



## Annual Report

Fiscal Year 2009

# EAST AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER (EAST AFRITAC)



## Statement by the Chairperson of the East AFRITAC Steering Committee

*Since I took over from my predecessor in September 2008, the world has entered into a global recession. Although member countries of East AFRITAC have been largely isolated from the initial impact of the international financial crisis, inter alia thanks to our strengthened banking systems and limited exposure to financial derivatives, the aftermath of the recession has now reached our shores. It is against this difficult backdrop that East AFRITAC conducted its business during the 2008/09 fiscal year. The capacity-building assistance it provided has continued to strengthen our membership's macroeconomic and financial capacities, with a view to preserving the hard-won gains of the last decade.*

During East AFRITAC's seventh year of operations, an important event occurred. The Center successfully underwent its second independent external evaluation, along with its sister institutions of Central and West Africa. The evaluation confirmed the Center's strong ownership by its members, at a time when regional institutions across Africa are emerging as new leaders in regional integration. The evaluation particularly praised the balance the Center struck between, on the one hand, flexibility for accommodating emerging requests, and on the other hand, the continuity over several years of many of the Center's projects, which now show their results in terms of strengthened institutional capacity.

The evaluation served as an important assessment of the Center's governance, and constituted the first step in the process of extending the Center's operations over another operational cycle. At end-October 2009, East AFRITAC will have completed its second funding cycle, and efforts are well underway to raise the funds required for a third cycle, covering the period 2009–14. Under the new cycle, members will be asked to contribute financially to demonstrate their commitment to the Center's work. It is hoped that sufficient resources will be available to extend the Center's assistance, in terms of both coverage and volume. Progress under the new cycle will be documented on the Center's redesigned and enhanced website ([www.eastafritag.org](http://www.eastafritag.org)), which I invite you to visit to follow our activities.

I would like to take this opportunity to thank our many stakeholders once again: our 15 bi- and multilateral donors; the Government of Malawi, which successfully hosted our 14th annual meeting in April 2009 and has now taken over as Chair of the Center's Steering Committee; as well as East AFRITAC's staff, for their unwavering dedication and efforts during the year. May they all be thanked for their generosity and commitment and continue to assist East AFRITAC in becoming an institutional pole of excellence!



Dr. Hezron Nyangito, Deputy Governor, Central Bank of Kenya  
Chairperson of the East AFRITAC Steering Committee during FY 2009

## Foreword by the Center Coordinator

**E**ast AFRITAC's third Annual Report comes at a critical turning point, both for the region and the Center. Across East Africa, governments are bracing themselves to withstand the effects of the worldwide recession. In doing so, support from the IMF, including the capacity-building assistance provided by East AFRITAC, has been crucial.



This year is also a linchpin in the Center's history, as the second funding cycle ("Phase II," FY 2006–09) draws to a close and the third funding cycle ("Phase III," FY 2010–14) is launched. This report provides an overview of the Center's accomplishments over the last three years, as well as an outline of the proposed focus for the next fiscal year.

The shift to Phase III will benefit from the findings of an independent external evaluation of the AFRITACs, completed in March 2009 by a team of experts in technical assistance delivery. East AFRITAC closely collaborated with the international evaluators, who visited the Center, as well as three countries in the region, and who conducted an electronic survey of East AFRITAC stakeholders, almost 400 of whom responded. The evaluation, East AFRITAC's second external assessment, confirmed the generally positive findings of the first, and generated a wealth of specific recommendations to help East AFRITAC further improve its technical assistance delivery. The evaluators' findings are described in detail in Box 1, but I would like to note here the overall conclusion regarding the Center:

*"East AFRITAC is the doyen of the AFRITACs and has been the most successful in making a clear difference in supporting the effective implementation of reforms through its TA activities.... East AFRITAC's outreach efforts through its annual reports and fliers and working papers to benchmark its progress in key areas are commendable as are the professional standards it sets in delivering TAs."*

The external evaluators also strongly endorsed the IMF's delivery of technical assistance via its network of regional technical assistance centers. East AFRITAC looks forward to welcoming two new sister institutions in Africa in the coming years. This, in addition to a newly opened center in Central America, will bring the worldwide number of regional technical assistance centers to nine, with the possibility of more to come.



East AFRITAC organized a workshop on financial markets in Bank of Tanzania's Zanzibar branch office.

The independent external evaluation was welcomed by East AFRITAC's Steering Committee at its annual meeting in Blantyre, Malawi, in April 2009, at which time it also endorsed East AFRITAC's draft program document for Phase III. The meeting in Blantyre was also an opportunity to showcase two new initiatives East AFRITAC has undertaken. The first is the launch of a new publication series, called the *East AFRITAC Field Manuals*, which aims to distill and disseminate the practical lessons in capacity building the Center has learned from its close collaboration with member countries. The first two titles in this series are *A Taxpayer Audit Improvement Guide* and *A Guidebook on the Implementation of Risk-Based Supervision*, with several more planned. The field manuals, like all the Center's documents, are available on East AFRITAC's updated and redesigned website, [www.eastafrillac.org](http://www.eastafrillac.org). It is hoped that the re-launched website, the Center's second recent initiative, will come to serve as a resource for those interested in strengthening macroeconomic capacity in East Africa.

In order to get a better sense of the “clear difference” that East AFRITAC makes, I invite you to peruse this report. Highlights of the past fiscal year include:

- the undertaking of a consolidated supervision pilot examination by the Central Bank of Kenya, the first consolidated banking examination in the region, which introduced a powerful new tool in supervising regional financial institutions;
- AFE assisted the Tanzania Revenue Authority (TRA) to prepare a draft tax procedures code (TPC) that harmonizes administration-related provisions under one law. The draft will be presented to Parliament for enactment;
- the strengthening of Central Bank of Kenya’s policy, regulatory, and oversight interface in response to the emergence of new payment service providers and products, and more specifically, mobile payments;
- in-depth macroeconomic statistics assessments and evaluations, based on the IMF’s Data Quality Assessment Framework (DQAF) and the PARIS21 Statistical Capacity Building Indicators, which can be used for self-assessments;
- establishment of a Treasury Cash Management Committee in Ethiopia which is responsible for making decisions on the allocation of cash resources to public bodies, and the introduction of formal banking arrangements between the Treasury, National Bank of Ethiopia and the Commercial Bank of Ethiopia aimed at enhancing the efficiency of the government’s payments and revenue collection systems.



Participants of the high-level seminar on Central Bank Communication Policy.

Finally, I would like to thank the government of Tanzania for its continued support of East AFRITAC, particularly via its in-kind contribution. Over the past year, two additional support staff were seconded by the Bank of Tanzania. This has considerably helped in managing the workflow of the Center, which now houses eight resident advisors.

I believe that the findings of the independent evaluation, as well as the testimonials scattered throughout this report, demonstrate that East AFRITAC’s demand-driven and hands-on technical assistance continued to be a welcome source of support for our membership throughout Phase II. The East AFRITAC team will work hard during the coming years to ensure that its capacity-building assistance during Phase III will be as effective, despite the difficulties posed by the current global economic climate and its aftermath.

*Mario de Zamaroczy*  
East AFRITAC Coordinator

## Selected Acronyms

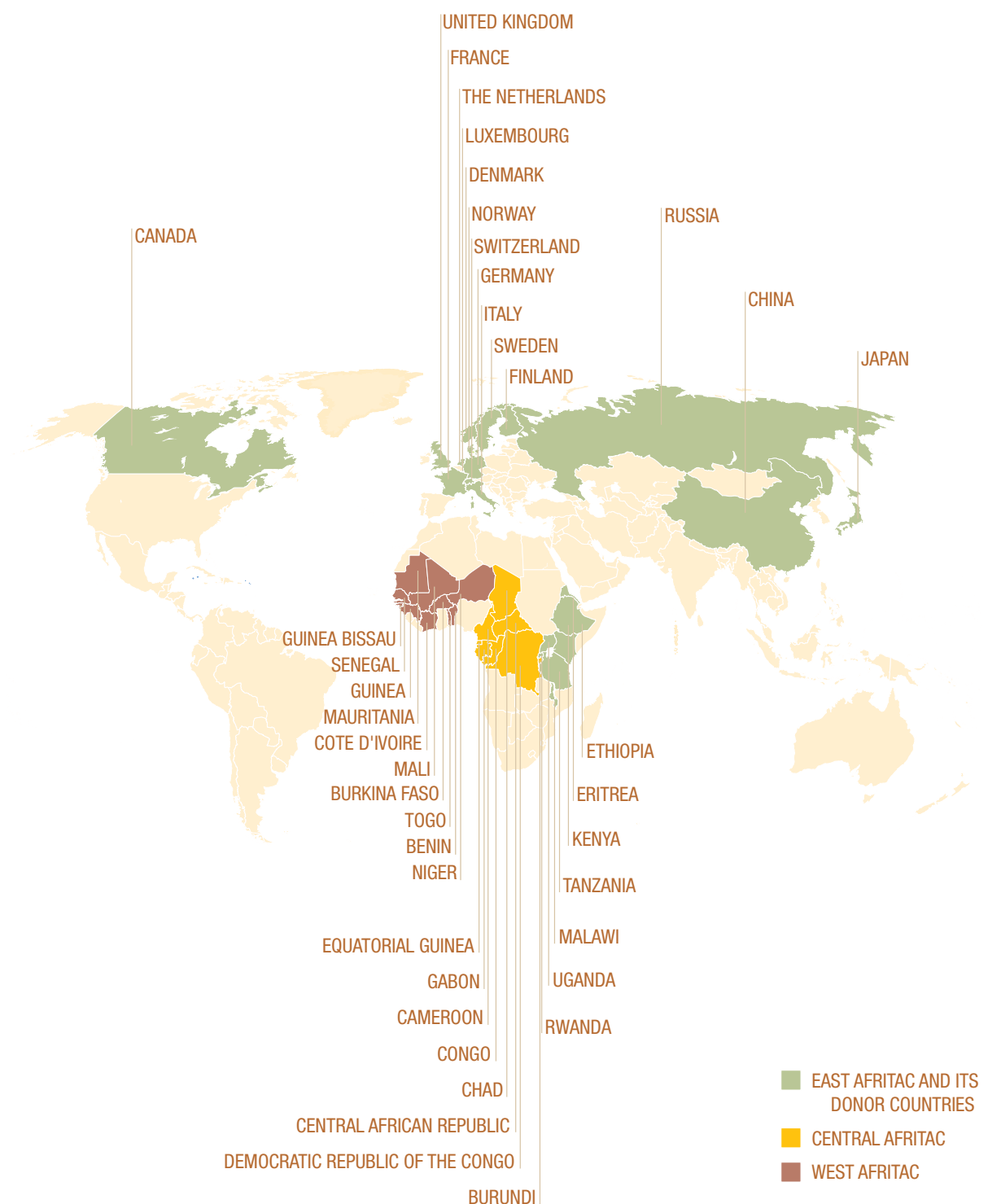
ACBF—African Capacity Building Foundation	IFRS—International Financial Reporting Standard
AfDB—African Development Bank	IMF—International Monetary Fund
AFRITAC—Africa Regional Technical Assistance Center (East, West, and Central)	IT—Information Technology
AML/CFT—Anti-Money Laundering/Combating the Financing of Terrorism	ITAS—Integrated Tax Administration System
ASYCUDA—Automated System for Customs Data	KSMS—Kenya School of Monetary Studies
BNR—Banque Nationale du Rwanda	KRA—Kenya Revenue Authority
BOE—Bank of Eritrea	MCM—Monetary and Capital Markets Department, IMF
BOT—Bank of Tanzania	MOF—Ministry of Finance
BOU—Bank of Uganda	MRA—Malawi Revenue Authority
BSD—Bank Supervision Directorate	MTEF—Medium-Term Expenditure Framework
CABRI—Collaborative Africa Budget Reform Initiative	NBE—National Bank of Ethiopia
CAMELS—Capital Adequacy, Asset Quality, Management Competence, Earnings Ability, Liquidity Risk, and Sensitivity to Market Risk	NPS—National Payments System
CBK—Central Bank of Kenya	NSDP—National Summary Data Page
COA—Chart of Accounts	PFM(RP)—Public Financial Management (Reform Program)
COMESA—Common Market for Eastern and Southern Africa	PPI—Producer Price Index
CPI—Consumer Price Index	PRSP—Poverty Reduction Strategy Paper
DfID—Department for International Development, United Kingdom	PSP—Payment Service Provider
EAC—East African Community	QNA—Quarterly National Accounts
FAD—Fiscal Affairs Department, IMF	RBM—Reserve Bank of Malawi
FSI—Financial Soundness Indicator	RBS—Risk-Based Supervision
GDP—Gross Domestic Product	SDDS—Special Data Dissemination Standard
GFSM—Government Finance Statistics Manual	SNA—System of National Accounts
GDDS—General Data Dissemination System	STA—Department of Statistics, IMF
IFMIS—Integrated Financial Management Information System	STATCAP—World Bank Statistical Capacity Building Initiative
	SUT—Supply and Use Table
	TA—Technical Assistance
	TRA—Tanzania Revenue Authority
	VAT—Value-Added Tax
	ZBDA—Zero-Balanced Drawing Account



## Contents

<i>Statement by the Chairperson of the East AFRITAC Steering Committee</i> .....	i
<i>Foreword by the Center Coordinator</i> .....	ii
<i>Selected Acronyms</i> .....	iv
<b>1 OVERVIEW OF THE EAST AFRITAC</b> .....	<b>1</b>
Approach .....	3
Key Sectors of Work .....	4
Revenue Policy and Administration .....	4
Public Financial Management .....	4
Financial Sector Regulation and Supervision .....	4
Monetary Policy and Operations .....	5
Economic and Financial Statistics .....	5
Macro-Fiscal Analysis .....	5
<b>2 REVIEW OF THE SECOND FUNDING CYCLE</b> .....	<b>6</b>
Overview .....	6
Selected Highlights from Phase II .....	7
Annual Report on FY 2009 .....	10
Revenue Policy and Administration .....	11
Public Financial Management .....	14
Financial Sector Regulation and Supervision .....	16
Monetary Policy and Operations .....	17
Economic and Financial Statistics .....	19
Macro-Fiscal Analysis .....	21
Coordination with Development Partners .....	22
Workshops and Seminars .....	24
Professional Attachment Program .....	28
Identification of African Experts .....	29
Field Manuals .....	30
<b>3 OVERVIEW OF THE FY 2010 WORK PLAN</b> .....	<b>31</b>
Overview .....	31
Activities Planned for the First Half of FY 2010 .....	32
Revenue Policy and Administration .....	32
Public Financial Management .....	33
Financial Sector Regulation and Supervision .....	35
Monetary Policy and Operations .....	37
Economic and Financial Statistics .....	38
Macro-Fiscal Analysis .....	39
<b>4 EAST AFRITAC PROFILE</b> .....	<b>44</b>
Our Organization .....	44
Our Clients .....	44
Our Development Partners .....	44
Our Vision .....	45
Our Activity Sectors .....	45
Our Staff .....	45
<b>ANNEX 1</b> .....	<b>49</b>
East AFRITAC Missions During FY 2009 .....	49
<b>ANNEX 2</b> .....	<b>55</b>
Short-Term Experts Hired During FY 2009 .....	55
<b>ANNEX 3</b> .....	<b>58</b>
Reports Issued During FY 2009 .....	58
<b>ANNEX 4</b> .....	<b>61</b>
East AFRITAC Budget Monitoring FY 2007-2009 .....	61
<b>ANNEX 5</b> .....	<b>62</b>
IMF Africa Capacity Building Initiative - East/West AFRITACs .....	62

## Donor Countries and Served Countries of the AFRITACs



Note: The African Development Bank, a major donor to the East AFRITAC, is not shown on this map. Kenya and Tanzania provide in-kind contributions to the East AFRITAC.

## OVERVIEW OF EAST AFRITAC

**T**he three Africa Regional Technical Assistance Centers (East, West, and Central AFRITACs) are a collaborative venture between the International Monetary Fund (IMF), the recipient countries, and bilateral and multilateral donors. They originated from the IMF's response to African leaders' call on the international community to increase technical assistance (TA) to Africa and focus it more sharply on capacity building. Their strategic goal is to strengthen the institutional capacity of African countries to design and implement their Millennium Development Goals and poverty-reducing strategies, supported by sound macroeconomic and financial policies, as well as to strengthen the coordination of capacity-building TA.

The AFRITACs stem from the regional technical assistance center model, initially launched by the IMF in 1992 in the Pacific Region, and since expanded to four continents. Partly as a result of the success of East AFRITAC—the first Center to be established in Africa in 2002, and based in Dar es Salaam, Tanzania—the number of AFRITACs has now grown to three, with two more planned in the future. West AFRITAC, based in Bamako, Mali, opened in 2003, covers the countries of French-speaking West Africa, while Central AFRITAC, established in Libreville, Gabon, in 2007, provides assistance to states in Central Africa. When South AFRITAC and West AFRITAC II open, virtually all sub-Saharan countries will be served (see map).

The success of the Centers can be gauged in a number of ways, in addition to the expansion of their number, both in Africa and in the rest of the world. First, government officials, development partners, and other stakeholders continue to underline their relevance and speak highly of them. Second, an independent evaluation completed in March 2009 confirmed that the AFRITACs deliver high-quality, consistent, responsive, and well-targeted TA (Box 1). The chief findings of the evaluation were that: “The performances of the East, West and Central AFRITACS were all rated as Good, with East AFRITAC rated above the midpoint of the good range.” Third, the AFRITACs' share of the total TA provided by the IMF has grown, and is likely to continue to rise in the future. In FY 2009, that share stood at 15 percent of total IMF TA, up from 9 percent in FY 2005 (Table 1).<sup>1</sup> Finally, the role the Centers play in coordinating capacity-building TA in Africa, through frequent consultations with recipient countries and donors, has been widely recognized within the development community.

<sup>1</sup> East AFRITAC's fiscal year (FY) 2009 ran from May 1, 2008 to April 30, 2009.





East AFRITAC delivers capacity-building TA in its sectors of expertise to seven countries in East Africa: Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda. Member countries are not charged for the use of East AFRITAC's resources. Instead, the cost of running the Center is currently defrayed by grants from the African Development Bank and 15 bilateral donors (Canada, P.R. China, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Norway, the Russian Federation, Sweden, Switzerland, the Netherlands, and the United Kingdom), in addition

to financing from the IMF. In complementing the Center's resource pool, two member states (Kenya and Tanzania) generously provide in-kind contributions.

The East AFRITAC is managed by a Coordinator, and is staffed by eight resident advisors, each of whom has substantial expertise in his/her respective sector. The advisors are long-term experts based in Dar es Salaam, who travel widely throughout the region, which allows them to develop rapport with local authorities and familiarity with national and regional contexts and needs (Annex 1). The skill mix of the advisors reflects the identified priority needs of the beneficiary countries. Complementing the efforts of the advisors is the availability of funding for the deployment of short-term experts and consultants, brought in to deliver targeted TA in areas of specific expertise (Annex 2). The provision of seminars and workshops, both at the national level and regionally, further supplement the work of the advisors. Finally, East AFRITAC organizes professional attachments, whereby select staff from various agencies of member countries are detailed for several weeks to leading organizations in order to develop skills and learn best practices, which can be implemented upon their return to their home country. Both the workshops and the professional attachment program continue to elicit favorable reviews from participants – they provide particularly effective means to develop regional competences and ensure the sustainability of capacity-building efforts (see selected sidebar testimonies).

Consistent with the broader IMF TA strategy to foster institutional capacity for macroeconomic policy formulation and implementation, the Center assists in the execution and monitoring of on-going TA, provides capacity-building TA to member countries, and facilitates donor coordination to enhance

**Table 1: Technical Assistance Provided by the IMF, FY 2005-09**

	Amount of TA delivered in person-years					As a percentage of total IMF TA				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
East AFRITAC	9.16	6.71	7.12	8.69	10.47	4.56	3.49	3.43	4.27	5.32
West AFRITAC	8.16	8.04	9.13	9.46	10.31	4.07	4.18	4.39	4.65	5.24
Central AFRITAC	—	—	1.46	7.51	8.98	—	—	0.70	3.69	4.57
Total AFRITACs	17.32	14.75	17.71	25.66	29.76	8.63	7.67	8.52	12.60	15.13
Other IMF TA	183.32	177.30	190.01	177.99	166.95	91.37	92.33	91.48	87.40	84.87
Total IMF TA	200.64	192.05	207.72	203.65	196.71	100.00	100.00	100.00	100.00	100.0

Source: IMF Office of Technical Assistance Management.

the achievement of these objectives. The operations of East AFRITAC are guided by a Steering Committee, consisting of representatives from the seven member countries, the African Development Bank, three donor nominees representing all the bilateral donors, and the IMF. The Committee is chaired by a representative from a member country. It meets annually, most recently in Blantyre, Malawi, in April 2008, when it endorsed East AFRITAC's proposed work plan for the first half of FY 2010 (Section 3). Between its annual meetings, members of the Committee are consulted on emerging management and policy issues.



Family photo of the participants of East AFRITAC's 11th annual Steering Committee meeting in April, 2009.

## Approach

Since its inception, East AFRITAC has adopted a demand-driven, hands-on, and output-oriented approach to TA deployment. As noted above, East AFRITAC's physical presence in the region is a hallmark of its TA delivery mode, which allows for prompt response in dealing with requests from member countries, while bringing to bear a deep knowledge of the local context. Another key aspect is the development of local counterpart teams, which contributes to country ownership, promotes sustainability of the underlying capacity-building effort, and helps create a future pool of national and regional expertise. The Center effectively strengthens its support with strategic advice and technical backstopping from IMF headquarters in Washington, DC, ensuring the consistency, relevance, and quality of the assistance it provides. The considerable backstopping effort provided by the IMF's three main TA departments is noteworthy, as they provide quality control, share international experience and best practice, and make available their roster of vetted international experts. East AFRITAC does not operate in a vacuum, and its efforts are fully integrated with TA delivered from IMF headquarters in the region. East AFRITAC's support is part of a bigger effort of the IMF, by which headquarters provide the strategic direction and initial diagnostic evaluations that inform, guide, and underpin the Center's work. The Center's activities are thus fully embedded in the larger regional and global IMF initiatives, which then serve as the foundation for the work undertaken by East AFRITAC.

