

MAIN HIGHLIGHTS



AFS capacity development (CD) activities during the second quarter included technical assistance (TA) missions to 12 member countries, as well as regional seminars in collaboration with East AFRITAC, AFRITAC West 2, and SADC. Customized workshops and orientation programs, tailored to a large extent for countries facing fragile conditions, and professional attachments continued to complement TA activities. AFS work on gender and governance and corruption were significantly covered during the period as detailed in the topical sections below.

EXECUTION OF THE FY20 WORK PLAN

Money and Foreign Exchange Market Operations

By Carina Selander



Botswana: AFS arranged an attachment program with Danmarks Nationalbank (DNB) for the staff of the central bank and the Ministry of Finance (MoF) of Botswana to learn about effective debt management and market development. The program included discussions and presentations with the Financial Markets Department –in particular, the Debt Management Office led by Mr. Lars Mayland Nielsen at the DNB. The Botswana team also visited the MoF where Mr. Frederik Munk presented the role of the ministry in debt strategy and management.

“The attachment was timely and provided the team with many learning points which are important to incorporate into the on-going review of the medium-term debt management strategy for the next few years” (Botswana team)



Botswana: A mission assisted the Bank of Botswana (BoB) to strengthening the Near-Term Forecasting (NTF) framework, to implement an upgraded database, data process, and Financial Policy Analysis System (FPAS) infrastructure. The team worked on parallel tracks to (i) finalize the project on the database, data management and data process started through previous off-site missions, (ii) continue developing the NTF framework with focus on GDP, and (iii) follow-up and ensure the efficient use and implementation of the previously upgraded Business Expectations Survey into the framework.

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Comoros: AFS organized an Orientation Program (OP) for the Central Bank of Comoros (CBC) on the Core Functions of Modern Central Banks. Forty-nine persons from various departments participated in the 4-day event. The OP familiarize



staff with the core functions of modern central banking and the linkages between the various functions. Ms. Selander, Ms. Stewart and Mr. Ravi Mohan, AFS resident advisors for Monetary Policy Operations, Financial Market Infrastructure, and Banking Supervision and Regulation respectively also assessed CD priorities. The findings will feed into the AFS work plan for FY21 and beyond. The participants were fully engaged, and feedbacks suggest that OP was beneficial and could be delivered to other central banks.

Madagascar: A two-part peer-to-peer exchange with the Central Bank of Seychelles (CBS) was organized to assist the Banky Foiben'I Madagasikara in their process of transitioning from a fixed money targeting to an interest rate-based framework. Such a transition requires good knowledge of various implementation frameworks, and the ability to evaluate the most suitable framework under specific country circumstances. The experience from the CBS, which has been through such a transition, proved very beneficial. Part 1, of the peer-to-peer exchanged constituted a customized seminar in Madagascar, where staff from the CBS formed part of the mission team. Part 2 was a study visit to the CBS where staff from Madagascar had the opportunity to see the results of the transition in Seychelles, take part in the day-to-day work, and learn more about the challenges.

Mauritius: An FPAS mission to the Bank of Mauritius focused on developing the NTF toolkit and a comprehensive NTF framework. The mission built on the work started through FPAS mission in November 2018. During that mission a system of NTF models was created for GDP, and this mission continued building on this system and trained staff in how to optimally use it. The mission also started building a similar system for CPI. In addition, the mission worked on clarifying the role and responsibilities of the sector experts, within and in between forecast rounds.

Zambia: An FPAS mission assisted the Bank of Zambia (BoZ) to further develop its NTF framework (including incorporating business survey data and information). It also started developing the analysis and forecast of the foreign sector, continued the training of staff in the use of the Quarterly Projection Model developed during previous missions. Moreover, the mission continued the work on expanding the database and further effective data management and data processes.

