MEFMI
Macroeconomic and Financial Management Institute of Eastern and Southern Africa

UPDATE

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Prof. Florens Luoga to Take Over as Governor at BOT

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Tanzania's new Central Bank Governor will be tax law professor Florens Luoga. This was announced by Tanzania President, H.E. John Magufuli, who said Prof Luoga would take over in December 2017 or January 2018 after the tenure of current governor Benno Ndulu expires.

"I have decided to appoint a new (central bank) governor from among members of the committees that investigated the mining sector," President Magufuli said.

He was speaking at a ceremony to award certificates of recognition to members of two presidential committees that investigated allegations of tax evasion in exports of gold and copper concentrate in the east African country.

Prof. Luoga currently serves as the deputy vice chancellor of the University of Dar es Salaam (UDSM), the country's largest public university.

In July he was also appointed by President Magufuli as chairman of the board of directors of the Tanzania Revenue Authority (TRA).

President Magufuli said he was aware many people expected him to appoint an economist as next governor.

But "Luoga is a professor of taxation law and he will help us strengthen checks on capital flight by some foreign companies that use tax havens."

President Magufuli's government accuses mining firms of cheating Tanzania out of its fair share of mineral wealth through tax dodging and smuggling, allegations they deny.

The President ordered the country's central bank to crackdown on capital flight by foreign investors companies. - DAR ES SALAAM (Reuters)

MEFMI and Word Bank Assist Mozambique to Develop a Debt Management Reform Plan

Economic conditions in Mozambique improved during the first half of 2017, with the local currency stabilising, inflation easing and exports increasing. A recovery in coal prices and the impact of strong monetary policy have been central to these positive developments. However, Mozambique's fiscal position continues to be unsustainable and the overall fiscal adjustment has been limited. In addition, there has been an increase in public debt accumulation.

Recognising the fiscal costs and risks associated with the high debt burden, the Ministry of Economy and Finance in Mozambique requested the Word Bank to assist in developing a Debt Management Reform Plan from 27 September to 6 October 2017. A Reform Plan aims at providing a road map on areas that the Government can improve in the short to medium term in order to strengthen debt management operations in line with international sound practice. This mission was a follow-up to a Debt Management Performance Assessment (DeMPA) conducted by the World Bank in February 2017. The assessment highlighted the need to strengthen human and institutional capacity in debt and related functions in Mozambique.

The process of formulating a reform plan was participatory, with country official leading the process to facilitate buy-in and ownership of the debt management reform process. Together with the Mission Team, the country officials identified six (6) Reform Pillars in government debt management and the proposed reforms to be implemented in the short to medium term, namely: (1) Legal Framework for debt and guarantees' management (2) Debt Sustainability and Debt Management Strategy (3) Government borrowing processing and domestic market development (4) Quality of Debt data and debt reporting (5) Contracting, recording, monitoring and management of Loan Guarantees, and (6) Coordination of debt and cash.

The main output of the mission was a Reform Plan matrix which provides detailed activities to be undertaken by the Government of Mozambique in the identified reform pillars. The plan also provides timeframes for undertaking the reforms as well as targets for measuring progress. A follow-up Mission will be undertaken to assess implementation of the reforms.

The Mission Team comprised Ms. Lilia Razlog (Head of Mission) and Mr. Yuto Kanematsu of the World Bank, Messrs Mike Williams (consultant), Per-Olof Jonsson (consultant), Ms. Josephine Tito (MEFMI) and Mr. Juan C. Vilanova (consultant).

MEFMI Trains Officials in Public Finance Management and Gender-Responsive Budgeting

The national budget is one of the government central instruments of economic management, reflecting the values and strategies of the various countries. Successful development depends largely on the efficiency, integrity and effectiveness with which the state raises, manages and expends public resources. The national budget has three main functions, which can be summarised as allocation of public goods and services (, the distribution of income and wealth and the promotion of economic growth and stability. Limited resources at the state level make it imperative that innovative approaches to the allocation of existing resources be undertaken.

One such innovation is the gender analysis of public budgets, which is emerging as an important tool for determining the differential impact of expenditures on women and men to ensure equitable use of existing resources. This analysis is crucial to promote gender equality and more equitable re-distribution of resources.