Internally, East AFRITAC has adopted a management framework anchored in an annual planning, implementation, and monitoring cycle. The framework identifies the main objectives for each area of work, the expected (and achieved) inputs and activities, main outputs, as well as next steps. The framework also links East AFRITAC's support to member countries' reforms, in cooperation with other donors. Member countries, through the Steering Committee, have expressed their appreciation of this approach.

As per its mandate, East AFRITAC has put considerable effort into coordinating with development partners in the formulation and delivery of TA. In this regard, East AFRITAC rightly anticipated a trend towards greater donor cooperation in most of the countries of East Africa. Overall, the Center's model of TA delivery has enabled better alignment of capacity-building activities with country-driven initiatives, and has facilitated the tapping into, and use of, expertise available within the region.



## Key Sectors of Work

In line with the main priorities set for the work of the East AFRITAC by its Steering Committee, the Center's mandate includes the following sectors.

### Revenue Policy and Administration

The Center's assistance in this sector aims to assist member countries in building capacity for strengthened revenue administration, in the areas of taxation and customs. The assistance dovetails with the fast pace of reforms and modernization that a majority of revenue authorities in the region are undertaking. Key focus areas include: implementing risk-management programs; deepening the integration process and improving management of the large, medium, and small segments of the taxpayer population; strengthening reform and modernization management; formulating a common tax procedures code; improving taxpayer service programs and advance rulings regimes; reviewing and improving business processes, particularly audit functions; and deploying modern information technology systems.

### Public Financial Management

The Center's assistance in this sector aims to assist member countries in building capacity for reforms in budget preparation and execution. This includes strengthening legal frameworks for public financial management; reforming budget processes and introducing program performance budgeting; reforming classification systems; improving treasury systems; upgrading cash- and debt-management systems; modernizing financial accounting and reporting systems; and improving expenditure control monitoring. East AFRITAC also assists member countries with improving the internal structure and organization of finance ministries, with designing and evaluating public financial management reform programs, and with establishing a better alignment of resources to national priorities.

### Financial Sector Regulation and Supervision

The Center's assistance in this sector aims to strengthen the legal, regulatory, and implementation framework for supervising banks and, to a lesser extent, nonbank financial institutions. Assistance is centered around initiatives to achieve compliance with the Basel Core Principles for Effective Banking Supervision and emphasizes the importance of shifting to a risk-based supervisory approach. Specific work includes improving on-site inspection and off-site surveillance tools and methodologies; implementing consolidated supervision to oversee the activity of banking groups and financial conglomerates; strengthening arrangements for supervisory cooperation both nationally and regionally; developing measures to deal promptly and effectively with problem banks and, more generally, instances of non-compliance with prudential norms and requirements; and adopting International Financial Reporting Standards (IFRSs). The Center also provides support for countries to address specific challenges that face banks, such as compliance with anti-money laundering/combating the financing of terrorism (AML/CFT) international standards and best practices. To a lesser extent, the Center also addresses issues related to the supervision of microfinance institutions and foreign exchange bureaus.

## Monetary Policy and Operations

East AFRITAC's effort in this sector aims to support capacity creation at central banks for the formulation of monetary policy and the conduct of monetary operations. The focus of the work involves helping central banks: create in-house capacity for the formulation, implementation, and communication of appropriate monetary policy; develop foreign exchange, money, and domestic debt markets through the progressive adoption of market-based instruments and practices; better manage systemic liquidity and conduct more efficient monetary operations; modernize national and cross-border payment and settlement systems, particularly by harmonizing national initiatives in a regional context; and deal with the specific accounting issues that confront central banks, including the interpretation and adoption of IFRSs.

## Economic and Financial Statistics

The Center's efforts in this sector aim to develop the region's capacity to produce quality, sound, timely, and accessible national economic and financial statistics and metadata. The main focus is on the production of quarterly national accounts (QNA), as well as related data (e.g., Supply and Use Tables, Input and Output Tables). East AFRITAC also provides TA for producing and improving price indices (including both producer and consumer price indices). East AFRITAC provides assurances of integrity for member country statistics, and helps propagate internationally accepted concepts and methodologies in data compilation and dissemination. It is hoped that member countries will gradually progress to more stringent financial statistics dissemination standards, such as the Special Data Dissemination Standard (SDDS), which may facilitate access international capital markets.

## Macro-Fiscal Analysis

Since late 2007, East AFRITAC has been able to provide assistance to strengthen macro-fiscal analysis. The Center assists countries in developing a macroeconomic framework for sustainable and poverty-reducing growth, particularly through the improvement of fiscal forecasting, monitoring, and reporting practices. The Center aids authorities in establishing or strengthening the macroeconomic units in key economic agencies and provides training in debt analysis, financial programming, statistical techniques, and modeling procedures.





## REVIEW OF THE SECOND FUNDING CYCLE

Since its inception in 2002, East AFRITAC has sought to fulfill its mandate of strengthening the institutional capacity of East African countries to design and implement their Millennium Development Goals and poverty-reducing strategies, supported by sound macroeconomic and financial policies. In line with the main priorities set forth by the Steering Committee, the Center's work during the Second Funding Cycle ("Phase II," FY 2006-09)<sup>2</sup> was primarily in the first five sectors enumerated in the previous section. Towards the end of Phase II, additional donor support made possible the inclusion of macro-fiscal analysis in the Center's sectors of expertise.

### Overview

As concluded by the external evaluators, East AFRITAC helped its membership strengthen its capacity in macroeconomic and financial policy implementation during Phase II, with the support of the Center's many donors (Box 1).

This occurred despite the fact that East AFRITAC operates in a part of the world where institutional capacity is occasionally limited, as was noted in the independent evaluation. A challenge for the Center, as well as other TA providers, is how to best handle the limited absorption capacity of some of its beneficiaries, where problems can include difficult working conditions, and difficulties in retaining trained staff. These challenges played a role in shaping outcomes during Phase II, either because authorities scaled back planned activities (as in the case of Eritrea) or because personnel turnover in target agencies necessitated repeat missions and a slower rate of progress than originally anticipated. Furthermore, the Center's work was occasionally disrupted by exogenous shocks, such as the January 2008 post-election violence in Kenya (which necessitated the delay of several planned activities), and in general the negative impact of the ongoing world-wide recession. These handicaps notwithstanding, the period since the opening of East AFRITAC was a remarkable one for East Africa, during which average real growth exceeded average demographic growth.

<sup>2</sup> East AFRITAC's Phase II was initially planned to last from May 1, 2006 until April 30, 2009, but then was extended by six months to bridge the funding to Phase III, scheduled from November 2009 until April 2014. Phase III is planned to last five years, versus three years for Phase II. East AFRITAC's fiscal year (May 1 to April 30) coincides with that of the IMF to facilitate planning and coordination.

East AFRITAC contributed in a small way to this success, by helping member countries strengthen institutional capacity for macroeconomic policy design and implementation—notably in terms of effective monetary policy; budgetary restraint (thanks in part to cancellations of multi- and bilateral debts); an accumulation of foreign reserves; and a strengthening of national banking systems.

## Selected Highlights from Phase II

Rather than recount in detail all of East AFRITAC's successes during Phase II, it would seem appropriate to give a flavor of the Center's work by providing selected highlights. More exhaustive accounts of East AFRITAC's work during Phase II can be found in previous Annual Reports; in the subsequent section, which covers FY 2009 specifically; and in Annexes 1 and 3, which provide a list of East AFRITAC's missions and reports in FY 2009.

*Instituting a risk-based management framework for customs administration in the East African Community (EAC):* National customs administration has taken on renewed importance as East Africa progresses further with its regional integration. The launch of the EAC Customs Union in 2005 necessitated the development and adoption of agreed-upon regional procedures. The EAC Secretariat and several regional customs administrations accordingly turned to development partners for assistance, including East AFRITAC. The Center has been instrumental in helping member countries adopt a risk-based approach to customs management, which helps authorities efficiently allocate their

### Box 1: Independent Evaluation of East AFRITAC

In March 2009, a team of four independent and highly qualified external evaluators submitted a report reviewing the activities of the three AFRITACs (East, West, and Central) since their inception. The report built upon the 2005 Mid-Term Evaluation of East and West AFRITACs,<sup>1</sup> and was informed by the team's visits to eight African countries (including Tanzania, Kenya, and Rwanda) as well as IMF headquarters in Washington, DC; by a review of all available documents and data; by numerous interviews with stakeholders; and by several hundred responses to an electronic survey.

The team looked at four aspects of the AFRITACs' work—relevance, effectiveness, efficiency, and sustainability. In their Executive Summary, the evaluators stated that “the overall rating of the performance of the AFRITAC Initiative was Good.” The AFRITACs scored particularly highly in terms of relevance (i.e. being country-owned and responsive), did well in terms of effectiveness (ability to meet goals set) and efficiency (appropriate use of resources), but scored lower on sustainability (facilitating ownership of reforms).

Speaking specifically about East AFRITAC, the auditors wrote: “East AFRITAC is the doyen of the AFRITACs and has been the most successful in making a clear difference in supporting the effective implementation of reforms through its TA activities.” East AFRITAC was the only center to garner a rating of “Excellent” in one of its TA sectors (Banking Supervision).

The Evaluation Report closes with eight specific recommendations for how the AFRITACs can improve their assistance, chief of which are: (i) *improving the tracking and monitoring of results* via the establishment of three-year strategic plans with built-in targets; (ii) *strengthening TA coordination with other donors* and developing information dissemination strategies; and (iii) identifying ways to improve the implementation of TA recommendations to *promote sustainability*. East AFRITAC, under the guidance of its Steering Committee, has taken these and other recommendations to heart and is exploring how to incorporate them into the third funding cycle.

<sup>1</sup>Both the 2005 and 2009 evaluation reports are available at [www.eastafrillac.org](http://www.eastafrillac.org).



limited resources to achieve higher levels of compliance and revenue collection.<sup>3</sup> Based on risk profiles determined by several factors, such as past compliance records, the nature, quantity, and frequency of the goods being imported, the country of origin, and the mode of transportation, customs authorities focus their attention on importers deemed to be “high-risk,” while facilitating customs clearance for low-risk importers. This can significantly reduce the time goods spend in customs, particularly when combined with other reforms that East AFRITAC is supporting, such as phasing out pre-shipment or destination inspection services across the region. East AFRITAC’s TA has led to the development of a practical guide for implementing risk-management concepts, using regional examples. This activity contributed to an increase in customs compliance levels in EAC countries, as well as improved customs revenue collection across the region.

*Establishing a large taxpayer office in Malawi:* East AFRITAC, in conjunction with the IMF’s Fiscal Affairs Department (FAD), has consistently recommended that member countries adopt a taxpayer segmentation approach to improve tax administration. An international best practice, segmentation involves dividing taxpayers into (usually) three different classes: large, medium, and small and micro taxpayers. While at first glance perhaps counter-intuitive, segmentation actually simplifies tax administration because these groups have different operational characteristics and compliance needs. By dedicating offices focused on each segment, tax authorities are able to deliver targeted assistance and design compliance programs for each class, thereby improving the effectiveness of the tax regime. A number of member countries have undertaken taxpayer segmentation, including Malawi, which established a large taxpayer office (LTO) in November 2007. East AFRITAC supported implementation of the LTO, inter alia, by providing peripatetic expert assistance and facilitating the attachment of two LTO staffers to the Tanzania Revenue Authority (TRA) to expose them to improved approaches in managing large taxpayers. The Malawi LTO reports good progress and currently administers the top 320 taxpayers, who accounted for 73 percent of Malawi’s domestic tax revenue in 2008.

*Strengthening public financial management in Rwanda:* With the adoption of a new Constitution in 2003, the Government of Rwanda sought to update its Public Financial Management (PFM) regulatory framework, with a view to creating a more accountable and transparent environment for the management of public resources. The authorities requested assistance from IMF headquarters and East AFRITAC to develop the requisite legislation and financial regulations. In 2003, a FAD diagnostic study recommended options for PFM modernization, taking into account Rwanda’s intention to join the EAC. Since then, East AFRITAC’s support has been provided on a peripatetic basis, focusing on capacity development within the Ministry of Finance and Economic Planning in the design and implementation of the organic budget law. The law was ultimately adopted in October 2006, and the attendant financial regulations were issued in May 2007; together, they lay out the principles and the institutional roles and responsibilities for the management of public funds. Since then, the Rwandan authorities have requested that East AFRITAC advise on further measures and actions to enhance the enforcement of the new legislation. Following additional strategic advice, the authorities designed and implemented a comprehensive training program to address the specific skill needs among accounting officers and technocrats at all levels of government.

*Introduction of program budgeting in Ethiopia:* Many countries around the world prepare their budgets along the traditional “line item” model. While such an approach is helpful for gaining a sense of the inputs into a given sector, it does not shed as much light on what outcomes are achieved. An

<sup>3</sup> A note on terminology: risk management is a general approach which focuses limited resources on areas perceived as presenting unusually high risks. The concept is used in both the revenue administration and the bank supervision sectors. In the revenue area, it deals with safeguarding national revenue sources, and should not be confused with the financial sector stability issues in bank supervision.

alternative approach, supported by East AFRITAC, is program budgeting, where the focus is on outcomes. Program budgeting helps organizations, as well as the civil society at large, better answer the question “What are we getting for our tax money?” Program budgeting enhances the overall comprehensiveness and transparency of the budget, and also dovetails with member countries’ poverty-reducing strategies. Since 2006, East AFRITAC has supported the introduction of program budgeting, on a pilot basis, within the Federal Government of Ethiopia. The Center has offered annual training programs that have assisted bureaucrats with the production of program budget submissions. As of 2009, the staff of 20 public bodies (ministries and central agencies) have received the training. A program budget unit has also been established within the Ministry of Finance and tasked with mainstreaming the reform.

*Establishing risk-based bank supervision frameworks in Kenya and Tanzania:* Since 2003, East AFRITAC member countries have made significant strides in developing their financial sector regulatory frameworks, and made fundamental changes at the operational level to implement international standards and best practices. In particular, over the past several years, East AFRITAC has counseled its member countries on adopting risk-based supervision (RBS) of banking institutions. The RBS approach is in line with Principle 7 of the Basel Core Principles, a set of international best practices for supervising financial institutions, and allows authorities to make more effective use of their supervisory resources by targeting high-risk institutions or high-risk areas in a given institution. Eritrea, Ethiopia, and Malawi have all taken steps towards adopting RBS, and the approach is quite developed in Rwanda, but here we consider the implementation in Kenya and Tanzania.<sup>4</sup> Since 2004, East AFRITAC has served as a mentor to the Central Bank of Kenya (CBK) in establishing RBS. Based upon an initial survey of the risk-management practices of Kenyan financial institutions, a draft policy paper was adopted in April 2005. Risk-management guidelines were circulated to banks for comments and formally issued in August 2005 to provide guidance on the minimum requirements under the new policy. Kenyan bank supervisors have benefited from a revised “Bank Examination Manual” as well as a new “Examination Report” format, both of which were commented upon by East AFRITAC. A number of on-site inspections of financial institutions were held during Phase II, and the CBK praised the successful new approach. Similarly, Tanzania has received East AFRITAC assistance with RBS since 2004, and is also nearing full adoption of the new framework. As in Kenya, the shift to RBS is seen as an opportunity to get individual financial institutions to reflect upon and improve their risk-management policies, practices, and procedures. Accordingly, the Center has worked with Tanzanian authorities on outreach towards banks for the new approach.

*Modernization of the retail payment and settlement systems and the harmonization of cross-border systems in several EAC countries:* Deepening regional integration, and in particular increased cross-border financial transactions, has led to a need for more modern and harmonized national payment systems (NPSs) in the region. East AFRITAC has lent assistance to Kenya, Rwanda, and Tanzania in upgrading their systems and processes, and has also advised on the appropriate regulatory, risk-control, and oversight structures necessary for dealing with new types of financial products and services. In Kenya, East AFRITAC assistance resulted in defining elements of an overarching legislation and the significant strengthening of CBK’s capacity for the modernization, management, and oversight of the



East AFRITAC's Bank Supervision Advisor discusses with a delegate during the Steering Committee meeting.

<sup>4</sup> All the countries benefit from a new East AFRITAC Field Manual, A Guidebook on the Implementation of Risk-Based Supervision, written by Augustino Hotay from the Bank of Tanzania (BOT) under the auspices of the Center—see page 30.



Former Deputy Governor of the Central Bank of Kenya, and then Chairperson of the Steering Committee, visits East AFRITAC for a work meeting.

NPS. The TA also enhanced CBK's capacity to develop standards, requirements, and regulatory measures for non-bank money transfers and mobile banking and remittance facilities alongside appropriate customer protection regimes. Similarly, East AFRITAC assistance is at the heart of the NPS modernization strategy being implemented by Banque Nationale du Rwanda (BNR). The assistance resulted in the creation of a regulatory and oversight function at BNR and the drafting of a strategy that is helping BNR plan for the implementation of several features, such as real-time gross settlement, electronic banking, and mobile payment and remittance services. In Tanzania, the Center helped the Bank of Tanzania (BOT) to develop risk-management guidelines for retail payment systems, including electronic banking and mobile payments and the drafting of standards, requirements, and regulatory measures necessary to allow the introduction of money transfers.

*Strengthening of national accounts across the region:* National accounts broadly present the production, income, and expenditure activities of economic agents in a country over a set period of time. Reliable national accounts are important for understanding a country's economic development, and often serve as a basis for comparison, both nationally and internationally. An important aspect of East AFRITAC's work has been standardizing national accounts data production, by helping member countries move towards internationally recognized standards, most notably the *1993 System of National Accounts* (1993 SNA), which all member countries adopted by June 2008, with the exception of Eritrea. Building on the compilation of gross domestic product (GDP) using the 1993 SNA, East AFRITAC went further in the area of national accounts by (i) helping member countries complete their revision of past annual GDP estimates; (ii) aiding them in expanding the compilation of quarterly national accounts (QNA), in addition to the annual accounts; and (iii) assisting member countries in identifying and revising source data to use as indicators and benchmarks. An important set of successes for East AFRITAC has been the publication of revised, benchmarked, and rebased series of GDP estimates in Kenya and Tanzania in 2007, followed by Uganda in 2008, and Rwanda in 2009. Another milestone was the release of the first quarterly GDP estimates in Kenya in 2007. Tanzania is set to release quarterly GDP estimates at constant prices in the near future. Uganda currently develops quarterly GDP estimates in-house, with plans to publish them in the future. As in the above cases, these achievements crystallized after three years of assistance and close follow-up with counterparts.<sup>5</sup>

## Annual Report on FY 2009

In view of the global crisis, East AFRITAC's overall goal during FY 2009 was to help preserve the hard-earned capacity gains of its member countries over the past decade and help them prepare to bounce back after the crisis. The execution of the work plan adopted at the April 2008 Steering Committee meeting was broadly on track in member countries, although some postponements became inevitable as a result of the delayed filling of a number of resident advisor positions. Thanks to additional funding from the Swiss government's Secretariat for Economic Affairs (SECO) and the British government's Department for International Development (DfID), two additional resident advisors joined East AFRITAC during the year, thus raising the resident team complement to eight, a doubling of the team's size compared with a few years ago. Also significant was the additional in-kind contribution of two more support staff seconded from the BOT, allowing the Center to better

<sup>5</sup> Some East AFRITAC member countries have previously existing national accounts reform programs with other development partners. Thus, both Eritrea and Malawi receive assistance from Statistics Norway. DfID and the World Bank are also active players in the sector. In these instances, East AFRITAC has played a supporting role and closely coordinated with the relevant parties.

manage its growing workload. As usual, the work of East AFRITAC's resident advisors was supplemented by the use of a number of short-term experts and consultants, a series of regional workshops, and a growing staff attachment program. Coordination with other development partners continued to be a key aspect of East AFRITAC's approach to TA delivery.

Annexes 4 and 5, and Charts 1 and 2 provide information on the sources, usage, and allocation of East AFRITAC's resources. In keeping with East AFRITAC's results-driven approach, some information is provided on inputs, but most of the focus of this report is on outputs and outcomes achieved during the fiscal year.

### Revenue Policy and Administration

The FY 2009 work plan for the revenue policy and administration sector was successfully completed, and capacity-building initiatives were undertaken in all member countries. The overarching objective was to assist member countries in strengthening their revenue administration capacity in five focal areas: (i) tax administration; (ii) risk management in customs administration; (iii) international trade facilitation; (iv) intelligence and investigation; and (v) regional integration. In spite of strengthened capacity, the revenue performance in FY 2009 was mixed as a result of the international crisis and its impact on East Africa (Chart 3).

