	B+	C+
PI-23	Availability of information on resources received by service delivery units	A	Not rated	C	A	D	A	C
PI-24	Quality and timeliness of in-year budget reports	C+	D+	C+	B+	B	C+	C+
PI-25	Quality and timeliness of annual financial statements	C+	D	D+	A	B	A	C+
(iv) External scrutiny and audit								
PI-26	Scope, nature, and follow-up of external audit	D+	D+	D	B+	D+	B+	B+
PI-27	Legislative scrutiny of the annual budget law	B	C	C+	B+	A	A	C+
PI-28	Legislative scrutiny of external audit reports	C+	D+	D	D+	C+	B+	C+
D. Donor practices								
D-1	Predictability of direct budget support	D+	...	A	A	B+	D	D
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D+	C	A	A	C+	D	D+
D-3	Proportion of aid that is managed by use of national procedures	D	D	D	...	D	D	D

Note: The highest performance scores an 'A'.

Source: http://www.pefa.org.

34. **The current international economic and financial crisis is highlighting the need to strengthen particular aspects of the financial systems of AFS countries.** Countries may need to intensify financial system surveillance and macro-prudential frameworks to facilitate early detection of risks, including through cross-border cooperation, and to reexamine crisis preparedness. Stronger emergency liquidity assistance policies may be considered to help mitigate financial and contagion risks. Measures may also be needed to support the functioning of payment systems and the foreign exchange market under circumstances of increased volatility.

Strengthening statistical capacity

35. **Macroeconomic statistics need to be significantly improved in most AFS countries to meet best international practices** (Appendix Table AI.1). According to the World Bank Statistical Information Database, *data collection* routines in the region meet the average data quality rankings for low- and middle-income International Development Association (IDA)/ International Bank for Reconstruction and Development (IBRD) countries. However *statistical practices* in AFS countries (e.g., data aggregation and verification) are significantly below the average data quality for countries around the world with similar per capita income levels. The high incidence of reported weakness in statistical practices—even among rapidly-growing AFS economies—may warrant some further efforts to develop statistical tools that would help corroborate the reported GDP levels and growth rates of these economies. Critical in this regard would be to update the countries' national accounts base years, which are older than 10 years in most cases. A timely update of the base year would capture the appearance of new economic activities (and the termination of others) due to technological and institutional developments that affect production levels and relative prices of goods and services. Also, the development of industrial production indices would be a useful tool to confirm whether the industry's value added estimates obtained through the deflation of nominal values are consistent with independent volume estimates (obtained from direct sampling processes) summarized in the industrial production indices. The development of robust export and import price indices would improve the countries' efforts to measure these sectors' contribution to overall economic growth in volume terms. Import price indices could also be used as proxies of future domestic inflation.

36. **Most AFS countries confront numerous challenges in terms of a timely dissemination of key macroeconomic variables** (Appendix Tables AI.2 and AI.3). South Africa is the only country in the group that participates in the IMF Special Data Dissemination Standard (SDDS).[14] Accordingly, it produces and posts in its national summary data webpage, some 18 high-frequency major macroeconomic time series, in addition to an advanced data release calendar. South Africa's reporting and dissemination of

[14] The SDDS was established by the IMF in 1996 for member countries that have or might have access to international capital markets, to guide them in providing their economic and financial data to the public.

these macroeconomic data to the Fund area department and to the general public through the *International Financial Statistics* (IFS) is timely. Other countries in the AFS region neither participate in the SDDS nor report/disseminate *IFS* data on a timely basis (except for inflation and monetary data).[15] Rather, these countries (except for Comoros) participate in the somewhat less demanding framework of the General Data Dissemination System (GDDS), which emphasizes plans for data quality improvement and reports on data coverage, periodicity, and timeliness, albeit without a commitment to disseminate those data along the SDDS standards of data frequency and detail. This said, a reported weakness on the quality of GDDS participation is that most GDDS country pages (available in www.imf.org) are not updated on a regular basis to properly monitor the implementation of existing statistical development plans.

Supporting regional integration and harmonization initiatives

37. **Notwithstanding the limited trade links among AFS countries, there is general consensus about the likely benefits of regional integration.** In this context, all AFS member countries except the Comoros belong to SADC, while seven members (Comoros, Madagascar, Mauritius, Seychelles, Swaziland, Zambia, and Zimbabwe) belong to Common Market for Eastern and Southern Africa (COMESA). On a narrower country coverage, SACU countries (Botswana, Lesotho, Namibia, South Africa, and Swaziland) allow the free movement of goods among themselves and have a common external tariff. All customs and excises collected in the common customs area are paid into South Africa' National Revenue Fund. The revenue is then shared among members according to an agreed upon revenue-sharing formula.

38. **Regional integration efforts provide opportunities for specific collaboration in pursuit of common economic goals.** To promote the integration process, SADC has set the goal of achieving convergence in key economic indicators among its members, and launched a free trade area in 2008 to promote greater trade and investment flows.[16] According to the trade treaty, the mission of SADC is "to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper cooperation and integration, good governance and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy." The trade protocol calls for the phasing out of tariffs, and harmonization of trade procedures and documentation among members.

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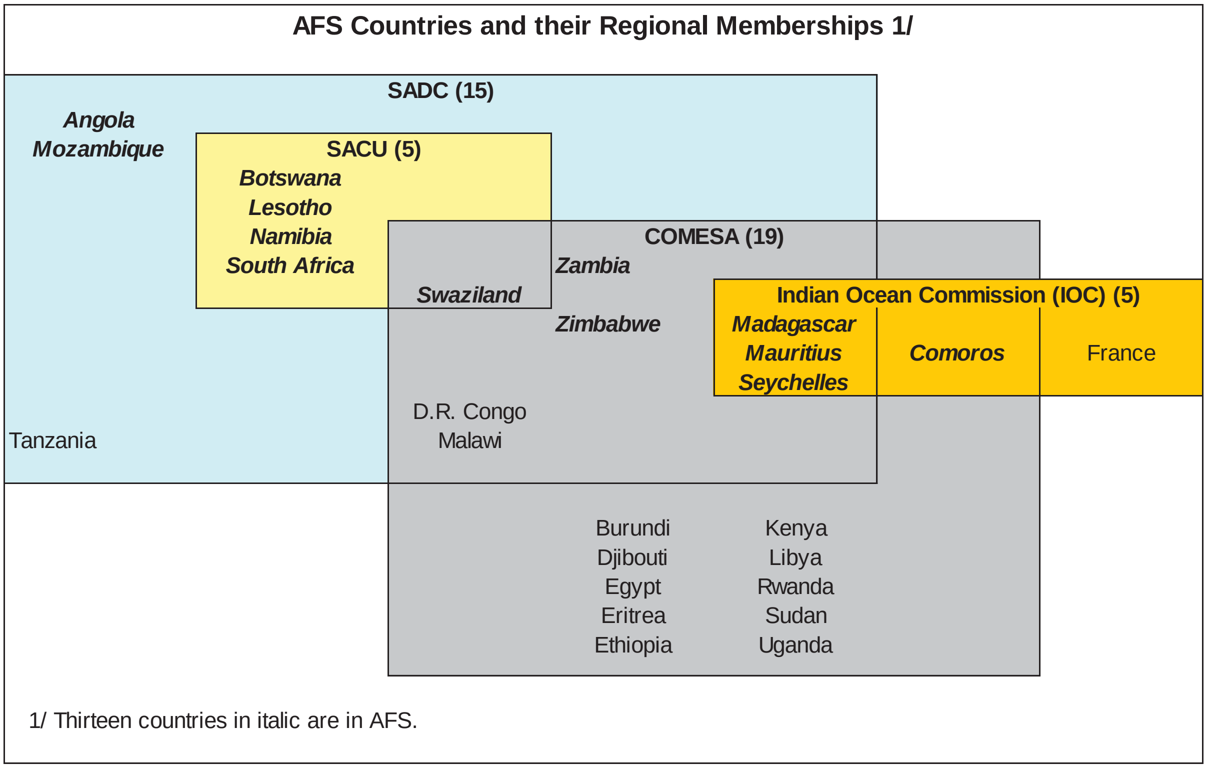
[15] The Mauritius authorities expect to be ready to subscribe to the SDDS by end-2011.

[16] The August 2008 SADC Summit held in Sandton, South Africa, launched the SADC Free Trade Area. The Summit emphasized the need for "full implementation of the SADC protocol on trade in order to ensure that the Free Trade Agreement is sustainable and the envisaged Customs Union in SADC is attainable." A recent tripartite COMESA-EAC-SADC Summit aimed to coordinate the various regional integration programs.



39. **AFS countries face a number of challenges while pursuing their regional integration efforts.** Progress in the implementation of a free trade area and a customs union in the SADC region has been hampered by complicated and restrictive rules of origin in several countries. Also, overlapping memberships between COMESA and SADC have led to conflicting goals and limited progress in both organizations. Other key issues limiting regional integration have included (i) dependence on trade taxes in the SADC region that would require significant tax reforms to replace that source of government revenue under the proposed customs union; (ii) large disparities in the restrictiveness of trade regimes across AFS member countries; and (iii) differences among SADC member states on the inclusion of a developmental dimension in an eventual SADC Economic Partnership Agreement (EPA) with the EU, and the addressing of new generation trade issues (e.g., services, investment, intellectual property rights, and government procurement). In the meantime, a comprehensive EPA with the IOC countries (including Comoros, Mauritius, Seychelles) has already been initiated and its negotiations with the EU are advanced.

C. AFRITAC South's Support in Tackling the Region's Challenges

40. **The overarching objective of AFS will be to assist member countries strengthen their capacity for sound economic management.** Several of the middle income countries in the region have strong government institutions, as well as a very good track record of policy implementation and lasting growth. Lessons from those experiences could be an important input for AFS work, as well as a platform for assessing the other countries' TA needs and priorities. At the same time, knowledge of best international practices could be an asset for

AFS to engage with upper middle income countries in specialized TA areas of exhaustible resource management and supervision of bank and nonbank financial intermediaries, for example. In the case of lower middle income and low income AFS countries, which tend to have weak public administration capacity and need help on a broad front, TA and institution-building support may focus on macro-fiscal management, monetary and exchange rate policies and operations, supervision of financial institutions, and economic statistics. Angola and Zambia would also need technical advice on management of exhaustible resources, given the role of oil and other minerals in their economies.

41. **AFS engagement will build on previous IMF TA to countries in the region.** AFS countries have received TA from the IMF in several areas:

- For countries like Mozambique and Zambia, which have been undertaking reforms supported by the IMF for several years, the assistance has covered all key areas of IMF expertise. While the implementation record of the TA advice to these two countries has been good, much remains to be done to solidify the gains of the last ten years.

- Assistance to other low-income AFS countries (Comoros and Madagascar) has followed a similar pattern of technical advice, but has not been as extensive. Implementation capacity in this group of countries is likely to remain a challenge.

- Among the middle income countries, substantial assistance has been provided to Botswana and Mauritius in recent years, and somewhat less to Namibia and Seychelles. The areas covered have included program budgeting (Mauritius and Namibia), monetary policy and operations (Botswana, Mauritius, and Seychelles), and national accounts (Botswana, Mauritius and Namibia). IMF TA to South Africa has been limited. In general, TA to middle income countries has been on specialized topics or issues.

42. **Based on the recent history of their TA requests to the Fund and initial consultations with AFS country authorities, the main areas of AFS TA are summarized below** (Figure 2; a fuller description of the proposed assistance is presented in Section III):

- *PFM.* For several AFS countries, assistance to modernize PFM systems would help improve budgetary policy formulation and implementation, and enhance the transparency and accountability of government operations. Support will include help with accounting systems (Comoros, Lesotho, Madagascar, and Seychelles), budget classifications (Botswana and Lesotho), fiscal reporting (Seychelles and Zambia), and natural resource management (Angola, Namibia and Mozambique).

Figure 2. Technical Assistance Delivery to AFRITAC South Countries, FY2007–10 1/

(Average in person years)

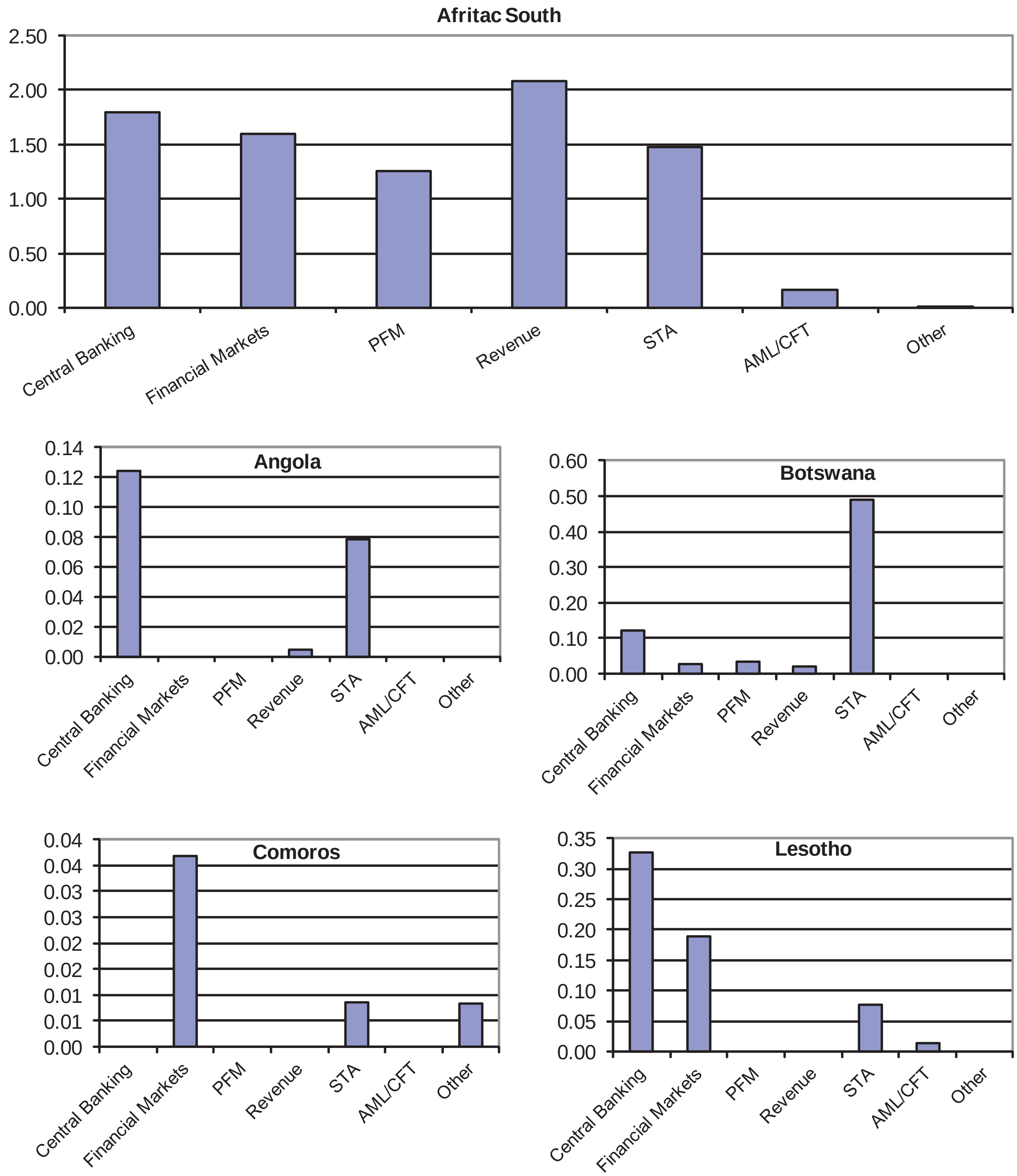


Figure 2. TA delivery to Afritac South countries, FY2007–10 1/ (cont'd)

