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FY 2015 ANNUAL REPORT

November 2015

AFRITAC South

AFRICA REGIONAL TECHNICAL ASSISTANCE CENTER SOUTH—AFRITAC (AFS)

International Monetary Fund

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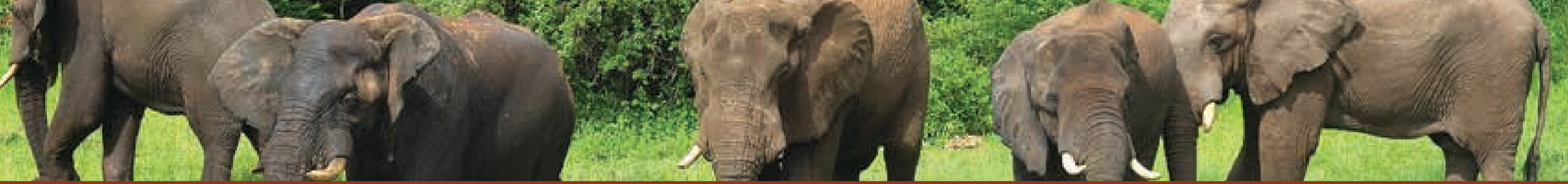


Foreword

Foreword by Mr. Themba Zulu, Chairman of the AFRITAC South Steering Committee

I have the pleasure of highlighting the achievements of AFRITAC South in FY15 and pointing to the road ahead. The year has been marked by the successful conclusion of the mid-term external evaluation. The findings of this first evaluation provided insights into the Center's contribution toward bridging capacity gaps and the importance of sustaining ongoing projects in the region for improving macroeconomic conditions.

The Center continued to help build capacity by delivering technical assistance and training that is relevant, effective, and demand driven. It continued to strengthen collaboration with donors and regional organizations to implement the annual work plan and new initiatives. Just four years after the Center started operations, a number of reforms supported by AFRITAC South technical assistance got underway as shown by the milestones achieved and the progress towards outcomes set out in the results-based management framework.

While political events in some countries and the transition to a new team at the Center posed some challenges, most milestones for the year were either met or are in good progress. Hands-on regional seminars facilitated the expeditious implementation of recommendations and were complemented by more in-country workshops and training aimed at enhancing absorption capacity in member countries.

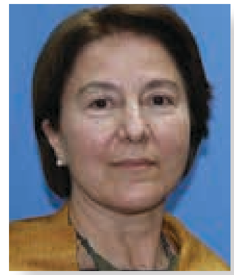
Given the growing demand for the Center's work, there is already a strong need for mobilizing more resources for the second funding cycle. The Center will start preparations for the FY17 work plan shortly and will undertake consultations with all stakeholders. As the first funding cycle comes to a close, expediting the conclusion of pending financial contributions from member countries will help improve planning. We therefore encourage the Steering Committee members to start initiating internal fundraising discussions with their country authorities for the second funding cycle which will start in May 2017.

The Center's FY15 work continued to support regional integration agendas in collaboration with donors and regional organizations, which helped frame the initial plan. Debriefings with development partners by the Center's resident advisors during country visits have improved communication and information sharing. The Center continued to innovate by conducting joint training seminars and workshops for the benefit of a broader audience of officials from across sub-Saharan Africa, including from donor agencies and regional organizations, and has formulated plans to increase collaboration with the other four AFRITACs. New initiatives include the attachment program and the participation of country officials on missions, both of which are now taking off. These will complement ongoing capacity building activities and provide greater opportunities for professionals from the region to be part of the regional team of experts going forward.

I want to thank Steering Committee members for supporting new requests from countries during the year to meet pressing and unforeseen needs. The additional requests accommodated in FY15 remained aligned with the medium-term outcomes and targets set in the results-based framework. The members of the Steering Committee and donors showed strong strategic guidance and continued support in framing the annual work plans, both of which have been instrumental during these initial years of the Center's operations. Also, I would like to thank the staff for their hard work in their efforts towards meeting the Center's objectives.

Lastly, at the helm of AFRITAC South, its founding Coordinator, Vitaliy Kramarenko, did an excellent job in establishing a highly performing and flexible Center that is responsive to its members' priority needs. I wish him well in his new assignment and want to welcome his successor, Effie Psalida, as she takes AFRITAC South to its new and higher growth phase.

Message from the AFRITAC South Coordinator

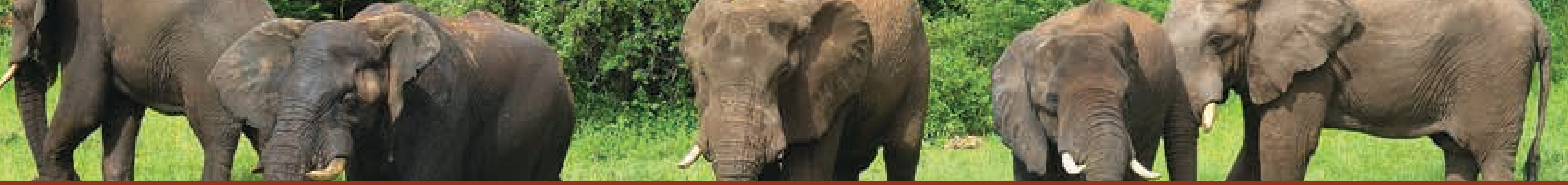


AFRITAC South was established in 2011 to deliver technical assistance (TA) and training that will help thirteen countries in Southern Africa build their capacity in macroeconomic management.[1] Building institutional and human capacity within a country to enable the implementation of more effective policies leading to better outcomes is the key objective of TA and training, which together the IMF calls capacity development and considers as one of its key pillars of activity. AFRITAC South is one of a network of nine regional technical assistance centers (RTACs), five of them in sub-Saharan Africa. This regional approach to capacity development allows for better tailoring of assistance to the needs of the region, closer coordination with other development partners, and an enhanced ability to respond quickly and flexibly to emerging needs.[2]

In its four years of operation, AFRITAC South has expanded TA to its six main areas of operation (box below). Key results achieved in the member countries, with the support of AFRITAC South, include measurable progress in public financial management and revenue administration reforms, implementation of new legal frameworks, and the strengthening of medium-term macro-fiscal frameworks and the compilation of national account statistics. The main text of this report describes achievements and developments in the 2015 fiscal year and summarizes the work plan and expected outcomes for 2016, while Annex IV provides more country specifics in the country notes.

The core areas for the provision of TA identified in the program document remain highly relevant for improving macroeconomic frameworks and growth prospects in the region. Starting with focused diagnostic missions in the initial years and follow-up TA missions on the main topical outcomes, AFRITAC South is now providing more advanced and tailored TA adapted to local circumstances. The experience gained has also allowed the Center to better align TA resources to the needs and priorities of members and to adapt to changing and evolving circumstances.

Improving Macro Frameworks in Southern Africa to Foster Growth and Poverty Reduction					
Budget: $58 million for FY 2011-17					
Bring PFM systems of member countries closer to accepted international practices and standards, build PFM capacities, and promote regional harmonization in this area	Enhance tax and customs administration of member countries and promote regional harmonization and standardization consistent with international best practice to facilitate trade	Achieve higher level of compliance with international standards in the area of financial sector supervision and promote regional harmonization and greater cross-border cooperation among supervisors	Bring member countries closer to compliance with international standards for the compilation of national accounts and price statistics	Improve member contries' framework for monetary policy, strengthen operational instruments, and develop money markets with the objective of enhancing implementation of monetary and exchange rate policies	Strengthen capacity in macroeconomic analysis



Amid challenges outside AFRITAC South control, implementation of annual work plans in recent years has remained broadly on track. The experience gathered in the first four years of operation indicates increasing demand and support for workshops and hands-on training to help with the implementation of TA mission recommendations. In addition, the programs on peer-to-peer learning through attachments and on participation of country officials in TA missions are taking off in FY16 with financial support from the Government of Germany. The success of attachments depends largely on the willingness of members with more advanced systems in place to accommodate officials from the region.

AFRITAC South has expanded its collaboration with regional organizations, including through joint events with other AFRITACs, to provide members the opportunity for wider consultations and extensive peer-to-peer exchanges. Resident advisors and I hold consultations with regional organizations and attend regional fora to better align the Center's annual work plan to regional priorities. With regard to sharing of TA information, we continue to hold consultations and donor debriefings during country visits.

The external mid-term evaluation, which was finalized in June 2015, provides an assessment of the Center's strengths and areas for further improvement. AFRITAC South, in coordination with the African Department; the Institute for Capacity Development; and the relevant TA-delivering Departments of the Fund, has initiated actions toward implementing the recommendations and will report on progress at the next Steering Committee meeting. At that time, we will also propose an implementation timeline for the remaining recommendations. An update on the status of implementation will be provided in the annual reports circulated in November of each year and in the annual work plan, circulated to the Steering Committee each spring.

AFRITAC South and the IMF have also started preparing for the next funding cycle. Fundraising activities and consultations with stakeholders will commence soon. The Center's second funding cycle will begin in May 2017.

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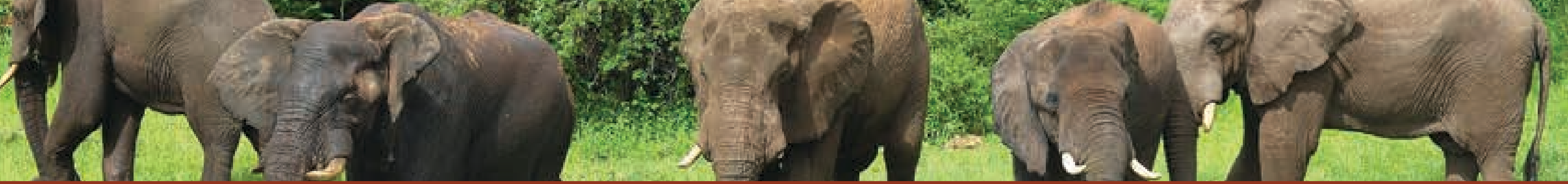
[1] AFRITAC South's program document can be found on its website: www.southafritac.org/about-afritac-south.

[2] The IMF's policies and practices on capacity development are available at: www.imf.org/external/np/pp/eng/2014/082614.pdf. Background on the RTACs can be found at www.imf.org/external/np/exr/facts/afritac.

List of Abbreviations

ACBF	African Capacity Building Foundation
ACP	Africa Caribbean and Pacific
AEO	Authorized Economic Operator
AFS	Africa Regional Technical Assistance Center South
AGID	Administration Générale des Impôts et des Douanes
ASYCUDA	Automated SYstem for CUstoms DAta
ATAF	African Tax Administration Forum
ATI	Africa Training Institute
BCP	Basel Core Principles for Effective Banking Supervision
CABRI	Collaborative African Budget Reform Initiative
CBL	Central Bank of Lesotho
CCBG	Committee of Central Bank Governors
CFS	Consolidated Financial Statement
CIDA	Canadian International Development Agency
CIFA	Country Integrated Fiduciary Assessment
COA	Chart of Accounts
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CPR	Consolidated Prudential Regulations
EAC	East African Community
EC	Economic Census
EIB	European Investment Bank
ESAAG	East and Southern African Association of Accountants General
ESC	External Evaluation Subcommittee
EU	European Union
FAD	IMF Fiscal Affairs Department
FSAP	Financial Sector Assessment Program
FY	Financial Year begins on May 1
GDDS	General Data Dissemination Standard
GFS	Government Finance Statistics
HQ	Headquarters
ICAAP	Internal Capital Adequacy Assessment Process
ICD	IMF Institute for Capacity Development
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
INE	Instituto Nacional de Estatistica (National Institute of Statistics)
IOC	Indian Ocean Commission
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
ITAS	Integrated Tax Administration System
LEG	IMF Legal Department
LTU/LTO	Large Taxpayer Unit/Large Taxpayer Office
MCM	IMF Monetary and Capital Markets Department
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MRA	Mauritius Revenue Authority
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
OBI	Open Budget Index
PBB	Program-Based Budgeting
PCA	Post-Clearance Audit
PeBB	Performance-Based Budgeting
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPI	Producer Price Index
QNA	Quarterly National Accounts
RBM	Results-Based Management
RBS	Risk-Based Supervision
RES	IMF Research Department
RM	Risk Management
RTAC	Regional Technical Assistance Center
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SARB	South African Reserve Bank
SCCC	SADC Sub-Committee on Customs Cooperation
SCBS	Subcommittee on Banking Supervision
SDDS	Special Data Dissemination Standard
SECO	Swiss Economic Cooperation
SNA	System of National Accounts
SOE	State-Owned Enterprise
SRA	Swaziland Revenue Authority
SRC	Seychelles Revenue Commission
SREP	Supervisory Review and Evaluation Process
SSA	Sub-Saharan Africa
ST	Short-Term
STA	IMF Statistics Department
TA	Technical Assistance
TDF	Training and Development Forum
TSA	Treasury Single Account
WB DB	World Bank Doing Business Indicators
WCO	World Customs Organization
WEF	World Economic Forum
WEO	World Economic Outlook



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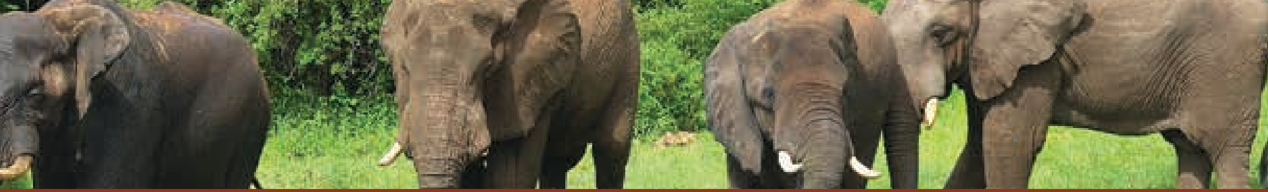


Introduction

This annual report covers fiscal year 2015 (FY15), which is the fourth year of AFRITAC South's operations in developing capacity for macroeconomic and financial management in Southern Africa.[3] The Center started its operations with an envelope of about $40 million and, thanks to the mobilization of additional funds, was able to expand the volume of technical assistance (TA) and training across all core areas identified in the program document. Approximately two-thirds of the Center's work in FY15 was on fiscal issues (public financial management, revenue administration, and macro-fiscal issues) with the remainder split between financial sector work (supervision and monetary policy framework operations) and macroeconomic statistics. The increase in funding and savings realized over time allowed the Steering Committee to endorse the extension of the first budget cycle by one year to include FY17.

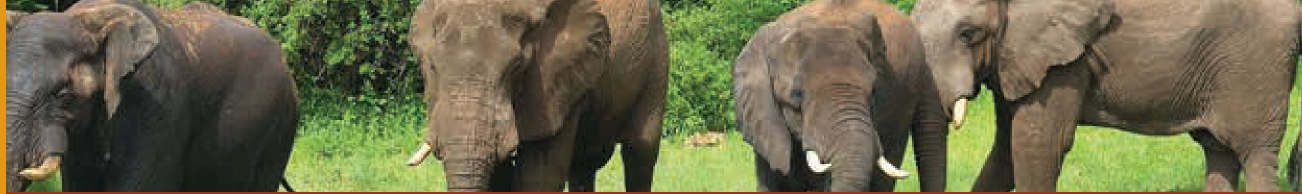
AFRITAC South continued to scale up its activity in FY15, meeting a broader range of capacity developing needs and achieving strong results in terms of milestones met towards the objectives. Overall delivery increased by 6 percent relative to FY14, despite a record number of national elections in seven of the 13 member countries, which slowed implementation, and the transition between experts, especially in the financial sector area. The Center enhanced its cooperation with development partners including regular meetings with donors in member countries and closer ties with regional organizations. AFRITAC South also expanded the modalities of helping build capacity by increasing the number of regional seminars and workshops and resuming peer-to-peer exchanges. An independent external evaluation of the Center's operations, which was completed in June 2015, gave very high overall ratings to the Center's work, while recognizing the long-term nature of capacity building. A post-evaluation implementation plan has been prepared to fast track the execution of the evaluation's recommendations.

As we look ahead, the objectives and operations of the Center are attuned to progress towards the Finance for Development (FfD) priorities in the context of achieving the post-2015 Sustainable Development Goals. Key core objectives under FfD such as domestic resource mobilization, financial inclusion, inclusive growth, increasing efficiency of government expenditures, and data and monitoring, are also at the core of the Center's mandate. FY16 is expected to witness an increase in the volume of TA and training in all its key areas. Revisions in the work plan for FY16 broadly take into account the carry-over of postponed activities from FY15. In the FY16 work plan a number of refinements have been made to the results-based management framework and some milestones have been reviewed. Following the review, some pending milestones were classified as partially met while some others were redefined and split into intermediate milestones to better capture the reform steps involved and progress made in the implementation of TA recommendations.