AFS, jointly with the South African Reserve Bank (SARB), organized a seminar on **Monetary Policy Implementation and Market Development** aimed at equipping participants with knowledge of the latest trends on monetary policy implementation and operations and further strengthening their ability to assess different monetary policy implementation frameworks. Participants welcomed its peer-to-peer sharing elements and the 'speed-dating' session organized on the last day. A highlight of the seminar was a VTC lecture delivered by the Governor of the Riksbank, Mr Stefan Ingves, who spoke on *"Moving from a structurally short to a structurally long system – Challenges to the operational framework"*. The seminar had 31 participants from 10 countries.



Banking Regulation and Supervision By Ravi Mohan P.R.

Botswana: AFS organized a mission to assist in the process of implementing select elements of Basel III, especially the liquidity requirements. The mission worked with the BoB to build the technical capacity for implementing Basel III. It also assisted the authorities in the capacity building of the supervisory staff.

Seychelles: A mission assisted in the process of implementing International Financial Reporting Standards (IFRS 9) for banks. The mission worked with the CBS to build the technical capacity for implementing IFRS 9. It specifically looked into the process of classification and measurement of financial instruments and assisted the authorities in the supervisory review of banks' methodology of computing impairment losses, especially the Expected Credit Losses models. The mission advised the CBS regarding disclosures and formats of financial statements under IFRS 9.



A seminar on IFRS enhanced the ability of 30 mid- to senior-level regulators/supervisors from 10 countries to understand implementation challenges. The seminar familiarized participants with the underlying concepts of the standards and equipped them with the tools and techniques for conducting supervision of banks/financial institutions under the new framework in the most effective way. The seminar received excellent feedbacks from the participants. Many countries



have requested AFS to conduct missions on various aspects of IFRS for expediting their implementation process. The Governor of the Bank of Mauritius, **Yandraduth Googoolye**, opened the seminar, and the Deputy Governor delivered the valedictory address. The Governor's speech

has been published on the [website](#) of the Bank for International Settlements.

Participant Feedbacks



The course was relevant for me personally and the Bank of Zambia in general. Being an onsite site examiner involved in the credit review process during examinations, the seminar has greatly enhanced my understanding of the standard and will greatly improve role as a bank regulator. The content and coverage of the seminar was superb. The sharing of information through country presentations and exchange of peer practices with other participants/resource persons was very helpful as it gave me an opportunity to learn from the experiences of other regulators who have both implemented and are in the process of implementing the standard. I learnt a lot, both conceptually and from a practical perspective, various aspects of the standard that will improve my current role. James Mungabo, Bank of Zambia

In 2019 IFRS 9 is an integral piece of regulation when it comes to credit risk and the South African Banking sector. The seminar was without question relevant to our institution. The contents and coverage of the seminar were appropriate in nature, providing salient issues for each member to consider carefully when supervising matters pertaining to IFRS 9.

The country presentations provided key insights and challenges that without question carry an importance, which cannot be underestimated. Country presentations provided an important opportunity for communal learning and robust discussions. Jean-Marc Groenewald, SARB



As a frontline supervisor, I am often required to make a comprehensive evaluation of corporate governance of a financial institution. This seminar has improved my knowledge of good governance principles and different tools available to assess corporate governance in an institution. In addition, the seminar covered sound governance principles in the specific context of ML/TF risk management. The topics also included a review of past cases of corporate governance failures which was an eye-opener on the different factors that could lead to the failure of an organization. I was able to gain a greater insight as the participants shared experiences in adopting and implementing Corporate Governance Principles in their respective countries. The seminar was also supplemented by a series of case studies and a role play which made it more interactive and improved the learning experience. Deepak Seetul, Bank of Mauritius

Regional Conference: AFS resident advisor participated in the **18th Annual Conference and Meeting of the Francophone Institute for Financial Regulation** organized in collaboration with the Financial Services Commission of Mauritius. He had a meeting with the Prime Minister of Mauritius on the sidelines of the conference and discussed issues relating to the activities of AFS. The Prime Minister appreciated the efforts of IMF in bringing CD closer to countries in the region.