(Average in person years)

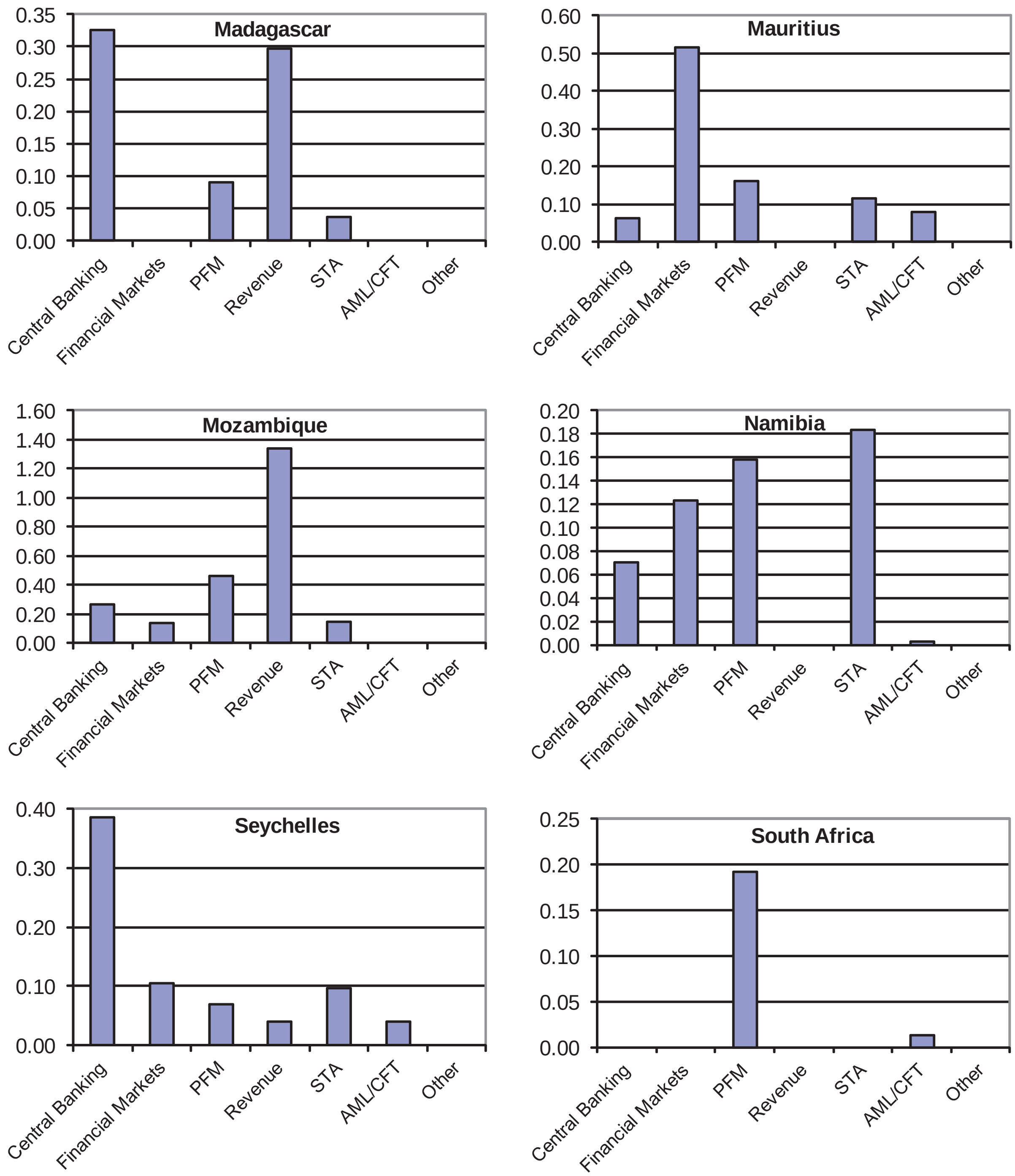
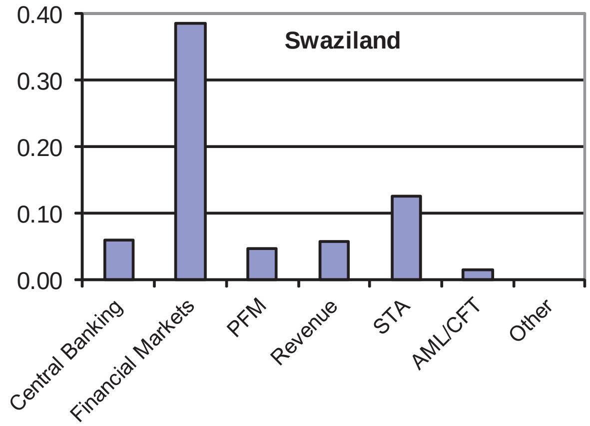
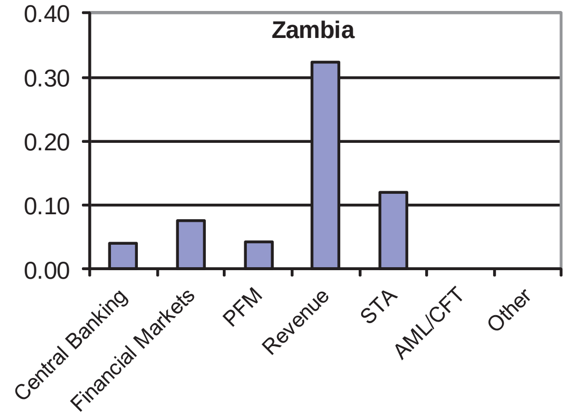
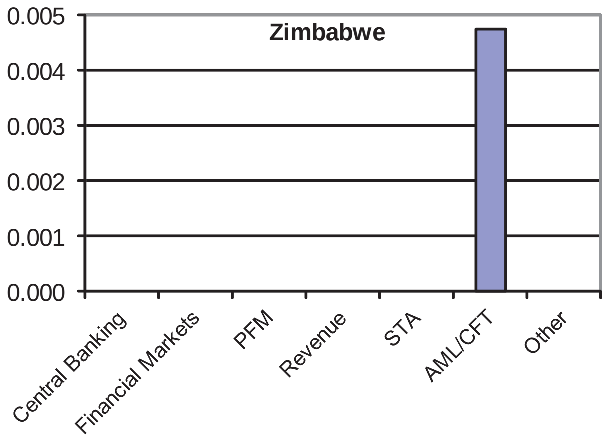


Figure 2. TA delivery to Afritac South countries, FY2007–10 1/ (concluded)

(Average in person years)







Source: IMF.

1/ The IMF's fiscal year runs from May 1 through April 30.

- *Revenue administration.* The guiding principle would be to boost the revenue effort through expansions in the tax base and simplification of the tax system, while implementing best practices in tax administration (e.g., establishment of large tax payer units). Countries with low domestic revenue-to-GDP ratios (e.g., Comoros, Madagascar, Mozambique), as well as Angola with its high dependence on oil export taxes would benefit from such an advice. For the SACU countries other than South Africa (Botswana, Lesotho, Namibia, and Swaziland), assistance will aim at broadening the tax base as part of the adjustment to lower SACU transfers per the implementation of SACU's revenue-sharing formula. As SADC member countries progress towards a customs union, there will be a need to address their heavy dependence on trade taxes, diversify their tax bases, and lower countries' tax revenue volatility.

- *Monetary policy and operations.* Assistance will be geared to strengthening monetary policy frameworks, and the development of interbank and domestic debt markets to enhance monetary operations.

- *Financial sector supervision.* Banking supervision is likely to remain a major area of TA to AFS countries where the need to observe evolving international standards and best practices will continue to be substantial. The marked growth in nonbank financial intermediation also warrants intensified oversight by the authorities.

- *Statistics*. Demand is expected to remain strong for assistance to improve macroeconomic statistics in AFS countries, especially in the areas of national accounts, prices, and balance of payments. AFS assistance will be coordinated closely with assistance provided by other TA providers (including the DFID-funded GDDS project managed by the Statistics Department of the IMF).

43. **AFS assistance will also facilitate cross-country learning from peers.** Regional workshops to discuss technical issues confronting country authorities and disseminate best international practices will be an important component of the AFS work program. AFS could support, for example, regional initiatives on the payments system, fiscal and trade harmonization, the supervision of financial institutions, and the development of regional statistical compilation standards. South Africa, which has participated in and facilitated the DFID-funded GDDS project for enhancing statistical capacity in (mainly) Anglophone African countries, could also be a valuable source for such cross-country fertilization.

III. AFRITAC South's First Five-Year Cycle

44. **AFS's objectives over the next five years are being developed jointly with recipient countries, donors and other TA providers.** The starting point for this program document was recipient countries' PRSPs complemented by, if available, sector-specific reform strategies. AFS's work would be integrated into IMF HQ TA and IMF policy and

surveillance work in AFS countries through an internal prioritization process to ensure that AFS TA remains highly relevant and focuses on the IMF's core expertise.[17] AFS will provide TA and training, including through workshops. AFS will work with other training institutes in the region such as Macro-Economic and Financial Management Institute (MEFMI) and Stellenbosch University.

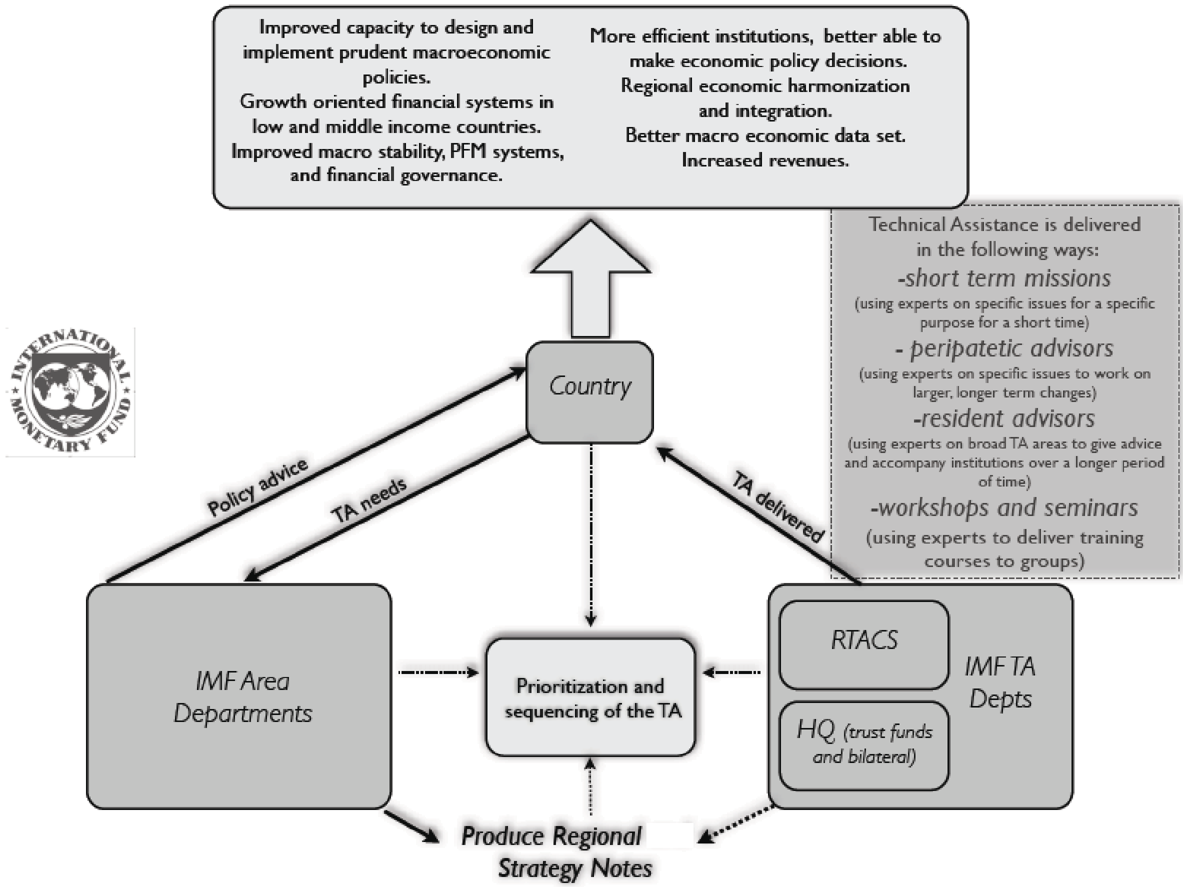
A. AFRITAC South and Other IMF Technical Assistance

45. **All IMF TA, regardless of financing source and delivery mode, is integrated with one another and with the IMF's broader lending and surveillance activities.** In consultation with country authorities, the IMF's Africa Department will integrate AFS countries' reform agendas with the IMF's own policy and surveillance perspectives, drawing on the technical expertise of TA departments. The African Department identifies needs for TA and sets priorities across TA sectors and balances short- and medium-term considerations, while relying on the IMF's TA departments' expertise and country knowledge for prioritization, sequencing, and selecting the delivery modality. This internal prioritization process provides checks and balances, which ensure that IMF TA focuses on relevant needs, remains within IMF core expertise, and takes into account regional developments. The resulting African Regional Strategy Note (RSN), which is shared with recipient countries and donors, sets out a joint medium-term TA vision for the region, providing the basis for coordination of all IMF TA activities as well as their integration into the IMF's surveillance and lending operations.

46. **The IMF's ability to provide continued capacity building in the medium term increasingly depends on additional external funding**. IMF-financed TA is prioritized to build the capacity needed to successfully implement macroeconomic policies, including under IMF programs, and—subject to resource availability—medium-term capacity building. In this respect, the IMF undertakes diagnostic assessments of capacity needs and formulates plans to address them. High and rising demand for IMF TA has recently been reinforced by the impact of the global financial crisis, increasing the need for external financing to supplement the IMF's own resources. Such assistance leverages the IMF's expertise and experience for medium-term capacity building. Depending on donors' priorities, external financing is channeled into a topical or a regional trust fund. Complementing the proven model of the RTACs, topical trust funds provide global geographical coverage and specialized topical scope, drawing on a centralized pool of experts at IMF HQ or from the IMF's international expert roster. The topical trust funds create synergies with the work of the IMF's regional centers, which focus on hands-on implementation of such advice. The RSN ensures that all TA activities are integrated and coordinated, providing a continuum of coverage throughout the process from diagnostic to day-to-day implementation on the

[17] The Regional Strategy Note (RSN) for Africa reflects the result of this prioritization and sets out a medium-term TA agenda for all African countries. The RSN will include the work of AFS.

ground. Open lines of communication, including via TA departments' backstopping of RTACs and external experts, ensure consistency, cross-fertilization, and operational relevance.



47. **To best meet countries' needs, specific delivery modes are chosen depending on the complexity of the task and countries' implementation capacity.** Diagnostic HQ-led missions often are the starting point for TA delivery; they generate blueprints for reform projects with implementation devolved to the modality (such as the RTACs) that best meets the needs of the country. HQ missions draw on expertise required for the specific subject and cross-country knowledge. RTACs' activities draw on a deep knowledge of the region and countries, including cross-cutting and regional integration issues, and are closer to their clients. Frequent contact and missions of RTAC resident advisors in the region provide step-by-step assistance in implementing reforms. Missions from both HQ and RTACs draw on a vetted roster of external short-term experts to complement the in-house skill set if and as needed. For follow-up on specialist issues or where RTACs are not available, peripatetic advisers provide regular follow-up missions over a longer period of time. In countries where capacity is particularly weak, long-term resident advisors—backstopped by HQ—are stationed to provide guidance on a day-to-day basis and—if needed and wanted—temporarily supplement the authorities' capacity.

