



IMF Regional Technical Assistance Center for Southern Africa (AFRITAC South)

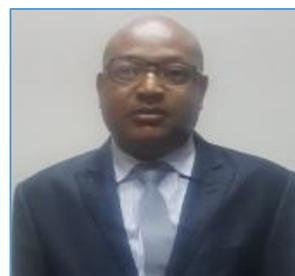


FY18 ANNUAL REPORT June 2018



Foreword from Mr. Jonah Mushayi, Chairman of the AFS Steering Committee

Since the opening of AFRITAC South (AFS) in 2011, capacity development (CD) support to the region has significantly increased allowing countries to avail themselves of a wider range of high-level expert advice and training in priority CD areas. Fiscal year 2018 (FY18)¹ has been another year recording consecutive increases in CD delivery by the center.



The milestones achieved by countries in FY18 are expected to further improve countries macroeconomic prospects. This also testifies to the increased ownership by countries of the recommendations and the commitment to address capacity constraints to fast-track reform programs. While economic prospects for the sub-Saharan Africa (SSA) region are brighter than a year ago, most AFS member countries still need to address vulnerabilities and maintain the reform momentum to move to a higher economic growth path and to make progress on the sustainable development goals and the financing for development agenda. The milestones targeted in FY19 and in the outer years of AFS's new phase are consistent with these objectives.

Identifying CD priorities for the region remains a challenge. The coordination mechanism put in place by the center ensures an inclusive approach involving donor partners as well as regional organizations in the formulation of CD plans. The recent agreement reached with COMESA and SADC on select joint initiatives and the increased collaboration with regional institutions, such as the Africa Tax Administration Forum, Collaborative African Budget Reform Initiative (CABRI), Macroeconomic and Financial Management Institute of Eastern and Southern Africa, Committee of Central Bank Governors, and Eastern and Southern African Anti-Money Laundering Group, shows the center's strong commitment to work together with these partners to achieve common goals, especially those relating to regional harmonization.

Training through seminars, workshops, and courses in priority topics; customized in-country workshops; and peer-learning programs, including professional attachments, offered to member country officials are an important part of AFS's CD program. AFS support is highly rated by member countries and development partners.

FY18 brought about the implementation of the IMF's new results-based management (RBM), which introduced country-specific RBM logical frameworks with a three-year horizon of objectives, outcomes, and milestones, in consultation with country authorities. AFS also increased its outreach and communication to members and partners, which together with the RBM framework should further improve the coordination, effectiveness, and monitoring of CD delivery.

I would like to thank the members of the AFS SC for their commitment towards the center and its mandate. The endorsement of several important recommendations at the March 2018 SC meeting clearly demonstrates the high importance members give to sustaining ongoing CD efforts. Lastly, I ask members and donor partners to contribute fully towards the implementation of the endorsed recommendations to help ensure a smooth implementation of the FY19 work plan.

¹ FY18 refers to fiscal year 2018 (May 2017 – April 2018).

Message from the Director

FY18 was a milestone year for AFRITAC South (AFS) as it transitioned from its first to its second five-year phase with strong support from AFS beneficiary countries and development partners, including donors and regional organizations. It was also a challenging year with the implementation of new initiatives as well as some risks materializing in a few countries, which affected the delivery of AFS support. Some key areas of progress are:

- 205 milestones fully or largely achieved by member countries;
- endorsement of the phase II program within the targeted timeframe;
- successful implementation of the IMF's new RBM framework;
- introduction of 3-year rolling milestones and circulation of country-specific RBM logframes;
- finalization of funding agreements with member countries and several partners; and
- increased synergy with regional partners on CD priorities and agreement on joint initiatives.

The AFS CD program for phase II ensures continuity in implementing reforms already initiated or planned by countries to unlock growth potential and enhance resilience. It is geared towards helping countries implement important reforms and make progress towards achieving the sustainable development goals and the financing for development agenda.

The annual workplans are now based on the International Monetary Fund's (IMF's) new RBM framework, which will ensure further improvements in the formulation, execution, monitoring, and evaluation of CD interventions. In FY18 the center introduced and circulated country-specific RBM logframes with a three-year horizon to better coordinate and sequence CD priorities and to further improve information sharing, especially on the status of milestones which are designed to measure progress towards outcomes. At the 9th Steering Committee (SC) meeting held on March 14-15, 2018, donors agreed to work with AFS to harmonize reporting based on the new framework, which will further improve the efficiency of the CD program.

Our partnerships with the IMF's Africa Training Institute (ATI) and the other four AFRITACs, South African Reserve Bank (SARB), Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), and the Indian Ocean Commission ensured the optimization of AFS support to the region. Lately, the center has also been working closely with ACI Australia on select training programs. These partnerships are becoming closer, which provides a richer forum for peer exchanges and the more effective use of resources.

AFS commends the initiative taken by development partners and member countries to expedite the finalization of funding agreements to avoid disruptions in CD delivery. Maintaining the CD momentum is critical for countries to achieve the targeted milestones within reasonable timeframes.

The topic-specific sections in this report highlight the milestones achieved by countries in FY18. The report also highlights the CD priorities for FY19, which has been updated to reflect the most recent information on the implementation status of reforms and new requests from AFS countries.

CONTENTS

| | |
|--|-----|
| FOREWORD FROM MR. JONAH MUSHAYI, CHAIRMAN OF THE AFS STEERING COMMITTEE | II |
| MESSAGE FROM THE DIRECTOR | III |
| List of Abbreviations | 5 |
| I. KEY RECOMMENDATIONS ENDORSED BY THE STEERING COMMITTEE | 6 |
| II. EXECUTION OF FY18 WORKPLAN | 7 |
| III. OVERVIEW OF FY19 WORKPLAN | 9 |
| General Overview | 9 |
| Fiscal CD Program | 11 |
| Monetary and Financial Sector CD Program | 18 |
| Statistics CD Program | 23 |
| Legal CD Program | 25 |
| IV. TRAINING—SEMINARS, COURSES, AND PEER-TO-PEER LEARNING | 26 |
| V. IMPLEMENTATION OF COMMUNICATION AND OUTREACH STRATEGY | 27 |
| VI. TRANSITION TO THE NEW RESULTS-BASED MANAGEMENT (RBM) FRAMEWORK AND CD-PORT | 29 |
| VII. AFS BUDGET FOR FY18 AND PROJECTIONS FOR FY19-FY22 | 30 |
| VIII. AFS FINANCING FOR PHASE II | 32 |
| BOXES | |
| 1. Select PFM success stories | 13 |
| 2. Zimbabwe establishes a risk management unit for domestic taxes | 15 |
| 3. Lesotho improves compliance risk management | 17 |
| 4. Bank of Botswana: Developing forecasting and policy analysis | 21 |
| 5. Excerpts from statement by Mr. Samuel Randriambolamanitra, Director, Macroeconomic Statistics, National Statistical Institute of Madagascar | 24 |
| 6. Mauritius: Legal reform in the financial sector | 25 |
| 7. Participant quote from workshop on the legal aspects of national payments systems | 26 |
| 8. AFRITAC South enhances cooperation with SADC AND COMESA | 28 |
| FIGURE | |
| Status of milestones as of end-April 2018 | 7 |
| TABLES | |
| 1. Execution of FY18 work plan, by country and by topic in full-time equivalents (FTEs) | 8 |
| 2. Milestones: Number by topic area and status | 9 |
| 3. Allocation of resources by country and topic (in FTEs) | 10 |
| 4. Resource allocation: Country average (in FTEs) | 10 |
| 5. AFS Phase I Budget Outcome (in millions of US dollars) | 30 |
| 6. AFS Phase II Budget and Expenses (in millions of US dollars) | 31 |
| 7. AFS Phase II: Status of Financial Contributions (in millions of U.S. dollars (as of June 20, 2018)) | 32 |
| ANNEX | |
| INFORMATION ANNEX (see AFS website) | 33 |

List of Abbreviations

| | |
|----------|--|
| AFS | IMF Regional Technical Assistance Center for Southern Africa |
| AFE | Africa Regional Technical Assistance Center East |
| AFW2 | Africa Regional Technical Assistance Center West 2 |
| ATI | Africa Training Institute |
| BoB | Bank of Botswana |
| BSR | Banking Supervision and Regulation |
| CA | Customs Administration |
| CABRI | Collaborative African Budget Reform Initiative |
| CCBG | Committee of Central Bank Governors |
| CD | Capacity development |
| CMI | COMESA Monetary Institute |
| COMESA | Common Market for Eastern and Southern Africa |
| CPSS | Committee on Payment and Settlement Systems |
| EU | European Union |
| FAD | IMF's Fiscal Affairs Department |
| FFL | Financial and Fiscal law |
| FMI | Financial markets infrastructure |
| FPAS | Forecasting and Policy Analysis System |
| FRS | Fiscal risks statement |
| FTE | Full-time equivalent |
| FY | Financial year begins on May 1 |
| HQ | IMF's headquarters |
| ICD | IMF's Institute for Capacity Development |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| IOSCO | International Organization of Securities Commissions |
| LRA | Lesotho Revenue Authority |
| LEG | IMF's Legal Department |
| Logframe | RBM's logical framework |
| LTX | Long-term expert |
| MCM | IMF's Monetary and Capital Markets Department |
| MoF | Ministry of Finance |
| MPC | Monetary Policy Committee |
| MTFF | Medium-term fiscal framework |
| NPS | National Payments System |
| PFM | Public financial management |
| PFMI | Principles for Financial Market Infrastructures |
| RBM | Results-based management |
| RBS | Risk-based supervision |
| RM | Risk management |
| RTAC | Regional technical assistance center |
| RTGS | Real-time gross settlement |
| SADC | Southern African Development Community |
| SARB | South African Reserve Bank |
| SC | Steering Committee |
| SDDS | Special Data Dissemination Standard |
| SRA | Swaziland Revenue Authority |
| SSA | Sub-Saharan Africa |
| STX | Short-term expert |
| TA | Technical assistance |
| ZIMRA | Zimbabwe Revenue Authority |

I. KEY RECOMMENDATIONS ENDORSED BY THE STEERING COMMITTEE

At the meeting held on March 14-15, 2018 the SC endorsed:

- the revised FY18 and the proposed FY19 work plans;
- an early finalization of mission plans by country authorities;
- an active participation of CD beneficiaries in updating country-specific RBM logframes;
- a more active support from members towards hosting professional attachments;
- the inclusion of the RBM logframes with milestones' ratings in AFS annual reports;
- an early conclusion of pending contribution agreements;
- an early commitments/disbursement of contributions by member countries and donors; and
- the adoption by donors of the AFS RBM framework for reporting purposes.

Members also agreed to take necessary risk-mitigating measures to ensure smooth delivery of the CD program. Following discussions on the proposal to transfer the remaining balance of funds of phase I to phase II, the IMF's Institute for Capacity Development (ICD) agreed to consult member countries and donors bilaterally and to inform the SC accordingly.

