Highlights of East AFRITAC (AFE) Activities in April 2014

- **Parliamentarians Visit AFE:** Parliamentarians from across the globe visited the Center on April 28, 2014 to discuss the Fund's capacity development activities, the RTAC model, and the work of East AFRITAC.

- **Public Financial Management:** Two missions to Tanzania focused on developing the ICT oversight capacity of internal auditors and on payment arrears. An FAD-led mission visited Malawi to review the PFM reform program, with follow on work expected from AFE.

- **Revenue Administration:** AFE participated in an FAD mission on revenue administration to Malawi. The advisor also worked with the Tanzania Revenue Authority to strengthen risk management practices in customs operations.

- **Macro-Fiscal Analysis:** East AFRITAC undertook a mission to Uganda to improve capacity in GDP forecasting.

- **Financial Sector Regulation and Supervision:** Missions were fielded to Eritrea, Ethiopia and Uganda on insurance supervision.

- **Monetary Policy and Operations:** Assistance was provided to the Bank of Uganda in drafting the national payments system oversight framework and to the Reserve Bank of Malawi in aligning foreign exchange market operations with the liberalized foreign exchange regime.

- **Economic and Financial Statistics:** Technical assistance was provided to Malawi on developing the compilation methodology for quarterly GDP. A mission to Rwanda assisted with reviewing and finalizing the producer price index and export and import price indices. The AFE advisor also assisted with revisions to the supply and use tables for Uganda.

- **Regional Activities:** A PFM advisor facilitated at the 21st Annual International Conference of the East and Southern African Association of Accountants General (ESAAG) in Johannesburg, South Africa. Joint AFE/EAC missions were conducted to all the EAC Partner States on developing and refining their plans to improve government finance statistics.

- **Workshops:** East AFRITAC organized a workshop on fiscal risks in Entebbe, Uganda.

- **Forthcoming Activities:** AFE activities expected over May and June are summarized in Table 1.

- **Technical Assistance (TA) Dissemination:** East AFRITAC has posted 42 TA reports on its extranet (see list in Table 2). Each monthly newsletter will provide a list of new reports posted on the extranet during that month.

- **Online IMF Training:** The IMF has introduced online learning (see Box 1).

- **Staffing and Advisors Profile:** A new Government Finance Statistics advisor – Johan Mathisen – joined the Center in March, primarily to provide TA on harmonization of fiscal statistics for member states of the East African Community. This newsletter introduces a new feature where advisors or country counterparts are profiled. This month’s edition begins with the new GFS advisor.
Parliamentarians from across the globe visited the Center on April 28, 2014. The visit was part of the legislators’ agenda for a visit to Tanzania under the auspices of the Parliamentary Network of the World Bank and IMF. The session at East AFRITAC presented an excellent outreach opportunity and covered the Fund's capacity development activities, the RTAC model, and the work of East AFRITAC. To take advantage of the presence of legislators from those countries, the Center's advisors presented examples of AFE’s projects in Kenya, Malawi, Tanzania and Uganda. The session elicited considerable interest in the capacity development work of the Fund. Legislators were less familiar with this public good than the Fund’s surveillance and lending activities. The parliamentarians expressed strong support for the work of East AFRITAC and discussed how they can help in furthering the reform agenda in the Center's core work areas. They also expressed interest in engaging more on AFE’s work when opportunities arose, including during missions.

**Eritrea**

**Financial Sector Regulation and Supervision:** Following from the December 2013 mission, AFE conducted a mission to the Bank of Eritrea (BOE) to further assist in developing its capacity on insurance supervision (April 1-4, 2014). The objectives of this mission were to build capacity in the area of insurance supervision; follow-up on the recommendations of the December 2013 mission; further develop the BOE’s off-site framework; and guide the preparations for the first on-site inspection. The mission made good progress and a follow-up visit will assist the BOE in an actual on-site examination from December 2-13, 2014.

**Ethiopia**

**Financial Sector Regulation and Supervision:** From April 21-May 2, 2014, the mission followed up on previous recommendations on implementation of a more risk-based solvency framework for insurance supervision. In addition, the mission reviewed and advised on the quality of financial information and analysis made in the off-site framework, and in relation to the overall risk-based supervision manual/framework. The TA provided by the current mission will provide the basis for further support planned for January 2015, and which has been requested by the NBE on stress-testing for insurance companies.

**Malawi**

**Public Financial Management:** From March 25-April 4, 2014 an FAD-led mission on prioritizing PFM reforms was completed. It concluded that whilst the Malawian authorities were undertaking a number of corrective actions in response to the “cashgate” scandal, there was a fragmented approach towards strengthening PFM processes and more needed to be done to address underlying weaknesses in the PFM framework. The mission set out PFM priorities for the next three years and recommended a series of actions aimed at restoring confidence in the government’s financial management systems and practices. Follow-on AFE activities will assist with the drafting of: (i) a prioritized set of PFM reform strategies; and (ii) a well-sequenced program of activities for a properly functioning and sustainable PFM framework. These outputs will form the basis for consultations with the various stakeholder groups. The finalized versions will guide PFM implementation, monitoring and capacity-building initiatives.