B. Measuring How AFRITAC South Achieves Its Objectives

48. **Results-focused management will be the main tool used to assess the achievements of AFS.** A robust framework of the AFS results, presented in a clear and logical manner at the beginning of the program period, will improve the measurement of the objectives and results. The IMF's results-focused management is implemented, notably through the Technical Assistance Information Management System. The results-focused framework is being coordinated with other TA providers, and indicators linked to the extent possible to those of other donors to facilitate coordination (for instance, PFM is linked to the PEFA framework).

49. **In light of the experience of other international organizations and governments that have adopted similar frameworks, the IMF recognizes that identifying good indicators is a dynamic and iterative process, and that the objectives and indicators may be refined as the program is implemented.** To this end, the IMF established in October 2010 a working group on results-based management to better enable the Fund to (1) monitor and evaluate the successes and failures of TA more effectively; (2) improve the delivery of TA; and (3) set priorities for resource allocation by firmly focusing TA on outcomes and results, and measuring it through verifiable indicators. The findings of this working group will be discussed with donors in the first half of 2011, including through SCs of the AFRITACs.

50. **The annual report to the SC is an opportunity to measure and monitor progress toward the results.** AFS will produce a detailed report on the work completed in the year, focused on how far the capacity development has gone toward achieving the overall objectives.

51. **To complement the results-focused framework, at the completion of each project, AFS will use short questionnaires to assess the success and relevance of the TA provided.** The questionnaire will be designed to gauge whether the TA has been effective in facilitating outcomes and to understand potential obstacles to the implementation of the TA advice. Responses will also provide information as to whether the TA directly responded to the needs of the authorities. This process will assist in ensuring that AFS remains demand driven, and will help in taking decisions requiring the prioritization of TA. The questionnaire will be kept short to avoid it becoming an administrative burden. Consolidated responses will be presented to the SC.

C. AFRITAC South—Integration and Synergies with Other Technical Assistance Providers

52. **AFS will provide a robust platform for implementing the March 2005 Paris Declaration which calls for efforts to harmonize, align and manage aid for results.** Through the SC, and the relationships of AFS staff with regional experts, TA activities will be coordinated with those of other TA providers and will be integrated with member

countries' poverty-reduction and development strategies. Such coordination is all the more important because IMF TA is mainly upstream, building the economic policy and legislative frameworks. Other TA providers often rely on this work to ensure the effectiveness of their TA work or donor assistance. For example, the success of drives to input development aid directly into country budgets will be determined by the presence of a well-functioning public financial management framework.

53. **AFS will emphasize coordination with other TA providers in its core areas of expertise.** TA is being provided to the region by multilateral institutions like the AfDB, the EU, the World Bank; and bilateral agencies, including from Australia, Belgium, Brazil, Canada, People's Republic of China, Denmark, Egypt, Finland, France, Germany, India, Ireland, Italy, Japan, Korea, Libya, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States. To help ensure complementarities and synergies with other TA providers, the AFS coordinator will be the focal point for this liaison with bilateral and multilateral agencies in the field. In particular, the coordinator will:

- Disseminate the African RSNs,[18] including the IMF's Resource Allocation Plan (RAP), which details all TA missions and assignments planned in a given year, including those planned for AFS.
- Circulate HQ TA reports or reports prepared by AFS experts to the SC and, upon request, to other relevant stakeholders if the TA recipient consents (consent by the TA recipient will be sought on a no-objection basis). This will provide AFS recipient countries, donors, and other TA providers with the information they need to better coordinate with IMF and AFS TA.
- Provide donor briefings, including through the IMF's Resident Representative Offices. Information on AFS missions will be posted on AFS's website, which will include contacts with other donors. If possible, AFS missions will also provide donor briefings in the field.
- Launch an AFS website, including contact information to foster donor coordination.
- Publish AFS annual reports.

[18] According to the IMF's new dissemination policy, which was adopted in FY2010. http://www.imf.org/external/np/pp/eng/2008/040308b.pdf

How Does AFRITAC South Deliver Results and How Does it Get Traction?

OBJECTIVE

Improved analyses and effectively implemented policies in macroeconomic, fiscal, monetary, financial sectors, and related statistical fields as well as legal and administrative framework to contribute actively, including at a regional level, to reduce poverty and enhancing growth coordinated with countries, donors and other TA providers.

<u>Indicators</u>: specific by TA areas to be selected in PRSP and other relevant sectoral national or regional programs (which could include improvements in the revenue-to-GDP ratio, improvements in PEFA indicators in the area of Fund expertise, higher levels of compliance with Basle core principles for effective banking supervision and Basle 1capital adequacy framework, improved cross-border communication and cooperation among banking supervisory authorities, increased accessibility to financial services and improved ratings of national statistical systems). Sources include IMF and WB reports and statistics. 1/

OUTCOMES

A+B National Reform programs in the IMF core areas of expertise are tailored to countries specific needs and efficiently implemented. <u>Indicator</u> *: follow-ups of PRSP and other relevant national reform programs. 1/*	C. Regional Harmonization improves in IMF core areas of expertise. <u>Indicator</u> *: follow-ups of implementation of relevant regional policies. 1/*	A+B+C+D+E+F. Coordination, ownership, prioritization, and efficiency improves in TA and training delivery to areas of IMF core expertise. <u>Indicator</u> *: follow-ups of the Paris Declaration for indicators relevant to the Caribbean Regional Technical Assistance Center's activities in the region. 1/*	F+G. IMF TA delivered cost efficiently. <u>Indicator</u> *: actual cost of TA delivered through RTACs.*

EXPECTED RESULTS

A.1. Advice is effectively and timely delivered by AFS. <u>Indicator</u> *: specific by TA area in TA report and questionnaire.* A.2. Needs for TA are periodically addressed and national reform programs are closely followed up by AFS. <u>Indicator</u> *: TA diagnostic mission report issued and questionnaire.1/* A.3. Knowledge is improved & experience shared during AFS national seminars. <u>Indicator</u> *: specific by TA area in TA/training report and questionnaire.* A.4. Results of TA and training activities are shared. <u>Indicator</u> *: in questionnaire.*	B.1. Advice (specialized) is effectively & appropriately delivered by AFS. <u>Indicator</u> *: specific by TA area in TA report and questionnaire.* B.2. Knowledge is improved & experience shared during AFS national seminars. <u>Indicator</u> *: specific by TA area in training questionnaire.*	C.1. Knowledge is improved & experience shared & networking improved among country officials. <u>Indicator</u> *: In questionnaire,1/shared list of participants to regional workshops.* C2. Results of regional workshops are shared. <u>Indicator</u> *: In questionnaire.1/*	D.1. Effective coordination with both country authorities and donors. <u>Indicator</u> *: Number of TA and training activities of the AFS coordinated with other donors within the relevant sectoral reforms; RSNs, TA reports, notification of AFS mission schedule made available to the SC; AFS annual reports published.* D2. Results and impact of the TA delivered by AFS are assessed and shared. <u>Indicator</u> *: periodic reports inform the SC of results.*	E.1. TA and training delivered by AFS in line with IMF's standards and consistent with HQ TA as well as surveillance and lending activities. <u>Indicator</u> *: questionnaire on quality and relevance of advice.1/* E.2. Needs for TA are assessed and the TA delivered by AFS in adjusted accordingly. <u>Indicator</u> *: TA diagnostic mission report issued.*	F.1. TA & training delivered by RTAC fully integrated in efficiently coordinated with other TA delivery modalities. <u>Indicator</u> *: AFS activities/objectives described in the RSN.* F.2. Control of the financials. <u>Indicator</u> *: use of funds in line with the scope of AFS program document over the funding cycle.*	G.1 Efficient administrative support to TA activities. <u>Indicator</u> *: quality of accounting documents and participants' questionnaires.1/*

How Does AFRITAC South Deliver Results and How Does it Get Traction? (concluded)

	A	B	C	D	E	F	G
OUTPUTS	A.1 TA missions *Indicator : number of TA missions.* A.2. Periodic TA diagnostic missions (some coordinated with E.2). *Indicator : number of TA diagnostic missions.* A.3. Training. *Indicator : number of workshops.* A.4. Coordination. *Indicator: participation in relevant sectoral multi-donors groups, if feasible, donor meetings during missions, TA reports shared.*	B.1 TA missions (specialized). *Indicator : number of TA missions.* B.2. Training (specialized) *Indicator : number of national workshops.* B.3. Coordination *Indicator : donor meetings during missions, TA reports shared, number of joint missions.*	C.1 Regional workshops/seminars. *Indicator : number of regional workshops/seminars.* C2. Coordination. *Indicator : donor meetings, TA reports shared.*	D.1a. Secretariat of the Steering Committee of AFS. *Indicator : Annual work plan with prioritized activities, SC meetings held on time with documentation provided in advance, minutes of the SC meeting delivered on time, continued contact with SC members (electronic consultation).* D.1b. Coordination. *Indicator : Number of TA and training reports disseminated, participation in overall multi-donors coordination groups, number of questionnaires.* D.2. Result-based management. *Indicator : Number of progress reports assessing the impact of TA and training activities.*	E.1 Backstopping (assistance, reviewing, strategic advice) of activities implemented by AFS. *Indicator : SC participating by HQ departments, number of inspection visits by HQ, number of HQ visits of resident advisors.* E.2. TA diagnostic missions (coord. with A.2.). *Indicators : number of TA-diagnostic missions.*	F.1 Internal coordination with other IMF TA activities, surveillance and lending activities. *Indicator : AFS activities/objectives described in the RAP.* F.2. Administrative assistance to AFS. *Indicator : number of experts contracts. No significant time during which resident advisor/center coordinator post remains vacant.* F.3. Financial follow-up of AFS subaccount (with D.3.). *Indicator : Clear and timely financial reporting.* F.4. Periodic reporting to donors. Indicator: periodic report issued in time, quality.	G.1Accounting and administrative tasks. *Indicator : number of missions and seminars.*
ACTIVITIES-INPUTS delivery modalities	A. Resident Advisors. *Indicator : number of months of resident advisors.*	B. Short-term Experts. *Indicator : number of days of short-term experts.*	C. Participant expenses to regional workshops. *Indicator : Total amount of participant expenses*	D. Center Coordinator. *Indicator: number of months of center the coordinator, number of missions by the center coordinator to the beneficiary countries.*	E. HQ - Backstopping. *Indicator: Total cost of hours spent on backstopping.*	F. HQ-Project Management (legal, budget, financial, supervision). *Indicator : total cost of hours spent on project management*	G. Center's administrative staff. *Indicator: number of months of Center's staff.*

1/ External souce indicator.

D. Agenda—Revenue Administration and Tax Policy

54. The heterogeneity of the 13 AFS countries calls for a multifaceted approach in designing and delivering a meaningful TA program for tax policy and revenue administration. Regional integration and cooperation is also increasingly important under the auspices of such groupings as SADC, COMESA, SACU, and the IOC with a patchwork and diversity of membership.

Regional issues

55. Very low domestic revenue bases—less than 15 percent tax-to-GDP ratio—in some lower income countries (e.g., Comoros, Madagascar) require new or sustained efforts to mobilize collections through tax policy reform and/or revenue administration modernization, and poverty alleviation is a high priority in these and even some wealthier AFS countries (Swaziland, Lesotho)—in the latter group, non-SACU tax revenue-to-GDP ratios are within a range of 25 percent to 30 percent. A few countries are yet to transform narrow indirect sales taxes into more broadly based VATs (Swaziland, Seychelles). Integration of indirect and direct tax operations into single tax agencies is incomplete and ongoing for some (Zambia), and yet to be tackled by others (Lesotho, Swaziland). Customs union arrangements exist (SACU) or are planned in the AFS region (COMESA, SADC), raising challenging trade policy coordination issues. Moreover, the management of customs unions can turn out to be an intricate process with far-reaching fiscal implications and constraints on the freedom of countries to pursue independent policies.

56. Segmentation principles have not been fully embraced by all tax administrations across the region. Revenue enhancement is possible by establishing or significantly strengthening large taxpayer offices in many AFS countries (Botswana, Comoros, Lesotho, Mozambique, Namibia, Seychelles, Swaziland, Zambia), guided by some good regional role models and examples (Mauritius, South Africa). For resource-rich countries, strengthening the effectiveness of resource taxation administration will be a priority, typically as a specialization of large taxpayer operations (Madagascar, Zambia).

57. In the longer-term (three- to five-year horizon), as large taxpayer operations stabilize and yield intended results, focus and efforts can turn to bolstering the administration of medium-size taxpayers, possibly including the establishment of medium taxpayer offices. Business informality is pervasive in most countries, including in the more sophisticated economies (South Africa), and will require innovative solutions, including simplified regimes and record-keeping obligations for small businesses, and cost-effective compliance management responses. Strategies to appropriately tax the small and micro businesses will be important to balance the necessarily heightened focus on the major revenue stream from large businesses and to widen the tax base.

58. Organizationally, most Anglophone countries have established or will establish semi-autonomous revenue authorities (RA), with this trend extending to Lusophone countries

(Mozambique and potentially Angola). Other than South Africa and Zimbabwe, the RA model commonly adopted retains distinctive tax and customs administration components, but expected synergies have not fully materialized in many instances with improvements still needed by many countries. RA topics that would benefit from AFS assistance include establishment of an effective headquarters function for tax and customs administration respectively, instituting a wider range of performance measures and monitoring mechanisms beyond revenue, building effective linkages between the tax and customs departments, and further developing and spreading corporate and strategic planning efforts beyond a few advanced agencies. There are many cross-regional opportunities for AFS to facilitate the wider usage of new practices that are being successfully piloted by earlier reformers.

59. **Customs administrations** have critical responsibilities to contribute to regional integration, with the weakest institutions posing risks to all member countries. Accordingly, a key objective of customs TA programs must be to advance all members to minimum standards. Apart from Angola and Mozambique which belong to only SADC, all the other AFS countries belong to at least two regional trading blocs, all dealing with issues of reciprocal, and quite varied preferential trade regimes. To facilitate trade flows, there is an opportunity to support the harmonization and standardization of customs rules and regulations across the region. To this end, AFS can provide technical guidance and also play an important coordinating role that recognizes the interests of the different regional groupings as well as that of key donors and TA providers such as the EU, United States Agency for International Development (USAID), the World Bank, and the World Customs Organization (WCO).

60. With the traditional customs emphasis on revenue collections shifting to trade facilitation and societal protection, customs officials have to be re-skilled and equipped for the new environment. This requires greater use of risk-based selectivity with less pre-clearance intervention and a move to more post-release controls. There are large unmet TA needs for many AFS countries to make this critical transition. Increasing free trade within the region places greater demands on domestic revenue sources and administrative capacity. This is particularly important for some SACU members (Lesotho, Swaziland) that have benefited from large revenue transfers from the union that will soon diminish.

Angola

61. Revenue policy and administration reforms in recent years in Angola have focused on the important oil industry, with TA delivery mostly from self-financed consultants with minimal Fund involvement. There is considerable scope for tax policy reform and an overhaul of the general tax system, given a foundation based on colonial period laws. Traditional tax administration is in need of modernization, and customs operations have partly followed the commercial outsourcing model employed in Mozambique. A revenue authority is under consideration to emulate other regional initiatives, and if pursued, Angola would benefit from AFS support in a wide array of revenue authority issues faced elsewhere

in the region. Conversely, Angola's recent experience in strengthening resource tax administration would be of interest more widely.