II. EXECUTION OF FY18 WORKPLAN

1. **The FY18 workplan was implemented against a macroeconomic and financial developments backdrop that presented both challenges and opportunities to AFS countries.** The growth pickup in SSA (from 2.8 percent in 2017 to 3.4 percent in 2018 and 3.7 percent projected for 2019) masks individual country challenges, with rising debt levels for many countries in the region and considerable price volatility risk for commodity exporters.

2. **Through FY18 AFS countries continued to build on progress realized in phase I.** Improvement was noted across all topic areas as demonstrated by the status of milestones.² Further progress is expected in early FY19 on most of the pending milestones. The center remained responsive to requests for additional CD support from country authorities to fast-track implementation of domestic reform plans. Out of 253 milestones targeted for FY18, 205 were fully or largely achieved and 45 were partially achieved (Figure 1). These milestone ratings served as roadmaps to help determine whether the CD provided is on track to meet desired outcomes.

3. **The full achievement of a large number of milestones indicates strong ownership of the CD program** at the political and/or top management level and shows the authorities' keen interest to take the necessary steps to execute agreed action plans across the topic areas.

Figure 1. Status of milestones as of end-April 2018



Source: AFS Staff

4. **Political conditions, security issues, and ownership challenges have been key factors constraining the pace of CD delivery in some countries.** Since the start of FY18, there have been political and/or security-related issues in five AFS countries. Such developments put at risk the smooth delivery of a planned CD program and affects the execution of the workplan. The resources released from cancelled and postponed missions during FY18 were reallocated to new CD priorities identified by country authorities and to regional peer-learning programs.

5. **Despite the difficulties noted above, a significant amount of resources was channeled to countries facing fragile conditions** and those in the low-income group (Table 1). The challenge remains the pace of implementation of reforms in some countries, which in turn affects the sequencing/timing of missions.

² The status of milestones in this report is as of end-April 2018. Starting in FY18 milestones are being rated as fully, largely, partially, or not achieved, in line with the new RBM framework's rating system. In the information annex, some FY19 and FY20 milestones are already rated in the light of available information.

6. The full execution of the workplan and the realization of the remaining milestones rely significantly on the early firming up of mission dates and on the implementation of the recommended action plans by the authorities. AFS encourages countries to finalize the timing of missions at an early date to ensure a timely execution of the agreed workplan and, more importantly, to make progress on reaching the milestones for end-FY18 and beyond.

Table 1. Execution of FY18 work plan, by country and by topic in full-time equivalents (FTEs)

| Country | FAD | | | MCM | | | STA | ICD | LEG | Grand Total |
|--------------------|------------|------------|------------|------------|------------|------------|------------|-------------|------------|-------------|
| | PFM | TA | CA | BSR | MFEMO | FMI | RSS | Training 1/ | FFL | |
| Regional 2/ | 2.1 | 0.7 | 0.9 | 0.9 | 0.8 | 0.1 | 1.3 | 1.2 | 0.1 | 8.1 |
| Angola | 0.2 | 0.1 | 0.1 | 0.0 | 0.3 | 0.0 | 0.1 | | | 0.8 |
| Botswana | 0.4 | 0.3 | 0.1 | 0.0 | 0.2 | 0.1 | 0.0 | | 0.2 | 1.3 |
| Comoros | 0.5 | 0.2 | 0.2 | | | | 0.1 | | 0.1 | 1.2 |
| Lesotho | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | | 0.1 | 0.4 |
| Madagascar | 0.9 | 0.1 | 0.3 | 0.1 | 0.2 | 0.0 | 0.2 | | | 1.8 |
| Mauritius | 0.3 | 0.2 | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | | 0.2 | 1.0 |
| Mozambique | 0.1 | 0.3 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.2 | | 0.8 |
| Namibia | 0.6 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | | | 1.1 |
| Seychelles | 0.8 | 0.2 | 0.1 | 0.1 | 0.4 | 0.1 | 0.1 | | 0.0 | 1.8 |
| South Africa | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | | | 0.2 |
| Swaziland | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | | 0.1 | 0.8 |
| Zambia | 0.1 | 0.2 | 0.3 | 0.1 | 0.5 | 0.0 | 0.2 | | | 1.3 |
| Zimbabwe | 0.2 | 0.1 | 0.1 | | | | | | | 0.4 |
| Grand Total | 6.4 | 2.9 | 2.4 | 1.6 | 2.7 | 0.4 | 2.7 | 1.3 | 0.8 | 21.1 |

1/ Includes RBM awareness, macroeconomic training course(s), and customized training in Forecasting and Policy Analysis System (FPAS).

2/ Regional includes regional and sub-regional seminars, peer learning (professional attachments and country officials' participation on missions as observers), backstopping, project management, and remote mentoring by resident advisors.

Note: Starting in FY18, AFS reports volume of CD activities on a FTE (in years) basis. The above table shows actual execution of CD activities in FY18 across topics covered by AFS: public financial management (PFM), tax administration (TA), customs administration (CA), banking supervision and regulation (BSR), money and foreign exchange market operations (MFEMO), financial market infrastructure (FMI), real sector statistics (RSS), macroeconomic training, and financial and fiscal law (FFL).

Source: AFS Staff

7. AFS also continued to support initiatives with a regional dimension. In FY18, the center organized regional and sub-regional seminars, workshops, courses, and peer learning, including professional attachments, to help countries make progress on domestic reform plans, including the implementation of regional objectives within the AFS sphere. By end-FY18, AFS countries gained from a total of 24 regional seminars—of which 12 jointly with other AFRITACs and 2 with regional partners—three courses, and sub-regional seminars, customized in-country workshops, and professional attachments. These are complemented by IMF HQ-based and online courses in core macroeconomic areas led by ICD.

8. The country logframes introduced in FY18 are an important instrument for formulating, executing, monitoring, and evaluating CD interventions at country level going forward. The logframes aim at *inter-alia* ensuring (i) alignment of reform priorities of member countries with the AFS annual and medium-term CD plans, (ii) coordinated execution of emerging CD priorities, and (iii) timely information-sharing on the realization of milestones. AFS advisors discuss and update bilaterally the country-specific logframes with beneficiary agencies and institutions during TA missions to ensure the effectiveness of the new RBM framework. The key channels through which AFS expects to coordinate with country authorities include

consultations on CD initiatives during TA missions and country visits by the Center Coordinator, discussions at the annual IMF/WB meetings on progress on reform plans, and bilateral meetings with high-level officials during regional and sub-regional seminars and workshops. AFS circulates the updated country logframes twice yearly (in May/June and in October/November) to SC members to ensure effective coordination. An update is circulated as an annex to this annual report.

III. OVERVIEW OF FY19 WORKPLAN

General Overview

9. The FY19 workplan is aligned with the program for phase II and is consistent with the IMF’s regional and country-specific CD strategies as agreed with each member country. The plan takes into account ongoing initiatives across all AFS countries and the special needs of countries with IMF-supported programs and/or facing fragile conditions. CD requirements vary significantly across countries depending on individual country characteristics. The FY19 plan also provides for sustained investment towards improving capacity of officials and institutions to deliver on reforms and targeted milestones through regional and sub-regional seminars, courses, and peer learning programs.

10. The FY19 plan focuses on about 300 new milestones set for the year (Table 2) as well as the FY18 milestones that were not fully achieved. Although good overall progress is noted on the FY18 milestones, AFS has rolled over pending milestones from FY18 into the FY19 plan and updated some missions based on the most recent information from country authorities. The number of FY18 outcomes and milestones and the targets for FY19 are provided by topic area in the sections below.

Table 2. Milestones: Number by topic area and status

| CD area | No. of Milestones for FY18 | Fully Achieved | Largely Achieved | Partially Achieved | Not Achieved | No. of Milestones for FY19 |
|--------------------------------------|----------------------------|----------------|------------------|--------------------|--------------|----------------------------|
| Public Financial Management | 39 | 14 | 14 | 11 | | 50 |
| Tax Administration | 30 | 15 | 15 | | | 24 |
| Customs Administration | 23 | 17 | 5 | 1 | | 32 |
| Banking Supervision and Regulation | 17 | 10 | 6 | 1 | | 28 |
| Money and Foreign Exchange Market 1/ | 75 | 23 | 23 | 26 | 3 | 63 |
| Financial Market Infrastructures | 10 | 8 | 2 | | | 21 |
| Real Sector Statistics | 57 | 39 | 12 | 6 | | 75 |
| Financial and Fiscal Law | 1 | 1 | | | | 7 |
| Macroeconomic Training | 1 | 1 | | | | 1 |
| Total | 253 | 128 | 77 | 45 | 3 | 301 |

1/ Includes milestones in respect of the ICD-led customized FPAS training for Mozambique.

Source: AFS Staff

11. The above milestones will be supported by an estimated 23.1 FTE years of CD interventions by AFS resident advisors, short-term experts, and headquarters (HQ) based staff (Table 3). The volume reflects the budgetary conditions in phase II and specifically for FY19. About 65 percent will be allocated to in-country TA and 35 percent will finance regional and sub-regional training seminars/courses and peer-learning activities, including professional attachments, as well as backstopping, project management, and remote

mentoring by resident advisors. With new resident advisors in public financial management (PFM) and statistics, the center plans to reduce the volume of TA delivered by IMF HQ and short-term experts in these topic areas. HQ-led and funded missions will continue to complement AFS support.