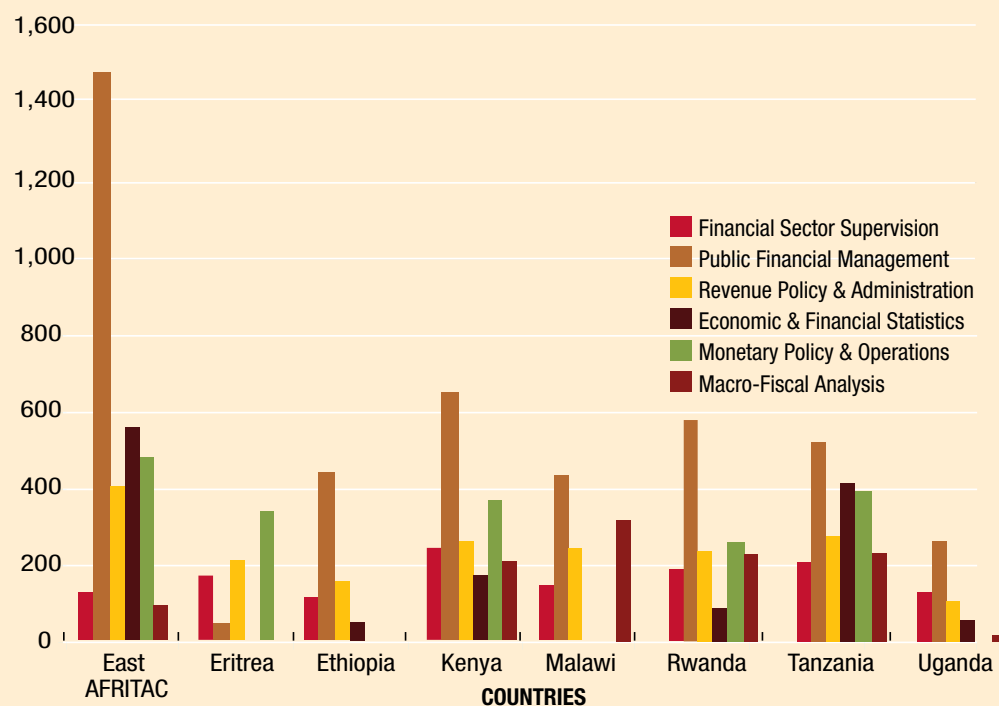
#### Tax administration

East AFRITAC assisted the region's revenue administrations to restructure and improve the efficiency of their operations and programs, with particular emphasis on overhauling existing information



The Deputy Governor of the Reserve Bank of Malawi welcomes delegates to East AFRITAC's Steering Committee meeting.

**Chart 1: East AFRITAC Allocation of Advisor Assistance (FY 2009; in hours)**







The former Governor of the Reserve Bank of Malawi delivers the opening statement at East AFRITAC's Steering Committee meeting.

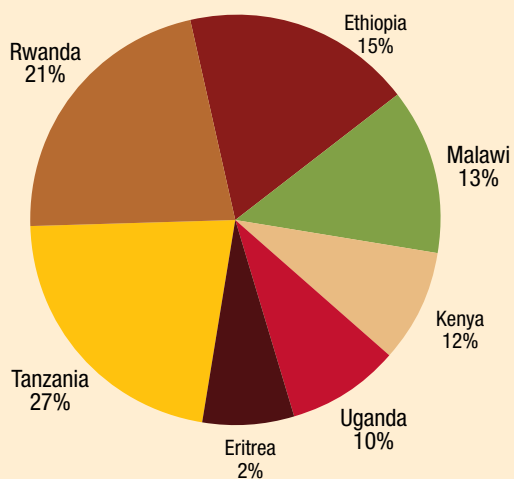
technology resources and instituting taxpayer segmentation. Key developments during FY 2009 included:

- The development of a modernization and information technology strategy and implementation plan in Eritrea, to serve as a blueprint for the next phase of tax administration reforms. Segmentation of the taxpayer population is a key element of the plan.
- The completion of a revenue process review by the authorities in Ethiopia, with East AFRITAC program-monitoring assistance. The authorities followed up by establishing the Ethiopia Revenues and Customs Authority.
- The commencement in Kenya of the first stage of the country's information technology modernization strategy, which included the successful piloting of the registration and return-filing modules.
- The completion in Malawi of a comprehensive business process reengineering initiative, led by an East AFRITAC-recommended expert, as a precursor to implementing an integrated tax administration system (ITAS).
- The improvement of Rwanda's audit and collection enforcement functions, including the development of a practical framework for a computer-driven risk profiling system. The proposed system will be completed during FY 2010 and will use a number of predefined rules to rank taxpayers based on the risk of tax evasion.
- Preliminary implementation in Uganda of an ITAS, including the successful piloting of a registration module. East AFRITAC also continued its support to improving the management of the medium and small taxpayer segments.

#### *Risk management in customs administration*

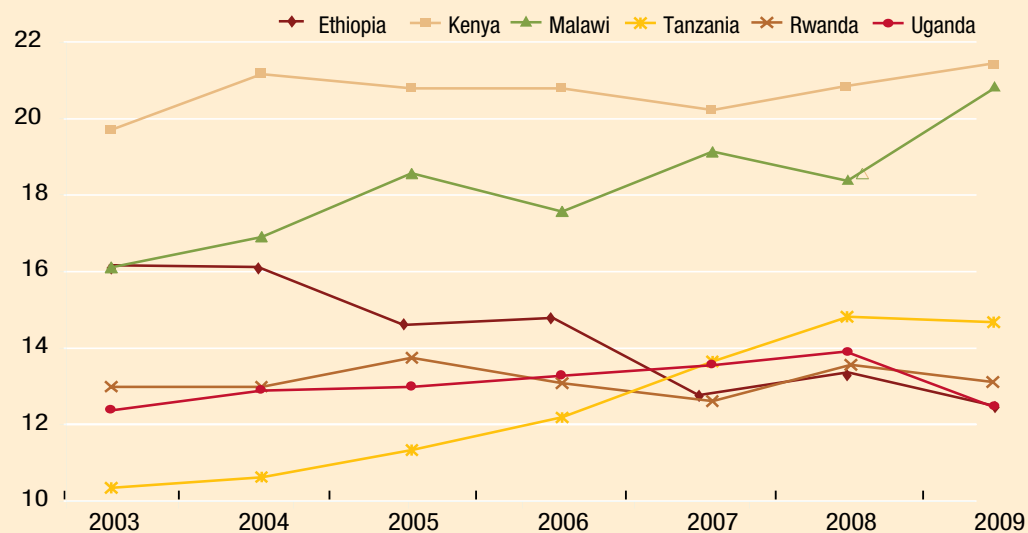
- Customs administration remains a challenge in most East AFRITAC countries. Not only is customs evasion a significant problem, but regional and international trade is hampered by a number of bureaucratic obstacles. Cargo release times are comparatively higher than in other regions, and a high proportion of imported goods are subject to some form of verification. East AFRITAC worked closely with member countries to address some of these challenges. The approach is to bring risk management to customs administration, which helps customs agencies refocus their programs and limited resources towards addressing the most significant threats to customs revenue. Risk management now enjoys broad support in the region, and East AFRITAC helped member countries take their risk-management strategies to the next level. Ethiopia finalized its risk-management policy and strategy, and a risk-management unit was set up—the latter has been instrumental in profiling imports and determining risk levels. Similarly, Malawi also established a risk-management unit and is in the initial stages of implementing risk-management approaches in customs administration. Kenya successfully deployed a risk-management unit at the port of Mombasa. In addition, East AFRITAC assistance was provided to set up a national targeting center based at customs headquarters in Nairobi. Implementation of an East AFRITAC supported risk-management program in Rwanda facilitated the expeditious release of 60 percent of imports (by value) through the “blue and green channels,” a vast improvement from the roughly 2 percent level in 2007. Finally, risk-management training was undertaken in Tanzania and a draft road map for implementation of an enterprise-wide risk-management framework developed.

**Chart 2: Allocation of Advisors' In-Country Time by Country (FY 2009; in percent)**



Source: East AFRITAC.

**Chart 3: Government Revenue, Excluding Grants  
(FY 2003-2009; in percent of GDP)**



Source: Regional Economic Outlook: Sub-Saharan Africa, IMF, April 2008 (Table SA 10, page 105).

### *International trade facilitation*

Drawing on FAD and East AFRITAC recommendations and international trends, member countries implemented the following initiatives during FY 2009:

- A 24-hour working cycle was implemented in Kenya, Rwanda, and Uganda at ports and other customs border stations. This measure has significantly reduced the clearance backlog, and improved service delivery to importers.
- Customs administrations in the same three countries implemented an interconnectivity link (RADDEX) that has greatly improved information sharing. In addition, a new one-stop border post at Malaba (Kenya/Uganda border) has significantly reduced clearance times there.
- In Kenya, an authorized economic operator scheme for compliant traders was extended to seven more importers, bringing the total to 21, a number set to double in the near future.
- In Tanzania, web-based solutions for pre-lodgment of import declarations and supporting documents were set up, thus enabling a seamless lodgment and processing of import documents with minimal physical interaction between agents/brokers and customs officials.

### *Intelligence and investigation*

A proactive and effective intelligence and investigation program is a crucial component of any compliance management program. Credible investigations can strengthen the rule of law in a country. East AFRITAC provided assistance to Kenya and Tanzania to strengthen their revenue intelligence and investigation arms.

- In Kenya, an East AFRITAC-facilitated training program assisted the Kenya Revenue Authority (KRA) in developing a road map on the conduct of fair, unbiased, and objective investigations. Focal areas of this plan include: legal authority and jurisdiction; organizing and planning investigations; development of evidence; conducting and documenting interviews; and closing investigations.
- In Tanzania, an assessment of the intelligence function was completed, and a discussion paper on the establishment of an effective intelligence function in the TRA prepared.



*“Tanzania Revenue Authority (TRA) acknowledges the close partnership that has been built over the years since the establishments of the East AFRITAC. The successes of the ongoing reforms in TRA under the Tax Modernization Programme (TMP) have been made possible to a great extent by the technical advice, mentoring and coaching provided by various experts under the East AFRITAC umbrella. During the past year, valuable assistance was provided in the development of the Enterprise Wide Risk Management Policy and Framework as well as the development of the Customs Modernization Strategy.”*

*“I wish to extend my sincere appreciation on behalf of the employees, management and Board of Directors of TRA for the support that is being provided to strengthen revenue administration in the region and I look forward to a continued prolific teamwork in the future. TRA values the exemplary contribution of East AFRITAC towards ensuring that we realize our vision of becoming a modern tax administration.”*

Harry M. Kitillya  
Commissioner General  
Tanzania Revenue Authority

### **Regional integration**

TA was provided to address development objectives of customs administrations in the EAC. The assistance included trade management; modernization and harmonization of systems and procedures; and risk management.

### **Public Financial Management**

The implementation of East AFRITAC's work plan for FY 2009 progressed well, with both direct and indirect assistance provided to all member countries, with the exception of Eritrea, which declined assistance. Enhanced interaction with public financial management (PFM) donor working groups took also place. East AFRITAC's TA focused on three areas: (i) enhancing budget comprehensiveness and transparency; (ii) strengthening cash management and banking arrangements; and (iii) reviewing the legal framework to accompany PFM reform.

### **Budget reform**

In cooperation with East AFRITAC, a number of countries in the region are reforming their budget processes in order make them more comprehensive and transparent.

- Having successfully established a Program Budget Unit with East AFRITAC assistance in 2005, Ethiopia is in the process of rolling-out program budgeting to more public bodies. Thus, East AFRITAC advised on how program budgeting can help better align budget resources with national poverty-reducing priorities. This should encourage budget submissions or funding proposals linked to desired poverty alleviation targets.
- In Kenya, the focus was on the documentation that accompanies each year's budget requests. With help from the Center, the authorities hope to improve fiscal transparency and oversight by improving the quality, relevance, and usefulness of the documentation. It is hoped that recommendations will be applied in the near future to the documentation relating to general government operations.
- In Malawi, East AFRITAC assistance focused on better alignment of budget resources with national poverty-reducing strategies. Significant progress was made by the Malawi government in this regard, and efforts are underway to promote strategic allocation of public funds by streamlining the concept of programs within the existing output-based budgeting.
- East AFRITAC focused on helping Rwanda comply with the Government Finance Statistics Manual of 2001 (GFSM 2001) classification. The government, with East AFRITAC's support, formulated a reform strategy that spells out the implications of migrating to the new classification and provides a bridge table linking the current economic classification to a generic version based on the 2001 GFSM templates. Authorities agreed that the migration would take place during FY 2011. In addition, the Rwandan authorities, with joint East AFRITAC and CABRI (Collaborative Africa Budget Reform Initiative) assistance, formulated key principles and processes for mainstreaming development aid into the budget cycle. Finally, Rwanda asked for East AFRITAC support in producing a draft reform strategy to facilitate a gradual introduction of program-based budgeting.

- Tanzania produced the requisite instruments and tools to switch to the GFSM 2001 classification, namely: a template for the chart of accounts, draft bridge tables linking the present classification to the GFSM 2001 classification, and a manual to facilitate the migration. Likewise, the Zanzibar government initiated a revision of both the budget preparation guidelines and the structure of the budget documentation. In a related development, Zanzibar agreed to shift to results-based budgeting.

### *Cash management*

It is no easy task for East African governments to manage their cash flows, with amounts constantly entering and exiting thousands of separate accounts scattered across many commercial banks. A number of reforms can help resolve this issue, including creating a single treasury account, strengthening forecasting, and introducing advanced automated cash management systems.

In FY 2009, East AFRITAC continued to assist member countries in further strengthening their cash management and banking arrangements. As part of this assistance, East AFRITAC conducted thorough evaluations of existing cash management systems in Ethiopia, Kenya, and Malawi.

Additional highlights of the past year included:

- In Ethiopia, a decision was taken to establish a Treasury cash management committee, and an agreement was signed to transfer some government bank accounts to a bank with a wide network.
- The evaluation of the proposed cash management module in Kenya. Other assistance to Kenya focused on improving banking arrangements for ministries, building on the ZBDA system (Zero-Balanced Drawing Account) introduced in 2005, extending Treasury oversight over idle cash, and moving over the medium term towards a treasury single account.
- The adoption by authorities in Malawi of an East AFRITAC-generated action plan with four key elements: (i) integration of cash accounting systems; (ii) development of a cash flow forecasting framework; (iii) improvement of the financial reporting systems; and (iv) improvement of banking arrangements.
- Significant progress on a number of fronts in Rwanda, where the Center aided authorities with treasury management reforms in the areas of IFMIS, cash management and banking, the financial management and accounting manuals, and the implementation of a financial management information system (SmartGov).
- The successful compilation of an updated list of all government bank accounts in Tanzania, which constitutes a first step toward the consolidation of the government's bank account structure.
- Progress in Uganda on the problem of cash forecasting, with additional East AFRITAC assistance in the areas of a treasury single account, increasing the institutional coverage of IFMIS, and commitment/arrears reporting and management.

### *Public financial management regulatory framework*

Ethiopia asked East AFRITAC to review the proposed revisions to the Financial Administration Proclamation, which governs budget preparation, collection and payment. In Kenya, East AFRITAC, in conjunction with FAD, apprised the authorities on constitutional issues related to fiscal decentralization reform.



Cash Management Workshop held in Ethiopia.

*“We are very much grateful to you for technical assistance rendered to Zanzibar Revenue Board. Through capacity building you have been creating necessary and sufficient conditions for our tax institutions to work in a more efficient and effective manner.*

*I wish you and your Center every success in discharging your duties, particularly in these trying moments of global financial crunch. Thank you for your cooperation.”*

Kayombo T. Kadenge  
Commissioner  
Zanzibar Revenue Board

## Financial Sector Regulation and Supervision

East AFRITAC continued to partner with its member countries in establishing supervisory systems that are appropriate for the management of the risks arising within their financial sectors, including by strengthening their overall levels of compliance with the Basel Core Principles for Effective Banking Supervision. The general focus of East AFRITAC's bank supervision assistance included the movement away from rules- or compliance-based supervision to more risk-based approaches, thus ensuring the most effective use of limited supervisory resources. Another theme has been the need for countries to strengthen their compliance with the Basel I capital adequacy framework, one of the key criteria established by the Monetary Affairs Committee of the EAC for its member countries.

### Risk-based supervision

- In Kenya, East AFRITAC worked with CBK to refine its now established RBS framework, particularly in the area of risk-assessment criteria. East AFRITAC made recommendations to assist examiners in better linking their risk assessment outcomes to their assessment of “Management” under the CAMELS framework.
- Malawi prepared to undertake its first bank inspection based upon RBM's new risk-based methodology. East AFRITAC assisted the RBM team of examiners with the pre-examination fact finding phase and the pre-examination meeting with the bank's senior management. As a result of the assistance provided by East AFRITAC, the RBM examination team was able to produce a pre-examination plan, a preliminary risk assessment, CAMELS ratings, and a scope memorandum which provided a roadmap for the actual on-site examination. East AFRITAC further assisted RBM in preparing a revised manual on RBS to reinforce the pre-examination planning phase of the RBS process.
- In Tanzania, the Center undertook a review of BOT's supervisory plans and reporting systems to determine the extent to which they were driven by the risk profiles of banks. Assistance was also provided to BOT in reviewing a RBS technical paper with a view to integrating frameworks for consolidated supervision.

### Consolidated supervision

Consolidated supervision, which also stems from the Basel Core Principles, enables bank supervisors to look broadly, across the entire range of a banking groups' activities, both within a country and beyond its borders. This enables potential cross-border issues to be detected early and rectified.

- Consolidated supervision moved closer to becoming a regional reality during FY 2009, when the Kenyan authorities conducted a pilot on-site examination using a draft framework for consolidated supervision that was prepared with East AFRITAC assistance. The pilot examination, a first for the region, provided CBK with an opportunity to test the draft framework, assess its effectiveness, and identify areas in which the framework needed to be strengthened.
- In Malawi, East AFRITAC assisted RBM in commencing the development of a framework for the practice of consolidated supervision. East AFRITAC partnered with RBM staff, to produce a policy paper on consolidated supervision. The paper examines the need for consolidated supervision, highlights relevant international best practices, discusses the measures that will be necessary to

implement consolidated supervision in Malawi, and includes a draft action plan to guide the process.

### *Development of regulatory and supervisory frameworks*

East AFRITAC continued to work with its members countries to develop enhanced regulatory and supervisory frameworks across the region:

- In Eritrea, East AFRITAC helped the Bank of Eritrea (BOE) commence the process of developing a regulatory framework for insurance activity by reviewing the existing legal framework and assisting with the drafting of necessary regulations.
- In conjunction with RBM, East AFRITAC worked in Malawi to develop an action plan for strengthening the regulation of discount houses. The action plan seeks to simplify the complicated oversight situation of discount houses and also includes the supervisory norms and benchmarks that should be employed by RBM.
- In Rwanda, East AFRITAC advised BNR on how to strengthen its off-site surveillance activities. In addition, the Center assisted BNR in developing a framework for stress testing and an early warning system.
- The Center worked with Tanzania on preparing anti-money laundering inspection procedures. The procedures were designed to be consistent with BOT's RBS framework.

### *Capital adequacy*

East AFRITAC continued to assist Kenya in strengthening its capital adequacy framework via the incorporation of a capital charge for market risk. East AFRITAC reviewed a number of instruments prepared by CBK, including the draft regulation for the implementation of the new capital charge, the draft reporting forms to be completed by banks in respect of their market risk exposures, and the draft instructions for the completion of the forms. East AFRITAC also assisted CBK in reviewing its progress in developing a Basel II road map.

The Center also worked with Rwanda on developing a framework for the adoption of a capital charge for market risk. With East AFRITAC help, BNR's working group on the issue developed a draft policy paper on market risk, a draft market risk questionnaire, a draft capital adequacy regulation to incorporate a capital charge for market risk, and draft prudential returns and guidance notes for the completion of the returns.

Similarly, in Uganda, East AFRITAC helped the Bank of Uganda (BOU) prepare its staff for the pending roll-out of its framework for a market risk capital charge.

### *Monetary Policy and Operations*

East AFRITAC provided assistance to Eritrea, Kenya, Rwanda, and Tanzania, particularly in the areas of: (i) monetary policy formulation; (ii) central bank policy communication; (iii) systemic liquidity forecasting and treasury cash management; (iv) domestic money and interbank market development; (v) payment and settlement systems modernization; and (vi) inflation forecasting and core inflation measurement.

*We hope East AFRITAC will continue to provide technical assistance in the area of cash management during the implementation of the recommendations. We are now prioritizing the recommendations to see which ones the Government can start to implement. We shall continue to work together towards improving public financial management in Tanzania. Once again we thank you for your continued assistance."*

Mwanaidi. A. Mtanda  
For Permanent Secretary  
Ministry of Finance and Economic Affairs  
Tanzania



*“The technical assistance received from East AFRITAC in respect of off-site surveillance, on-site inspection, CAMEL rating, licensing etc., and the result achieved thereof, was a milestone in our bank’s regulatory and supervisory career. By the same token, the very recent technical assistance that the bank obtained regarding developing prudential regulations for insurance is also hoped to contribute positively towards bridging the gap that the bank had in supervising the insurance business. Once the engine is kicked off, it will enable the bank to walk an extra mile in its supervisory capacity, the credit of which goes to East AFRITAC.*

*The high-quality and optimally targeted technical assistance coupled with workshops that zero in on topical issues and the professional attachments sponsored by East AFRITAC are sine qua non for supervisors in the region in reinforcing their supervisory capabilities.”*

Kibreab Woldemariam  
Acting Governor  
Bank of Eritrea

### **Monetary policy formulation**

East AFRITAC worked with BOE to strengthen its capacity for monetary and exchange rate policy formulation and administration. The assistance involved conducting sensitization workshops on issues pertinent to monetary policy and operations in a less-developed-country context, as well as hands-on training of BOE staff to demonstrate the workings of monetary policy and operations. The work also involved assisting BOE in commencing the collection of basic monetary and financial data.

### **Central bank policy communication**

East AFRITAC helped the BOT develop the first draft of its communication strategy document. The assistance helped clarify underlying issues, including the need for developing tailored communications tools vis-à-vis different audiences and media.

