**HIGHLIGHTS**

The AFS Steering Committee met in Ebene, Mauritius, on March 31-April 1. It endorsed the work plan for FY17, including greater flexibility for the reallocation of resources during implementation, thereby allowing AFS greater agility and responsiveness for improving execution. The FY17 work program will continue to be integrated with IMF HQ-led TA and will complement development partner initiatives in AFS member countries. [Press release] [Report to the SC]

Peer learning: AFS organised and funded professional attachments and launched the first participation of an AFS country official on an AFS TA mission as an observer (pp. 3, 6). These initiatives strengthen inter-agency coordination and enable agencies to share good regional and national practices, which helps drive reform.

Work program implementation: TA delivery across the topic areas has included, in most cases, short workshops and on-the-job training.

Public financial management: TA focused on budget classification and reporting (Botswana), public investment management (Madagascar), reconciliation of government accounts (Mozambique), integrated financial management system (Namibia), and medium-term budget framework (Seychelles).

Customs and tax administration: TA was provided to further strengthen risk management, especially the capacity of case selection and risk management teams (Lesotho, Namibia, Swaziland, and Zambia), to improve excise duty on betting and gaming, and airtime (Namibia), on organizational reforms (Namibia), and to follow-up on the implementation of recommendations and on TA strategy going forward (Botswana and Zimbabwe).

Financial sector supervision: AFS provided advice on migration to BASEL II and on ICAAP (Lesotho and Seychelles), reviewed implementation of BASEL III and the draft guidelines to be issued to banks (Namibia), reviewed the bank stress testing framework (Swaziland), facilitated the implementation of a bank stress testing framework (Zambia), and advised on the adoption of elements of a macroprudential framework (Angola).

Monetary operations: AFS follow-up TA helped introduce a full core forecasting model (Seychelles), helped make progress on the macroeconomic analysis and forecasting framework (Angola), recalibrated the existing forecasting model (Botswana), reviewed and strengthened analysis and forecasting capacity and further developed the existing forecasting model (Mauritius), advised on the use of business survey data gathered as part of the policy making process (Zambia), and assisted in improving liquidity forecasting (Seychelles). AFS funded TA on financial market infrastructure and payments (Botswana, Mauritius, and Seychelles).

Real sector statistics: AFS TA reviewed the expenditure weights and the consumer price index (Botswana, Lesotho), helped finalize GDP time series (Lesotho, Swaziland, and Zambia), and advised on various methodological issues in the estimation of national accounts variables (Seychelles, Swaziland, and Zimbabwe).
BY TOPIC AREA

Public financial management
By Peter Francis Murphy, Sybi Hida, and Imran Aziz

Regional seminar: In collaboration with the IMF’s Strategy, Policy and Review Department and the World Bank’s Macroeconomic and Fiscal Management Global Practice, AFS held a seminar on debt sustainability analysis (DSA) for low income countries (LICs). The seminar focused on the main principles of debt sustainability and the link to the IMF Debt Limit Policy and the World Bank Non-Concessional Borrowing Policy. Specific attention was given to the practical application of the framework by engaging participants to use the analytical tool and interpret results. Participants discussed the importance of individual country context and macroeconomic and technical challenges they face in using the DSF as a tool for guiding their borrowing decisions. (Press release)

Botswana: AFS assisted the authorities with developing a budget classification format that is consistent with the national development plan structure. This included an analysis of the implications of the new classification for budget documentations and fiscal reporting. The mission held working sessions with technical staff on developing technical tools for budget documentation. A number of technical tools were produced and presented for approval to the management of the finance ministry.

Madagascar: A joint FAD/AFS mission assisted the authorities in strengthening capacity and fiscal institutions related to public investment management (PIM). The mission presented recent FAD analytical work related to the Public Investment Management Assessment (PIMA) tool and methodology and collected the necessary data and documents needed to undertake an assessment. A follow-up mission will take place in August 2016 to validate the conclusions of the assessment, prepare a strategy and action plan for strengthening public investment management, and advise the Ministry of Finance and Budget (MFB) on key public investment management institutions and practices.