By definition, gender is a socially and culturally-defined set of economic and political roles, responsibilities, rights, entitlements and obligations, as well as privileges and assumptions, associated with being female and male. The current gender emphasis on women is, however, the widely held view that women (and the girl child) have been prejudiced and disadvantaged for too long, compared to their male counterparts. There is, therefore, need to take deliberate action to correct this discrimination, in order to bring women and the girl child to equality with men. The overriding objective, however, is not to bring men down, as there are some men who are also marginalized, disadvantaged and discriminated. There is empirical evidence to the effect that empowering women contributes immensely to the health and productivity of families and communities, which improves the prospects for, and prosperity of future generations. Most gender policy interventions are, therefore, deliberately aimed at uplifting the status of women to bring it to some level of men.

In this regard, MEFMI organised a workshop on Public Finance Management and Gender-Responsive Budgeting (GRB) from 25 September to 6 October 2017 in Swaziland. The course intended to address the most critical issues on the subject of gender and budgeting, to introduce some basic gender concepts and gender analysis tools, and to familiarise participants with how to formulate, analyse and read national budgets. Specific objectives of the workshop were to:

- Provide participants with techniques in effective Public Finance Management and analysis, whilst also providing budgetary transparency mechanisms that address gender biases in economic sectors.
- Provide tools on the introduction of equity in budget formulation and analysis.
- Provide a platform for participants to share country experiences on implementing policies using gender lenses and to explore the relevance of gender sensitivity as a criterion for evaluation of economic policy

The workshop was officially opened by Swaziland's Principal Secretary in the Ministry of Finance, Mr. Bheki Bhembe. In his remarks, Mr. Bhembe said that there was no doubt a need for gender analysis of public budgets, which is emerging as an important tool for determining the differential impact of expenditures on women and men, girls and boys, in a bid to help ensure the equitable use of existing resources. He said that the gender analysis of the national budgets was crucial to ultimately promote gender equality, which is one of the 17 Sustainable Development Goals (SDGs), namely **SDG 5: Achieve gender equality and empower all women and girls.** He explained that a country's development depends largely on the efficiency, integrity and effectiveness with which the state raises, manages and expends public resources, n that without a budget, no policies would be implemented. The PS assured participants that the course would undoubtedly offer them, as practitioners in the field, an excellent opportunity to learn, share experiences, and to reflect on the latest developments and areas for improvement on issues relating to the Public Finance Management and Gender-Responsive Budgeting in their home countries.

In addition, Mr. Bhembe said that he expected that strong networking links would emerge out of the workshop to foster long-run exchange of ideas and experiences among professionals in the region. He then highlighted the need to strengthen the synergies in building a harmonised data base in preparation for deepening economic inter-linkages in the region.

Speaking earlier, the Director of the Macroeconomic Management Programme (MMP) at MEFMI, Dr. Sehliselo Mpofu informed participants that the workshop was part of the first steps towards addressing the objective of MEFMI Phase V Strategic Plan, which emphasises mainstreaming of cross-cutting issues such as regional integration, gender issues, anti-corruption and HIV/AIDS. She said that during Phase V, all MEFMI activities would be gender sensitive, while anti-corruption would be mainstreamed in all capacity building activities, including introducing specific topics within course curricular. She urged the participants to reflect on how they could capitalise on their different perspectives and mandates to accelerate the achievement of Public Finance Management and gender equality in their countries.

Weak Institutional Frameworks Hampering Payment Systems Oversight

Payment systems oversight and regulation in the MEFMI region is constantly changing due to dynamics in the financial markets, economic reforms, and complex demands by the market on the use of various payment system products. Central banks face innumerable challenges in supervising their payment systems to ensure safety and efficiency in the financial system.

Current trends show an increase in the variety of payment systems and their related products in the MEFMI member countries. These systems link and ease the functioning of the financial sector. Also, cross-border payment systems have come to the fore, linking regional economic communities on a real-time basis and facilitating efficient payment and settlement of trade obligations in the region. These developments call for greater proficiency in overseeing and managing both domestic and regional payment systems.

The region has seen an increase in depth and scope of payment systems. The majority of the MEFMI member countries have now implemented large value settlement systems, automated clearing houses and securities settlement systems. Furthermore, many have introduced innovative products and technologies like mobile and internet based payment schemes. However, regulatory frameworks for these systems remain ad-hoc and lag behind new developments and upcoming challenges. In addition, existing oversight structures are weak and inadequate and do not help central banks to perform this critical role effectively.