### **Systemic liquidity forecasting and treasury cash management**

East AFRITAC continued to work with BOT on the liquidity forecasting framework with a view to enhancing the impact of monetary operations and, thereby, improving monetary policy implementation. Specifically, the work with BOT to modify the liquidity forecasting process yielded a better understanding of systemic liquidity flows, and a greater appreciation for the impact of changes to the data input interface. This resulted in further work with BOT on a related issue, treasury cash management. In this regard, the assistance involved working with BOT to plan the consolidation of treasury accounts.

### **Domestic money and interbank market development**

Following the implementation of the vertical repurchase agreement (“repo”) and assistance to CBK in dealing with related issues, East AFRITAC took a step further by supporting CBK in drafting a horizontal repurchase transaction guideline and a plan for its introduction. In-house training was provided to the staff of CBK staff on issues such as bond pricing techniques, yield curve analysis and management, domestic debt management practices, and government securities issuance techniques. The assistance also involved working with CBK to highlight the significance of market monitoring and analysis as an important adjunct to enhanced efficiency of the primary auction decision-making process.

### **Payment and settlement systems modernization**

With regional financial networks growing ever wider and more complex, the pressure for the modernization of national payments system is clearly evident in East AFRITAC countries. Responding to the underlying demand for assistance, East AFRITAC focused on payments system modernization and the creation of appropriate oversight structures and regulatory regimes in three countries, as reviewed below.

- East AFRITAC assistance in Eritrea was aimed at helping BOE to plan for the modernization of the national payments system architecture. In particular, the assistance involved assisting BOE institutionalize a clearing house, suggested the adoption of multilateral netting as a more efficient way of settling interbank claims, and involved training BOE and commercial bank staff on the clearing process.

- In Kenya, assistance to CBK focused on retail system oversight, and in particular the necessary regulatory and oversight interfaces covering payment service providers (PSPs) and the introduction of new products, such as non-bank mobile payments (Box 2). The assistance resulted in significant strengthening of CBK capacity for the modernization of the payments system by implementing an effective system oversight framework, developing standards, requirements, and regulatory measures for PSPs, and providing guidance regarding the integration of securities settlement with the Kenya Electronic Payment and Settlement System (KEPSS).
- Similarly, East AFRITAC assistance was at the heart of the national payments system modernization strategy adopted by Rwanda. East AFRITAC supported the implementation of key elements of the payments system framework and strategy, clarified issues pertaining to PSPs, and explained regulatory, process, and oversight issues. Following the publication by BNR of the national payment system framework and strategy, further assistance involved the introduction of various integral elements, such as an automated clearing house, real-time gross settlement, and facilitating Rwanda's foray into electronic banking.
- East AFRITAC assisted BOT to continue the modernization of the retail payments systems, particularly by refining the oversight framework to take into account potential systemic risks. Accordingly, guidance was provided on: the development of suitable system monitoring mechanisms and risk control measures; the development of risk management guidelines for retail payment systems, including electronic banking and mobile payments; the evolution of on- and off-site system oversight; and recommended standards, requirements, and regulatory measures for dealing with PSPs and payment products.

### ***Inflation forecasting and core inflation measurement***

Consistent with Tanzania's desire to adopt inflation targeting as an important monetary policy tool, BOT requested assistance for its implementation. As a first step, East AFRITAC focused on institutional capacity creation to monitor, analyze, and forecast key macroeconomic variables, especially inflation. This being a multi-year assistance effort, the first leg of the assistance clarified the necessary conditions for the effective implementation of an inflation forecasting framework and methodologies that may be adopted for core inflation measurement.

### ***Economic and Financial Statistics***

East AFRITAC continued to put considerable effort into building capacity in the region to produce quality, sound, timely, and accessible national economic and financial statistics data and metadata. East AFRITAC's assistance focused on helping member countries: (i) improve the quality, accuracy, serviceability, and accessibility of their national accounts, particularly by introducing quarterly national accounts (QNA); and (ii) improve and develop price indices, particularly Consumer Prices Indices (CPIs) and Producer Price Indices (PPIs).

### ***National accounts***

- In Malawi, East AFRITAC conducted a workshop on government finance statistics, the first event conducted jointly by two East AFRITAC advisors, responsible for statistics and PFM, respectively. The workshop increased the

*“Payments Systems in the East African region in general and in Kenya in particular are evolving requiring Central Banks to play an increasing role in guiding, harmonizing and overseeing these developments. This continues to pose technical, capacity and resource challenges to the Central Bank of Kenya. The proposed integration of the Real Time Gross Settlement Systems to facilitate efficient cross-boarder payments among three African countries is one such challenge. It is through interactions with you and other experts that the Central Bank endeavors to enhance capacity to provide and promote safe, efficient and effective payment, clearing, and settlement systems.*

*As we look forward to our continued cooperation and support, please accept my highest consideration and appreciation for the invaluable technical assistance the Central Bank of Kenya continues to receive from your institution.”*

*Prof. Njuguna Ndung'u  
Governor  
Central Bank of Kenya*



## **Box 2. East AFRITAC Project Highlight—Regulatory and Oversight Response to New Payment Service Providers—The Case of Kenya**

An important element of East AFRITAC's capacity-building assistance in the monetary policy and operations area is the modernization of national payment and settlement (NPS) infrastructure. Greater regional economic integration has brought a sense of urgency to plans for implementing newer system interfaces and harmonization of national and cross-border initiatives. With the financial networks growing ever wider and more complex globally and in East Africa, central banks are taking a leadership role in guiding the modernization of NPSs while simultaneously equipping themselves with appropriate regulatory, risk-control, and oversight capabilities.

Against this backdrop, the Kenyan example stands out. Anticipating the advances in, and the growing popularity of, mobile telecommunication facility, Kenya became a leader in terms of the entry of new payment service providers and the availability of a new payment facility in the form of domestic money transfer (replacing the conventional banking channel). Money transfer using mobile phones started in Kenya in March 2007. This has revolutionized the payment services landscape in Kenya and in East Africa. By making available affordable, fast, and reliable money transfer services, the product is holding out the potential for the delivery of banking services in the most remote geographical locations. The facility is gaining in popularity in other countries in East Africa (e.g., Uganda and Tanzania) and is also fast becoming a product with cross-border financial flow implications.

By end-December 2008, over five million customers in Kenya used the facility, which is continuing to grow currently at the rate of over 10,000 new customers per day. The mobile payment service in Kenya uses over 6,100 agent outlets, including 300 bank branches. In widening its geographical foot-print and expanding the product range and characteristics (to now also involve payment of utility bills, receipt of small value payment like benefits and salaries, etc.), what began as a simple money transfer facility has become an important financial and payment innovation. With the continuing growth and transformation of the product, mobile payments facility is bringing together a wide array of business entities and interests – banks and non-bank financial institutions, telecommunication companies, retail outlets and informal sector participants like grocery stores, pharmacies, etc. The explosive growth of the market is generating heightened competition amongst service providers while at the same time attracting potential new service providers.

The Central Bank of Kenya (CBK) lost no time in recognizing the importance and usefulness of the technology. Cognizant of the importance of the underlying issues, such as safety and reliability, the interfaces with national and cross-border payment and settlement systems, the broader legal environment and, above all, the necessary regulatory, oversight, and risk control regimes, CBK took on a strategic role in defining and guiding the evolution of the payment, clearing, and settlement environment. Because of its close relationship with CBK, and because its location in East Africa allows it to swiftly respond to new and emerging challenges, East AFRITAC has been able to support the Bank along the way, focusing specifically on the underlying issues and challenges surrounding the modernization of Kenya's NPS. The facets of East AFRITAC assistance involved:

- providing guidance on statute drafting to ensure that CBK will have authority over all NPS-related issues and that it is suitably empowered in terms of its regulatory and oversight roles relative to the emerging payment products, services, and technology interfaces;
- assisting in the revision of the Bank's policies in light of the refinements in Kenya's payment system landscape, particularly by reviewing the oversight policy framework, providing guidance on developing comprehensive standards, and suggesting ways for their continuing operationalization;
- clarifying the broader operative environment for mobile payment service providers and products and, more specifically, defining the role and policies of CBK in the context of the emergence of new payment instruments and service providers;
- suggesting approaches to the creation of regulatory regimes and oversight structures to monitor, manage, and control the payment and settlement-related risks; and suggesting ways to further enhance the efficiency of the clearing process and pointing to issues related to the planned integration of national payments systems across three countries in the region; and
- providing guidance on implementing risk-mitigating consumer protection regimes.

awareness of participants on the importance of adopting the international classifications and concepts contained in the GFSM 2001.

- East AFRITAC's assistance to Tanzania focused on QNA. As a result, Tanzania disseminated QNA to key stakeholders in July 2009. East AFRITAC also worked with the World Bank and DfID in developing a Statistical Master Plan for Kenya, and on finalizing the Tanzania Statistical Master Plan. Particular attention was paid to ensuring that the plans would help support the countries' poverty-reducing strategies.
- East AFRITAC provided assistance to the newly recruited national accountants in Rwanda, and organized lectures and hands-on training on preparing a supply and use table, and to estimate both annual and quarterly national accounts.
- Owing to East AFRITAC assistance, Uganda was able to produce preliminary quarterly GDP estimates for in-house use. Uganda expects to finalize these results in the near future with a view to publishing them at a later stage.

### **Consumer and producer price indices**

- East AFRITAC conducted a follow-up assistance mission in Ethiopia on the agricultural PPI (PPI-A). The assistance provided recommendations on the legal and institutional framework for producing the PPI-A, and advised on technical aspects. In December 2008, the Ethiopian Central Bureau of Statistics took over the responsibility from the Ethiopian Development Research Institute (a quasi-government organization) for producing the PPI-A.
- In Kenya, East AFRITAC provided assistance on the manufacturing PPI (PPI-M). The assistance addressed the concepts and definitions used to compile the PPI-M, and ensured that the index was in broad conformity with the guidelines outlined in the 1993 SNA and the PPI Manual. Separately, East AFRITAC has been instrumental in assisting with revising and rebasing Kenya's CPI. The authorities expect to release the new CPI and PPI series to the public in 2010.
- Finally, East AFRITAC also assisted Uganda with developing a PPI for the restaurants and hotels industry. Uganda hopes to disseminate corresponding results in the near future.

### **Macro-Fiscal Analysis**

The macro-fiscal advisory position was opened in December 2007, and the resident advisor served for a year until December 2008. The position was again filled in early April 2009. Accordingly, this section only reviews accomplishments from May to December 2008.

The focus of the Center's work was on starting the implementation of the individual TA work programs in member countries which were drawn up following scoping missions conducted in early FY 2009. The scoping missions assessed the needs in macroeconomic units of some member countries' finance ministries, and accorded priority to those countries where demands for assistance were most pressing, notably Ethiopia, Malawi and, Rwanda. East AFRITAC also continued its preexisting work program with Tanzania.

### **Medium-term macroeconomic and fiscal planning**

A major focus of the macro-fiscal TA program is to build capacity in member countries for medium- and long-term macroeconomic and fiscal planning, using

*“The National Institute of Statistics of Rwanda (NISR) with great pleasure appreciates the support it received from East AFRITAC during the year 2008.*

*The resource–persons shared relevant knowledge whereby the Economic Statistics Department's staff of NIRS learnt a lot from their wealth of experience and important guidance on Supply and Use Table, Price Statistics and National Accounts.*

*In that regard, I take the opportunity to express my sincere appreciation on behalf of NISR for the assistance and knowledge provided. The support provided was very much needed and relevant. It laid a foundation for sustainable progress and we look forward to a fruitful cooperation in the future.”*

*Mr. Yusuf Muragwa  
Acting Director General  
National Institute of Statistics of Rwanda*

*“As in past years’ cooperation with East AFRITAC, this year’s assistance has also been very productive. It has once more kept us abreast of developments in the financial world, particularly in the monetary policy formulation and operation activities of Central Banks. The Central Bank Policy Communication Seminar specifically has helped us appreciate the value of engaging and informing the public to achieve desired outcomes.”*

*Temesgen Gebremarian  
Manager  
Bank of Eritrea*

quantitative tools, such as financial programming frameworks. These tools are critical for ensuring that planned budgets are fully consistent with macroeconomic objectives (including monetary policy objectives) and with realistic macroeconomic projections.

- In Kenya, TA was provided to the Ministry of Finance (MoF) to strengthen its existing financial programming framework, principally by simplifying it to make it more user-friendly and to allow for policy targets (such as a target for the public-debt/GDP ratio) to be more readily incorporated into the framework. A financial programming note was also drafted to assist the staff in understanding the role of all the variables in the framework and the linkages between them.
- TA was provided to the Ministry of Economy and Finance (MINECOFIN) in Rwanda to analyze the economic and budgetary implications of meeting the convergence criteria (a set of technical targets for budget and current account deficits, inflation, etc.) for the proposed monetary union of the EAC. MINECOFIN also requested East AFRITAC assistance with preparing the medium-term macroeconomic projections for the budget framework paper for FY 2009-12. The budget framework is an important input into the budget process, setting out the Government’s economic and fiscal policy objectives for the forthcoming budget. The Center’s help entailed updating the financial programming framework and providing further training.
- In Tanzania, East AFRITAC helped train new recruits of the Ministry of Finance to build and use a financial programming framework and to understand the economic concepts and relationships which underlie the framework. The TA emphasized training in revenue forecasting, linking it with the broader macroeconomic forecasts generated in the financial programming framework, and the scope for domestic borrowing which is consistent with monetary policy objectives and the financing capacity of the non-bank sector. East AFRITAC TA has been coordinated with the extensive capacity-building program for the Policy Analysis Department of the Ministry of Finance being funded by the Swiss State Secretariat for Economic Affairs (SECO).

### **Fiscal reporting**

TA was provided to Malawi to address a specific problem with its monthly fiscal reports, which had given rise to concern because of difficulties in accurately estimating expenditures, and discrepancies between “above-the-line” estimates of revenue and expenditures and the “below-the-line” estimates of financing. The TA entailed developing methodologies for improving the estimation of expenditures using available data sources and for estimating the check float (the difference between the value of total checks issued and that of checks cashed and debited against government accounts). The methodologies were then used to prepare monthly estimates of the fiscal aggregates for FY 2008, and were fully operationalized by the MoF in FY 2009. The output is thus more accurate monthly fiscal reports.

### **Coordination with Development Partners**

In recent years, the development community has been paying ever greater attention to aid coordination. In line with the calls in the 2003 Rome Declaration on Harmonization, the March 2005 Paris Declaration on Aid Effectiveness, and the September 2008 Accra Agenda for Action, East AFRITAC has paid particular

attention to ensuring coordination amongst development partners, thereby minimizing duplication of efforts and enhancing complementarity.

The previous sections noted instances where East AFRITAC coordinated with other development partners who provide similar TA to East AFRITAC's member countries. However, in order to give a fuller sense of East AFRITAC's attention to this topic, this section focuses on the PFM and statistics sectors, where cooperation between development partners and East AFRITAC has been particularly strong. East AFRITAC, as a member of the donor working groups on PFM and statistics in most member countries, has continued to participate in selected initiatives aimed at improving coordination, prioritization/sequencing, implementation, and review of country reform plans.

- In Ethiopia, East AFRITAC participated as a member of the PFM donor working group in a review of the program on the protection of basic services. The review covered all components of the program, including an assessment of its transparency and accountability, and an evaluation of the financing aspects of the program's second phase.
- In Kenya, East AFRITAC held a meeting in Nairobi with the PFM donor working group to discuss progress with the implementation of PFM reforms, plans for the second half of the year, and resources available for assistance in support of Kenya's reform efforts. Additionally, East AFRITAC assisted the World Bank's Statistics Capacity Supervision Project (STATCAP) team to discuss and plan Kenya's National Statistical System development. The mission held meetings with the Board members of the Kenya National Bureau of Statistics (KNBS), representatives of the Monitoring and Evaluation Directorate, Ministry of Planning, National Development and Vision 2030, KNBS, STATCAP Project Transition Support Unit, and members of different sectoral working groups.
- In Rwanda, East AFRITAC was associated with work on Rwanda's PFM reform strategy aiming at accelerating reforms towards an "Enhanced Public Financial Management System by 2012," whose ultimate goal is to ensure efficient, effective, and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery. Rwanda has been one of the special focus countries for World Bank-IMF collaboration in the PFM sector, which has contributed to the successful adoption of this reform strategy.
- In Tanzania—Zanzibar, East AFRITAC was involved in a partnership between the House of Representatives and donor partners to spearhead the PFM reform agenda, and undertake selected activities which included developing: (i) a coordinated institutional mechanism to provide oversight and technical guidance to the implementation of the agenda; (ii) increased capacity in selected government departments and oversight agencies; (iii) the independence of the Comptroller and Auditor General's Office; and (iv) improved communications with parliamentary oversight committees. Moreover, East AFRITAC has been actively engaged with the World Bank's STATPOOL program, which seeks funding for the Tanzania Statistical Master Plan (TSMP). The TSMP provides a framework for strengthening Tanzania's national statistics system, and aims at fostering coordination, collaboration, networking, and information sharing among data producers and users. The National Bureau of Statistics and the Office of the Chief Government Statistician of Zanzibar are key

*"The Foreign Exchange Market Operations and Interventions workshop was really important and useful for central bank staff, especially from countries where the foreign exchange market and reserves are not large enough to support forex market activity within the central bank, and also to build institutional capacity. The workshop became a forum for the exchange of experiences among the delegates from different countries."*

*"During the workshop we were happy, gained knowledge about central bank intervention techniques and experience and we were very much impressed by the course content and the status of some of the more developed East African forex interbank markets. The training and the facilities were also up to standard."*

Martha Hailemariam  
Interbank Foreign Exchange  
Market Division  
National Bank of Ethiopia





The State Minister of Finance of Ethiopia presents the opening statement during a Cash Management workshop.

stakeholders in the national statistics system and the main authors of the TSMP. Various development partners have indicated an interest in contributing to the implementation of the TSMP. East AFRITAC has further assisted the STATPOOL program by identifying potential short-term experts for national accounts missions to Tanzania and Zanzibar.

- In Uganda, East AFRITAC contributed to the design of a set of critical performance indicators and measures formulated to anchor the government's PFM reform strategy within the joint performance assessment framework under the joint budget support operations. The latter is designed to be the main instrument through which future donor budget support will be channeled and monitored. The measures are expected to guide the revision of the government's financial master plan, to be implemented over the next five years.

## Workshops and Seminars

East AFRITAC continued its successful regional and national workshop and seminar series. Below are reports on events held during the fiscal year, by sector (Table 2).

### *Revenue Policy and Administration*

A joint East AFRITAC/Rwanda Revenue Authority (RRA) regional workshop on *Small Taxpayer Administration* was held during July 7–11, 2008 at the RRA Training Institute in Butare, Rwanda. It was attended by 24 senior- to middle-level tax officials (of which 4 were female participants) from member countries. The workshop examined and discussed the various options for designing and implementing simplified taxation regimes and compliance programs for small and micro enterprises (SME) in the region. The participants also visited and reviewed the SME operations of the local tax office in Butare. The conclusions from the workshop were that: (i) the most effective criterion to distinguish medium and small businesses is the VAT registration threshold; (ii) where administrative capacity is sufficient, the SME taxation regime should comprise a cash-flow income tax for small businesses, and a turnover-based presumptive income tax for micro-enterprises; (iii) where administrative capacity is insufficient, the SME taxation regime should comprise a turnover-based presumptive income tax for small businesses and a schedule-based fixed tax (or “patent”) covering



Participants at the National Accounts Supply and Use Table workshop.

**Table 2. East AFRITAC Regional Workshops in FY 2009**

Workshop Title	Collaborating Institutions	Number of Participants	Number of Female Participants	Location	Dates	Participating Countries	Participants' Average Rating (Scale of 1-5)
Central Bank Policy Communication	East AFRITAC and CRDB Bank	34	7	Zanzibar, Tanzania	May 6 to 8, 2008	AFRITAC: Eritrea, Kenya, Malawi, Rwanda, Tanzania and Uganda Others: Botswana, Namibia, Zambia, and CRDB Bank	4.3
Financial Soundness Indicators	East AFRITAC	25	8	KSMS, Nairobi, Kenya	June 9 to 13, 2008	AFRITAC: Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda Others: Republic of South Africa	3.9
Small Taxpayers Administration	East AFRITAC	24	4	Butare, Rwanda	July 7 to 11, 2008	AFRITAC: Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda	4.4
Cash Management Reforms	East AFRITAC and ACBF	31	8	KSMS, Nairobi, Kenya	September 22 to 26, 2008	AFRITAC: Ethiopia, Kenya, Malawi, Rwanda, and Uganda Others: Lesotho, Mozambique, and Namibia	4.3
Compliance Management in Tax Administration	East AFRITAC	26	7	KSMS, Nairobi, Kenya	November 3 to 7, 2008	AFRITAC: Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda	4.0
National Accounts Supply and Use Table	East AFRITAC	23	2	Rubuvu, Rwanda	February 2 to 13, 2009	AFRITAC: Kenya, Rwanda, Tanzania and Uganda Others: Cameroon	4.4
Foreign Exchange Market Operations and Intervention	East AFRITAC	29	8	Zanzibar, Tanzania	April 16 to 22, 2009	AFRITAC: Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda	4.1

Source: East AFRITAC.

a limited range of turnover and activities for micro-enterprises; (iv) VAT withholdings, beginning with those on sales from large enterprises, should be gradually eliminated; and (v) simplification of advance income tax payments on imports, with a view to limiting them to non-compliers, should be considered. The overall workshop evaluation was 4.4 out of a maximum of 5.0.