Mauritius: AFS held a two-day workshop on strategic issues in PFM reform with finance ministry analysts. The main objective of the workshop was to discuss the recent Public Expenditure and Financial Accountability (PEFA) assessment and enhance the capacity of Ministry of Finance personnel on key elements of PFM reform practice. The AFS advisors presented the latest development of PFM literature, including case studies, and implications for the ongoing economic reforms in Mauritius.

Mozambique: An FAD/AFS mission assisted the authorities with improving the consistency of data between the summary statement of government operations and the central bank data on financing for central government. The mission provided hands-on assistance, and discussed specific options for the authorities on methods to report and reconcile fiscal operations with net credit to government.

Namibia: An AFS mission assisted the authorities to review the government Integrated Financial Management System (IFMS). The mission discussed with the senior staff of the Ministry of Finance the options and strategies available for strengthening the existing IFMS functionality, adopting the GFSM2014 as a basis for the economic classification in the IFMS chart of accounts, and implementing a budget formulation and management module in the IFMS. The mission identified actions for implementing an enhanced ICT based financial systems for budget formulation, execution and fiscal reporting.

Seychelles: An AFS mission assisted the authorities with strengthening medium-term budget framework and oversight of state owned enterprises. The mission worked with finance ministry staff and developed a budget
calendar that brings together different segments of the budget process. The mission held a series of working sessions on expenditure costing methodologies with budget desk officers and financial controllers from ministries and agencies. The mission also developed draft templates for collection and analysis of financial and physical performance of state owned enterprises.

**Zambia:** An AFS mission in February assisted the authorities with strengthening the analytical and budget challenge skills of analysts in the Ministry of Finance. The mission held a working session with the Budget Office analysts to explore current practices and develop necessary toolkits for an effective budget challenge function. The mission also held working sessions with officers in the expenditure branch and with finance personnel in a number of key ministries to strengthen cash flow forecasting and improve cash management.

**Zimbabwe:** A joint FAD/AFS mission assisted the authorities with the prioritization of PFM reform and reviewing the progress in implementing results-based budgeting in three pilot ministries. The mission provided a set of PFM reform initiatives to be implemented within a two-year period as basic prerequisites for more advanced PFM reforms. The mission concluded that the result-based budgeting piloted in three ministries has made a useful start, but further reforms need to be implemented before rolling it out to other ministries.

**Customs administration**
*By Kenneth Head*

**Regional seminar:** AFS conducted a seminar on compliance of indirect taxes and coordinated border management (CBM) which brought together 31 senior customs officials from revenue administrations. International experts shared with participants their knowledge and country experience of implementing CBM. Guest speakers included the Southern African Development Community (SADC), the Mauritius Revenue Authority, and the Mauritius Ministry of Agro-industry and Food Security. There were several presentations including on data matching, trade facilitation and compliance, risk management, post clearance audit, and coordination between customs and tax. Participants shared their experiences on the compliance of indirect taxation, in particular in relation to customs working with other Border Control Agencies in the inspection of cargo, documents and collection of various taxes, duties, fees and service charges. Through peer learning, the seminar promoted the importance of CBM in the region, complemented ongoing regional integration programs, and each country developed a draft national strategy and action plan. ([Press release](#))

**Special regional meeting on Taxation of the Extractives Industry:** The AFS resident advisor participated in a regional African Tax Administration Forum (ATAF) Special Meeting on Taxation of the Extractives Industry on April 11-13 in Johannesburg. The meeting brought together specialists and representatives involved in the industry including ATAF, revenue administrations from the region and internationally, donors, Action Aid, OECD, and the private sector. The meeting aimed at providing an overview of the challenges facing African tax administrations in cross-border exports in the extractive industry. Besides discussing the valuation of exports, regulation and monitoring of operations, collection of taxes and royalties, revenue management and allocation, the meeting benefited from country experiences in the extractive sector. Discussions identified challenges facing tax administrations in collecting revenues and discussed counter measures. A key outcome was a commitment made by ATAF to establish a technical committee comprising representatives from its membership to support administrations in the control and monitoring of the Extractives Industry.

**Peer-to-peer learning:** The Risk Management Section team leader from the customs administration of the Mauritius Revenue Authority (MRA) was attached to the AFS for one week to participate in an AFS TA mission to Lesotho as an observer under the Regional Peer-to-Peer Learning Attachment initiative. The aim of the TA was to provide advice to
the LRA (customs administration) and build on previous TA delivered to the Case Selection Team (CST) and risk management in general, including to set, monitor, evaluate, and refine selectivity criteria set in ASYCUDA to effectively target high risk consignments and produce reports to inform management on risk issues.