AFS conducted a seminar on **Corporate Governance Issues in Banking Sector** in Pretoria for the officials of Southern African Development Community (SADC). The participants consisted of mid- to senior-level supervisors and dwelt on the concepts, operational aspects, and implementation challenges of corporate governance issues including the OECD and Basel Principle dealing with this aspect. The event enhanced the skills and knowledge of participants. AFS has been able to develop excellent traction with the SADC through these CD efforts and expect further consolidation of relationship with the forum in future. The event was also an excellent outreach activity and enhanced regional integration efforts.





'The seminar on Corporate Governance for the Banking Sector was extremely well received by all participants. They valued the mix of theory and practical exercises. The resource persons were well received in their areas of expertise. Judging from the feedbacks, both formally and informally, participants highly recommend that the workshop be repeated in future. I have also mentioned this workshop at the CISNA (the SADC nonbank Secretariat) Conference in Cape Town and recommended that they contact AFS to host a similar event for nonbank officials.' Jason Milton, CCBG Secretariat SARB

Financial Market Infrastructure and Payments

By Faith Stewart



Lesotho: As part of its ongoing effort to build assessment proficiency for the financial market infrastructures (FMIs) AFS funded a follow-up mission to the Central Bank of Lesotho to review the initial self-assessment of the real-time gross settlement (RTGS) system. This mission was a follow-up to the 2017 mission which undertook a gap analysis of the RTGS system against the PFMI. Following the review, staff report that they feel much more confident that they can now undertake the exercise successfully. The mission also helped to elucidate and



differentiate the respective roles of the central bank as payments system overseer and financial sector supervisor.

Namibia: AFS provided training on the CPSS-IOSCO Principles for financial market infrastructures to the Namibia Clearing Company (Namclear), the Automated Clearing House operator. This follows the Bank of Namibia's designation of Namclear as a systemically important payment system, and therefore an FMI. This has been a first engagement of AFS with a private sector FMI. The mission conducted a detailed review and gave guidance to Namclear's management team to enable the revision and completion of the assessment. The mission also provided training to the oversight staff.

Participant Feedbacks

'We feel very empowered to complete the PFMI self-assessment exercise and communicate the requirements to our leaders and stakeholders. We have gained both knowledge and understanding of the risk management basis of the PFMI and how to apply them to ensure we have a safe and efficient FMI and NPS.' Gamuchirai Chibwana, Manager (Finance & Administration)

Tax Administration

By Thabo Letjama

An IMF HQ-led high-level seminar on **Revenue Administration Governance and autonomy** held in collaboration with East AFRITAC and AFRITAC West 2 drew participants from 20 countries and included Principal Secretaries, Board Chairpersons, Commissioners or Director Generals, and the Secretary Generals of the African Tax Administration Forums and Collaborative Africa Budget Reform Initiative. AFS Center Coordinator gave an opening speech on the importance of governance for good economic outcomes.



Comoros: The tax administration in Comoros - Administration Générale des Impôts et des Domaines (AGID) –continued work to get taxpayers to pay tax on time, reduce the level of tax arrears, and prevent accumulation of future tax debt. Another mission worked with AGID and Customs to assess effectiveness and efficiency in and identified high-level priorities for reforming revenue administration.

Eswatini: Swaziland Revenue Authority (SRA) continued to build its capacity to enhance compliance of the insurance sector. A mission solidified expertise for audit of the life insurance subsector and built SRA readiness for administering compliance under the new financial reporting rules for insurers. A second mission evaluated progress on the Revenue Mobilization Trust Fund project and worked with the SRA to further advance progress on compliance risk management, organizational arrangements, and in implementing self-assessment.

Lesotho: The Lesotho Revenue Authority (LRA) further built capacity to analyze data and derive intelligence for use in managing compliance risk.

Madagascar: Both the tax administration (Direction Générale des Impôts) and customs administration worked with a visit led by the IMF to assess effectiveness and efficiency and identified high-level priorities for reform.