In its effort to build capacity in this critical area, MEFMI's Financial Sector Management Programme (FSMP) conducted a Regional workshop on Practical Application of Payment Systems Operations and Oversight from the 16-24 October 2017 in Windhoek, Namibia. The course aimed at developing practical skills for overseeing and managing payment systems and to equip participants with essential abilities for designing and implementing payment systems oversight benchmarks.

The workshop was officially opened by Mr Ebson Uanguta, Deputy Governor of the Bank of Namibia, on behalf of the Governor. In his remarks, Mr Uanguta highlighted the significance of payment systems, which he noted, were often an unappreciated component of the financial sector. He stressed that resilient payment systems are key to the smooth functioning of the financial system, improve monetary policy transmission and can reduce risks in financial markets. He said that oversight of these systems was a key task of central banks, adding that payment systems analysts need to be conversant with the latest trends and advancements in developing and implementing oversight policy frameworks. The Deputy Governor also highlighted the challenges in enhancing and retaining skills for payment systems oversight. He said that some oversight divisions in the MEFMI central banks were yet to acquire the requisite level of authority or sufficient resources to perform this key function.

Mr Uanguta advised that oversight arrangements are not a 'one size fits all' and that practices varied significantly across jurisdictions due to differences in economic, financial or political environments. He underscored the need for market regulators and other authorities to design frameworks tailored to the distinct circumstances of each country. Despite these differences, however, the Deputy Governor noted that many issues cut across and the workshop would provide a forum for exchange of experiences and learning to develop and improve payment systems policy and oversight frameworks.

Addressing the participants earlier, the Programme Manager of the FSMP, Ms Jackie Kitiibwa said that MEFMI had been working closely with its member institutions at both the country and regional level, to build capacity in payment systems oversight. This, she added, involved supporting countries to set up oversight units within the central banks, working with countries to draft policies and regulation for oversight and, developing oversight tools and templates. She said that these efforts have not only seen the development and implementation of resilient payment systems, but have culminated in the strengthening of oversight capacity within member countries. Ms Kitiibwa said that the workshop was, therefore, meant to build on these efforts; by providing a forum for countries to reflect on what had been achieved so far and identify constraints that prevail. She was optimistic that the workshop would provide the strategic direction needed for the institutions to move forward.

The event was attended by middle level professionals from the MEFMI Central Banks and Ministries of Finance in 12 member countries. Participants were mainly from payment systems oversight divisions and other key support functions like Internal Audit, Legal and Financial Stability.

MEFMI organized the event in collaboration with the Bank for International Settlements (BIS). The speakers included Mr. Marc Hollanders from the BIS; Dr Leon Perlman from Columbia University, Professor Phillip Mashele from North West University and MEFMI Graduate Fellow, Mr Patrick Ibrahim.

The course employed both theoretical lectures and practical sessions. The practical work involved exercises and group activities to help the participants reinforce the theoretical concepts. Some of the topics covered included cyber security in payment systems, Principles for Financial Market Infrastructure, risk based oversight, development of oversight policy frameworks, oversight of innovative products, payment aspects of financial inclusion, data analysis and management and oversight process techniques and methods.

The main outcome of the activity was enhanced knowledge and skills of participants in conducting payment systems oversight and increased capacity to augment existing oversight policy frameworks.

MEFMI Witnesses Launch of AFI Africa Office

AFI held its 9th Global Policy Forum (GPF) in Sharm El Sheikh, Egypt from the 13-15 September 2017. The theme of the 2017 GPF was ***Exploring Diversity, Promoting Inclusion***, which showcased the diversity of cultures, experiences and backgrounds within the AFI network, while also illustrating how this diversity contributes to effective financial inclusion policy reform and innovation.

The event was the largest AFI GPF ever held, attracting over 700 AFI members and partners. It was also the first GPF to be hosted in the Middle East, and was used as an ideal opportunity to launch AFI's newest regional initiative - Financial Inclusion for the Arab Region Initiative (FIARI). The forum was also the stage used to launch the AFI Africa Office in Abidjan, Côte d'Ivoire. MEFMI was amongst the delegates who witnessed the launch of the Africa office. MEFMI collaborates with this global network of financial policymakers from developing countries and emerging economies working together to increase access to financial services. AFI is the world's leading organization on financial inclusion policy and regulation. It promotes and develops evidence-based policy solutions that improve the lives of the poor through the power of financial inclusion. AFI members are central banks and other financial regulatory institutions from more than 90 countries. All MEFMI member countries are members of AFI, with the exception of Botswana.