The MRA participant provided the CST with some practical examples of how risk management in customs operates in the MRA and shared the challenges faced in embedding the culture of risk management in the organization. The MRA customs officer participated in all the meetings, forums and workshops, facilitated the mission and collaborated with the AFS advisor in formulating the final assignment report.

**Namibia:** AFS provided TA on the risk management function to ensure that the Risk Management Team (RMT) is able to provide operational information products (briefings, alerts, intelligence) to investigation, enforcement units that are able to make use of the information and, in turn, provide feedback and intelligence to the RMT.

**Namibia:** AFS assisted customs administration in the development of policy concerning the imposition of excise duty on betting and gaming and airtime, and construction of operational guidance to control and enforce all aspects of betting and gaming and airtime. The objective was to ensure that the customs administration is aware of effective practices in the administration of taxes on betting and gaming and airtime.

**Swaziland:** AFS assisted in further developing the risk management function, particularly to strengthen the intelligence and investigation functions and to establish sound procedures to ensure that all the enforcement units (e.g. investigation, intelligence, anti-smuggling, post-clearance audit, and risk management) work collaboratively to maximize trade compliance.

**Zambia:** AFS helped build capacity in the Risk Management and Intelligence Unit to further embed risk management practices in to daily customs operations. The assignment followed up on the last AFS mission in November 2015 and assessed progress in accordance with the action plan developed with AFS. The expert also delivered a workshop to address outstanding issues. The objective was to ensure that the Intelligence Team is able to set, monitor, evaluate, and refine selectivity criteria in ASYCUDA to effectively target high risk consignments.

### Tax administration

**By Thabo Letjama**

**Regional:** The AFS resident adviser participated in an ATAF meeting that helped present the Revenue Administration Fiscal Information Tool (RA-FIT) and its benefits to revenue administrations, explore the possibility of ATAF participating in the joint IMF, OECD, CIAT and IOTA International Survey on Revenue Administration (ISORA), and explore areas of cooperation and synergy between ATAF and AFS.

**Botswana:** An FAD-led tax diagnostic mission took stock of progress made and provided advice.

**Namibia:** A mission assisted the authorities to establish a revenue authority that is expected to start operations in 2017/18. The mission worked with the revenue authority establishment team to map out priorities and delivered on outputs agreed with the authorities.

**Zimbabwe:** An AFS/FAD staff visit followed up on the implementation of the 2014 FAD recommendations and agreed on TA priorities. Another assignment provided training on the use of modern computer assisted audit techniques (CAATS) in order to derive intelligence that could be used in enhancing audit effectiveness. The training was evaluated by the authorities as significantly relevant and helpful in enhancing ZIMRA’s capability to conduct effective audits.
Financial sector supervision  
*By Ravi Mohan R.R.*

**Regional seminar:** AFS delivered a seminar on risk-based supervision (RBS) and Pillar 2 of Basel II in February 2016 targeting supervisors from across member countries. The objective of the seminar was to ensure implementation of/improvement in the RBS framework in AFS member countries. The implementation challenges of Pillar 2 of Basel II were discussed in detail including the international experience in this regard. The seminar also set in motion the process towards achieving some degree of regional harmonization in this area. (Press release)

**Angola:** AFS fielded a TA mission to facilitate the adoption of appropriate elements of macroprudential framework and towards improving the contents and coverage of the Financial Stability Framework. The mission identified the components of macroprudential supervision suitable to the country and conducted a series of workshops in related areas.

**Lesotho and Seychelles:** AFS TA missions provided assistance on migrating to Basel II and helped enhance the skills of officials in conducting Internal Capital Adequacy Assessment Framework (ICAAP) review. The mission provided on-the-job training to enhance the skill levels and confidence of supervisors in all critical areas of Basel II.

**Namibia:** An AFS mission reviewed the implementation of Basel III and the draft guidelines proposed to be issued to banks by the Bank of Namibia. The mission advised the authorities on the timelines and priorities for the phased implementation of Basel III. The mission also conducted short duration workshops to help strengthen capacity of the supervisory staff.