Table 3. Allocation of resources by country and topic (in FTEs)

| Country | FAD | | | MCM | | | STA | ICD | LEG | Grand Total |
|--------------------|------------|------------|------------|------------|------------|------------|------------|-------------|------------|-------------|
| | PFM | TA | CA | BSR | MFEMO | FMI | RSS | Training 1/ | FFL | |
| Regional 2/ | 2.6 | 0.8 | 1.2 | 0.8 | 0.8 | 0.1 | 1.4 | 0.5 | | 8.2 |
| Angola | 0.6 | 0.1 | 0.1 | 0.1 | 0.2 | | 0.1 | | 0.0 | 1.3 |
| Botswana | 0.6 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | | 0.1 | 1.4 |
| Comoros | 0.4 | 0.2 | 0.2 | 0.1 | | | 0.1 | | 0.1 | 1.0 |
| Lesotho | 0.3 | 0.0 | 0.1 | 0.1 | | | 0.1 | | 0.0 | 0.7 |
| Madagascar | 0.4 | 0.2 | 0.2 | 0.1 | 0.3 | | 0.1 | | 0.2 | 1.4 |
| Mauritius | 0.4 | 0.1 | 0.1 | 0.2 | 0.2 | | 0.1 | | 0.1 | 1.2 |
| Mozambique | 0.4 | 0.1 | 0.1 | 0.1 | | 0.2 | 0.0 | | 0.1 | 0.9 |
| Namibia | 0.5 | 0.2 | 0.2 | 0.1 | | 0.1 | 0.1 | | | 1.1 |
| Seychelles | 0.6 | 0.1 | 0.1 | 0.1 | 0.4 | 0.1 | 0.1 | | | 1.5 |
| South Africa | 0.2 | 0.2 | | 0.1 | | 0.0 | 0.0 | | | 0.4 |
| Swaziland | 0.6 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | | 0.0 | 1.3 |
| Zambia | 0.6 | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 | 0.1 | | | 1.4 |
| Zimbabwe | 0.3 | 0.6 | 0.3 | 0.1 | | | 0.1 | | | 1.4 |
| Grand Total | 8.5 | 2.8 | 2.8 | 2.0 | 2.5 | 0.7 | 2.6 | 0.5 | 0.7 | 23.1 |

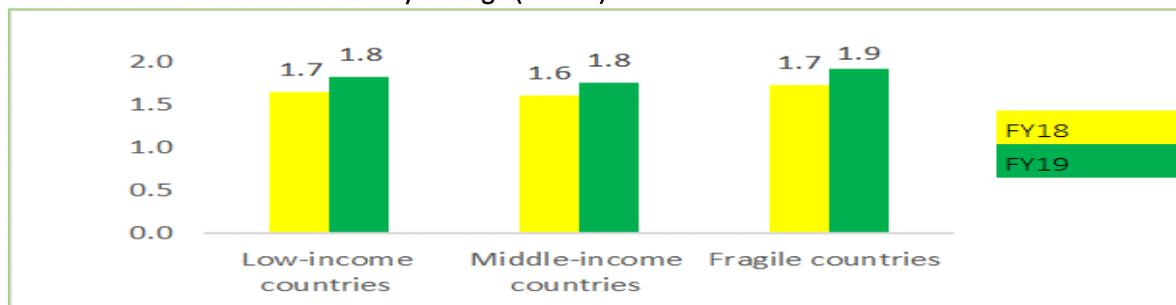
1/ Includes RBM awareness, macroeconomic training course(s), and customized training in FPAS.

2/ Regional includes regional and sub-regional seminars and peer learning activities (professional attachments and country officials' participation on missions as observers), backstopping, project management, and remote mentoring by resident advisors.

Source: AFS Staff

12. Differences in resource allocation across countries are largely explained by the varied absorption capacity, the degree of ownership at the political and/or top management levels, and the nature of the TA, which in some cases needs more time and resources to implement. Resource allocation across countries will be reviewed during the year, with possible resources drawn from savings and the reserves, if progress on milestones calls for it. Resources per country continue to show high consideration for low-income countries and countries facing fragile conditions (Table 4).

Table 4. Resource allocation: Country average (in FTEs)



13. A strong execution of the workplan presupposes that AFS stakeholders—countries and partners—will take actions to mitigate risks which may affect the achievement of the milestones and outcomes. Such risk mitigation actions include:

- Commitment of country authorities to:
 - ensure ownership by actively participating in the formulation, execution, and evaluation of the proposed CD delivery together with AFS staff and in updating country RBM logframes;
 - minimize disruptions in CD plans following changes in political conditions;
 - fully support the participation of officials in AFS/IMF courses and seminars, including free online courses;
 - provide the necessary budgetary resources to address under-staffing; and
 - disburse the financial contribution for phase II as per the agreed schedule.
- Commitment of donor partners to:
 - participate fully in AFS surveys;
 - ensure timely information sharing on CD delivery at country and regional levels to help with coordination; and
 - disburse funding for phase II in a timely manner.

14. AFS’s risk mitigation strategy will include:

- regular consultation with country authorities to ensure that CD interventions remain in line with the absorption capacity of agencies and are linked to the agreed milestones and the reform plan;
- outreach activities with development partners;
- extensive use of available fora – regional and sub-regional seminars, courses, conferences, and other channels – to discuss emerging CD needs in the region;
- internal IMF coordination with all relevant departments; and
- availability of relevant experts.

15. Flexibility in resource allocation is important for ensuring responsive and effective CD support. AFS will continue to keep the SC fully updated on the execution of the workplan through its quarterly bulletin; quarterly revisions to the workplan circulated to the SC for endorsement on a lapse-of-time basis; and regular postings on the AFS Facebook page.

Fiscal CD Program

Public financial management

Execution of FY18 workplan

16. Progress on milestones has generally been good in the PFM area. By end-April 2018, out of the 39 milestones set for FY 2018, 28 were fully or largely achieved while 11 were partially achieved. Countries also made progress on some milestones set for FY19. Key achievements during FY18 include:

- **Botswana:** The new Government Asset Management Policy and Procedures was finalized and presented to the Government for adoption
- **Comoros:** Accounting and fiscal reporting procedures were reviewed with the implementation of the related IT system (SIM_BA) and the corresponding reform roadmap was developed and adopted by the Ministry of Finance (MoF) (September 2017);
- **Madagascar:** The formulation of the 2018-20 Medium-term fiscal framework (MTFF) methodologies was strengthened and includes a first version of the fiscal risks statement (FRS). It was used for budget preparation and published (October 2017). The



new public investment management (PIM) strategy was adopted by the Government in December 2017; and the PFM priority action plan was updated and approved by the MoF and Budget in March 2018 (Box 1);

- **Mauritius:** Central oversight was established to support enhanced capital project appraisal and selection. Related guidelines and methodologies were developed and adopted (September 2017). A revised Grant-in-aid formula was finalized and tested with the preparation of the 2018 budgets for local authorities; and a revised medium-term action plan was adopted to allow Treasury Accounting System to operating on dual cash and accrual basis and to produce statements incorporating financial assets and liabilities
- **Namibia:** Methodology for medium-term costing was updated and formats for integrated budget documents were produced and implemented (November 2017);
- **Seychelles:** A fiscal risks analysis was included for the first time in the budget strategy outlook paper.
- **Swaziland:** Quarterly cash flow forecasts are now regularly prepared and updated (September 2017); and
- **Zimbabwe:** Significant progress has been made on strengthening macro-fiscal and budgetary planning processes and documentation (October 2017) (Box 1).

17. Deferrals of milestones is largely attributable to the postponement of some TA activities at the request of the authorities mainly because of political events (Angola, Lesotho and Zimbabwe) and a slower-than-expected pace of reform implementation (Mozambique and Zambia).

Regional activities

18. Regional seminars conducted in FY18 covered the following topics:

- Debt sustainability analysis for low income countries and public debt sustainability analysis in market-access countries in collaboration with the IMF's Strategy, Policy and Review Department and the World Bank's Macroeconomic and Fiscal Management Global Practice (May 2017);
- Fiscal risk analysis and management (July 2017);
- Government expenditure arrears prevention and management (November 2017); and
- Strengthening the Role of Macro-Fiscal Units (MFUs) in Ministries of Finance (January 2018).

19. Peer-to-peer learning program included:

- a 10-day professional attachment of two staff—one from the macro-fiscal department and one from the budget department— from four AFS countries (Botswana, Mauritius, Namibia, Zambia) at the MoF of the Netherlands (June 2017 – Box 1); and
- participation of officials from Mauritius and South Africa in AFS missions - respectively to Seychelles (January 2018) and Swaziland (December 2017) to share their experiences on accounting and fiscal reporting, and public-private partnerships oversight.

20. FY19 Priorities

- **Significant country challenges remain across the region.** These include the need to respond to: (i) changes in the global and regional economic environment, including the volatility of commodity prices; (ii) increasing demands for improved social services and more productive public investment; (iii) evolving PFM standards for improved fiscal forecasting, resource allocation, budget execution, and greater levels of accountability; and (iv) increased task environment turbulence (political, environmental, and social).

Box 1. Select PFM success stories

Madagascar: TA delivery has been intensive and coordinated with other TA providers. Several HQ missions and AFS STX visits have supported strengthening budget practices and the development of a medium-term budget framework. In August 2016, in cooperation with FAD and the World Bank, AFS reviewed public investment practices based on the PIMA methodology. AFS follow-up missions assisted in developing a new public investment management framework, strategy and action plan, adopted by the authorities in December 2017. An FAD/AFS mission also assisted the authorities in PFM reform monitoring, with the development and adoption of an updated PFM strategy and action plan for 2018 – 2020.

Zimbabwe: An AFS mission provided hands-on support to the authorities to strengthen the approach and methodology used for compilation of a draft budget strategy paper and a budget call circular. Key achievements were the better use of economic and budgetary data and projections for formulating a medium-term fiscal strategy.

Professional Attachment Program to the Netherlands: The program included a combination of lectures, discussions, and experience-sharing and covered most areas of the Dutch PFM system. This included macro-fiscal forecasting, budget cycle, budget planning, fiscal rules, debt management, cash management, fiscal risks management, public-private partnerships, and intergovernmental financial relations. The Ministry of Transport and Environment organized a one-day study visit to an infrastructure public-private partnership project. The AFS country officials shared their own country PFM experiences and discussed with their Dutch counterparts. At the end of the attachment, the delegation produced a combined report with findings and specific recommendations for their respective countries.

21. The FY19 plan for PFM will focus on 50 milestones In line with the phase II program and in coordination with the IMF's Fiscal Affairs Department (FAD) and other TA providers, the FY19 focus will remain on:

- continuing engagement toward: (i) securing basic PFM system integrity; (ii) making progress on medium term fiscal planning and budget processes; (iii) moving towards more advanced standards; and (iv) strengthening the PFM resource base, including improved structures, staffing, skills, systems, management, and funding; and
- regional cooperation and convergence for promoting fiscal process complementarity and common standards.

22. Regional activities planned for FY19 include:

- one regional seminar on MTFE and fiscal risks organized jointly with COMESA and East AFRITAC;
- one regional seminar on International Public Sector Accounting Standards;
- at least one secondment under the professional attachment program;
- at least one participation of an AFS country official as observer on a PFM mission; and
- cooperation with COMESA/ Southern African Development Community (SADC)/East and Southern African Association of Accountant General/CABRI, and other organizations on regional priorities and activities including Fiscal Responsibility Laws, Medium-Term Fiscal and Budget Frameworks, Fiscal Reporting and the development of PFM convergence criteria.

23. PFM-specific risks remain:

- **Political and senior management demand and active engagement.** AFS will engage with ministers/senior staff on the new RBM framework to ensure more commitment and ownership from the authorities on priorities and expected results.
- **Political and economic turbulence.** This could imply reallocation of resources to other outcomes/countries, training/workshops opportunities when in-country missions remain difficult; and a positive response to requests for urgent interventions.

- **Capacity Constraints.** AFS will align planned mission outputs to country capacity and phase implementation; adopt mentoring and workshop approaches to build capacity; and expand peer to peer learning opportunities.

24. The departure on short notice of an AFS PFM advisor in September 2017 affected the execution rate in FY18. The center will work closely with FAD and country authorities to ensure the realization of the pending FY18 and the new FY19 milestones. The milestones will support countries in enhancing the efficiency of public spending (including expenditure rationalization and PFM systems), increase fiscal transparency (including on fiscal risks associated with state-owned enterprises), and improve the management of public investment.

