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MAIN HIGHLIGHTS

AFS capacity development (CD) work during the last quarter of FY19 included **technical assistance (TA)** missions to all the 13-member countries, five **regional seminars/customized workshops**, as well as **professional attachments** and **outreach activities** in the region by the center coordinator and resident advisors. The center plans to release the FY19 annual report in June 2019 which will highlight the main achievements and the short- and medium-term priorities.

EXECUTION OF THE FY19 WORK PLAN

Money and Foreign Exchange Market Operations

By Carina Selander



Botswana: A mission worked with the Bank of Botswana (BoB) to develop liquidity forecasting and financial market analysis frameworks. The mission helped refine templates and reports, build databases and models. Databases were complemented with chart-packs for internal analysis and reports. The mission focused on developing financial market analysis for identifying possible pressures on the exchange rate crawl. Specific focus was also on refining the liquidity template and building a model for forecasting currency in circulation.

An off-site mission to develop a macroeconomic database and refining the forecast infrastructure is currently ongoing. The

mission will build raw database and create a Matlab program to manage all transformations of data and produce a complete macro database for outcomes. In addition, the mission will clean all codes and adjust them to the new variable name convention, that the mission is setting up, and prepare a forecast database.

Mauritius: A joint AFS and ATI mission exposed the Bank of Mauritius (BoM) staff to the various monetary policy implementation frameworks and on the transition into an inflation targeting framework. The mission reviewed the current implementation and operating framework and discussed possible options to refine it to make it more effective in steering short-term interest rates. The mission also discussed CD in the areas of monetary policy implementation and FX operations.

Angola: As part of the Forecast Policy Analysis System project, staff from the Banco Nacional de Angola (BNA) visited the Banco Central do Brazil under a one-week professional attachment program focusing on macro models, nowcasting models and tools, forecast process, international forecasts, and monetary policy communication. The visit provided deep insight into an advanced and well-established monetary policy process, and sophisticated models and tools, and knowledge and experience crucial for the BNA to continue to modernize and develop its policy process, models, tools and communication.



Collaboration with East AFRITAC (AFE): The AFS resident advisor contributed to an AFE seminar on monetary policy communication in exchange for the AFE resident advisor participating in a CD mission to Mauritius. Such swaps of services among the regional technical assistance centers help tap existing expertise from within the centers and remain cost effective.





Collaboration with Singapore Training Institute (STI): AFS advisor participated as resource person in an MCM-led seminar

on **‘Asset Classification and Provisioning from Prudential and IFRS Perspectives’** held at the STI.

The seminar enhanced the ability of prudential regulators and bank supervisors/examiners to understand the various issues relating to the implementation of IFRS 9 and familiarized them with the underlying concepts and operational issues of the Expected Credit Loss and equipped them with the tools and techniques for conducting supervision of banks/financial institutions.



Lesotho: A mission assisted in implementing Basel II and select elements of Basel III by building the technical capacity of the staff of the Central Bank of Lesotho. It specifically assessed the process of finalization of draft guidelines for banks covering the three pillars of Basel II.

Mozambique: A mission facilitated the implementation of Pillar 2 of Basel II, assisted strengthening capacity of the supervisory staff, and reviewed the progress on the execution of past recommendations.

Comoros: A mission was fielded to: (i) help staff of the Central Bank of Comoros gain thorough understanding of the risk-based supervision concepts and implementation challenges, and (ii) upgrade the skills of onsite supervisors in conducting examination of banks under a risk-based approach. The mission helped in the process of developing risk profile of the institutions and evolving a risk matrix for the supervisory staff.



Customized Seminar—Mauritius: AFS has created a significant presence in the Mauritius financial landscape through participation in events organized by the Financial Services Commission (FSC), BoM and Ministry of Financial Services and Good Governance (MFSGG) on topical issues thereby boosting outreach and CD. AFS recently

conducted a customized seminar on Risk Based approach to AML/CFT Supervision for all the regulatory/supervisory agencies (BoM, FSC, Financial Intelligence Unit, MOF and MFSGG). The overarching goal was to make the participants aware of the concepts, methodologies and outcomes of money laundering (ML) and financing of terrorism (FT) risks and reinforce the regulatory perspectives evolved in recent times by international agencies, including Financial Action Task Force (FATF) and Basel Committee on Banking Supervision (BCBS). Hon. D. Sesungkur, Minister for Financial Services and Good Governance opened the event. The seminar was an excellent outreach activity and was widely covered by the press and electronic media.