East AFRITAC and the Kenya Revenue Authority (KRA) jointly hosted a regional workshop on *Compliance Management in Tax Administration* during November 3–7, 2008 at the Kenya School of Monetary Studies in Nairobi, Kenya. The workshop was attended by 26 senior- and middle-management tax administration officials (7 of which were female participants) from member countries. The workshop examined and discussed the various options for designing and implementing appropriate compliance programs for tax administration. The participants also conducted a one-day field appraisal of compliance programs and practices in the KRA, during which they benchmarked them against best practice. The key workshop recommendations were that tax administrations in the region should develop balanced compliance programs that: (i) objectively identify taxpayer practices and patterns of activities that place revenue at risk; (ii) are structured around taxpayer segments; (iii) systematically assess and prioritize the relative size of compliance risks using the likelihood and consequence matrix; (iv) deliberately seek to understand the factors that influence taxpayers'





East AFRITAC staff member climbing Mount Kilimanjaro.

behaviors, including the effects of the tax system itself; (v) spell out a balanced mix of treatment strategies; and (vi) include an evaluation criterion to assess the impact and identify lessons learnt. The overall workshop evaluation was 4.0.

### *Public Financial Management*

A regional workshop on *Cash Management Reforms* aimed at enhancing capacity building in governments of Eastern and Southern Africa, was held during September 22–26, 2008, at the Kenya School of Monetary Studies, in Nairobi. The workshop was attended by 31 participants, including 8 female participants, from the region.

The workshop helped identify key issues and challenges that governments face in undertaking cash management reforms. These challenges include: (i) enhancing the quality and credibility of the budget preparation process; (ii) improving the accuracy of cash flow planning and forecasting; (iii) establishing a treasury single account; (iv) reducing idle bank accounts and strengthening government banking arrangements; (v) strengthening the implementation and utilization of IFMIS; (vi) integrating cash and debt management and coordinating with monetary operations; (vii) improving the accounting and reporting frameworks; and (viii) formulating change management strategies. The Macro-Fiscal Advisor contributed significantly to this workshop on cash management reforms, reviewing the interface of budget cash management systems with liquidity management and monetary policy operations.

East AFRITAC provided a resource-person to a seminar on *Putting Aid on the Budget* organized by the Finnish Ministry of Foreign Affairs (MoF), held in Helsinki during June 9–13, 2008. The main conclusions of the Aid On Budget study, jointly commissioned by CABRI and the Strategic Partnership with Africa, were used as a discussion framework, especially since the Finnish government's development policy emphasises the use of country budget systems. The seminar examined the principles and practices of using country budget systems to deliver aid and identified implications for donors, best practices for recipients, and joint undertakings for using country budget systems. It was agreed that increased use of country systems in managing aid required the following prior actions: (i) the medium- and long-term implications and risks of adopting country budgeting systems needed evaluation; (ii) opportunities to use some aspects of the country systems should be explored; (iii) Finnish Ministry headquarters and in-country embassy staff should establish a dialogue on the aid concept and its application; and (iv) current design and appraisal guidelines



Participants at the Tax Investigation workshop.

of development cooperation programs should be reviewed, harmonised, and aligned with the changing structure and delivery of official development aid.

### **Financial sector regulation and supervision**

East AFRITAC conducted a national workshop which was designed to respond to the National Bank of Ethiopia's (NBE) need to have junior staff trained in core bank supervisory issues. The objective of the course was to equip participants to undertake their day-to-day supervisory functions, and to serve as a foundation for further training in more complex issues in banking supervision at a later date. Twenty six staff members of the Bank Supervision Directorate, including one woman, participated in the program and gave the workshop a rating of 4.3.

Due to high staff turnover, Bank of Uganda requested East AFRITAC assistance with a training program for a number of new staff who did not have significant formal training in bank supervision. East AFRITAC conducted a national workshop for 30 staff members, including 12 women. The workshop covered a wide range of supervisory issues and included a number of group exercises to make the program a fully interactive experience. Participants gave the workshop a rating of 4.4.

### **Monetary policy and operations**

The *Central Bank Policy Communication Strategy* high-level seminar (held in Zanzibar, Tanzania, during May 6-8, 2008) arose out of a growing recognition in East Africa that effective communication is as an essential foundation for successful policy implementation by central banks. As a result, a key issue was related to central bank policy communication strategy to manage market expectations. Because imperfect central bank communications have the potential to cause undesirable economic outcomes, the seminar highlighted emerging best practices, lessons from cross-country experiences, and the approaches of multilateral agencies, such as the IMF. The seminar brought together Deputy Governors and senior executives from the central banks of East and Southern Africa. The Seminar attracted 34 participants from 9 countries, with 7 of them being women. The seminar facilitated discussion of varying national initiatives, offered the opportunity to appreciate the evolving commonalities in national approaches, drew conclusions from successful strategies implemented in more complex financial markets, and recognized the challenges posed for the adaptive processes already underway in some countries. The seminar got a participant rating of 4.3.

The *Foreign Exchange Market Operations and Intervention* workshop, held in Zanzibar during April 16-22, 2009, was aimed at operational staff from central banks. It focused on techniques for the development of foreign exchange markets, reviewed the conduct of monetary and foreign exchange market operations, and stressed effective central bank intervention techniques. The workshop had 29 participants from East AFRITAC member countries, including eight female participants. Using the framework of a conventional interbank market, the workshop reviewed desirable market features and the central bank's interface with the foreign exchange market. Moving beyond the conventional commercial and interbank dimensions of



Participants at the Financial Soundness Indicators workshop.





Former East AFRITAC Bank Supervision Advisor with some participants at the Financial Soundness Indicators workshop.

the market, the workshop discussion also focused on foreign exchange operations from the perspective of a central bank—how to impact the foreign exchange market, to develop it, and to treat foreign exchange operations as part of the armory of monetary operations tools. Integrating specific country experience from the region, the workshop also discussed the case of donor flows and its impact on central banks' role in foreign exchange market operations, development, and intervention. The workshop elicited a rating of 4.1

### **Economic and financial statistics**

The Statistics and Bank Supervision Advisors and the IMF's Statistics Department hosted a regional workshop on the *Compilation of Financial Soundness Indicators* (FSIs) during June 9–13, 2008 at the Kenya School of Monetary Studies in Nairobi, Kenya. The workshop was attended by 27 senior and middle-management central bank officials, of which 8 female participants, who were involved in financial soundness data compilation, analysis, research, and policy work. The workshop focused on the methodological aspects of compiling both the core set and the encouraged set of FSIs. Guidance was also provided on accessing and using the FSI data and metadata database created at the IMF in the context of the coordinated compilation exercise for FSIs. Participants from Kenya and Tanzania prepared detailed action plans as both central banks are considering the establishment of financial stability units in the short term. Other countries have to undertake further work in compiling FSIs for the purpose of macro-prudential analysis. The overall workshop evaluation was 3.9.

A joint East AFRITAC/Rwanda National Institute of Statistics (NISIR) regional workshop on *National Accounts Supply and Use Table* was held during February 2–13, 2009 in Rubuvu, Rwanda. There were 23 participants, of which three were female participants. The purpose of the workshop was to obtain a preliminary balance of the supply and use of products, a major milestone in the process of compiling a supply and use table (SUT), and thereafter rebasing the GDP of Rwanda on 2006. The workshop was designed to have key national accountants from neighboring countries act as resource-persons in helping NISIR staff compile the country's SUT. The national accountants in the region acquired practical training in compiling an SUT, which they previously had not had, while the Rwandan team benefited from their more experienced peers. Participants from Kenya, Uganda, and Tanzania were also encouraged to produce similar SUTs for their respective countries. The overall workshop evaluation was 4.4.

### **Professional Attachment Program**

Supervisory attachments are an effective mechanism to develop supervisory skills and generally to share experiences across countries. East AFRITAC therefore continued the practice of arranging attachments during FY 2009.

Two regional staff from the Malawi Revenue Authority (MRA) were sent for a two-week attachment program to the Tanzania Revenue Authority (TRA) for exposure in the area of effective management of large taxpayers operations. The attachés acquired practical exposure in the organization and management of large taxpayer operations. They carried out a comprehensive review of TRA's large taxpayer administrative processes and procedures, with a specific emphasis on the design and implementation of audit programs. As part of their terms of reference, and with support from East AFRITAC, the attachés produced a detailed report, including lessons for improvement that can be replicated at MRA.

A senior official from the Bank Supervision Department of Reserve Bank of Malawi undertook an attachment with the Capital Market and Securities Authority (CMSA) of Tanzania. During



the attachment, the RBM officer not only became familiar with the operations of the CMSA, but was also able to visit the Dar es Salaam Stock Exchange and hold meetings with a number of market professionals to get a complete understanding of the nature of the securities market in Tanzania, the regulatory arrangements in place, and the interrelationship between the regulator and the industry. The experience gained during the attachment is expected to be a useful input as RBM moves to strengthen its own framework for the regulation of capital market activity in Malawi.

### Identification of African Experts

#### *Revenue policy and administration*

- Eritrea: Two experts from South Africa and Tanzania, respectively, were hired by East AFRITAC to assist the authorities in developing a modernization and computerization strategy for tax administration.
- Malawi: An expert from Uganda was hired to assist the authorities in developing an integrated and prioritized revenue administration modernization plan.
- Rwanda: Two experts from Kenya and Uganda, respectively, were hired to facilitate an in-country workshop on audit and collection enforcement.
- Regional workshop: An expert from Uganda was hired to facilitate a regional workshop on compliance management in tax administration.

#### *Public financial management*

- Ethiopia: An expert from Uganda was hired to facilitate an in-country seminar on linking policy analysis, strategic planning, and medium-term budgeting. Additionally, a Mauritius national was recruited to facilitate a two-week training session on program budgeting for planning and budgeting officers in the Ethiopian government.
- Malawi: An expert from Rwanda participated in the review of the pace of implementation of cash management reforms in Malawi. Additionally, East AFRITAC hired an Ugandan expert to provide assistance to the authorities on the integration of their accounting systems and the production of fiscal reports.
- Rwanda: Two experts from South Africa were hired to help the authorities formulate a reform strategy for the introduction of program-based budgeting, as well as an action plan to enhance the transparency and comprehensiveness of the budget process over the medium term.
- Tanzania—Zanzibar: East AFRITAC recruited a budget preparation expert from Kenya to assist the Zanzibari authorities in reviewing their medium-term expenditure framework and budget processes.
- Regional workshop: Two resource-persons from the Central Bank of Kenya and the Kenya Revenue Authority helped facilitate the regional workshop on cash management reforms.

#### *Financial sector supervision and regulation*

- An expert from Ethiopia and another from Uganda were used in conducting the training program for junior bank supervisors at the National Bank of Ethiopia.
- An expert from Zimbabwe was used to undertake a mission to assist Banque Nationale du Rwanda (BNR) in strengthening its off-site surveillance capacity.
- An expert from Kenya was added to the roster of IMF experts during the year.



Former Deputy Governor of the Central Bank of Kenya, and then Chairperson of the Steering Committee, visits East AFRITAC for a work meeting.



The President of Tanzania greets a former Governor of the Bank of Tanzania during a financial conference, while senior staff from the IMF's African Department look on.

### **Monetary policy and operations**

- Eritrea: An expert from South Africa was used for work at Bank of Eritrea on payments system modernization.
- Rwanda: A South African expert was used for the work at BNR on national payments system modernization.
- Regional seminar: For the regional high-level seminar on central bank policy communication strategy, several resource-persons were drawn from Africa. These included Deputy Governors from the Bank of Tanzania, Bank of Uganda, Reserve Bank of Malawi, Bank of Botswana, and the South African Reserve Bank.

### **Economic and financial statistics**

- Tanzania (Mainland and Zanzibar) and Uganda: An expert from Kenya was used for work at the Tanzania National Bureau of Statistics, the Office of the Chief Government Statistician of Zanzibar, and Uganda's Bureau of Statistics for the production of quarterly national accounts.

### **Field Manuals**

In FY 2009 East AFRITAC launched a new publication series, called the *East AFRITAC Field Manuals*. The purpose of this new series is to distill the practical lessons that the Center has gained in working closely with member countries on various capacity-building issues. It is hoped that these field manuals will be of interest to relevant authorities in the region and beyond. East AFRITAC published two field manuals during FY 2009, which—like all other East AFRITAC publications—are freely available at [www.eastafrillac.org](http://www.eastafrillac.org). The manuals were drafted by experts working for East AFRITAC, under the close supervision of East AFRITAC advisors.

- Field Manual # 1: The first document is entitled *A Taxpayer Audit Improvement Guide*. The objective of the guide is to share information on tax audit best practices, and on how to conduct the audit process by using risk-management methodologies. The guide will assist tax administrators in adopting risk-management concepts and clearly lays out best practices in the area of tax audit. The guide book's initial draft was compiled by Messrs, Kassera and Sserebe from the Uganda Revenue Authority.
- Field Manual #2: Entitled *A Guidebook on the Implementation of Risk-Based Supervision*. The objective of the second manual is to document the approach followed by East AFRITAC countries in moving from compliance-based to risk-based bank supervisory practices. The guidebook was compiled by Mr. Augustino Hotay from the BOT, and captures lessons learned from several countries across the region.



## OVERVIEW OF FY 2010 WORK PLAN

**E**ast AFRITAC's work plan for FY 2010 is presented against the backdrop of the international financial crisis and the ensuing world-wide recession. Maintaining and developing capacity in this context is both difficult and critical to help preserve the hard-won gains of the previous funding cycles, and for member countries to be ready to bounce back as soon as the crisis is over. Looking ahead, the next funding cycle's duration (Phase III, FY 2010-14) will be extended from three to five years, in recognition of the fact that capacity building is a long-term undertaking, requiring multi-year planning, implementation, and hence funding.

### Overview

Like a tsunami, the global financial crisis can deliver an overwhelming blow all at once, or can devastate economies and markets as its waters recede. Owing to the limited integration of East African financial systems with international capital markets, as well as the paucity of financial derivatives in the region, East Africa dodged the worst impact of the bursting of the US housing market bubble, as well as the subsequent "deleveraging" of interbank investments. However, the global recession, which emerged in the wake of the financial crisis, has made a delayed impact on the region mainly through hampered market access. While real output growth in the region during 2008 continued to be robust, large fuel and food price shocks in late 2007 and early 2008, combined with buoyant growth in aggregate demand, drove inflation rates into, or close to, double digits for most of the region.

East AFRITAC, in conjunction with IMF headquarters, continues to stand ready to assist member countries during these difficult economic times. Much of the TA that East AFRITAC provides helps countries make better use of their existing or potential resources, be it tax revenue in the revenue administration sector or dormant treasury accounts in the public financial management sector. Implementing reforms in these areas can lead to significant gains in efficiency and effectiveness. East AFRITAC TA also aims at strengthening member countries' capacity to better understand, anticipate, and plan for future macroeconomic events. For instance, strengthening East Africa's macroeconomic planning capabilities can help the region better position itself to bounce back once the global crisis has passed. East AFRITAC's presence on the ground and trademark responsiveness ensure that the work plan for FY 2010 can be swiftly adapted to changing circumstances in the region.

## Activities Planned for the First Half of FY 2010

The work plan for the first half of FY 2010, endorsed by East AFRITAC's Steering Committee at its 11th meeting, held in Blantyre, Malawi, during April 6-7, 2009, will continue to build on the work of Phase II, while branching out in new directions, as requested by member countries.<sup>6</sup> It will continue to pay close attention to the members' policy and institutional reform agendas, and will draw on the priorities specified in their respective poverty-reducing strategies. The work plan for the first half of FY 2010 includes the delivery of the capacity-building activities detailed below in the seven member countries, and the conduct of four regional workshops (Table 3). Delivering this level of assistance will require 178 person-weeks of resources from the Center, including the resident advisors' own time, and 58 weeks of short-term technical expert time. Resources from IMF headquarters will complement the assistance provided by the Center to its membership.

## Revenue Policy and Administration

With combined IMF/East AFRITAC and other development partner support, the majority of East AFRITAC members have made commendable progress in implementing reforms designed to establish the fundamentals of a modern revenue administration. While the initial results are encouraging, the reform programs are still in their early stages and the broader strategic objectives are yet to be realized. Therefore, the thrust of East AFRITAC capacity-building program will be to assist members in consolidating the gains achieved.

East AFRITAC will support capacity-building initiatives in the three thematic areas below. Additionally, cross-cutting support may be provided to the East African Community (EAC) Customs Union, with the objective of ensuring alignment of member country customs modernization programs with the customs union's strategic plan. Assistance may be extended in reviewing and updating the EAC Customs Management Act to incorporate international best practice.

### Taxpayer segmentation and management

In Eritrea, the focus will be on steering the tax administration reform process to ensure it remains on course and follows best practice. Enactment of new laws that support segmentation and implementation of a self-assessment system, beginning with streamlining the existing large taxpayer office, and automating tax operations will therefore be a priority. East AFRITAC, in collaboration with FAD, will help Ethiopia evaluate the revenue sector reform program to ensure that a sound and viable strategy is developed. In Kenya, the objective will be to improve the transparency of tax administration and to reduce the cost of taxpayer compliance. Assistance will be provided to improve the management of small and medium taxpayers, implement appropriate investigation and enforcement strategies, refine the presumptive regimes for small enterprise taxation, and enhance information technology systems to achieve a single-view of the taxpayer. Support to Malawi will be geared towards implementing the business process review recommendations, as well as the action plan for introducing self-assessment beginning with the large taxpayers. The objective will be to accelerate tax and customs administration reforms that in turn will reduce taxpayer compliance costs. In Uganda the objective will be to support measures designed to increase the tax-to-GDP ratio through managing medium and small taxpayers; improving business processes and implementing an integrated tax administration system; and improving post-clearance audit in customs administration. Finally, the region as a whole will benefit from discussions of natural resource tax administration,

<sup>6</sup> Because the legal and financial arrangements for Phase III were not concluded at the time of the Steering Committee meeting, the Committee endorsed the proposed work plan only for the first half of FY 2010, and will endorse the work plan for the second half of the fiscal year at a later stage.

which will disseminate international experiences and set out viable options for efficient and effective management of this revenue source. This spotlight on natural resources taxation constitutes a new focus for East AFRITAC, one which could be extremely useful for member countries given the region's wealth in natural resources.

### **Effective compliance and enforcement strategies**

In Eritrea, East AFRITAC will help the customs administration start implementing risk-management concepts, if a request is made. In Ethiopia, Kenya, Rwanda, and Uganda, assistance will build on the on-going risk-management initiatives by strengthening intelligence, investigation, and enforcement activities. Furthermore, in both Ethiopia and Rwanda, East AFRITAC will provide assistance in effective compliance management approaches for tax administration. In Rwanda the objective will be to support plans to increase the tax-to-GDP ratio through higher levels of voluntary taxpayer compliance, improved efficiency, and strengthened administrative capacity. In Malawi and Tanzania, the focus will be on developing a long-term strategy for implementing effective compliance and enforcement approaches in customs administration. In Tanzania another objective will be to improve revenue administration operations and ensure that reform initiatives are consistent with international best practice. Strategic support will be provided for a customs administration compliance and enforcement strategy, and the phase-out of destination inspection services.

### **Implementation of robust information technology platforms**

During the last five years, regional agencies have spent considerable resources redesigning their business processes and modernizing their information technologies to meet the challenges of constantly changing domestic and international environments. At the regional level, the Center will continue to review cross-cutting information technology issues in customs administration and benchmark regional systems with best practice. In Eritrea, Kenya, Malawi, and Uganda, there will be an additional focus on providing quality assurance services for on-going ITAS implementation programs. In Tanzania, East AFRITAC will provide advice on finalizing the integration of customs operations and systems with the destination inspection company systems.

## **Public Financial Management**

The focus of the PFM sector will be on consolidating and deepening the reform efforts of the past years, and assisting countries in the region to further enhance efficiency and effectiveness in the allocation and management of public resources. The emphasis, according to country specific needs, will be on: (i) reviewing, revising, and enforcing legislative and regulatory frameworks; (ii) improving the budget process, particularly by bringing the budget and accounting classification systems in line with GFSM 2001; (iii) upgrading cash and debt management systems, and rationalizing and consolidating government banking arrangements; (iv) reforming accounting and financial reporting systems; and (v) strengthening intergovernmental fiscal relations.

### **Legislative and regulatory frameworks**

East AFRITAC will continue its regional support for the modernization of legal and regulatory frameworks in member countries by providing assistance in drafting modern PFM legislation, and related financial regulations. In Kenya, East AFRITAC will



assist the authorities in revising the draft PFM law to bring it in line with the proposed Constitution. Assistance to Malawi will focus on revising the legal framework for PFM, as well as reviewing the subordinate financial regulations and producing a revised PFM manual. In Rwanda, East AFRITAC assistance will aim at revising the existing financial management and accounting manuals, to bring them in line with changes to financial regulations and practice, and to align them with the planned roll-out of the new IFMIS. In Tanzania, East AFRITAC will provide assistance in revising the existing PFM Act, last revised in 2004, and make consequential amendments to financial regulations and associated financial policy and procedures manuals.

### **Budget reform**

In Ethiopia, continued technical support will be provided to work on the roll-out of the ongoing program budgeting reform to the federal government. Emphasis will be placed on enhancing coherence between policy analysis, sectoral planning, and medium-term budgeting, as well as on improving the budget documentation and reporting systems. In Kenya, work will strengthen the planning and medium-term economic framework and budget processes, especially at the district level, and extend the chart of accounts to include program classification. Assistance with a performance monitoring framework has also been programmed, in conjunction with other development partners.

East AFRITAC will provide assistance to Malawi to strengthen the integration of national and sectoral planning with the resource allocation process. Rwanda will continue to receive assistance with the migration to a GFSM 2001-compliant budget classification and chart of accounts, and the gradual introduction of program budgeting. In Tanzania, support will be provided to consolidate the gradual implementation of a GFSM 2001-compliant budget classification and chart of accounts, and the introduction of both program and functional classifications. Technical support to Zanzibar (Tanzania) will focus on deepening the integration of planning and budgeting processes, and improving the transparency and comprehensiveness of budget documentation. Finally, in Uganda, East AFRITAC will assist the authorities in reviewing the coverage and transparency of the budget, as well as its monitoring and oversight.