Tax administration

Execution of FY18 workplan

25. AFS countries made progress in enhancing their compliance risk management (RM) practices. Some countries also made inroads towards effective management of tax debt, reduction of arrears, and enhancing audit skills to improve the accuracy of reporting by taxpayers. All the 30 milestones set for FY18 were either fully or largely achieved. Key achievements include the following:

- **Comoros:** Started operations of the Large Taxpayer Unit which entailed establishing a large taxpayer register; building taxpayer account files; establishing procedures to monitor on-time filing and payment compliance; and risk-based audits. Initial indicators are positive: large taxpayer filers increased from 50 to 112 as of September 2017; the audit execution rate increased from 17 to 27 percent during the same period; revenue collection, largely driven by these improvements, increased by 15.4 percent year-on-year as of December 2017;
- **Madagascar:** Following an AFS data matching mission in FY17, a VAT compliance improvement plan was developed to mitigate identified risks. Audit and debt management practices were strengthened to mitigate the identified compliance risks. In addition, an FAD-led mission helped to develop a long-term reform agenda for revenue administration;
- **Mauritius:** A TADAT assessment was carried out to serve as a broad baseline for further reforms in the Mauritius Revenue Authority;
- **Mozambique:** Developed a new strategy for 2018-20 and its supporting operational plans. Senior and middle management were capacitated to institutionalize the strategy and enhance its execution;
- **Angola, Botswana, Lesotho, Seychelles, Swaziland, Zambia, and Zimbabwe:** Enhanced their compliance RM practices. Progress ranges from adopting new compliance RM frameworks, establishing compliance RM units for tax, and the initial use of comprehensive data from third parties for cross checking declarations to the development of rules-based compliance models;
- **Namibia:** Work continued to prepare for the establishment of the Namibia Revenue Authority; legislation establishing the new authority was passed by parliament;
- **Zambia:** An FAD-led mission provided advice for development, implementation, and institutionalization of a clear long-term reform agenda; and
- **Seychelles and Zimbabwe:** Enhanced their capacity to monitor and improve on-time payment compliance by taxpayers and to manage and reduce tax arrears (Box 2).



Box 2. Zimbabwe establishes a risk management unit for domestic taxes

The compliance risk management function in Zimbabwe Revenue Authority (ZIMRA) was further strengthened with the establishment of a risk management unit in domestic taxes to consolidate and coordinate all risk management activities. In preparation for the launch of the unit, a compliance risk management framework document was developed with AFS assistance. The document provided for the establishment of a risk management unit in domestic taxes to consolidate and centralize all risk related work: identification, assessment, quantification, and ranking of compliance risks. In addition, the document proposed structure, roles of officers and functions of the risk management unit. The unit functions as the center of excellence for compliance risk management in ZIMRA and is emerging to become the central point for selecting cases for audit and other compliance improvement functions within the organization.

Regional activities

26. Two regional seminars were delivered in FY18:

- international survey on revenue administration (ISORA) and managing revenue administration performance, in conjunction with FAD, Africa Regional Technical Assistance Centers East (AFE) and West 2 (AFW2) (February 2018); and
- a high-level regional seminar on effective revenue administration leadership (March 2018).

27. Peer-to-peer learning program: AFS funded a professional attachment of three officers from Lesotho to Zambia on managing debt and reducing revenue arrears. Zambia was identified by Lesotho Revenue Authority (LRA) as a peer from which it wanted to learn. Ensuing from learning in Zambia, the seconded officers made recommendations for consideration by the Zambia Revenue Authority and proposed measures with a supporting action plan for improving LRA debt management practices. In addition, one official from Lesotho participated in an AFS mission to Mozambique as an observer.

28. Participation in regional events: The tax administration advisor participated in a meeting of the SADC Tax Sub-Committee. This is in line with the agreement reached with SADC on coordination of CD interventions to ensure achievement of common CD goals.

FY19 Priorities

29. In line with the phase II program, AFS will coordinate with FAD to deliver on 24 milestones in tax administration covering all 13 AFS countries. The FY19 plan focuses on assisting tax administrations to:

- adopt, institutionalize, and communicate multi-year reform implementation plans, with a supporting resource plan;
- improve organizational arrangements to enable more effective delivery of strategy and reforms through adoption of functional structures and separation of headquarters from operational functions;
- manage corporate priorities through effective RM practices to identify, assess, quantify, rank, and to develop comprehensive and multi-year compliance improvement plans to mitigate risks;
- have in place effective ICT strategies and tax administration systems to more effectively enable delivery of strategy;
- effectively implement new tax or modernized legislation with focus on VAT;
- improve on-time payment rates, reduce tax arrears; and strengthen management of refunds;
- more effectively ensure accuracy of reporting through audits and other verification programs. Work will include assisting tax administrations to use appropriate range of tax audits and other initiatives to detect and deter inaccurate reporting and fraud and to adopt automated cross-checking of taxpayer information to verify return information; and
- strengthen tax payer services initiatives to support voluntary compliance.

30. Regional activities in FY19 include:

- a high-level seminar on compliance RM;
- secondment of officers under the professional attachment program for peer learning;
- participation of country officials on AFS missions as observers; and
- continued participation of the tax administration advisor in select events – regional seminar or meeting – of a working group or tax committee of a regional partner organization.

Sector-specific risks and risk mitigation

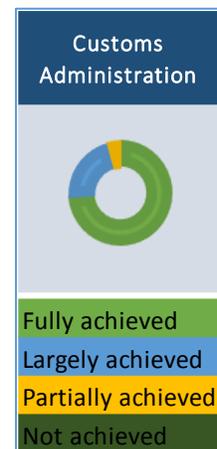
31. The major challenge in tax administrations is the frequent change of the heads of revenue organizations. This often results in changes in strategic direction within short time periods and ultimately affects negatively the implementation of recommendations and therefore the realization of agreed milestones. The level of capacity regarding skills and adequacy of resources required for the tax administration to function efficiently and effectively is low in some countries. Strategies to counter against these risks are discussed at the country level and guidance is provided on making business cases and proposals to mitigate the risks. Both the risks and proposed mitigation actions are incorporated in the TA reports and discussed with relevant country officials during TA missions.

Customs administration

Execution of FY18 workplan

32. The customs program continued to provide TA to support countries in delivering their core mandate of maximizing revenue collection, facilitating trade, and protecting society from prohibited and restricted goods such as drugs and firearms. Out of 23 milestones for FY18, 22 were fully or largely achieved by end-April 2018. Key achievements noted during the period include:

- **Angola:** Strengthened management and leadership through delivery of a two-week training course to 40 senior managers in customs and tax;
- **Botswana:** Joint customs and tax Compliance RM Framework adopted;
- **Comoros:** Regulations drafted to support the new Customs Code;
- **Lesotho:** Action plan formulated and implemented to strengthen the control and monitoring of excise operators and strengthen post clearance audit capacity by developing multi-year and annual audit plans based on a risk assessment (Box 3);
- **Madagascar:** Reform strategy and action plan adopted to include measures to strengthen the RM and post clearance audit functions;
- **Mauritius:** Compliance workshop delivered, including a gap analysis conducted between primary and secondary legislation, to strengthen the administration and control of excise;
- **Mozambique:** Action plan adopted to further develop post clearance audit capacity;
- **Namibia:** Review conducted of the administration of exemptions and excise regulations; controls developed to counter adulteration of road fuel, and guidance given on progression in tax base expansion, specifically concerning excise duties on betting and gaming;
- **Seychelles:** An assessment of customs postal operations conducted, and pilot for a Control and Management Assurance Framework implemented to improve transparency and integrity;
- **Swaziland:** Excise duties management and compliance workshop delivered, and an action plan approved to improve the control and monitoring of excise operators;
- **Zambia:** RM capacity developed through the adoption and implementation of a time-lined action plan; and multi-year reform implementation plan adopted and communicated; and
- **Zimbabwe:** Post clearance audit and RM functions strengthened through the adoption and implementation of action plans.



Regional activities

33. Regional training: AFS conducted a two-week course on Customs Intelligence and Investigations, with 39 representatives from the 13 AFS countries. The course delivered 12 lessons finishing in a two-day case study and role plays. It also provided a forum for discussion to explore the challenges to customs intelligence and investigation programs and to build participants' capacity by providing them with the tools, principles and procedures for more effective job performance.

34. Professional attachment Program: Three customs officers from the Swaziland Revenue Authority (SRA) Customs Intelligence Unit were attached to Lesotho Revenue Authority (LRA) Customs for two weeks. LRA was selected as a good example to demonstrate to SRA customs officials sound working practices in RM, given LRA's significant development in RM (Box 3). Moreover, there are many similarities between the countries as both are Southern Africa Customs Union and SADC members, share borders with South Africa, have similar trading patterns, and are comparable in size by population and in staff numbers deployed in the CA. The overall objective was to expose Swaziland customs officials to regional good practice in CA and share experiences focused on the RM function. This will inspire them to take a leading role in reform and modernization initiatives in their home administration.

35. Participation in regional events: the AFS customs advisor participated in the CD coordination meeting with COMESA to define and collaborate on common priorities for FY19-20. AFS and COMESA agreed on joint activities to be incorporated in the AFS workplan for FY19 and FY20 to support common strategic objectives.

Box 3. Lesotho improves compliance risk management

The Lesotho Revenue Authority (LRA) CA made significant progress in the risk management function last year by investing in the appointment of additional staff, including a data analyst, to the Case Selection Team (CST) and implementing many of the recommendations made by AFS TA inputs. This investment resulted in the CST overcoming some of the challenges that inhibit the effectiveness of risk management programs including: (i) downloading and analysis of data from Automated SYstem for CUstoms DAta - World; (ii) monitoring and updating risk selectivity; (iii) coding risk profiles into the system; and (iv) detailed performance monitoring and reporting to the LRA Compliance Risk Management Committee.

FY19 Priorities

36. In line with the phase II program and in coordination with FAD, AFS CA plan will target 32 milestones focusing on:

- the development of sound leadership and management capability to improve strategic planning, transparency and integrity (Angola);
- improvement in customs controls through compliance RM and data matching (Botswana, Comoros, Lesotho, Madagascar, Namibia, Swaziland, Zambia, and Zimbabwe);
- trade facilitation and service initiatives to support voluntary compliance (Comoros and Mauritius);
- developing management control and assurance frameworks by Implementing management profiles (Namibia, and Seychelles);
- post clearance audit and anti-smuggling programs (Lesotho, Madagascar, Mozambique, Zambia, and Zimbabwe); and,
- strengthening the control and monitoring of excise regimes (Lesotho, Mauritius, Namibia, and Swaziland).

37. Regional activities will include:

- one seminar on improving customs controls and administration of excise operators to improve compliance, facilitate trade, and increase revenue yield;
- one seminar on advanced rulings for classification purposes, origin and valuation;
- A professional attachment on needs basis and subject to the agreement of host country; and
- participation of AFS in at least one regional outreach event in CA.

