



MEFMI

Macroeconomic and Financial Management
Institute of Eastern and Southern Africa



ANNUAL REPORT 2013



2013

Annual Report

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Abbreviations

ACBF	African Capacity Building Foundation
BOP	Balance of Payments
CBP	Capacity Building Programme
DeMPA	Debt Management Performance Assessment
DMP	Debt Management Programme
DMFAS	Debt Management and Financial Analysis System
FSI	Financial Stability Institute
FSM	Financial Sector Management Programme
IMF	The International Monetary Fund
MDA	Multi-Disciplinary Activities
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
PCMS	Private Capital Monitoring System
RAMP	Reserves Advisory and Management Programme
UNCTAD	United Nations Conference on Trade and Development
WAIFEM	West African Institute of Financial and Economic Management



Governance Structures For The Year 2013

Board of Governors

The MEFMI Board of Governors is made up of a Central Bank Governor or a Treasury Secretary / Permanent Secretary of Finance of each of the 13 member states. Where a Governor is a substantive member, then the Treasury Secretary/Permanent Secretary is an alternate and vice versa. The following were the members of the Board of Governors during the period under review;

Angola

Mr. José de Lima Massano - Governor, Banco Nacional de Angola (**Board Vice-Chairman and Chairman of Executive Committee**)

Mrs Valentina Matias de Sousa Filipe, State Secretary of Finance, Ministry of Finance

Botswana

Mrs Linah Mohohlo, Governor, Bank of Botswana
Mr. Solomon M. Sekwakwa, Permanent Secretary, Ministry of Finance and Development Planning

Kenya

Prof. Njuguna Ndung'u, Governor, Central Bank of Kenya
Mr. Joseph Kinyua, Permanent Secretary, Ministry of Finance (Outgoing)
Dr. Kamau Thugge, Principal Secretary, The National Treasury (Incumbent)

Lesotho

Dr. Adelaide R. Matlanyane, Governor, Central Bank of Lesotho
Mr. Mosito Khethisa, Principal Secretary, Ministry of Finance

Malawi

Mr. Charles Chuka, Governor, Reserve Bank of Malawi
Mr. Randson Mwadiwa, Secretary to the Treasury, Ministry of Finance (Outgoing)
Mr. Newby H. Kumwembe, Secretary to the Treasury, Ministry of Finance (Incumbent)

Mozambique

Dr. Ernesto G. Gove, Governor, Banco de Mozambique
Mr. Paulo B. Manhique, Permanent Secretary, Ministry of Finance

Namibia

Mr. Ipumbu W. Shiimi, Governor, Bank of Namibia
Ms Ericah B. Shafudah, Permanent Secretary, Ministry of Finance

Rwanda

Mr. John Rwangombwa, Governor, National Bank of Rwanda
Mrs Kampeta Sayinzoga Pichette, Secretary General/ Secretary to the Treasury, Ministry of Finance and Economic Development

Swaziland

Mr. Martin Dlamini, Governor, Central Bank of Swaziland (Outgoing)
Mr. Majozi Sithole, Governor, Central Bank of Swaziland (Incumbent)
Ms Khabonina B. Mabuza, Principal Secretary, Ministry of Finance



Tanzania

Prof. Benno Ndulu, Governor, Bank of Tanzania
Dr. Servacius B. Likwelile, Permanent Secretary, Ministry of Finance

Uganda

Prof. E. Tumusiime-Mutebile, Governor, Bank of Uganda
(Board Chairman)

Mr. Chris Kassami, Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Economic Planning and Development (Outgoing)

Mr. Keith Muhakanizi, Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Economic Planning and Development (Incumbent)

Zambia

Dr. Michael Gondwe, Governor, Bank of Zambia
Mr. Fredson Yamba, Secretary to the Treasury, Ministry of Finance and National Planning

Zimbabwe

Dr. Gideon Gono, Governor, Reserve Bank of Zimbabwe (Outgoing)

Dr. Charity Dhlwayo, Acting Governor, Reserve Bank of Zimbabwe (Acting)

Mr. Willard L. Manungo, Secretary for Finance and Economic Development, Ministry of Finance and Economic Development

Members of the Executive Committee

The Institute operates under the direction of an Executive Committee which consists of the Vice Chairman of the Board of Governors and four other voting members nominated by the Board of Governors from the Board. The MEFMI Executive Director and the Head of the Executing Agency of MEFMI – the Reserve Bank of Zimbabwe - are ex-officio non-voting members of the Executive Committee. The Committee is chaired by the Vice-Chairman of the Board of Governors of the Institute and is allowed to elect an Alternate Chairman, who can preside over meetings in the absence of the Chairman. Each member of the Executive Committee serves for two years. The following were members of the Executive Committee during 2013:

- ▶ Mr. Jose de Lima Massano, Governor, Banco Nacional de Angola (EXCOM Chairman)
- ▶ Prof. Njuguna Ndung'u, Governor, Central Bank of Kenya (until October 2013)
- ▶ Mr. Paulo Bernardo Manhique, Permanent Secretary, Ministry of Finance, Mozambique (until October 2013)
- ▶ Mr. Rwangombwa John, Governor, National Bank of Rwanda (until October 2013)
- ▶ Mr. Ipumbu W. Shiimi, Governor, Bank of Namibia
- ▶ Dr. Adelaide Matlanyane, Governor, Central Bank of Lesotho
- ▶ Prof. Benno Ndulu, Governor, Bank of Tanzania (joined in October 2013)
- ▶ Mr. Felix Nkulukusa – Permanent Secretary for Economic Management & Finance, Ministry of Finance, Zambia (joined in October 2013)
- ▶ Dr. Charity Dhlwayo, Acting Governor, Reserve Bank of Zimbabwe (ex-officio)
- ▶ Dr. Elias E. Ngalande, Executive Director (ex-officio, Secretary)

MEFMI Management

The Executive Director is responsible for conducting the business of the Institute and for ensuring that its policies and programmes are properly developed and implemented. This is done with the assistance of a Management team comprising Programme Directors.

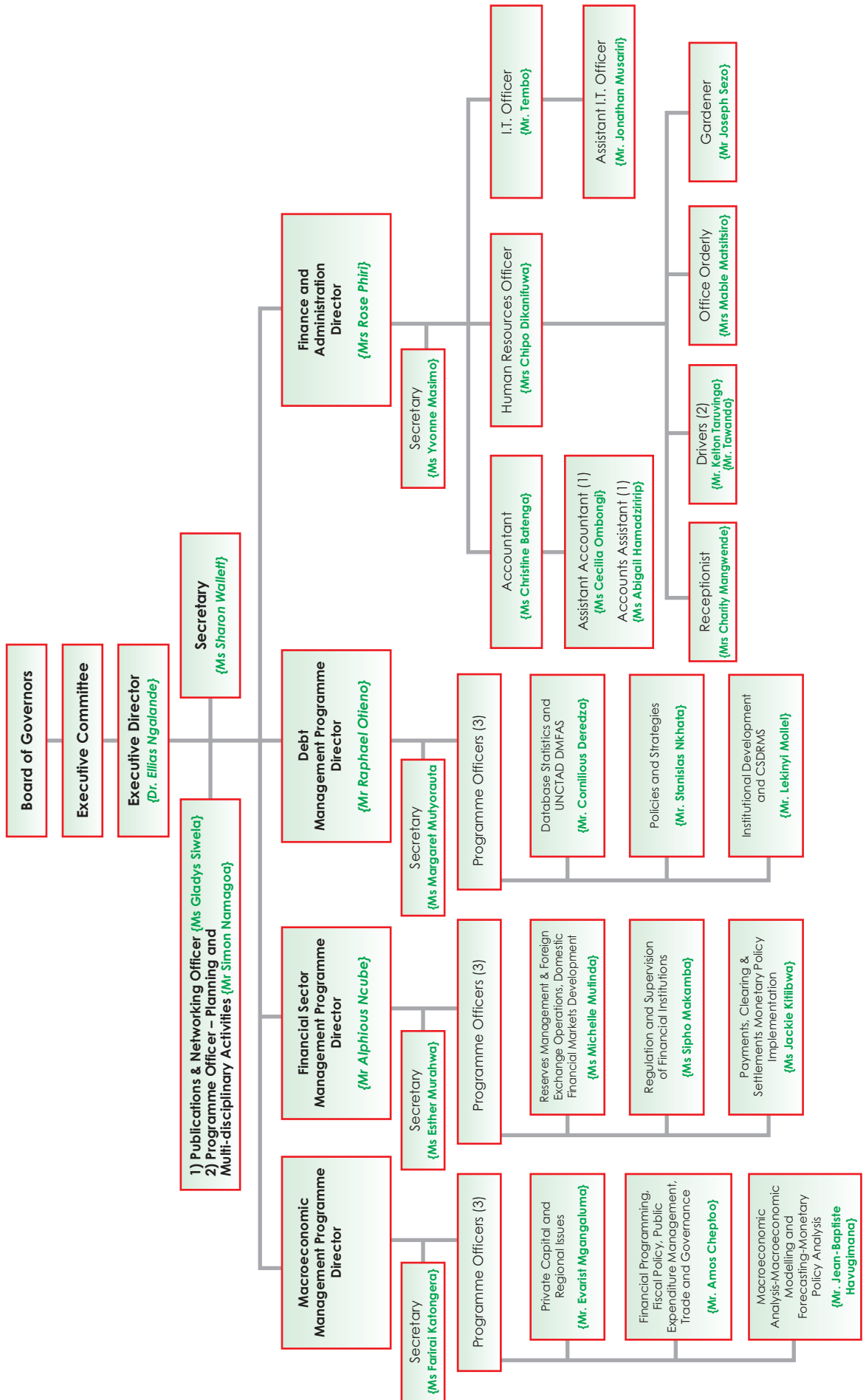
The following Directors were in post during 2013:

- ▶ Dr. Elias E. Ngalande, Executive Director
- ▶ Mr. Alphious M. Ncube, Director, Financial Sector Management Programme
- ▶ Mr. Raphael O. Otieno, Director, Debt Management Programme
- ▶ Mrs Rose G. K. M. Phiri, Director, Finance and Administration

The position of Director, Macroeconomic Management Programme, was vacant.