AFI organises the GPF as the keystone event for its membership. Each year, it is co-hosted by a different member institution in a different region of the world. The forum is focused on the development and improvement of national financial inclusion strategies and policies, and is used as a platform for senior financial regulators to exchange ideas and engage in peer-to-peer learning activities.

The 2017 GPF was graced by His Excellency President Abdel Fattah El-Sisi, President of the Arab Republic of Egypt who delivered the keynote address. The Governor of the Central Bank of Egypt Mr. Tarek Amer and Honorable Prime Minister Eng. Sherif Ismail also made welcome remarks.

Outgoing Chairman of the AFI Board of Directors, Prof. Benno Ndulu, who is the Governor of the Bank of Tanzania delivered his farewell remarks, while Mr. Isaac Ferreira of Banco Central do Brasil addressed the Forum as the new Chairman.

The participants were also addressed by Mr. Abdellatif Jouahri, Governor of Bank Al-Maghrib and Chairman of the Board of Arab Central Bank Governors, Dr. Abdulrahman A. Al Hamidy, Director General Chairman of the Board of the Arab Monetary Fund as well as AFI Executive Director, Dr. Alfred Hannig.

Key issues arising out of the presentations

i. **One of the key issues that was discussed at this year's GPF was the need to bridge the persistent gender gap in financial inclusion.** AFI has committed to the goal of bringing one billion more women into the formal financial system by 2021. It was noted that in some jurisdictions, the gender gap continues to grow as mobile financial services (MFS) usage increases. Governments, financial sector regulators and policy makers have a key role to play in building a gender-inclusive financial system, digital technologies and payment systems that work for women. There was consensus that there is no easy solution and stakeholders need to reflect on their mandates to identify what they can do to advance women's financial inclusion, from legal reforms to policy changes to creating greater gender balance. To this end, AFI promulgated the DENARAU Action plan 2016. The Action plan is AFI's commitment to gender and women's financial inclusion. It is set to:

- Incorporate gender considerations in AFI's core activities.
- Consider and implement best practices in integrating policies for women's financial inclusion.
- Leverage Digital Financial Services (DFS) and other innovative technologies to accelerate progress.
- Highlight the role of appropriate financial infrastructure such as interoperable payment systems, credit reference bureaus and collateral registries in enabling women's financial inclusion.
- Invite focal points from each of the AFI working groups to coordinate and lead on issues and knowledge products, relative to gender.
- Develop and promote best practices in collecting, analysing and using sex-disaggregated data to promote FI.
- Encourage all AFI members to set specific financial inclusion objectives and targets for women's financial inclusion.
- Call on financial institutions and other private sector actors to take concrete action to better understand the female market segment.
- Collaborate with other key stakeholders including government agencies, development partners and civil society in the advancement of financial inclusion.
- Drive greater gender diversity within member's own institution, initiative and strategies.

ii. **Policy makers and other market authorities continue to see the link between responsible finance and financial inclusion**. Responsible finance refers to the coordinated public and private sector interventions that support financial service providers and their clients in improving their understanding, approaches, practices and behaviors to create more transparent, inclusive and equitable financial markets. Responsible finance is advanced through a three pillar framework of consumer protection regulation, financial institutions self-regulation and financial education. National and international support is growing for strengthening consumer protection regulatory regimes, while financial education is also increasing on the agendas of both public and private sector players. However, self- regulatory initiatives by provider associations are difficult to implement since financial service providers (FSPs) may lack incentives or enthusiasm for responsible behavior. Regulators also find challenges in enforcing compliance from the financial service providers. Incentives from global initiatives, donors and investors are essential to make country level self-regulation initiatives effective. These efforts taken altogether are critical to reinforce a solid foundation for the future of responsible financial inclusion.