The report is organized as follows: Section II summarizes AFRITAC South achievements in FY15 and revised plans for FY16. Section III discusses the strong collaboration with partners and progress on peer-to-peer learning. Section IV provides an update on the funding status of the Center and the evolution of expenditures during FY12-16. Section V summarizes the mid-term external evaluation which was completed this year and whose report, together with the joint AFRITAC South/IMF response, has been published. Section VI provides an overview of outcomes and supporting activities by TA area and Section VII concludes.

[3] FY15 refers to May 1, 2014 – April 30, 2015.

Section 2



Overview of FY15 and Plan for FY16

Table 1. AFS: Status of Milestones

	Set for FY15	Set for FY16	Met	Partially Met	Good Progress	Postponed	No Progress	Cancelled
FSS	16	0	10	0	0	3	1	2
PFM	31	11	18	6	11	6	0	1
RSS	25	4	13	0	10	5	0	1
RA – Customs	29	2	15	0	10	4	0	2
RA – Tax	27	1	16	3	2	5	0	2
MPFO	8	0	5	0	1	2	0	0
Grand Total	**136**	**18**	**77**	**9**	**34**	**25**	**1**	**8**

FSS – financial sector supervision; PFM – public financial management; RSS – real sector statistics; RA – Revenue administration; MPFO – monetary policy framework operations.

Source: AFS Staff

AFRITAC South had a productive fourth year in FY15, with strong results. Good progress was achieved on milestones across the member countries in the range of the Center's capacity building areas (Table 1). A select few of the highlights include: (i) in the PFM area, strengthened macro-fiscal frameworks in Angola and Lesotho, a PFM Priority Action Plan and strengthened internal control framework in Madagascar, and implementing a Treasury Single Account in Zambia; (ii) in the financial sector, facilitating a self assessment in Mozambique of the Basel core principles for effective banking supervision, and moving towards strengthening the crisis resolution framework in Mauritius. Seychelles in FY15 joined the Special Data Dissemination Standard, an impressive achievement.

The Center gave particular emphasis to partnering with regional organizations, coordinating with development partners, and exchanging peer experiences. It organized successful regional seminars and workshops involving regional organizations, attended numerous regional fora, and incorporated priorities of regional blocs in its country work plan. During FY16, efforts to increase participation by country officials in AFRITAC South missions and secondments are being stepped up. On regional harmonization, the Center promoted and coordinated training on Macro-Fiscal Analysis and Modeling (MFAM) which was jointly delivered by the Institute for Capacity Development (ICD) and the Africa Training Institute (ATI), and a regional seminar on the frameworks for the management of fiscal risks.

AFRITAC South delivered 431 field person-weeks of TA during the year, 6 percent higher than the volume delivered in FY14, with an overall implementation rate of about 81 percent (Table 2). This increase was achieved despite a number of challenges. Early elections in Lesotho, Mauritius, and Zambia and delays in scheduling missions

Table 2. AFS: TA Delivery in FY12-15 and Work Plan for FY16 by TA Area (Field person-weeks)

	FY12	FY13	FY14	Initial Plan FY15	Actual FY15	Initial Plan FY16	Current Plan FY16
Financial Sector Supervision	6	61	43	62	31	80	80
Public Financial Management	69	142	186	194	166	197	204
Real Sector Statistics	12	36	30	54	56	49	52
Revenue Adm.- Customs	39	39	54	54	59	55	58
Revenue Adm. - Tax	27	42	60	54	61	61	72
Monetary Policy Framework Operations	0	0	33	112	59	130	130
Total	**153**	**319**	**406**	**530**	**431**	**572**	**595**

Source: AFS Staff

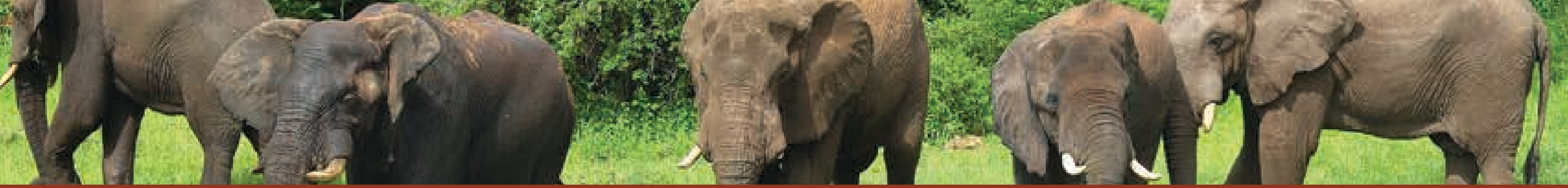


Table 3. AFS: Work Plan for FY15 by Country (Field person-weeks)

	FSS		MPFO		PFM		RSS		Customs		Tax		Total	
	P	A	P	A	P	A	P	A	P	A	P	A	P	A
All countries[1]	8	8	0	6	13	14	6	11	1	2	6	7	34	48
Angola	6	0	18	8	17	22	4	2	4	5	4	5	53	42
Botswana	10	0	3	3	3	9	4	1	10	4	9	3	39	20
Comoros	5	0			12	14	2	2	4	5	3	3	26	24
Lesotho	5	1	2	1	20	11	6	10	3	3	5	7	41	33
Madagascar			0	2	0	20	0	5	0	11	0	12	0	50
Mauritius	5	4	26	20	17	0	2	3	1	2	1	1	52	30
Mozambique	4	2	28	16	5	4	4	4	2	2	2	0	45	28
Namibia	6	8			10	2	5	3	5	4	6	2	32	19
Reserve	5	0	8	0	25	0	5	0	5	0			48	0
Seychelles	2	3	9	0	16	19	4	3	6	6	3	2	40	33
South Africa			0	3	5	3					5	5	10	11
Swaziland	2	0			21	19	4	6	5	5	3	6	35	36
Zambia	4	5	18	0	22	17	6	6	3	2	4	2	57	32
Zimbabwe					8	12	2	0	5	9	3	6	18	27
Grand Total	**62**	**31**	**112**	**59**	**194**	**166**	**54**	**56**	**54**	**59**	**54**	**61**	**530**	**431**

P—Plan A—Actual
[1] Refers to regional activities.

Source: AFS Staff

during the post election period slowed down somewhat TA delivery in these countries. While the effects of elections in other countries (Botswana, Mozambique, Namibia, and South Africa) were to some extent incorporated in the initial plan, postponements were also noted due to delays in finalizing timings of missions. About 60 percent of the postponements in FY15 were in countries where elections were held during that period. In addition, during FY15 the Center saw the departure of resident advisors whose terms expired, which disrupted TA delivery to some extent, mainly in the areas of financial sector supervision and monetary policy framework operations. TA in these two areas was significantly lower due to changes in member countries' TA priorities as well as the transition between advisors.

TA delivery exceeded initial plans in the areas of tax and customs administration and real sector statistics, owing to carry-overs of some activities from FY14 and efficiency gains. The under-implementation in the area of PFM was mainly associated with the political events in some member countries.

By country, TA delivery had good traction in Madagascar, which absorbed almost 12 percent of the resources in FY15 in the first full year that it received TA from AFRITAC South in addressing its broad range of institutional needs (see Annex IV for more country details). These activities were funded from reserves. There was also a significant pick-up in activity in Zimbabwe, in particular, in the areas of PFM and revenue administration as the authorities make progress in implementing their reform program (Table 3). The increase of TA to these two countries follows the AFRITAC South progress made since FY12 in the provision of TA to low-income and lower middle-income countries (Table 4) with almost two thirds of the resources allocated to these two groups.

The revised work plan for FY16 targets an increase in activity for all the core TA areas. In the PFM area, emphasis will be given toward adopting reform strategy and action plans; new PFM Bills; medium-term fiscal frameworks; and cash management and internal control procedures. Revenue administration will focus on improved and cost-effective administration and strengthened compliance as well as more efficient and effective organizational structures. In the financial sector, work will include developing the legal and capital-adequacy frameworks, a macroprudential approach and risk-based supervision, and inflation modeling and forecasting as well as liquidity management. TA in

Table 4. AFS: Allocation of Resources by Income Groups[1] (Field person-weeks)

	FY12	FY13	FY14	Initial Plan FY15	Actual FY15	Current Plan FY16
Low Income	**21**	**58**	**101**	**137**	**129**	**163**
Comoros	9	16	40	26	24	32
Madagascar	0	0	8	48	50	70
Mozambique	5	20	27	45	28	32
Zimbabwe[2]	7	22	26	18	27	29
Lower Middle Income	**48**	**126**	**103**	**133**	**101**	**132**
Lesotho	16	43	31	41	33	48
Swaziland	21	60	32	35	36	36
Zambia	11	23	40	57	32	48
Upper Middle Income	**69**	**107**	**175**	**226**	**154**	**208**
Angola	8	2	20	53	42	42
Botswana	9	20	26	39	20	46
Mauritius	23	19	48	52	30	31
Namibia	14	25	31	32	19	27
Seychelles	14	35	43	40	33	60
South Africa	1	6	7	10	11	2
All countries	**15**	**29**	**27**	**34**	**48**	**51**
Total	**153**	**319**	**406**	**530**	**431**	**553**
Total, excl. All countries	**138**	**291**	**379**	**496**	**383**	**503**
Distribution by Income Groups, in percentage[3]						
Low Income	*15*	*20*	*27*	*28*	*34*	*32*
Lower Middle Income	*35*	*43*	*27*	*27*	*26*	*26*
Upper Middle Income	*50*	*37*	*46*	*46*	*40*	*41*

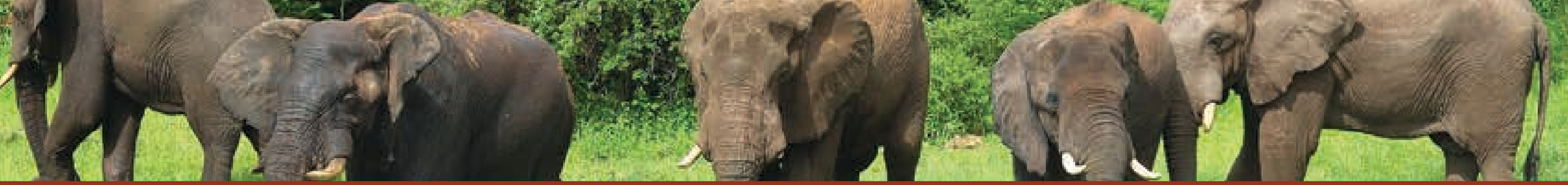
[1] For FY15 Initial Plan, all resources under reserves have been assumed for Madagascar. FY16 (Current Plan) excludes reserves amount to 42 field person-weeks.
[2] FY14 (Actual) including an 8 field person-weeks mission conducted by the Monetary and Capital Markets (MCM) Department.
[3] Excludes resources allocated to "All Countries."

Source: AFS Staff

statistics will include rebasing GDP and CPI time series, enhancing the compilation of national account statistics, and more advanced support to SDDS countries (like Mauritius and Seychelles).

An increase of about 38 percent in activity is expected to be invested toward the achievement of the milestones noted above. The revised plan takes into account activities carried forward from FY15 as well as new activities endorsed by the Steering Committee through amendments. In the area of monetary policy framework operations, the plan has also been updated following the HQ-led diagnostic mission conducted during the first quarter of FY16. Also, the revised work program incorporates resident advisors' time used to execute the implementation of attachments and country officials' participation in AFRITAC South missions, which is an innovation in peer learning.

The FY16 plan provides for more multi-mission projects with an increasing emphasis on hands-on training and coaching. TA activities in the area of real sector statistics is projected to decline somewhat because of the base effects of the carry-over of activities from FY14 to FY15 and the expiration of the one-year assignment for the second resident advisor. At the same time, with the completion of the resident advisor recruitments, activities in the areas of monetary policy framework operations and financial sector supervision are projected to increase. Many of these activities are carried over from FY15. At the start of the year, 10 percent of resources across all sectors were allocated to reserves to accommodate emerging priorities



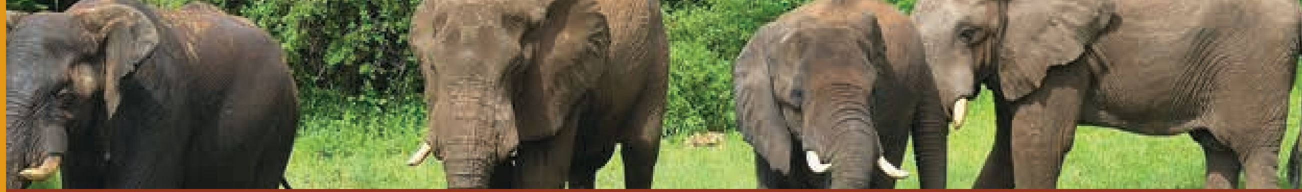
during the year. To date, some of the resources have been reallocated to different activities across countries to meet new demands. In the area of monetary policy framework operations the likely savings have been reinstated in reserves to cater for unforeseen demands.

Based on the revised FY16 plans the share of resources to the low-income and lower middle-income countries will increase to 59 percent (Table 4). This increase is primarily driven by a strong momentum for TA and training in Madagascar. It is also expected that activities will increase in Lesotho and Zambia following eventual political stabilization. Among upper middle-income countries, there is expected to be a pick-up in activities in Seychelles, mainly in the area of the monetary policy framework. Annex IV contains country notes that provide detailed information on achievements, objectives, and challenges for TA delivered by AFRITAC South, as well as the collaboration with other TA providers.

Out of 136 milestones set for FY15 and 18 set for FY16, 77 milestones were met, 9 were partially met, and 34 were in good progress as at end April 2015 (Table 1). Progress on milestones broadly reflects progress towards meeting the medium-term verifiable indicators set out in the RBM framework.

The nine milestones (6 PFM and 3 Tax Administration) classified as partially met reflect assessment done in July 2015 based on information available. These milestones have either been dropped or were redefined. Annex VII provides additional details on these milestones.

Section 3



Collaboration with Development Partners and Peer-to-Peer Learning

Steering Committee and Donors

Over time, AFRITAC South has improved considerably communication with the Steering Committee and donors. As from FY15, TA-related information, including TA reports and mission plans, is disseminated on a regular basis through the Center's secure website. All country representatives have also been requested to register to access the available information. Advanced mission notifications and post-mission debriefings by resident advisors provide another important channel through which AFRITAC South coordinates with donors on capacity development delivery.

The Africa Training Institute and Other AFRITACs

The administrative arrangement between AFS and ATI continues to support cost savings through the sharing of facilities and experts for courses and seminars, which helps to better integrate TA and training. In FY15, ATI supported the TA of AFS and other RTACS. Joint events included bilateral customized training, peer-to-peer learning, a discussion of reform priorities in small middle-income states in sub-Saharan Africa, as well as advanced training on modeling and forecasting, and on capital flows (Box 1). At the institutional level, both ATI and

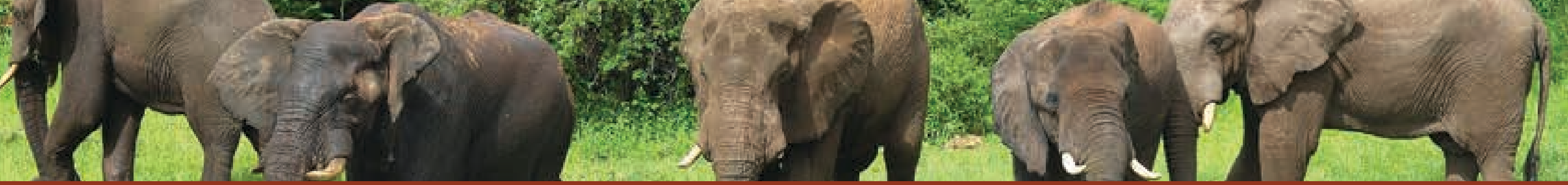
Box 1. ATI works with AFRITACs to help build capacity

Jointly with AFS, AFRITAC East, AFRITAC West 2, and the IMF's Research Department, ATI organized a peer-to-peer conference on Forecasting Frameworks for Forward-looking Monetary Policy. The principal idea was to bring together central bank experts from countries with ongoing TA projects on the modernization of their monetary policy frameworks.

ATI staff also joined the AFS resident advisor in an AFS-organized workshop on "Risk-based supervision related to Basel II and Basel III" and provided relevant training.