### **Cash management and banking arrangements**

East AFRITAC will continue assistance with regional reforms in cash management and banking arrangements. In Ethiopia, East AFRITAC will assist with the implementation of reforms to the cash management and banking framework, including strengthened cash forecasting, implementation of a treasury single account system, improvement of government banking arrangements, and rationalization of bank account structures. In Malawi, East AFRITAC will provide assistance towards improving the quality of cash forecasting and further measures to strengthen government banking arrangements, including the introduction of sweeping arrangements and moving towards a single treasury account. In Rwanda, East AFRITAC's assistance will focus on further strengthening the cash management and banking framework and improving the relevance and quality of cash management reporting, including externally funded projects. East AFRITAC will also assist the authorities in extending the coverage of their zero-balance account arrangements and cash consolidation framework. In Tanzania, East AFRITAC's assistance will focus on improving the quality of the existing cash flow planning and forecasting systems, strengthening commitment controls, moving towards a treasury single account, and further rationalizing government bank accounts. In Zanzibar (Tanzania), East AFRITAC will review the existing cash management and banking arrangements. In Uganda, East AFRITAC will support the strengthening of cash forecasting, the streamlining of the cash management and banking framework, and the improvement of arrears management.

### Accounting and financial reporting

East AFRITAC will continue to assist member countries in modernizing their accounting and reporting systems. In Kenya, East AFRITAC will provide assistance with the implementation of the budget module of the IFMIS, the establishment of a budget execution monitoring framework, and a review of the operational efficiency of various modules of IFMIS. East AFRITAC will also assist with the updating of the chart of accounts. In Malawi, East AFRITAC will provide continued support for the integration of the government's financial systems, improving bank reconciliation, and the development and production of consolidated in-year fiscal reports and annual statutory reports. In Rwanda, East AFRITAC will provide strategic advice on the design, development and implementation of IFMIS. In terms of accounting and financial reporting, Ethiopia will benefit from TA to improve the quality, coverage, and timeliness of in-year fiscal reporting. In Tanzania, East AFRITAC will review the implementation of cash-based international public sector accounting standards.



### Inter-governmental fiscal relations

East AFRITAC will work with Kenya to strengthen inter-governmental fiscal relations, in particular by establishing effective coordination and consultation mechanisms among central and local governments on fiscal policy issues, and reviewing and prescribing common budgetary classifications and accounting standards for all levels of government. Further work on rolling out the existing budget reform program to the district level has also been scheduled.

### Financial Sector Regulation and Supervision

East AFRITAC member countries expect to consolidate gains made during Phase II and move forward with new areas of their supervisory regimes. Consolidation will take place in the context of risk-based supervisory approaches, expanded capital adequacy frameworks, and strengthened cross-border supervisory arrangements. One of the primary objectives of the banking supervision assistance provided by East AFRITAC is to establish common regulatory practices across its member countries. Establishing such practices (on issues such as RBS and capital charges for market risk) is an important defense against regulatory arbitrage in which financial institutions seek to domicile themselves in the country with the least stringent regulatory standards.

New frontiers will also be explored, as countries develop regulatory frameworks for emerging areas of activity, such as Islamic banking, in which five East AFRITAC members are currently interested. Emerging legal requirements in a number of East AFRITAC member countries for anti-money laundering and combating the financing of terrorism will also see regulators assess the adequacy of the management of these risks by financial institutions.

East AFRITAC's work plan will focus on the following areas: (i) strengthening legal and regulatory frameworks for traditional banking sector activities; (ii) developing legal and regulatory frameworks for new areas of activity, such as Islamic banking; (iii) addressing emerging issues, such as insurance regulation and the regulation of pension funds; and (iv) strengthening the capacity of some members to undertake financial stability analysis.



### **Capital adequacy framework**

East AFRITAC will continue to provide assistance to Kenya in rolling-out the final stages of a framework for the adoption of the new capital charge for market risk. The focus of assistance to CBK will be the training of staff of the Bank Supervision Department to prepare them for the submission of returns from banks, as they begin to report their market risk exposures. As Kenya looks forward to the eventual implementation of the Basel II capital adequacy framework, East AFRITAC will provide assistance to undertake an assessment of the impact that the new capital standard is likely to have on banks, when implemented. BNR is expected to continue to expand its capital adequacy framework by adopting a capital charge for market risk. BOU will continue to develop its enhanced capital adequacy framework, which will incorporate a capital charge for market risk.

### **Risk-based supervision**

East AFRITAC will work with a number of its member countries to consolidate the achievements of the past and strengthen various aspects of their RBS frameworks. The RBS methodology will be strengthened, including efforts to better align the off-site surveillance system with the RBS framework. This includes work with (i) CBK to align its off-site surveillance system with the RBS framework; (ii) BNR to develop enhanced risk-assessment criteria; and (iii) BOT to develop an integrated RBS Manual. In Ethiopia, the National Bank of Ethiopia (NBE) is expected to continue the development of its RBS framework. To complete the full transition, NBE will undertake more on-site examinations using the RBS methodology, strengthen its off-site surveillance system, ensure that the new approach is fully documented, and that necessary changes are made to supervisory documents.

### **Consolidated supervision**

East AFRITAC will continue its program of assistance to RBM as it moves towards the eventual adoption of consolidated bank supervisory practices. This is of importance in a context of increasing ownership relationships across financial institutions in Malawi and with some institutions outside of the country. This will include the analysis of a survey of banks to determine the precise nature of ownership and other relationships across the financial sector, and the preparation of the necessary legal instruments for effective regulation.

### **Legal and regulatory framework for specific activities**

East AFRITAC will assist BOE and BOT in developing frameworks for the regulation of Islamic banking. Several East AFRITAC countries have indicated an increased interest in this emerging area of financial market activity, which will culminate in a regional workshop to take stock of lessons learned.

### **Problem bank resolution**

East AFRITAC will provide assistance to BNR to enhance its framework for dealing with problem banks through the preparation of a supervisory manual.

### **Financial stability framework and stress testing**

East AFRITAC will provide assistance to BNR to commence the process of developing a framework for undertaking financial stability analysis. Initial work will focus on preparing a policy paper and providing basic training to staff of the Bank Supervision Directorate. In Ethiopia, East AFRITAC will assist NBE in developing its capacity to undertake stress testing as it relates to the supervision of institution's management of various risk they face.

### **Supervision of non-financial institutions**

East AFRITAC will assist Ethiopia in drafting prudential regulations for microfinance institutions. East AFRITAC will continue the provision of further assistance to RBM as it strengthens its framework for the regulation of discount houses. This activity will produce revised guidelines and regulations for the regulation of these entities. East AFRITAC will assist BOT in developing a new regulatory framework for pension funds that operate in the context of Tanzania's national social security system.

## **Monetary Policy and Operations**

In FY 2010 East AFRITAC intends to provide continued assistance to help regional central banks achieve their medium-term monetary policy goals, focusing on: (i) the fundamentals of monetary policy formulation and operations, including money and foreign exchange markets development; (ii) the development of national payments systems, including the establishment of regulatory and oversight interfaces and cross-border systems and harmonization of national initiatives; (iii) debt market development, including the clarification of issues relating to primary dealership, bond pricing, and domestic debt risk analysis and management; (iv) the creation of liquidity forecasting as well as macroeconomic and inflation forecasting capabilities; (v) computation of real effective exchange rates; (vi) central bank communication policy and strategy; and (vii) research and analysis in support of currency management. East AFRITAC will work with the East Africa Payments Systems Harmonization Committee to achieve harmonization of the NPS initiatives within the EAC and encourage the introduction of reliable and efficient non-cash, electronic, and credit-push payment instruments.

### **Monetary operations and markets**

BOE has expressed interest in the continuation of assistance with the training of the Economic and Statistics Department staff on the fundamentals of monetary policy operations and policy transmission mechanisms. These activities are expected to sustain institutional capacity at BOE for monetary policy formulation and implementation.

### **Payment and settlement systems modernization**

Building on previous East AFRITAC assistance, BOE has requested assistance in implementing an ambitious NPS modernization effort. The TA is expected to support BOE's effort in terms of creating the necessary initial entities, such as the establishment of a clearing house, and a more efficient SWIFT User Group and interface. Another request is to assist with CBK's payments system modernization by helping to develop a new forward-looking framework and a set of suitable regulatory and oversight regimes. The goal is the integration the Kenya Payments System and securities settlement interfaces. In Rwanda, the scheduled assistance aims to help BNR develop a regulatory and oversight framework with respect to PSPs, clarify the legal and regulatory environment, and assist with the conduct of stakeholder sensitization workshops. Uganda began receiving direct assistance from East AFRITAC in FY 2010 having requested assistance with payments system modernization, in particular with creating suitable regulatory and oversight structures in response to the emergence of new PSPs and products, such as mobile remittances.

### **Money and bond market development**

Building on assistance during Phase II, CBK has made progress with the implementation of vertical and horizontal repos, primary dealership, benchmark bond issuance, and yield curve management.

A new request is to assist with further work in these areas, including clarifying legal, regulatory, and operational issues with respect to primary dealership, and the provision of guidance on debt-sustainability analysis and risk-management issues. East AFRITAC will assist with the creation of debt management capability and foster the development of debt markets, including a secondary market for government debt.

### **Liquidity and inflation forecasting**

BOT has sought continued assistance on two issues: (i) on-going work on enhancing liquidity forecasting and improving monetary operations; and (ii) macroeconomic and inflation forecasting, including core inflation measurement. Thanks to the assistance, BOT is expected to better align its monetary operations with changes in systemic liquidity, and to facilitate a better understanding of the inflation dynamics. In the inflation forecasting area, assistance will be sought from the IMF's Monetary and Capital Markets Department (MCM).

### **Central bank communication strategy**

BOT intends to develop a communications policy and a strategy to implement such policy across a broad spectrum of media – visual, printed, and electronic. The support is expected to clarify the underlying issues, develop the necessary documentation, and assist with the mounting of a broad public awareness campaign by BOT.

### **Research in support of currency management**

Another new request from BOT is for help in creating in-house capacity for research and analysis of issues related to the demand for currency and its linkage with the broader monetary policy. The assistance in this area is expected to help the Banking Department enhance its analytic and research capability. The effort will involve assistance to help the Department estimate currency demand, simulate results to derive meaningful policy positions on changes in the demand for currency, and clarify issues relating to supportive data compilation.

## **Economic and Financial Statistics**

Building on the capacity-building assistance provided so far, East AFRITAC intends to assist its member countries in compiling and disseminating quarterly national accounts (QNA) estimates, based on the production and expenditure approaches. Moreover, members will be assisted in deriving these QNA at both current and constant prices. In order to reach these objectives, and at the same time to improve annual national accounts estimates, East AFRITAC intends to assist with data sources identification and benchmarks. East AFRITAC also intends to provide significant assistance for the timely production of price indices for the region.

East AFRITAC aims at providing continued assistance with compiling and disseminating fiscal statistics in accordance with the GFSM 2001. The main tasks will focus on: (i) reviewing the institutional structure of the general government and the public sector; (ii) advising on the compilation and derivation procedures of the major GFSM 2001 categories, and developing bridge tables between GFS categories and existing charts of accounts; and (iii) assisting in the development of a migration path to fully implement the GFSM 2001.

East AFRITAC has been actively engaged in providing assistance on data and metadata accessibility, and assistance to users within the General Data Dissemination System (GDDS) framework to which all East AFRITAC members subscribe. East AFRITAC will assist member countries in designing,

developing, and posting their National Summary Data Page (NSDP), which shows or hyperlinks macroeconomic data, on the GDDS web site. In Kenya and Uganda, the authorities intend to expand the PPIs of the manufacturing sector to include hotels and restaurants, mining, utility, construction, and agriculture industries.

East AFRITAC will assist Ethiopia with the development of QNA. Once the source data have been identified and assessed, work will proceed to determine adequate benchmarks and indicators necessary for producing reliable QNA estimates. East AFRITAC will also assist with improving annual national accounts.

East AFRITAC will assess Kenya's QNA methodology, source data, and compilation procedures. East AFRITAC will assist with the development of QNA based on current prices, and will also continue to help with the rebasing and revision of the CPI. In addition, with East AFRITAC's assistance, Kenya hopes to disseminate its first PPI for the manufacturing sector in 2010, and embark on new PPI projects for the agriculture and construction industries.

East AFRITAC will conduct an in-depth assessment of Malawi's CPI. Then, based on the results of the assessment, East AFRITAC will provide additional assistance to address areas of the CPI that need improvement. Additionally, East AFRITAC will assist with the development of Malawi's PPI. East AFRITAC will continue to coordinate with Statistics Norway to right size the assistance to provide on national accounts.

Rwanda has embarked on an ambitious work plan to produce revised annual GDP data, and possibly quarterly GDP estimates. East AFRITAC will continue to provide assistance on price statistics, the rebasing and revising of Rwanda's CPI and PPI, the improvement of GDDS metadata, and the development of a national statistical data page (NSDP). East AFRITAC will continue help with the annual and QNA estimates.

In conjunction with other development partners, East AFRITAC will help Tanzania develop a SUT and rebase and revise the annual national accounts estimates. East AFRITAC will also continue to provide assistance on the rebasing of the consumer price index (CPI), based on needs identified as part of a previously in-depth assessment. Tanzania does not produce a PPI regularly, but with further assistance, Tanzania should be able to eventually disseminate a quarterly PPI on a consistent basis. East AFRITAC will also be working with the Zanzibar statistical authorities on producing a PPI for restaurants and hotels.

East AFRITAC will assess Uganda's annual national accounts methodology, source data, and compilation procedures, and provide additional guidance on QNA compilation. East AFRITAC will continue to provide assistance on QNA at current prices based on the expenditure approach. Moreover, East AFRITAC will also continue to provide guidance on the PPI produced for the restaurants and hotels industry.

At the regional level, during FY 2010, East AFRITAC will conduct a regional workshop on price indices compilation issues. The workshop will focus mainly on index methodologies and statistical techniques, and the use of compilation software and programs to compile both the CPI and the PPI. The workshop will also aim to discuss methodological and regional harmonization issues.

## Macro-Fiscal Analysis

East AFRITAC's assistance in the macro-fiscal analysis sector will support the needs and priorities of ministries of finances in the region. Key areas of assistance to macro-fiscal units during FY 2010 will include: (i) providing strategic guidance on the roles of units and their capacity-building needs;

(ii) strengthening macroeconomic and fiscal frameworks—including their links to the budget process—and training staff in their appropriate use; (iii) developing regional capacity in the analysis of shocks, with the aim of including risk assessments in budget documents and identifying the key short- and medium-term vulnerabilities; (iv) contributing to budget implementation by improving short-term forecasts of budget resources for the purpose of setting spending ceilings; (v) assessing long-term capacity for mobilizing domestic financing, consistent with macroeconomic and fiscal stability; and (vi) providing advice on building practical macroeconomic models.

The work in Ethiopia will aim initially at strengthening the medium-term fiscal framework.

In Kenya, macro-fiscal assistance will proceed from a fresh diagnostic visit, including a review of the authorities' system for macroeconomic and fiscal analysis, projections, and reporting.

In Malawi, efforts will focus on strengthening short-term forecasts, including of the net domestic borrowing requirement. A key priority is to assist the Ministry of Finance in building a medium-term fiscal framework to be used in the budget process, and which could eventually be used as the foundation for developing a medium-term expenditure framework.

In Rwanda, assistance will aim at strengthening analysis in support of formulating fiscal targets, preparing a three-year macroeconomic and fiscal framework, and improving revenue forecasts. Training will be needed to help Rwanda strengthen its capacity to absorb TA.

In Tanzania, priorities include strengthening scenario and sensitivity analysis (with presentation in the quarterly economic and debt reports), medium-term macroeconomic framework, revenue forecasting, updating debt strategies, and extending the coverage and analysis of contingent liabilities (including public-private partnerships). The World Bank will provide assistance to update a macroeconomic model.

In Uganda, the authorities intend to build a macroeconomic model with external support and have requested East AFRITAC to provide independent advice on this.





**Table 3. East AFRITAC Highlights of Planned Activities, FY 2010**

	Revenue Administration	Public Financial Management	Financial Sector Regulation and Supervision	Monetary Policy and Operations	Economic and Financial Statistics	Macro-Fiscal Analysis
<b>IN-COUNTRY SUPPORT</b>						
Eritrea	Strengthen large taxpayers administration; and provide technical assistance and program monitoring services.	Review PFM reform and technical assistance needs.		Assist with monetary policy formulation and operations; re-establish macroeconomic data collection and analysis; assist with implementing payments system modernization; and promote a clearing house arrangement.	Evaluate, assess, and review sources of data and methods of compilation; and prepare a plan for improving for macroeconomic statistics.	
Ethiopia	Conduct post-clearance audit training; review status of the revenue administration reform program; and strengthen capacity in audit and collection enforcement.	Develop local training program on program budgeting; review zero-balanced account system and bank account structure; and review cash management reporting.	Develop regulations and train staff on Islamic banking; and further develop the risk-based supervisory framework.		Improve annual national accounts; follow-up on producing Quarterly National Accounts; and assess implementing the agriculture PPI.	Develop annual program and identify assistance needs; and build capacity for strengthening the medium-term fiscal framework.
Kenya	Provide program monitoring services; develop a medium taxpayers compliance strategy and program; and provide follow-up on specialized investigation training.	Rationalize the PFM legal framework; provide study on MTEF/ budget process at district level; review the efficiency of various IFMIS modules; update chart of accounts; prepare a guide to financial regulations and support the implementation of the IFMIS budget module.	Train staff on returns and guidelines for market risk; and assess Basel II capital adequacy.	Assist with debt and money market development, including benchmark bond issuance, horizontal repurchase agreements, and primary dealership and assist with national payments system modernization, including oversight and regulation.	Finalize the new price index; assess the feasibility of processing a PPI for the construction industry; assist with producing the manufacturing PPI; assess methods for quarterly national accounts at constant prices; and develop the same at current prices.	Develop annual program and identify assistance needs.
Malawi	Assist with customs reform; provide program monitoring and review services; and build capacity in post-clearance audit.	Review existing PFA Act to harmonize with recent reforms; produce a revised PFM manual, and a guide to the PFM manual; build capacity on the adoption of GFSM 2001 classification; and improve quality of cash forecasting.	Enhance guidelines and returns for discount houses; and develop supervisory guidelines for enhancing the oversight of electronic banking.		Assist with the production of the CPI; update GDDS metadata; and develop a National Summary Data Page (NSDP).	Develop an annual program and identify assistance needs; develop more comprehensive budget data (integration of non-budget items); and improve capacity and methodologies for fiscal forecasting.

**Table 3 (continued). East AFRITAC Highlights of Planned Activities, FY 2010**

	Revenue Administration	Public Financial Management	Financial Sector Regulation and Supervision	Monetary Policy and Operations	Economic and Financial Statistics	Macro-Fiscal Analysis
<b>IN-COUNTRY SUPPORT</b>						
Rwanda	Strengthen revenue administration reforms through advanced intelligence and investigation training; provide assistance and program monitoring services; participate in multi-donor reviews; and build capacity in post-clearance audit.	Align financial manuals with legal requirements; capture externally funded projects in cash management pool; support migration to GFSM 2001 classification; strengthen the accounting framework; and review the PFM Action Plan for FY 2008-12.	Train staff for bank supervision.	Assist with the implementation of a national payments system framework and strategy, including development of rules and operating procedures for payment service providers, and guidelines for remittance service providers.	Assist with the CPI and PPI revision and rebasing; assist with, and train on, improving annual GDP estimates and producing quarterly national accounts estimates; assist with improving PPI estimates; and develop a National Summary Data Page (NSDP).	Develop an annual program and identify assistance needs; strengthen capacity for GDP and inflation forecasting; and review fiscal data and plans to integrate donor-financed spending.
Tanzania	Participate in a multi-donor review of the TMP (including Zanzibar) missions; assist with program monitoring services (Zanzibar); and assist with developing a customs modernization strategy.	Review the existing PFM-related laws and regulations; review progress on cash management reforms (including Zanzibar); review budget documentation (Zanzibar); review the implementation of cash-based IPSAS; support migration to GFSM 2001 classification; and strengthen debt management.	Develop supervisory framework for Islamic banking;	Provide guidance on developing an inflation forecasting model and measuring core inflation; develop policy communication strategy document; assist with the development of data collection and analytic capability; and assist with risk management in electronic banking and mobile payments.	Assist with the production and launching of quarterly national accounts; improve and apply the IMF's CPI compilation system in Tanzania, (including Zanzibar); assess and evaluate the CPI sources and methods; and assess and determine a work plan to improve the PPI.	Review staffing and training needs of Policy Analysis Department of the Ministry of Finance; review current macro-fiscal tools and publications; and improve capacity and methodologies for revenue forecasting.
Uganda	Assist with the taxation of medium, small, and micro enterprises; and provide program monitoring and review services.	Review the cash management framework; review fiscal transparency and oversight of the budget; assist with the formulation of legislative and regulatory framework for non-tax revenue; and assist with the management of fiscal reporting and bank reconciliations.	Develop supervisory framework for Islamic banking.	Assist with payments system modernization, guidance on regulation of payment service providers and products; introduce new payment interfaces such as e-money, value cards, and mobile banking; and undertake a study on the viability of a clearing house.	Develop a methodology for PPIs in services (restaurants, hotels, and constructions), mining and utilities, and agriculture; assist, produce, and launch quarterly national accounts and assist with the implementation of GFSM 2001 classification.	Develop an annual program and identify assistance needs.