iii. **Cybersecurity is critical for financial inclusion as most strategies are driven by adoption of new technologies.** Financial inclusion would not be possible without technology, and digital financial services play an enormous role in closing the gap. Relative to the general population, the unbanked and underbanked are potentially more vulnerable to cyber threats, due to their less sophisticated financial knowledge and unfamiliarity with technology. New MFS ecosystems mean new vulnerabilities, however, there are very few policies in place to effectively address these weaknesses. Some of the challenges faced by governments in trying to improve cybersecurity include the lack of adequate resources to prevent and fight cybercrime, reliance on external expertise to provide solutions and lack of collaboration among financial service and technology providers due to competition. Strengthening government policies, promoting smart product designs for financial services to lower the likelihood of fraud, financial awareness and technological literacy are some of the efforts that can be employed to enhance cybersecurity. There is also need to foster dialogue between financial policy makers and private sector innovators to understand how cybersecurity connects to financial inclusion and how stakeholders can work towards solutions that provide safeguards for the most vulnerable users of DFS. In this regard, the United Nations (UN) has set up a specialized agency - International Telecommunication Union (ITU) - with the mandate of developing standards and building capacity around the use of Information Communication Technology (ICT). The ITU has developed the Global Cybersecurity Agenda (GCSA) which is set on five (5) pillars – Legal, Technical, Institutional Capacity, Capacity building and Cooperation. The ITU uses the Global cybersecurity index to assess countries on how they are performing on the GCSA.

iv. **Financial Technology (Fintech) refers to the use of software and digital platforms to deliver financial services to consumers**. These technologies often replace conventional business models by creating more efficient means of providing services. Fintech allows access to financial products and services at greater speed and lower cost, affords markets diverse and appropriate products and provides commercial viability and sustainability for service providers. With the widespread availability of affordable mobile phones and cellular networks, access to finance by all is now a probable target. Fintech advancements are vital to achieving full financial inclusion through provision of digital service channels. These services support delivery of microfinance services, money transfer (remittances), provision of credit history, cashless payments, deferred payment plans among others. However, it has been noted that not all Fintech solutions represent the needs of the underserved, while some bring risks and consumer protection challenges. Some central banks have developed working programmes with Incubator and Accelerator schemes that help startups to grow their ideas and develop products that are suitable to customer needs and that advance the goal of financial inclusion.

v. **AFI as a network is bringing its voice into the global debate on financial inclusion, climate change and green finance, as well as advocating for sustainable financial inclusion.** At this year's GPF, the AFI membership council unanimously endorsed the *Sharm El Sheikh Climate Change Accord*. It mandates the AFI network to pursue peer learning on practical policy solutions to the intersecting challenges of financial inclusion, climate change and green finance. The commitment by AFI members will not only contribute to climate change adaptation and mitigation in their own jurisdictions and regions, but also contribute to Sustainable Development Goal 13 (Take urgent action to combat climate change and its impacts).

vi. **AFI's Financial Inclusion Strategy (FIS) Peer Learning Group promotes the development and implementation of the national financial inclusion strategies.** The group provides practical support to countries that have made commitments under the Maya Declaration and to the G20 through its Financial Inclusion Peer Learning Program. The Key objectives of the FIS Peer learning group are to:

- Facilitate peer learning on the different approaches to strategy development and implementation across the network.
- Provide a platform for peer reviews of draft strategies and action plans.
- Develop joint guidance on aspects of national strategy formulation and implementation.
- Support the capacity of members to develop and implement financial inclusion strategies, including through connections to expert stakeholders.

Data Critical for Debt Management Policy Formulation

Participants at the MEFMI / UNCTAD Regional Workshop on Debt Data Validation

Governments require comprehensive, reliable and up-to-date public debt databases to produce statistics for debt policy formulation. As part of efforts to ensure completeness, accuracy and consistency of debt databases in the region, MEFMI in collaboration with UNCTAD organised a regional workshop on data validation using the Debt Management and Financial Analysis System (DMFAS) from 11 to 20 September 2017 at Elephant Hills Hotel in Victoria Falls, Zimbabwe.

The main objective of the workshop was to enhance participants' capacity to undertake formalised debt data quality assessments using the DMFAS. Specifically it aimed to:

- Enhance participants' capacity to undertake formalised debt data quality assessments using standard operational reports in the DMFAS; and
- Develop and update national debt database validation calendars, checklists and performance criteria.

The workshop was officially opened by the Permanent Secretary in the Ministry of Finance and Economic Development in Zimbabwe, Mr. Willard Manungo. In his remarks, Mr. Willard Manungo commended UNCTAD and MEFMI for the long standing collaboration in building sustainable capacity in public debt management in Eastern and Southern Africa. He noted that such collaboration has been useful in delivering coordinated interventions that contribute to the common goal of poverty reduction and human capacity development in the region.