MEFM Organisational Structure



Statement by the Chairman of the MEFMI Board of Governors

It is with great honour that I present the MEFMI 2013 Annual Report. This was another successful year during which the Institute continued to implement Phase IV Strategic Plan.

I am particularly proud of the work undertaken by Management and staff, which focused on reorienting our capacity building initiatives to more in-country activities to address country specific needs while at the same time, balancing them with regional workshops that cater for common capacity gaps in the whole region. The thrust was to move systematically towards the mounting of in-country activities even by those Programmes that have traditionally been focused more on regional activities.

I am also pleased to state that the Institute experienced an overwhelming response for in-country activities, a sign of the great confidence that our members have in MEFMI's ability to provide relevant and effective technical assistance. Member countries requested for 30 in-country workshops, which was above the planned number of 21 for the year 2013. The focus on the country specific activities has double benefit for the Institute as they are not only less expensive to mount but also cater for peculiar needs of each country. The country specific training activities also cater for a larger number of officials for each activity and are thus expected to have quick impact.

I wish to report that the success of MEFMI has resulted in non-member countries seeking the services of MEFMI at a fee, either as participants in the regional workshops or requesting for technical assistance in different areas of macroeconomic and financial management. For example, in 2013 MEFMI offered technical assistance to Sudan following a request from the AfDB. The Institute also fielded missions to Ethiopia and Madagascar following requests from the World Bank. This avenue has not only generated some income for the Institute, albeit small, but also whetted the appetite for non-member countries to become members of the Institute. I wish to express my gratitude to the MEFMI governance bodies for supporting the Institute's initiatives in this endeavour.

I am also happy to note that the Board was very effective in 2013. During the year the Board sought to ensure that the right balance of skills, experience and capabilities at the Secretariat were retained. Furthermore, despite the fact that the year has been financially challenging, most of the planned governance meetings were held. This enabled the Board and the Executive Committee to provide the necessary over-sight in the management of the affairs of the Institute.

On behalf of the Board, I wish to express my gratitude to our Financial Cooperating Partners – the Royal Norwegian and Swedish Governments – whose financial support made it possible to conduct the planned activities. All technical partners have also been very supportive in alleviating our financial burden as 87% of resource persons engaged from institutions such as the World Bank, IMF, COMSEC, UNCTAD, the BIS, and AfDB were on gratis basis.

Special gratitude goes to all member countries of the Institute for the timely remittance of their annual contributions, some of which were made before the beginning of the year. This has made the Institute more stable, as the Secretariat is now able to carry out capacity building activities from the beginning of the year, unlike in the past when major activities only commenced in the second quarter. Also, the pre-payments have resulted in a significant increase in interest income, as the Secretariat has been able to invest the funds before they are needed for capacity building activities. I also wish to urge the Secretariat to continue creating value-adding strategic alliances with the private sector, to enable the Institute tap onto both their expertise and financial resources. With time, our alliances with private sector players should deepen for the mutual benefit of all the parties involved.

Finally, I am grateful to my fellow Board Members for their invaluable contributions given to the Institute in 2013 and urge them to continue this support.



Prof. E. Tumusiime-Mutebile
GOVERNOR, BANK OF UGANDA
CHAIRMAN, MEFMI BOARD OF GOVERNORS



Prof. E. Tumusiime-Mutebile, Chairman of the MEFMI Board of Governors

Overview By The Executive Director

It gives me great pleasure to report that in 2013 the Institute met and in some instances surpassed the set targets for the year. This is despite the fact that Phase IV is not as adequately resourced as had been initially planned.

Our continued success as an Institute is testament to unparalleled support from our member states, and the skills base and commitment of all the staff at MEFMI. At the heart of our success is the ability to deliver tailor-made capacity building initiatives that effectively address the needs of our client institutions. MEFMI encourages a culture where we deliver exceptional performance through the drive and energy resident in its staff, even against the reality of a reduced resource envelope.

2013 was the second year of the MEFMI Phase IV Strategic Plan which covers 2012 – 2016. Our aim during Phase IV is to become one of the most sought after brands in capacity building in the MEFMI region. I am pleased to report that we are bringing the MEFMI experience to life through a series of activities, highlighting what makes our Institute unique, while always finding new ways to continue meeting stakeholders' expectations.

With the generous support that the Institute received from both its member states as well as Financial Cooperating Partners towards the 2013 budget, the Institute mounted all planned activities. This is despite the prevailing tough financial and economic situation the world over. It would not have been possible to achieve the targets for 2013 without this support, and as an Institute we are very grateful. Member states contribution including in-kind contributions amounted to \$4,497,883 or 68% of the total budget. Financial Cooperating Partners provided US\$1,593,831 or 24% of the budget. We are also grateful to our Technical Cooperating Partners for providing support in a number of our capacity building activities.

At the end of 2013, the Institute met its target of planned activities of 110. This represents a 6% increase compared to the number of activities that were conducted in 2012. This report notes the significant increase in country specific activities which is 43% higher than the planned target. The increase in country specific activities is a welcome development as it reflects the high demand of our interventions from member states as well as MEFMI's recent efforts to provide more technical assistance in the form of country specific interventions, in line with MEFMI's strategic goals.

The MEFMI Fellow's Development Programme continues to be our flagship programme. In 2013, we recruited 19 new Fellows to extend our resource base for developing expertise in the region. Currently, the Institute has a total of 94 Fellows.

As part of the Institute's efforts to provide cutting edge tools and enhance knowledge, MEFMI unveiled two publications in 2013, namely: a study on FDI Trajectory in Pre and Post Global Financial and Eurozone Crisis and Policy Response: Focusing on the MEFMI Region from 2000 to 2011; and a *MEFMI Macroeconomic Modelling and Forecasting Manual*. The FDI study analyses the impact of the global financial and economic crisis (GFC) on Foreign Direct Investment (FDI) inflows into the MEFMI region from 2000 to 2011. The Modelling and Forecasting Manual, is a first for the MEFMI region and is a reference publication which provides a set of modelling frameworks that can be applied in developing small macroeconomic and other small sectoral models. The Manual provides practitioners in the MEFMI region with a tool to enhance understanding of the practical interface between theory and real economic situations. Both publications are available at the Secretariat for purchase at a nominal fee. In addition, MEFMI in collaboration with the African Capacity Building Foundation (ACBF) commissioned a study on "Economic Management in Hyperinflationary Environment: lessons from Zimbabwe for the period 2000-2010". The purpose of the study is to document the economic conditions in Zimbabwe during that period. We envisage completing this study in the first half of 2014.

The year 2013 also saw increased collaborations with financial and technical cooperating partners. In May 2013, MEFMI collaborated with the Royal Norwegian Embassy in Harare to host a maiden *Discussion Forum on Natural Resources Management* in Harare, Zimbabwe. The event which was financed by the Royal Norwegian Embassy provided an opportunity for senior Government officials and Industry executives to exchange views and share experiences on optimal utilisation of natural resources through strategies that promote sustainable economic growth and development.



A new relationship with Investec Asset Management and Ernst and Young (EY) introduced new impetus to the Combined Forum – an annual high level event for the Institute. For the first time officials from the newly enlisted sponsors of the event - EY and Investec - participated in the Forum. The sponsors also financed all the presenters.

A strong governance framework plays a key role in supporting our delivery of capacity building initiatives. I greatly appreciate the support that our governance organs gave MEFMI throughout the year 2013.

As I wind up my term at the helm of MEFMI, I would like to express sincere gratitude and appreciation to Management and staff, for their dedication and hard work, which have seen the Institute continue to garner a lot of respect from member countries as well as regional and international institutions that call upon our expertise. I also extend great appreciation to all Financial and Technical Cooperating Partners as well as consultants for their support. Our strong relationships have helped in many ways to build and sustain the MEFMI brand in the region and beyond.

May I also take this opportunity to thank the Board for their invaluable role towards achieving not only 2013 objectives but also their support over the years I have been the Executive Director. As the Institute continues to grow, so do expectations from our stakeholders. It is my strong belief that the concerted effort the Institute continues to employ in attracting new financial and technical cooperating partners will see us through the Phase IV period and beyond.

Last but not least, may I thank all the member states once again, for the exceptional support they provide to the Institute! MEFMI would not be where it is today without their support and guidance. It is gratifying to note that MEFMI has moved from a situation where donor support was 60% while member states were contributing about 40% of the required financing less than ten (10) years ago, to the current situation where member states are contributing about 75% of the required support. The Secretariat remains eternally grateful for this confidence and support from member states.

Elias E. Ngalande (PhD)
Executive Director

Executive Summary

The year 2013 was remarkable for the MEFMI region and the Institute. Overall, it was a year of growth as MEFMI member states continued to register improved macroeconomic performance. Real GDP growth for the region averaged 5.4% in 2013 compared to 5.2% in the previous year while inflation remained below single digits. The regional current account position generally improved during the period under review as countries continue to recover from the adverse impact of the global economic crisis and the Eurozone crisis. There has also been notable progress on financial development, with several member states registering growth in the use of mobile financial services and products.