Among bilateral activities, it is worth noting that in cooperation with the SARB Academy the ATI provided advanced training in macroeconomic modeling and forecasting to SARB staff, and ATI staff joined AFS-supported TA missions on macroeconomic and inflation forecasting to the Bank of Mauritius and the Central Bank of Seychelles.

[4] The AFS Coordinator and resident advisors visited the Southern African Development Community (SADC) Secretariat, the SADC Training Forum, the Secretariat of the SADC Committee of Central Bank Governors, the South African Reserve Bank (SARB) Academy, the Collaborative Budget Reform Initiative (CABRI), the New Partnership for Africa (NEPAD), the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI), the Africa Capacity Building Foundation (ACBF), and the Secretariat of the Southern African Customs Union (SACU). AFS advisors also attended regional fora under the aegis of the World Customs Organization (WCO), United Nations Commission for Africa, and the African Union Commission.



Box 2. Regional Harmonization

Promoting regional harmonization through greater cross-border collaboration between supervisors continues to be one of the critical objectives of the financial sector supervision work of AFS. Toward this objective, AFS—in collaboration with the IMF's Legal Department—organized a seminar in July 2015 on "Promoting financial stability through stronger legal and institutional Frameworks." The seminar was the first for the Southern African Development Community (SADC) group of countries. SADC member states have been working on harmonizing certain financial sector legislation, more recently in banking where a model banking law is being formulated. Indeed the seminar was in response to a request to AFS from the SADC Governors' Forum to help build capacity for the design of modern laws in financial regulation, supervision, and crisis resolution management frameworks.

Fifteen countries were represented at the seminar, with the participation of 32 mid-to-senior level legal, regulatory, supervisory, and policy staff from central banks, bank supervisory agencies, and finance ministries. The broad range of topics covered included key legal issues in designing regulatory, supervisory, and resolution frameworks, and legal and institutional issues considerations in designing macroprudential and crisis management frameworks. The role of the IMF in designing financial sector legal reforms was also covered. The issues surrounding the design of legal frameworks in these areas in the context of regional monetary unions was of particular significance, given the number of African monetary unions or near unions and the role of foreign banks in Africa, whose home countries are in other monetary unions.

Feedback from the seminar suggests that the knowledge acquired by participants was very valuable in terms of concrete capacity building. Already, there are indications that some of the represented countries, including Botswana, Lesotho, Swaziland, and Zimbabwe, are interested in the design of legal frameworks for bank supervision, resolution, and crisis management. TA in this area is also anticipated for Mauritius and South Africa, and all these will facilitate better regional integration and will promote financial stability in the region.

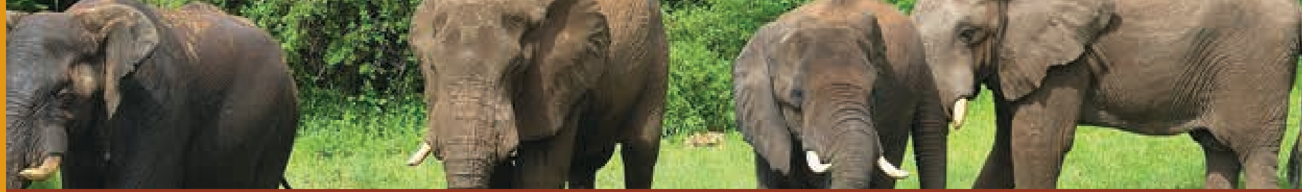
AFRITAC South have been collaborating on curriculum development, course planning and delivery, and on the selection of participants for select ATI courses, which also contributes toward cost savings. Based on these achievements, the most recent SC committee meetings of both AFS and ATI endorsed the joint management of the Center and the Institute on a permanent basis. The arrangement is conditional to the co-location of ATI and AFRITAC South.

Regional Organizations

AFS continued to collaborate with regional organizations to help promote regional harmonization. The AFS Coordinator and resident advisors met with numerous regional organizations, as a result of which the AFS work program was attuned to regional priorities.[4] AFS co-organized joint events, such as with the SARB Academy and the Secretariat of the SADC Committee of Central Bank Governors, and organized a week-long seminar with SADC members promoting regional harmonization through greater cross-border collaboration in financial supervision (Box 2). Participation by regional organizations in AFS seminars was agreed (e.g., MEFMI, the Secretariat of the SADC Committee of Central Bank Governors). AFS also continues to help advance regional harmonization by focusing on the realization of the regional priorities in terms of compliance with international standards and codes at the level of individual AFS countries.

In FY16 visits are planned to the SADC, SACU, and the Common Market for Eastern and Southern Africa (COMESA) Secretariats, as well as to CABRI and the African Tax Administration Forum (ATAF). AFS will work closely with regional organizations in FY16 and beyond to support regional harmonization and integration objectives.

Section 4



Fundraising and Budget

As at end August 2015, pledges amounted to about $58 million, including the IMF's contribution of about $4 million (Table 5). This reflects strong financial support from the European Union (EU-African, Caribbean, and Pacific (ACP) region funds; EU-COMESA and EU-SADC regional funds) and the United Kingdom; as well as the host country, Mauritius, with additional funding provided by Canada, Switzerland, Germany, Australia, the African Development Bank, the European Investment Bank (EIB), and Brazil. Recipient countries, including

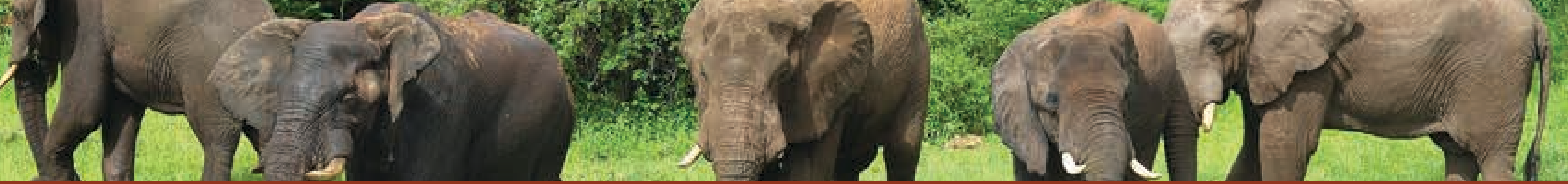
Table 5. AFS: Funding of Phase I, FY2012-17

Phase I Fundraising Status (In millions of $)

Donors	Pledged[1]	Signed Agreements	Cash Received[2]	Date Signed
AfDB	1.50	1.50	1.50	11-Sep
Australia	2.00	2.00	2.00	11-May
Brazil	0.20	0.20	0.20	10-Jan
Canada	3.12	3.12	3.12	12-Mar
DFID	11.05	11.05	9.47	11-Mar
EIB	1.02	1.02	1.02	11-Apr
EU (ACP)	5.57	5.57	4.17	13-Dec
EU (COMESA)[3]	9.82	9.82	9.82	11-Oct
EU (SADC)[3]	6.56	6.56	6.56	13-Jul
Germany	2.62	2.62	2.62	Nov-12 & Dec-14
Mauritius (Host Country)	4.95	4.95	4.60	11-Mar
Switzerland	3.00	3.00	3.00	11-May
Subtotal - Donors	**51.39**	**51.39**	**48.08**	
Beneficiaries				
Botswana	0.25	0.25	0.25	12-Jan
Lesotho	0.25	0.25	0.20	14-Feb
Namibia	0.25	0.25	0.20	12-Feb
Seychelles	0.25	0.25	0.25	11-Oct
South Africa	0.25	0.25	0.19	12-Sep
Swaziland	0.25	0.25	0.20	13-Mar
Zambia	0.25	0.25	-	14-May
Zimbabwe	0.25	0.25	0.20	11-Dec
Angola	0.25	-	-	
Comoros	0.25	-	-	
Mozambique	0.25	-	-	
Subtotal - Beneficiaries	2.75	2	1.49	
Grand Total[4]	**54.14**	**53.39**	**49.57**	

[1] *Signed agreements plus other pledges.*
[2] *Receipts to date converted to US$ at the exchange rate at the time of the exchange.*
[3] *This includes disbursement of the final tranche.*
[4] *This table excludes IMF contribution of US$4.24 million.*

Source: Institute for Capacity Development, Aug 26, 2015



Botswana, Lesotho, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe, also made financial contributions. This is a signal of the value that members place on AFS services. AFS staff continues to discuss financial contributions with the AFS members that have not yet signed contribution agreements. With the nearing closure of the first funding cycle, if the remaining members finalize their contribution agreements with the IMF as well as disburse their committed contributions towards the AFS budget, it would help improve planning and secure implementation of the work plan for FY17. With a view to the second program phase anticipated to begin in May 2017, the financial contribution by member countries would provide a strong sense of beneficiary country ownership and commitment to the donor community.

AFS and IMF staff has already initiated preparations for fundraising for the second funding cycle (FY18–22). The process will involve extensive consultations with stakeholder consultations and will help avoid potential disruptions between the funding cycles. As part of the IMF's broader efforts of engagement with donors, IMF headquarters staff has started outreach to donors on such strategic issues as capacity development governance, the RBM framework, and evaluations. AFS staff maintains a dialogue with current and potential donors in the region. All members of the Steering Committee are encouraged to support AFS by initiating internal fundraising discussions with their country authorities and organizations at an early stage based on the assessments and ratings of the external evaluation.

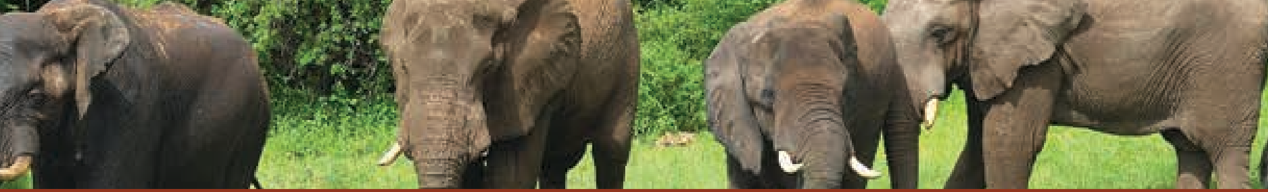
AFS expenses in FY15 amounted to $9.6 million compared to an initial forecast of $10.3 million. This is in line with the volume of TA delivered during the year. The under-spending is explained by savings realized at the level of Center management and office expenses/communication, through efficiency gains, and a delay in hiring one resident advisor. Part of the savings will be re-allocated to TA during FY16–17 and part to a contingency fund. This fund could be used to fine-tune the re-allocation by TA area during the remainder of the first cycle. Expenses for FY16 are now projected at $12.8 million, reflecting a further increase in TA delivery, full staffing of the Center, and an increase in seminars, workshops, and short-term expert hiring (Table 6).

Table 6. AFS Operations and Financing, FY2012-16

Expenditure	Budget 6 years[1] US$ Million	Actual Expenses FY12[2] US$ Million	Actual Expenses FY13[2] US$ Million	Actual Expenses FY14 US$ Million	Actual Expenses FY15 US$ Million	FY16 Budget US$ Million
Field TA providers	**32.4**	**2.1**	**3.7**	**5.7**	**5.8**	**7.5**
Long-term advisors	11.9	1.2	1.8	2.1	2.2	2.3
Short-term experts	18.4	0.8	1.9	3.2	3.1	4.7
Diagnostic (IMF/HQ)	2.1	0.1	0.1	0.4	0.4	0.5
Seminars and Training	**5.2**	**0.2**	**0.7**	**1.1**	**0.6**	**1.3**
Travel	**4.7**	**0.4**	**0.6**	**0.8**	**0.8**	**1.1**
Regional travel	2.5	0.3	0.4	0.4	0.5	0.5
IMF staff travel	2.2	0.1	0.2	0.5	0.4	0.6
Other[3]	**2.1**	**0.2**	**0.3**	**0.5**	**0.3**	**0.5**
Evaluation	**0.2**	**0.0**	**0.0**	**0.0**	**0.2**	**0.0**
Other cost of delivery	**2.2**	**0.2**	**0.3**	**0.4**	**0.4**	**0.4**
Backstopping	1.8	0.1	0.2	0.4	0.4	0.3
Project management	0.5	0.1	0.1	0.1	0.1	0.1
Center Management	**2.3**	**0.2**	**0.2**	**0.7**	**0.3**	**0.4**
Subtotal	**49.2**	**3.2**	**5.8**	**9.3**	**8.6**	**11.3**
Trust Fund Magt. Fee	**3.4**	**0.2**	**0.4**	**0.6**	**0.6**	**0.8**
Total externally-funded cost	**52.6**	**3.4**	**6.2**	**9.9**	**9.2**	**12.0**
IMF-funded cost[4]	4.2	0.7	0.5	0.5	0.4	0.8
Total cost	**56.8**	**4.1**	**6.7**	**10.5**	**9.6**	**12.8**

[1] *Scaled-up 6-year budget.*
[2] *Actual expenses corrected for errors in FY2012 and FY2013.*
[3] *Unused contingency under this item will be used for the extension of AFS' current cycle.*
[4] *IMF-funded costs include start-up and office coordination costs.*

Source: Institute for Capacity Development, Aug 26, 2015

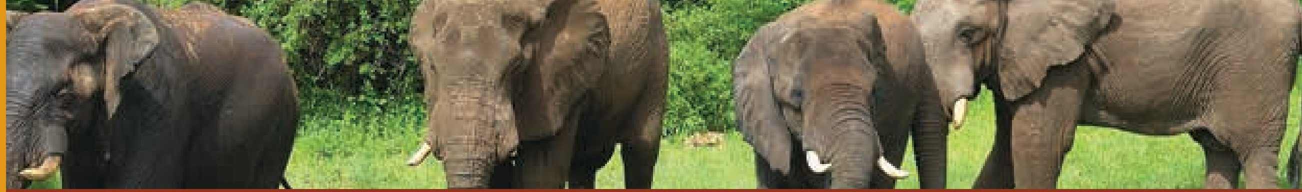


External Evaluation

The first AFS mid-term external evaluation covering the period June 2011 to April 2014 was completed in June 2015. The evaluation assessed the relevance, efficiency, effectiveness and sustainability of AFS TA, taking into account the long-term nature of capacity building. The ratings of the AFS program's relevance and of the quality of reports and workshops have been rated 'excellent'. Strong management and robust systems and processes have helped to achieve good ratings on efficiency. Ten general recommendations and 13 sector-specific recommendations (4 PFM, 1 tax administration, 3 customs administration, 2 financial sector supervision, and 3 real sector statistics) have been made. The report and the joint response of the IMF and the AFS are available at http://www.southafritac.org/category/annual-reports/.

An implementation plan has been prepared to fast track execution of the recommendations. By October 2015, action had been initiated on many recommendations whose status will be reported and proposed implementation timing discussed at the next Steering Committee meeting. In coordination with the African Department and the relevant TA-delivering departments of the IMF an update on status of implementation will also be provided in the AFS annual reports circulated in November of each year and in the annual work plan, which is circulated to the Steering Committee in April of each year.

Section 6



Overview of Main Outcomes and Supporting Activities by TA Area

Public Financial Management

Achievements and progress on milestones in FY15

The AFS's overall objective in the area of public financial management (PFM) is to bring PFM systems of member countries closer to accepted international practices and standards, build PFM capacities, and promote regional harmonization. To achieve this AFS has continued to support member countries to strengthen PFM outcomes related to budget credibility, financial accountability and transparency as highlighted in Box 3.

AFS medium-term PFM aggregate outcome indicators are based on the Public Expenditure and Financial Accountability (PEFA) measures of achievement. Based on these AFS has identified a set of specific indicators and associated milestones. Overall progress to date against these milestones (Table 7) has generally been good. As at end-April 2015, of the 31 milestones set for FY15 and 11 set for FY16, 18 were met, 6 were partially met, there was good progress on 11, and 1 was cancelled (the diagnostic mission on PFM systems to Swaziland was cancelled and replaced by activities on accounting and fiscal reporting). In total, about 83 percent of the milestones were either met, partially met or in good progress.

Achievements in FY15 include the following: Good progress on milestones has been noted in particular for Angola and Lesotho (strengthening macro fiscal frameworks), Comoros (adoption of an agreement on TSA), Madagascar (adoption of a PFM Priority Action Plan, and strengthening of the internal control framework), Seychelles (strengthening macro-fiscal framework, establishment of a structured cash flow planning and management system, development of a new internal audit institutional framework, and implementation of cash basis IPSAS), and Zambia (Implementation of cash basis IPSAS and implementation of the Treasury Single Account-TSA). On regional harmonization, AFS promoted and coordinated training on Macro-Fiscal Analysis and Modeling (MFAM) which was jointly delivered by the Institute for Capacity Development (ICD) and the Africa Training Institute (ATI), and a regional seminar on the frameworks for the management of fiscal risks.