On the workshop, the PS said that debt data validation ensures accurate and consistent data, which is critical for debt management policy and strategy formulation. He said that this facilitates implementation of debt management activities such as debt sustainability analysis, without which formulation of effective debt strategies and borrowing polices would be virtually impossible. He added that data validation helps in building confidence among stakeholders. He therefore urged MEFMI member countries to maintain databases that are in line with international standards while also providing a basis for policy formulation, economic analysis, credit assessments and regional integration processes.

The main output of the workshop was that participants gained knowledge and skills on conducting formalised debt data validation using the DMFAS. In addition, participants developed country validation checklists or procedures, based on sound practice and country experiences. The checklists included action plans on how these procedures would be implemented by member countries.

The workshop was attended by 20 officials working in debt management offices of Ministries of Finance and Economic Planning and Central Banks, particularly those involved in recording and reporting debt data using DMFAS. The officials came from five (5) DMFAS user countries in the region, namely: Angola, Rwanda, Uganda, Zambia and Zimbabwe.

The workshop was facilitated by the UNCTAD DMFAS expert, Ms. Vanessa de Thorpe. In addition, a MEFMI Candidate Fellow from the Bank of Uganda (Ms. Susan Nattembo) assisted in delivering some sessions, particularly those involving user defined data validation reports in DMFAS.

MEFMI & UNCTAD Conduct Debt Database Validation Exercise

Governments require comprehensive, reliable and up-to-date public debt information to inform policy decisions, strategy formulation and keep stakeholders abreast of debt developments. Since 2011, the Ministry of Finance and Economic Development in Zimbabwe has made significant progress in building and strengthening public debt management capacity. This includes setting up a dedicated Public Debt Management Office (PDMO), adoption of a modern legislation on debt management, preparation of debt management procedure manuals, installation of public debt data back-ups and disaster recovery site, as well as staff recruitment and training.

The Public Debt Management Act, promulgated in 2015, provides a comprehensive framework for public debt management, and clearly specifies the functions of the PDMO. These functions include maintaining accurate records of outstanding public debt, guaranteed and on-lending loans in a computerized database, and regularly validating and reconciling the public debt database. Since its establishment in 2010, the PDMO has prioritized maintenance of a complete and accurate public debt database. In 2014, a joint IMF and World Bank mission conducted a reconciliation exercise of Zimbabwe's public and publicly guaranteed external debt owed to multilateral, bilateral, and commercial creditors. The exercise verified the debt data records in the DMFAS against information received from creditors. Considerable discrepancies were identified and corrected. A subsequent joint MEFMI/World Bank/IMF debt management performance assessment (DeMPA) conducted in December 2015 identified additional discrepancies in the database that needed to be corrected.

As part of efforts to ensure completeness, accuracy and consistency of its debt database, the Government of Zimbabwe, through the Ministry of Finance and Economic Development, requested the MEFMI Secretariat and UNCTAD for technical assistance in conducting a debt database validation exercise and training staff on data validation using DMFAS. In response, a joint MEFMI/UNCTAD mission conducted a debt data validation and training mission from 17 to 28 July 2017 at Kadoma Hotel and Conference Centre in Kadoma, Zimbabwe.

The primary objective of the mission was to validate Zimbabwe's public domestic and external debt data. Specific objectives were to:

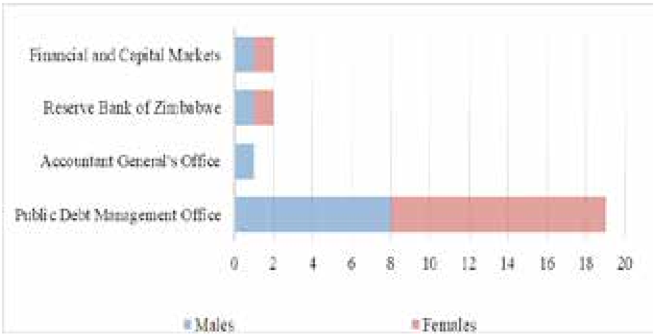
- Validate public and publicly guaranteed debt database maintained in the DMFAS;
- Develop a debt data validation calendar and checklist for Zimbabwe which would be executed by the debt management office to ensure reliability of data;
- Enhance participants' capacity to undertake formalized debt data quality assessments using standard operational reports in the DMFAS.