Sector-specific risks and risk mitigation

38. The challenges facing the full execution of the workplan remain the absorption capacity of the revenue administrations, including staffing issues, early finalization of missions, and – in some countries - security issues. AFS, in consultation with revenue administrations and the SC, will review further the workplan to meet increasing demand from countries with higher absorption capacity and good progress on milestones.

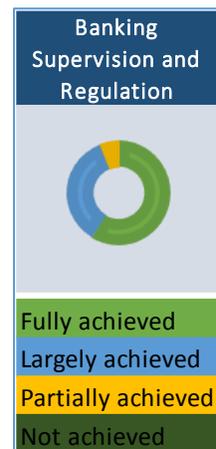
Monetary and Financial Sector CD Program

Banking Supervision and Regulation

Execution of FY18 workplan

39. AFS countries made progress in implementing financial sector reforms and benchmarking their regulatory/supervisory norms to international standards/best practice enunciated by the various Standard Setters. Out of 17 milestones set for FY18, 16 were fully or largely achieved and progress was noted on one by end-April 2018. Key progress achieved during the period include:

- **Comoros and Madagascar:** Switched over from CAMELS-based to risk-based supervision (RBS);
- **Lesotho and Zambia:** Enhanced the existing RBS infrastructure;
- **Seychelles and Swaziland:** Finalized migration plans to Basel II;
- **Angola and Mozambique:** Established traction with the authorities and commenced the work towards implementing reforms in financial sector supervision;
- **Mauritius:** Made progress in implementing legal reforms (Box 4); and
- **Seychelles and Swaziland:** Finalized migration plans to Basel II and developed risk-based approaches to Anti-Money Laundering/Combating the Financing of Terrorism supervision (with support from the IMF’s Legal Department (LEG)).



Regional activities

40. Three regional seminars were conducted in FY18 as follows:

- in collaboration with AFE and the COMESA Monetary Institute (CMI), AFS organized a seminar on the recent developments in the Basel framework and facilitated the promotion of regional integration (August 2017).
- a seminar on the macroprudential approach to supervision and managing systemic risk highlighted the importance of pan-African banks in macroprudential policy and cross-country coordination; it focused on practical implementation issues of interest to practitioners and policymakers (November 2017).
- a seminar on international financial reporting standards (IFRS) was designed as a backdrop to the IFRS 9 implementation from January 2018, which is expected to usher in a paradigm shift in the

manner in which financial institutions classify, measure, and account for the impairment of financial instruments (March 2018).

41. Professional attachment program: An official from the Bank of Namibia (BON) was attached to the Bank of Mauritius (BOM) to study the banking license application and assessment procedures, to address shortcomings identified in the licensing process in Namibia, and to apply good practice for banking licensing in the BON's draft documents, including conducting due diligence and "fit and proper norms."

42. Participation in regional events: AFS regional initiatives complement CD support in financial sector supervision by providing the opportunity to mid- and high-level officials from prudential supervisory agencies in the region to improve their technical capacity, understand new initiatives at the international level, and adopt international standards. Detailed discussions were held with SADC, CMI and Committee of Central Bank Governors (CCBG) to effectively leverage AFS skills in financial sector supervision with these agencies. In FY19 these initiatives are expected to result in a closer coordination of these agencies' efforts towards sustainable improvements in financial sector regulation and supervision in the region.

FY19 Priorities

43. In line with the phase II program and in coordination with the IMF's Monetary and Capital Markets Department (MCM), AFS will continue to support the development of robust and resilient financial sectors in the region. In this context, the center will support ongoing initiatives aimed at benchmarking the regulatory/supervisory architecture to international standards. Building capacity and enhancing data quality, integrity, and validity across AFS countries will be another priority, with customized support to meet country needs. The finalization of Basel III reforms in December 2017 by the Basel Committee on Banking Supervision is expected to have significant impact on the reforms in BSR in the region and AFS will support countries in a smooth implementation through customized TA and seminars. The AFS FY19 plan will target some 28 milestones covering this area.

44. Regional activities will include:

- seminars on (i) the impact of Basel III reforms in the implementation program of emerging market and developing economies and (ii) crisis management and crisis resolution;
- participating in select regional events such as seminars organized by SADC, CCBG or other regional bodies; and
- professional attachments, especially targeting fragile countries.

Sector-specific risks and risk mitigation

45. The challenges facing full execution of the workplan remains the TA absorption capacity of banking supervision agencies/departments, staffing issues especially higher attrition levels, delay in finalization of missions, and security issues in some countries. Customizing the changes brought about by the global regulatory reform process to the individual country requirements also remains a challenge. AFS will, in consultation with the authorities and the SC, review further the workplan to meet increasing demand from countries with higher absorption capacity and progress on milestones.

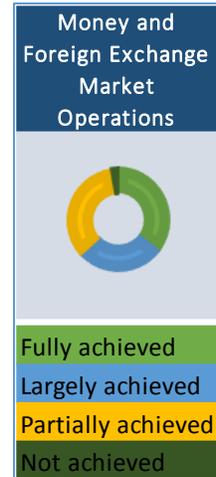
Money and Foreign Exchange Market Operations

Execution of FY18 Workplan

46. Central Banks in the AFS region made progress in their monetary policy implementation and communication by increasing their capacity in liquidity management and forecasting, financial market analysis, and macroeconomic modeling and forecasting. Out of 75 milestones set for FY18, 46 were fully or

largely achieved, while progress was noted on an additional 26 milestones by end-April 2018. AFS countries also advanced on some milestones set for FY19. Key achievements include:

- **Madagascar:** Switched to a rules-based, level-playing field practice for FX interventions; a review of the analytical process and report following their newly reinstated business survey is underway;
- **Botswana:** Bank of Botswana refined and revised its monetary policy implementation framework with support from a mission, jointly with MCM (Box 4);
- **Seychelles:** Successfully introduced an interest rate corridor to strengthen the monetary policy implementation framework and the monetary policy stance signal. In addition, a TA mission supported the Central Bank of Seychelles in drafting a communication policy and strategy to be submitted for approval by the Monetary Policy Committee (MPC);
- **Mauritius and Angola:** Identified and strengthened their forecasting teams with sector experts and - supported by TA - have started transferring their near-term forecasting toolkits to the sector experts;
- **Zambia and Mozambique:** A much appreciated peer-to-peer workshop on FX policy and FX market development was conducted in Maputo; the Bank of Mozambique, supported by ICD's customized training, continued to enhance its capacity for medium-term macro-modeling and forecasting to facilitate its transition to an interest-rate-based monetary policy framework; and
- **Botswana and Zambia:** Developed populated prototype Monetary Policy Reports, expected to be published in 2018.



Regional seminars

47. AFS conducted two regional seminars in FY18, which were jointly organized with AFW2 and a bilateral knowledge exchange between Seychelles and Mauritius. They covered the following topics:

- Monetary Policy Communication was conducted in Accra, Ghana with 29 central bank officials from 14 AFS and AFW2 countries. The objective was to develop central banks' capacity to communicate monetary policy clearly and to promote advancements in communication, thereby strengthening the effectiveness of monetary policy implementation. The seminar provided an excellent forum for officials to network and exchange experiences, and incorporated peer-to-peer presentations and discussions (September 2017);
- FX Market Simulation for Central Banks was conducted, with ACI Australia providing the workshop simulations. ACI Australia brought its experience in running FX market simulation courses since 1984. The core of the program was close-to-real life FX market simulation exercises carried out via electronic trading platforms and voice brokers. The simulations allowed participants to understand how the market functions, learn how to act on news, and understand how and why their trading positions generate profits/losses (September 2017); and
- A bilateral knowledge exchange seminar provided the platform for sharing experiences in monetary policy framework and implementation. Although Mauritius and Seychelles have some common economic features, their monetary policy frameworks have evolved differently. The seminar was timely and much appreciated since both countries are in the process of modernizing their banks and their policy frameworks. It had a high-level profile, with the participation of Deputy Governors and heads of Departments and Divisions, and generated many productive discussions. The two banks contributed to fund the seminar costs (October 2017).

FY19 Priorities

48. In line with the phase II program and in coordination with MCM, AFS will:

- promote robust monetary policy implementation and FX operations frameworks;
- help strengthen the capacity for monetary policy modeling and forecasting, including building appropriate models, tools, and processes for both liquidity and inflation forecasting;
- support central bank communication and transparency initiatives; and
- support the enhancement of data and survey analysis and the strengthening of macroeconomic and financial market analysis.

49. **Regional activities** will include at least one seminar from the following: (i) FX market trading and development; (ii) monetary policy implementation and operations, and financial market development (the latter still in the planning stage), or (iii) a sub-regional workshop on modeling and forecasting (FPAS), in which near-term and medium-term customized models will be used in a problem-solving environment using own country data, models, and tools.

Sector-specific risks and risk mitigation

50. The key challenge facing the full execution of the workplan remains the central banks' absorption capacity, in particular the communications departments, which are generally very small. Issues such as high staff turnover, delays in finalizing missions, and security issues in some countries are examples of additional challenges. Political changes and insufficient central bank independence are other challenges that may hamper implementation of reforms. AFS will, in consultation with the authorities and the SC, review further the workplan to meet increasing demand from countries with higher absorption capacity and good progress on milestones.

Box 4. Bank of Botswana: Developing forecasting and policy analysis

As a pioneer in developing the FPAS on the continent, the Bank of Botswana (BoB) is well aware of the importance of a forward-looking analysis for policymaking. Already for several years, medium-term forecasts have been an integral part of the decision-making process in setting interest rates. A number of TA missions during 2004–09 assisted the BoB in building forecasting and modeling capacity and using the FPAS in the external and internal communication of policy issues. Having started to build an FPAS more than a decade ago, the BoB has accumulated significant experience and serves as an example that a well-designed FPAS can be useful in supporting a crawling peg regime.

The forecasting and decision-making process at the BoB is well organized. The process takes place six times a year and follows a formal internal calendar, which includes staff activities in preparing the forecast and MPC materials and the interactions with policymakers. It features a number of meetings, including a staff-level pre-MPC, a technical MPC, and the MPC meetings. The entire process lasts about 5-6 weeks. With its long experience and a well-designed FPAS, the BoB was well placed to engage further in communicating its forward-looking analysis and policy conclusions to the public and to enhance its transparency and communications toolkit to bring it closer to global best practice. Thus, a mission in August 2017 assisted the BoB to develop a template for a new quarterly Monetary Policy Report which is expected to be published in 2018.

Financial market infrastructure (FMI) and payments

Execution of FY18 Workplan

51. AFS countries made progress on their modernization agenda: upgrading oversight policy frameworks, implementing enhanced RM strategies, gaining proficiency and preparing initial assessments of the FMIs against the international standards, and enhancing the legal and regulatory frameworks for the payment and settlement systems. The 10 milestones set for FY18 were either fully or largely achieved by end-January 2018. The areas of progress recorded during the period include:

- **Botswana:** The national payment strategy was finalized through consultations with stakeholders, along with a time-bound action plan;
- **Botswana:** Relevant regulations pertaining to FMIs and payments were re-drafted and finalized;
- **Lesotho:** Desk Review of *Failure to Settle* rules completed and oversight policy framework (OPF) finalized; publication of the OPF is imminent;
- **South Africa:** Stakeholder understanding of the international standards strengthened through customized training;
- **Mozambique:** Provided oversight training for staff and advised on the project management and governance arrangements for the procurement of a new real-time gross settlement (RTGS) system.