Mauritius: Based on a request from the BoM, AFS resident advisor held a session on ‘IFRS 9 – Implementation Challenges’ for the staff of Banking Supervision Department of the central bank and CEOs of banks operating in Mauritius. The discussions were productive and generated lot of interest among the large audience.





Financial Market Infrastructure and Payments

By Faith Stewart

South Africa: At the request of the South African Reserve Bank, AFS held a national workshop on the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) Principles. The event, a repeat of the 2017 workshop, involved financial regulators, FMI operators, and stock exchanges, and included participants from three neighboring countries (**Botswana, Zimbabwe, and Zambia**). The sessions also gave practical insights into the twin peaks model of financial regulation through a comparative analysis with similar regimes in Australia and the United Kingdom. This topic was timely and relevant as South Africa recently enacted new legislation and is in the process of implementing the new model



A joint AFS/AFE regional seminar on **Emerging Financial Technologies: Balancing Innovation and Regulation** was organized with experts from the Monetary and Capital Market (MCM) Department and Legal Department of the IMF. The event was guided by the Bali Fintech Agenda and exposed the participants to the regulatory, risk and, efficiency implications of fintech developments for the financial sector and examined policy responses of central banks, regulators and supervisors. The Bali Fintech Agenda proposes a framework to help countries harness fintech opportunities to foster financial inclusion and growth, while managing the inherent risks. ([Read More](#))



Feedback

'The seminar was timely and eye opening. I not only learnt from the presenters, but also from my peers. For example, a key takeaway is the need to define a national strategy and implement a formal governance structure to identify, regulate, and monitor Fintech developments.'

Ms. Linda Khumalo, NPS Research and Analyst Officer, National Payment System Department, Central Bank of Eswatini.



Tax Administration

By Thabo Letjama

Regional Harmonization: AFS advisor participated in the SADC Tax Sub-Committee and presented the center's CD program on strengthening capacity of revenue administrations and strengthening harmonization in the region. The presentation was well received, and the Sub-Committee proposed that SADC and AFS run a regional seminar on combating illicit trade and encouraged countries to seek AFS support in evaluating tax incentives.



Angola: A mission trained senior management of the Angola revenue administration (AGT) on strategic management. With guidance of the mission the AGT team developed a strategic plan for the 2020-24 horizon.

Mr. Peter Dostler (left) and Mr. Andre Brandao (second from right and back) during the AGT Strategic Management workshop in Luanda

Botswana: AFS advisor guided the Botswana Unified Revenue Service (BURS) on completing the ISORA for 2018.

Comoros: A mission assisted to bolster capacity of the large taxpayer office within the Comoros tax office (AGID) to audit large taxpayers effectively and enhance accuracy of their reporting. The mission also helped AGID to advance progress on increasing the on-time filing and payment rates by the large taxpayers.

Eswatini: The Swaziland Revenue Authority (SRA) was assisted to complete implementation of a self-assessment during February 2019. The TA helped SRA to develop approaches and plans for completing implementation of self-assessment.

Zimbabwe: A mission assisted the Zimbabwe Revenue Authority (ZIMRA) to identify reform priorities from the Tax Administration Diagnostic Assessment Tool (TADAT) mission carried out in September 2019 and proposed a reform plan. The mission also scoped and developed a project proposal for support of Zimbabwe Revenue Authority (ZIMRA) by the Revenue Mobilization Thematic Fund.



The IMF mission Team and members of ZIMRA Management during the TADAT follow-up mission in Harare

Lesotho: Lesotho Revenue Authority (LRA) enhanced its capacity to analyze data and deduce intelligence to use in managing compliance risk. A mission which started on April 29, 2019 guided the LRA in identifying, analyzing, and cross-checking relevant data from multiple sources and deriving insight to inform current and future compliance management plans and efforts.

Madagascar: The tax office strengthened its capacity to enhance on-time payment of taxes and reduce tax arrears. An AFS assignment assisted to develop approaches and plans for reducing arrears and putting measures in place to prevent debt accumulation. Another mission assisted to further strengthen its audit and verification programs to enhance accuracy of reporting by taxpayers.