Cumulative progress on verifiable indicators

Evidence of progress made against outcomes as shown in Annex V includes:

- **PFM Reform Strategies and Action Plans:** Seven AFS countries have now approved or updated a PFM strategy and an action plan with AFS assistance. A new draft PFM reform

Box 3. PFM Reform in Mozambique

Mozambique, one of the poorest countries in Africa, has the potential, due to recently discovered natural resources, to transform its economy over the next 10 years. This transition however brings with it significant fiscal programming and PFM challenges as identified in a 2014 Fiscal Transparency Evaluation (FTE).

Based on the FTE action plan, AFS has responded by supporting the development of capacity to strengthen public investment management and to undertake fiscal risk analysis. With AFS support, the Ministry of Economy and Finance has developed an Integrated Public Investment Plan (IPII), approved by Cabinet in 2014, and a draft Fiscal Risk Statement (FRS) that will be finalized and annexed as part of the 2016 budget: two key achievements.

The alignment of public investment plans with strategic goals that are informed by fiscal constraints and risks (two important AFS milestones) will help facilitate the production of a more credible budget framework over the medium term (a targeted outcome). AFS has played an important role in supporting effective implementation of PFM diagnostic recommendations, which is particularly encouraging in a country with an already crowded PFM TA environment.

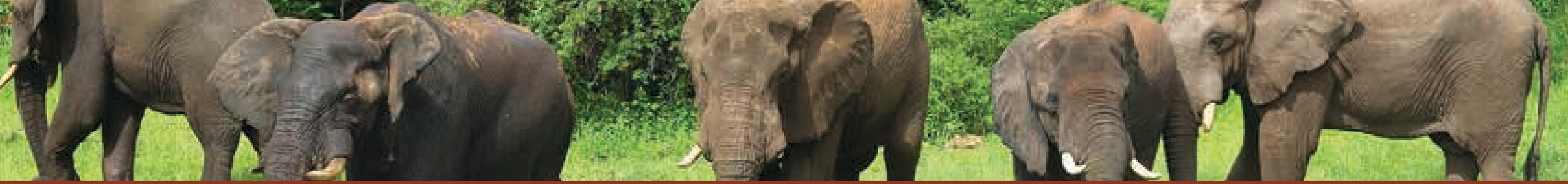
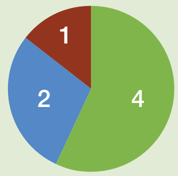
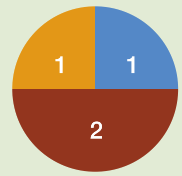
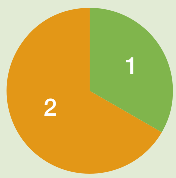
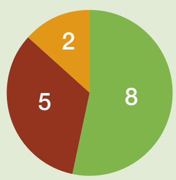
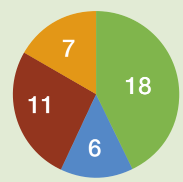


Table 7. PFM: Summary Status of Milestones by Outcome, FY15

Medium-Term Outcome in the Log Frame			
Comprehensive, timely and accurate accounting and financial reporting		More effective commitment, cash and expenditure management	
Greater regional harmonization		PFM Legal and regulatory frameworks updated	
Improved internal control procedures		PFM reform strategy and action plans developed	
Medium-term macro-fiscal and budget frameworks implemented		Grand Total	

Legend:	
Green	Met
Blue	Partially Met
Dark red	Good Progress
Orange	Postponed, No Progress, or Cancelled

Source: AFS Staff

action plan developed with AFS assistance in Zimbabwe is awaiting approval and adoption by the authorities. Botswana, Mozambique, Namibia, and Seychelles have all also adopted specific AFS/FAD recommendations although further work is required for them to be incorporated into a comprehensive PFM reform strategy.

- ***PFM legal and regulatory frameworks:*** Three countries have updated frameworks and five countries are in the process of having them updated but not yet adopted. Lesotho and Zambia are two countries where AFS has assisted the development of reform strategies that have been utilized to successfully strengthen internal arrangements for co-ordination of PFM TA and to mobilize external support for PFM reform.
- ***Predictability in the availability of funds for commitment of expenditures:*** AFS has supported seven countries to improve cash management processes and tools. These tools are being used to support the progressive rationalization of bank accounts, consolidation of cash (in a TSA) and improved cash flow forecasting. This is expected to provide a basis for more effective liquidity management in future years.
- ***Improved Internal control:*** Progress has been achieved in six countries. Main topics concern the limitation and tracking of expenditure arrears, payroll and non-salary expenditure controls, and improved internal audit.

- ***Macro-fiscal and Budget Frameworks:*** There has been good progress on improving budget frameworks in the thirteen countries. Assistance has been provided in particular in the following areas: medium-term fiscal framework; management of fiscal risks, including those related to state owned enterprises (SOEs); investment planning; program based budgeting; grant-in-aid formula for local authorities; and capacity building for budget directorates and parliamentary budget offices. Zimbabwe is a low-income country with clear evidence of progress on fiscal transparency. The Open Budget Index for 2015 has increased to 35 percent compared with 20 percent in 2012. AFS has supported authorities to improve their macro-fiscal forecasting and analysis and their fiscal reporting, which has helped to improve the comprehensiveness of budget documents and the publication of the mid-year budget review report.
- ***Improved fiscal reporting and accountability.*** With AFS support strong progress has been achieved in one country. Reforms have also been started in five other countries (Botswana, Mauritius, Swaziland, Zambia, and Zimbabwe). However given capacity and other accountability challenges it is expected that this objective will need further substantial input over the medium term.
- ***Implementation of capacity building and study activities.*** AFS organized successful regional seminars and workshops involving regional organizations, attended numerous regional fora, and incorporated priorities of regional blocs in its country work plan. In FY16, efforts are being stepped up to increase secondments or participation by country officials in AFS missions.

In terms of impact, AFS TA delivery over the last four years has facilitated significant improvements in PFM outcomes in the region particularly in relation to developing the PFM supply infrastructure. Given however the relatively low PFM base much still remains to be done to improve budget credibility, accountability, and transparency. It is also apparent that an increased focus is needed on strengthening the demand for PFM outputs among key decision makers, oversight agencies, and civil society. Although impact in terms of measurable long-term outcomes will take time—as is expected in capacity building work—intermediate milestones are carefully formulated to track progress.

Execution of FY15 work plan

Implementation (166 field person-weeks) in the area of PFM was somewhat lower than the initial plan (194 field person-weeks). The underutilization of resources (Table 8.) has been registered mainly on Lesotho, Mauritius, and Namibia:

- Some AFS TA activities planned on PFM reform strategy, cash management and banking arrangements, and medium-term fiscal framework to Lesotho were postponed due to domestic political events.
- At the request of the Government of Mauritius, the planned AFS missions on PFM legal and regulatory framework, grant-in-aid formula, and management of fiscal risks emanating from SOEs were postponed. This was largely due to the election cycle which resulted in a new Government elected in December 2014.
- The regional seminar on the fiscal frameworks and PFM systems for the management of natural resource wealth originally to take place in Namibia was postponed to accommodate the IMF-WB Annual Meetings and some countries' budget preparation cycles.

The unutilized resources were carried forward to FY16.

Work plan and expected outcomes for FY16

Total resources for PFM activities are now expected to increase by about 23 percent from FY15 execution. Part of the increase is explained by the carry-overs from FY15. However, the FY16 plan provides for scaling down on new projects to focus more on existing projects and assisting countries to achieve pending milestones. In this context, Botswana, Madagascar, Namibia, Zambia, and Zimbabwe should remain important beneficiaries of AFS TA. Also, a slight increase of resources to Lesotho is expected to help the authorities implement activities postponed in FY15.

Some decrease of allocations is expected for Comoros, Seychelles and Swaziland, where milestones have been achieved in certain areas (TSA, fiscal reporting, and legislative reforms, respectively). TA delivery in Mozambique and South Africa will also remain limited because, respectively, of significant TA provided by other donors in the area of PFM and unplanned requests during the fiscal year on specific issues. The reserve will continue to provide some flexibility.

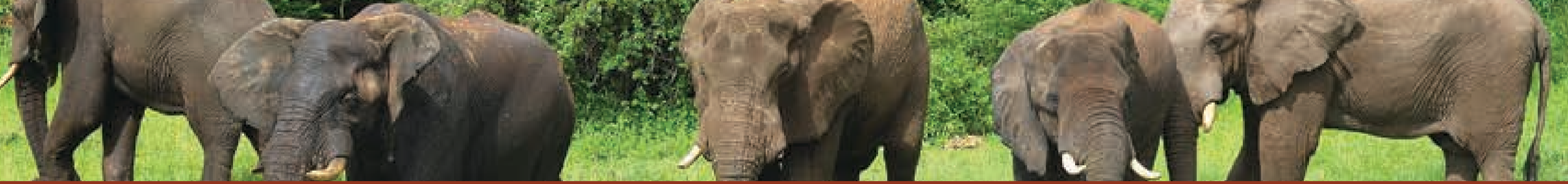


Table 8. PFM: Execution of FY15 Work Plan (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Outcome 5		Outcome 6		Outcome 7		Reserve		Total	
	P	A	P	A	P	A	P	A	P	A	P	A	P	A	P	A	P	A
All countries			13	14													13	14
Angola					5	0	12	22									17	22
Botswana	0	6					3	3	0	0							3	9
Comoros					0	0	7	7	5	7							12	14
Lesotho							10	5	6	6	2	0	2	0			20	11
Madagascar					0	2	0	10					0	8			0	20
Mauritius							12	0			5	0					17	0
Mozambique	0	1							5	3							5	4
Namibia											10	2					10	2
Reserve															25	0	25	0
Seychelles	5	5					6	9	5	5							16	19
South Africa							5	3									5	3
Swaziland	3	8					6	1	5	10			7	0			21	19
Zambia	5	6					12	0	5	1	0	10					22	17
Zimbabwe	5	4					3	0					0	8			8	12
Grand Total	**18**	**30**	**13**	**14**	**5**	**2**	**76**	**60**	**31**	**32**	**17**	**12**	**9**	**16**	**25**	**0**	**194**	**166**

Outcome 1 Comprehensive, timely and accurate accounting and financial reporting
Outcome 2 Greater regional harmonization
Outcome 3 Improved internal control procedures
Outcome 4 Medium-term macro-fiscal and budget frameworks implemented
Outcome 5 More effective commitment, cash and expenditure management
Outcome 6 PFM Legal and regulatory frameworks updated
Outcome 7 PFM reform strategy and action plans developed

Source: AFS Staff

Main expected outcomes for FY16 are as follows:

- **PFM reform strategies and action plans:** New strategy and action plan, and new priority action plan for 2016-18 adopted, respectively, by Zimbabwe and Madagascar.
- **Legal framework:** New PFM Bill for Namibia and Zambia produced for submission to Cabinet.
- **MTFF:** Strengthened frameworks for Angola, Comoros and Madagascar.
- **Cash management and internal control:** Cash management and TSA arrangements, internal control procedures, arrears management, and commitment control improved in Angola, Botswana, Comoros, Swaziland and Zambia.
- **Accounting and fiscal reporting:** After Seychelles and Zambia, progress could be made in Botswana, Lesotho, Swaziland, and Zimbabwe.

AFS work plans for FY16 and beyond will progressively integrate the recommendations made by the external evaluator in 2015. In particular, one main challenge is countries' ownership of TA in the context of changing priorities. More emphasis should be put on the need to implement a mechanism to ensure a substantial involvement of countries (including a broader range of stakeholders) in the definition of their medium-term needs and the monitoring of progress made. This mechanism could take the form of streamlined and redesigned milestones, short standardized notes, expressing the country needs and, the results that TA should achieve.

Resident advisors will combine their direct delivery of TA with the hiring of more short-term experts visits in some specialized areas to gradually shift the TA focus from diagnostics and strategic planning to hands-on implementation support. On regional harmonization, new approaches will be prioritized to strengthen peer-to-peer learning, progressively develop synergies between

Table 9. PFM: Allocation of resources, FY16 (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Outcome 5		Outcome 6		Outcome 7		Reserve		Total	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.
All countries			18	25													18	25
Angola					0	2	10	10									10	12
Botswana	6	6					8	8	3	6							17	20
Comoros							5	5	3	3							8	8
Lesotho	2	5					6	7	5	5	0	2	8	8			21	27
Madagascar					6	6	8	8					8	7			22	21
Mauritius							5	5			7	3					12	8
Mozambique							0	4	5	5							5	9
Namibia									5	5	8	8					13	13
Reserve															17	7	17	7
Seychelles	3	1					8	7	3	3							14	11
Swaziland	6	6					3	3	3	3							12	12
Zambia	4	4					5	6	3	3	6	6					18	19
Zimbabwe	5	6					3	4					2	2			10	12
Grand Total	**26**	**28**	**18**	**25**	**6**	**8**	**61**	**67**	**30**	**33**	**21**	**19**	**18**	**17**	**17**	**7**	**197**	**204**

Outcome 1 Comprehensive, timely and accurate accounting and financial reporting
Outcome 2 Greater regional harmonization
Outcome 3 Improved internal control procedures
Outcome 4 Medium-term macro-fiscal and budget frameworks implemented
Outcome 5 More effective commitment, cash and expenditure management
Outcome 6 PFM Legal and regulatory frameworks updated
Outcome 7 PFM reform strategy and action plans developed

Source: AFS Staff

TA and training (increasingly realizing synergies with the Africa Training Institute), and implement workshops and training in a specific country or a group of countries sharing common issues and reforms experiences.

Tax Administration

Achievements and progress on milestones in FY15

Key achievements in FY15 consist in having the last of the member administrations establish a large taxpayer office and getting several member administrations to invest in developing compliance and risk management frameworks, which is essential to the systematic and disciplined control over the affairs of taxpayers.

There has been notable progress in meeting the milestones. Out of 27 milestones set for FY15 and 1 for FY16, 16 were met, 3 partially met and 2 were in good progress as of end-April 2015 (Table 10). Of these, four relate to diagnostic missions (Angola, Madagascar, Zambia, and Zimbabwe), compliance management framework (Lesotho, Swaziland, and Zimbabwe), design of automated taxpayer register (Comoros), guidance on taxing mining and hydrocarbon sector and plan for dealing with base erosion and profit shifting (Madagascar), implementation of Large Taxpayer Unit (Namibia), development of tax audit manual (Seychelles), enhancement of tax gap analysis capacity (South Africa), implementation of income tax self-assessment for LTU and review of accountability framework (Swaziland), and two highly-rated regional seminars. The diagnostic mission planned for Botswana did not take place. Several milestones were postponed when the respective beneficiaries could not host the experts in Botswana (diagnostic, compliance management framework, and two inputs for legislative review), Mauritius (Revenue Administration Bill), Mozambique (compliance management framework), and Namibia (Revenue Authority review). As a result of donor coordination, it was agreed that the milestone on building capacity to audit the construction sector be delivered by the US Treasury instead, thereby making resources available to Madagascar (Box 4).