Botswana

62. Establishment of the Botswana Unified Revenue Service in 2004 brought together separate customs and tax departments of the ministry of finance under a revenue authority, following a broadly successful VAT launch in 2002. While this resulted in the integration of VAT and income tax operations, the Botswana authorities have not yet committed to the large taxpayer office (LTO) concept that the Fund has recommended. This would be an area for AFS TA, in addition to urgently needed audit capacity building and the strengthening of the preconditions for effective self-assessment. Information technology (IT) modernization is a high priority of the authorities, and needs to be accompanied by process simplification.

Comoros

63. Tax collections are low and revenue administration capacity in the Comoros is basic. A January 2010 IMF diagnostic mission noted many areas for improvement that would benefit from TA, including a reunification of tax administration that is compatible with the constitutional framework, reestablishing a fully-fledged LTO, computerization of tax offices, and strengthening essential customs administration operations, including valuation and audit, to secure critical revenues. An updated evaluation of progress and needs will be completed in 2011 to determine specific TA needs.

Lesotho

64. Lesotho has pursued an ambitious revenue reform program in recent years with IMF assistance through 2004 to design and prepare for VAT implementation and initial revenue authority planning. Since then, DFID has generously supported the launch of the Lesotho Revenue Authority and its early operations. Further TA needs will be evaluated through a diagnostic mission anticipated in late FY2011, but possible topics of interest could include integrating VAT and income tax operations and establishing an effective LTO.

Madagascar

65. With revenue collections below their potential, Madagascar embarked upon comprehensive tax policy and revenue administration modernization during the period of 2006–09 with strong donor support including the World Bank, the WCO, and bilateral agencies. The IMF has been involved in the design of the reform strategy and provision of upstream TA that would be well complemented by AFS inputs. Reform topics of regional relevance include simplification of procedures, LTO strengthening, tax and customs audit capacity building, and further development of single-window operations in the main ports. However, an evaluation of TA needs and updated reform priorities should be completed once the current political situation stabilizes.

Mauritius

66. Mauritius transformed a previously loose arrangement of revenue agencies (large taxpayer, VAT, income tax, and customs departments) in 2005 into a semi-autonomous revenue authority, reorganizing and integrating tax administration and overhauling customs operations that benefited from IMF missions in 2004 and 2005. Taxation of the informal economy is a problematic area identified by the authorities.

Mozambique

67. Mozambique has pursued a massive program of tax policy and revenue administration reforms for over a decade, strongly supported by donors, particularly DFID. The IMF has been instrumental in the design and oversight of the reforms. Revenue collections have grown in parallel with the professionalism and capacity of the rebuilt revenue agencies. Most recent reform efforts have shifted to establishing a revenue authority (legislated in 2005 and implemented in 2007) to exploit the synergies of having customs and tax administrations under one organization with shared common services. Although a common Anglophone African initiative, Mozambique's adoption of the RA model is novel. AFS will provide useful opportunities for sharing experiences and lessons learned across the region that transcends language and historic boundaries.

Namibia

68. Retaining traditional tax and customs departments of the ministry of finance rather than the widespread move to revenue authorities, the Namibia revenue administration faces challenges such as competing for services like IT support and reliance on the civil service for staff recruitment, remuneration, and retention. An IMF diagnostic mission in 2006 identified serious operational weaknesses, including outsourcing taxpayer audit to the accounting profession. This would be an area of TA priority given the importance of repatriating this important fiscal function. Additionally, that mission identified a lack of taxpayer segmentation and the concomitant absence of an LTO, another important cornerstone of a modern tax administration.

Seychelles

69. Following a balance of payments crisis in 2008, the Seychelles has embarked upon a comprehensive tax policy and revenue administration reform program . An IMF tax policy mission in early 2009 identified needs to modernize the business profit tax regime, establish a personal income tax system, and begin preparations to introduce VAT. A diagnostic revenue administration mission fielded later in 2009 developed a strategy for reform anchored on customs administration modernization, tax administration reorganization with a clearer focus on large taxpayers, and preparatory efforts for VAT launch in early 2012. TA from AFS will be important to support the ambitious reform agenda in the Seychelles.

South Africa

70. South Africa is a leader in the region in many respects, mostly inspired by revenue administration developments in advanced economies. Nevertheless, the South African Revenue Service (SARS) must manage the duality of its economy that necessitates the sophisticated approaches of Organization for Economic Cooperation and Development revenue administrations, while grappling with challenges such as the informal economy faced by almost all of its neighbors. Given this, SARS has much to offer AFS members as a role model and incubator of best practices, but conversely can benefit from the experiences and solutions tried elsewhere in the region.

Swaziland

71. Relying on significant revenue transfers from the SACU pool, revenue administration in Swaziland has not kept pace with counterparts in the region. Given that these transfers are projected to decline, both tax policy and administration reforms are a priority, with the imminent launch of a revenue authority, followed by the introduction of the VAT in 2012/13. The strategy developed by an IMF diagnostic mission in 2007 identified measures to maximize the impact of the RA, including integrating tax administration with the establishment of an LTO as an early priority. In the absence of major TA providers and donors, Swaziland could benefit extensively from AFS support.

Zambia

72. As one of the first revenue authorities established in 1994 with extensive DFID support, Zambia has enjoyed relatively effective revenue administration for over a decade, but in 2006, recognized the need for second-generation reforms, such as integrating VAT and income tax operations, and establishing special offices for large and medium taxpayers. These reforms are making good progress, with major milestones met in 2009. Given the importance of mineral exports, specialized industry expertise is being developed in the LTO, and to this end, a resident mining audit expert is expected to be appointed under IMF supervision using Norwegian financing. Zambia can benefit from further targeted TA from AFS and will potentially be a good regional role model.

Zimbabwe

73. Zimbabwe is expected to have significant TA support needs once the IMF fully re-engages. Past reform initiatives have included implementation of VAT and a revenue authority that integrated the operations of tax and customs administration. A 2009 IMF diagnostic mission found needs to: refine the structure and separate tax and customs operations, segment taxpayer management, establish a modernization of the governance structure, and review the tax administration IT system. Some reforms are reported to have subsequently started, including the establishment of a modernization governance structure and a large taxpayer office. AFS will play an important role in supporting the nascent reforms, particularly focusing on embedding the fundamentals of modern tax administration.

Verifiable indicators

Regional Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Trade facilitation. Support regional trade integration initiatives through harmonized and standardized customs rules and regulations.	HQ-based diagnostic and follow-up missions including AFS expert participation. Periodic visits of resident AFS expert to respond to issues and identify responses. AFS peripatetic and one-off expert assignments. Regional workshops.	TA to support regional trade facilitation through: ✓ better enforcement of rules of origin ✓ standardized customs processes and procedures	Reduced administration burden on regional customs agencies. Regional trade flows increasing over time. Regional barriers to trade minimized.	✓ Improving transit times across the region. ✓ Reducing cargo release times within countries. ✓ Declining importation costs. ✓ Improving trading-across-borders index.

Country Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Revenue mobilization. Enhance tax collections from improved and cost effective administration and strengthened compliance.	HQ-based diagnostic and follow-up missions including AFS expert participation. Periodic visits of resident AFS expert to respond to issues and identify responses. AFS peripatetic and one-off expert assignments. Regional workshops. Staff attachments between agencies in and beyond the region.	TA to improve revenue administration and enhance collections through: ✓ efficient and automated procedures and systems ✓ effective organizational arrangements ✓ targeted and meaningful taxpayer services ✓ appropriate risk-based compliance and enforcement strategies.	Revenue collection gradually trends upwards in real terms over time. Cost of collection gradually trends downwards as efficiency gains are delivered.	✓ Improving trend over time of the overall tax-to-GDP ratio. ✓ Improving trend over time of the VAT efficiency ratio. ✓ Declining trend over time of the cost of collection ratio.

Country Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Organizational structure. Implement an efficient and effective organizational structure.	As above.	TA in designing an implementing a modern organizational structure that: ✓ Integrates collection of all major national taxes including for resources. ✓ Is based on core tax or customs administration functions ✓ Has a strong HQ that is focused on functional programs and strategies ✓ Includes specialized arrangements for taxpayer segments, including an LTO and simplified small business regime. ✓ For customs administration, facilitates trade by implementing risk-based customs clearance strategies featuring “intervention by exception” approaches.	An efficient and effective organizational structure.	A modern revenue administration organization is implemented that includes: ✓ A nonoperational and effective HQ ✓ Integrated tax administration that is functionally structured. ✓ An effective LTO that manages resource taxes if applicable. ✓ A simplified small business regime. ✓ A customs administration that relies more on post- rather than pre-clearance accountability and controls. ✓ Declining costs of administering international trade taxes.

E. Agenda—Public Financial Management

74. During the last few years, the IMF has assisted some AFS countries in reforming their respective PFM systems. This took place generally in the context of IMF headquarters missions. Recent missions to Angola, Mauritius, Mozambique, Namibia, and Swaziland focused on several key PFM reforms, as well as the reorganization of the Ministry of Finance (in Swaziland). Given the fact that the PFM system in South Africa could be considered as the most advanced in the region, regular interaction and cooperation with the Ministry of Finance (MoF) in South Africa could be beneficial for the activities of AFS.

75. AFS would be key to further build capacity in the region and bring member countries closer to accepted international standards in key areas such as medium-term expenditure framework (MTEF), program budgeting, budget classification (Government Financial Statistics Manual 2001), accounting, audit and transparency in the budget process. Progress against these standards could be judged in the context of regular PEFA or fiscal Report on Observance of Standards and Codes (ROSC) assessments. Since other TA providers, such as the World Bank, DFID, USAID, European Commission (EC) are also involved, AFS will focus on complementary areas of PFM and those judged most important in terms of IMF programs and priorities. Regional cooperation and outreach activities are important as many of the countries have a similar budget system, but are at varying stages of development. Given the creation of CABRI,[19] close cooperation with this body would be beneficial for AFS. The following presents an overview of planned key outputs of AFS work in each of the member countries.

Angola

76. The government is implementing several PFM projects—including expansion of the Integrated Financial Management System (IFMIS) and the production of comprehensive general accounts—but these sometimes lack coordination and strategic orientation. Progress on enhancing oil revenue projections, reinforcing internal controls, coordinating the current and capital budgets, controlling payments, public accounting and fiscal reports, and improving line ministries' budgeting and planning capacity, has fallen short of expectations. Progress is hampered by the lack of a well-sequenced PFM reform strategy and efficient mechanisms to facilitate the transfer of knowledge from the large number of consultants to public officials. AFS will assist the authorities in designing a comprehensive, coordinated and well-sequenced PFM action plan and adopting mechanisms for an effective transfer of

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[19] The Collaborative Africa Budget Reform Initiative (CABRI) is a professional network of senior budget officials in African Ministries of Finance and/or Planning. CABRI was officially launched on 14 May 2008. CABRI's main objective is to promote efficient and effective management of public finances, which fosters economic growth and enhances service delivery for the improvement of living standards of African people.

knowledge and expertise. It will also assist in adopting an MTEF, improving the selection and monitoring of investment projects, introducing a sound public private partnership (PPP) legal framework, promoting effective commitment control, improving fiscal reporting, public accounting, internal controls, and providing guidance on resource revenue management issues.

Botswana

77. A medium-term macrofiscal framework is needed to facilitate analysis and policy formulation and to help link the annual budget to longer term policies. Another priority is to improve cash and debt management. Accurate and updated cash planning, establishing a financing plan during the short-term period of fiscal deficits, and developing a medium-term debt management strategy (MTDS) are the key requirements. A review of the existing fiscal rule is also required to provide flexibility to effectively implement the MTDS. Both cash and debt management in Botswana interact with the government savings in the Pula Fund and it has become necessary to review and clarify its legal, ownership, accounting, and reporting modalities. The government has also committed to progressively implement accrual accounting and results-based budgeting. TA will be necessary in all these areas although macrofiscal framework and cash and debt management should receive priority.

Comoros

78. A PEFA assessment carried out in 2008 and a PFM systems evaluation undertaken by the AfDB in 2010 revealed significant weaknesses in many areas of PFM. Many of these are inherent in the pre-2009 organization of the Comoros Union that bred transparency problems due to the existence of four budgets to manage and limited local coordination capacity. Cash planning and budget execution are generally weak, but are improving with declines in domestic arrears accumulation and extra budgetary expenditures. Improvements achieved in PFM during the period of 2008–10 are likely to be consolidated in the period ahead, supported by the constitutional reform of 2009 that has strengthened central government authority over economic policy and budget management. Going ahead, more clarity will be needed in budget presentation, and the budget classification needs to be updated with a functional classification. More generally, strengthening PFM is critical and needs significant TA, with a focus on improving basic budget preparation, budget execution and public accounting. Other priority areas include strengthening of treasury and debt management and adoption of a medium-term fiscal framework. In all these areas, the authorities will need sustained and long-term support from AFS.

Lesotho

79. The government of Lesotho has implemented several PFM reforms—but they are yet to fully achieve the desired policy objectives. A recent (March 2010) IMF HQ mission submitted recommendations to improve the prioritization and sequencing of key PFM reforms that will progressively foster fiscal discipline, accountability, and the safeguarding of

public funds. Improving the design, configuration, and implementation of the IFMIS is a matter of urgent priority. The authorities' commitment to undertake and sustain the structural reforms necessary to achieve fiscal consolidation has been reinforced by the substantial decline in government revenues resulting from the current global financial crisis. Technical support has been requested to (i) strengthen the macrofiscal and budget frameworks; (ii) improve the budget execution processes, including IFMIS functionality; (iii) enhance accountability in the use of limited public resources; and (iv) improve timeliness and responsiveness of fiscal reporting. A number of other TA providers are active in Lesotho, including the World Bank and the EU, and careful coordination of reform efforts will be required. Follow-up support for coordination of PFM reform efforts and requested TA will be provided by AFS.

Madagascar

80. Before the political crisis, Madagascar had embarked on some relatively advanced PFM reforms, in particular program budgeting. Nonetheless, the IMF has recommended that more basic weaknesses in PFM systems be addressed as a priority. As soon as an IMF mission can visit the country, IMF HQ will endeavor to send a diagnostic mission, which will review the situation and identify areas where TA support from AFS will be required over the next two–three years.

Mauritius

81. Since 2006, the government, with the support of a number of IMF TA missions and HQ backstopping, has undertaken major reforms of the MTEF and budgeting systems, resulting in the successful introduction of Program-Based Budget (PBB) in the 2008–09 fiscal year. A September 2010 TA mission further advised the authorities on the consolidation of these reforms, the strengthening of the macrofiscal and planning framework, and the design of a modern enabling legislative framework. In late 2010, the IMF, at the request of the authorities, led a PEFA exercise as a basis for the review of the current status of PFM, the impact of reform activities to date, and the strategic design of future reforms. An output of the assessment in February 2011 will form the strategy for the coordination and design of future reforms, and the coordination of further PFM development partner assistance, including TA support from the IMF. AFS is expected to play a key role in facilitating the strategic reform agenda and the provision, where necessary, of specific TA.