Customs Administration

By Philip Wood

Botswana: A mission provided support to strengthen capacity on risk management and intelligence. The mission reviewed the implementation of the compliance risk management strategy and the operation of the risk management committee. Support was also provided to establish a national intelligence function and a central valuation office. The existing customs selectivity criteria was reviewed and updated and standard operating procedures prepared for the development, updating and control of risk profiles.

Comoros: A TA mission help build the capacity of the General Directorate of Customs, Indirect Taxes and Excise to effectively administer and control the excise business. A working group has been established to develop and monitor



a control plan for excisable products. Assistance has also been provided on the drafting of service notes and the formalization of excise controls. An annual risk-based audit plan has been prepared for the control of alcohol, tobacco and petroleum products. Training has also been provided on the use of electronic sensors, gauging techniques and the maintenance of appropriate inventory systems.

Madagascar: Assistance was provided with the development of a new strategic plan. A methodology for the preparation of the plan has been agreed as have procedures for the ongoing monitoring and evaluation, development of a resource plan and provisions for the preparation of annual operational unit plans. Follow-up support to finalize and implement the strategic plan is to be provided in FY20.

Mauritius: A mission helped strengthen the capacity of the Mauritius Revenue Authority (MRA) to apply a risk-based approach to the administration and control of the various excise regimes. A workshop was delivered on the practical application of systems-based audit controls. As an output from this workshop, draft procedures were prepared. Support was also provided with the drafting of revised legislation and supporting regulations. A risk-based annual audit plan was also developed for the excise business.

Namibia: The first in a series of TA missions was completed to support the Directorate of Customs and excise (DCE) to develop the capacity to conduct post clearance audits (PCA) as part of a risk-based approach to compliance management. A workshop was designed and delivered with the aim of improving the capacity of PCA staff to undertake audit work and to support the management of the preferred trader program. Draft standard operating procedures were prepared and are to be used as the basis for an operational procedure manual.

Seychelles: Assistance was provided to the Seychelles Revenue Commission (SRC) to develop and implement a management control and assurance framework. Support was provided with the implementation of the framework and future TA needs identified and a work plan agreed.

Zambia: The Zambia Revenue Authority (ZRA) has developed a Strategic Plan for the period 2019-2021 which includes an ambitious reform and modernization program. An M&E plan has been prepared and arrangements put in place for the regular reporting of progress. A launch program is planned for the Strategic Plan and training on stakeholder engagement is to be delivered to support this process.

Zimbabwe: A review of progress with the implementation of the agreed PCA action plan was completed and TA support was provided on the design of a revised organizational structure and procedures for the development of a risk-based audit program. A revised and augmented operational procedure manual has been developed and customs performance data is now available to inform the development of risk-based audit plans.



Public Financial Management (PFM)

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



Angola: AFS assisted the Ministry of Finance on reviewing the current budget execution practices and recommending changes for strengthening the credibility of the budget.



Angola: A joint FAD/AFS mission assisted to prepare a three-year workplan for strengthening the medium-term fiscal framework and public investment management.

Botswana: AFS provided hands-on support and advice to the Ministry of Finance and Economic Development in implementing recommendations of the Public Finance Management Assessment that was conducted in 2017. Specific focus areas were project appraisal, selection, and implementation capacity.

Comoros: AFS assisted the authorities in assessing the sustainability of the pension system.

Eswatini: A joint Legal (LEG)/AFS mission provided follow-up TA on developing the new Public Finance Management Regulations. The objective of the mission was to assist the authorities to finalize a comprehensive draft of the regulations.

Mauritius: AFS provided follow-up TA in implementing IPSAS accrual-based accounting.

Mauritius: AFS, in collaboration with the Ministry of Finance and Economic Development, designed and delivered a three-day PFM induction course for new analysts. The course was jointly facilitated by senior staff from the Ministry, and AFS PFM Advisors who focused on the international perspective based on IMF's PFM online course.

Mauritius: AFS, in collaboration with the Mauritius Treasury organized a 5-day professional attachment for officials from the Cash Management Unit in the Botswana Office of the Accountant-General. The objective of the attachment was to expose the cash management technical team from Botswana to advanced practices implemented by the Mauritius authorities in cash, debt and liquidity management.