**Revenue Administration:** The revenue advisor participated in an FAD mission from March 26-April 8, 2014, to assess the implementation status of revenue administration reforms, and advise on next steps with a view to speeding up reforms. The mission noted that administration capacity has been enhanced through additional staff numbers and training; a modernization governance framework has been established; and a business process re-engineering plan focused on quick wins in improving efficiency is under way. The mission made further recommendations to strengthen the reform and modernization effort. The recommendations include (i) finalizing the revenue authority’s strategic plan for the period 2014 to 2018 and clarifying the roles and responsibilities of the various modernization governance organs; (ii) implementing a new funding mechanism for value added tax refunds; and (iii) reconfiguring profiling and selectivity to reduce the level of red channel selections in customs.

**Monetary Policy and Operations:** An AFE mission visited Malawi during April 29-May 9, 2014 to assist the Reserve Bank of Malawi in aligning foreign exchange market operations with the liberalized foreign exchange regime. As the mission was still in
progress, its conclusions will be provided in the May newsletter.

**Economic and Financial Statistics:** The National Statistics Office (NSO) of Malawi was assisted with the development of quarterly GDP estimates based on the benchmark indicator methodology during March 24-April 11, 2014. An assessment of available source data was completed. A proposed list of value and volume indicators was generated and their suitability and relevance discussed with NSO staff. Possible alternative sources of data were also identified and the limitations of some existing data sources discussed. A suitable compilation methodology was agreed and the associated compilation worksheets developed. Training on the new compilation methodology and worksheets was provided to all national accounts compilers.

**Rwanda**

**Economic and Financial Statistics:** An AFE mission during March 31-April 11, 2014, assisted the statistics office with reviewing and finalizing the producer price index (PPI) and Export and Import Price Indices (XMPI), and provided advice on developing a Construction Inputs Price Index (CIPI). Assistance was provided in analyzing the PPI methodology and time series and the dissemination plan was finalized. For the XMPIs, the mission reviewed the methodology and the survey data, and provided advice on survey development. The publication format and content, as well as dissemination strategy were developed. Alternative approaches to data collection and index compilation for the CIPI were discussed and documented. On-the-job training and documentation were provided on compilation methodology and the conduct of price surveys for the various indices.

**Tanzania**

**Public Financial Management:** From April 24, 2014, AFE is undertaking a study on payment arrears in order to provide practical guidance on: (i) verifying the types and amounts of arrears; (ii) identifying the root causes for arrears (and/or for preventing arrears); (iii) limiting the future accumulation of arrears; and (iv) developing strategies for managing and clearing the existing stock of arrears. The government’s payment arrears working group considered the inception report setting out the proposed approach for the study. Phase 1 follow-on work during May will involve a sample survey of sites to assess the reliability of payment arrears data, the nature of arrears and factors contributing to the accumulation of payment arrears.

From March 17-April 4, 2014, AFE completed the review of internal audit’s capacity to oversee Information and Communication Technology (ICT). The mission provided the Government of Tanzania with guidance on: (i) identifying the risks associated with operating its computerized financial management systems; (ii) determining appropriate levels of internal audit coverage of ICT financial management operations and the extent to which these are currently achieved; and (iii) developing strategies and an action plan for building internal audit capacity for overseeing ICT financial systems.

**Revenue Administration:** From April 9-23, 2014, AFE assisted the authorities in entrenching risk management practices in the customs administration. The mission noted that the progress in instilling risk management practices and discipline in customs operations has stalled mainly resulting from directives requiring 100 percent inspections and scanning of containers. However, encouraging results were achieved through the post clearance audit work. The expert made further recommendations to revive the use of risk management principles in customs operations.

**Uganda**

**Macro-Fiscal Analysis:** A mission to Uganda from March 31-April 9, 2014, assisted the Ministry of Finance, Planning and Economic Development in improving its capacity in GDP forecasting. The mission worked with the macro-modeling team within the Macroeconomic Department to update its existing forecasting model of quarterly GDP and develop new methods, such as growth accounting and benchmarking.