Mozambique

82. During the 2002–06 period, the IMF played a key catalytic role in promoting Mozambique's PFM reforms, under the so-called Sistema de Administração Financeira do Estado (SISTAFE) project, in close coordination with donors. As a result, Mozambique has put in place the essential building blocks of a well-performing PFM system. They include a Treasury Single Account (TSA), a sound budget classification and consistent Chart of Accounts, a new organic budget law and a well-designed IFMIS. More recently, the Fund has

transitioned towards a more limited advisory approach, conducted as annual HQ-based follow up missions. In coordination with these follow-up missions, the AFS could assist with the monitoring and implementation of the Phase III of the SISTAFE project. The SISTAFE III project will aim at addressing the PFM weaknesses identified by the PEFA Assessment and implementing the action plan recommended by the fiscal ROSC, conducted in 2007 and 2008. Reform efforts will focus on the IFMIS, budget preparation and planning, budget execution and cash planning, public accounting, and internal and external controls. AFS could also assist in resource revenue management issues, PPPs, public investment, and medium-term expenditure framework.

Namibia

83. Alongside South Africa, Namibia has one of the more advanced budget frameworks in Southern Africa. Budget formulation takes place within a well-designed MTEF, expenditure is classified on a program basis, and expenditure is monitored and controlled through a simple but functional IFMIS. The authorities are, however, frustrated that—despite adopting these reforms—there remains a lack of program-based policy discussion and budget management. They have asked for TA on improving the implementation of program budgeting, including making the necessary amendments to the chart of accounts. AFS could provide further TA in these areas, as required, as well as in the area of resource revenue management.

Seychelles

84. To assist the authorities strengthen the budget process and rationalize public expenditure, a Fund mission in July 2008 recommended the following: preparing a credible and consistent macroeconomic framework; setting firm expenditure ceilings; consolidating and optimizing the use of government cash balances; and enhancing the reporting and accountability framework. The authorities have started working in these areas. However, they require further TA due to capacity constraints. AFS would be able to assist the authorities in implementing these recommendations, in particular strengthening the budget process, improving cash management by establishing a TSA, and enhancing the chart of accounts and financial reporting framework.

South Africa

85. The South African authorities have introduced substantial improvements in PFM systems and fiscal institutions in recent years, that now approach the standard of developed countries in many areas. Fiscal transparency has also been improved in areas such as extending the coverage of the budget, and providing fuller information on the budget, fiscal risks, and PPPs. An effective model of fiscal decentralization has been developed. The authorities have also introduced a performance orientation to the budget. If needed, TA support could be provided in more advanced PFM areas such as accrual accounting and performance-related budgeting. Given that the PFM system in South Africa is the strongest in

the region, the authorities could be used as a source of expertise, knowledge dissemination and outreach.

Swaziland

86. The substantial deterioration in Swaziland's fiscal outlook, arising from a sharp decline in net revenue from the SACU, reinforces the need to restore macrofiscal sustainability and enhance fiscal discipline. Strengthening the macrofiscal analysis function and medium-term perspective in budgeting is thus a key requirement. More recently, the authorities have requested TA to improve the existing commitment and expenditure control mechanisms and enhance budget monitoring. A review of the existing PFM legislation is another area that would benefit from TA provided by AFS. Support from AFS will be coordinated with other providers of PFM TA active in Swaziland.

Zambia

87. After several years of slow progress, the Zambian authorities are attempting to accelerate the progress in reforming their PFM system, including through a comprehensive Public Expenditure Management and Financial Accountability program supported by donors. An IMF HQ mission in May 2009 reviewed progress in the country's budget reform program and developed a reform strategy and action plan covering four main groups of reform measures: (i) improvements to the preparation and presentation of the budget; (ii) measures to strengthen expenditure control, accounting, and reporting; (iii) optimization of cash management through a TSA; and (iv) improvements to budget-related legislation. A follow-up mission in June 2010 updated the action plan and recommended a review and re-sequencing of the IFMIS development process. The authorities consider that the IMF should take the strategic lead in planning and implementing PFM reforms. Follow-up support could mainly be provided by AFS. TA would be necessary in all the above areas, although commitment control, budget classification and coverage, and TSA should receive priority to set the stage for other reforms going forward.

Zimbabwe

88. Public financial management in Zimbabwe was negatively impacted during the period of hyperinflation and the de facto transfer of fiscal activity from central government to the Reserve Bank of Zimbabwe. Since then, the unity government has started a process of rebuilding the PFM systems and capacity. If the restrictions on IMF TA missions to Zimbabwe were to be further eased in the PFM area, IMF HQ could send a diagnostic mission, which will review the situation and identify areas where TA support from HQ/AFS will be required over the next two–three years.

Verifiable indicators[1]

Country	Main outputs
Angola	PFM action plan, MTEF, improved public investment prioritization, effective resource revenue management, commitment controls, fiscal reporting, public accounting, internal controls.
Botswana	Improvements in budget preparation; introduction of program-based budgeting; modernization of budget classification; cash management; IFMIS.
Comoros	Clearer budget presentation; strengthened treasury management; adoption of a medium-term fiscal framework.
Lesotho	Enhanced capacity for medium-term analysis and policy formulation, including a functioning medium-term expenditure framework. Strengthened budget execution through improvements in accountability, expenditure management systems, and in-year and year-end fiscal reporting.
Madagascar	Rationalized budget execution, strengthened budget control, reliable public accounting system
Mauritius	Macrofiscal, planning, MTEF and program-based budgeting progressively implemented, and new legislative framework developed.
Mozambique	Further development of IFMIS and related reforms (“SISTAFE III” project), PPP, public investment, public accounting.
Namibia	Program-based budgeting; comprehensive accounting system; efficient resource revenue management.
Seychelles	Improvements in budget preparation; cash management; accounting system; fiscal reporting.
South Africa	Accrual accounting; performance-based budgeting.
Swaziland	Improvements in the macrofiscal analysis function and budgeting within a medium-term expenditure framework. Strengthened budget execution control, monitoring and reporting. A revised PFM legislative framework.
Zambia	Improvements in budget execution; cash management; fiscal reporting.

[1] In relevant cases, PEFA indicators could be used to monitor progress.

F. Agenda—Financial Sector Regulation and Supervision

89. ***Regional issues.*** Under the SADC regional integration agenda, member countries are aiming to harmonize legal and regulatory frameworks in the financial sector, remove all restrictions on free movements of capital and achieve monetary integration, ultimately leading to a monetary union. This places particular importance on regional cooperation on regulation and supervision of banking, operation and oversight of payment systems, and regulation and oversight of nonbank financial institutions and markets. Since the membership in AFS would broadly overlap with that of the SADC, the TA to be provided through the AFS would support these efforts by ensuring consistency across countries in the capacity building efforts in these areas. In addition, it would support broader efforts to strengthen crisis preparedness and management as well as home-host supervisory coordination mechanisms where relevant.

- *Developing capital markets***.** In addition to the markets in South Africa, money and capital markets are developing in a number of countries (Mauritius, Mozambique, and Zambia, for example), depending on size and market interest. An important strategic consideration will be whether these markets continue to develop unilaterally or whether the authorities wish to facilitate the development of a regional framework. In either case, support for robust market oversight could be an important output of AFS.

- *Pyramid schemes in Southern Africa.* A tendency for fraudulent financial schemes developed in any one country to spill over into a neighbor has been identified. These schemes could be occasionally systemic. AFS could build on the March 2009 workshop on the issue in assisting countries in the early detection and resolution of such fraud.

- *Contractual savings sector.* In recent years several of the countries in the region have been focusing efforts to reform and develop their insurance and pensions sectors as sound avenues for long-term means of financing investment. A major emphasis will be on ensuring financial soundness and effective oversight of these sectors.

90. **At the country level, capacity building needs vary substantially and reform efforts in financial sector supervision and regulation are at different stages.** Capacity building needs are particularly large in Angola, Botswana, Lesotho, Madagascar, Mozambique, and Zambia. All countries covered by AFS should strengthen their crisis preparedness and management capacity and strengthen mechanisms for home-host supervisory cooperation.

- *Nonbank supervision.* The demand for nonbank financial institution supervision is expected to increase, although interest in stronger banking supervision will also maintain regional demand in that area. The need for better supervision of nonbank financial institutions has been underscored in Angola, Botswana, Lesotho, Madagascar, Mozambique, Swaziland, and South Africa.

- *Crisis preparedness.* The global financial crisis has highlighted the importance of effective crisis mitigation and management mechanisms. In particular, countries would need to strengthen their capacity regarding early warning systems, crisis simulation, emergency liquidity provision, lender of last resort, and bank resolution and put in place appropriate safety net arrangements**.** AFS will facilitate capacity building efforts on specific aspects of these issues.

Verifiable indicators

Financial Sector Supervision
• Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision. • Higher levels of compliance with the Basel I Capital Adequacy Framework, including the incorporation of a capital charge for market risk. • Implementation of risk-based supervision frameworks, with clear on-site and off-site supervisory methodologies and risk assessment criteria. • Greater cross-border communication and cooperation among the supervisory authorities in the region, preferably reflected in memoranda of understandings.

G. Agenda—Monetary Policy and Operations

91. ***Regional issues.*** The SADC countries are also seeking greater monetary integration with the ultimate objective of monetary union. Within the SADC, Lesotho, Namibia, South Africa, and Swaziland already constitute the Common Monetary Area with a fixed 1:1 parity of the local currency vis-à-vis the rand. Monetary integration entails common benchmark interest rates across, and stable exchange rates between, member countries. Countries to be covered by the AFS face considerable challenges in the formulation and implementation of monetary/exchange rate policies, including the institution of appropriate monetary policy frameworks, the effectiveness of monetary instruments and operations, understanding of transmission mechanisms, and the development of money and foreign exchange markets.

- *Monetary policy frameworks, instruments and operations.* The framework and capacity for monetary management varies substantially across AFS countries and most would need TA to enhance efficacy in this area. Such TA would need to be undertaken against the backdrop of the broader monetary integration objective and seek harmonization of instruments and operations.

- *Money market development.* Properly functioning money markets are key to effective monetary operations and transmission. AFS will support countries' efforts develop and deepen such markets, taking into account linkages with and practices in other countries.

92. **Specific TA needs regarding monetary policy framework and implementation are substantial in most countries.** Angola, Botswana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, and Seychelles require assistance in different areas, including modeling of monetary transmission mechanism, modernization of monetary policy

frameworks (inflation targeting), and strengthening monetary operations. Development of money and foreign exchange markets is also important to a number of countries.

- *Central bank functions.* Monetary operations are expected to continue to be the chief area of delivery, while demand for payments system TA should taper off as countries succeed in implementing TA. Monetary operations will be a key area in Angola, Madagascar, Namibia, and Seychelles.

- *Monetary policy framework and analysis.* Several central banks in the region are upgrading their monetary policy frameworks with a view toward adopting inflation targeting. In particular, Botswana, Mauritius and Mozambique, will need further assistance in developing robust models of the underlying monetary transmission mechanism and supporting institutional framework.

- *Money market development.* Money markets remain shallow in a number of countries and subject to considerable volatility. Efforts to enhance the efficiency of these markets will be particularly important in Angola, Lesotho, Madagascar, Mozambique, and the Seychelles.

Verifiable indicators

Monetary Policy and Operations

- Modernization of payment systems—a modernization plan of national payment system. A plan for unified payment systems and harmonized conversion in the region (conditional upon agreements by the authorities in the region). Where appropriate, assessments of compliance with the Core Principals for Systemically Important Payment Systems.

- Monetary policy operation framework—guidelines for strengthened frameworks for the formulation and implementation of monetary policy, including inflation targeting framework in countries adopting (planning to adopt) the framework. Guidelines for developing an effective liquidity monitoring and forecasting framework

- Primary and secondary market development—issuance by the central bank of guidelines on primary and secondary market operations.

H. Agenda—Economic and Financial Statistics

93. **There has been a high demand for IMF TA missions on national accounts, with special emphasis on increasing institutional capacities of national statistical agencies to improve and sustain the integration frameworks for compiling national accounts.** TA missions on national accounts were provided in FY 2009 to the Seychelles, Swaziland, and Zambia to address these issues. In addition, a long-term regional national account expert posted in Botswana in November 2007 served Botswana, Mauritius, and Namibia until June 2010. Moreover, during FY 2009, there were TA missions on the compilation of the

consumer price index (CPI) to Swaziland and Zambia to address existing problems with these data. In FY2010, TA has been provided to the Comoros, Namibia, the Seychelles, and Zimbabwe. Therefore, AFS TA will focus on compiling annual and quarterly national accounts. The statistics advisor can undertake national accounts and price statistics modules consecutively and to a maximum of six countries in any given year. The national accounts module could be replaced by a price statistics module if the deliverables of the former have been achieved well before the five-year duration of the project is completed. To build statistics capacity, AFS will also provide workshops and seminars on national accounts issues.

Angola

94. Angola is currently improving the production of its national income accounts, although much remains to be done on the production of consumer and producer price indices, which are critical elements for the compilation of national income accounts in volume terms (i.e., constant prices). The World Bank is providing TA on the revision of the national accounts with a new base year (2002). The Angolan authorities are also receiving technical support on national accounts compilation from the Brazilian National Statistics Office (IBGE) to sustain and complement the production of robust national accounts estimates from the production, expenditure, and income approaches. Projects are on the way to further update the base year, develop better source data, and improve national accounts' compilation techniques. Official CPI data solely rely on prices collected only for Luanda. Although price collection was extended to five more provinces, the index compiled based on these extended price information is not considered reliable for publication/dissemination.

Botswana

95. Botswana received IMF TA on real sector statistics under the GDDS Project for Anglophone countries financed by DFID during the 2001–06 period. Since November 2007, a regional statistics advisor in national accounts provides TA to Botswana under a regional project sponsored by the Japan Administered Account for Selected Fund Activities (JSA). With IMF TA, Botswana has improved its national accounts data with the use of additional source data and improved methodology. National accounts are now closely based on the 1993 System of National Accounts (SNA) methodological framework. With the help of the resident advisor, annual data have now been produced on a calendar year basis, and quarterly estimates are timely compiled and released as well. The CPI broadly complies with the internationally recommended methodology, it provides sufficient geographical and product breakdowns, and it has been updated relatively recently using 2006 weights. AFS TA will focus on GDP estimates at constant prices, which need improvements, and changing the base year for constant prices from the fiscal year 1993/1994 to the calendar year 2006. AFS will also assist in developing estimates of the economic activities of the informal sector.

Comoros

96. Comoros does not participate in the GDDS. It lacks adequate staffing and funding for the compilation of statistics in general. National accounts statistics are based on basic assumptions and extrapolations of partial coverage, as there are no suitable source data available. Sources and methods for the compilation of the CPI are outdated. The authorities are receiving assistance from AfDB to upgrade the national accounts and price statistics. The provision of AFS TA in national accounts will depend on the availability of source data and institutional capacity.

Lesotho

97. Lesotho participates in the GDDS. A peripatetic national accounts expert has been assigned to Lesotho under the DFID project for Anglophone countries since late 2003. However, progress has been limited in improving the national accounts statistics because of inadequate source data. Inconsistencies with other macroeconomic statistics and some source data remain a concern. The CPI covers only urban areas and uses outdated weights. AFS TA will focus on developing an updated benchmark estimate and the consequent revision of the series.

Madagascar

98. IMF HQ missions in 2006, 2007, and 2008 provided TA for the compilation of new benchmark estimates and the revision of the annual series of national accounts, as well as adopting the methodology of the 1993 SNA. During the last mission, revised series based on the 2001 benchmark estimates were completed on a preliminary basis for the period 2001–06. The CPI has an increased geographical coverage since 2005 but the weights are still based on an outdated household budget survey of 1999. There are plans to update the weights using the results of the household budget survey of 2005. AFS TA will focus on finalizing the revision of the annual GDP series.