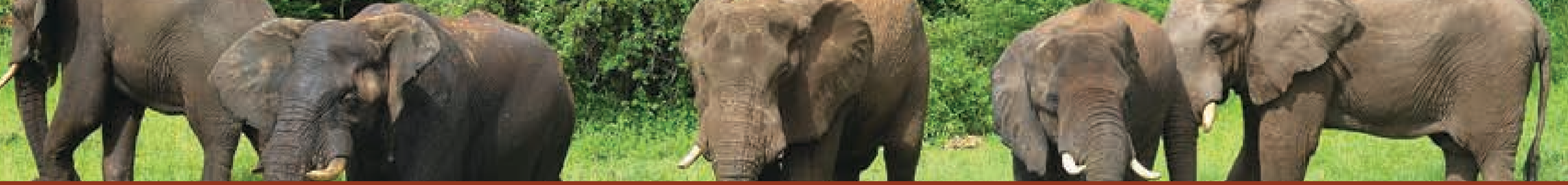
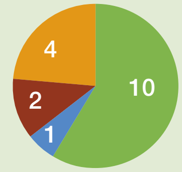
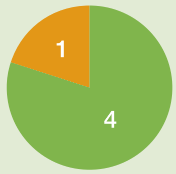
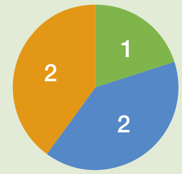


Table 10. Tax Administration: Summary Status of Milestones by Outcome, FY15

Medium-Term Outcome in the Log Frame			
Barriers to trade are diminished and progress in regional harmonization with international best practice achieved		Enhanced collections from improved and cost-effective administrations and strengthened compliance	
Diagnostic Review and Needs Assessment		More efficient and effective organizational structures	
Grand Total			

Legend:	
(green)	Met
(blue)	Partially Met
(red)	Good Progress
(orange)	Postponed, No Progress, or Cancelled

Source: AFS Staff

Cumulative progress on verifiable indicators

Evidence of progress made against milestones includes:

- **Increased number of countries with effective large taxpayer units:** FY15 witnessed the last of the member countries, Namibia, establish a large taxpayer unit, with significant AFS onsite and offsite TA. However, LTU effectiveness is still a work-in-progress that will be realized when a compliance risk management framework is implemented for some of the revenue administrations. AFS continues to provide follow-up TA to the LTUs for Botswana and Namibia to address foundational and organizational support issues. The absence of an operational policy unit in the Lesotho domestic tax department undermines the LTO effectiveness. Although the Large Client Office in Zimbabwe has been in place for some years now, the sharing of audit mandate and roles with Investigations undercuts the authority and effectiveness of the unit.
- **Increased number of countries with a simplified small business regime:** Only South Africa had a simplified regime for small business at the start of AFS four years ago. Four more countries—Mozambique, Seychelles, Zambia, and Zimbabwe—have established such a regime on their own, and Lesotho, Mauritius, and Swaziland are in the process of doing so with AFS support. Some countries focus on the low revenue associated with small taxpayers to discount this objective. However, it is all about increasing participation and voluntary compliance on the taxpayer side, and improving compliance enforcement by managing better that which can be measured on the part of the revenue agencies.
- **Capacity building and regional events:** This objective is on track. Starting in FY12, AFS has successfully organized three regional tax seminars and participated in one other, the outputs of which have informed the content of country-level work plans.

AFS TA is also helping to improve project implementation in Namibia and re-engineer processes to support self-assessment for all tax types, especially income tax which has hitherto been declared under the inefficient

Box 4. Madagascar: More efficient and effective organizational structures

The IMF approved the resumption of TA to Madagascar in FY14, with AFS providing resources for the first diagnostic mission that took place in June 2014. Over the nine month period from July 2014, the authorities implemented important initiatives in the recommendations that have enabled the DGI to lay the foundations of a modern tax administration, including: the adoption of a new functional organizational structure, restructuring of the operational units of the medium-sized enterprises in Antananarivo, raising the turnover threshold required for qualification as a large taxpayer, decentralization of the taxpayer audit function from the central office of research and audit to the operational units, as well as making progress on the development of a strategic plan and an action plan.

These achievements will go a long way in streamlining service delivery and permit effective risk-based taxpayer compliance management for improved revenue results.

administrative assessment system, a step which facilitates the introduction of risk management techniques for a more efficient allocation of scarce resources for compliance management. Compliance risk management frameworks are implemented in Mauritius and Seychelles or under development in Lesotho, Mozambique, Swaziland, and Zimbabwe. South Africa implemented its compliance framework without AFS assistance.

Execution of FY15 work plan

AFS activities increased marginally in FY15 compared to FY14. Two countries, Angola and Madagascar, began benefiting from AFS TA with the latter absorbing almost 20 percent of total resources. Actual inputs exceeded the plan by almost 13 percent.

Most of the resources have now been shifted to the outcome area of enhanced collections from improved and cost-effective administrations and strengthened compliance after most of the member countries - some of them successfully - implemented key organizational reforms required to focus on compliance management. This trend is expected to continue.

TA to Madagascar was financed from FY14 savings, reserves and the reallocation of 1 week of long term expert time from Namibia, 2 weeks of short term expert time from Zambia, and through a modest increase in the regional travel budget. Financing the TA to Zimbabwe for the diagnostic was a reallocation of resources originally planned for a similar activity in Botswana but whose implementation was postponed.

Work plan and expected outcomes for FY16

The volume of AFS TA is planned to rise from 61 weeks in FY15 to 72 weeks in FY16 (Tables 11 and 12), an increase of almost 18 percent, to address new and ongoing requirements from member countries. With only two diagnostic missions planned, there will be more resources allocated to direct implementation support, including to officials. The major focus of TA interventions will be on enhancing operational effectiveness through the application of improved procedures and techniques that permit the efficient allocation of resources for results, such as data analysis for intelligence and risk management for better taxpayer compliance profiling and informed interventions essential to raising audit productivity and reducing taxpayer fatigue. A final intervention on the legislative front is planned for Mauritius to bring the Revenue Administration Bill that has been under development since FY13 to Cabinet and Parliament. Once approved into law it should simplify compliance for taxpayers and compliance management for the Mauritius Revenue Authority. There is a big input planned in the legislative area to address requests for changes to tax legislation in Botswana, Madagascar and Zambia, and to review the legal framework for a semi-autonomous revenue administration agency in Namibia.

This work addresses the recommendations of the external evaluator with regard to the allocation of resources across countries. It is hoped that after the planned diagnostic missions and with medium term projects reaching maturity, more resources will be available to finalize ongoing projects.

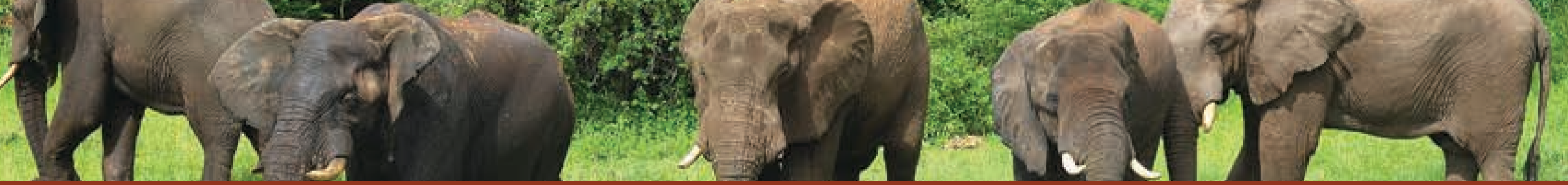


Table 11. Tax Administration: Execution of FY15 Work Plan (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Total	
	P	A	P	A	P	A	P	A	P	A
All countries	4	4			2	3			6	7
Angola			4	5					4	5
Botswana			4	0	5	3			9	3
Comoros						3	3	0	3	3
Lesotho					5	7			5	7
Madagascar			0	8	0	4			0	12
Mauritius					0	0	1	1	1	1
Mozambique					2	0			2	0
Namibia					3	0	3	2	6	2
Seychelles					3	2			3	2
South Africa					5	5			5	5
Swaziland					3	4	0	2	3	6
Zambia					4	2			4	2
Zimbabwe				4	3	2			3	6
Grand Total	**4**	**4**	**8**	**17**	**35**	**35**	**7**	**5**	**54**	**61**

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved
Outcome 2 Diagnostic Review and Needs Assessment
Outcome 3 Enhanced collections from improved and cost-effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures

Source: AFS Staff

Table 12. Tax Administration: Allocation of resources, FY16 (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.
All countries	3	6									3	6
Angola					2	2					2	2
Botswana			4	0	2	9	3	3			9	12
Comoros			0	4			4	4			4	8
Lesotho					3	3					3	3
Madagascar					2	2	5	5			7	7
Mauritius					2	4					2	4
Mozambique					2	2					2	2
Namibia					3	3	2	2			5	5
Reserve									6	6	6	6
Seychelles			4	4							4	4
Swaziland					7	7					7	7
Zambia					4	4					4	4
Zimbabwe					3	3					3	3
Grand Total	**3**	**6**	**8**	**8**	**30**	**39**	**14**	**14**	**6**	**6**	**61**	**72**

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved
Outcome 2 Diagnostic
Outcome 3 Enhanced collections from improved and cost-effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures

Source: AFS Staff

AFS inputs in FY16 will support the administrations in the following areas:

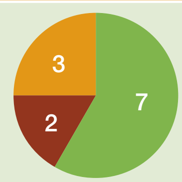
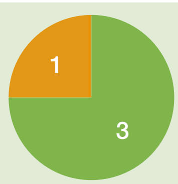
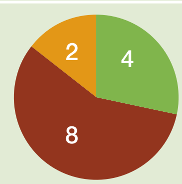
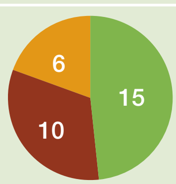
- **Enhanced collections from improved and cost-effective administration and strengthened compliance:** Improvements in intelligence and risk management capability in the use of third party data for Angola, Swaziland, and Zimbabwe; compliance risk management frameworks for Lesotho and Swaziland implemented to support the efficient allocation of resources; Revenue Administration Bill presented to Cabinet for Mauritius and Lesotho; procurement of ITAS following good practice for Botswana; legal inputs to design or improve tax legislation in Botswana, Madagascar, and Zambia.
- **More efficient and effective organizational structures:** Improvements in the LTO capacity and operations for Botswana and Namibia; legal inputs to review the legal framework for a semi-autonomous revenue administration agency in Namibia.

Customs Administration

Achievements and progress on milestones in FY15

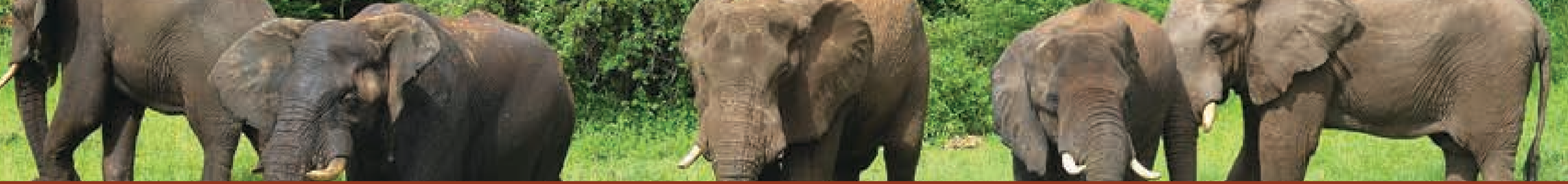
Out of 29 milestones set for FY15 and 2 milestones set for FY16, 25 were met or are in good progress as of end-April 2015 (Table 13). Of these, three relate to the diagnostic missions to Angola, Madagascar, and Zimbabwe. The majority of the balance of the milestones under met or good progress categories related to work in the sphere of excise (Namibia, Zambia, Seychelles, Comoros, and Zimbabwe) and work in the field of risk management (Namibia, Seychelles, Botswana, Lesotho, Madagascar, Swaziland, and Zimbabwe). In Swaziland the resources planned for customs post clearance audit and modeling key processes were, at the request of the Swaziland Revenue Authority (SRA), diverted to the area of intelligence and enforcement (a higher priority area for SRA). One milestone concerning risk management in Zambia was postponed at the request of the authorities; the activity is included in the FY16 plan.

Table 13. Customs Administration: Summary Status of Milestones by Outcome, FY15

Medium-Term Outcome in the Log Frame			
Barriers to trade are diminished and progress in regional harmonization with international best practice achieved		Enhanced tax and customs collections from improved and cost effective administrations and strengthened compliance	
Diagnostic		More efficient and effective organizational structures	
Grand Total			

Legend:	
(green)	Met
(blue)	Partially Met
(dark red)	Good Progress
(orange)	Postponed, No Progress, or Cancelled

Source: AFS Staff



Achievements in FY15 include:

- **Strengthened risk assessment** in Botswana, Swaziland, Seychelles, Madagascar, Namibia, and Zimbabwe: TA delivered by AFS to strengthen the risk management programs was achieved through hands-on mentoring in various inputs including: improving the gathering, evaluation and dissemination of intelligence; workshops to identify smuggling/tax evasion affecting revenue loss and prohibitions and restrictions; developing risk management frameworks and reviewing selectivity criteria to enhance risk profiles (Box 5).
- **Better management of excise in Namibia and Zambia**: The TA delivered was to support excise officers to be better able to extract data from excise operators and to successfully interpret those data to audit operators, assess duty, and enforce compliance and the law. The TA inter-alia included: guidance on excise procedures; review of excise law; provision of a guidance manual; and a training module (see Zambia example in Box 6).
- **Engagement with new countries:** Angola, Madagascar, and Zimbabwe.
- **Enhanced cooperation with development partners.** Links have been strengthened with development partners and regional economic communities. This has included regular meetings with donors in member countries and detailed discussions to share plans and ideas with the customs and trade units in SADC and COMESA.

Box 5. Namibia: Risk Management Program

With the TA delivered by AFS the risk management program has made significant progress in the Namibia customs administration. The risk management function was not fully active or effective before AFS interventions. However, a series of inputs have built capacity in the risk management function and helped design and implement systems and procedures for gathering, analyzing and disseminating information to support trader compliance. The risk management function is increasingly effective and the staff has been recognized as highly competent by the World Customs Organization (WCO). A number of important steps have been taken to build capacity and strengthen systems including: training in risk analysis; creation of a risk register and action plan; establishment of systems for gathering and analyzing data; the creation of a network of risk management liaison officers across Namibia; the establishment of a National Risk Assessment Database (NRAD) utilizing the WCO nCEN platform; and, the active use of the selectivity function in ASYCUDA to drive the compliance program.

Box 6. Zambia: Excise Taxes

AFS has been providing TA to the Zambia Revenue Authority (ZRA) on managing excise tax on mobile phone air time. AFS TA was deployed in a sequenced way to progressively implement the administration, collection, monitoring, and controlling of the tax as follows:

- an excise generalist – carried out a strategic review and identified issues and prepared a prioritized list of steps needed to be taken;
- an excise generalist and a telecoms industry specialist conducted a review of how airtime providers organize their businesses and finance and trained ZRA officers to ensure they have both the technical knowledge and self confidence to manage the tax;
- an excise generalist and a telecoms industry specialist prepared and guided the delivery by the ZRA of education and awareness sessions to the telecoms industry; and
- a telecoms tax audit specialist delivered “hands-on” training to ZRA staff in the organization and analysis of data and, importantly, in awareness of compliance risk.

Further inputs are planned to help update the relevant laws and increase audit capacity and skills. ZRA staff has already embarked on a comprehensive audit program of excise operators and it is anticipated that significant assessments will be made. This comprehensive TA program, delivered by AFS, has substantially improved ZRA’s ability to manage this excise tax and is expected to lead to long term compliance and optimized revenue.

Cumulative progress on verifiable indicators

Revenue mobilization

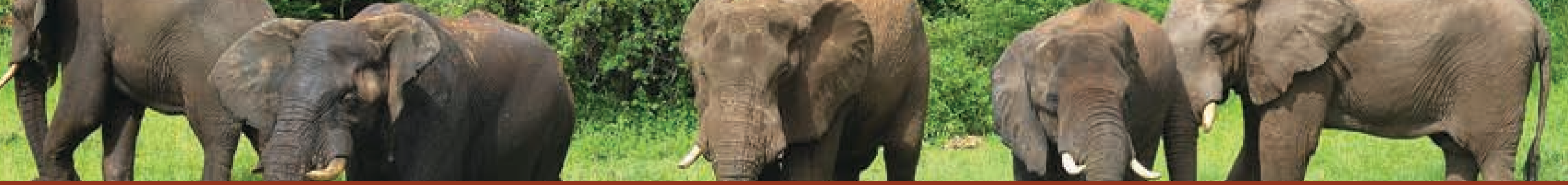
- **Increased regional average tax revenue-to-GDP ratio (unweighted):** Progress is on track. A significant revenue generator—excise—has been strengthened. AFS has been providing TA in the area of excise to Comoros, Namibia, Seychelles, Zambia, and Zimbabwe. Work is most advanced in Namibia, where AFS has guided the restructuring of the excise department, drafted regulations and rules for excise, drafted guides and manuals for officers, and advised on training in control techniques. In Zambia, work has concentrated on the excise on air time (mobile phones). AFS provided specialist help to understand how air time providers run their businesses and how to obtain and analyze information to accurately assess compliance. Additionally, AFS provided expertise to educate air time providers in the information needs of the Zambia Revenue Authority (ZRA) and advised on aligning the systems and databases to generate the reports required by the ZRA.

Post clearance audit

- **Increased number of countries where customs administration relies more on post- rather than pre-clearance accountability and controls:** Progress on this indicator is on track. Significant progress has been made in the development of the Post Clearance Audit (PCA) function. All AFS countries, with the exception of Comoros, now have functioning PCA Units. Although those of South Africa and Mauritius can be said to be fully mature, progress in implementation in other countries has been made and the utility of the Units varies from the modest (Botswana, Lesotho, Madagascar, Namibia, Seychelles, Swaziland, Zambia, and Zimbabwe) to the very good (Angola and Mozambique). Namibia and Mauritius make good use of the post clearance scrutiny of entries as an effective, yet non-intrusive, means of control.