While the macroeconomic prospects for 2014 look good, the widening fiscal deficits and rising debt levels in some member states during 2013 suggest the existence of fiscal vulnerabilities that may hamper potential growth. In this regard, the Institute will continue assisting member states to implement sound economic policies as well as strengthen their economic management capacities.

Consistent with its goal of building sustainable capacity in its member states, the Institute conducted a number of activities in 2013 in line with the MEFMI five year Phase IV Strategic Plan, which will run until 2016. As reported in Section 3 of this report, the Institute met its planned target of 113 activities for the year, which was also higher than the outturn for the previous years. This was achieved against a background of increased demand for capacity building services by the member states while the Institute's resource envelop increased marginally, relative to 2012.

On macroeconomic management, the programme interventions for 2013 focussed on building and strengthening capacity of member states on the use of the Private Capital Monitoring System (PCMS), implementation of the latest harmonized Balance of Payments and International Investment Position framework as well as the use of financial programming frameworks. Interventions in the area of financial sector management focused on strengthening the legal and institutional frameworks, improving corporate governance structures, and adoption of guidelines on payment systems, bank supervision, reserves management and domestic financial markets. On debt management, programme activities aimed at strengthening implementation of sustainable debt management policies and strategies as well as adoption of modern legislation and institutional frameworks in line with best practices.

As part of its mandate to develop a critical mass of expertise in the various fields of economic management, the Institute recruited the 8th cohort of Candidate Fellows. A total of 19 officials were recruited to undergo specialised training in macroeconomic, debt and financial sector management.

MEFMI Secretariat also expanded its outreach to provide support to governments in the non-member states owing to excellent collaboration with its technical cooperating partners. This includes support to Sudan on debt sustainability analysis as well as development of a Policy Framework for comprehensive debt relief and clearing of public external debt arrears. The results of these interventions highlight the significant contribution MEFMI is making to strengthen capacity in member states and beyond. The strengthened human and institutional capacity is evidenced by formulation and implementation of sound policies, use of modern computer based systems, sound legal and institutional frameworks in macroeconomic and financial management.



Major Highlights for 2013

- ▶ The Institute supported Kenya National Bureau of Statistics to update and upgrade their Foreign Private Capital (FPC) statistics to the latest international reporting structure as outlined in the IMF BPM 6.
- ▶ With MEFMI's support the Ministry of Finance in Botswana adopted a financial programming framework for making short term economic projections.
- ▶ The Governments of Malawi, Mozambique and Rwanda are in the process of developing macroeconomic models using the MEFMI modelling and forecasting methodology. These models would enable them to carry out thorough analysis to inform economic policy.
- ▶ The National Institute of Statistics in Rwanda and Central Bank of Lesotho (CBL) implemented the BPM 6 with the assistance of MEFMI. The BPM 6 will allow the two institutions to compile balance of payments statistics in line with best practices.
- ▶ MEFMI assisted the Central Bank of Swaziland to develop the capacity of its staff to undertake stress tests of the vulnerability of financial institutions and the banking sector to exceptional but plausible macroeconomic shocks.
- ▶ Some member states are in the process of adopting a framework and rating mechanism for supervising microfinance institutions. This follows a MEFMI workshop on effective supervision of non-bank financial institutions.
- ▶ With MEFMI support, a number of member states have started adopting international best practice in promoting the objectives of safety and efficiency in payment systems. For example, Rwanda has since finalised its oversight policy framework as well as its National Payment System Vision and strategy document. MEFMI is also training staff for the Bank of Uganda in readiness for the roll out and modernisation of their Payment Systems.
- ▶ As a result of MEFMI's interventions, the Central Bank of Lesotho embarked on a capital markets development program, including developing a regulatory framework for capital markets and establishing a secondary market for trading.
- ▶ Over two-thirds of member states have put in place payments system laws to govern the legal and regulatory process of payment systems development and to cover key issues such as settlement, netting and electronic payment processing.
- ▶ MEFMI member states such as Kenya, Lesotho, Malawi, Mozambique Namibia, Tanzania, Uganda, and Zambia have adopted formal debt management strategies to guide their borrowing operations.
- ▶ Member states are implementing legal and institutional reforms for effective debt management with support from MEFMI and its Technical Cooperating Partners like the World Bank. The objective is to ensure that debt management operations are conducted in accordance with international best practices.
- ▶ The Governments of Malawi, Tanzania, Uganda and Zambia have institutionalised debt sustainability analysis in their annual activities as a basis for providing informed policy advice.
- ▶ With MEFMI support, the Ministry of Finance in Zimbabwe conducted Debt Sustainability Analysis aimed at exploring alternative options for re-engaging with the international community in order to resolve the country's external debt crisis.
- ▶ The Institute finalised preparation of Guidelines for the Issuance of Government Securities. The Guidelines aim to assist MEFMI member states to improve their current securities' issuance programmes.

The above mentioned milestones that were achieved in 2013 are discussed in greater detail in sections 2 to 4 of this report. Capacity building activities undertaken during the year are summarised in the **Table 1** below:

Table 1: Capacity Building Activities in 2013¹

ACTIVITY	2012 Out-turn	2013 Out-turn	2014 Planned	Variance (%)
Total In-Country Capacity Building Activities	37	50	42	19%
(a) In-county Workshops	14	30	21	43%
(b) Country Missions	23	20	21	-5%
Regional Capacity Building Activities	29	21	24	-13%
Fellows Development Activities	2	4	4	0%
Specialised Studies	3	1	1	0%
Sub-total of Capacity Building Activities	71	76	71	7%
Governance Meetings	6	7	7	0%
Networking & Staff Development	27	27	32	-16%
Sub-total	33	34	39	-13%
Grand Total (All Activities)	104	110	110	0%

Source: MEFMI Database 2013

¹ See Annexes III-V for detailed information on activities conducted in 2013.

1. Economic Developments in the MEFMI region and beyond

1.1. Global Developments

During 2013, world output growth was at 3.0%, compared to 3.1% in 2012. The sluggish performance is attributable to deterioration of world trade and global activity in the first half of 2013. The second half of 2013 was marked by recovery in some advanced economies which culminated in improved external demand from emerging markets and developing economies. The registered global recovery is expected to lift growth in emerging markets and developing economies to 5.1% in 2014 and 5.4% in 2015. The global economic growth is also projected to improve to 3.7% in 2014 and 3.9% in 2015. This is partly due to the fact that policymakers in advanced economies have successfully defused two of the biggest threats to the global economic recovery; The Eurozone crisis and the sharp fiscal contraction in the United States caused by the "fiscal cliff."

Notwithstanding the positive outlook, the world economy is not yet out of the woods and policymakers should continue with the reform agenda. In advanced economies, output gaps generally remain large and, given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. Tapering of monetary stimulus in the United States of America (USA), the world's largest economy, and the structural shifts taking place in China's economy are the major issues of concern. In many emerging markets and developing economies, stronger external demand from advanced economies will sustain growth, although domestic weaknesses and the supply side challenges remain critical soft spots.

1.2. Sub-Saharan Africa

Growth in the Sub-Saharan Africa (SSA) region has remained strong at a pace of 5.1% in 2013 and is expected to further

accelerate to 6.1% in 2014. Both resource-rich and lower-income economies will benefit from the recovery in advanced economies and robust domestic demand on account of low inflation and rising remittances.

Inflation has maintained a downward trend from 10% at the end 2011 to less than 6% by the end of 2013. This is mainly due to benign prospects for better food prices throughout the region and the continuation of prudent monetary policies.

Net private capital (including FDI) continued to flow into the Sub-Saharan Africa region (SSA), not only in the oil, gas and mining sectors but also in the non-extractive industries. According to the World Bank report released at the end of 2013, net private capital inflow is persistently converging to pre-global economic crisis levels, having reached 5.7% of GDP in 2013, up from 4.9% of GDP in 2012. Net FDI equity inflow also improved to 3.3% of GDP in 2013 compared to 2.9% of GDP recorded in 2012. Nevertheless SSA received relatively lower FDI inflows compared to other regions such as ASIA and Latin America and the Caribbean (**Chart 1**). The capital flows from private creditors reached 1.7% of GDP in 2013 up from less than 0.3% of GDP during the global economic crisis period (2008-2010). This suggests significant improvement in the region's creditworthiness.

Nevertheless unreliable electricity supply and poor road conditions will continue to impose high cost on business operations, reduce efficiency, and impede intra-regional trade. Uncertainties on the external environment also pose risks to the region's economic outlook. These include second-round effects of the tightening of monetary conditions as the U.S. Federal Reserve begins to taper its asset purchases and slow growth among the BRICs². These could trigger a rise in financing costs, shock in fuel and commodity prices and deteriorate Official Development Assistance (ODA). Countries whose policy buffers are thin and where growth is strong should seek to rebuild fiscal positions without

undermining productive investment. Efforts to keep inflation under control should continue and countries facing balance of payments pressures arising from declining commodity prices and capital flow reversals should let their currencies adjust where feasible, with foreign exchange interventions limited to preventing disorderly market conditions. Investment in infrastructure development and productive sector should be continued. Domestic consumption needs to be boosted, taking advantage of stimulus such as increasing urbanization, rising remittances and a boom in the extractive sectors. Increasing diversification, for example into the services sector (such as telecommunications, banking and construction) will

Table 2: The World Economic Outlook Estimates and Projections of Real GDP Growth(%)

Country/Region	Year on Year			
	Real GDP			
	Estimates		Projections	
	2012	2013	2014	2015
World	3.1	3.0	3.7	3.9
Advanced Economies	1.4	1.3	2.2	2.3
United States	2.8	1.9	2.8	3.0
Euro Area	-0.7	-0.4	1.0	1.4
Japan	1.4	1.7	1.7	1.0
United Kingdom	0.3	1.7	2.4	2.2
Emerging Market and Developing Economies	4.9	4.7	5.1	5.4
Developing Asia	6.4	6.5	6.7	6.8
China	7.7	7.7	7.5	7.3
India	3.2	4.4	5.4	6.4
Brazil	1.0	2.3	2.3	2.8
Sub-Saharan Africa	4.8	5.1	6.1	5.8
South Africa	2.5	1.8	2.8	3.3

Source: IMF's World Economic Outlook December 2013

continue to create a more solid growth profile in the region as indicated in **Tables 2 and 3**.