Mauritius

99. Mauritius participates in the GDDS although the country has made significant progress in updating its statistics and it is expected to subscribe to the SDDS by the end of 2011. Four missions on national accounts were conducted by the resident advisor stationed in Botswana (the countries covered by the advisor are Botswana, Mauritius, and Namibia) under a project aimed at helping participating countries improve their statistical systems in line with the requirements of the SDDS and sponsored by the JSA. An updated CPI using weights derived from the 2006/2007 household budget survey was released in 2007. Producer price indices have been developed for agriculture and manufacturing. AFS will provide TA in national accounts.

Mozambique

100. Mozambique has received extensive TA on statistics from the IMF. It has benefited from the Lusophone Africa GDDS project and is now participating in the external sector module of the second phase, DFID-financed GDDS project (2006–09). As a result of the IMF TA and other TA providers, the national accounts were rebased to 2003 and quarterly national accounts are compiled since 2007 in accordance with the 1993 SNA. Although the CPI coverage was increased to three cities, further expansion of its geographical coverage is needed. AFS TA will assist in the introduction of further improvements in the compilation of the national accounts.

Namibia

101. Namibia received IMF TA under the DFID-funded GDDS Project during the period of 2001–06. From November 2007, a regional statistics advisor in national accounts provided TA to Namibia under a regional project sponsored by the JSA. Coverage of GDP estimates has been improved and the authorities are working on updating the base year. A nation-wide CPI was introduced in 2005. As of September 2010, Namibia participates in the DFID-Phase 3 project for developing quarterly national accounts.

Seychelles

102. There were a series of IMF TA missions on national accounts in 2005–10. A CPI mission was conducted in 2008. Quarterly national accounts data are under preparation. A CPI mission was conducted in 2008 to review progress in implementing the new CPI weights from the 2006/2007 Household Expenditure Survey and introducing improvements in the methodology in accordance with the recommendations from the previous real sector missions. AFS assistance may be needed for finalizing the quarterly national accounts estimates.

South Africa

103. The IMF has not provided TA on real sector statistics to South Africa in recent years. The country compiles national accounts in accordance with the 1993 SNA.

Swaziland

104. Swaziland has received significant TA on national accounts and price statistics from the IMF under the GDDS Project for Anglophone African Countries. This assistance has resulted in the availability of GDP estimates based on the production and the expenditure approach at current and at constant prices. The CPI was significantly revised in May 2007 to incorporate an expanded geographical area and improvements in the methodology. AFS TA may be needed for further improvements of the national accounts.

Zambia

105. Zambia has received significant TA on national accounts and price statistics from the IMF under the DFID-funded GDDS Project. However, human capacity constraints have hampered the absorption of TA. National accounts are still compiled based on the 1968 SNA. Estimates are based on an outdated benchmark year and there is a lack of appropriate source data. The CPI is compiled using outdated weights from 1993/1994. AFS TA will focus on the improvement of the national accounts.

Zimbabwe

106. Zimbabwe participates in the GDDS. A TA mission in national accounts was undertaken in FY2010. National accounts are mainly based on the *1968 SNA method*ology. The CPI has outdated base weights derived from the Income, Consumption and Expenditure Survey of 1995/96. TA in national accounts will be provided through the DFID-Phase 3 project on annual national accounts.

Verifiable indicators

Country	**Possible verifiable indicators regarding published data**
Angola	Improved volume measures of GDP.
Botswana	Improved volume measures of GDP.
Comoros	Annual GDPestimates, depending on available source data
Lesotho	Annual and quarterly GDP.
Madagascar	Annual GDP base updated to 2005.
Mauritius	No TA in national accounts needed from AFS.
Mozambique	No TA in national accounts needed from AFS.
Namibia	No TA in national accounts from AFS. TA will be provided through DFID-Phase 3 project.
Seychelles	Finalization of quarterly national accounts estimates.
Swaziland	Improved annual national accounts.
Zambia	GDP and the CPI updated with maximum use of available source data
Region	Through workshops, build statistics capacity on national accounts issues

I. Agenda—Training courses in macroeconomics

107. With its emphasis on the broader macroeconomic framework, training by the IMF aims at complementing TA in various areas listed in this document. The IMF aims at building capacity in the governments in the area of macroeconomic management and governance. IMF courses focus on the analysis of macroeconomic conditions, the diagnosis of problems, and the design and implementation of macroeconomic policies—all areas critical to facilitating growth and development. As such, the course program is complementary to the TA offered in various areas as it puts the insights acquired by member countries in these areas in the broader macroeconomic context.

108. **Officials from the countries of AFS already attend courses offered through the IMF Institute Training Program at HQ and the Joint Partnership for Africa (JPA) in Tunis**. During the 2001–07 period, more than 600 officials from the AFS region received training at IMF HQ or the former Joint Africa Institute (now JPA). The IMF also regularly collaborates with regional training organizations—such as the MEFMI—in delivering some of its courses for African officials at venues within the AFS region. Nearly 500 African officials, including many from outside the AFS countries, attended the 12 courses that the IMF delivered in the two regions during the 2001–07 period.

109. **Training of officials through AFS would become part of the IMF's integrated training strategy for sub-Saharan Africa.** This strategy is two-pronged, with on the one hand a major role for the JPA in the delivery of general capacity building at the level of the continent, and on the other hand, a role for the AFRITACs as conduits for more pointed and specialized training at the sub regional level to address the strong needs for basic macroeconomic training. The IMF's curriculum spans a wide range of courses, starting from the basic Financial Programming and Policies course (FPP), over more specialized courses on fiscal, monetary and financial sector policies, to very specialized courses such as finance and the macroeconomics of natural resource management.

110. **AFS training will be closely tailored to regional needs to foster collaboration and mutual learning within the region. Examples of such courses include**:

- *Monetary policy*—several countries are considering adapting an inflation targeting framework. TA is being provided in these areas. AFS could offer a specialized course with hands-on training and real-life data, mainly for central bank officials in managing an inflation targeting framework. Since AFS covers a number of SADC countries, courses can also be offered that deal with issues of monetary integration and ultimately, the management of a monetary union.

- *Financial sector development*—Several AFS countries have embarked on financial sector development programs, often in the wake of FSAPs, and TA is being provided in that area. AFS courses would focus on specific financial sector policies (including regulation and supervision and financial stability) and emphasize the interactions with the countries' other macroeconomic management policies.

- *Finance*—Some countries in the region have already more advanced financial systems than others and are becoming financially more and more integrated with South Africa. As these countries' financial systems further advance, training can be offered on specialized finance products and their implications.

- *Customs union*—Courses can be tailored that discuss the policies and implications of establishing a customs union.

- *Natural resource management*—Natural resource management poses several challenges for macroeconomic management. AFS would offer a course that spans all aspects of this issue, including revenue management, governance, expenditure policies, sovereign wealth funds, as well as the implications from monetary and exchange rate policies.

In addition to its standard two-week courses for government officials from the region, AFS could also give two- or three-day high level seminars for high officials or conferences on specific topics at the request of AFS stakeholders.

111. **In its integrated approach to training in sub-Saharan Africa, the IMF would ensure that training through AFS is integrated in its training through the JPA.** The latter would play a more prominent role in training for SSA than is currently the case. Through the JPA, the IMF would deliver more general macroeconomic courses, such as FPP to address the region's need for intensive training in basic macroeconomic skills, as well as joint courses with its partners at the JPA (World Bank and AfDB). AFS members would be invited to these courses, and conversely, JPA courses could be delivered in the AFS region, making them joint events between the IMF, JPA, and AFS. Likewise, the IMF also intends to involve other regional training institutes, such as SADC and the South African Reserve Bank College, in its training through either the JPA or AFS.

J. Resource Needs

112. **AFS's proposed size is determined by the diversity and number of recipient countries.** To provide assurance and stability for the center's operations, financing would be secured in advance for the entire five-year period. The costs of about US$59 million would be shared by the IMF, the host country (see next paragraph), recipient countries and donors. The proposed budget (Table 3) envisages:

- Eight resident advisors with two focused on revenue administration, three on public financial management, one on financial sector issues, one on monetary operations, and one on statistical issues.

- Short-term expert visits, which would complement AFS' resident advisors' work. As is already practice, the Fund would seek to hire regional experts as much as possible, which would not only foster an environment of peer review, but would also be cost effective, maintaining AFS's character as a regional center.

- HQ-led diagnostic interventions, reflecting that these missions are a critical complement to AFS in designing strategic advice, which goes hand-in-hand with AFS assistance in implementing this advice. The diagnostic missions would include short-term experts.

Table 3. Proposed AFRITAC South Budget

(Five years)

	In U.S. Dollars
Start up costs	**1,669,006**
Making the center operational	901,820
Facilities	767,186
Office coordination and administration	**7,322,775**
Staff	3,691,048
Lease 1/	992,571
Travel	564,360
Miscellaneous, including security, translation, communication	2,074,796
TA and training (by activity)	**43,848,494**
8 Resident Advisors TA delivery	15,843,616
Salaries	12,788,636
Travel	3,054,979
Short-term expert TA delivery (50.5 months of delivery)	11,451,954
TA seminars	3,899,752
Training on macroeconomic and financial issues	1,871,636
Diagnostic interventions	4,316,712
Backstopping and project management	6,464,824
TA and training (by TA area)	**43,848,494**
Revenue administration	11,648,860
Public financial management	17,473,290
Financial sector supervision	4,420,233
Monetary policy and operations	4,420,233
Macroeconomic and financial statistics	4,014,242
Macroeconomic policy	1,871,636
Evaluation	**300,000**
Contingency	**2,558,563**
Trust fund management	**3,329,646**
Total	**59,028,485**

Source: Office of Technical Assistance Management.

1/ Estimate.

- Backstopping and project management from IMF HQ to ensure quality control and that AFS advice is in line with best international practice.
- Training on macroeconomic and financial issues.

- A contingency to avoid having to reschedule planned activities to accommodate higher priority items.
- A mid-year evaluation.

113. **The host country Mauritius will provide generous in-kind contributions and a financial contribution for the center.** Mauritius will provide a substantial contribution to support the operating costs of the center— including furnished office space, five local staff, security and telecommunications/IT, the cost of the residence of the center coordinator, as well as local transportation (a vehicle). In addition, Mauritius is expected to make a sizable financial contribution to support the capacity-building activities of the center.

K. AFRITAC South Sustainability

114. **Strong commitment of beneficiary countries will be critical for AFS's success.** Without this, no lasting results will be achieved. It is therefore expected that beneficiary countries would take full ownership of AFS's assistance and drive project implementation by, inter alia, appointing senior-level government officials as SC members, providing travel and per diem expenses for these officials to attend SC functions. Where necessary, AFS beneficiary countries may also be approached to assist with administrative and logistical support for in-country training activities and other AFS events.

115. **Given the long-term nature of building human and institution capacity, it is expected that AFS's funding will be expanded beyond the third cycle.** AFS will continue to place strong emphasis on "training the trainers" so as to build up regional expertise and prepare for an eventual exit strategy. The IMF will also continue to expand its roster of regional experts. The issue of sustainability of AFS's operations would form part of the terms of reference of a mid-cycle external evaluation.

IV. Regional Technical Assistance Center's Governance, Operations, Visibility, and Financial Management

A. Governance

Steering Committee—"Embodiment" of the Paris Declaration

116. AFS would be guided by the SC that consists of representatives from recipient countries, donors and the IMF. The SC provides strategic guidance to the center and assists in setting its priorities. It also provides input on the topics to be covered by the team of resident advisors and short-term experts, and endorses the center's work plans. The IMF informs the SC on the selection and hiring of resident advisors.

117. The SC holds annual meetings. Additional meetings may be convened as necessary. The SC is chaired on a rotating basis by the principal representative of one of the beneficiary

countries (e.g., the deputy governor of the central bank). Observers to the SC can be permitted, from neighboring countries, interested donors, or other TA providers.

B. Regional Technical Assistance Center Operations

Work plan

118. AFS's annual work plan will be developed in consultation with member countries and within the context of the IMF's TA prioritization processes, managed through the Regional Strategy Note for Africa and the RAP. This process takes into account each beneficiary country's macroeconomic reform strategy. The IMF's continuous dialogue with AFS member countries provides a basis for the identification of key capacity-building needs in each country concerned. Drawing on this, TA priorities are determined and detailed country TA programs formulated jointly by the AFS and IMF HQ. This ensures that the activities of both are fully integrated with each other, as well as with country reform agendas. The development of the annual work plan is also coordinated with the IMF's budget cycle and resource allocation processes to ensure timely and predictable delivery of the planned TA.

119. Given the limited resources available to the center, a main prioritization criterion in determining the work plan is each beneficiary country's record in making effective use of TA previously received. Peer review among the country representatives on the SC should, therefore, reinforce cooperation, accountability, and the effective use of resources.

120. AFS's work plan consists of the individual country TA programs, which may form part of broader regional projects. The AFS coordinator will seek strategic guidance from SC members on the work plan, prior to seeking their formal endorsement. At each SC meeting, the AFS coordinator delivers a monitoring report on the progress of the activities outlined in the work plan.

Center coordinator

121. **AFS will be headed and managed by a coordinator.** The coordinator is responsible for the day-to-day management of AFS and its operations, under the strategic guidance from the SC and general oversight from the IMF. In consultation with the SC, the African Department, TA Departments and OTM, the coordinator formulates the AFS's work plan and monitors its implementation. The coordinator also serves as secretary to the SC. The coordinator is appointed and supervised by the IMF with OTM having an oversight role over the RTACs.

Staff

122. **AFS's staff comprises a number of resident advisors in each of the relevant TA areas, office support personnel, and a pool of short-term experts for specific assignments.** The IMF is responsible for selecting and hiring AFS resident advisors through

international advertisements, and providing them with the technical support and backstopping required to ensure quality and consistency in their advice and activities. Short-term experts for peripatetic assignments are recruited through IMF HQ, based on the latter's roster of qualified experts, and are backstopped (see also section on quality control) by the resident advisors.

123. While the Fund will continue to select AFS staff, the transparency of the recruitment process will be enhanced through regular reporting to the SC. All forthcoming resident advisor vacancies at AFS will be reported to the SC with a request for proposals for candidates. The center coordinator will also report to the SC regarding short-listed candidates and the person selected for the advertised position. In all recruitment of experts, due consideration will continue to be given to suitably-qualified candidates from Africa. Support staff positions will be filled regionally, unless such staff are seconded from the host country.

Accountability

124. AFS is designed and operated to ensure that IMF TA is delivered in a manner that is responsive and accountable to the recipient countries. The IMF's recently revised dissemination policy[20] on TA reports will further improve accountability and facilitate coordination. Under the new policy, TA reports may be shared with SC members with consent of the TA recipient on a no-objection basis, and on the understanding that such information shall be kept confidential. Sharing of TA reports with non-SC donors will be determined on a case-by-case basis based on whether the donor in question has a legitimate interest in the TA report in question, perhaps due to its engagement in related activities in the recipient country. To enhance coordination, the SC members will also receive a one-page summary of each TA mission that takes place from AFS to recipient countries, which would flag the need for any complementary TA.

125. It is a core objective of AFS that the activities of the center reflect the ownership and commitment of its members. This helps to ensure the continued effectiveness and sustainability of the TA delivered.

126. As outlined throughout this document, the inputs of beneficiary countries are sought at various stages of the work planning and operations of AFS: during surveillance ("Article IV Consultations") and diagnostic missions that inform the TA planning process by the African and TA Departments in their preparation of TA strategies, and through the input and oversight of AFS's SC.

[20] http://www.imf.org/external/np/pp/eng/2008/040308b.pdf.

127. AFS will utilize a results-focused management system to track the implementation of its TA projects and activities in each country. This monitoring of TA project implementation against predetermined objectives and indicators ensures the delivery of timely and effective TA. The results-focused management serves to provide consistency, coherence, and predictability in the planning and execution of AFS TA. Monitoring reports further increases the accountability of TA to country authorities, donors, and other TA providers.