**Table 3 (concluded). East AFRITAC Highlights of Planned Activities, FY 2010**

	Revenue Administration	Public Financial Management	Financial Sector Regulation and Supervision	Monetary Policy and Operations	Economic and Financial Statistics	Macro-Fiscal Analysis
<b>OTHER SUPPORT</b>						
Regional Workshops	Two East AFRITAC workshops: (i) Information Technology Issues in Customs Administration; and; (ii) Natural Resource Tax Administration Issues.	Three East AFRITAC workshops: (i) Budget Transparency and comprehensiveness; and (ii) Intergovernmental Fiscal Relations; and (iii) IFMIS Design and Implementation.	One joint IMF/East AFRITAC high-level seminar: Islamic Banking Awareness Raising	One East AFRITAC workshop: Financial Sector Policies and Processes.	One East AFRITAC workshop: Price Statistics - Compilation Techniques.	
Professional Attachments	An attachment to the Tanzania Revenue Authority on post-clearance audit.		Attachments to: Kenya—Islamic banking and Uganda—Market risk			

Source: East AFRITAC.



## EAST AFRITAC PROFILE

### Our Organization

The East Africa Regional Technical Assistance Centre (East AFRITAC) works with countries and development partners to build local capacities for economic and financial management within the Millennium Development Goals (MDGs) and Poverty Reduction Strategy Paper (PRSP) frameworks. Consistent with the IMF's broader technical assistance (TA) strategy to foster institutional capacity for macroeconomic policy formulation and implementation, the Center assists in the execution and monitoring of on-going TA, provides capacity building to member countries, and facilitates donor coordination to enhance these objectives.

The East AFRITAC was established as part of the International Monetary Fund's (IMF) Africa Capacity-Building Initiative. This Initiative was a response to calls by African leaders, including through the New Partnership for Africa's Development (NEPAD), to increase TA to Africa and focus it more sharply on capacity building. The Initiative's strategic goal is to strengthen the capacity of African countries to design and implement their MDGs and poverty-reducing strategies, as well as to contribute to strengthening the coordination of capacity-building TA. The East AFRITAC, which was the first of the existing three IMF regional TA centers in sub-Saharan Africa, is based in Dar es Salaam, Tanzania, and assists seven countries in East Africa.

### Our Clients

The East AFRITAC serves Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda. It provides support to government institutions operating in its key sectors of expertise, such as ministries of finance, revenue authorities, central banks, and statistics offices.

Some East AFRITAC staff discuss a report.



### Our Development Partners

The Center is funded through contributions from:

- the government of Tanzania, which finances the Center's office facilities and local staff;
- the government of Kenya, which provides facilities for some of the Center's training activities;
- the African Development Bank; and the governments of Canada, the People's Republic of China, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, The Netherlands, Norway, the Russian Federation, Sweden, Switzerland, and the United Kingdom; and
- the International Monetary Fund.



## Our Vision

The Center's operations are aimed at the development of robust national and regional institutions of macroeconomic management. To this purpose, the governance structure of the Center is designed to foster ownership and accountability in both the beneficiary countries and donor agencies. The operations of the East AFRITAC are thus guided by a Steering Committee, consisting of representatives from the seven member countries, the African Development Bank, three rotating donors representing all bilateral donors, and the IMF.

The East AFRITAC has developed a model of TA delivery which supports this vision. The following are the core tenets of the Center's model of TA delivery:

- A demand-driven approach with member countries identifying areas for capacity building.
- Prompt response to the needs of member countries.
- Development and deployment of local counterpart teams which contribute significantly to country ownership and the sustainability of the reform effort.
- Effective backstopping with inputs from IMF Headquarters, ensuring the relevance and quality of assistance provided.
- Use of advisors, both permanent and short-term, with international and regional experience.
- Use of regional staff attachment programs and collaboration with other regional capacity-building institutions.
- Close liaison with development partners in the formulation and delivery of TA.
- A results-based management framework anchored in an annual planning, implementation, and monitoring cycle, complemented by periodic independent evaluations.



Some East AFRITAC staff share a light moment while discussing a piece of information.

## Our Activity Sectors

The East AFRITAC provides capacity-building services in the IMF's core sectors of responsibility. These are macroeconomic policy, public financial management, revenue policy and administration, financial sector regulation and supervision, monetary policy and operations, and economic and financial statistics.

## Our Staff

The Center is managed by a Coordinator and comprises eight resident advisors who offer technical advice to member countries on a grant basis.

### *Center Coordinator: Mr. Mario de Zamaróczy*

For the past 20 years, Mr. de Zamaróczy has worked in various IMF Departments. He worked as an economist in the African, European, and Asia-Pacific Departments, where he was in charge of West-African, European, Trans-Caucasian, and South-East-Asian countries. He worked at the IMF Institute where he taught *Financial Programming*. He re-opened the IMF's resident representative office in the Kingdom of Cambodia and stayed there as the resident representative. He worked as an advisor for several years in the Office of Technical Assistance Management, in the Office of the Managing Director, where he was overseeing TA policy issues, as well as the IMF's six regional TA centers





world-wide. Before taking up his current position, he was in charge of that Office. Prior to joining the IMF, Mr. de Zamaróczy had worked in his national government on multilateral development issues. E-mail: mdezamaroczy@imf.org.



***Revenue Policy and Administration Advisor: Mr. Andrew Okello***

Mr. Okello has over 16 years experience in revenue policy and administration in Kenya. Until his appointment to the East AFRITAC, Mr. Okello was the Commissioner in-charge of the Domestic Taxes Department at the Kenya Revenue Authority. He also worked on a number of IMF assignments in Africa and the Middle East, and as a resource-person in a number of IMF/East AFRITAC workshops. E-mail: aokello@imf.org.



***Public Financial Management Advisor: Mr. Mohan Joseph***

Mr. Joseph has had over 25 years experience in government accounting, auditing, and budgeting. Prior to joining East AFRITAC, Mr. Joseph worked in several Ministries of the Government of India in various accounting, financial management, and administrative capacities, including as Joint Secretary to the President of India during 1998-2002. He has had experience in initiating and implementing reforms in government accounting and budgeting. Mr. Joseph was the Project Leader of a World-Bank-funded accounting reform project in the Government of India. He was also closely associated with the formation of the Association of Government Accounting Organizations of Asia (AGAOA), which was promoted to strengthen TA among its member states. He was also the founding General Secretary of the Financial Management Research and Referral Society (FMRRS), located in New Delhi, India. E-mail: mjoseph@imf.org.



***Public Financial Management Advisor: Mr. Stephen Mayes***

Mr. Mayes is an economist, a qualified accountant, and an international public financial management expert with over 25 years of experience in the multifaceted aspects of public financial management. Mr. Mayes' strategic advice and technical assistance on major financial reform programs has directly contributed to the strategic development and operational capability of 16 countries world-wide. Before joining East AFRITAC, Mr. Mayes worked for three years as a public financial management advisor in the Fiscal Affairs Department, IMF, Washington. Before that, he worked for twelve years with the Australian Government where he was instrumental in designing and implementing a number of far-reaching reforms, including the implementation of the Government's current accrual- and outputs/outcomes-based budgeting and accounting framework. In his last position with the Australian Finance Ministry, he was Director of Commonwealth Treasury Operations. Mr. Mayes also worked for three years in Bahrain as chief advisor to the Ministry of Finance and National Economy. E-mail: smayes@imf.org.



***Public Financial Management Advisor: Mr. Michael Schaeffer (from June 2009)***

Mr. Schaeffer has more than 25 years of public financial management experience obtained in more than 60 emerging market economies in national/sub-national finance and capital market development gained from assignments in the United States, Western and Eastern Europe, Southeast and East Asia. Mr. Schaeffer's areas of specialization include municipal project development; municipal bond/credit market development; and national and sub-national public fiscal management and budgeting. At various stages throughout his career, Mr. Schaeffer worked for a leading Canadian Bank, an International Accountancy/Strategic Management Consultancy Company, and the World Bank. In his last consultancy position with the Ministry of Finance (Afghanistan), Mr. Schaeffer worked with the government on the development of an output-based budgeting and accounting framework. E-mail: mschaeffer@imf.org.

**Bank Supervision Advisor: Mr. Ian Carrington**

Mr. Carrington began his working career in the private banking sector in Barbados and subsequently moved to the Central Bank of Barbados, where he became the Director of Banking Supervision in 1997. In 2000, Mr. Carrington took up an appointment as a financial sector expert with the United Nations (UN) Global Program against Money Laundering in the UN's Office of Drugs and Crime in Vienna, Austria. He joined the IMF as a senior financial sector expert in 2002, and later worked in the Financial Integrity Group of the Legal Department. He undertook several assessments as part of the IMF's Financial Sector Assessment Program, and provided technical assistance to several member countries of the IMF. E-mail: [icarrington@imf.org](mailto:icarrington@imf.org).

**Monetary Policy and Operations Advisor: Mr. Wilson Varghese**

Mr. Varghese has over 25 years of combined experience in monetary policy formulation and implementation, reserve management and academic research and teaching. His central banking career began at the Reserve Bank of India (mid-1970s) and was followed by a faculty position in international banking and finance at the National Institute of Bank Management. He later worked at the Bank of Botswana, initially as its Deputy Director of Research and later as the Director of its International Department. On joining the IMF in 1998, Mr. Varghese was assigned as the Research and Policy Advisor to the Central Bank of Liberia, where he was instrumental in drafting the new central bank legislation and the establishment of a research department. Prior to moving to the East AFRITAC, he was a Technical Assistance Advisor in the Monetary and Capital Markets Department of the IMF, where he participated in missions to several African countries. He was also a Mission Chief for Eritrea, Namibia, and Timor-Leste. He has also served as the Associate Editor of the Journal of Foreign Exchange and International Finance and his publications have appeared in refereed journals. E-mail: [wvarghese@imf.org](mailto:wvarghese@imf.org).

**Statistics Advisor: Ms. Shelley Winston**

Ms. Winston began her career as an economist at the United States Bureau of Labor Statistics (BLS) in 1997, in the Services Division of Producer Price Index. During her tenure at the BLS, she wrote, tested, and implemented producer price index studies for the Investment Advice, the Stockbrokers and Dealers, and the Commercial and Savings and Loan Banking industries. In 2000, she became a supervisory economist. In this capacity, she supervised junior and senior economists on all the Real Estate, Information and Professional Services producer price indexes. In 2002, Ms. Winston joined the IMF Statistics Department as an economist in the Data Dissemination Division where she was responsible for the revision of all the real sector data and metadata for over 130 countries. In 2005, Ms. Winston moved to Real Sector Division where she was primarily engaged in technical assistance and methodology work on prices and national accounts in Anglophone African countries. Since 2002, Ms. Winston has participated in six data Report on the Observance of Standards and Codes missions where she used the Data Quality Assessment Framework. E-mail: [swinston@imf.org](mailto:swinston@imf.org).

**Macro-Fiscal Advisor: Mr. Reza Kibria**

Mr. Kibria has over 25 years experience in macroeconomic management and fiscal policies working in international agencies (including the IMF during 1984-93), governments, and universities. After leaving the IMF, he was involved in university teaching and research as well as consulting for the World Bank, the United Nations, and the Asian Development Bank. He was Macroeconomic Advisor to the Treasury Department of Papua New Guinea (1996-2000), with responsibility for the macroeconomic framework and policy coordination. In recent years he worked on projects in India (Kerala-Supporting Fiscal Reforms), China (Designing Technical Assistance Programs for the Ministry of Finance and the State Authority of Taxation), the United Arab Emirates (Program Budgeting), Kuwait (Budget Reforms), Tanzania (National Employment Creation Program), and



Indonesia (Local Government Finances). He is an Adjunct Professor at the Key Centre for Ethics, Law, Justice and Governance of Griffith University in Brisbane. E-mail: rkibria@imf.org.



The East AFRITAC is ably assisted by its local support staff (from left to right): Bhavika Jani, Edina Moshi, Diana Makiko, Edson Mdakilwa, Sabah Abdulrahman, and Stamil Togwa.



East AFRITAC's staff (not all staff are pictured).

## Annex 1.

### List of East AFRITAC Missions During FY 2009<sup>1</sup>

#### Revenue Policy and Administration

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
1	Andrew Okello	Revenue administration reform review and fact-finding mission	Ethiopia	May 26 to 30, 2008	*
2	Norman Gillanders	Operational policy development and compliance management	Rwanda	July 15 to 28, 2008	*
3	Andrew Okello	Revenue administration reform review and needs assessment	Eritrea	July 28 to August 1, 2008	*
4	Andrew Okello	Customs modernization review and follow-up	Kenya	August 7 to 8, 2008	
5	Andrew Okello	Revenue administration review and follow-up	Malawi	August 18 to 19, 2008	*
6	Andrew Okello	Design and delivery of a customs administration strategic plan	Kenya	September 12 to 22, 2008	
7	Andrew Okello and Mark Connolly	Risk management, intelligence, and investigation	Tanzania	September 22 to October 3, 2008	*
8	Andrew Okello and Kenneth Wakati	Modernization and computerization of tax administration	Eritrea	October 13 to 17, 2008	
9	Andrew Okello with World Bank, DFID, and EU	Review of the tax modernization project	Tanzania	October 20 to 31, 2008	*
10	Andrew Okello, Graham Harrison, Graeme Ludlow, and Justin Zake	Revenue administration	Rwanda	November 5 to 18, 2008	*
11	Andrew Okello, David Kloeden, Graham Harrison, and Jack Calder	Follow up in tax administration	Uganda	November 20 to December 2, 2008	*
12	Andrew Okello, Frank Bosch, and Gerhard Stimie	Computerization of the tax administration	Eritrea	December 1 to 17, 2008	*
13	Norman Gillanders	Operational policy development and compliance management	Rwanda	January 5 to 16, 2009	
14	Andrew Okello and Jane Landmann	In-country audit on customs investigation and enforcement techniques	Kenya	January 26 to February 20, 2009	*
15	Andrew Okello	Review and program monitoring	Ethiopia	February 23 to 26, 2009	
16	Bruce Irving	Customs risk management	Ethiopia	February 23 to March 6, 2009	*
17	Andrew Okello, Ed Biber, David Sserebe, and Cyrell Wagunda	In-country workshop on strengthening tax audit and collection enforcement	Rwanda	March 2 to 13, 2009	*

<sup>1</sup> Missions indicated by an asterisk were in the initial work plan for FY 2009.

## Revenue Policy and Administration (concluded)

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
18	Andrew Okello and Bill Crandall	Setting up of a medium taxpayers office	Uganda	March 9 to 20, 2009	
19	Andrew Okello, Maureen Kidd, and Kalyebbi Magoola	Implementing a self-assessment system and preparing an integrated modernization plan	Malawi	March 9 to 31, 2009	*
20	Andrew Okello with World Bank, DFID, and EU	Review of the tax modernization project	Tanzania	April 22 to 30, 2009	*
21	Bruce Irving and Stuart MacDonald	Customs risk management and valuation	Rwanda	April 27 to May 8, 2009	

## Public Financial Management

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
1	Florence Kuteesa, Neil Campbell, and Kinvi Attiogbe	Support to migration to GFSM 2001-compliant budgeting and accounting classification	Rwanda	May 5 to 16, 2008	*
2	Florence Kuteesa	Development of a Joint Performance Assessment Framework for the Joint Budget Support Operation	Uganda	June 30 to July 11, 2008	
3	Florence Kuteesa	Identification of technical assistance needs	Eritrea	July 27 to 29, 2008	*
4	Stephen Mayes and Caleb Rwamuganza	Support to cash management reforms	Malawi	July 23 to August 6, 2008	*
5	Stephen Mayes	Development of a Joint Performance Assessment Framework for Joint Budget Support Operation	Uganda	September 4 to 12, 2008	
6	Florence Kuteesa	Review of the work plan for PFM RP	Zanzibar, Tanzania	September 17, 2008	*
7	Stephen Mayes and Mohan Joseph	Identification of technical assistance needs in fiscal decentralization	Kenya	September 29, 2008	*
8	Florence Kuteesa	Support to enhancing comprehensiveness and transparency of the budget	Rwanda	October 6 to 10, 2008	*
9	Florence Kuteesa	Resource-person at Accountability Conference	Zanzibar, Tanzania	October 25 to 26, 2008	*
10	Mohan Joseph	Review of program on protection of basic services	Ethiopia	November 10 to 12, 2008	*
11	Mohan Joseph	Advice on fiscal decentralization	Kenya	November 12 to 21, 2008	
12	Mohan Joseph	Member of FAD mission on fiscal decentralization	Kenya	November 13 to 20, 2008	
13	Stephen Mayes	Review of Public Financial Management Reform Program	Kenya	November 17 to 21, 2008	*



## Public Financial Management *(concluded)*

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
14	Neil Campbell	Support to migration to GFSM 2001 budgeting and classification	Malawi	November 17 to 22, 2008	*
15	Neil Campbell	Support to migration to GFSM 2001 budgeting and classification	Zanzibar, Tanzania	November 24 to December 5, 2009	
16	Mohan Joseph and Stephen Mayes	Assessment of progress in cash management, IFMIS, and accounting procedures	Rwanda	December 1 to 5, 2008	*
17	Florence Kuteesa and Andrew Okello	Review of the PFMRP annual work plan reform agenda	Zanzibar, Tanzania	December 5, 2009	
18	Florence Kuteesa and Marco Cangiano	Review of the outcome of East AFRITAC technical assistance	Ethiopia	December 8 to 10, 2009	
19	Mohan Joseph	Review of a study on AGAs, SAGAs, and EBFs	Kenya	December 10 to 24, 2008	*
20	Florence Kuteesa and Phyllis Makau	Review of the MTEF/ Budget process	Zanzibar, Tanzania	January 19 to 30, 2009	*
21	Florence Kuteesa and Margret Kakande	In-house seminar on linking policy analysis, planning, and budgeting	Ethiopia	February 2 to 10, 2009	
22	Florence Kuteesa, Gerard Senguin, and Christ Paddia	Sensitization and training workshop on program budgeting	Ethiopia	February 10 to 20, 2009	*
23	Florence Kuteesa and Shirley Robinson	Support to enhancing comprehensiveness and transparency of the budget	Rwanda	February 23 to March 6, 2009	*
24	Florence Kuteesa	Review of budget preparation documentation	Kenya	February 25 to 27, 2009	*
25	Florence Kuteesa and Mohan Joseph	Review of draft Financial Administration Proclamation	Tanzania	March 2009	*
26	Mohan Joseph and Allan Gustafsson	Improvements to cash management system and banking arrangements	Kenya	March 2 to 9, 2009	*
27	Adrienne Shall	Reform strategy for introduction of program budgeting	Rwanda	March 23 to April 3, 2009	*
28	Mohan Joseph and Ian Storkey	Improvements to cash management	Ethiopia	March 23 to April 3, 2009	*
29	Mohan Joseph	Capacity building in cash and debt management	Ethiopia	April 6 to 10, 2009	*

## Financial Sector Regulation and Supervision

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
1	Carmencita Santos and Mackay Aomu	Pilot risk-based on-site examination of a bank	Malawi	June 16 to 28, 2008	*
2	Carmencita Santos and Ian Carrington	Introductory visit for the incoming bank supervision advisor	Tanzania, Kenya, Uganda, and Rwanda	July 1 to 11, 2008	*
3	Michael Andrews	Review of implementation of risk-based supervision	Tanzania	July 7 to 18, 2008	*
4	Robert Porter and Norman Mataruka	In-house training on basic bank supervision skills	Uganda	July 10 to 16, 2008	*
5	Robert Porter and Justine Bagyenda	In-house training on basic bank supervision skills	Ethiopia	July 21 to 25, 2008	*
6	Ian Carrington and Jose-Antonio Monreal	Further development of framework for capital charge for market risk	Kenya	September 22 to 26, 2008	
7	Peter Phelan	Review of policies on the regulation of discount houses	Malawi	November 3 to 7, 2008	*
8	Ian Carrington, Robert Porter, and Terry Blagg	Workshop on basic bank supervision skills	Uganda	November 3 to 7, 2008	*
9	Ian Carrington, Justine Bagyenda, and Helen Teshome	Workshop on basic bank supervision skills	Ethiopia	November 10 to 14, 2008	*
10	Ian Carrington	Framework for consolidated supervision	Malawi	November 24 to 28, 2008	
11	Ian Carrington	Anti-money laundering inspection procedures	Tanzania	December 10 to 19, 2008	*
12	Ian Carrington and Jacob Andersen	Framework for adopting a capital charge for market risk	Rwanda	January 26 to 30, 2009	*
13	Jacob Andersen	Training on market risk and Basel II	Uganda	February 9 to 13, 2009	
14	Ian Carrington	Enhanced assessment criteria	Kenya	February 9 to 20, 2009	*
15	Ian Carrington and Mimi Ho	Development of a regulatory framework for insurance activity	Eritrea	March 16 to 27, 2009	*
16	Ian Carrington and David Nyakundi	Framework for regulation of pension funds	Tanzania	March 23 to April 3, 2009	*
17	Michael Andrews	Pilot bank examination – consolidated supervision	Kenya	March 23 to April 3, 2009	*
18	Ian Carrington and Norman Mataruka	Enhancements to offsite surveillance system	Rwanda	April 13 to 24, 2009	*
19	Ian Carrington	Participation in MCM mission on framework for Islamic banking	Ethiopia	April 20 to 23, 2009	