Over the last decade, there has been some build-up in public debt in several Sub-Saharan African countries that received foreign debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). This is partly due to increasing access to international capital markets, taking advantage of improved credit ratings after debt relief as well as the relatively low interest rates in recent years. Countries that have so far issued international sovereign bonds include the Republic of Congo, Côte d'Ivoire, Gabon, Ghana, Namibia, Nigeria, Rwanda, Senegal, Seychelles, South Africa and Zambia. Public debt is also increasing in most SSA countries due to increased borrowing from emerging creditors such as China, India, Russia and Brazil. In some countries, domestic debt has also been increasing as a result of reduced concessional external financing, particularly after the recent global financial and economic crisis.

1.3. MEFMI Region and South Africa

In the MEFMI region growth prospects are positive with real GDP having picked up from 5.2% in 2012 to 5.4% in 2013. This improvement is driven by strong growth in Angola, Botswana, Kenya, Malawi, Mozambique, Rwanda, Tanzania and Zambia which grew by over 5% in 2013. Weak performance was registered in Swaziland and a slowdown in Lesotho and Zimbabwe. On the other hand, Swaziland economy moved from contraction as was experienced in 2012.

Table 4 provides the developments in real GDP and inflation in 2012 and 2013 in the MEFMI region and South Africa.

Inflation in the MEFMI region moderated from an average of 9.4% at the end of 2012 to less than 8.0% at the end of 2013, a trend that is expected to continue if fuel and food price shocks abate. The improvement in 2013 was particularly marked in the East African economies of Kenya, Rwanda, Uganda and Tanzania. This was due to monetary policy tightening and lower food prices associated with recovery in food production and some temporary headwinds to these trends. This is particularly the case with the MEFMI member countries that are reforming energy subsidies, where the price level has shown a one-time increase. Malawi, which has experienced some pass-through effects from the exchange rate depreciation, remains the only country in the

region with inflation in the double digit range.

From a macroeconomic perspective, the success in reducing inflation has provided room for gradual easing of the monetary policy stance in several MEFMI member countries. It is the intention of the Macroeconomic Management Programme to support member country policy-makers in their effort to make growth more inclusive, through reforms to promote economic diversification and employment, deepen the financial sector, and tackle infrastructure gaps.

Current account deficit (excluding grants) as percentage of GDP, generally improved during the period under review as countries continued to recover from the adverse impact of the global economic crisis and the Eurozone crisis. Some MEFMI member states such as Uganda and Zambia registered worsening current account deficit on account of massive investment in export-oriented activities and infrastructure. The increased deficit in the reported countries is financed to a large extent by foreign direct investment (FDI) and capital transfers.

Overall in 2013, regional fiscal deficit (excluding grants) were similar to 2012 figures which stood above 6.0% of GDP. This was partly due to gradual recovery from the woes of the global economic crisis. Statistics indicate relatively high deterioration in fiscal balance in Angola to a deficit of 3.8% in 2013 from a surplus of 6.7% in 2012. In Zambia a deficit of 12.1% was incurred in 2013 from 7.3% in 2012. This trend was as a result of pursuance of expansionary fiscal policy to finance investment projects.

In addition, falling output and a decline in oil and copper prices (26% in the second half of 2013) partly explains unfavourable fiscal deficit in Angola and Zambia. Malawi and Rwanda have remained on the high side with fiscal deficit to GDP levels of more than 10% over two consecutive years since 2012. The trend was partly explained by a narrow tax base and declining ODA in these two MEFMI member states. The increase in the fiscal deficit, despite the acceleration of economic activity suggests rising structural imbalances, which falling commodity prices and reduced access to concessional resources could exacerbate.

Public debt to GDP ratios have risen through-out the MEFMI region due to increases in both external and domestic debt. There were significant variations across countries. Zimbabwe recorded over 80%, Kenya slightly above 50% and Lesotho over 40%. Most of the other MEFMI member countries ranged between 29% and 30%. These trends and levels are raising the spectre of debt sustainability going forward. Further, the fiscal deficit and rising debt ratios suggest rising fiscal vulnerabilities that may hamper potential growth. The Debt Management Programme is working closely with MEFMI member states, to encourage them to consider some fiscal consolidation to ensure sustainability of the public finances in the medium term or to rebuild buffers to minimize exposure to external headwinds.

On the financial sector front, the last decade has seen a dramatic increase in the use of mobile

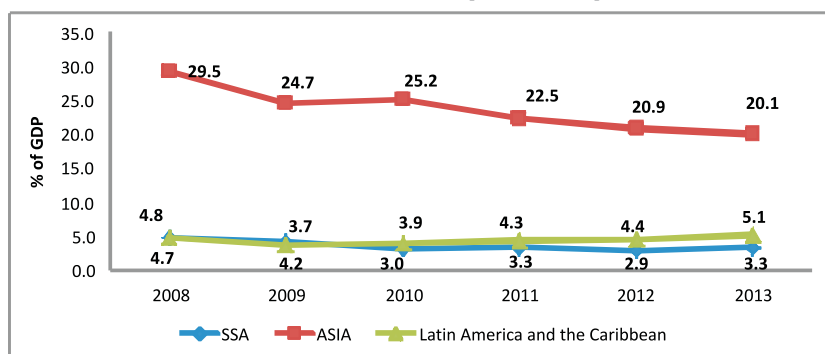
Table 3: Net Capital Flows to Sub-Saharan Africa (% of GDP)

	2008	2009	2010	2011	2012	2013
Capital Inflows	4.9	6.3	5.5	5.1	5.8	6.5
Private inflows (net)	4.4	5.2	4.3	4.1	4.9	5.7
1. Equity Inflows (net)	4.1	5.4	3.8	3.2	3.6	4.0
▶ Net FDI inflows	4.7	4.2	3.0	3.3	2.9	3.3
▶ Net portfolio equity inflows	-0.6	1.2	0.8	-0.1	0.7	0.7
2. Private Creditors (net)	0.3	-0.2	0.5	0.9	1.3	1.7
▶ Bonds	-0.2	0.2	0.1	0.5	0.3	0.6
▶ Banks	0.3	0.1	0.1	0.3	0.3	0.5
▶ Other private	0.0	0.1	0.0	0.0	0.0	0.1
▶ Short-term debt flows	0.2	-0.6	0.3	0.1	0.6	0.5
3. Official inflows (net)	0.5	1.1	1.3	1.0	0.9	0.9
▶ World Bank	0.2	0.3	0.4	0.3	0.3	0.3
▶ IMF	0.1	0.2	0.1	0.1	0.1	0.0
▶ Other Official	0.3	0.5	0.8	0.7	0.5	0.6

Source: World Investment Report – December 2013

2 Brazil, Russia, India and China

Chart 1: FDI Inflows in Sub-Saharan Africa (SSA) Relative to ASIA and Latin America and Caribbean (% of GDP)



Source: IMF, UNCTAD December 2013 and World Investment Report – December 2013

phones in Africa. This has radically altered how people on the continent access financial services. Rural people, who previously had no access to financial services, now use payment services and a range of other products offered through mobile phones. While mobile financial services have over the past decade experienced exponential growth in East Africa, particularly in Kenya and Tanzania, in the last two years there has been a shift. Zimbabwe, Malawi, Zambia, Rwanda among other MEFMI member countries have also joined the new banking platform. The growing number of mobile financial service providers contributes to greater financial inclusion and therefore regulators need to acquire a deeper understanding of the technology, the different stakeholders' needs, the value propositions, the products and associated risks.

In view of the fact that financial inclusion is one of the major focus areas for most economies the Institute will play its part in capacitating regulators in the region to develop regulatory frameworks for mobile financial services. The Financial Sector Management Programme is acutely aware of the need to ensure that during Phase IV, reforms that promote financial inclusion are at the core of policy makers' agenda. MEFMI countries are still faced with challenges in their efforts to increase the extension of financial services to the financially excluded. Institutions offering services to the poor are still restricted from entry into the financial sector by policy and regulatory barriers. Weak infrastructure and inadequate

Table 4: Estimates of Real GDP and Inflation in MEFMI Countries and South Africa

Countries	Real GDP %		Inflation %	
	2012	2013	2012	2013
Regional Average	5.2	5.4	9.4	7.8
Angola	5.2	7.1	9.0	8.0
Botswana	4.1	6.1	8.7	6.5
Kenya	4.6	5.8	9.4	7.0
Lesotho	6.5	3.4	6.1	5.0
Malawi	1.9	5.4	21.3	23.1
Mozambique	7.5	8.4	5.6	5.4
Namibia	4.0	4.2	6.5	6.0
Rwanda	8.0	6.6	6.3	4.2
Swaziland	-1.5	0.0	8.9	8.1
Tanzania	6.9	7.0	16.0	9.9
Uganda	2.6	4.8	14.0	6.0
Zambia	7.3	7.8	7.3	7.1
Zimbabwe	10.6	3.4	3.7	4.5
South Africa*	2.5	1.8	5.7	5.8

Sources: MEFMI Member Countries

innovative models prevent effective outreach to the under-served regions and groups. Limited awareness and understanding from consumers on the other hand limits effective utilisation of these financial services.

