MAIN HIGHLIGHTS

AFS capacity development (CD) work during the quarter included around 25 technical assistance (TA) missions, five regional seminars/courses, most of which in collaboration with regional partners such as the ATI, COMESA and other regional technical assistance centers, professional attachments and outreach activities.

EXECUTION OF THE FY19 WORK PLAN BY TOPIC

Banking Supervision and Regulation
By Ravi Mohan P.R

Seychelles: An AFS mission worked closely with the Central Bank of Seychelles (CBS) to build the technical capacity on implementation of IFRS 9. The mission assessed the process of classification and measurement of financial instruments and assisted the authorities in the supervisory review of banks’ methodology of computing impairment losses –especially the Expected Credit Losses models. The mission also advised the CBS regarding disclosures and formats of financial statements under IFRS 9.

Namibia: An AFS resident advisor joined an HQ-led mission on Cyber risk and Risk Based Supervision, the purpose of which was to: (i) help staff of the Bank of Namibia in charge of regulatory and oversight issues gain a thorough understanding of Information and Communication Technology (ICT)/cyber risks and ICT/cybersecurity, and (ii) upgrade the skills of regulators to help ensure proper ICT/cybersecurity oversight and supervision (both onsite and offsite). The mission covered concepts of ICT and cyber risk and security management, regulation, supervision, and oversight.

Mauritius: AFS resident advisor led a session on “IFRS–Risk Based Approach to AML/CFT Supervision” during a two-day conference organized by the Financial Services Commission on the theme “Mauritius International Financial Centre–Forward Looking”.

Zimbabwe: AFS and an IMF team undertook a diagnostic review of stability issues in the Zimbabwean financial system and developed a roadmap of priority actions for strengthening the financial stability frameworks. Based on this review, the financial stability capacity building needs of the Reserve Bank of Zimbabwe are being identified.
**AFS News**

**Regional Seminar on Core Elements of Banking Supervision:** The AFS resident advisor coordinated and participated as resource person in the MCM-led seminar funded by the Africa Training Institute (ATI). The seminar enhanced the ability of prudential regulators and bank supervisors/examiners to understand the various issues relating to regulation and supervision of banks. The seminar also familiarized participants with the underlying concepts of the international standards developed by the Basel Committee on Banking Supervision, Financial Stability Board and International Accounting Standards Board and equipped them with the tools and techniques for conducting supervision of banks/financial institutions in the most effective way.

**Money and Foreign Exchange Market Operations**

*By Carina Selander*

**Mauritius:** An AFS mission worked with the Bank of Mauritius (BoM) to develop their near-term forecasting (NTF) toolkit for GDP and to adjust the inflation block in their core model. The mission primarily aimed at strengthening the NTF framework within the BoM and to enhance the capacities and responsibilities of the sector experts within the forecast and monetary policy process. The mission worked in one stream with an NTF-team of 6, mostly newly recruited, staff members, and developed a basic NTF toolkit for GDP, including, structuring and storing data, chart packs, data mining tools, bridge equations, principal component analysis and forecasting, model averaging, and forecast error analysis.

**Zambia:** The Bank of Zambia (BoZ) has made good progress within communications and are in the process of strengthening the recourses and capacities within the communications division. An AFS mission visited the BoZ and held an orientation seminar on central bank communication as an introduction for newly recruited staff. The mission worked interactively with the staff at the communications division at the BoZ to strengthen the capacity of staff to perform core communication functions at today's modern central banks. Thus, the mission focused on some of the crucial functions of communications, such as strategic communication and planning, media monitoring and evaluation, and strategic use of social media and evaluation. In addition, the mission assisted the BoZ in revising its Communication Policy with a view to enhancing the input and output materials used for communicating monetary policy.

**Financial Market Infrastructure and Payments**

*By Faith Stewart*

**Botswana:** Building on the work of previous missions, AFS provided training on the tools and indicators relevant for oversight monitoring and analysis. In addition to the line staff, the mission also helped the new director of the Payment and Settlement Department (PSD) to become acquainted with the risk management and oversight requirements of the international standards for the financial market infrastructures and thus enhance the Bank of Botswana’s effectiveness in leading the national payments system reform agenda.