Mauritius: The Mauritius Revenue Authority continued to progress towards utilizing advanced data analytics to identify, analyze, assess, quantify, prioritize, and mitigate compliance risks.



Seychelles: The Seychelles Revenue Commission assessed strengths and weaknesses in the tax administration system using a Tax Administration Diagnostic Assessment Tool methodology.

South Africa: The South African Revenue Service (SARS) continued to strengthen capacity in transfer pricing (TP) audit and verification. An October 2019 mission worked with SARS Institute of Learning and Leadership

to carry out training workshops on TP, and collaborated with the Tax, Customs and Excise Institute to facilitate a seminar on TP in the financial industry. Approximately 48 officers attended the TP courses bringing to 322 the total number of SARS employees trained since April 2018.

Zambia: The Zambia Revenue Authority (ZRA) strengthened capacity for analyzing data for risk management purposes and developed a compliance improvement plan for the next three years (2020-22).

Zimbabwe: The Zimbabwe Revenue Authority further trained auditors to audit the telecoms sector. The training focused on using modern audit techniques (including use of computer Assisted Audit Techniques-CAATs) to enhance accuracy of reporting by the sector.

Customized Seminar: AFS organized a customized audit seminar which was attended by 10 participants from Comoros and 20 from Madagascar. The seminar was opened by the Minister of Economy and Finance, Honorable Richard J. Randriamandrato. Interviewed participants commented that the seminar was very enriching and effective in empowering them to ensure accuracy of reporting by taxpayers in their respective jurisdictions.



Customs Administration

By Philip Wood

Comoros: A mission was fielded to build the capacity of the General Directorate of Customs, Indirect Taxes and Excise to effectively administer and control the excise business.

Lesotho: A mission assisted the LRA to develop the capacity to conduct post clearance audits as part of a risk-based approach to compliance management.

Madagascar: Following the recent appointment of a new Director General and senior management team, the General Directorate of Customs (GDC) is developing a new strategic plan to cover the period 2019-2023. A mission supported the GDC to: (i) review and finalize of the organization's vision, mission and values; (ii) complete an environmental scan; (iii) validate the draft goals and objectives; and (iv) define the desired results and associated performance indicators.

Madagascar: As a follow-up on preceding missions on the Customs Code to support implementation of international and regional standards and commitments undertaken in the areas of trade and customs, AFS funded a mission which focused on working with the technical and legal teams of the GDC to review and finalize the revised clauses.

Seychelles: A mission assisted the Seychelles Revenue Commission to develop and implement a management control and assurance framework.



Zambia: A mission strengthened the intelligence capacity in the ZRA. The ZRA currently has multiple units working independently to collect and analyze information. The mission recommended the establishment of a central intelligence function that would operate in accordance with the requirements of a National Intelligence Strategy (NIS). This recommendation was agreed and a draft NIS and supporting action plan developed.



AFS funded a regional seminar on **Customs Valuation** which focused on the practical application of the World Customs Organization's (WCO) good practice guidelines for the establishment and operation of a customs valuation unit and associated procedures. The seminar provided details of the WTO Customs Valuation Agreement and the practical actions required to ensure that authorities comply with their obligations as members of the WTO. The seminar reviewed the latest IMF Technical Note on valuation matters with a view to identifying key risk areas and developing appropriate risk-mitigation strategies designed to improve compliance. The sessions included interactive discussions covering international best practice, regional initiatives, and country experiences.



Public Financial Management (PFM) By Moulay El Omari and Robert Clifton

Mozambique: A mission assisted in preparing chapters for macro-fiscal forecasting manual, namely, on 'Forecasting the Economy', 'Forecasting Non-Resource Revenues', and 'Forecasting Public Expenditure'. The mission contributed to the delivery of a two-day workshop on the macro-fiscal forecasting manual organized by the Ministry of Economy and Finance and the World Bank.