Trade facilitation

- **Improved un-weighted average ranking in the Efficiency of Customs Administration (ECA) pillar of the Global Enabling Trade Report for Botswana, Lesotho, Mauritius, Madagascar, Mozambique, Namibia, South Africa, Zambia, and Zimbabwe:** Progress toward this indicator is mixed, but in hindsight this indicator is not a good measure of the contribution of specific AFS TA on the effectiveness of customs administration. With the 2014 Enabling Trade Report the World Economic Forum (WEF) has replaced the ECA pillar with a slightly different metric, namely: the Efficiency and transparency of border administration (a measure that includes other agencies as well as customs). While this change makes direct comparison with previous years difficult it is still possible to observe trends and changes. Customs administrations often act as agents for other government departments such as Health, Agriculture, Bureau of Standards etc in the clearance of goods and are dependent on the efficiency of these partners in the trade facilitation process. Moreover, customs is the agency that is usually measured in a country's trade facilitation performance, albeit customs is significantly reliant on the cooperation of other agencies. AFS will review its customs indicators for measuring performance and consider redefining them for use in FY17.
- **Improved un-weighted average index of trading across borders (ease of doing business indicators of the World Bank) for Angola, Comoros, Seychelles, and Swaziland:** Progress toward this indicator is good. Comparison of the Bank's rankings for 2011 and 2014 shows a marginal improvement from an average ranking of 121 in 2011 to 120 in 2014 (with Swaziland improving some 20 positions in the ranking). The same proviso on rankings as above must be kept in mind.
- **Simplified procedures program in place for certain registrants:** Progress toward this indicator is on track. Authorized economic operator (AEO), preferred trader or accredited trader schemes are now in place in 9 AFS customs administrations. Of those the ones in Mauritius and South Africa can be described as fully mature (with both clear benefits and rigorous vetting of candidates and a control regime based on periodic audit). The schemes in Botswana, Lesotho, Namibia, and Swaziland can best be described as pilots that were begun recently and are still somewhat nascent. AFS TA has supported trade facilitation initiatives in these pilot countries through missions to strengthen risk management and post clearance



audit capacity, which are key functions in the transition to a mature AEO program. Overall, it is clear that there is commitment and movement in the region for facilitating trade by implementing such schemes.

- **With AFS TA, risk management (RM) is maturing and RM teams make an important contribution to the achievement of the indicators on trade facilitation.** AFS has provided assistance in the area of RM in Botswana, Lesotho, Madagascar, Namibia, Seychelles, Swaziland, Zambia, and Zimbabwe. Prior to AFS engagement, RM teams either did not exist at all in these administrations or existed but were not fully active. With AFS assistance, teams were established (or re-activated) and, over a series of TA inputs, structures, systems, procedures, and rules were put in place together with training in the very specialized skills needed. The RM teams now make a significant contribution to both compliance and facilitation by analyzing information; managing selectivity criteria; profiling traders and guiding the work of auditors and enforcement teams (and significant detections have been made as a result of their work).

Execution of FY15 work plan

AFS activities in the area increased in FY15 by nine percent compared to FY14. Two countries benefitted from AFS TA to a much greater extent than planned. Through a successful re-engagement with Madagascar AFS was able to deliver significant TA to the country. In addition, TA to Zimbabwe surpassed expectations owing to increasing traction.

The increased TA to Madagascar has enhanced collection of revenue by strengthened compliance. This has been achieved by the formation of a Risk Management team and a post clearance audit capability. These activities have enabled the administration to gear resources to risk and focus interventions on high risk consignments underpinned by conducting audits of high risk importers.

The TA delivered in Zimbabwe has largely focused on supporting the implementation of the recommendations made by a 2014 diagnostic mission. This effort has resulted in strengthening trade compliance by improving the post clearance audit function and capacity in excise monitoring and controls particularly the petroleum sector. These activities support the Topic Outcome of '*Enhanced tax and customs collections from improved and cost effective administrations and strengthened compliance.*'

The increases in TA to Madagascar and Zimbabwe were funded from FY14 savings, reserves, and from resources of a postponed diagnostic mission to Botswana.

Work plan and expected outcomes for FY16

In FY16, the volume of TA activities in the area of customs administration is projected to remain at about the same level as in FY15 (Tables 14 and 15). With respect to allocations by topic in FY16, more resources will be allocated to the PCA, while projects on excises will reach their maturation, warranting a decrease in resources. TA on RM will continue with broadly the same intensity in FY16.

AFS work plans for FY16 and beyond will progressively integrate the recommendations made by the independent external evaluator in 2015. A number of our projects are approaching maturity, namely: Namibia-excise (two weeks in FY16), Comoros—legal framework (two weeks in FY16), and Mauritius—legal framework (two weeks in FY16) and we anticipate that no further interventions will be required in these areas after FY16. The completion of these projects will make it possible to allocate more time to existing work elsewhere while at the same time responding to existing and new needs and continuing to do 'the best for the most'. Additionally, there will be increased interaction with the authorities to follow up on work done, progress made in implementing AFS recommendations and to steer work back on track if needed.

It is anticipated that the TA delivered by AFS in previous years and the planned activities for FY16 will bear fruit especially in the following areas:

- **Full implementation of new excise controls**. In Namibia, Cabinet approval and implementation of excise measures has been given. The milestone will now be achieved without further AFS TA. TA will continue in excise in Namibia but it is expected that no further TA will be required in the coming fiscal years. In Comoros, it is expected that the import of petroleum will be fully under the control of customs and TA beyond FY16 is not foreseen.

Table 14. Customs Administration: Execution of FY15 Work Plan (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total	
	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.
All countries					1	2					1	2
Angola			4	5							4	5
Botswana			6	0	4	4					10	4
Comoros					0	0	4	5			4	5
Lesotho					1	1	2	2			3	3
Madagascar			0	6	0	3	0	2			0	11
Mauritius					0	0	1	2			1	2
Mozambique							2	2			2	2
Namibia					2	2	3	2			5	4
Reserve									5	0	5	0
Seychelles	1	1			1	1	4	4			6	6
Swaziland					1	5	4	0			5	5
Zambia					1	0	2	2			3	2
Zimbabwe			0	4	1	1	4	4			5	9
Grand Total	**1**	**1**	**10**	**15**	**12**	**19**	**26**	**25**	**5**	**0**	**54**	**59**

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved
Outcome 2 Diagnostic
Outcome 3 Enhanced collections from improved and cost effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures

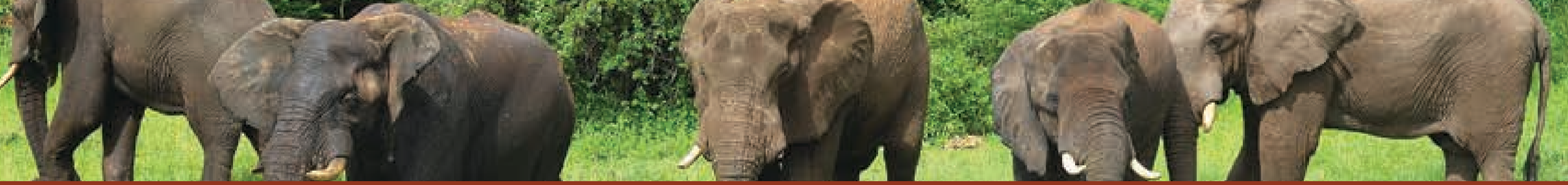
Source: AFS Staff

Table 15. Customs Administration: Allocation of resources FY16 (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserves		Total	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.
All countries			1	1							1	1
Angola	2	2									2	2
Botswana			3	3							3	3
Comoros			1	1	2	2					3	3
Lesotho			1	1	2	2					3	3
Madagascar			2	3	2	2					4	5
Mauritius			1	0	2	2					3	2
Mozambique					2	2					2	2
Namibia			1	1	2	2					3	3
Reserve							5	0			5	0
Seychelles			1	1	4	4			4	4	9	9
Swaziland			1	1	2	2			4	6	7	9
Zambia			2	2	2	2					4	4
Zimbabwe			2	2	4	4					6	6
Comoros						2				4		6
Grand Total	**2**	**2**	**16**	**16**	**24**	**26**	**5**	**0**	**8**	**14**	**55**	**58**

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved
Outcome 2 Diagnostic
Outcome 3 Enhanced tax and customs collections from improved and cost effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures

Source: AFS Staff



- **Implementation of new customs laws.** Work done to upgrade customs laws in Comoros and Mauritius will be completed in FY16 and the bills are expected to be submitted to the parliaments. It is expected that these new laws, once adopted, will act as a spur to greater facilitation and compliance in both countries. TA beyond FY16 in the area of legal development in these two countries is not expected.
- **Catching-up on PCA work**. It is expected that progress will be achieved on previously delayed PCA projects in Lesotho, Swaziland, and Zimbabwe, and the milestones under these projects will be met.
- **Completion of diagnostic and needs assessment work.** Following significant previous AFS support, diagnostic missions to Seychelles and Swaziland are expected to agree with the authorities on their capacity building priorities.
- **Compliance of Indirect Taxation in Customs Administration.** A regional seminar will be convened in February 2016 and all member countries are expected to participate.
- **Regional Professional Attachment and Peer-to-Peer Learning Programs.** Officers from Comoros and Madagascar customs administrations will be attached to the Mauritius Revenue Authority (MRA) for 1 month in January 2016 under the regional professional attachment initiative. In addition, an officer from the MRA will be attached to AFS for 1 week in March 2016 and accompany the Regional Customs Administration Advisor on a TA mission to Lesotho as part of the regional peer-to-peer learning initiative.

Financial Sector Supervision

Achievements and progress on milestones in FY15

Progress recorded under the milestones has been good. Out of the 16 milestones set for FY15, ten were met. Three milestones were postponed and two cancelled at the request of the authorities. One milestone (Swaziland), which showed no progress in FY15 was subsequently met in early FY16 (see following section).

Achievements in FY15 include:

Enhanced compliance with Basel Core Principles (BCP)

- Facilitated self assessment of BCP in Mozambique with a view to enabling the authorities to strengthen the regulatory and supervisory practices.
- Moved towards strengthening the crisis resolution framework for the financial sector in Mauritius.

Implementation of/improvement in risk-based supervision (RBS) framework

- Enhanced the capabilities of RBS framework in Seychelles with specific focus on KYC/AML related risks.

Enhanced implementation of Basel Capital Adequacy standards

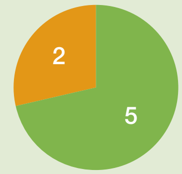
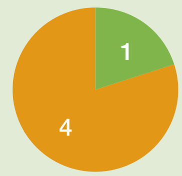
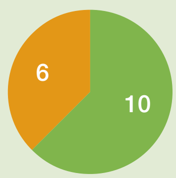
- Focusing on the implementation of Pillar 2 of Basel II, AFS assisted Lesotho, Namibia, and Zambia in sharpening the skills of supervisory staff to undertake internal capital adequacy assessment process (ICAAP) as part of the supervisory review and evaluation process (SREP). They were able to constructively challenge the ICAAP documents prepared by the subsidiaries of international banks operating in their jurisdictions and thereby enhance their confidence.

  Namibia formulated the plan for implementing the macroprudential elements of Basel III after completing the implementation of Basel II.

Greater regional harmonization

- A seminar on "Regulation and Supervision of Microfinance Institutions, Mobile Financial Service Providers and Agency Networks' was conducted in Mauritius. Given the limited expansion of brick and mortar banking in many parts of Africa, particularly due to the typical constraints of geography, microfinance institutions (MFI) and mobile financial services (MFS) are expanding significantly in Africa. Financial regulators in the AFS region were able to gain a deeper and broader understanding of the MFI and MFS business models through this seminar.
- A seminar on "Basel II, Basel III and Macroprudential Approach to Supervision" was conducted at the

Table 16. Financial Sector Supervision: Summary Status of Milestones by Outcome, FY15

Medium-Term Outcome in the Log Frame			
Greater cross border communication and cooperation among the supervisory authorities in the region, as a way to foster regional financial stability		Higher levels of compliance with the Basel I Capital Adequacy Framework, including requirement for capital charge for market risk and for some middle income countries, with the Basel II or III Capital Adequacy Framework	
Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision		Implementation of/ improvement in risk based supervision (RBS) frame-works, with clear onsite and off site supervisory methodologies and risk assessment criteria	
Grand Total			

Legend:	
	Met
	Partially Met
	Good Progress
	Postponed, No Progress, or Cancelled

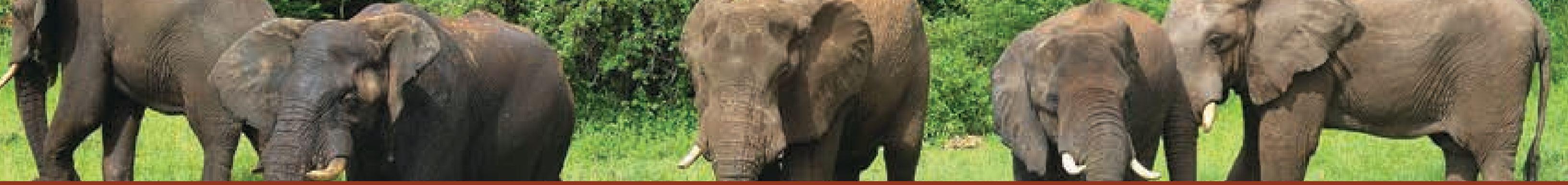
Source: AFS Staff

South African Reserve Bank's College in Pretoria. It helped the senior supervisory staff to better understand the areas relating to supervisory policy, off-site and on-site examination in the supervision department, macroprudential supervision, and financial stability.

Cumulative progress on verifiable indicators

Most verifiable indicators are broadly on track.

- **Higher Levels of Compliance with BCPs for Effective Banking Supervision:** With AFS TA, Mozambique conducted a comprehensive and focused self-assessment of the BCPs with a view to enabling the authorities to strengthen the regulatory and supervisory practices. TA was provided to Mauritius on strengthening the crisis resolution framework for the financial sector. TA provided by AFS in other related areas, such as stress testing and managing money laundering and terrorism financing related risks, would result in collateral advantage and lead to better compliance with BCPs.
- **Implementation of/improvement in RBS with clear onsite and off-site supervisory methodologies and risk assessment criteria:** Progress regarding this indicator is on track. A joint IMF HQ-AFS mission reviewed the Central Bank of Seychelles' RBS framework with specific focus on money laundering/financing terrorism related risks and suggested substantial improvements. AFS has identified the broad parameters of activities needed in Comoros for migration to RBS and a joint mission from IMF HQ and AFS in FY16 is expected to fulfill this objective. There has been significant progress in improving/rationalizing RBS frameworks in Lesotho, Mozambique, Seychelles, and Swaziland.