**Namibia:** AFS coordinated and participated in an HQ-led mission to help Namibia’s supervisory and oversight authorities (the Bank of Namibia and the Payments Association of Namibia) deepen their understanding of the latest international standards and best practices for information and communication technology (ICT) and cyber risk management. The mission posited recommendations to enhance cyber risk off-site and on-site supervision and oversight procedures, including security reviews (such as vulnerability scans, penetrations tests and red team exercises) and establish a Computer Security Incident Response Team (CSIRT).

**Public financial management (PFM)**

*By Jean-Luc Helis, Robert Clifton, and Sybi Hida*

**Regional Harmonization:** AFS and AFRITAC East (AFE), in collaboration with the Common Market for Eastern and Southern Africa, organized a regional seminar on "Public Sector Accounting and Financial Reporting and the move towards IPSAS". The seminar provided a platform to 41 participants from 19 countries to exchange ideas and experiences, and to draw on the knowledge and experience of IMF experts in accounting and fiscal reporting.
Participants’ Feedback

We have been able to share our country experiences and we took note of the status of various countries on the move towards the adoption of accrual-based IPSAS. Having a common platform to discuss the challenges faced by countries is a good initiative. Most of the countries are facing the same challenges except for the political and institutional factors. I think AFS has done a great job and should continue in that direction and bring other countries on the same level. Such seminars should be held at least once a year. Mauritius has made progress in that direction and we look forward to becoming a member of the IPSAS board.

(Mr. Sachidanund Ramparsad, Assistant Accountant-General, Mauritius)

The seminar has been very fruitful. I have learnt on the importance of carrying out some analysis in our financial statements and interpret the results. I also learnt that it is important to have a reliable base of measurement for any item that is reported in the financial statements. I will share the knowledge I have gained with my colleagues to see to it that we improve our presentations. I recommend that this seminar be held on a regular basis and, if possible, that the identified participants be given a chance to suggest topics.

(Ms. Mariana Cosmas Lamosasi, Tanzania)

SADC: A PFM advisor participated in the SADC Macroeconomic Sub-committee meetings to explain the role of AFS in supporting regional integration.

Botswana: AFS provided follow-up support to the Enterprise Development Policy Unit (EDPU) to implement the State-Owned Enterprise (SOE) financial and fiscal risk monitoring toolkit.

Comoros: AFS provided hands-on TA to the authorities to develop the new budget preparation manual.

Lesotho: AFS led two missions to Lesotho during this period. In December AFS provided hands-on support on strengthening the cash forecasting function in the Accountant-General’s Department (AGD). In January AFS provided advice to the AGD on the Integrated Financial Management System (IFMS) migration and transition to a new chart of accounts (CoA).

Madagascar: One AFS resident advisor participated in a donor meeting with the authorities to discuss the 2019-2020 PFM work programme.

Namibia: Two AFS missions, one with FAD, assisted the authorities in building the capacity to identify and analyze fiscal risks.

Seychelles: AFS provided follow-up TA to develop the new Government Accounting Manual.

Zimbabwe: AFS, with FAD, provided advice to the Budget Office and Accountant-General’s Office on strengthening fiscal sustainability through improvements in core budgeting functions and commitment controls.

Tax Administration
By Thabo Letjama

Peer-to-Peer Learning: One officer from Mauritius and two from Zambia participated in a data-matching mission to Zimbabwe. The officers attached to the mission learned about risk analysis techniques and their practical application within the ZIMRA setting. ZIMRA officers also benefited from the skills and knowledge of the officers from their respective home administrations.

Angola: A mission supported the Angolan Revenue Administration to prepare for an effective implementation of VAT by assessing the ability of current IT systems to support a modern VAT regime. The mission recommended improvements to be made to current AGT systems and proposed a methodology and a plan for a successful rollout.

Botswana: To conduct audit and other verification programmes to more effectively ensure accuracy of reporting by taxpayers. A mission was also carried out to strengthen the audit capacity of the Large Taxpayer Unit to audit taxpayers in the financial sector. The assignment ran workshops to train auditors on modern audit techniques for the financial sector and guided them in resolving live issues from ongoing audit cases.