**Swaziland:** AFS funded a follow-up mission to review the stress testing practice and framework developed by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). The mission advised on how to improve the design of solvency part of the stress testing framework and examined reporting templates, assumptions, scenarios and calculations.

**Zambia:** AFS fielded a mission to help facilitate the implementation of the stress testing framework and to strengthen the skill set and capacity of the staff for practical application of the stress testing model. The mission familiarized staff with the reporting requirements and the use of stress testing results in the financial stability reports and provided hands-on training with specific focus on scenario selection, developing robust linkages between macroeconomic variables and banking sector statistics, and ensuring data integrity and validity.

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**Monetary policy framework operations**  
*By Carina Selander and Faith Stewart*

**Angola:** AFS funded a follow-up mission to continue developing the medium-term structural model and to further enhance the model structure, refine its calibration, and continue training the experts working with the model.

**Botswana:** AFS funded a mission to follow-up on TA delivered in 2015 and focused on the calibration and design of the forecasting model to better align it with recent macroeconomic stylized facts. Furthermore, the mission helped train staff in using expert judgment in the baseline and alternative scenarios.
Botswana: The AFS adviser joined a multi-topic mission led by the IMF HQ to assess progress achieved in the modernization of the payments system, to enhance capacity for the regulation and supervision of nonbank financial institutions (NBFIs), and to assess TA needs.

Mauritius: An AFS mission worked with staff at the Bank of Mauritius to develop a Forecasting and Policy Analysis System (FPAS), including with recently appointed staff. The mission also reviewed and further developed the core model, especially the policy part, and assisted in developing short-term forecasting for inflation and GDP and reviewed the internal material produced in the forecasting rounds.

Mauritius: AFS funded off site TA by the IMF’s Legal department (LEG) to review the draft national payments system bill. Comments were provided by LEG to the authorities in March 2016.

Seychelles: AFS funded a follow-up mission focusing on inflation forecasting and modeling. The mission coincided with another team working on liquidity management and forecasting. Both missions assisted in introducing an interest rate corridor into the authorities’ monetary policy implementation framework. A full core model was introduced to illustrate its use and the analysis required. The mission on liquidity forecasting and management also provided hands on assistance in forecasting and advised on the implementation of previous recommendations.

Seychelles: The AFS adviser led a mission which familiarized staff with the PFMI assessment methodology, provided advice towards enhancing the oversight policy framework, and inputs on the draft procedures manual prepared by the central bank for executing the tasks and for operationalizing the oversight function.

Zambia: The Bank of Zambia is one of a few banks in the region that is currently conducting its own business survey. Up until 2015, the survey was conducted on a quarterly basis and published in a separate report. AFS funded a mission to assist in developing the use of the data gathered by the business survey, to develop the published report, and to integrate it into the policy process.

Real sector statistics
By Gregory Legoff

Peer-to-peer learning: Two national accountants from the Institut National de la Statistique in Madagascar (INSTAT) visited Statistics Mauritius (SM) during February 2–17, 2016. The professional attachment program assisted in improving methodologies as well as organizational and institutional arrangements at INSTAT. SM is relatively well advanced on these aspects and is in the process of rebasing its national accounts statistics from 2007 to 2013. Detailed methodologies and data sources used for the compilation of national accounts were discussed in the context of the ongoing efforts of INSTAT to update its methodologies and its base year from 1984 to 2007.

Furthermore, the Mauritius Statistics Act was provided and discussed as an example of a possible way forward to assist with the updating of the outdated statistical legislation in Madagascar. The arrangements in place in Mauritius to engage with stakeholders were presented, including the Statistics Board which provides strategic advice for the development of statistics. A memorandum of understanding used in Mauritius was provided as an example to INSTAT where access to administrative data and particularly tax data needs to be improved and formalized.

Regional seminar: A seminar on Export Import Price Index (XMPI) broadened participants’ understanding of the theory and practice of compiling XMPIs. It covered index number theory and its practical implications relating to the choice of index number formulae at lower and higher levels of aggregation. The workshop also covered methods for sampling and collecting data from enterprises/establishments. In addition, there were sessions on methods for handling temporarily and permanently unavailable items, undertaking adjustments to prices for quality changes, including new products, and enterprises/establishments, and chaining and linking indices with updated weighting structures. (Press release)
Cross-regional workshop: The AFS resident adviser participated as resource person in a workshop on harmonization of national accounts organized by AFRITAC West 2. This was in exchange for the AFRITAC West 2 statistics advisor having provided similar training during an AFS seminar in the previous quarter. The workshop was aimed at managers to develop realistic action plans for the production and development of national accounts statistics. It deepened the understanding of specific issues related to the compilation and dissemination of national accounts statistics.