128. The AFS's SC provides an additional forum for accountability. Member countries can provide immediate feedback and recommendations on TA delivery and value. All SC members receive the information that allows them to guide AFS's work.

Quality control

129. Maintaining the quality of the TA advice and activities delivered by AFS is the responsibility of the staff at IMF HQ and at AFS itself. This process begins when the TA departments screen and appoint AFS's resident advisors from a pool of vetted experts that they have worked with successfully in the past. IMF HQ supports AFS by backstopping its staff and operations. Combining the recommendations of previous surveillance and TA missions with the needs of the country, the TA departments discuss with the resident advisors the objectives and outcomes of the mission. An important part of the backstopping at this early stage is the strategizing and sequencing of TA, to ensure that TA missions and outcomes build the capacity of the recipient country in a cumulative and logical manner. Throughout the mission of short-term experts and the stay of the resident advisors, the TA departments provide supervision and support. This is a dynamic and fluid process that can take a number of forms.

130. TA departments review and authorize the TA reports produced by the resident advisors. Further, the departments work with country authorities to ensure follow-up on the recommendations of TA missions. Country authorities also provide feedback on the value and efficacy of the TA received. At all stages of each TA mission, the backstopping ensures the consistency and quality *across* countries.

131. The RTAC coordinator provides an additional layer of quality control of the TA in their management of the day-to-day operations of the RTAC, and given their close relationship with the country authorities. As Coordinators are also present in the country for longer periods, they can monitor the progress of beneficiary countries in implementing reforms that are supported by the RTAC.

Evaluation

132. It is proposed that, after no fewer than three years of operation, an independent external evaluation of the work of AFS be carried out by a team of independent experts. The evaluation will assess AFS's effectiveness and sustainability of its TA, bearing in mind the long-term nature of capacity building. The evaluation will formulate recommendations for

improvement. The findings of the evaluation will inform discussions on AFS's future operations.

C. Visibility for AFRITAC South

AFRITAC South publications and website

133. AFS will publish an annual report. The report will detail the work undertaken by the Center, and report on the progress toward the planned objectives and outcomes.

134. AFS will maintain its own website, providing regular updates on its operations. The website will serve as part of the public face of the center. In particular, it will serve to foster coordination with other TA providers, including by providing contact information on specific issues and countries.

Visibility for donors

135. The names or logos of all of the donors supporting AFS are displayed on reports and information produced by the center. This includes on the letter heads of official correspondence of the center.

136. Where relevant and necessary, press releases may be issued to inform the public at large on AFS's work and accomplishments (e.g., at the end of selected seminars). Donors and beneficiary countries will be invited to participate.

D. Financial Management

137. Contributions from donors and recipient countries will be made into a multi-donor AFS Subaccount to be established under the IMF's Framework Administered Account for Selected Fund Activities (SFA).[21] This subaccount will be used to receive and disburse financial contributions for the Center's activities; all resources contributed to the subaccount will be for the sole use of AFS.

138. The basis for the financial arrangements between donors and the IMF will be a letter of understanding establishing the purposes of the contributions related to this program document and subject to the terms and conditions of the subaccount, as well as the SFA framework instrument. The IMF undertakes the trust fund management for all contributions in accordance with its financial regulations and other applicable IMF practices and procedures.

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[21] Reference to external website when the Board paper is public.

139. The IMF will provide donors with reports on the subaccount's expenditures and commitments through a secure external gateway. Separate reporting on the execution of AFS's budget will be provided at each SC meeting. Costs will be on an actual basis.[22] The operations and transactions conducted through the Subaccount during the financial year of the IMF will be audited as part of the IMF's Framework Administered Account and the report of the External Audit Firm is posted on the IMF's external website as part of the IMF's Annual Report. AFS is also subject to audits by the IMF's internal audit office.

140. AFS is an IMF office. It complies with IMF procurement practices.

[22] See http://www.imf.org/external/np/pp/eng/2008/040308a.pdf. Staff cost will be charged at the midpoint of the salary scale for the grade of the staff member plus the relevant benefit factor, contractuals and long-term experts will be charged at the actual salary plus the relevant benefit factor; all other costs, including short-term experts, travel and seminars will be charged at actual cost.

Appendix I. Statistical Capacity

Table AI.1. AFRITAC South: Relative Strength of National Statistics Systems

			Real Sector Statistics				Other Macro Data			
	Data Collection 1/ 2/	Statistical Practice Rank 2/3/	National Accounts Base Year Less Than 10 Years Old	CPI Basket Less Than 10 Years Old	Industrial Production Index Available	Export/ Import Price Indices Available	Consolidated Government Accounts Available	Use of BPM5	External Debt Reported	Subscribe to SDDS
Angola	…	50	Yes	Yes	Yes	No	No	Yes	Yes	No
Botswana	50	40	No	Yes	No	No	No	Yes	Yes	No
Comoros	60	20	No	Yes	No	No	No	No	Yes	No
Lesotho	60	40	No	No	No	No	Yes	Yes	Yes	No
Madagascar	60	50	No	Yes	No	No	Yes	Yes	Yes	No
Mauritius	60	80	Yes	Yes	No	Yes	Yes	Yes	Yes	No
Mozambique	80	40	No	Yes	No	No	No	Yes	Yes	No
Namibia	60	30	No	No	No	No	No	Yes	No	No
Seychelles	70	60	No	Yes	No	No	Yes	Yes	Yes	No
South Africa	70	90	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Swaziland	70	30	No	No	No	No	Yes	No	Yes	No
Zambia	60	30	No	No	No	No	No	Yes	Yes	No
Zimbabwe	40	30	No	No	No	No	Yes	Yes	Yes	No
Number of yes			3 of 13	8 of 13	2 of 13	2 of 13	7 of 13	11 of 13	12 of 13	1 of 13

Source: World Bank Country Statistical Information Database.

1/ Refers to periodicity of source data collection (i.e., agriculture, population, and poverty censuses).

2/ Rank on an scale of 0 to 100. Average rating for all low and middle-income IDA/IBRD countries (with a population of over 1 million) is 62 for Data Collection and 56 for Statistical Practice.

3/ Refers to compilation methodologies for national accounts, consumer and producer price indices, government finance statistics, and external debt & balance of payments data, and countries' participation in the IMF SDDS.

Table AI.2. AFRITAC South: Frequency of Data Production, Data Reporting to IMF Area Department, and Data Publication in Local Venue 1/

	National Accounts Data			CPI Data			GFS Data (Central Gvt.)		
	Production	Reporting	Publication	Production	Reporting	Publication	Production	Reporting	Publication
Angola	A	I	A	M	M	M	Q	I	I
Botswana	Q	M	M	M	M	M	Q	Q	Q
Comoros	A	I	I	M	I	I	N/A	N/A	N/A
Lesotho	A	A	A	M	M	M	M	I	Q
Madagascar	A	A	A	M	M	M	M	M	M
Mauritius	Q	Q	Q	M	M	M	Q	Q	Q
Mozambique	A	I	I	M	M	M	N/A	N/A	N/A
Namibia	Q	A	A	M	M	M	I	I	I
Seychelles	M	I	I	M	M	M	M	I	I
South Africa	Q	Q	Q	M	M	M	M	M	M
Swaziland	A	A	A	M	M	M	M	I	A
Zambia 1/	...	...	...	...	...	...	...	...	...
Zimbabwe	A	I	A	M	M	M	M	I	N/A

	Central Bank Data			Banking Survey Data			Monetary Survey Data		
	Production	Reporting	Publication	Production	Reporting	Publication	Production	Reporting	Publication
Angola	W	M	Q	M	M	Q	M	M	M
Botswana	M	M	M	M	N/A	M	M	M	M
Comoros	M	Q	Q	N/A	N/A	N/A	M	Q	Q
Lesotho	M	Q	Q	M	Q	Q	M	Q	Q
Madagascar	M	M	M	M	M	M	M	M	M
Mauritius	M	M	M	M	M	M	M	M	M
Mozambique	M	M	M	N/A	N/A	N/A	M	M	M
Namibia	M	M	M	M	M	M	M	M	M
Seychelles	M	M	M	M	M	M	M	M	M
South Africa	M	M	M	M	M	M	M	M	M
Swaziland	M	Q	Q	M	Q	Q	M	Q	Q
Zambia 1/	...	...	...	...	...	...	...	...	...
Zimbabwe	M	I	M	M	I	M	M	I	M

	Balance of Payments Data			External Debt Data		
	Production	Reporting	Publication	Production	Reporting	Publication
Angola	Q	A	A	A	I	A
Botswana	A	A	A	Q	A	A
Comoros	A	I	I	A	I	I
Lesotho	Q	Q	Q	M	Q	Q
Madagascar	Q	Q	Q	A	A	A
Mauritius	Q	Q	Q	A	A	A
Mozambique	Q	I	I	A	I	I
Namibia	Q	Q	Q	Q	A	A
Seychelles	M	I	I	N/A	N/A	N/A
South Africa	Q	Q	Q	Q	Q	Q
Swaziland	Q	A	A	A	A	A
Zambia 2/	...	...	...	...	...	...
Zimbabwe	A	I	A	A	I	A

Source: IMF Statistics Department, Databank for 2007 Review of Data Provision to the Fund.

1/ A= annual; Q=quarterly; M=monthly; D=daily; I = irregular; N/A=not available.
2/ Data for Zambia were not available in STA's databank.

Table AI.3. AFRITAC South: Data Publication in *International Financial Statistics*

(As reported in the November 2010 *IFS* issue)

	National Accounts	Consumer Price Index	Monetary Data: Central Bank	Monetary Data: Banking or Monetary Survey	*Government Finance Statistics*	Balance of Payments
Angola	2008	Sep. 2010	Sep. 2010	Jul-10	...	2009
Botswana	Q2-2010	Aug. 2010	Jul-10	Jul-10	Q1-2009	2009
Comoros	...	...	Aug. 2010	Aug. 2010	...	...
Lesotho	2008	Aug. 2006	Jul-10	Jul-10	2008	Q1-2010
Madagascar 1/	2008	Jul-10	Aug. 2010	Aug. 2010	2005	2005
Mauritius	Q2-2009	Aug. 2010	Jul-10	Jul-10	2008	Q4-2009
Mozambique	2007	Sep. 2010	Aug. 2010	Aug. 2010	...	Q4-2009
Namibia	2004	Sep. 2010	May-10	May-10	2007	Q4-2009
Seychelles 2/	2005	Sep. 2010	Aug. 2010	Aug. 2010	Mar. 2010	Q4-2009
South Africa	Q2-2010	Aug. 2010	Sep. 2010	Aug. 2010	Aug. 2010	Q2-2010
Swaziland	2006	Jul-10	Jul-10	Jul-10	...	2009
Zambia	2008	Sep. 2010	Aug. 2010	Aug. 2010	...	2009
Zimbabwe 2/	2005	2007	2007	2007	...	...

Source: *International Financial Statistics.*

1/ For Balance of Payments and Government Finance Statistics: data reported are incomplete, lack detail.
2/ For National Accounts: data reported are incomplete, lack detail.

Appendix II. Selected Macroeconomic Indicators [23]

Table AII.1. Real GDP Growth

(In percent)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	3.0	3.1	14.5	3.3	11.2	20.6	18.6	20.3	13.3	0.7
Botswana	5.9	3.5	9.0	6.3	6.0	1.6	5.1	4.8	3.1	-3.7
Comoros	1.4	3.3	4.1	2.5	-0.2	4.2	1.2	0.5	1.0	1.8
Lesotho	5.7	4.2	1.1	4.3	2.3	1.1	6.5	2.4	4.5	0.9
Madagascar	4.5	6.0	-12.4	9.8	5.3	4.6	5.0	6.2	7.1	-3.7
Mauritius	7.2	2.6	1.9	4.3	5.5	1.5	3.9	5.4	5.0	2.5
Mozambique	9.2	12.3	9.2	6.5	8.8	8.7	6.3	7.3	6.7	6.3
Namibia	4.1	1.2	4.8	4.3	12.3	2.5	7.1	5.4	4.3	-0.8
Seychelles	4.3	-2.3	1.2	-5.9	-2.9	7.5	8.3	9.6	-1.3	0.7
South Africa	4.2	2.7	3.7	2.9	4.6	5.3	5.6	5.5	3.7	-1.8
Swaziland	2.0	1.0	1.8	3.9	2.5	2.2	2.9	3.5	2.4	1.2
Zambia		4.9	3.3	5.1	5.4	5.3	6.2	6.2	5.7	6.3
Zimbabwe	-7.3	-2.7	-4.4	-10.4	-3.6	-4.0	-3.7	-3.7	-18.9	5.7
Average	3.7	3.1	2.9	2.8	4.4	4.7	5.6	5.6	2.8	1.2
Avg (Excluding Zimbabwe)	4.7	3.5	3.5	3.9	5.0	5.4	6.4	6.4	4.6	0.9

Sources: IMF, African Department database; and *World Economic Outlook* database.

[23] Data for Zimbabwe in Tables AII.1–AII.8 are preliminary.

Table AII.2. Consumer Prices

(Annual changes, in percent)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	325.0	152.6	108.9	98.3	43.6	23.0	13.3	12.2	12.5	13.7
Botswana	8.5	6.6	8.0	9.2	7.0	8.6	11.6	7.1	12.6	8.1
Comoros	5.9	5.6	3.6	3.7	4.5	3.0	3.4	4.5	4.8	4.8
Lesotho	6.1	6.9	12.5	7.3	5.0	3.4	6.1	8.0	10.7	7.2
Madagascar	10.7	6.9	16.2	-1.1	14.0	18.4	10.8	10.4	9.2	9.0
Mauritius	4.2	5.4	6.5	-4.5	4.7	4.9	9.0	8.8	9.7	2.5
Mozambique	12.7	9.1	16.8	13.5	12.6	6.4	13.2	8.2	10.3	3.3
Namibia	9.3	9.3	11.3	7.2	4.1	2.3	5.1	6.7	10.0	9.1
Seychelles	6.3	6.0	0.2	3.3	3.9	0.6	-1.9	5.3	37.0	31.8
South Africa	5.4	5.7	9.2	5.8	1.4	3.4	4.7	7.1	11.5	7.1
Swaziland	7.2	7.5	11.7	7.4	3.4	4.8	5.3	8.2	13.1	7.6
Zambia	26.1	21.4	22.2	21.4	18.0	18.3	9.0	10.7	12.4	13.4
Zimbabwe										6.5
Average 1/	9.3	8.2	10.7	6.6	7.2	6.7	6.9	7.7	12.9	9.4

Sources: IMF, African Department database; and *World Economic Outlook* database.

1/ Excluding Angola and Zimbabwe.