The workshop was officially opened by the Director of the Back Office in the PDMO, Mrs Lindiwe Tirivanhu, on behalf of the Head of PDMO, Mr. John Mafararikwa. In her remarks, Mrs Tirivanhu thanked MEFMI and UNCTAD for accepting the Ministry's invitation to provide technical assistance to the Government of Zimbabwe. She reiterated the importance of data validation in the public debt management process, noting that a validated database ensures accurate and reliable public-sector debt statistics, which are critical for formulating debt management policies and strategies while also enhancing credibility in the management of public debt.

In his remarks, the Programme Manager in the Debt Management Programme at MEFMI, Mr. Tiviniton Makuve, emphasised the need for the PDMO to regularly undertake formalized assessments of the debt database, based on documented procedures and guidelines in order to reduce operational errors and preserve institutional memory even when staff turnover is high. He reiterated the importance of regular and proper validation of all debt information recorded in the DMFAS before internal and external dissemination.

The workshop targeted officials in relevant departments of the Ministry of Finance and Economic Development and the Reserve Bank of Zimbabwe, particularly those involved in recording debt data in the DMFAS as well as those responsible for generating reports from the system. It was attended by 24 officials, of which 13 or 54 percent were females and eleven (11) or 46 percent were male from the following departments: Accountant-General's Office; Public Debt Management Office; Financial and Capital markets; and Reserve Bank of Zimbabwe.

The diversity in the background of participants enriched discussions, which made the event very informative and successful.



The mission team comprised Mr. Khaled Ibrahim Mohamed of UNCTAD in Geneva; Mr. Tiviniton Makuve of the MEFMI Secretariat; Ms. Susan Nattembo, a MEFMI Fellow from the Bank of Uganda; and Mr. Tongai Tarubona, a MEFMI Trained-Trainer of the Reserve Bank of Zimbabwe.

The mission combined lectures, participants' presentations and actual validation of the debt database in the DMFAS. The validation exercise helped to reinforce concepts and methodologies covered during lectures. Priority debt database validation checks were identified, and the frequency for each check was determined.

The following topics were covered:

- Data validation and international initiatives;
- Data validation process;
- Data validation and audit;
- Data validation and operational risk management;
- Validation checks for general administration, loans, debt securities, on-lent loans, reference files and system parameters, security and auditing;
- Use of the DMFAS 6 pre-defined 18 validation queries;
- Use of DMFAS 6 Query Tool to create simple validation query and simple reports;
- Advanced usage of the Query Tool in the Validation Process; and
- Analysis (average terms; grant element; debt ratios; sensitivity analysis)
- The following debt management records were validated:
- General administrative checks;
- Validation of loans: (agreements; disbursements; and debt service);
- Validation of debt securities (issuances; subscriptions; and debt service);
- On-lent loans (agreement; disbursements; and debt service); and
- Validation of non-debt data (reference files – exchange rates and interest rates);

The DMFAS "live" database for Zimbabwe was used for practical validation, with a very high level of caution to avoid loss of information.

Uganda Takes Steps to Enhance Capacity in Debt Management

Uganda has made remarkable economic progress over the past decades, with real GDP growth averaging 8 percent per annum during 1992-2010. National income per capita tripled and income poverty was more than halved to 35 percent. This was one of the strongest performances in sub-

Saharan Africa. In more recent years, real GDP growth remained robust although the trajectory slowed, reflecting domestic factors and external headwinds, particularly the increasingly volatile external environment, climate change, political unrest in South Sudan, and elevated risks in the banking system.

The strong growth performance was largely underwritten by government spending in infrastructure development projects. Infrastructure spending, which aimed at addressing structural bottlenecks particularly in energy and transportation, was largely financed by external borrowing. As a result, there has been a significant accumulation of public external debt since debt relief was granted in 2006, from US$2.9 billion to US$8.7 billion by end-December 2016. The stock of debt as at end-2016 was equivalent to 34 percent of GDP, and 27 percent in present value terms. This is below the 50 percent limit set under the government's Public Debt Management Framework and the Fiscal Responsibility Charter as well as the limit under the East African Monetary Union Protocol. A debt sustainability analysis conducted by IMF and country officials in 2016 indicated that the country remains at a low risk of debt distress, though risks have increased.

The country's infrastructure gap is large despite the government's efforts. To address this, the authorities formulated an ambitious package of medium-term infrastructure investment, including construction of hydropower plants, transmission networks, roads, and pipelines in preparation for envisaged oil production. Financing of this package includes a scaling-up of non-concessional borrowing, participation of neighbor governments, and Public-Private Partnerships.