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

Seychelles: AFS fielded a capacity development mission to provide hands-on support and advice with baseline expenditure analysis to support more reliable medium-term budget estimates. The mission assisted the authorities to develop methodologies for analysis of specific line-item expenditures across government for improved economy and efficiency. The mission also helped develop methods for analyzing program-specific expenditure.

Zambia: AFS provided a training to the Ministry of Finance. A team of more than twenty experts from MoF and ZRA worked with the mission team on strengthening and building forecasting methodologies for the main tax revenues. The team developed several forecasting tools--based on country data--for forecasting short and medium-term revenue.



Participant Feedback

The training was essential in assisting newly recruited staff in the Budget Office (BO) as well as the Economic Management Department (EMD) to have hands-on experience in forecasting different tax types, whether newly introduced or existing, and carrying out a detailed analysis of our projected revenues. It also helped to reinforce our already existing forecasting tools with additional forecasting and diagnostic methods that were shared, and which will assist the Ministry of Finance as we formulate our annual, 3-year, and longer-term revenue and expenditure forecasts. The BO already existing close collaboration with the Zambia Revenue Authority (ZRA) forecasting team as well as the EMD is a key to stronger forecasts and this was strongly emphasized during the training. The training was very important to provide us with a better analysis of our tax regime and to evaluate how shifts in tax policy affect the revenue forecasts. It brought together all the already available revenue/macro data from the ZRA and the EMD and summarized in a user-friendly monthly forecasting and reporting tool that can be utilized by all departments. —Ms. Chitalu K. Mulenga, Ministry of Finance, Zambia



Regional Harmonization: Representatives from two AFS countries and one AFS advisor participated in a workshop organized by AFE. The workshop on 'The Use of Macro-Fiscal Forecasting Tools in the Region' provided a platform for 35 officials from ten countries to draw on the experiences of IMF experts and regional counterparts to improve the forecasting frameworks in their home countries.



Real Sector Statistics

By Donna Grzman and Achille Pegoue

Angola: A mission assisted the National Institute of Statistics (INE) with the compilation of new benchmarks for national accounts to update the macroeconomic framework for the formulation of sound policy. The

contemporary benchmarks are 2002 and do not reflect the current structure of the economy. International best practice recommends that GDP be rebased at least every five years. The mission discussed the choice of a normal base year and assisted the INE in improving the compilation of output for government-related industries including the identification of government services in health and education, and the calculation of consumption of fixed capital for general government. The mission and INE met with the Ministry of Finance and the Ministry of Health to discuss the institutional arrangements to collect timely and reliable source data.



Comoros: A mission noted that the National Statistical Institute (INSEED) collected data on private sector activities to improve the reliability of the annual GDP. The mission discussed with the Central Bank of Comoros (BCC) to improve the embedding of balance of payments statistics in national accounts. In this backdrop, the mission helped the INSEED speed up the data processing of the private sector survey and the 2016 preliminary GDP will be revised to reflect the new balance of payments statistics and new indicators to compile the GDP. For further larger revisions,

the 2019 Household Budget Survey (HBS) will be a trigger to rebase the GDP in 2021 and the action plan to compile the rebased GDP was updated accordingly.

Madagascar: A mission helped the National Institute of Statistics of Madagascar (INSTAT) compile the quarterly GDP estimates by production at constant prices from 2008 to 2018. As a result, the INSTAT disseminated for the first time the experimental quarterly GDP in March 2018. The selection process of suitable indicators had started during AFS missions conducted in February and August 2018. The quality of the experimental quarterly GDP was ascertained by the robustness test, which was conclusive though perfectible. The robustness test assesses the prediction error of the annualized quarterly estimates compared to the realized annual estimates. INSTAT will continue to improve the institutional arrangements including timely data collection and link between quarterly indicators and annual GDP estimates.

Eswatini: A mission helped the Central Statistics Office (CSO) start the integration of new balance of payments statistics in national accounts to improve consistency between macroeconomics statistics and further the quality of the budget outlook compiled by the Ministry of Economic Planning and Development. This will lead to the revision of the whole series of GDP from 2011 to 2017. Other improvements to implement include the use of a series of government capital expenditures to compile consumption of fixed capital and a headcount index to measure real changes in the gross value added of the general government in order to reflect its true contribution to economic growth.