- **Adoption of macroprudential approach to supervision:** While South Africa has already adopted a macroprudential approach to supervision, AFS is helping several other countries in the region such as Mauritius, Namibia, and Zambia towards meeting these requirements. During FY15 AFS provided TA to Namibia for implementing a macroprudential approach to supervision by facilitating adoption of select elements of Basel III.
- **Higher levels of compliance with the Basel I Capital Adequacy Framework, including the requirement for a capital charge for market risk for some middle-income countries with Basel II or III:** Substantial progress has been registered for this item. All AFS countries, except Comoros and Madagascar, have issued the regulation on the capital charge for market risk. Moreover, some of the countries implementing Basel II have reviewed and revised their regulations on the market risk capital charge (Namibia and Zambia). In FY16 AFS is planning to provide TA to Madagascar and Comoros to review their Basel I implementation to enhance their capital adequacy requirements. TA to Madagascar is expected to take place after the FSAP is completed, and for Comoros a joint IMF HQ-AFS TA is being designed to facilitate implementation of risk based capital standards. Progress towards implementation of Basel II and Basel III in the region has been quite satisfactory, exceeded expectations in some countries. AFS has assisted countries such as Lesotho, Mozambique, Namibia, Swaziland, and Zambia in Basel II implementation. The focus of TA in many jurisdictions has been in the implementation of Pillar 2 of Basel II with the specific objective of dovetailing the Pillar 2 process into a RBS process. An AFS mission formulated the plan for implementing the macro prudential elements of Basel III in Namibia.
- **Greater cross-border communication and co-operation among the supervisory authorities, as a way to foster regional financial stability:** AFS has been conducting seminars for the member countries resulting in greater collaboration in the region. All the milestones regarding the conduct of seminars have been met. AFS TA has also helped enhance cross-border cooperation through the signing of bilateral memoranda of understanding (MOU). Many countries in the region have signed supervisory MOUs with AFS members as well

Table 17. Financial Sector Supervision: Execution of FY15 Work Plan

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total	
	P	A	P	A	P	A	P	A	P	A	P	A
All countries	8	8									8	8
Angola			2	0	4	0					6	0
Botswana			3	0	4	0	3	0			10	0
Comoros							5	0			5	0
Lesotho					4	1	1	0			5	1
Mauritius			5	4							5	4
Mozambique			4	2							4	2
Namibia					6	8					6	8
Reserve									5		5	
Seychelles							2	3			2	3
Swaziland							2	0			2	0
Zambia					4	5					4	5
Grand Total	**8**	**8**	**14**	**6**	**22**	**14**	**13**	**3**	**5**		**62**	**31**

Outcome 1 Greater cross border communication and cooperation among the supervisory authorities in the region , as a way to foster regional financial stability
Outcome 2 Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision
Outcome 3 Higher levels of compliance with the Basel I Capital Adequacy Framework, including requirement for capital charge for market risk and for some middle income countries, with the Basel II or III Capital Adequacy Framework
Outcome 4 Implementation of / improvement in risk based supervision (RBS) frameworks, with clear onsite and offsite supervisory methodologies and risk assessment criteria

Source: AFS Staff

as countries in other regions, depending on the location of home/host countries of the active banks. Supervisory colleges have been set up by many jurisdictions and this has resulted in enhancing cross-border supervision. An AFS seminar on cross-border supervision and cooperation has given impetus to this effort.

Execution of FY15 work plan

AFS activities in the area decreased in FY15 to 31 weeks from 43 weeks in FY14. Compared to the initial plan, the implementation rate was 50 percent. The under-implementation is attributed to postponements or cancellations of activities by the authorities of several countries (Angola, Botswana, Comoros, and Lesotho) and the transition between resident advisors. Most of the activities are scheduled in FY16 in a phased manner. In Swaziland, the planned activity on the review of the stress testing framework developed by the authorities was undertaken in early FY16 and the corresponding milestone was met.

Work plan and expected outcomes for FY16

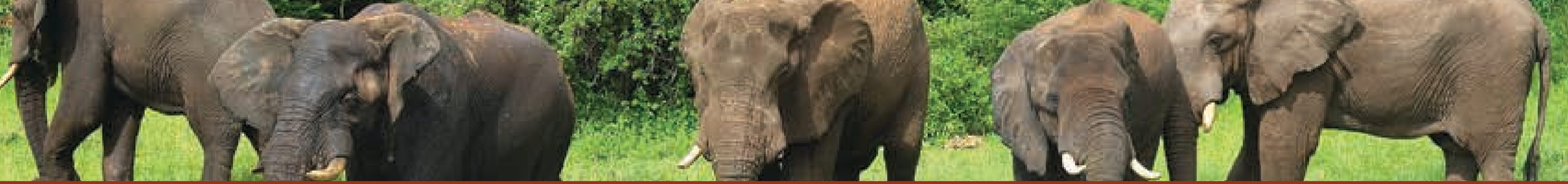
In FY16, the volume of TA activities in the area of financial sector supervision is projected to increase significantly to catch up with postponed activities from FY15. More than 50 percent of resources will be allocated to follow-up TA on existing projects and to strengthen their sustainability. AFS plans to (i) conduct a multi-topic mission in Angola on financial sector supervision; (ii) provide follow-up TA on banking legislation to Botswana; (iii) provide follow-up TA on risk-based supervision to Comoros, Lesotho, and Seychelles; (iv) provide follow-up TA on the capital adequacy framework in Zambia, Lesotho and Namibia; (v) provide follow-up TA on the resolution framework in Mauritius and new TA on the same topic in Zimbabwe; (vi) start/enhance TA on a macroprudential approach

Table 18. Financial Sector Supervision: Allocation of resources, FY16 (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Outcome 5		Outcome 6		Reserve		Total	
	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev
All countries					7	7	4	4							11	11
Angola			6	6											6	6
Botswana							2	2	0	0	0	0			2	2
Comoros											4	4			4	4
Lesotho									4	4	2	2			6	6
Madagascar							6	6							6	6
Mauritius	4	0					4	4			0	4			8	8
Mozambique							2	2							2	2
Namibia									4	4					4	4
Reserve													9	9	9	9
Seychelles											8	8			8	8
Swaziland											4	4			4	4
Zambia	4	4													4	4
Zimbabwe							6	6							6	6
Grand Total	**8**	**4**	**6**	**6**	**7**	**7**	**24**	**24**	**8**	**8**	**18**	**22**	**9**	**9**	**80**	**80**

Outcome 1 Adoption of macroprudential approach to supervision and systemic risk assessment framework
Outcome 2 Diagnostic
Outcome 3 Greater cross border communication and cooperation among the supervisory authorities in the region, as a way to foster regional financial stability
Outcome 4 Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision
Outcome 5 Higher levels of compliance with the Basel I Capital Adequacy Framework, including requirement for capital charge for market risk and for some middle income countries, with the Basel II or III Capital Adequacy Framework
Outcome 6 Implementation of / improvement in risk based supervision (RBS) frameworks, with clear onsite and offsite supervisory methodologies and risk assessment criteria

Source: AFS Staff



to supervision in Zambia and Namibia respectively; and (vii) provide follow-up TA on stress testing to Swaziland.

It is expected that efforts made by AFS in previous years, as well as the planned TA for FY16, will bear fruit in the following areas:

- **Legal framework.** It is expected that a revised draft of the Banking Act will be finalized in Botswana. In addition, in Mauritius and Zimbabwe, revised legal frameworks on crisis resolution are expected to be finalized.
- **Capital adequacy framework and a macro-prudential approach to supervision.** Namibia will start to implement relevant elements of Basel III. In Zambia, a plan for implementing the identified aspects of Basel III, including the macro-prudential overlay, will be agreed.
- **Risk-based supervision.** In Comoros, the authorities will finalize and issue risk management guidelines to banks. In Swaziland, AFS will finalize the stress testing framework for supervisors. In Lesotho, the authorities will review at least 3 ICAAPs. In Seychelles, the RBS of banks will be strengthened, with a focus on risks related to money laundering and terrorism financing.
- **Regional Harmonization:** Three seminars on topical issues such as promoting financial stability through stronger legal and institutional frameworks, stress testing in banks as a risk management tool, and RBS and Pillar 2 of Basel II are planned in FY16.

Monetary Policy Framework Operations

Achievements and progress on milestones in FY15

There was good progress toward meeting the milestones set (Table 19). Out of 8 milestones set for FY15, 5 were met, 1 was in good progress, and 2 were postponed, mainly due to delays encountered in filling the vacant position of the advisor. Key Achievements in FY15 include:

A firm grasp of the monetary transmission mechanism

- AFS missions developed a comprehensive program of TA on modeling and forecasting at the Bank of Angola. For the Bank of Mauritius and the Bank of Mozambique the program continued from FY14.
- AFS conducted a peer-to-peer learning seminar on modeling and forecasting with the ATI, AFRITAC West 2, and AFRITAC East, which helped improve regional collaboration and networking in the area.
- A joint AFS/ATI seminar on modeling and forecasting was conducted in Mauritius. A seminar on advanced modeling was given by the SARB academy and was partly funded by AFS.

Appropriate instruments of monetary operations

- TA inputs in this area were provided to Angola and Lesotho. One mission to Angola thoroughly looked at the use of different instruments, management of overall liquidity, meeting of operational reserve money target and liquidity forecasting. The mission suggested a broad spectrum of changes to improve these aspects as well as providing a template for liquidity forecasting. The mission also suggested follow-up missions within the same activity in order to ensure progress. For Lesotho the activity was quite different and the TA delivery was carried out by LEG who assisted in preparing draft regulations for the payment system.

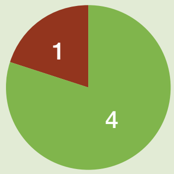
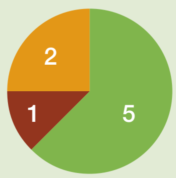
Coherent approach to monetary policy formulation

- TA inputs in this area were provided to Madagascar and Mauritius. In FY14 AFS provided TA on central bank legislation with a focus on the formulation of central bank objectives, autonomy, and accountability to Mauritius. In FY15, AFS funded a legal follow up TA mission to review the draft central bank law before it was submitted to parliament for final approval. AFS also funded another legal TA mission on the Bank of Madagascar Act. The mission suggested legislative changes on the whole spectrum of issues raised by both the IMF and the central Bank of Madagascar: mandate; governance; financial operations; and the relationship with the government and other public authorities.

Cumulative progress on verifiable indicators

The AFS's topic objective in the area of MPFO is to improve member countries' framework for monetary policy, strengthen operational instruments, and develop money markets with the objective of enhancing

Table 19. Monetary Policy Framework Operations: Summary Status of Milestones by Outcome, FY15

Medium-Term Outcome in the Log Frame			
A firm grasp of the monetary transmission mechanism		Coherent approach to monetary policy formulation	
Appropriate instruments of monetary operations		Deeper and more efficient primary and secondary money markets	
Grand Total			

Legend:	
(green)	Met
(blue)	Partially Met
(red)	Good Progress
(orange)	Postponed, No Progress, or Cancelled

Source: AFS Staff

implementation of monetary and exchange rate policies. TA inputs have started under two topic outcomes, and progress under the related two indicators is good:

- **Consistent monetary policy objectives and targets in seven countries:** Progress was made in this area during the last fiscal year within Mauritius and Botswana. During this fiscal year progress continued with the legal mission on central bank legislation to Madagascar and a follow-up mission to Mauritius.
- **Existence of a credible inflation forecasting model in seven more countries:** Work on developing a credible inflation forecasting model is progressing well in Mozambique, Botswana, and Mauritius. For Mozambique and Botswana, they are most probably ready to implement their respective models in practical use during FY16. As for Mauritius, progress is on hold due to staffing issues at the Bank. Activities on inflation forecasting and modeling have also been initiated in Angola and the first mission formulated an action plan for FY16 to continue progress. There are also plans for initiating modeling TA in Seychelles and helping develop the analysis capacity in Madagascar. In Zambia there has been a lot of progress within this activity mainly driven by the TA received from the project between the IMF and Norges Bank.

It is still too early to discuss the impact of TA on inflation forecasting since it is ongoing for less than two years. However, the authorities seem pleased with the results and the work that has been done so far. They show keen interest and are eager for this type of TA. By FY17 we should be able to assess better the impact as a few countries may then have been able to switch from simple excel based forecasting to a comprehensive forward looking framework with a credible inflation model.

Execution of FY15 work plan

TA plans in the area rose from 33 field person-weeks in FY14 to 59 field person-weeks in FY15. Despite being without an advisor for most of the year, the implementation rate turned out to be about 53 percent

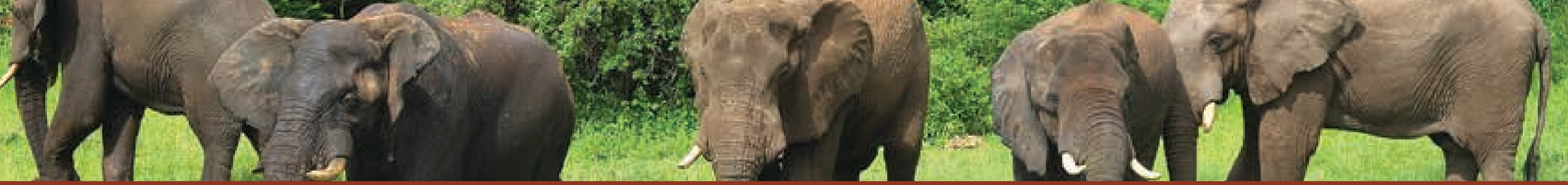


Table 20. Monetary Policy Framework Operations: Execution of FY15 Work Plan (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Outcome 5		Total	
	P	A	P	A	P	A	P	A	P	A	P	A	P	A
All countries	0	1									0	5	0	6
Angola	12	4	6	4									18	8
Botswana	0	3			3	0							3	3
Lesotho			2	1									2	1
Madagascar					0	2							0	2
Mauritius	24	19			2	1							26	20
Mozambique	24	16			4	0							28	16
Reserve									8	0			8	0
Seychelles											9	0	9	0
South Africa	0	3											0	3
Zambia	12	0					6	0					18	0
Grand Total	**72**	**46**	**8**	**5**	**9**	**3**	**6**	**0**	**8**	**0**	**9**	**5**	**112**	**59**

Outcome 1 A firm grasp of the monetary transmission mechanism
Outcome 2 Appropriate instruments of monetary operations
Outcome 3 Coherent approach to monetary policy formulation
Outcome 4 Deeper and more efficient primary and secondary money markets
Outcome 5 Diagnostics

Source: AFS Staff

with modeling and forecasting projects (Angola, Botswana, Mauritius, Mozambique and, South Africa) and a new project (Madagascar - legal).

Work plan and expected outcomes for FY16

With AFS countries moving toward more forward-looking monetary regimes, AFS TA in FY16 will primarily focus on the continuation of the TA started already last year on inflation forecasting and modeling (see previous section). The already completed diagnostic mission to Madagascar will guide the TA to be provided in the period ahead. The preliminary results and recommendations from the diagnostic mission also suggest substantial changes to the TA for Madagascar. For other countries, TA for FY16 will also focus on follow-up missions from the needs assessment missions completed already in FY14. The follow up on these mission were to a large extent postponed during FY15 due to a gap period between resident advisors. AFS will have a new payments system advisor to be shared with East AFRITAC. Resources for the planned regional seminar on Monetary Policy Communication are provided for under the reserve.

It is expected that the following key outcomes will be achieved:

- **Modeling and forecasting.** Forecasting models will be fully upgraded in Botswana and Mozambique.
- **Monetary policy instruments.** Angola, Madagascar, and Seychelles will achieve a significant improvement in liquidity management.
- **Monetary policy formulation and communication.** A revised draft of the Bank of Botswana Act will be submitted to the Governor's office. Communications strategies will be adopted in Mozambique and Zambia.

Real Sector Statistics

Achievements and progress on milestones in FY15

Progress on milestones has generally been good. Out of 25 milestones set for FY15 and 4 set for FY16, 13 milestones were met, 10 were in good progress, 3 were postponed (Angola, Botswana, and Zimbabwe), and 1 was cancelled - TA on price statistics to Mozambique (Table 22).

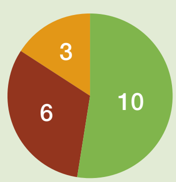
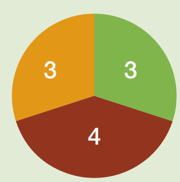
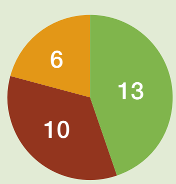
Table 21. Monetary Policy Framework Operations: Allocation of resources, FY16 (Field person-weeks)

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total	
	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev
All countries					0	0					0	0
Angola	8	8	8	8							16	16
Botswana	4	4			2	2					6	6
Lesotho			2	2							2	2
Madagascar	0	4	10	10	6	6	14	8			30	28
Mauritius	6	6			0	0					6	6
Mozambique	12	10			4	5					16	15
Reserve									12	15	12	15
Seychelles	8	10	12	12			6	4			26	26
South Africa	2	2									2	2
Zambia	2	4			4	8	6	0			12	12
Zimbabwe					2	2					2	2
Grand Total	**42**	**48**	**32**	**32**	**18**	**23**	**26**	**12**	**12**	**15**	**130**	**130**

Outcome 1 A firm grasp of the monetary transmission mechanism
Outcome 2 Appropriate instruments of monetary operations
Outcome 3 Coherent approach to monetary policy formulation
Outcome 4 Deeper and more efficient primary and secondary money markets

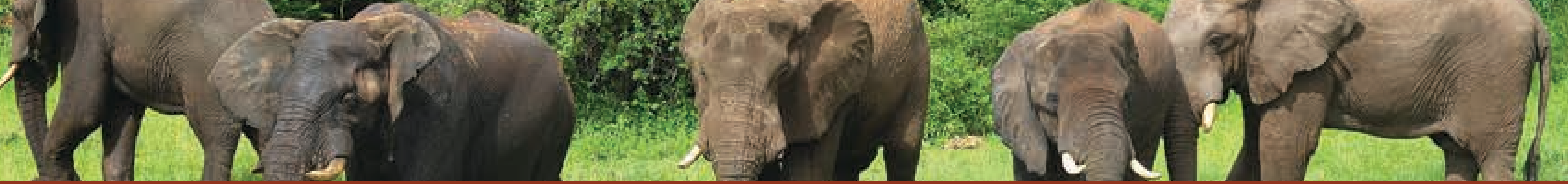
Source: AFS Staff

Table 22. Real Sector Statistics: Summary Status of Milestones by Outcome, FY15

Medium-Term Outcome in the Log Frame			
Compilation and dissemination of annual and quarterly national accounts following international standards		Improved accuracy of price statistics	
Grand Total			

Legend:	
(green)	Met
(blue)	Partially Met
(red)	Good Progress
(orange)	Postponed, No Progress, or Cancelled

Source: AFS Staff



Box 7. Seychelles joins the IMF SDDS

The availability of quarterly GDP estimates enables a better short-term tracking of the state of the economy leading to improved decision making. This has been a particular focus of AFS TA in recent years in national statistics offices with sufficient resources and expertise for the collection and processing of high-frequency indicators and source data. The quarterly GDP estimates for Seychelles (volume changes) by production approach are regularly produced and published at the National Bureau of Statistics Internet site, according to the required IMF data dissemination standards. Experimental quarterly GDP estimates by expenditure have also been developed and are under review by the AFS. The development of respective short-term statistics is in good progress, with the first experimental calculations of the index of industrial production and producer price index. Since May 1, 2015, Seychelles joined the IMF Special Data Dissemination Standard (SDDS)[5].