Taking into consideration the complexities associated with financial inclusion, MEFMI will work closely with authorities as they are now undoubtedly tasked with the responsibility of building capacity in regulating the financial sector appropriately. They are also expected to supervise and oversee financial institutions. This is to ensure that they deliver services fairly and in response to demand as well as protecting consumers from exploitation. In that respect the Financial Sector Management Programme will work closely with regulators to encourage them to design initiatives that will address the legal and regulatory impediments, provide for competitive market conditions and support effective standards and infrastructure arrangements. Furthermore to scale up efforts to support the financially excluded, policy makers will receive capacity building that will assist them to craft policies and regulations that will help to foster these advances without compromising the wider goal of safety and efficiency in the financial systems.

The financial sector has also seen some significant changes, particularly in the area of regulation since the global financial crisis. The changes include the Basel Committee's issuance of the *Basel III Package* in 2010 and the revision of the *25 Core Principles of Effective Banking Supervision* in 2012. In view of the significant changes to the regulatory framework, regulatory changes will dominate capacity building activities that will be conducted during the MEFMI Phase IV. Towards the end of the Phase, there will also be need to conduct assessment of compliance to the revised core principles by member countries and carry out implementation missions thereof.

While domestic financial markets in the MEFMI region are at a nascent stage of development, countries in the region have put and continue to make efforts towards establishing the preconditions for efficient domestic markets including sound fiscal and monetary policies, effective domestic legal frameworks, liberalized financial systems with a variety of intermediaries to name but a few. MEFMI through the Financial Sector Management Programme continues to work hand in hand with member countries towards delivering deeper, efficient and effective financial markets.

Sub-Saharan Africa has also witnessed significant growth in national foreign exchange reserves and MEFMI member countries have not been left behind. In many countries, political and economic stability as well as balanced fiscal

policies have increased investor confidence, thereby attracting substantial foreign direct investment. However, the challenge facing these countries is the management of the national foreign exchange reserves in an uncertain global economic climate and the search for yield through non-traditional investments. The Financial Sector Management Programme is working with MEFMI member countries to manage the inherent risks and enhance the efficiency of the management of their reserves.

1.4. Economic Developments in South Africa and Implications to the MEFMI Region

South Africa, the region's largest economy and major trading partner to some member countries in the MEFMI region (accounting for over 60% of total GDP and 40% of total trade in the region) registered a slowdown in real GDP growth to 1.8% in 2013 from 2.5% in 2012. The growth remained well below the average in the MEFMI region.

Relatively slow growth in South Africa reflects lower potential growth than other countries in the region arising from the relative maturity of South Africa's industrial, extractive, and services sectors, and binding structural bottlenecks as well as cyclical factors. The current slowdown in particular reflects anaemic private investment resulting from the weak external environment especially in Europe which absorbs 30% of South Africa exports and tense industrial and labour relations, as well as moderate consumption owing to slowing disposable income growth and weakening consumer confidence. Spill overs from the slow growth in South Africa into the MEFMI region are expected to affect most of the MEFMI countries in the Southern African Customs Union (SACU) block (Botswana, Lesotho, Namibia and Swaziland) where financial and trade linkages are concentrated.

On the other hand, adverse domestic conditions in South Africa could be a fortune to some MEFMI countries as some South African companies can step up their investment abroad to the neighbouring economies. MEFMI member states with significant trade linkages and inflows of FDI from South Africa include Mozambique, Zambia and Zimbabwe.



2. MEFMI Activities In 2013

2.1. Overview of 2013 Work Plan

MEFMI continues to address the dynamic issues that its member countries endure in the areas of macroeconomic, financial sector and debt management. The interventions are through capacity building initiatives that are crafted based on needs assessments that are in turn, arranged into annual work programmes clustered into the now operating Phase IV Plan. Phase IV runs from 2012 to 2016 and it outlines strategies and planned interventions in the member countries. The strategies and programme interventions are intended to take the services of MEFMI to greater heights and this will be done against the backdrop of the experiences gained from the previous Phases in addition to over-arching wishes of the members of the Institute.

To ensure a systematic and measurable roll-out of the planned activities, a Results Measurement Framework (RMF), which is attached as **Annex I** to this report, is used to monitor progress. At the same time, in its implementation process, MEFMI will continuously effect some adjustments in the execution of its activities. The Institute takes into account the needs expressed by client institutions and other stakeholders. Such needs are based on the exercises such as the Impact and Needs Assessment Study that will be carried out in 2014 and a Mid-Term Review due in early 2015. These will inform the MEFMI stakeholders of the impact achieved so far under phase IV and the needs of member countries going forward.

The goal of MEFMI's capacity building interventions is to improve macroeconomic management and performance that supports economic growth and poverty reduction in MEFMI member states. Specific objectives include the following:

- (i) To build human and institutional capacity in macroeconomic and financial management of MEFMI member states;
- (ii) To facilitate the development and implementation of sound and stable macroeconomic and financial management policies, systems and databases, and;
- (iii) To create awareness among officials of member states and other stakeholders of latest developments in macroeconomic and financial management.

MEFMI delivers capacity building services to its member states through regional courses, in-country workshops and missions, Fellows Development Programme, studies, Executive Fora and networking activities. Below is a summary of the activities that the Institute had planned to undertake during 2013.

2.1.1. Macroeconomic Management Programme

In line with the RMF for the year, the Macroeconomic



Management Programme planned to accelerate the implementation of activities particularly in the areas of economic modelling and forecasting, financial programming and data capture methodologies. In addition, the Programme planned to address other regional capacity building needs, including regional integration and trade related issues.

Thus the planned activities for the year were as follows:

- ▶ Introduce two-module courses in modelling and forecasting and macroeconomic analysis and management in 2013, against only one conducted in 2012.
- ▶ Conduct three Modelling Manual Dissemination workshops in three member states in line with the RMF.
- ▶ Continue to roll out MEFMI PCMS to enhance regional harmonization and FPC data credibility.
- ▶ Continue rolling out and support implementation of the latest harmonized statistical standards (BPM6, SNA 2008, MFS 2001 and GFS 2001) in order to enhance compliance to international best practices.
- ▶ Publish one research paper on FDI Post-Crisis Trajectory in MEFMI countries.
- ▶ Increase the number of countries with fully fledged financial programming frameworks for consistency policies.

These interventions were expected to contribute to the attainment of the following targets in 2013, based on the RMF for the Macroeconomic Management Programme:

- ▶ Rolling out the modelling and forecasting manual and developing functional macroeconomic models to 31% of MEFMI countries,
- ▶ Increasing the percentage of countries using PCMS to 69%, from 61% in 2012,
- ▶ Increasing the percentage of countries using the PEFM manual to 40%, from 31% in 2012,
- ▶ Increasing the percentage of countries using the latest harmonized IMF's Balance of Payments and International Investment Position (BOP/IIP) statistical framework (BPM6) to 24% from 16% in 2012,
- ▶ Rolling out GFS 2001 to 8% of MEFMI countries,
- ▶ Increasing the percentage of countries using MFS 2001 to 80%, from 70% in 2012,
- ▶ Increasing the number of research and publications to five, compared to four in 2012.

2.1.2. Debt Management Programme

Debt Management Programme interventions during 2013 aimed at strengthening the analysis, design and implementation of macro-economically consistent and fiscally sustainable debt strategies and borrowing policies. The Programme also focused on promoting integrated debt management operations based on professional segregation of duties, promotion and preservation of institutional memory through use of documented procedures as well as facilitating the adoption of modern legislation and well-coordinated institutional arrangements.

These interventions were expected to contribute to the attainment of the following targets in 2013, based on the RMF for the Debt Management Programme:

- ▶ Increase the number of member states that meet minimum requirements for effective debt

management in legal and institutional frameworks to 60% from 50% in 2012.

- ▶ Increase the number of member states undertaking debt sustainability analysis with minimum external support to 40% from 30% in 2012.
- ▶ Increase the number of countries using the new versions of the DMFAS to 60% from 40% in 2012.
- ▶ Assist 40% of the member countries to adopt version 2 of CS-DRMS.
- ▶ Enable 40% of member countries to begin publishing Debt Statistical Bulletins as compared to 30% at the end of 2012.

2.1.3. Financial Sector Management (FSM)

FSM interventions in 2013 involved the review and strengthening of institutional capacity in the member countries. This included developing legal and policy instruments and frameworks, improving corporate governance structures in line with international best practice, enhancing guidelines and tools in order to provide feedback and improvements in their adequacy in payment systems, bank supervision, reserves management and domestic financial markets.