Table AII.3. Overall Fiscal Balance, Including Grants

(Central government; percent of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	-6.1	-2.8	-6.2	-6.4	-0.4	7.3	14.8	11.3	8.9	-8.6
Botswana	8.1	-0.2	-3.3	-1.0	0.9	6.9	10.5	6.3	-2.7	-9.6
Comoros	-1.9	-3.6	-3.6	-3.4	-1.7	0.1	-2.6	-2.0	-2.5	0.6
Lesotho	-6.1	0.0	-4.0	-0.6	6.2	4.7	12.9	10.0	5.7	-0.1
Madagascar	-5.0	-5.1	-5.5	-4.2	-5.0	-4.8	37.6	-2.7	-1.9	-3.1
Mauritius	-3.4	-5.1	-6.5	-6.2	-5.7	-5.7	-5.6	-4.1	-3.7	-4.1
Mozambique	-4.5	-5.0	-6.7	-4.3	-6.2	0.3	-1.6	-3.8	-2.3	-5.6
Namibia	-1.1	-3.4	-3.1	-5.9	-3.7	-1.0	2.2	4.4	2.6	-1.7
Seychelles	-6.2	3.3	-23.8	-2.7	-4.5	1.7	-14.5	-14.2	-5.5	-0.7
South Africa	-1.9	-1.5	-1.2	-2.0	-1.6	-0.6	0.4	0.8	-0.6	-5.3
Swaziland	-1.3	-2.6	-4.2	-3.3	-4.3	-2.3	7.8	7.4	1.3	-5.5
Zambia	1.3	-6.6	-5.1	-6.0	-2.9	-2.8	20.2	-1.3	-1.5	-3.2
Zimbabwe	-18.6	-7.0	-2.7	-0.2	-7.6	-9.6	-3.6	-4.1	-3.1	-2.7
Average	-3.6	-3.0	-5.8	-3.6	-2.8	-0.5	6.0	0.6	-0.4	-3.8

Sources: IMF, African Department database; and *World Economic Outlook* database.

Table AII.4. Government Revenue, Excluding Grants

(In percent of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	50.2	45.1	41.1	37.2	37.5	40.4	46.4	45.8	50.9	30.8
Botswana	47.0	36.9	35.9	39.1	36.6	40.1	39.2	36.6	32.1	32.7
Comoros	10.2	14.0	16.4	15.8	15.6	15.7	13.6	12.7	13.1	13.9
Lesotho	49.2	46.5	43.7	46.2	51.1	52.3	60.9	66.6	62.2	63.2
Madagascar	11.7	10.1	8.0	10.3	12.0	10.9	11.2	11.7	13.3	11.1
Mauritius	18.9	17.0	17.3	18.8	18.6	18.9	18.6	17.7	19.9	21.3
Mozambique	11.5	11.2	12.1	13.1	13.1	14.1	15.0	15.9	16.0	17.8
Namibia	29.2	28.5	28.4	26.5	25.6	27.3	29.4	31.7	30.6	29.4
Seychelles	33.1	31.3	33.3	39.3	41.6	41.1	42.0	32.2	32.4	35.4
South Africa	24.3	24.7	24.7	24.6	25.3	26.8	27.7	28.4	29.4	27.5
Swaziland	25.4	25.7	25.5	26.5	30.4	32.3	40.0	39.3	39.2	36.8
Zambia	19.3	19.0	17.8	17.9	18.2	17.6	17.2	18.4	18.6	16.0
Zimbabwe	24.3	19.2	17.9	24.9	33.7	18.3	10.5	4.0	3.3	20.2
Average	27.3	25.3	24.8	26.2	27.7	27.4	28.6	27.8	27.8	27.4

Sources: IMF, African Department database; and *World Economic Outlook* database.

Table AII.5. Government Expenditure

(Central government; percent of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	58.6	48.7	47.3	44.3	38.3	33.3	31.6	34.5	42.0	39.5
Botswana	39.2	37.2	39.5	42.1	37.2	34.1	29.7	31.4	35.8	45.4
Comoros	16.4	22.0	24.2	21.5	20.1	19.9	21.2	22.3	26.0	22.8
Lesotho	57.8	49.4	51.7	49.7	47.8	49.8	49.2	52.8	58.5	67.2
Madagascar	20.3	19.1	15.6	19.7	25.3	21.4	21.5	18.7	18.6	15.3
Mauritius	13.3	16.3	18.3	20.6	19.7	19.4	18.7	17.7	17.3	25.6
Mozambique	23.7	28.8	26.4	26.0	24.8	22.9	27.0	28.1	27.9	32.9
Namibia	30.5	32.1	31.6	32.5	29.4	28.4	27.3	27.3	28.1	31.3
Seychelles	45.4	40.1	48.1	40.1	42.6	40.4	49.6	41.2	33.4	33.4
South Africa	25.9	25.9	25.8	26.5	26.5	26.8	26.9	27.2	29.9	32.8
Swaziland	27.8	29.1	30.7	30.4	35.5	35.9	33.4	32.3	38.7	43.8
Zambia	23.7	31.3	31.2	30.8	26.6	26.1	23.5	24.3	23.8	23.2
Zimbabwe	43.9	26.6	20.7	25.3	41.3	27.9	14.1	8.2	6.4	23.8
Average	32.8	31.3	31.6	31.5	31.9	29.7	28.7	28.2	29.7	33.6

Sources: IMF, African Department database; and *World Economic Outlook* database.

Table AII.6. Broad Money

(In percent of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	17.3	21.2	21.6	17.3	16.5	16.2	19.0	22.2	31.5	42.4
Botswana	25.5	28.2	25.7	29.1	28.1	28.0	37.4	42.4	42.6	46.1
Comoros	18.7	26.6	26.6	24.5	23.1	23.1	25.9	27.2	28.5	30.3
Lesotho	32.9	33.7	32.2	32.1	30.5	31.0	36.6	36.7	37.0	41.8
Madagascar	14.8	21.5	22.7	21.4	21.3	18.0	19.2	20.4	19.7	20.8
Mauritius	79.4	80.2	83.8	95.0	101.2	102.2	100.6	101.6	103.7	103.4
Mozambique	15.2	12.8	16.8	17.7	17.7	18.4	19.5	20.6	22.5	27.6
Namibia	35.3	32.8	35.1	36.5	37.1	37.6	41.7	40.0	39.5	39.1
Seychelles	75.9	82.3	87.2	92.3	104.1	100.6	94.4	58.6	46.1	44.7
South Africa	56.5	59.4	61.1	63.5	64.6	70.1	76.3	82.7	83.8	80.3
Swaziland	19.8	20.3	20.8	21.6	21.6	21.6	24.0	25.4	26.0	30.8
Zambia	24.7	21.0	20.7	20.6	21.5	18.0	21.5	22.5	23.3	21.4
Zimbabwe	32.5	33.6	37.2	24.3	34.9	13.1	21.8	12.1	7.8	27.0
Average	34.5	36.4	37.8	38.1	40.2	38.3	41.4	39.4	39.4	42.7

Sources: IMF, African Department database; and *World Economic Outlook* database.

Table AII.7. External Current Account, Including Grants

(In percent of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	8.7	-16.0	-1.3	-5.2	3.5	16.8	25.2	15.6	7.6	-5.0
Botswana	9.7	9.9	2.7	5.7	3.5	15.2	17.2	14.5	3.5	-2.1
Comoros	1.7	3.0	-1.7	-3.2	-4.6	-7.4	-6.7	-6.3	-11.1	-7.9
Lesotho	-20.6	-13.7	-21.7	-13.5	-6.1	-7.9	4.7	14.0	9.5	-0.3
Madagascar	-5.8	-1.4	-6.0	-6.0	-9.2	-10.6	-8.8	-12.7	-20.6	-20.7
Mauritius	-0.7	6.1	5.2	1.7	-1.8	-5.2	-9.4	-5.6	-10.4	-7.8
Mozambique	-16.7	-15.9	-20.7	-17.3	-10.7	-11.6	-10.7	-9.7	-11.9	-11.9
Namibia	7.9	1.7	3.4	6.1	7.0	4.7	13.8	9.1	2.7	-1.7
Seychelles	-6.1	-19.5	-13.6	0.2	-6.0	-19.7	-13.9	-23.0	-51.8	-35.1
South Africa	-0.1	0.3	0.8	-1.0	-3.0	-3.5	-5.3	-7.2	-7.1	-4.0
Swaziland	-4.5	-7.9	9.1	4.4	4.4	-4.1	-7.4	0.7	-4.1	-6.2
Zambia	-18.3	-19.1	-13.3	-14.3	-10.4	-8.5	-0.4	-6.5	-7.1	-3.2
Zimbabwe	-0.3	-1.3	-4.5	-8.0	-10.3	-12.2	-9.4	-7.6	-23.4	-29.9
Average	-3.5	-5.7	-4.7	-3.9	-3.4	-4.1	-0.9	-1.9	-9.6	-10.4

Sources: IMF, African Department database; and *World Economic Outlook* database.

Table AII.8. External Debt to Official Creditors

(In percent of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	61.1	64.7	53.3	44.3	33.3	23.8	12.1	9.7	9.0	11.1
Botswana	9.2	7.5	5.7	6.6	4.9	4.5	3.5	2.9	2.3	2.4
Comoros	110.9	103.4	91.3	90.5	81.6	67.7	73.4	61.2	50.2	53.9
Lesotho	73.5	74.8	88.2	66.8	54.2	50.0	50.0	53.6	42.3	42.2
Madagascar	113.4	97.7	101.8	83.0	76.6	69.8	29.5	25.9	24.2	27.3
Mauritius	19.2	17.6	18.3	15.1	12.4	11.9	11.0	10.0	11.4	7.8
Mozambique	119.6	121.3	85.8	83.5	77.5	70.7	45.5	21.4	20.2	25.1
Namibia	3.3	2.8	5.1	4.9	5.1	4.4	4.5	5.1	4.2	5.0
Seychelles	16.1	22.9	33.1	29.0	33.0	36.7	23.4	25.1	31.8	29.5
South Africa	3.8	4.2	4.5	3.0	2.3	2.0	1.9	1.8	1.8	1.8
Swaziland	15.1	16.7	23.0	17.5	16.4	12.5	12.0	12.5	11.8	12.8
Zambia	224.5	193.4	185.5	153.9	114.4	57.5	5.0	9.6	8.6	12.3
Zimbabwe	33.9	21.2	10.2	33.7	76.8	33.5	32.6	30.3	33.4	25.3
Average	61.8	57.6	54.3	48.6	45.3	34.2	23.4	20.7	19.3	19.7

Sources: IMF, African Department database; and *World Economic Outlook* database.

Appendix III. Donor Matrix for AFS Countries

List of Donors and Other TA Providers

(December 2010)

Country	Budget support	Revenue administration	PFM	Monetary and exchange rate Policy	Banking supervision	Capital markets and debt	Statistics	**Major donors** (ranked by ODA disbursements, 2007-08 average)
AFRITAC South								
Angola	**US:** (budget planning) **World Bank**		**AfDB: PAGEF** (Project d'appui a la gestion financière) **World Bank:** (reforms, budget, public expenditure) **EC:** (planning and budgeting) **US** (MTEF)**. World Bank** (PEM and financial review).	**IMF/FIRST**(Payments Systems Advisor) **Brazil** (resident advisor)	**US:** (bank capacity building)		**EC -** National Statistics Office (local CPIs) **World Bank**	**EC, USA, World Bank, Italy, Spain, Korea, Japan, Norway, Portugal**
Botswana	**EC**		**EC** (PFM)**, World Bank** (reform, budgeting, public expenditure)	**IMF/FIRST**(Payments Systems Advisor)	**UNDP** : (financial sector reform)	**AFDB:** (capital markets reform)	**UNDP / UNICEF:** (capacity building) **Japan** (national account statistics), **UK** (monetary and financial statistics)	**Germany, USA, EC, Japan**
Comoros		**France** (tax and customs administration) **COMESA** (customs administration)	**France** (reforms, public expenditure, budget, audit) **UN** **AfDB** (PFM reform)**; EC** (reforms)**;** **World Bank** (payroll reform) **IMF:** (PFM)			**France** (internal debt) **AfDB** (debt management) **IMF** (debt management)	**France** (reforms, poverty indicators) **World Bank** (extensive)	**France, EC, World Bank**
Lesotho	**EC** **AfDB** **World Bank** **Ireland**	**World Bank/EC (**reform) **UK:** (revenue collection)	**EC:** (financial system) **UK** (reform, public expenditure) **AFDB:** (reforms, budget, public expenditure) **World Bank:** (PEFA) **AfDB/Germany/ Ireland/UK -** (budgeting and planning)				**UK**	**EC, World Bank, Ireland, USA**
Madagascar	"Cadre de partenariat"**:** **AfDB, World Bank, France, EC, Germany, ADB**		**France** (public expenditure) **Germany** (reforms) **World Bank** (PEFA, capacity building) **IMF/Japan:** (PFM Advisor) **EC, World Bank**	**IMF/Japan**: (internal audit)	**US, World Bank**	**US** (financial sector)	**France**	**World Bank, EC, France, USA, Japan, AfDB, IMF, Norway, Germany**
Mauritius	**World Bank** **EC** **AfDB** **France**	**France** (training)	**World Bank:** (reforms, budget, public expenditure) **EC:** (PEFA)		**World Bank:** (financial sector supervision)	**World Bank:** (debt and liquidity management)		**EC, France, Japan**

List of Donors and Other TA Providers (concluded)

(December 2010)

Country	Budget support	Revenue administration	PFM	Monetary and exchange rate Policy	Banking supervision	Capital markets and debt	Statistics	**Major donors** (ranked by ODA disbursements, 2007-08 average)
AFRITAC South								
Mozambique	"G18": **EC, UK, Sweden, Norway, Netherlands, Denmark, USA, World BAnk, Switzerland, Ireland, Germany, Itlay, Finland, France, Spain, Belgium, Portugal, AfDB**	**IMF/SECO: (**tax policy reform and tax administration) **Switzerland, Germany, UK, Belgium** (reform**)**	**AfDB:** (financial sector reform) **EC:** (PEFA) **Norway, Sweden, Denmark, EC, Belgium, UK** (e-Sisitafe PFM system)	**IMF/Belgium** (policy framework)	**World Bank**	**World Bank**	**Norway, Denmark, Canada, Italy, Portugal, FAO, UNDP, UNFPA, UNICEF, SIDA** (Capacity Building Statistics Office)	**World Bank, EC, USA, UK, Sweden, the Netherlands, Denmark, Norway, AfDB, Germany**
Namibia	Multi Donor Budget Support Group: **EC, France**		**EC** (reforms, budget, public expenditure) **Germany:** (reforms, budget, public expenditure)	**IMF/FIRST** (Payments Systems Advisor)		…		**USA, EC, Germany, Spain**
Seychelles	**World Bank, African Development Bank, Dubai, China, EC**		**World Bank/AfDB** (PER--focus on health and education)**, UNDP** (TA in support of World Bank PER)	**IMF/FIRST** (Payments Systems Advisor)		**World Bank** (debt management)		**UN(GEF), France, Japan, EC**
South Africa			**EC** **SECO** (fiscal policy analysis)					**USA, EC, UK, Germany, France, the Netherlands, Ireland, Denmark**
Swaziland		**AfDB** (advice and reform)	**World Bank** (procurement, managing fiscal revenues, and reinforcing capacity) **EC:** (PEFA)	**IMF/FIRST** (Payments Systems Advisor)	**World Bank** (financial sector supervision).	**World Bank** (public debt management, anti money-laundering legislation).		**EC, AfDB, United States**
Zambia	**EC, Denmark, Norway, Netherlands, UK, Finland, Sweden, Germany, EC**	**IMF/Japan:** (Revenue Administration)	PFM Joint Donor Approach - **World Bank, EC** **UK, EC, Japan**: (reforms, budget, public expenditure)	**IMF/FIRST**			**Afristat** (poverty indicators and labor statistics)	**USA, EC, UK, the Netherlands, Norway, Japan, World Bank, Sweden, Germany**
Zimbabwe								**USA, UK, EC, Sweden, Germany, the Netherlands, Canada, Norway, Ireland, Denmark**

Office of Technical Assistance Management

700 19th Street NW
Washington, DC 20431
USA
Tel.: 1-202-623-7646
Fax: 1-202-623-7106
Email: GlobalPartnerships@imf.org