Zambia: The Central Statistical Office made progress to prepare the rebasing including documentation and fundraising. The mission focused on changes required to improve the expenditure-base GDP and recommended the preparation of a note on inclusion of the Living Conditions Monitoring Survey (LCMS) in national accounts and improvements needed to reduce the discrepancy between the coming LCMS results and national accounts estimates. The World Bank will likely fund the coming LCMS and the African Development Bank the coming Economic Census –two major surveys useful for the rebasing exercise. The CSO has released its National Accounts Rebasing (2018 – 2019) Project Document encompassing all activities planned under the umbrella of the rebasing.

On 5 March 2019, **Botswana** released its rebased Consumer Price Index estimates.

On 14 March 2019, the **Zimbabwe** National Statistics Agency and the Zimbabwe Revenue Authority signed a Memorandum of Understanding to share data. The Permanent Secretary for the Ministry of Finance and Economic Development stressed that this partnership was extremely important to ensure the best quality data was available for policymakers. He indicated that the Minister of Finance was fully supportive of this initiative. The Commissioner General of ZIMRA stated that sharing information was a lifeblood of an economy.

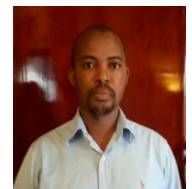


Botswana and South Africa are both rebasing their annual national accounts and are updating methods and data sources during this process. South Africa is also reviewing the seasonal adjustment processes for all its quarterly national accounts as part of the rebasing exercise. **Mozambique, Namibia and Lesotho** are aiming to improve their quarterly national accounts by accessing administrative data. Missions have been providing to all countries during February, March and April to continue to build capacity.

Regional Seminar: A joint AFS/AFE/COMESA seminar on **Export and Import Price Indices** allowed participants from the national statistics offices of 19 African countries strengthen knowledge on price indices concepts and methods in relation to imports and exports, with an emphasis on specific data sources and compilation procedures. The program included interactive sessions on country experiences and price statistics compilation issues and practical exercises.

Feedback from Seminar Participants

My institution is in the process of producing PPI and XMPI. The seminar was very interactive as participants shared experiences in compiling price indices. Topics covered were very helpful and covered from the initial stage up to the last stage of producing PPIs and XMPIs. –**Mr. Dewin Hansende, Statistician, Central Statistical Office, Zambia**





This seminar has come at a time the Central Statistics Office is in the middle of initiating the PPI. It has been an eye opener on how to improve data collection and coordination with the selected establishments. The discussions also covered country experiences We were able to relate some challenges we are facing to those of other countries –**Ms. Nelsiwe Kunene, Assistant Statistician I, Central Statistical Office, Kingdom of Eswatini**

Macroeconomic Training: Course on Macroeconomic Management in Resource-Rich Countries

Participants from 13 countries, mostly from ministries with mining, finance and economy portfolios, attended the course which included discussions on fiscal frameworks, macroeconomic policy coordination, and interactive sessions, including policy debates. Participants worked on three country case studies (Democratic Republic of Congo, Gabon, and Madagascar), and analyzed diversification challenges, fiscal sustainability, and macroeconomic policy coordination against the backdrop of the protracted weakness in commodity prices since 2011.



Qu'avez-vous le plus apprécié dans ce cours ?

- Une bonne dynamique de conférenciers pendant le cours
- La présentation des travaux pratiques
- Le contenu des modules très consistant
- Le partage d'expérience entre les participants d'une part
- Le partage d'expérience entre les participants et les conférenciers d'autre part

Comment le cours profitera-t-il à votre travail ?

- Amélioration de mes tâches quotidiennes grâce aux expertises tirées dans ce cours
- Approfondissements de mes connaissances en terme d'analyse, d'expérience et de bonne interprétation des résultats
- Partage de mes connaissances tirées dans ce cours avec les autres services impliquées.

Mr. Makinidine Hamidouni, Chef de service charge des activités économiques, Union des Comores



AFS SEMINARS AND COURSES

AFS FY20 plan includes a number of seminars and courses —some jointly with partners such as AFRITACs Central, East, and West 2, COMESA, and SADC—to help countries address capacity gaps in core areas. Forthcoming seminars include:

- Macroeconomic Training -Financial Development and Financial Inclusion during June 17-28, 2019
- IFRS 9 -Implementation Issues during August 19-23, 2019
- Monetary Policy Implementation and Market Development during August 26-30, 2019

AFS TA REPORTS TRANSMITTED TO 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 (DChundunsing@imf.org).