The planned activities for 2013 were as follows:

- ▶ Assist two countries to adopt risk based supervision as a supervisory tool in 2013, bringing the total number of institutions with RBS to nine from seven in 2012.
- ▶ Conduct three awareness workshops on the new Basel Core principles for effective Banking Supervision.
- ▶ Assist one country during 2013 to increase capacity in stress testing of financial institutions.
- ▶ Increase the number of countries with fully functional payment systems oversight divisions from 61% in 2012 to 77% in 2013.
- ▶ Train all member countries on the new principles for Financial Market Infrastructures (PFMs).
- ▶ Increase to nine the number of MEFMI countries that have established payment system laws.
- ▶ Provide member countries with technical assistance towards strengthening the management of Financial Risk, through the development of a financial risk framework for two countries.
- ▶ To improve reserve management capability in all MEFMI countries through training from the MEFMI / World Bank – Reserves Advisory Management Program (RAMP).
- ▶ Train Heads of Reserves Management from MEFMI member countries in developing appropriate governance structures in line with international best practice.
- ▶ Train MEFMI countries on the establishment of deep, well-functioning and dynamic financial markets as per RMF.

2.1.4. Multi-Disciplinary Activities (MDA)

The MDA programme covers all activities which transcend the three major operational Programmes of MEFMI, namely: Macroeconomic Management, Financial Sector Management and Debt Management. One of the major programming activities conducted by MDA is the Fellows Development Programme which offers intensive training and professional exposure to upgrade MEFMI Fellows' competences in key fields. Throughout their training which lasts 18 months, the Fellows' progress is monitored by the MDA.

The major activities that were planned by MDA in 2013 were:

- ▶ To recruit the 8th cohort of MEFMI Fellows.
- ▶ To conduct the annual Combined Forum and the Deputy Governors' Forum.

"The financial risk management framework that was developed by MEFMI for the Central bank of Swaziland has provided the quality assurance in risk analysis and created a database for future use in the automation of the financial risk assessment. Moving forward, the objective is to ensure that financial risk analysis is broadened beyond the operations of the FMD scope to an enterprise-wide". **Head Risk, Central Bank of Swaziland.**

- ▶ To hold at least seven governance meetings in accordance with the RMF.

2.2. Activities Conducted in 2013

2.2.1. Analysis of Capacity Building Activities: Planned Versus Implemented

As at the end of 2013, the Institute met its target of planned activities of 110. This outturn represents a 6% increase compared to the number of activities that were conducted in 2012. These activities included regional courses, in-country workshops, country missions, specialised studies, governance meetings, networking and staff development. **Table 5** provides a summary of the number of activities conducted in 2013 relative to both the planned as well as the outturn for 2012.

A decomposition of the activities according to categories indicates that the Institute implemented more in-country capacity building activities in 2013 than planned. A total of 50 in-country activities were conducted, which is 43% higher than the planned target. The most notable increase was in-country workshops, where 30 activities were implemented compared to 21 that were planned for the year. This means that the number of in-country workshops more than doubled compared to those conducted in 2012. The increase in the number of in-country activities is mainly due to high demand from member states as well as MEFMI's recent efforts to provide more technical assistance in the form of country specific interventions.

There was particularly high demand for in-country workshops in the areas of macroeconomic and debt management, under which the respective Programmes conducted 13 and eleven (11) workshops against the planned nine (9) and seven (7) respectively as indicated in **Chart 2**. The Financial Sector Management Programme conducted six (6) in-country workshops against the planned five (5).

While the increase in demand for in-country activities is a positive development that is in line with MEFMI's strategic direction for capacity building interventions in client institutions, it however, created a strain on the available resources. Hence, the Institute could not implement some regional activities as planned. A total of 21 regional activities were conducted instead of the planned 24. Other regional activities were cancelled due to reasons beyond the Institute's control, particularly those that were planned to be conducted jointly with MEFMI's Technical Cooperating Partners.

All activities under the MEFMI Fellows Development Programme were conducted as planned. A total of four (4) activities were implemented. Thus 100% increase was registered relative to 2012 and this is due to recruitment of the 8th cohort of Candidate Fellows. The recruitment was followed by an orientation workshop for the new Fellows as well as training on research methodology to improve their research capacity, analytical and report writing skills.



2.2.2. Key Highlights on Capacity Building Activities

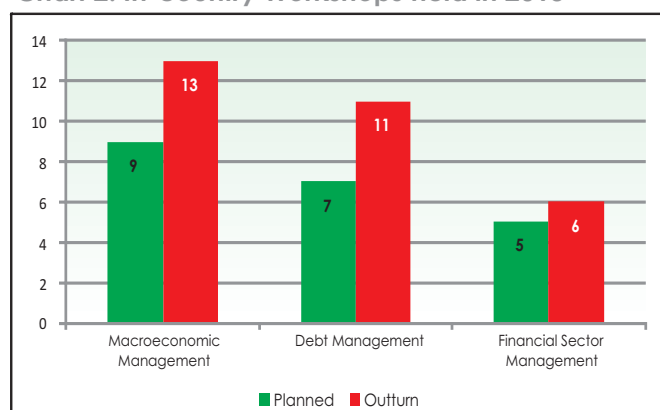
a) Regional Capacity Building Activities

The Institute carries out regional capacity building activities comprising workshops or courses – targeting mainly junior to middle-level technical officials. Seminars or retreats target Heads of Departments in the member states responsible for institutional portfolios that are relevant to the Institute's mandate. These activities have proven to be an effective tool for disseminating new developments and best practice amongst the participating member countries and enlisting harmonised practices and systems of member states. Regional activities also provide a platform through which countries may not only cost-effectively receive standardized training under one roof, but also share pertinent experiences from their individual countries and act as peers to each other. This networking platform facilitates learning from each other on the part of the countries, which in turn helps to make more apparent, their individual and collective capacity gaps and needs. As a result, the countries become aware of their short-comings from which they may then approach the Institute for tailored country assistance.

In all, 22 regional workshops were conducted during the year, covering issues of common regional capacity demand. Areas covered include:

- ▶ Money market investments and compliance monitoring;
- ▶ The Basel Committee's revised core principles of effective bank supervision;
- ▶ Basel II;
- ▶ Public debt sustainability analysis;
- ▶ External debt operations and management;
- ▶ Risk Analysis in Sovereign Debt Management;
- ▶ Public debt negotiation skills and techniques;
- ▶ Public Debt Statistics and Reports;
- ▶ Formulation of Medium-Term Debt Management Strategies;
- ▶ Fiscal policy and aid coordination;

Chart 2: In-country Workshops held in 2013



Source: MEFMI Database 2013

- ▶ Balance of Payments and International Investment Position;
- ▶ Advanced macroeconomic analysis and management;
- ▶ Regulation and supervision of non-bank financial institutions;
- ▶ Payment System Oversight;
- ▶ Monetary policy frameworks design and implementation;
- ▶ Regional integration and trade policy issues;
- ▶ Macroeconomic management and natural resources management.

Annex III provides details of venues, duration, objectives, outcomes, technical cooperating partners involved, resource persons used, gender and professional levels of participants to each of the regional activities conducted during the period under review.

b) In-country Capacity Building Activities

In-country capacity building activities include customized country workshops and missions conducted in response to country requests. They are designed to assess, advise, assist and foster reform and implementation of sound practice in client institutions and thus address institution-specific needs. Notwithstanding some challenges in scheduling the in-country activities due to the need for greater flexibility and more preparatory lead time in some cases, in-country interventions have continued to grow in significance over time. The 50 in-country capacity building activities conducted in 2013 addressed the following areas, among others:

- ▶ Debt management performance assessment and related reform plans to address identified weaknesses;
- ▶ Legal and institutional reform and arrears clearance strategies to debt-distressed countries;
- ▶ Technical assistance on debt data validation of debt databases for more informed decision-making, loan negotiation and debt sustainability analysis;
- ▶ Customization of the MEFMI Private Capital Monitoring System (PCMS);
- ▶ Development of Core Inflation Model and Inflation Management Frameworks;
- ▶ Development of financial programming framework and quarterly Gross Domestic Product (GDP) estimates and short-term economic indicators;
- ▶ Balance of Payments (BoP) and International Investment Position (IIP) compilation;
- ▶ Rebasing and revisions to National accounts;
- ▶ Use of E-views in macroeconomic modelling;
- ▶ FPC data dissemination and sensitisation;
- ▶ Institutional frameworks for public debt management;
- ▶ National debt sustainability analysis;
- ▶ Development of prudential returns and stress testing framework and modules;
- ▶ Development of payment system policy and oversight frameworks;
- ▶ Implementation of Risk-Based Supervision methodology to improve bank supervisory systems;
- ▶ Installation of Portfolio Analytical Tool (PAT) II for reserves management;
- ▶ Technical assistance to equip bank supervisors with skills for the implementation of Pillar II of the Basel II capital framework by banks;
- ▶ Formulation of medium-term debt management strategies; and
- ▶ Monitoring contingent liabilities.

Annex IV provides detailed information on the in-country capacity workshops and missions conducted in 2013.

"We take this opportunity to thank the MEFMI Debt Management Programme for its professionalism and the recommendations which we think are important as we work towards improving the quality of our public debt data."
The National Directorate of Treasury (Mozambique).

c) MEFMI Fellows Development Programme

The Fellows Development Programme is MEFMI's flagship capacity building programme. It is aimed at ensuring sustainable availability of well trained professionals at country and regional level in the priority areas of financial and macroeconomic management, including debt and reserves management. The Fellows are selected from MEFMI client institutions on a competitive basis and they remain within the client institutions during their training.

The main highlight for the period under review is the selection interviews for the 8th Intake of Candidate Fellows which took place in Harare, Zimbabwe. There was an overwhelming response in this recruitment exercise compared to the past recruitments. The Secretariat received a total of 139 applications from various client institutions, indicating an 83% increase in response compared to the last recruitment exercise that was conducted in 2009.