Milestones related to the hands-on training in Comoros, the assessment of sources and methods for GDP estimates in Angola, Madagascar and Mozambique, and the completion of the rebasing of GDP in Namibia and Zambia were met. Good progress on milestones has been noted in particular for Botswana, Lesotho and Swaziland (on the introduction of a new benchmark year and the rebasing of GDP time series), Mauritius (on the development of a residential property price index), and Seychelles (on development of quarterly national accounts).

Two milestones, on hands-on training in national accounts in Angola and on the improvement of quarterly GDP estimates in Botswana, had to be postponed to FY16 as other activities were requested by the authorities of these two countries. The planned activities in further development of price statistics in Mozambique were cancelled, as the National Institute of Statistics (INE) resumed the bilateral cooperation in this area with Statistics Portugal.

Achievements in FY15 include:

- The benchmark GDP estimates for 2011 were finalized for Swaziland, based on the economic census (EC) results, household surveys, and administrative data, including detailed fiscal data for government revenues and expenditures at a departmental level of the budgetary institutions. A program for rebasing the time series was established, expecting that the rebasing exercise will be completed by December 2015.
- In Zambia, after the rebasing of GDP time series, the activities in FY15 aimed to enhance the sustainability of the GDP compilation procedures, in particular for documenting the sources and methods for the rebasing of national accounts, and for introducing a direct approach for regular GDP estimates. The statistical instruments for a regular business survey were designed.

Cumulative progress on verifiable indicators

The AFS's topic objective in the area of real sector statistics is to bring the member countries closer to compliance with international standards for compilation of national accounts and price statistics. Verifiable indicators are based on the IMF data quality assessment framework (DQAF) dimensions and related indicators. Overall progress under the six verifiable indicators appears good:

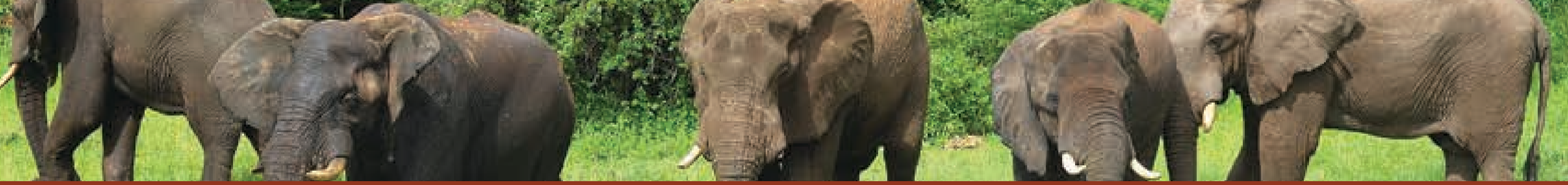
- **Reporting annual national accounts on timely basis in all countries, following the SNA 1993 and introduction of some basic methodological requirements of 2008 SNA in the last updated benchmark year (Mauritius, South Africa, Lesotho, Zambia, Swaziland, and Mozambique)**: Progress toward this indicator is on track. AFS TA is focused on enhancement of data sources and compilation procedures of annual GDP, in particular for revising and rebasing of GDP estimates. With AFS assistance, the revision and rebasing of GDP time series were completed in Namibia and Zambia. The TA is ongoing in Lesotho and Swaziland, where the revision/rebasing of

[5] The SDDS, established by the IMF in March 1996, is intended to guide members in the provision of economic and financial data to the public. Subscription to the SDDS enhances the availability of timely statistics, thereby contributing to the pursuit of sound macroeconomic policies and the functioning of financial markets. The SDDS identifies four dimensions of data dissemination—data coverage, periodicity, and timeliness; access by the public; the integrity of the data; and data quality. Seychelles' SDDS information is available at http://dsbb.imf.org/Pages/SDDS/CountryList.aspx.

GDP is expected by December 2015. The GDP estimates for 2011 as a new benchmark year were completed in Swaziland and the rebased GDP time series should be ready by December 2015. This will be a major achievement as the GDP estimates in constant prices were based on 1983. In Lesotho, the economic census (EC) results will be adopted in 2012 benchmark GDP estimates; updated time series should be available in November-December 2015. Supported by AFS, Botswana also initiated an EC in 2015 to be used further for enhancing the business register and updating the benchmark year for national account estimates. The AFS has also assisted with the compilation of new benchmarks for 2007 in Madagascar using a supply-use table approach. This will support the rebase of national accounts estimates in constant prices currently based on 1984. Other AFS countries also did good progress in revising/updating their GDP, supported by other TA providers (Mozambique) or by their own (Mauritius and South Africa).

- **Regularly updated CPI in all AFS countries**. Progress toward this indicator is mostly on track. Almost all the AFS countries are involved in rebased their CPI, in the context of the SADC initiative for harmonization of CPI compilation and dissemination system. AFS TA on rebasing the CPI was completed in Namibia (2013) and continues in Botswana and Lesotho. In 2015 a rebasing exercise was initiated in Madagascar. TA on expanding the geographical coverage of the CPI was delivered to Angola and Mozambique. Other AFS countries also did good progress in updating their CPI. Mauritius and South Africa regularly produce and disseminate CPI on their own in conformity with internationally accepted standards and good practices.
- **Regularly updated/developed producer price index (PPI) in at least four AFS countries: Mauritius, South Africa, Seychelles, and Zambia**. This indicator is on track. As a SDDS subscriber Seychelles started disseminating PPI on a monthly basis. Zambia has completed a pilot survey and price observations, as a part of AFS TA project on PPI and will be ready to report the index in 2016. Mauritius and South Africa regularly produce and disseminate the PPI by their own in conformity with internationally accepted standards and good practices.
- **Regularly updated (on annual basis) inventory of sources and compilation methods for all AFS countries**. AFS TA will pick up following completion of the on-going projects in other areas of real sector statistics. The GDDS metadata on the national accounts and CPI of Zimbabwe have been updated. More intensive TA in this area is planned after completing projects on national accounts (revision/rebasing of GDP time series in Lesotho, Swaziland, and Zambia; improved/introduced quarterly GDP estimates in Botswana, Lesotho, and Zambia) and price statistics (updating CPIs in Botswana, and Lesotho, and development of PPIs in Lesotho and Zambia). Seychelles has already updated the metadata in the SDDS framework. Namibia has also updated the metadata on rebased CPI and GDP estimates. Mauritius and South Africa regularly update their SDDS metadata on national accounts and price statistics.
- **Implementation of series of capacity building activities.** This objective is on track. Since 2012, AFS organized successful regional seminars and workshops involving both compilers and main users of national accounts and price statistics from the AFS countries. The most recent AFS statistical workshop was conducted in March 2015 and focused on the compilation of supply-use tables.

In terms of impact, with AFS TA over the past four years, some countries have made cumulative improvement in the areas of national accounts and price statistics. Key achievements include enhanced sources and methods for compilation of annual GDP, also considered as a stable basis for further development/improvement of quarterly national accounts. Preliminary quarterly national accounts estimates by production in current and constant prices were also produced in Zimbabwe. Fiscal and monetary authorities benefitted from improved data in policy formulation and implementation. GDP was revised/rebased in Namibia and Zambia, implementing also some of the 2008 SNA requirements. Methodological improvements are expected with the integration of the EC results in Lesotho and Swaziland into the benchmark GDP estimates and rebased GDP time series. A quarterly GDP compilation system was established in Seychelles, and projects are ongoing in Angola, Lesotho, and Zambia. Regarding price statistics, the updating and rebasing of the CPI in Namibia and developed PPI compilation system in Seychelles are major achievements.



Execution of FY15 work plan

AFS made good progress in implementing the WP for FY15 with the workload exceeding marginally the initial plan (Table 23).

The projected allocation of resources for FY15 by country was somewhat different from the initial plan. The allocations were increased significantly for Lesotho and Swaziland to solidify progress on the rebasing of national accounts. Also, AFS engaged with Madagascar on both national accounts and price statistics. The initially planned missions to Angola and Botswana on price statistics and Zimbabwe on national accounts were postponed owing to absorption capacity issues. There have also been some changes in within-country allocation of resources in some countries, in particular in Mozambique and Zambia.

Work plan and expected outcomes for FY16

With the departure of one of the two advisors in June 2015 and the replacement of the second advisor in August 2015, AFS TA is expected to be marginally lower at around 52 field person-weeks in FY16 (Tables 21 and 23). The majority of resources are allocated for rebasing the GDP time series (in Lesotho and Swaziland) and enhancement of the post benchmark GDP compilation procedures (Comoros, Mozambique, Zambia). This work is expected to be substantially or fully completed in FY16. Resources are also allocated to TA on quarterly national accounts (in Lesotho, Seychelles, Swaziland, and Zambia, but also in Angola and Zimbabwe). These developments will be supported by one workshop on high frequency indicators in December 2015 immediately followed by a workshop on quarterly national accounts statistics. TA on price statistics, in particular the PPI, will remain active in Botswana, Lesotho, Namibia, and Zambia.

AFS work plans for FY16 and beyond will progressively integrate the recommendations made by the independent external evaluator in 2015. The AFS will continue efforts on minimizing the variability of AFS program implementation against initial plans. One of the measures already undertaken is to reserve resources in the initial WP to meet the eventual additional requirements from

Table 23. Real Sector Statistics: Execution of FY15 Work Plan (Field person-weeks)

	Outcome 1		Outcome 2		Reserve		Total	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
All countries	4	8	2	3			6	11
Angola	2	2	2	0			4	2
Botswana	2	1	2	0			4	1
Comoros	2	2					2	2
Lesotho	4	8	2	2			6	10
Madagascar	0	3	0	2			0	5
Mauritius	0	1	2	2			2	3
Mozambique	2	4	2	0			4	4
Namibia	3	2	2	1			5	3
Reserve					5	0	5	0
Seychelles	2	2	2	1			4	3
Swaziland	4	6					4	6
Zambia	4	5	2	1			6	6
Zimbabwe	2	0					2	0
Grand Total	**31**	**44**	**18**	**12**	**5**	**0**	**54**	**56**

Outcome 1 Compilation and dissemination of annual and quarterly national accounts following international standards
Outcome 2 Improved accuracy of price statistics

Source: AFS Staff

the countries for completing of the ongoing projects or launching new activities. In close collaboration with the IMF African department, AFS will continue to advocate before the respective government authorities for greater support for development of national accounts and price statistics.

The following results are expected by the end of April 2016:

- Rebased annual GDP time series in Lesotho and Swaziland.
- Enhanced regular GDP compilation in Zambia.
- Enhanced system for quarterly GDP estimates in Seychelles-GDP by expenditure approach.
- Rebased CPI in Botswana.
- New benchmarks to support the rebase of national accounts statistics in 2007 prices in Madagascar.

Macroeconomic Training

AFS conducted two courses in FY15. One course on Macro-Fiscal Modeling and Analysis was jointly delivered by the IMF's Institute for Capacity Development and ATI with the participation of AFRITAC South and East country officials. The course was highly rated (4.5 out of 5.0 for the overall value) and the mean improvement in knowledge based on quizzes was about 25 percent. A course on Macroeconomic Diagnostics was conducted to support MTFF.

The ATI also delivered a peer-to-peer learning seminar for seven small middle-income countries in SSA, in close collaboration with other donors (the EU and the Regional Multi-disciplinary Center of Excellence—RMCE) and AFRITAC West 2. Seminar participants discussed key reform priorities in their countries based on the analytical work and teaching materials presented by the IMF and ATI staff.

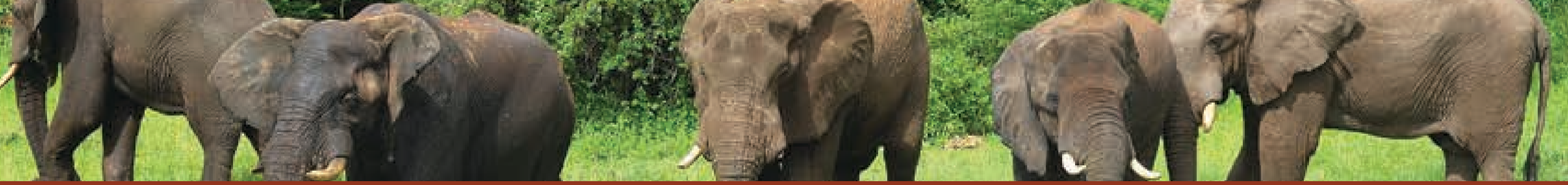
The FY16 plan provides for 2 ICD courses: (i) Financial Market Analysis, and (ii) Macroeconomic Diagnostics. The course on financial market analysis will support TA on the development of money and secondary markets, as well as debt and fiscal sustainability issues. The macroeconomic diagnostics course will continue to support TA on the MTFF and monetary policy framework operations.

Table 24. Real Sector Statistics: Allocation of resources, FY16 (Field person-weeks)

	Outcome 1		Outcome 2		Reserve		Total	
	Plan	Revised	Plan	Revised	Plan	Revised	Plan	Revised
All countries	4	7	2	2			6	9
Angola	3	3	1	1			4	4
Botswana	2	2	1	1			3	3
Comoros	2	2	1	1			3	3
Lesotho	6	6	1	1			7	7
Madagascar	2	3	1	1			3	3
Mauritius	2	2	1	1			3	3
Mozambique	2	2					2	2
Namibia			2	2			2	2
Reserve					5	5	5	5
Seychelles	2	2					2	2
Swaziland	4	4					4	4
Zambia			5	5			5	5
Zimbabwe	0	0					0	0
Grand Total	**29**	**32**	**15**	**15**	**5**	**5**	**49**	**52**

Outcome 1 Compilation and dissemination of annual and quarterly national accounts following international standards
Outcome 2 Improved accuracy of price statistics

Source: AFS Staff



Conclusion

AFS made further progress through FY15 across all topical areas in exceptional political circumstances in the region and challenges arising from movement of staff at the Center. The cumulative progress highlighted in the report under topical areas shows significant advancement towards strengthening local institutions and macroeconomic frameworks across AFS countries. This is likely to better guide planning and policy making going forward. AFS also continued to expand access to seminars and workshops for officials of AFS countries and sub-Saharan Africa more broadly through increased collaboration with other AFRITACs and the growing role of the Africa Training Institute. Additional donor funding allowed the Center to support increased demand for capacity development, including more advanced TA and training in the area of monetary policy framework operations. Peer-to-peer learning now absorbs an increasing share of AFRITAC South budget given support for attachment programs.

The most recent assessment indicates a further increase in the volume of TA in FY16, which will be funded from savings realized and efficiency gains. The Center will also focus on implementing the recommendations of the mid-term evaluation. While actions have already been initiated on many recommendations, given the nature of some, full implementation is likely to be realized in the early years of the second funding cycle. The close collaboration of member countries and improved partnership and coordination with donors remain critical for the smooth implementation of endorsed annual plans. AFRITAC South/IMF will be also approaching donors and member countries to identify key capacity development priorities and related measurable outcomes for the next cycle as well as on financing.

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