In preparing for scaling-up public investment, the authorities have taken steps to enhance institutional capacity. A centralized debt management department was established in the Ministry of Finance, Economic Planning and Development, to raise resources and manage government debt. The Government has strengthened the legal framework, including adoption of the Public Finance Management Act in 2015.

As part of efforts to consolidate these gains, the Ministry of Finance Economic Planning and Development requested the World Bank for a follow-up mission to evaluate progress in implementing debt management reforms and update the Reform Plan. In response, a joint World Bank/MEFMI technical assistance mission visited Uganda from 2 to 6 October 2017. The mission built on the findings of the 2015 Reform Plan to assist government develop an action plan to address the main weaknesses of debt management institutional, organizational and operational arrangements.

The mission team comprised Diego Rivetti and Tihomir Stucka (both of the World Bank in Washington DC); and Tiviniton Makuve (MEFMI). The team was assisted by Joseph Mawejje (World Bank Uganda office).

The mission team held meetings with staff of the Debt and Cash Policy Directorate (DCPD) and the Office of the Accountant General (AGO) in the Ministry of Finance, Planning and Economic Development (MoFPED); and Bank of Uganda (BoU). At executive level, the mission met Mr Patrick Ocailap, the Deputy Secretary to Treasury. The mission also reviewed relevant documents.

In assessing progress on debt management, the team mainly focused on two pillars: **Governance** (organizational structure and legal) framework and **Public Debt Operations** (public debt reporting, debt management strategy and management of contingent liabilities). In line with the mission's objective of assisting authorities formulate an action plan for strengthening public debt management, the team identified existing capacity gaps, and recommended several follow-up actions and capacity building activities to address the gaps.

MEFMI Upgrades PCMS to Version 3

In 2015, MEFMI embarked on the process of upgrading the Private Capital Monitoring System (PCMS) to Version 3. The upgrade aimed at enhancing the functionalities of the PCMS to meet user needs and new international reporting requirements in line with the Balance of Payments and International Investment Position Manual 6th edition (BPM6). It also aimed at to developing a more user-friendly interface of the system, so as to shorten the data entry process. Representatives from PCMS user countries commended MEFMI for the enhancements.

The upgrading process was completed in 2016, and MEFMI has subsequently been carrying out missions to member countries that are using the system to roll out the new version. One of such activities is the Retreat for Heads of Foreign Private Capital (FPC) Departments held in September 2017, which provided a forum to share experiences on the use of the PCMS Version 3.

To ensure constant improvement to the system, the Macroeconomic Management Programme (MMP) organised a Programming Debugging And System-Testing workshop on the PCMS from 30 October to 8 November 2017 in Harare, Zimbabwe.

The workshop was attended by a Working Group comprising both IT experts and business side users including: Mr. Dennis Mollel - PCMS Developer; Mr. Tendo Lubwama - FPC System Developer for Bank of Uganda; Mr. Barongo Rweyemamu – PCMS support at the Bank of Tanzania; and Mr. Edwin Vushendibaba, PCMS candidate fellow from Reserve Bank of Zimbabwe. System users included Mr. Philip Mboya- FPC Graduate Fellow from Bank of Tanzania; Mr. Dominique Ntirushwamaboko

from National Bank of Rwanda; Ms. Oratille Mmualefe and Mr. Stephene Morapedi from the Bank of Botswana; and Ms. Vivian Namugambe, MMP Programme Manager. The workshop was also attended by the Director of MMP, Dr. Sehliselo

Mpofu and MEFMI IT Staff, Ms. Rumbidzayi Gadhula and Mr. Jonathan.

The main output from the workshop included:

i. Remaining system anomalies were identified and corrected. Consistency tests were run on all the reports generated by the system. Participants tested the system and provided positive feedback.

ii. Further enhancements were implemented in the system. These include a formula to capture transactions arising from changes in shareholding; inclusion of a Foreign Affiliates Trade Statistics (FATS) report; inclusion of flexible query report on private sector external debt, and inclusion of an export to excel function to facilitate pivot views.

iii. First round migration of data from PCMS Version2 to Version3 was completed, which will facilitate generation of time series data going forward.

Editorial comments and contributions to MEFMI Update should be directed to:

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