Namibia: AFS resident advisors (Tax and Customs Administration) joined an FAD-led mission fielded to develop a medium-term reform strategy framework for the new revenue agency. The strategic framework provides guidance to the Namibia Revenue Authority (NAMRA) and its board on completing implementation of the revenue agency, leveraging on the new revenue authority as a platform to enhance service and performance, and modernizing customs and tax operations. It also provides guidance on engagement of stakeholders for their support.
South Africa: To make audit and other verification programs of the South African Revenue Service (SARS) to more effectively ensure accuracy of reporting, two missions trained a select number of tax and customs officers on transfer pricing audit. The missions were carried out in Pretoria, Johannesburg, Cape town, and in Durban to cover major offices. The missions also worked to develop an advance price agreement (APA) policy. The APA policy aims to create an understanding upfront on the tax treatment of transactions it covers. This is meant to provide certainty to taxpayers and avoid disputes that could otherwise arise.

Customs Administration
By Philip Wood

A regional seminar on Advance Rulings delivered in partnership with AFE, ATI, COMESA and the East African Community (EAC) allowed participants to learn good practices and share experiences from across the Regions. With support from IMF technical experts, the participants worked collaboratively to develop a series of action plans to reinforce their learning. The event supported a key AFS objective to improve domestic resource mobilization for improved public finances and poverty reduction.

Participant Feedback
Je trouve que tous les thèmes abordés lors de ce séminaire sont tous intéressants. Mais ce que j’ai beaucoup apprécié, c’est le moment de partage des expériences et la façon dont les experts ont corrigé et proposé des solutions techniques compte tenu des expériences déjà vécues par d’autres pays. Je ferai en sorte que les connaissances acquises lors de ce séminaire seront partagées avec les dirigeants et les collègues afin de faire avancer les choses notamment en matière de décisions anticipées. Je conseille à mes collègues de ne pas manquer ce genre d’opportunité car c’est très enrichissant et élargit notre vision des choses pour une meilleure prise de décision. (Mr. Soloniaina, Madagascar)

Comoros: A mission undertaken in partnership with the Legal Department (LEG) assisted the Customs Authority to implement the recommendations following a recent review of the Customs Code. A revised procedures manual was prepared. Moving forward the focus will be on the implementation of the necessary organizational and procedural changes.

Madagascar: In partnership with LEG, a mission assisted the Customs Authority to draft new clauses and regulations for the Customs Code. The new clauses and regulations are required to support the implementation of various regional and international trade agreements. A workshop is planned for later this year to take forward the implementation of the proposals with the relevant technical and legal teams in the Ministry of Finance and the Customs Authority.

Zambia: A mission provided initial assistance in developing Post Clearance Audit (PCA) capacity for the Zambia Revenue Authority (ZRA). A technical workshop was delivered with the aim of improving the capacity of PCA staff to undertake audit work and to support the management of the Authorized Economic Operator (AEO) programme. A step-by-step approach to audit was developed in partnership with the ZRA including detailed procedures, quality control measures and templates.

Zimbabwe: A joint customs and tax data matching assignment was conducted to match data in customs declarations by major importers and exporters with data in their VAT and corporate income tax (CIT) returns in domestic taxes. A further mission focused on building capacity within the Risk Management Unit, with a specific focus on assisting the ZRA to develop new risk profiles. A Risk Management Committee has now been established and a follow-up action plan agreed. This plan includes provision for the establishment of improved arrangements for the collection, analysis, and dissemination of intelligence data. The mission also hosted one officer from Mauritius and two from Zambia to learn from data analysis techniques applied within the Zimbabwean context. The officers also worked with the experts to share their skills and experiences with ZIMRA officers. The aim was to deepen regional harmonization practices through peer-to-peer learning.