The Secretariat applied a rigorous shortlisting process and ultimately 52 applicants attended the selection interviews. 19 officials, of whom six (6) or 32% are female, were selected in various areas of specialization identified by the Institute. Orientation for the new recruits was conducted in July 2013. This was combined with a training workshop on research methodology which aimed to improve their research capacity, analytical and report writing skills.

One (1) Candidate Fellow from the previous intake was assessed for graduation during the period under review. However, the final verdict by the panelists revealed that the performance of the Fellow was unsatisfactory and was therefore directed to rework his technical paper.

A total of 43 Fellows, the majority of whom were Candidate Fellows, attended workshops as part of their skills enhancement while 53 Fellows were engaged as resource persons by the MEFMI Programmes (Table 6). More information on the utilisation of Fellows is contained in section 2.2.4.

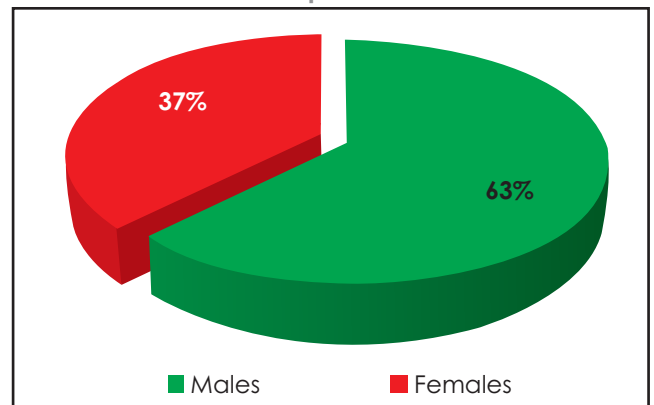
Table 5: Capacity Building Activities in 2013³

ACTIVITY	2012	2013 Outturn	2013 Planned	Variance (%)
Total In-Country Capacity Building Activities	37	50	42	19%
(a) In-country Workshops	14	30	21	43%
(b) Country Missions	23	20	21	-5%
Regional Capacity Building Activities	29	21	24	-13%
Fellows Development Activities	2	4	4	0%
Specialised Studies	3	1	1	0%
Sub-total of Capacity Building Activities	71	76	71	7%
Governance Meetings	6	7	7	0%
Networking & Staff Development	27	27	32	-16%
Sub-total	33	34	39	-13%
Grand Total (All Activities)	104	110	110	0%

Source: MEFMI Database 2013

³ See Annexes III-V for detailed information on activities conducted in 2013.

Chart 3: Gender Participation for 2013



Source: MEFMI Database 2013

2.2.3. Participation in Capacity Building Activities

The total enrolment in all capacity building activities undertaken during the period January to December 2013 was 1,344 officials, an increase of 29% over the enrolment for the previous year. Of these, 842 participants were male, representing 63% of the total while the remainder were female (Chart 3).

Despite the increase in the enrolment, the proportion of female participation in MEFMI capacity building activities has not changed from the corresponding period in 2012 when 37% of the participants were also female. This broadly reflects the staffing patterns in client institutions, especially for the professional levels that the Institute targets. In this regard, MEFMI endeavours to promote greater female participation through sensitisation and advocacy during meetings of senior officials. This will of course have to start with the staff recruitment of more females in the client institutions.

A breakdown of participation according to the areas of MEFMI's focus indicates that most participants attended debt management activities, with an enrolment of 37%, followed by the macroeconomic management, financial sector management and multi-disciplinary activities which stood at 29%, 28% and 7%, respectively. Similar patterns are observed regarding female participation in all the MEFMI activities, with an enrolment of 15% in debt management activities while the macroeconomic management and financial sector management each registered 10% and the remainder (2%) participated in MDA activities.

2.2.4. Resource Persons Utilisation

The Institute utilises the services of international and regional experts as well as MEFMI staff and Fellows to deliver its services and products. During 2013, the Institute utilised the services of 290 resource persons compared to 260 utilised in the corresponding period in 2012. Of these, 214 (or 74%) were regional experts and the remainder were international experts as indicated in Chart 4. This represents a marked increase in the use of regional expertise relative to the corresponding period in 2012 when regional

Table 6: Fellows Participation in Capacity Building Activities

Programme	Fellows Attending Capacity Building Activities	
	Workshops	Attachments
Debt Management	15	0
Financial Sector Management	6	0
Macroeconomic Management	3	0
Multi-Disciplinary Activities	19	0
Total	43	0

Source: MEFMI Database and Reports, 2013

resource persons constituted 67%. The distribution of the regional resource persons was 26%, MEFMI Fellows accounted for 18% and MEFMI staff 29%. Out of the total international resource persons utilised during the period under review, 87% were engaged on gratis basis as a result of MEFMI's collaboration with its Technical Cooperating Partners.

The distribution of regional resource persons indicates that there was increased utilisation of Fellows and regional experts in 2013. This implies that the Institute has mostly used other regional experts to cover for the reduction in the proportion of international resource persons. The increase in the number of MEFMI Fellows utilised is in line with the Institute's continuous investment in the Fellows Programme which produces home grown experts.

36 of the 53 Fellows engaged during 2013 were utilised during regional and in-country workshops while the remainder were engaged in country missions as indicated in **Table 7**. Most of these Fellows were engaged by the Debt Management and Financial Sector Management Programmes, each utilising 22 Fellows while the Macroeconomic Management Programme and the Multi-Disciplinary Activities engaged seven (7) and two (2) Fellows respectively.

2.2.5. Publications

Consistent with its vision, the Institute unveiled two publications, namely: a study on FDI Trajectory in Pre and Post Global Financial and Eurozone Crisis and Policy Response: Focusing on the MEFMI Region from 2000 to 2011; and a manual entitled - *MEFMI Macroeconomic Modelling and Forecasting Manual*.

The FDI study analyses the impact of the global financial and economic crisis (GFC) on Foreign Direct Investment (FDI) inflows in the MEFMI region for the period 2000 to 2011. It further traces the post GFC FDI recovery trajectory in selected MEFMI countries. The likely effects and initial experiences on the impact of the Eurozone debt crisis have also been extensively explored in this study. The measures and policy responses that Governments, institutions and multilateral enterprises have undertaken or are likely to undertake to minimise the adverse effects of the GFC and the sovereign debt crisis on the performance of the

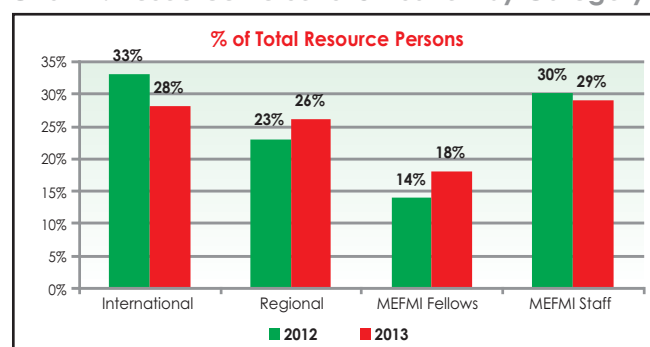
The Modelling and Forecasting Manual, is a first for the MEFMI region. It is a reference publication, which provides a set of modelling frameworks that can be applied in developing small macroeconomic and other small sectoral models. The Manual provides practitioners in the MEFMI region with a practical tool that enhances understanding of the practical interface between theory and real economic situations.

domestic economy, with specific focus on stimulating FDI are also analysed.

The Modelling and Forecasting Manual, is a first for the MEFMI region. It is a reference publication, which provides a set of modelling frameworks that can be applied in developing small macroeconomic and other small sectoral models. The Manual provides practitioners in the MEFMI region with a practical tool that enhances understanding of the practical interface between theory and real economic situations. This reference publication will be particularly useful in the modelling and forecasting functions in central banks, ministries of finance/planning and bureaus of statistics.

In addition, MEFMI in collaboration with ACBF commissioned a study on "Economic Management in Hyperinflationary Environment: lessons from Zimbabwe for the period 2000-2010". The purpose of the study is to document the economic conditions in Zimbabwe during that period. Since the launch of the study in 2012, the MEFMI Secretariat has been working with authors (most of whom are Zimbabweans) to come up with papers that are of publishable quality. Papers were developed and have undergone a review mechanism. Comments and suggested inputs from reviewers were proffered and incorporated by the authors and the papers were re-submitted to the MEFMI Secretariat. A review retreat which was held from 17 to 20 November 2013 in Kadoma, Zimbabwe proposed editorials which would allow the authors to edit and produce their final versions of the papers for publication.

Chart 4: Resource Persons' Utilisation by Category



Source: MEFMI Database 2013

Table 7: Fellows Utilization in 2013

Programme/Entity Using Fellow	Utilization						
	Resource Persons at Workshops			Consultants at Missions			Total Fellows Utilised
	Type of Fellow			Type of Fellow			All Fellows
	Candidate	Graduate	Accredited	Candidate	Graduate	Accredited	TOTAL
Debt	0	7	7	1	4	3	22
FSM	0	4	9	0	1	8	22
Macro	0	3	4	0	0	0	7
MDA	0	1	1	0	0	0	2
Total	0	15	21	1	5	11	53

Source: MEFMI Data Base and Reports, 2013

3. Key results and outputs of MEFMI'S Capacity Building Activities

MEFMI's analysis and some testimonials received from client institutions indicate that the Institute's interventions in 2013 contributed immensely to improvements in capacity in the member states. This is in line with the MEFMI Phase IV RMF under which interventions by the Institute are designed to contribute to, among other things:

- Strengthened institutional set-up in macroeconomic and financial management units in client institutions;
- Countries adopting best practice and standards;
- Countries adopting high quality policies and putting in place the necessary systems and databases, and;
- Trained personnel in countries capable of implementing macroeconomic and financial management interventions.