Regional activities

52. Customized workshop: AFS conducted a national workshop on the Principles for FMIs (PFMI) in South Africa targeted to stakeholders involved in the regulation, supervision, oversight and operation of FMIs. The workshop enhanced their level of understanding and proficiency and will facilitate the seamless redistribution of responsibilities across regulators in South Africa's transition to the "twin peaks model" for financial supervision and oversight (October 16-20, 2017).

53. Participation in regional events: The AFS advisor attended the SADC Financial Inclusion Indaba in Centurion, South Africa. The forum aimed at strengthening and synchronizing approaches to driving financial inclusion at the national and regional levels, including through wider access to modern, electronic payment means (July 13-14, 2017).

FY19 Priorities

54. AFS will continue to build capacity and assist in defining policy objectives and strategies to develop and reform the national payment systems and aid the adoption of international best practice. The FY19 plan, which targets 21 milestones, will help countries in the region in:

- implementing national payment strategies and action plans for developing (or reforming) the national payments system;
- setting up and strengthening oversight and supervisory framework for FMIs;
- ensuring that retail payment systems are efficient, sound and interoperable and support the offer of a wide range of payments instruments and services;
- ensuring that FMIs comply fully with international standards; and
- ensuring FMIs operate on a sound, transparent and enforceable legal basis.

55. AFS also participates in a technical cooperation program funded by the Norwegian central bank, which is implemented jointly with MCM and AFS. One of the aims of the program is to assist the Bank of Mozambique in implementing its payment system reform agenda and specifically to procure and implement a modern RTGS system.

56. Regional Activities planned for FY19 include:

- a regional workshop covering *Fintech* and Other Payment Innovations;
- participation of AFS in select regional events; and
- professional attachments to central bank(s) with well-established payment function(s).

Sector-specific risks and risk mitigation

57. While some countries have made progress in advancing their reform agendas and addressing risks in the FMIs, the achievement of expected results remains constrained by such factors as high staff turnover (including internal transfers), unsuitable organizational arrangements for oversight, inadequate institutional arrangements for stakeholder consultation and slow regulatory responses to the dynamic and rapidly changing payments environment. AFS supports countries to upgrade their legal and regulatory frameworks and build capacity within central banks to keep pace with and effectively oversee financial technology (*Fintech*) developments. The legal workshop in FY18 and the *Fintech* workshop planned for FY19 help to address these challenges.

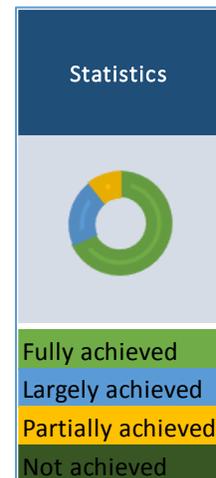
Statistics CD Program

Real sector statistics

Execution of FY18 Workplan

58. AFS countries made progress on updating and implementing methodological concepts and standards pertaining to national accounts and price statistics. Out of 57 milestones, 51 were fully or largely achieved by end-April 2018. Key progress by statistical agencies during the period - and reflected in statistical releases – include:

- **Madagascar:** publication in June 2017 of rebased national accounts with an upward revision of 18 percent for the new base year 2007, <https://www.instat.mg/comptenationaux/>;
- **Zambia:** production and publication in November 2017 of supply-and-use and input-output tables <https://www.zamstats.gov.zm/index.php/publications/category/29-national-accounts>;
- **Seychelles:** improved methodology for compiling quarterly GDP by expenditure with publication of estimates in December 2017;
- **Comoros, Madagascar, and Seychelles:** publication of improved CPI compilation methodologies, already reflected in monthly CPI releases;
- **Mozambique:** improvements to downsize revision of quarterly GDP; and
- **Lesotho and Swaziland:** compilation of quarterly GDP estimates.



Regional activities

59. Regional and sub-regional seminars were conducted targeting all AFS countries and one country-specific seminar took place for statisticians from Statistics South Africa and the SARB. The FY18 seminars comprised the following:

- compilation of National Accounts (December 2017);
- seasonal adjustments of National Accounts (September 2017);
- managing Macroeconomic Statistics (February 2018);
- computation of Price Statistics jointly with AFE and COMESA (February 2018); and
- training on residential property price indices (March 2018).

60. Peer-to-peer learning program: One national accountant from Zambia participated in a mission to Namibia in April 2018 to share experience on the compilation of supply-use tables and use of administrative data.

61. Participation in regional events: An AFS advisor participated in a seminar on supply-use tables organized by AFE. Several meetings were held between COMESA and SADC to better coordinate future CD in statistics.

62. AFS regional initiatives strongly complements the IMF’s broader CD efforts in statistics by helping strengthen mid- and high-level officials’ statistical and managerial capacity, their understanding of new statistics initiatives, and their capacity to implement international standards (Box 5). This was reinforced in FY18 with a seminar on the management of macroeconomic statistics, which covered pertinent topics, including the visibility and relevance of macroeconomic statistics and statistical priorities to meet users’ needs.

Box 5. Excerpts from statement by Mr. Samuel Randriambolamanitra, Director, Macroeconomic Statistics, National Statistical Institute of Madagascar

“The technical assistance from AFRITAC South has helped us adopt the System of National Accounts 1993. Madagascar has recently compiled supply-use tables for the new base year 2007. [...] The professional attachment [funded by AFRITAC South] of several national accountants from Madagascar to Statistics Mauritius has provided them with a better understanding of the compilation process. [...] Assistance from AFRITAC South has helped us deepen our understanding of national accounts concepts.”

FY19 Priorities

63. In line with the phase II program and in coordination with the IMF’s Statistics Department, AFS will continue to promote good data standards and transparency in the region. The center will support ongoing initiatives aimed at updating methodologies and implementing advanced standards: the enhanced General Data Dissemination System, the Special Data Dissemination Standards (SDDS), and SDDS Plus.

64. In FY19 the focus will be on improving source data methodological soundness, accuracy, reliability, serviceability, accessibility, and timeliness of statistics across member countries based on progress, absorption capacity of statistical agencies, and CD priorities agreed between statistical agencies and AFS.

65. AFS CD interventions in FY19 will be targeted towards seven key outcomes indicated below and will involve work towards achievement of some 75 milestones:

- data are compiled and disseminated using the concepts and definitions of the latest manual/guide;
- staff capacity is increased through training, especially on developing source data, compilation methods, and dissemination;
- higher frequency data have been compiled and disseminated internally and/or to the public;
- data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs;
- timeliness is improved with data made available internally and/or to the public (shorter delays);
- macroeconomic data sets used by policymakers are made more consistent across sectors (reduced discrepancies); and
- source data are adequate for the compilation of national accounts.

66. Regional activities planned for FY19 will include:

- a seminar on the development of price indices/national accounts jointly with AFE and COMESA.

- professional attachment subject to the agreement of host country;
- participation of a country official on an AFS mission; and
- continued participation in select regional events - regional seminar or meeting.

AFS expects to better meet the region's extensive needs in national accounts and price statistics with the recruitment of a second advisor in October 2018.

Sector-specific risks and risk mitigation

67. The key challenge facing the full execution of the workplan remains the absorptive capacity of statistical agencies, with staffing shortages and high-turnover being the main constraints. AFS will, in consultation with statistical agencies and the SC, review further the workplan to meet increasing demand from countries that commit to increasing their resources in statistics agencies and show good progress on milestones.

Legal CD Program

Financial and Fiscal Law

Execution of FY18 Workplan

68. AFS and the IMF's Legal Department (LEG) continued to provide financial law TA to central banks of the region. A broad financial law TA mission, focusing on central bank, banking, and payment systems law, was held in Mauritius (Box 6). A law reform mission on macro-prudential, micro-prudential, and crisis prevention frameworks to Swaziland followed up on TA delivered the previous year.

Box 6. Mauritius: Legal reform in the financial sector

TA in legal reform for central banking, banking supervision and resolution, deposit insurance, and the payment system was provided to Bank of Mauritius (BoM), jointly with the IMF's Legal Department (LEG). After the Bramer Bank crisis, which had a significant impact on the country's financial sector, a broad array of reforms was recommended for the financial sector, with legal reforms identified as a prerequisite. The Mauritian authorities have embarked on comprehensive legislative amendments, involving strengthening the Bank of Mauritius Act, the Banking Act, the Deposit Insurance Scheme bill and the National Payment Systems bill in line with international standards and good practice. A legislative package containing all these reforms is expected to be presented to Parliament in the near future. To assist the BoM in this ambitious legislative initiative, AFS and LEG provided to the authorities legislative drafting recommendations. The new legislation would be a decisive step toward helping to ensure a robust and resilient financial sector and supervisory practices in Mauritius.

69. AFS continued to execute a fiscal law TA agenda with a focus on tax law. Broad tax law reform missions were held in Botswana and Lesotho. More specific VAT missions were held in Angola.

Regional activities

70. **Regional workshops:** AFS conducted a regional workshop jointly with AFE and LEG on the Legal Aspects of the National Payments System (NPS) to strengthen compliance with Principle 1 (Legal Basis) of the Committee on Payment and Settlement Systems (CPSS) *International Organization of Securities Commissions – (IOSCO) Principles for Financial Market Infrastructures* (PFMI). The workshop's focus on legal issues within the NPS—the first of its kind—was a strategic initiative to build legal capacity in a context in which LEG is constrained to provide bilateral TA to the (up to 20) AFE/AFS member countries. The workshop was successful in giving guidance on international good practice to enhance the work of the legal professionals tasked with advising on, drafting, or amending the relevant NPS laws (November 2017) (Box 7). AFS also supported participation by francophone AFS officials in a Pan-African seminar for

francophone countries held with the Banque des États de l'Afrique Centrale (BEAC) in Yaoundé-Cameroon on the Law of the Fund.

Box 7. Participant quote from workshop on the legal aspects of national payments systems

Participants, comprising legal professionals from central banks and Attorneys General as well as oversight practitioners, described the week-long workshop as “*timely and relevant*”. One participant averred that “*The facilitators have been able to de-mystify some of the complex concepts pertaining to FMI, clarifying linkages, unpacking the issues related to the adoption of the PFMI and the importance of an underlying legal framework that is sound and clear.*”

71. **FY19 priorities** in financial and fiscal law are:

- finalizing financial law reform on Mauritius;
- commencing FFL reform in Madagascar to support monetary policy modernization;
- finalizing tax law reform in Botswana; and
- finalizing customs law reform in Comoros.