Botswana: An AFS expert reviewed expenditure weights, the consumer price index (CPI) compilation, and the state of play regarding rebasing of the index using results from the core welfare indicator survey (BCWIS) 2009/2010, information from the 2011 Population Census, and other source data.

Lesotho: AFS and HQ staff overlapped with a Government Finance Statistics (GFS) mission and helped finalize the GDP time series. The revised GDP series incorporate data from the Economic Census (2012) and the Household Expenditure Survey (2011). The publication of the data will enhance Lesotho’s compliance with its obligations on the provision of data, including for IMF surveillance purposes.

Lesotho: AFS TA focused on the re-basing of the consumer price index (CPI) and the development of producer price indices (PPIs). The mission reviewed the CPI weights based on the 2010/2011 Household Budget Survey (HBS) and helped in the computation of a revised back-series with a base of March 2010.

Seychelles: An AFS TA mission worked with the National Bureau of Statistics (NBS) to address some methodological issues relating to estimation of household final consumption expenditure from the 2013 household budget survey data and assisted on the indicators to be used for the compilation of quarterly GDP estimates by expenditure.

Swaziland: A TA mission reviewed the draft national accounts estimates for the period 2010–14 and provided training on basic concepts and methodologies used to measure value-added to national accounts compilers, including to the newly recruited staff of the Central Statistics Office (CSO).

Zambia: An AFS mission reviewed the annual GDP time series, made recommendations for improvement, and discussed refinements to the Zambian national accounts.

Zimbabwe: An AFS mission assisted in improving data sources and methodologies used to compile preliminary supply and use tables (SUT), quarterly national accounts (QNA), and the terms of trade indices and provided advice on the development of a roadmap for the development of QNA.

STAFF NEWS

Faith Stewart joined the IMF in February 2016 as a resident advisor in Financial Market Infrastructures and Payments serving two Regional Technical Assistance Centers: AFRITAC South (AFS) and East AFRITAC (AFE). She is based at AFE in Dar es Salaam, Tanzania. For the past 8 years Faith has worked as an international consultant with the IMF and other multilateral institutions, supporting financial market infrastructure development and capacity building initiatives in Africa and Southeast Asia. As a former commercial banker and central banker, she has significant experience in both the policy and operations aspects of financial market and financial sector development. During her tenure at the Bank of Jamaica, she successfully led Jamaica’s national payments system reform agenda, spearheading the implementation of the systems and the supporting legal and institutional framework.
FORTHCOMING AFS SEMINARS AND COURSES

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FORTHCOMING IMF ONLINE COURSES
Available to government officials and, in some cases, to the general public through [www.imf.org/institute-online](http://www.imf.org/institute-online)
Forthcoming courses include:

- **Debt Sustainability Analysis (DSAx)**
  Language: English
  June 1, 2016-July 27, 2016 (8 Weeks); apply online by May 25, 2016

- **Financial Programming and Policies, Part 2: Program Design (FPP.2x)**
  Language: English
  August 31, 2016-October 19, 2016 (7 Weeks); apply online by August 24, 2016

- **Financial Programming and Policies, Part 1: Macroeconomic Accounts & Analysis (FPP.1x)**
  Language: French
  September 14, 2016-October 26, 2016 (6 Weeks); apply online by September 07, 2016

- **Macroeconomic Forecasting (MFx)**
  Language: English
  September 14, 2016-November 9, 2016 (8 Weeks); apply online by September 07, 2016

- **Financial Programming and Policies, Part 1: Macroeconomic Accounts & Analysis (FPP.1x)**
  Language: Russian
  November 2, 2016-December 14, 2016 (6 Weeks); apply online by October 26, 2016

- **Debt Sustainability and Debt Management for Low-Income Countries (DSLx)**
  Language: French
  November 9, 2016-December 7, 2016 (4.2 Weeks); apply online by November 02, 2016