Real Sector Statistics
By Achille Pegoue and Donna Grcman

Zambia: AFS and the African Development Bank conducted a mission to assist the Central Statistical Office (CSO) speed up the compilation of the 2017 benchmark estimates of national accounts. The mission started the implementation of relevant changes in the internationally accepted methodology to ensure that the new national accounts estimates can support
international comparisons and discussed the methodology of the upcoming Household Budget Survey and Economic Census. The CSO drafted a National Accounts Rebasing (2018 – 2019) Project Document encompassing all activities planned under the umbrella of the rebasing.

**A Regional seminar on Mainstreaming National Accounts and Balance of Payment Statistics** in collaboration with the IMF’s Balance of Payments Division was aimed at harmonizing the national accounts and balance of payments to release timely, consistent and reliable estimates. The seminar consisted of lectures and workshop sessions covering national accounts concepts overlapping with balance of payments statistics and sharing of country experiences. Some challenges that were underlined included conversion of data from one currency to another and unrecorded trade. The participants agreed that delays in adjustment can imbalance national aggregate and that a schedule to implement major revisions can improve the harmonization.

**National Institute of Statistics of Madagascar (INSTAT) attachment program to Statistics Mauritius.** Two staff members of INSTAT visited Statistics Mauritius to speed up progress to disseminate the re-weighted consumer price index (CPI) and improve the planning to compile a new CPI.

**Lesotho:** The Bureau of Statistics has commenced planning for a rebase of the National Accounts for 2022. They are also improving the correlation between the quarterly and annual national accounts.

**Macroeconomic Training (ICD)**

**Model-Based Monetary Policy Analysis and Forecasting (MPAF) Course:** The jointly (AFS, AFE, AFC, and AFW2) organized course was attended by 35 participants from 18 Sub-Saharan countries’ central banks and was well received with substantial learning gains. All 35 selected participants currently work, directly or indirectly, on monetary policy analysis and forecasting in central banks in Sub-Saharan Africa that are either currently receiving, have received, or credibly expressed an interest in receiving TA and/or customized training (CT) on the development of a model-based forecasting and policy analysis system (FPAS). The course was also aimed to help creating critical mass and expertise on the FPAS in Africa, facilitate peer-to-peer learning, and provide valuable support to the many ongoing TA and CT operations in the Region. **Conversation with Mr. Carlos de Resende, Course Coordinator.**

**AFS SEMINARS AND COURSES**

AFS FY19 plan includes a number of **seminars and courses** —some, jointly with partners such as AFRITAC Central, East, and West 2, COMESA and SADC—to help countries address capacity gaps in core areas. Forthcoming seminars and courses¹ include:

- **Compilation of Export and Import Price Indices**  
  Jointly with AFE/COMESA  
  Venue: Sheraton Hotel, Pretoria, South Africa
- **Macroeconomic Management in Resource-Rich Countries**  
  Jointly with AFC

¹ The venue is AFS, Ebène, Mauritius, unless otherwise stated.
Fintech: Opportunities, Challenges and Risks to the Financial System
Jointly with AFE
Venue: Sheraton Hotel, Pretoria, South Africa

IMF ONLINE COURSES
Forthcoming IMF online courses, available to government officials and, in some cases, to the general public include
- Financial Programming and Policies, Part 2: Program Design (FPP.2x)
  Language: English
- Financial Programming and Policies, Part 1: Macroeconomic Accounts & Analysis (FPP.1x)
  Language: Russian
- Macroeconomic Management in Resource-Rich Countries (MRCx)
  Language: French

AFS TA REPORTS TRANSMITTED TO COUNTRY AUTHORITIES
Members of the AFS Steering Committee can access TA reports from AFS’s secure website. AFS encourages members to register to access confidential TA-related information. The site provides a broad range of information, including TA reports, minutes of all Steering Committee meetings, and forward-looking TA mission plans. To acquire access, please contact Mr. J. Kawal (jkawaljeewan@imf.org) or Mr. D. Chundunsing (DChundungsing@imf.org).

ANNOUNCEMENTS
AFS Steering Committee: The 10th AFS Steering Committee meeting date is rescheduled for March 27-28, 2019 in Angola.