IV. TRAINING—SEMINARS, COURSES, AND PEER-TO-PEER LEARNING

Seminar plan for FY19

72. **AFS seminar topics for FY19 are aligned with ongoing reforms and address emerging macroeconomic issues facing AFS countries and the region at large.** The center has been innovating on the mode of delivery for seminars and workshops – essentially to ensure effectiveness, accommodate differing needs of country groups, and ensure increased synergies with ATI, the other four AFRITACs, and regional organizations. Delivery channels include sub-regional seminars for selected country groups (French or Portuguese speaking, or country groups facing specific topical issues in a given TA area), joint seminars with AFRITACs and regional organizations targeting an expanded country group (COMESA and/or SADC countries), and in-country customized workshops (for central banks, ministries of finance, revenue administrations, and statistical agencies). These modes of delivery remain essential for countries to deliver on key expected results and have been highly rated by TA beneficiaries.

Macroeconomic training

73. **AFS, in collaboration with AFE and AFW2, organized a course on Model-based Policy Analysis and Forecasting (MPAF) to be delivered by ICD.** The course is aimed at countries at different stages of implementing forward-looking monetary policies. It is a follow up on the highly successful, high-level ATI seminar conducted in 2017, in which senior central bank officials participated from countries that included AFE, AFS, and AFW2 members. If savings are realized during the year the center could add a second course in FY19. IMF HQ-led and on-line courses will continue to complement AFS activities. The IMF has been increasing the number of free on-line courses in recent years, which provides access to a larger number of participants from all over the world.

Peer-to-peer learning

74. **AFS expresses its thanks to the country agencies and institutions which host officials from other AFS member countries as part of the professional attachment program.** This peer learning and peer exchange program now covers all topic areas of AFS’s CD activities. The strongly positive feedback and follow up by

participants and the further rising demand attests to its success. AFS will continue to provide for professional attachments in FY19. The center will work closely with potential hosting agencies to facilitate the program.

AFS expects over 600 officials to gain from the seminars, courses, and peer learning programs noted above.

V. IMPLEMENTATION OF COMMUNICATION AND OUTREACH STRATEGY

75. In collaboration with AFR and COM, AFS communication and outreach initiatives support a constructive dialogue and sharing of TA information with key stakeholders and the general public. The key objectives of the center’s outreach and communication strategy are the close coordination and networking with the authorities, donors, and regional organizations, formal and informal reporting on the work of the center, and the collaboration with partners. Consultations and discussions with the authorities during country visits by the center coordinator and during headquarters/AFS expert missions help align the TA interventions with country and regional priorities. Internally, coordination with the country teams in AFR and the IMF functional departments ensures consistency in approach, prioritization, and sequencing of CD activities.

Steering committee and development partners

76. AFS updates the SC on a quarterly basis on the execution of and revisions in the annual workplan thereby giving the opportunity to SC members to comment on any changes and emerging priorities. SC members remain an important link between the AFS and country authorities in coordinating efforts and on representing the views of the beneficiary institutions and agencies. AFS encourages members to register for the center’s secure website to have access to AFS TA reports, updated three-month rolling mission plans, and other important TA-related information. AFS seminars and courses are open to donor representatives if spaces are available. AFS encourages member countries to publish TA reports for greater transparency.

ATI, AFS, and other AFRITACs

77. The administrative arrangement with ATI continues to support the integration and improved sequencing of TA and training and the realization of efficiencies through sharing:

- experts and facilities for courses, seminars, and workshops; and
- curriculum development, course planning and delivery, and participant selection.

78. Bilateral and/or regional customized events with other AFRITACs, especially for training and for promoting peer learning, are an integral part of AFS’s annual plans. The sharing of resident advisors as resource persons between AFS and other AFRITACs increases the breadth and depth of shared knowledge and provides efficiency gains. Collaboration in FY18 has included the following:

- seminar on 'la Régulation et Supervision des établissements et des activités liées aux services de paiement et de monnaie électronique' (AFC/AFS);
- seminar on Monetary Policy Communication (AFS/AFW2);
- seminar on FX Market Dealing Simulation (AFS/AFW2);
- workshop on the Legal Aspects of the National Payments System—Achieving Compliance with Principle 1 of the CPSS-IOSCO PFMI (AFE/AFS);
- enhancements to the Basel process -Recent developments relating to Basel II & Basel III (AFE/AFS/CMI); and

- macroprudential approach to Supervision and Managing Systemic Risks (AFS/SADC).

Regional Organizations

79. Collaboration with regional organizations has intensified recently to support regional harmonization and integration objectives (Box 8). AFS annual consultations with key regional organizations on TA activities through questionnaires and bilateral discussions during country visits contribute significantly to aligning annual CD plans and broadening TA effectiveness. AFS FY19 and longer-term plans provide for continuity in joint events, professional attachments, exchange of experts as resource persons, and possible participation of regional organizations' staff in training events.

Box 8. AFRITAC South enhances cooperation with SADC AND COMESA

An AFS-organized workshop with SADC and COMESA representatives in October 2017 at the AFS office in Mauritius provided a forum for exchanging information and discussing AFS's CD program, focusing on its relevance to regional harmonization and integration objectives. The visiting SADC and COMESA officials also met TA beneficiaries in Mauritius to discuss how AFS support has been helping Mauritius honor its regional commitments with SADC and COMESA and implement domestic reforms. A separate meeting with the (European Union) EU focused on the need for SADC and COMESA to endorse the regional harmonization matrix prepared by AFS to ensure effective coordination on CD priorities during phase II.

As a follow-up, AFS and COMESA representatives met in December 2017 at the COMESA Secretariat in Lusaka, Zambia to discuss joint CD initiatives for inclusion in the FY19 and FY20 AFS workplans. As a way forward, the following activities were proposed for collaboration in the next two years:

- six joint AFS/AFE/COMESA training seminars to be organized in FY19-20 on common priority topics;
- two professional attachments in priority areas: fiscal (mainly customs), monetary, and/or statistics; and
- participation of experts/staff from both sides in meetings.

Partners Connect

80. *Partners Connect* is a one-stop shop for development partners to access timely financial and narrative information related to their CD partnership with the Fund. This secure portal was launched in the last quarter of FY18. Contributing partners no longer need to log in to different regional CD center and thematic fund sites for their account information. A monthly validated release process will allow users to view financial data in varying levels of detail. Partners can access broad overviews or drill down into any account of interest to access financial reports or documents related to their accounts. The mobile-friendly platform allows users to access the portal from almost any type of device.

Social media

81. Updates on AFS's CD activities are accessible through Facebook, which by end-April 2018 had reached nearly 19,000 likes: <https://www.facebook.com/AfritacSouth/>. IMF CD initiatives more broadly, including those of other Regional Technical Assistance Centers (RTACs), are accessible through Twitter: <https://twitter.com/IMFCapDev/> and Facebook: <https://www.facebook.com/IMFCapacityDevelopment/>. These platforms will continue to communicate joint achievements by publicizing the productive collaboration of member countries, the IMF, and development partners in RTACs.

VI. TRANSITION TO THE NEW RESULTS-BASED MANAGEMENT (RBM) FRAMEWORK AND CD-PORT

82. The implementation of the IMF’s new RBM framework is progressing well. All new TA projects are built around the new framework with corresponding objectives, outcomes and country-specific milestones, and are managed within CD-PORT.³ IMF management’s support for the successful implementation of RBM has been one of the main driving forces behind the progress achieved thus far. Several enhancements have been undertaken, notably in improving the user interface in CD-PORT and reporting requirements, which are critical in bolstering the usability and flexibility of the framework.

83. AFS has been at the forefront in the IMF’s RBM implementation efforts and continues to take concerted actions to integrate its RBM work with the broader Fund-wide CD initiatives.⁴ To this end, AFS has achieved the following: (i) developed country-specific logframe parameters for nine thematic projects with about 900 corresponding milestones; (ii) engaged in RBM outreach and awareness-raising with AFS member countries; (iii) tailored CD plans and associated milestones to meet the authorities’ demands; (iv) enhanced the alignment of CD missions with the milestones; (v) conducted RBM training for AFS staff; and (vi) provided valuable feedback to headquarters on system and reporting enhancements.

84. RBM outreach to AFS countries helps ensure the ownership of outcomes and related milestones by the respective beneficiary institution toward a more effective implementation of RBM. In this regard, AFS advisors have been devoting a session in their regional seminars to RBM outreach with a positive reception by participants. During TA missions, advisors present to the management and technical staff of beneficiary agencies the general principles of the RBM framework and work with them on refining the logframes. In addition to the RBM sessions at regional seminars, the AFS RBM advisor joined a TA mission to Zambia as part of raising RBM awareness with both the authorities and IMF short-term experts.

85. Notwithstanding the progress achieved thus far, there is more to be done to fully implement RBM. As such, in FY19, AFS will continue its RBM outreach activities to member countries and refine further its reporting and performance monitoring of results.

86. The implementation of the new RBM framework has provided the right opportunity to harmonize all the center’s customized reporting to donors according to the parameters of the new framework. The different reporting requirements—to the SC and bilaterally to donors took valuable time away from advisors and other experts, which can be spent instead on helping to develop capacity. The endorsement of the new RBM framework by donors will reduce customized reporting demands going forward. This will also enable donors to:

- i. keep track of forward-looking medium-term milestones;
- ii. have access to historical performance data across countries and RTACs; and
- iii. receive timely updates at short notice.

³ CD-PORT (Capacity Development—Projects, Outputs, and Results Tracking) is currently the IT platform for managing the Fund’s CD activities.

⁴ For example, AFS reports milestones on a 3-year rolling basis to coincide with the IMF’s 3-year resource allocation plan.

VII. AFS BUDGET FOR FY18 AND PROJECTIONS FOR FY19-FY22

87. AFS expenses grew steadily during phase I from \$6.6 million in FY13 to \$12.2 million in FY17 as the center expanded to its full potential. At the 2017 SC meeting members endorsed the extension of phase I by three months to make full use of the available funds. Total expenses for the phase –after allowing for FY18’s first three months’ (May-July 2017) expenses totaling \$2.7 million—amounted to \$55.8 million (Table 5). The phase closed with a balance of \$274,148.