**Financial Sector Regulation and Supervision:** A mission on insurance supervision was conducted to the Insurance Regulatory Authority of Uganda (IRA) from April 14-May 2, 2014. The mission assisted the IRA in conducting a pilot examination with the aim to test the improvements made to its off-site analysis framework and to gain experience with the on-site procedures of the supervisory framework. For the pilot inspection, the IRA selected one of the large insurance companies in Uganda. The entire supervisory staff participated in the pilot examination. The pilot examination was supplemented by training and additional advice and guidance of the expert on how to develop the supervisory framework further going forward. AFE will continue its support on the further development of the supervisory framework and capacity building to the IRA and a follow-up mission is foreseen to take place in the last quarter of 2014.
Monetary Policy and Operations: A mission from April 17-27, 2014, assisted the Bank of Uganda (BoU) in drafting a national payments system oversight framework. The document will be reviewed by the Fund and the BoU. Once the review process is completed, this will be a significant step towards meeting the disclosure requirements under international standards and compliance with best practices in central bank oversight of National Payments System (NPS). The BoU will determine the appropriate timing for the publication of the NPS oversight framework. The publication will be preceded by completion of the legal reforms which include enactment of the NPS law and amendment to the central bank legislation, which is in progress.

Economic and Financial Statistics: During April 2014, AFE’s macroeconomic statistics advisor has been reviewing and making revisions to the preliminary 2009/10 SUT estimates for Uganda. This has been a complex and time consuming task and further work will be undertaken during his mission to the Ugandan Bureau of Statistics during May 5-23, 2014 to finalize the SUT and rebased annual and quarterly GDP estimates for dissemination.

Regional Activities

Public Financial Management: From April 7-9, 2014, one of AFE’s PFM advisors facilitated at the 21st Annual International Conference of the East and Southern African Association of Accountants General (ESAAG) held in Johannesburg, South Africa. The conference was structured around the theme “PFM Reform, from Planning to Implementation”. Working sessions concentrated on four topic areas: accounting and reporting; assurance services; public sector supply chain management/procurement; and integrated financial management systems. Ten Accountant Generals were present and approximately 1,000 participants from the 14 member countries including five from AFE attended. The 2015 ESAAG conference will be held in Tanzania.

Government Finance Statistics: From March 30-May 30, 2014, joint AFE/EAC missions to EAC member countries are taking place to develop a comprehensive program to improve the coverage, accuracy, reliability, frequency, and timeliness of government finance statistics. The missions are focusing on developing and refining member countries’ plans to improve government finance statistics to migrate to GFSM 2001 and deliver on the fiscal reporting requirements outlined in the protocol on monetary union. The outcomes are expected to be summarized in national GFS development plans that will be presented and discussed at a regional workshop in Arusha from August 25-29, 2014.

Workshops

Macro-Fiscal Analysis and Public Financial Management: East AFRITAC held a workshop on “Fiscal Risks: Identification, Reporting and Management” in Entebbe, Uganda over April 28-May 1, 2014. The workshop was attended by twenty officials from finance ministries and central banks, from Burundi, Ethiopia, Kenya, Malawi, Tanzania and Uganda and two officials from the EAC Secretariat. It explored the main sources of risks to public finances in the region and ways to mitigate these risks. Discussions focused on fiscal risks posed by state-owned enterprises, public-private partnership agreements and sub-national governments, and on sustainability of public pension schemes, payment arrears and government guarantees.

Fiscal Risks Workshop, April 28-May 1, 2014, Entebbe, Uganda

Staffing and Advisor’s Profile

Johan Mathisen joined East AFRITAC in March as a Government Finance Statistics Advisor. Prior to joining East AFRITAC, Mr. Mathisen was Deputy Chief in the IMF’s Statistical Information Management Division, responsible for overseeing the quality control and dissemination of data submitted to the IMF, with primary focus on Government Finance Statistics. Mr. Mathisen also has considerable operational experience from the Africa region as well as from European countries. He has also published a number of papers on integrating balance sheet analysis in financial and fiscal surveillance work. This newsletter introduces a new feature profiling its advisors (Box 2), starting with Mr. Mathisen.
Box 1: IMF Expands Training through Online Learning

The IMF has entered an exciting new phase in its training program, with the adoption of a new online learning program designed in partnership with edX, the nonprofit online learning initiative founded by Harvard University and the Massachusetts Institute of Technology. With this partnership, the IMF is able to expand the reach of its training program to member country officials and to offer access to its training courses to a wider public audience through so-called massive open online courses (MOOCs).

These new courses are designed with short video segments interspersed with quizzes and hands-on exercises, and include a discussion forum to allow participants to network and discuss course content. The use of computer grading saves on instructor time and means that the IMF can allow virtually unlimited enrollment. The IMF’s first online course reached 320 government officials, compared with 40 officials that could normally be accommodated in a face-to-face course at headquarters. The public courses will likely attract many more.

Upcoming Courses
The IMF is offering three online courses in 2014.

Financial Programming and Policies, Part 1: Macroeconomic Accounts & Analysis (FPP.1x)
This six-week course provides an introduction to financial programming, presenting the principal features of the accounts of the four main sectors that comprise the macro economy (real, fiscal, external, and monetary) and their interrelations. The course may be taken as a stand-alone introduction to the macroeconomic accounts, and will also serve as a prerequisite for eligible officials who apply to the two-week residential FPP course, where the focus shifts to policy issues and the design of a financial program.