Botswana: A mission assessed the progress made in implementing the State-Owned Enterprise (SOE) financial and fiscal risk monitoring toolkit and supported the authorities on enhancing its functionality. The mission developed a draft toolkit instruction and provided additional training to the Enterprise Development Policy Unit staff. This training will facilitate sustainable use, maintenance, development, and management of the toolkit.

Professional Attachment Program (PAP)

Under the PAP two officials from the Debt Department of the Ministry of Finance of Botswana participated in a program hosted by the Danmarks Nationalbank in Copenhagen during August 19-23, 2019. In addition, two officials from Public Entities Monitoring Unit of Seychelles participated in a regional workshop on SOEs in Dar Es Salaam, Tanzania.

Zimbabwe: A mission assisted on fiscal risks analysis and management. The mission took the form of a workshop combined with hands-on assistance and coaching to 35 officials to produce a draft fiscal risk statement (FRS). The mission delivered a two-day workshop to present and discuss the main principles and good international practices on fiscal risks management, and how these could be applied to Zimbabwe.

Lesotho: A mission provided hands-on assistance in making further improvements to the financial programming framework. Specifically, the mission assisted in making baseline medium-term projections for the GDP and deflator, as well as for revenue, expenditure and the financing items in the statement of government operations. It also assisted on the steps involved in updating the balance of payments.

Eswatini: A mission worked to develop a fit-for-context roadmap to move towards the adoption of International Public Sector Accounting Standards (IPSAS) cash basis for medium-term and accrual basis for long-term. The mission provided a six-phase strategy to smoothly transit to accruals-based IPSAS. It also led a one-day hands-on training to improve the quality of financial statements under cash-basis IPSAS standard. The mission met with the EU delegation and benefited from the support of the PFM resident advisor. The strategy provided is required by the new PFM Act 2017.

Madagascar: A mission on improving fiscal risk management (i) took stock of progress made since the 2017 FAD mission, (ii) developed a targeted approach to mitigate fiscal risks to which SOEs and Public Private Partnerships (PPPs) give rise, (iii) provided recommendations on developing and improving FRS, and (iv) provided a one-day hands-on training on assessing PPPs related fiscal risks using the P-FRAM tool.

Lesotho: A mission reviewed progress and provided advice in key areas of fiscal management –mainly related to the transition to the new Integrated Financial Management System (IFMIS) launched in April 2019, prevention and management of expenditure arrears, and budget preparation.

Eswatini: A mission conducted a Public Investment Management Assessment in accordance with the IMF's 2018 revised framework. The mission made several recommendations for reforms which could help improve the performance of public investment management institutions.

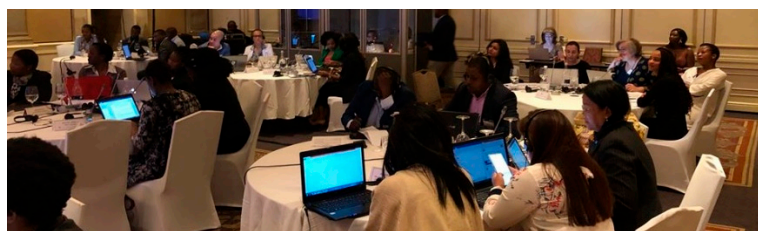
Seychelles: A mission reviewed the national legislation supporting public financial management, including the PFM Act and regulations. The mission advised the authorities in amending PFM legislation to align it to international good practices, and to promote harmonization and consistency within the PFM legal framework. In addition to the PFM Act, the mission reviewed legislation pertaining to public procurement, public enterprise oversight, constitutional bodies, and debt management.

Botswana: AFS fielded a mission to provide hands-on support in infrastructure project appraisal using the 3-stage approach, risk analysis, project prioritization in the context of a mid-term review of National Development Plan 11, and enhancements to the Development Project Monitoring System.

Lesotho: A mission assisted the Accountant-General's Department to perform a technical post-implementation assessment of IFMIS.