Table 5. AFS Phase I Budget Outcome (in millions of US dollars)

| Project/Activity | Phase I Outcome | FY17 Outcome | FY18 | |
|--|-----------------|--------------|---------------------------------|------------|
| | | | First 3-months ending July 2018 | |
| | | | Budget | Outcome |
| Tax Administration | 4.8 | 1.0 | 0.3 | 0.3 |
| LTX, STX, and HQ Delivery ¹ | 4.6 | 1.0 | 0.2 | 0.2 |
| Other ² | 0.3 | 0.1 | 0.1 | 0.1 |
| Customs Administration | 4.7 | 0.9 | 0.1 | 0.1 |
| LTX, STX, and HQ Delivery ¹ | 4.5 | 0.9 | 0.1 | 0.1 |
| Other ² | 0.1 | 0.0 | 0.0 | 0.0 |
| Public Financial Management | 14.7 | 3.0 | 0.7 | 0.7 |
| LTX, STX, and HQ Delivery ¹ | 14.0 | 2.8 | 0.7 | 0.7 |
| Other ² | 0.7 | 0.1 | 0.0 | 0.0 |
| Banking Supervision and Regulation | 4.8 | 1.2 | 0.2 | 0.2 |
| LTX, STX, and HQ Delivery ¹ | 4.6 | 1.2 | 0.2 | 0.2 |
| Other ² | 0.2 | 0.0 | 0.0 | 0.0 |
| Money and Foreign Exchange Market Operations | 3.2 | 0.9 | 0.2 | 0.2 |
| LTX, STX, and HQ Delivery ¹ | 2.9 | 0.9 | 0.2 | 0.2 |
| Other ² | 0.2 | 0.0 | 0.0 | 0.0 |
| Financial Market Infrastructure | 1.0 | 0.4 | 0.1 | 0.1 |
| LTX, STX, and HQ Delivery ¹ | 0.9 | 0.4 | 0.1 | 0.1 |
| Other ² | 0.0 | 0.0 | 0.0 | 0.0 |
| Real Sector Statistics | 3.9 | 0.9 | 0.3 | 0.2 |
| LTX, STX, and HQ Delivery ¹ | 3.5 | 0.8 | 0.3 | 0.2 |
| Other ² | 0.4 | 0.1 | 0.0 | 0.0 |
| Financial and Fiscal Law | 1.0 | 0.3 | 0.1 | 0.0 |
| STX and HQ Delivery ¹ | 1.0 | 0.3 | 0.1 | 0.0 |
| Other ² | 0.0 | 0.0 | 0.0 | 0.0 |
| Administration | 2.9 | 0.5 | 0.2 | 0.1 |
| Local_Staff | 1.3 | 0.2 | 0.2 | 0.1 |
| Lease_Uilities | 1.5 | 0.2 | 0.1 | 0.1 |
| Other | 0.1 | 0.0 | 0.0 | 0.0 |
| Governance | 0.9 | 0.2 | 0.1 | 0.1 |
| Regional Seminars, Workshops and Training³ | 7.2 | 1.8 | 0.4 | 0.4 |
| Contingency | 0.0 | 0.0 | 0.0 | 0.0 |
| Trust Fund Management | 3.4 | 0.8 | 0.2 | 0.2 |
| IMF Contribution | 3.3 | 0.4 | 0.3 | 0.1 |
| Total | 55.8 | 12.2 | 3.2 | 2.7 |

Source: IMF, Institute for Capacity Development, Global Partnerships Division.

1/Remuneration of short-term experts (STX), long-term experts (LTX), and HQ-based staff, as applicable.

2/Includes project management, backstopping, and remote mentoring by advisors.

3/Includes activities related to peer-to-peer learning.

88. FY18 expenses for the nine-month period funded from the phase II budget (August 2017-April 2018) amounted to \$9.9 million (Table 6). Expenses for FY18 as a whole amounted to \$12.5 million. Aggregate spending in FY19 is projected at \$12.3 million. The endorsement by the SC to transfer the remaining phase I balance of \$274,148 to phase II will allow AFS to accommodate new TA demands from member countries. IMF has approached each phase I contributor for this purpose.

Table 6. AFS Phase II Budget and Expenses (in millions of US dollars)

| Project/Activity | FY18 9-months Budget | FY18 9-months Prel. Actual | FY19 Budget | Phase II FY18-FY22 Program |
|---|----------------------------|----------------------------------|----------------|----------------------------------|
| Tax Administration | 0.9 | 0.9 | 1.1 | 5.3 |
| LTX, STX, and HQ Delivery ¹ | 0.8 | 0.8 | 0.9 | 4.4 |
| Other ² | 0.1 | 0.2 | 0.2 | 0.9 |
| Customs Administration | 1.2 | 1.3 | 1.1 | 5.6 |
| LTX, STX, and HQ Delivery ¹ | 0.9 | 1.0 | 0.9 | 4.6 |
| Other ² | 0.3 | 0.3 | 0.2 | 1.1 |
| Public Financial Management | 2.3 | 2.4 | 3.1 | 15.2 |
| LTX, STX, and HQ Delivery ¹ | 2.2 | 2.2 | 2.8 | 13.2 |
| Other ² | 0.2 | 0.2 | 0.3 | 1.9 |
| Banking Supervision and Regulation | 0.8 | 0.7 | 1.1 | 5.0 |
| LTX, STX, and HQ Delivery ¹ | 0.5 | 0.5 | 0.8 | 3.5 |
| Other ² | 0.2 | 0.2 | 0.3 | 1.5 |
| Money and Foreign Exchange Market Operations | 0.9 | 1.0 | 1.0 | 5.3 |
| LTX, STX, and HQ Delivery ¹ | 0.8 | 0.9 | 0.9 | 4.4 |
| Other ² | 0.1 | 0.2 | 0.2 | 0.9 |
| Financial Market Infrastructure | 0.3 | 0.3 | 0.5 | 2.4 |
| LTX, STX, and HQ Delivery ¹ | 0.2 | 0.2 | 0.4 | 1.8 |
| Other ² | 0.1 | 0.1 | 0.1 | 0.6 |
| Real Sector Statistics | 1.1 | 1.0 | 1.6 | 7.5 |
| LTX, STX, and HQ Delivery ¹ | 0.8 | 0.7 | 1.3 | 5.8 |
| Other ² | 0.3 | 0.3 | 0.3 | 1.7 |
| Financial and Fiscal Law | 0.4 | 0.3 | 0.3 | 1.1 |
| STX and HQ Delivery ¹ | 0.4 | 0.3 | 0.3 | 1.0 |
| Other ² | 0.0 | 0.0 | 0.0 | 0.1 |
| Administration | 0.6 | 0.6 | 0.7 | 3.5 |
| Local_Staff | 0.3 | 0.4 | 0.5 | 2.4 |
| Lease_Uilities | 0.2 | 0.2 | 0.2 | 0.8 |
| Other | 0.1 | 0.0 | 0.1 | 0.4 |
| Governance | 0.2 | 0.1 | 0.1 | 0.3 |
| Training and Customized Training | 0.2 | 0.1 | 0.2 | 0.8 |
| Contingency | 0.0 | 0.0 | 0.3 | 1.1 |
| Trust Fund Management | 0.6 | 0.6 | 0.8 | 3.7 |
| IMF Contribution | 0.5 | 0.4 | 0.6 | 2.9 |
| Total | 10.0 | 9.7 | 12.4 | 59.6 |

Source: IMF's Institute for Capacity Development, Global Partnerships Division

1/Remuneration of STXs, LTXs, and HQ-based staff, as applicable.

2/Includes related seminars, workshops, peer-to-peer exchanges, backstopping, project management, and remote mentoring by advisors.

VIII. AFS FINANCING FOR PHASE II

89. As of June 20, 2018, contributions and pledges to AFS phase II amounted to about \$45 million, including the IMF contribution of approximately \$2.9 million and member contributions, some of which are still under discussion with country authorities (Table 7). The total reflects contributions from the European Commission, Switzerland, Germany, the UK, Netherlands, the European Investment Bank, Australia, and the host country, Mauritius. Some member countries have signed contribution agreements, including Botswana, Madagascar, Mozambique, Seychelles, South Africa, and Zambia, and discussions with the others to formalize their contributions are ongoing. This leaves an estimated funding gap of approximately \$14.6 million.

90. Additional contributions from Germany (€2.5 million) and the UK and a new contribution from China are in the process of being finalized. Discussions with the African Development Bank have been initiated and further efforts to fundraise from both traditional and new partners are ongoing.

Table 7. AFS Phase II: Status of Financial Contributions (in millions of U.S. dollars (as of June 20, 2018))

| Agreement Information | | | | Contribution Received |
|----------------------------------|----------|--------|---------------|-----------------------|
| Partners/Members | Currency | Amount | U.S.Dollars | U.S.Dollars |
| Partners who signed | | | 30.28 | 27.90 |
| Australia | AUD | 0.30 | 0.22 | 0.22 |
| European Commission | EUR | 20.00 | 23.49 | 22.07 |
| Switzerland | CHF | 5.00 | 5.10 | 4.13 |
| United Kingdom | GBP | 1.12 | 1.48 | 1.48 |
| Members who signed | | | 2.48 | 0.91 |
| Botswana | USD | 0.50 | 0.50 | 0.10 |
| Madagascar | USD | 0.23 | 0.23 | 0.11 |
| Mozambique, Republic Of | USD | 0.50 | 0.50 | 0.50 |
| Seychelles | USD | 0.50 | 0.50 | 0.10 |
| South Africa | USD | 0.25 | 0.25 | 0.10 |
| Zambia | USD | 0.50 | 0.50 | - |
| Internal Transfers | | | 4.34 | |
| European Investment Bank | | | 0.24 | 0.24 |
| Germany | | | 2.94 | 2.94 |
| Netherlands | | | 1.16 | 1.16 |
| Pending/Under Negotiation | | | 3.00 | |
| Angola | USD | 0.50 | 0.50 | |
| Comoros | USD | 0.50 | 0.50 | |
| Lesotho | USD | 0.50 | 0.50 | |
| Namibia | USD | 0.50 | 0.50 | |
| Swaziland | USD | 0.50 | 0.50 | |
| Zimbabwe | USD | 0.50 | 0.50 | - |
| Host Country and IMF | | | 4.87 | |
| Cash | | | 2.00 | 0.40 |
| IMF | | | 2.87 | |
| Grand Total | | | 44.97 | 33.55 |
| Program Document Budget | | | 59.57 | |
| Funding Gap | | | -14.60 | |

Source: IMF's Institute for Capacity Development, Global Partnerships Division

91. **Member country contributions to the center’s budget are voluntary, but remain critical to secure the medium-term financial sustainability of the center, given increasingly restricted official development assistance budgets of development partners.** At the last SC meeting, most member countries agreed to double their contributions to \$500,000 for phase II. With the substantially larger contribution by the host country Mauritius, member contributions account for 12 percent of AFRITAC South’s five-year budget. This is lower than the share of more than 50 percent in some of the IMF’s other Regional Technical Assistance Centers, such as SARTTAC, AFRITAC Central, and METAC, and an average member country funding share of almost 20 percent across all RTACS. IMF encourages members with larger financial capacity to make higher contributions.

INFORMATION ANNEX

Status of milestones for FY18-FY20 can be accessed from the [AFS website](#).

AFRITAC South Contact

L. Effie Psalida

Director, AFRITAC South

Tel: +230 401 2500

Email: afsweb@imf.org

www.southafritac.org

<https://www.facebook.com/AfritacSouth>

International Monetary Fund

Institute for Capacity Development

Global Partnerships Division

700 19th Street NW

Washington, D.C. 20431

USA

Tel.: 1-202-623-7636

Fax: 1-202-623-7106

Email: GlobalPartnerships@imf.org