Debt Sustainability Analysis (DSAx)
This five-week course aims to provide a comprehensive overview of debt sustainability analysis and a medium-term debt management strategy framework as adopted by the IMF and the World Bank.

The course will: (i) introduce the main principles of debt sustainability; (ii) cover recently updated DSA frameworks-both for advanced and emerging markets and for low-income countries—with an emphasis on country data; (iii) present a medium-term debt management strategy (MTDS) framework; and (iv) illustrate debt sustainability analysis under uncertainty.

Energy Subsidy Reform (ESRx)
This two-week course builds on an extensive cross-country analysis, which is reported in the recently published IMF book on “Energy Subsidy Reform: Lessons and Implications,” to make recommendations on how to best implement reforms aimed at reducing state subsidies on energy.

In the first part of the course, economists from the IMF will introduce the definition and measurement of subsidies, and then describe the economic, social, and environmental implications of subsidies and the second part of the course has two principal purposes: first, to review what works best in energy subsidy reform, in the light of country experiences globally; and second, to illustrate successes and failures in particular country contexts by summarizing some case studies.

Where Do I Sign Up?
The IMF plans to offer its online courses both as courses exclusively for government officials, and as courses open to the general public (MOOCs). Government officials are welcome to take advantage of either option.

- For those courses exclusively for government officials, registration will take place through the IMF Institute for Capacity Development e-catalog: http://imf.smartcatalogiq.com/en/current/Catalog/Online-Learning. Registration is now open for the ESRx course running from June 16-30, 2014.
- Registration is now open to the general public for all three course MOOCs at https://www.edx.org/school/imfx. The FPP.1x course begins on June 2, 2014. The DSAx course began on April 24, 2014, with 72 officials from AFE member countries enrolled. The ESRx course will start on June 16, 2014.

Questions?
Please send any inquiries to ICDinfo@imf.org.
Box 2: Advisor’s Profile – Johan Mathisen

AFE: Tell us a little about your skills and background.

Mr. Mathisen: I am on leave from the IMF, where I was overseeing data reporting to the IMF and publication of a broad range of datasets, including of government finance statistics. I was also involved in data provisioning for Fund program and surveillance work, as well as to the general public. My belief in the importance of timely good quality fiscal data stems from my experience of working on emerging economies, including Eastern Europe that were increasingly able to tap into international capital markets to finance their development needs. And now that this region is moving in that direction, it is fun to be back in Africa to use my skills in international standards for fiscal data to help improve the quality of, and access to, government finance statistics.

AFE: Why is TA on GFS important?

Mr. Mathisen: TA to provide better and more timely fiscal data is important for at least three reasons: to facilitate better "evidence-based" policy making, to improve parliamentarians as well as the general public's ability to hold governments accountable for their policies, and to help achieve better informed and sounder pricing of credit risk by international and domestic investors.

AFE: What type of TA are you going to provide to AFE member countries?

Mr. Mathisen: Together with the EAC Secretariat, we are starting a comprehensive program to assist countries to improve the coverage, accuracy, reliability, frequency, and timeliness of government finance statistics in the region. This TA program will be based on national GFS development plans that aim to ensure implementation of the latest international standards and deliver on the fiscal data requirements associated with the East African Monetary Union protocol signed in November 2013. The program will support the process to harmonize GFS in the EAC region and comprises a series of technical assistance missions tailored to country needs.

AFE: What are the risks involved when countries do not abide by the GFSM standards?

Mr. Mathisen: Sure, there are plenty. Simply put, not providing cross-country comparable high quality fiscal data substantially increases the "risk premium" a country has to pay, on sovereign bond issuances as well as on private capital. In the worst case, a country with poor fiscal data can get shut out of capital markets even when it has sound macroeconomic fundamentals. This means that good publics investments are not undertaken or could become scaled down because their financing costs. And even if the financing is available from other sources, policy making itself may suffer either because of lack of accountability or because the necessary information is not available.
Table 1: Forthcoming AFE Activities in May and June

The table below provides information regarding planned AFE missions and workshops in May and June 2014.

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INTERNATIONAL MONETARY FUND
APRIL 2014

Table 2: East AFRITAC’s Technical Assistance Reports Posted on the IMF’s Extranet

East AFRITAC has posted final TA reports on the IMF’s extranet site, which have been cleared for dissemination by country authorities. Access is available to Steering Committee members that have signed a confidentiality agreement. Below is the current list of the reports available on the website by country. Hereon, each monthly newsletter will provide a list of new reports posted on the extranet that month.

1. Eritrea–Developing On-Site Insurance Supervision, December 2-6, 2013.