AFS WORK ON GENDER

AFS hosted a regional seminar for senior budget officials to develop and exchange knowledge with peers and IMF experts on **fiscal transparency and gender responsiveness** in budgeting. The workshop was designed around the following themes:



- concepts and frameworks for fiscal transparency -- current practices, key drivers, and implementation challenges in the region; and
- gender-responsive budgeting - key instruments, current practices, and implementation challenges.



Real Sector Statistics By Donna Grcman and Achille Pegoue

Mozambique released rebased annual national accounts in October 2019. **Botswana, Namibia, South Africa,** and **Seychelles** continue to rebase their annual national accounts. They all are updating the annual methods and data sources during this process. **Zimbabwe** has recently changed its currency from US dollars to the local



currency RTGS. Both the national accounts and consumer price index (CPI) have been converted to the RTGS and missions in October reviewed the results.

Mozambique, Namibia, Lesotho and **Seychelles** are aiming to improve their quarterly national accounts by accessing administrative data and improving the methods. **South Africa** continued to review the seasonal adjustment processes for all its quarterly national accounts as part of the rebasing exercise.

Namibia, Lesotho and **Seychelles** will be rebasing the CPI as soon as the household budget survey data for each of the countries becomes available. Work is also being undertaken to develop or rebase the Producer Price Index in **Botswana** and **Namibia**. An Agriculture Materials Price Index is being developed in **Zimbabwe**.

Comoros: Two missions were conducted on national accounts and price statistics. One mission helped the Institut National de la Statistique et des Etudes Economiques et Démographiques (INSEED) to revise the 2016 GDP estimates and compile new GDP estimates for the years 2017 and 2018. A second mission assisted INSEED in reconciling a harmonized CPI series from 2000 to 2019.

Eswatini: A mission helped to assess the quality of data sources and implement consistent methods over years. The mission focused on using VAT data by setting validation procedures and developing a consistent framework for the compilation of annual and quarterly GDP. The mission also helped replicate the methods used to include the new balance of payments in national accounts during the July 2019 mission.

Mauritius: An AFS mission and Statistics Mauritius visited Rodrigues to help the Rodrigues Regional Assembly to pinpoint source data enabling the compilation of GDP for Rodrigues. In the short-term, the mission advised to continue the identification of existing statistics that can be published. In the medium- and long-term, the mission identified activities to update the business register and collect comprehensive data on informal activity and agriculture for further compiling the GDP for Rodrigues.

Zambia: A mission helped start the compilation of the 2017 new benchmarks for national accounts. The mission noted that the Zambia Statistics Agency has yet to secure funds to carry out the Economic Census and the Living Condition Monitoring Survey planned in 2018/2019 Rebasing Document Project. In the absence of these major surveys, an alternative strategy to release the new GDP by December 2020 includes the use of Corporate Income Tax and VAT data, the Labor force survey and the 2015 Living Conditions Monitoring Survey to update the Business Register, informal sector, and household final consumption expenditure. The compilation of product balance and production accounts will provide a framework to reconcile the data before populating the supply and use table.

AFS SEMINARS AND COURSES

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

- **Regulatory, Supervisory and Oversight Responsibilities towards Compliance with the CPSS-IOSCO Principles for Financial Market Infrastructures (December 10-13, 2019)**
Jointly with AFE/MEFMI
- **Monetary Policy Forecasting and Analysis (December 9-13, 2019)**
Jointly with AFE/AFW2
- **Volume and Price Measures in National Accounts (January 13-17, 2020)**
Jointly with COMESA
- **Effective use of Data Analytical Tools to support the Implementation of a Risk-Based Compliance Program January 27-31, 2020**
Jointly with AFE/COMESA

AFS TA REPORTS TRANSMITTED TO AUTHORITIES

Members of the AFS Steering Committee are encouraged to register to access confidential TA-related information from the center’s secure website. The site provides a broad range of information, including TA reports, status of milestones, minutes of Steering Committee meetings, and forward-looking TA mission plans. To acquire access, please contact Mr. J. Kawal (jkawaljeewan@imf.org) or Mr. D. Chundunsing (DChundunsing@imf.org).