## Monetary Policy and Operations

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
1	Wilson Varghese	Liquidity forecasting	Tanzania	June 17 to July 5, 2008	*
2	Wilson Varghese and William Osterberg	Primary dealership and bond pricing techniques	Kenya	July 14 to 25, 2008	*
3	Wilson Varghese	Liquidity forecasting	Tanzania	July 28 to August 8, 2008	
4	Jerry Teehan	Payments system oversight	Kenya	August 11 to 22, 2008	*
5	Wilson Varghese	Liquidity forecasting	Tanzania	August 25 to 29, 2008	*
6	Wilson Varghese and Graham Stokes	Payments system modernization	Rwanda	September 22 to October 3, 2008	*
7	Wilson Varghese and K.N. Krishnamurthy	Payments system modernization	Tanzania	October 6 to 17, 2008	*
8	Wilson Varghese and Jerry Teehan	Monetary operations and payments system oversight	Kenya	October 13 to 24, 2008	*
9	Wilson Varghese	Debt management and retail payment system oversight	Kenya	October 20 to 23, 2008	
10	William Osterberg	Bond pricing techniques and yield curve management	Kenya	October 27 to 31, 2008	*
11	Wilson Varghese and Alice Zanza	Payments system modernization	Eritrea	November 3 to 21, 2008	*
12	Wilson Varghese	Inflation forecasting and core inflation measurement	Tanzania	December 1 to 5, 2008	*
13	Wilson Varghese	Liquidity forecasting and Treasury cash management	Tanzania	December 15 to 19, 2008	
14	Wilson Varghese	Bank of Tanzania communication strategy	Tanzania	December 8 to 12, 2008; January 12 to 16, 2009	
15	Wilson Varghese, George Iden, and Graham Stokes	Monetary policy and payment system modernization	Eritrea	February 10 to 20, 2009	*
16	Wilson Varghese and Tom Kokkola	Payment system oversight	Kenya	February 23 to March 6, 2009	*
17	Wilson Varghese and Graham Stokes	Payment system modernization	Rwanda	March 16 to 27, 2009	*

## Economic and Financial Statistics

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
1	Dale Smith	PPI training	Ethiopia	May 22 to June 4, 2008	*
2	Shelley Winston	PPI-A training on agriculture	Ethiopia	September 15 to 19, 2008	*
3	Shelley Winston	PPI-M training on manufacturing industry	Kenya	September 29 to October 3, 2008	*
4	Shelley Winston and Pamela Audi	Workshop on national accounts	Rwanda	October 15 to 19, 2008	*
5	Shelley Winston and Pamela Audi	Workshop on quarterly national accounts	Tanzania	November 10 to 21, 2008	
6	Shelley Winston	Follow-up mission on CPI	Kenya	December 1 to 5, 2008	*
7	Shelley Winston	Follow-up mission on PPI for manufacturing Industry	Kenya	December 8 to 12, 2008	*
8	Shelley Winston and Pamela Audi	National accounts statistics	Uganda	February 16 to 20, 2009	*
9	Shelley Winston and Pamela Audi	National accounts statistics	Zanzibar, Tanzania	February 23 to 27, 2009	*
10	Shelley Winston	CPI compilation	Tanzania	March 2 to 6, 2009	
11	Shelley Winston	Consumer price statistics	Tanzania	April 6 to 10, 2009	
12	Shelley Winston	Producer price index and quarterly national accounts	Zanzibar, Tanzania	April 20 to 24, 2009	*

## Macro-Fiscal Analysis

	Mission Member	Mission Objective	Country	Mission Dates	In Work Plan
1	Martin Brownbridge	Links between fiscal and monetary programs; forecasting of macroeconomic variables	Rwanda	June 3 to 14, 2008	*
2	Martin Brownbridge	Strengthening of monthly fiscal reporting and monitoring	Malawi	July 8 to 26, 2008	*
3	Martin Brownbridge	Evaluation mission to draw-up work plan	Kenya	August 6 to 8, 2008	*
4	Martin Brownbridge	Financial programming and finalization of the medium-term budget framework paper	Rwanda	August 11 to 21, 2008	*
5	Martin Brownbridge	Participation in a management workshop and financial programming training	Kenya	September 22 to October 10, 2008	*
6	Martin Brownbridge	Macroeconomic model building; sustainable domestic borrowing capacity; and framework for evaluating long-term fiscal risks	Uganda	November 2008	*

## Annex 2.

### Short-Term Experts Hired During FY 2009

#### Revenue Policy and Administration

	Country of Assignment	Start Date	End Date	Expert	Country of Origin
1	Workshop	7/15/2008	7/11/2008	Bodin, Jean-Paul	France
2	Rwanda	7/15/2008	7/28/2008	Gillanders, Norman	Ireland
3	Tanzania	9/22/2008	10/3/2008	Connolly, Mark	Canada
4	Eritrea	10/13/2008	10/17/2008	Wakati, Kenneth	Tanzania
5	Rwanda	7/15/2008	7/28/2008	Gillanders, Norman	Ireland
6	Tanzania	9/22/2008	10/3/2008	Connolly, Mark	Canada
7	East AFRITAC	11/3/2008	11/7/2008	Sserebe, David	Uganda
8	East AFRITAC	11/3/2008	11/7/2008	Woodley, Kevin	New Zealand
9	Eritrea	12/1/2008	12/17/2008	Bosch, Franciscus	New Zealand
10	Eritrea	12/1/2008	12/17/2008	Stimie, Gerhard	South Africa
11	Rwanda	1/3/2009	1/17/2009	Gillanders, Norman	Ireland
12	Kenya	1/26/2009	2/20/2009	Landmann, Jane	United States
13	Ethiopia	2/23/2009	3/6/2009	Irving, Michael	Canada
14	Rwanda	3/2/2009	3/13/2009	Sserebe, David	Uganda
15	Rwanda	3/2/2009	3/13/2009	Wagunda, Cyrell	Kenya
16	Rwanda	3/2/2009	3/13/2009	Biber, Edmund	Australia
17	Uganda	3/9/2009	3/20/2009	Crandall, William	Canada
18	Malawi	3/9/2009	3/20/2009	Kidd, Maureen	Canada
19	Malawi	3/18/2009	3/31/2009	Kalyebbi, Besweri	Uganda
20	Rwanda	4/27/2009	5/8/2009	Irving, Michael	Canada
21	Rwanda	4/27/2009	5/8/2009	MacDonald, Stuart	Canada



## Public Financial Management

	Country of Assignment	Start Date	End Date	Expert	Country of Origin
1	Rwanda	5/5/2008	5/16/2008	Campbell, Neil	Canada
2	Kenya	9/22/2008	9/26/2008	Thuy, Mellor	Australia
3	Malawi	11/17/2008	11/21/2008	Campbell, Neil	Canada
4	Kenya	11/17/2008	11/18/2008	Brown, Kenneth	South Africa
5	Tanzania	11/24/2008	12/5/2008	Campbell, Neil	Canada
6	Tanzania	1/9/2009	1/19/2009	Makau, Phylis	Kenya
7	Ethiopia	2/2/2009	2/7/2009	Kakande, Mary	Uganda
8	Ethiopia	2/9/2009	2/20/2009	Paddia, Christ	Mauritius
9	Malawi	2/9/2009	2/20/2009	Rwamibazi, Herbert	Uganda
10	Ethiopia	2/9/2009	2/20/2009	Seguin, Gerard	Canada
11	Rwanda	2/23/2009	3/6/2009	Robinson, Shirley	South Africa
12	Kenya	3/2/2009	3/9/2009	Gustafsson, Allan	Sweden
13	Rwanda	3/23/2009	4/3/2009	Shall, Adrienne	South Africa
14	Ethiopia	3/23/2009	4/10/2009	Storkey, Howard	New Zealand
15	Rwanda	4/14/2009	4/24/2009	Williams, Mike	United Kingdom

## Financial Sector Regulation and Supervision

	Country of Assignment	Start Date	End Date	Expert	Country of Origin
1	Malawi	6/16/2008	6/28/2008	Aomu, Mackay	Uganda
2	Tanzania	7/7/2008	7/28/2008	Andrews, Michael	Canada
3	Uganda	7/10/2008	7/16/2008	Porter, Robert	United States
4	Uganda	7/10/2008	7/16/2008	Mataruka, Norman	Zimbabwe
5	Ethiopia	7/21/2008	7/25/2008	Porter, Robert	United States
6	Ethiopia	7/21/2008	7/25/2008	Bagyenda, Justine	Uganda
7	Kenya	9/22/2008	9/26/2008	Monrea, Jose-Antonio	Spain
8	Malawi	11/3/2008	11/7/2008	Phelan, Peter	United Kingdom
9	Uganda	11/3/2008	11/7/2008	Porter, Robert	United
10	Uganda	11/3/2008	11/7/2008	Blagg, Terry	United States
11	Ethiopia	11/10/2008	11/14/2008	Bagyenda, Justine	Uganda
12	Ethiopia	11/10/2008	11/14/2008	Teshome, Helen	Ethiopia
13	Uganda	2/9/2009	2/13/2009	Andersen, Jacob	Denmark
14	Eritrea	3/16/2009	3/27/2009	Ho, Mimi	United States
15	Tanzania	3/23/2009	4/3/2009	Nyakundi, David	Kenya

## Financial Sector Regulation and Supervision *(concluded)*

	Country of Assignment	Start Date	End Date	Expert	Country of Origin
16	Kenya	3/23/2009	4/3/2009	Andrews, Michael	Canada
17	Rwanda	4/13/2009	4/24/2009	Mataruka, Norman	Zimbabwe

## Monetary Policy and Operations

	Country of Assignment	Start Date	End Date	Expert	Country of Origin
1	Kenya	7/14/2008	7/25/2008	Osterberg, William	United States
2	Kenya	8/11/2008	8/22/2008	Teehan, Jerry	Ireland
3	Rwanda	9/22/2008	10/3/2008	Stokes, Graham	South Africa
4	Tanzania	10/6/2008	10/7/2008	Krishnamurthy, K.	India
5	Kenya	10/13/2008	10/24/2008	Teehan, Jerry	Ireland
6	Kenya	10/20/2008	10/23/2008	Osterberg, William	United States
7	Kenya	2/23/2009	3/6/2009	Kokkola, Tom	Finland
8	Eritrea	2/10/2009	2/20/2009	Iden, George	United States
9	Eritrea	2/10/2009	2/20/2009	Stokes, Graham	South Africa
10	Rwanda	3/16/2009	3/27/2009	Stokes, Graham	South Africa
11	Tanzania	4/16/2009	4/22/2009	Mitchem, David	United Kingdom

## Economic and Financial Statistics

	Country of Assignment	Start Date	End Date	Expert	Country of Origin
1	Ethiopia	5/22/2008	6/4/2008	Smith, Dale	United States
2	Rwanda	10/15/2008	10/19/2009	Audi, Pamela	Kenya
3	Tanzania	11/10/2008	11/21/2008	Audi, Pamela	Kenya
4	Uganda	2/16/2009	2/20/2009	Audi, Pamela	Kenya
5	Zanzibar, Tanzania	2/23/2009	2/27/2009	Audi, Pamela	Kenya

Source: East AFRITAC.

## Annex 3. Reports Issued During FY 2009

### Revenue Policy and Administration

Country	Report
Eritrea	Strategic Modernization Plan and Computerization of the Tax Administration – December 2008
Ethiopia	Customs Risk Management – The Next Steps – February 2009
Kenya	Designing and Delivering a Customs Administration Strategic Plan – September 2008
Kenya	Advanced Techniques for Conducting Successful Investigation – February 2009
Malawi	A Framework and Action Plan for the Implementation of a Self-assessment Regime – March 2009
Rwanda	Operational Policy Development and Compliance Management – July 2008
Rwanda	Strengthening the Tax audit Program – March 2009
Rwanda	Developing a Risk Management Program for Customs Administration – April 2009
Tanzania	Implementing a Corporate Risk-Management Strategy – October 2008
Uganda	Developing a Compliance Management Strategy for Medium-Size Taxpayers – March 2009

### Public Financial Management

Country	Report
Ethiopia	Strengthening Cash Management and Banking Arrangements – March/April 2009
Ethiopia	In-Country Workshop on Cash and Debt Management Report – April 2009
Ethiopia	Developing Institutional Capacity for Program Budgeting – July 2009
Ethiopia	Rolling Out Program Budgeting – February 2009
Ethiopia	Review of draft Financial Administration Proclamation – March 2009
Ethiopia	In-country Workshop on Linking Policy Analysis, Planning, and Budgeting – February 2009
Kenya	Implementing Program Budgeting in Line Ministries – July 2009
Kenya	Improving Cash Management Systems and Strengthening Banking Arrangements – March 2009
Kenya	Strengthening Implementation of Cash Management Reforms – March 2009
Kenya	FAD Mission on Fiscal Decentralization – November 2008
Kenya	Workshop On Cash Management Reforms Report – September 2008
Kenya	Joint Review of Public Financial Management Reform Program – November 2008
Kenya	Review of Budget Documentation in Kenya – February 2008
Kenya	Review of a Study on AGAs, SAGAs and EBFs – December 2008
Malawi	Improving Cash Management Systems – August 2008
Malawi	Migration to GFSM 2001-Compliant Budgeting and Accounting Classification – November 2008
Malawi	Integration of Accounting Systems and In-Year Fiscal Reporting – February 2009
Rwanda	Improving Aid Effectiveness of External Funds – August 2009

## Public Financial Management (*concluded*)

Country	Report
Rwanda	Review of Cash Management, IFMIS, and Accounting Procedures – December 2008
Rwanda	Migration to GFSM 2001 – May 2008
Rwanda	Program Budgeting Reform Strategy – March 2009
Rwanda	Enhancing Comprehensive and Transparency – October 2008
Rwanda	Enhancing Budget Comprehensiveness and Transparency – March 2009
Rwanda	Quality Assurance Plan for IFMIS Design and Implementation – April 2009
Rwanda	Improving Cash Management and Government Banking Arrangements – April 2009
Tanzania	Migration to GFSM 2001 Budgeting and Accounting Classifications – December 2008
Tanzania (Zanzibar)	Strengthening the Budget Preparation Process – September 2009
Tanzania (Zanzibar)	Review of MTEF and Budget – January 2009
Tanzania (Zanzibar)	Migration to GFSM 2001 – December 2008
Uganda	Joint Assessment Framework of the Joint Budget Support Operation; Public Financial Management Review – July 2008
Uganda	Joint Assessment Framework of the Joint Budget Support Operation – September 2008

## Financial Sector Regulation and Supervision

Country	Report
Eritrea	Developing an Insurance Regulatory Framework for Eritrea – March 2009
Kenya	Updating Capital Adequacy Requirements to Incorporate Capital Charge on Market Risk and Developing A Road Map for the Implementation of Basel II – September 2008
Kenya	Developing Enhanced Risk Assessment Criteria for use Under Central Bank of Kenya's Risk-Based Supervisory Framework – February 2009
Kenya	Pilot Inspection - Consolidated Supervision – April 2009
Malawi	Pilot Risk-based Examination of a Bank in Malawi (Pre-examination Phase) – June 2008
Malawi	Supervision of Discount Houses in Malawi – November 2008
Rwanda	Review of Offsite Surveillance System – National Bank of Rwanda – April 2009
Tanzania	Review of Risk Based Supervision Framework – July 2008
Tanzania	Preparing Anti-money Laundering Inspection Procedures – December 2008
Tanzania	Developing a Framework for the Regulation of Pension Schemes – April 2009

## Monetary Policy and Operations

Country	Report
Eritrea	Technical Assistance in Support of Payment System Modernization – November 2008
Eritrea	Capacity-building for Payment System Modernization and Monetary Operations – February 2009
Kenya	Bond Pricing Techniques and Yield Curve Estimation – July 2008
Kenya	Primary Debt Issuance – Process Automation – July 2008
Kenya	Kenya Payments System Oversight – August 2008
Kenya	National Payment System – Regulatory and Oversight Framework – October 2008
Kenya	Bond and Auction Pricing Techniques – October 2008
Kenya	Regulatory and Oversight Response to New Payment Service Providers and Products and Other Issues – March 2009
Rwanda	National Payments System – Framework and Strategy – September 2008
Rwanda	Technical Assistance in Support of Payment System Modernization: Regulatory and Oversight Issues – October 2008
Rwanda	Regulatory and Oversight Response to New Payment Service Providers and Products and Other Issues – March 2009
Tanzania	Payment System Modernization: Regulatory and Oversight Issues – October 2008

## Economic and Financial Statistics

Country	Report
Ethiopia	Producer Price Index for Ethiopia's Agriculture Industry – September 2008
Kenya	Developing a Producer Price Index for Kenya's Manufacturing Industry – December 2008
Kenya	Revising and Rebasing Kenya's CPI – December 2008
Rwanda	Assessment of Rwanda's Annual and Quarterly National Accounts – October 2008
Tanzania	Tanzania Quarterly National Accounts – February 2009
Tanzania (Zanzibar)	Zanzibar Quarterly National Accounts – February 2009
Uganda	Producer Price Index for Uganda's Restaurants and Hotels Industry – February 2009



## Annex 4.

### East AFRITAC Budget Monitoring - Phase II FY 2007-09

	Phase II Budget FY 2007-09			Expenditures FY 2007			Expenditures FY 2008			Expenditures FY 2009	
	w/m	US\$		w/m	US\$		w/m	US\$		w/m	US\$
Public Financial Management Advisor I	33	698,750		9	182,750		12	258,000		12	258,000
Public Financial Management Advisor II	30	668,400	1/	12	280,600	1/	7	151,300	1/	9	193,500
Public Financial Management Advisor III	11	236,500	2/ 4/	-	-		-	-		10	215,000
Revenue Policy and Administration Advisor	36	774,000		12	258,000		12	258,000		12	258,000
Macro-Fiscal Advisor	17	365,500	3/ 5/	-	-		5	107,500	3/	8	172,000
Monetary Policy and Operations Advisor	25	537,500		1	21,500		12	258,000		12	258,000
Bank Supervision Advisor	36	774,000		12	258,000		12	258,000		11	236,500
Multisector Statistics Advisor	31	666,500		12	258,000		7	150,500		10	215,000
Fiscal short-term experts	52	1,508,000	4/ 5/	14.5	420,500		15.5	449,500	5/	15.5	449,500
Monetary short-term experts	28	812,000		7.5	217,500		10.5	304,500		14	406,000
Statistics short-term experts	18	522,000		4.5	130,500		7.5	217,500		3.5	101,500
Regional travel (Advisors)		574,922	4/ 5/		120,652			135,270	5/		185,265
Evaluation		100,000			-			-			-
Training/Seminars		901,062	4/ 5/		199,370			264,692			285,799
Office support, communications, etc.		96,401			44,713			26,688			9,883
<b>Unallocated</b>		380,100	6/		-			-			-
<b>Subtotal</b>	<b>317</b>	<b>9,615,635</b>		<b>85</b>	<b>2,392,085</b>		<b>101</b>	<b>2,839,450</b>		<b>115</b>	<b>3,243,947</b>
Overhead (13%)		1,250,033			310,971			369,129			421,713
<b>Total East AFRITAC</b>	<b>317</b>	<b>10,865,667</b>		<b>85</b>	<b>2,703,056</b>		<b>101</b>	<b>3,208,579</b>		<b>115</b>	<b>3,665,660</b>

Source: IMF Office of Technical Assistance Management.

1/ Including Japan Special Account (JSA) allocation with travel.

2/ Including additional PFM starting in June 2008.

3/ Including additional Macro-Fiscal Advisor since December 2007.

4/ Including additional contribution from DFID in January 2008.

5/ Including additional contribution from Switzerland in November 2007.

6/ Unallocated Switzerland contribution directed at Phase III activities.

## Annex 5.

# IMF Africa Capacity Building Initiative - East/West AFRITACs

### Status of Financial Contributions As of April 30, 2009

Agency/ Country	Donor currency	Pledges received for Phase II (May 2006-April 2009)		Disbursements received	Disbursements expected 7/
		(In donor currency)	(In US dollars) 5/	(In US dollars)	(In US dollars)
AfDB	U.S. dollar	3,000,000	3,000,000	1,000,000	2,000,000
Canada	Canadian dollar	1,200,000	1,046,400	1,023,412	
China 1/	U.S. dollar	200,000	200,000	200,000	
Denmark	DKK	3,000,000	486,000	511,171	
Finland	Euro	400,000	484,000	483,419	
France	Euro	1,000,000	1,210,000	1,311,843	
Germany	Euro	1,000,000	1,210,000	1,369,028	
Italy	Euro	1,200,000 2/	1,677,480	1,644,652	
Japan	U.S. dollar	415,162 6/	415,162	415,162	
Luxembourg	Euro	250,000	302,500	345,018	
Norway	NOK	9,000,000	1,386,900	1,561,752	
Russia	U.S. dollar	250,000	250,000	250,000	
Sweden	SEK	12,000,000	1,555,200	1,501,934	
Switzerland	CHF/ U.S. dollar	2,409,650 3/	2,409,650	2,409,852	
The Netherlands	Euro	1,500,000	1,815,000	1,475,594	663,130
United Kingdom	GBP	1,825,000 4/	3,367,712	3,455,026	
Balance - Phase I	U.S. dollar	2,157,876	2,157,876	2,157,876	
<b>Total</b>			<b>22,973,880</b>	<b>21,115,739</b>	<b>2,663,130</b>
<i>Includes exchange rate gains of:</i>				746,697	

Source: IMF Office of Technical Assistance Management.

1/ Contribution earmarked for the East AFRITAC.

2/ Includes additional pledge of Euro 600,000 on 7/21/2008. Exchange rate used for additional pledge is from 7/21/2008.

3/ Contribution for Phase II is in US Dollars. Includes additional pledge of \$909,650 made in September 2007.

4/ Includes additional pledge of GBP 825,000 on 1/14/2008. Exchange rate used for additional pledge is from 1/14/2008.

5/ Exchange Rates used for Phase II conversion are from 04/12/2006. Actual US dollar amounts may vary depending on disbursement date.

6/ Total commitment of Japan is US \$652,748 (including US \$415,162 for activities in the workplan).

7/ Exchange rates used in disbursements expected are from 4/30/2009. Actual US dollar amounts may vary depending on disbursement date.

#### Memorandum Items:

Mali (as host country)	U.S. dollar	277,117
Tanzania (as host country)	U.S. dollar	201,697
IMF	U.S. dollar	3,431,962







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