EU supports AFS Phase II: Under the agreement signed in Mauritius, the EU has pledged a grant of Rs 800 million to fund AFS phase II Program. The grant agreement was signed by Her Excellency Ms. Marjaana Sall, Ambassador of the European Union to the Republic of Mauritius and Mr. David Owen, Deputy Director of the IMF’s Africa Department.
(Read More: Press release and Speech of Hon. D. Sesungkur, Minister of Financial Services and Good Governance)

STAFF News
Mr. Jean-Luc Helis, PFM resident advisor, will return to the Fiscal Affairs Department (FAD) of the IMF in March 2019 after serving six years as PFM resident advisor at AFS. AFS team joins to thank him for his tremendous contribution and wishes him well in his future missions at the Headquarters.

Sharing Experience with AFRITAC South
I have worked for AFS for the last eight years – six years as public financial management (PFM) resident advisor and two as a backstopper in IMF Headquarters – and I will leave Mauritius next month to return to the Fiscal Affairs Department (FAD). It has been a tremendous professional and human adventure, and I will miss the beautiful countries I visited and the wonderful people I met. What have been the main positive aspects from this experience?

It has been a learning experience. The diversity of the countries and models (9 Anglophone countries, 2 Lusophone countries and 2 Francophone countries), the different levels of development, with some “champions” but also common challenges, has made this experience fascinating and motivating.

We have developed good relationships with countries and donors. A proactive approach to engagement has been employed including identification of country-specific PFM contacts and priorities, networking in PFM regional seminars, increased use of resident representatives (from IMF and other donors), more frequent use of direct communication channels, more frequent participation in PFM regional and donor coordination forums, and joint missions and projects.

We have been able to maintain a flexible approach to responding to changing demands while focusing progressively on longer-term reforms. The flexible TA response is clearly appreciated by authorities and serves to facilitate useful TA and enhance implementation rates. Moreover, the progressive implementation of the results-based management (RBM framework), in
close collaboration with the authorities and donors, has increased the ability to stick to longer-term reform plans, and therefore to improve the effectiveness and efficiency of PFM TA and reform plans.

**Continued improvement of the quality of TA has also been an important objective.** Key strategies adopted here have been to:

- Make more effective use of experienced LTX/STX resources with more focus on remote LTX supervision;
- Where feasible, strive for continuity of STX inputs by working with a set of staged or linked (by TA objective) missions, with LTXs participating in either the early or later stages of the mission or work program;
- Aligning mission timing to a specific PFM cycle (such as the budget cycle) or fiscal reporting processes. This enables authorities to benefit from the TA and or training whilst undertaking the task;
- Development of pragmatic PFM tools (databases, spreadsheets, scenario analysis) which can support understanding of complex budget/fiscal management processes; and
- Combining TA with workshops and other training-based approaches.

These approaches have improved the quality, implementation rates and timeliness of relevant PFM advice. They have also promoted increased continuity of advice, improved confidence by country authorities in AFS inputs and helped to establish a better mutual understanding of country contexts and engagement, and to reach critical milestones.

**Increased efforts have been made to support regional PFM activities.** This has included both Regional and country-specific seminars. The regional seminars have covered all countries within the region with country-specific seminars being undertaken in some countries on various aspects of PFM reform. More emphasis has been placed on developing regional contacts and coordinating efforts on selected reform areas including (e.g. fiscal risk management, IFMIS, accrual accounting, treasury functions).

**Commitment and ownership from the authorities, challenging political and economic environment and absorptive capacity and skills development remain significant challenges.** Going forward continued effort needs to be made to improve country engagement and to ensure that RBM plans are both realistic yet ambitious and fully owned by country authorities. Challenging political and economic environment should imply reallocation of resources to other outcomes/countries, training/workshops opportunities when in-country missions remain difficult; and a positive response to requests for urgent interventions. On capacity building, AFS should ensure that planned missions are more in line with country capacity and implementation; adopt mentoring and workshop approaches to build capacity; develop synergies between TA and training; and expand peer-learning opportunities.

I would like to thank the countries’ counterparts, the donors’ representatives, the AFS PFM Team, the AFS Coordinator and all my AFS and ATI colleagues for all their support over the last two years and wish them well for the future.

Jean-Luc Helis