Some of the key results and outputs of MEFMI's interventions are outlined below under the respective focal areas of Macroeconomic Management, Debt Management, Financial Sector Management, and the Fellows Development Programme.

3.1. Macroeconomic Management

- ▶ MEFMI successfully conducted modular in-country workshops on modelling and forecasting based on the Institute's manual. The purpose of the first module was to equip officials from member states with knowledge and skills on different important topics on time series econometrics (OLS estimation, understanding error diagnostics, stationary and non-stationary time series, economic analysis of co-integration and introduction to error correction models). The aim was to assist new bank staff to understand the basic steps of developing a small macro model. The second module equipped the country officials with knowledge and skills to reshape their existing models using state-of-the-art forecasting methods under different monetary frameworks and regimes. The knowledge and skills gained from the two training modules assisted member countries to carry out thorough analysis to inform policy. Following these workshops, the Bank of Mozambique has successfully implemented the two modules while Malawi and Rwanda have implemented the first module.
- ▶ For the first time, MEFMI conducted a two-module in-country workshop on Inflation Management Frameworks for Banco Nacional de Angola. This workshop equipped staff with skills and knowledge on how to better manage their huge and idle international reserves realised from export of natural resources. It also assisted the bank and the Government as a whole to avoid a "resource curse" and the Dutch disease. In addition, skills gained assisted the country officials to design customised and comprehensive framework for efficient management of inflation in Angola.
- ▶ The Ministry of Finance and Development Planning in Botswana expressed satisfaction for the continued technical assistance in developing the financial programming framework due to be finalised in 2014. The assistance resulted in the completion and closing of the baseline scenario of the framework which is utilised by the ministry to make short-term economic projections. The officials involved have been trained extensively on the framework.
- ▶ The National Institute of Statistics in Rwanda and Central Bank of Lesotho (CBL) implemented BPM 6 with the assistance of MEFMI. One of the major benefits of this is that the officials have a better understanding and appreciation of BPM6 concepts and application in the compilation of balance of payments statistics. Using an excel tool which builds on the IMF BPM 6 Conversion Matrix (2010), Rwanda officials and CBL staff are now able to link the existing BOP/IIP database with the classifications in BPM6. Estimation techniques, especially for passenger transportation and dividends of equities have also been improved. With their enhanced skills, the officials are now also able to use and analyse data from internationally recognized data sources including information from Bank of International Settlements (BIS), Employment Bureau for Africa, Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS). Going forward CBL and Rwanda's staff are expected to revise their BOP/IIP statistics in line with internationally accepted guidelines.
- ▶ With the assistance of MEFMI PCMS, Kenya National Bureau of Statistics (KNBS) updated and upgraded their Foreign Private Capital (FPC) statistics to the latest international reporting structure as outlined in the IMF BPM 6. Despite being the biggest economy in the region, Kenya FPC data has not been updated since 2010.

For the first time, MEFMI conducted a two-module in-country workshop on Inflation Management Frameworks for Banco Nacional de Angola. This workshop equipped staff with skills and knowledge on how to better manage the huge and idle international reserves from export of natural resources.

3.2. Debt Management

- ▶ MEFMI member countries are increasingly adopting formal strategies to guide their borrowing operations and manage their debt portfolios, following support from MEFMI and its technical cooperating partners. This is a complete departure from previous practices of contracting loans without assessing their cost and risks on their economies in general, and on their national budgets in particular. These countries include Kenya, Lesotho, Malawi, Mozambique, Namibia, Tanzania, Uganda, and Zambia. Through MEFMI's support, capacity has also been built for staff in these countries to update debt management strategies with minimal technical support. This implies that 62% of the member states are guided by formal medium term debt



management strategies, which is above the target of 60% for 2013 under the RMF.

- ▶ Some member states such as Malawi, Tanzania, Uganda and Zambia have institutionalized debt sustainability analyses (DSA) in their economic management processes by conducting annual exercises. MEFMI's role in these DSA exercises was mainly to provide guidance on the DSA process for quality assurance. The Institute also assisted Namibia and Zimbabwe to conduct DSAs in 2013. This translates into 46% of countries undertaking DSAs with minimum support relative to the target of 40% for 2013.
- ▶ Some governments in the MEFMI region are implementing debt management reforms with support from MEFMI and its Technical Cooperating Partners like the World Bank. For example, the Ministry of Finance in Tanzania is poised to set up a Debt Management Office (DMO), founded on sound and international best practices of a sovereign debt management department. This will see centralization of debt management functions, which helps to enhance coordination and efficiency. MEFMI has already assisted Kenya, Lesotho, Malawi, Mozambique, Namibia, Zambia and Zimbabwe to establish DMOs in their countries. This implies that 62% of the member states are undertaking legal and institutional reforms for effective debt management, which is above the target of 60% for the year.
- ▶ All MEFMI countries are using the computer-based debt management systems for debt recording and management. Countries are continuously implementing measures to correct errors in their databases identified through data validation missions by MEFMI. This will ensure reliable debt data, which is a foundation for effective debt management. In undertaking this, some debt management offices have adopted the latest versions of the systems, particularly those using DMFAS. Nevertheless, none of the CS-DRMS countries adopted version 2 due to delays in the release by the developers (Commonwealth Secretariat).
- ▶ Namibia, Zimbabwe and Sudan benefited from MEFMI technical assistance to enhance their knowledge and skills in conducting debt sustainability analysis in their respective country debt situations. Officials in Zimbabwe used this capacity to prepare a DSA report, outlining the alternative options for re-engaging with the international community in order to resolve the country's external debt crisis. In Sudan, MEFMI-led capacity building initiatives assisted officials to apply acquired skills to their country debt data with a view to producing their maiden DSA report. The assistance to Sudan was provided following a request from the African Development Bank on behalf of the Government of Sudan.
- ▶ With MEFMI's support, the Government of Sudan formulated a Policy Framework for comprehensive debt relief and clearing of public external debt arrears. The objective of this Policy Framework is to enable Sudan to re-engage development partners towards securing comprehensive clearance of the public external debt arrears and access debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). It is expected that this will contribute to laying a solid foundation for economic growth and poverty reduction with a view to attaining the country's Millennium Development Goals (MDGs) and other developmental targets.
- ▶ The Institute has finalised preparation of Guidelines for the Issuance of Government Securities in the MEFMI region. The objective of the Guidelines is to assist MEFMI member states to improve their current securities' issuance programmes and/or help those planning to issue government securities for the first time. The

motivation for developing these guidelines stems from the fact that it is now a widely accepted doctrine that the issuance programmes are catalysts for broader financial market development. It is also a necessary assurance of the availability of infrastructure funding given that donor funding is declining.

With MEFMI's support, the Government of Sudan formulated a Policy Framework for comprehensive debt relief and clearing of public external debt arrears.

3.3. Financial Sector Management

FSM continued to assist member states to implement best approaches of bank supervision through conducting missions and workshops. A risk-based supervisory approach is intended to lead to effective and efficient processes for monitoring and assessing risks on an on-going basis. In this regard the adoption of risk based supervision as a supervisory tool by all member countries continues to progress well.

- ▶ Two implementation missions on risk based supervision as a supervisory tool were conducted for Mozambique and Botswana in 2013. Consequently, the number of countries that have adopted risk based supervision approach as an assessment tool for the soundness and stability of banking institutions has increased from seven in 2012 to nine in 2013.
- ▶ FSM assisted the Central Bank of Swaziland to develop capacity of its staff to undertake stress testing of its prudential data. The missions culminated in the conduct of Central Bank of Swaziland's maiden stress tests of its banks. As of 2013, countries conducting stress testing as an additional supervisory tool to assess the vulnerability of their financial institutions or banking sector as a whole to exceptional but plausible macroeconomic shocks increased from three (3) to five (5). These assessments are in line with the Basel Committee on Banking Supervision (BCBS) which require banks to undertake stress testing as part of their risk management frameworks. In addition, bank supervisors are also required to regularly assess banks' stress testing programmes, take corrective action if material deficiencies are identified and assessed. If necessary, they are also expected to challenge the severity of the stresses tested. In addition to the scenarios developed by individual banks, from time to time, supervisors should also consider requiring the banks to test for common scenarios developed by the supervisor.
- ▶ FSM conducted awareness workshops for heads of supervision on the new requirements of the Basel Committee's core principles for effective bank supervision which were revised in 2012. The revision of the Core Principles builds on the lessons of the last financial crisis and is meant to strengthen supervisory practices and risk management. The assessment of member states' compliance with the 29 Core principles will begin in 2014.
- ▶ Capacity building on the importance of effective supervision of non-bank financial institutions continued with a regional workshop that was held in April 2013 in Zambia. The workshop culminated in a project for developing a framework and rating mechanism to be applied when supervising microfinance institutions. Three of the eight countries that attended the workshop, proposed that the framework be adopted in their countries.
- ▶ FSM continued to support MEFMI client institutions to develop and implement their Payment System Oversight and Policy frameworks. This has seen

countries adopt international best practice in promoting the objectives of safety and efficiency in payment systems. In this respect, MEFMI conducted a mission on Payment System Oversight to the National Bank of Rwanda (BNR). Following this mission, the oversight division has since finalised its oversight policy framework. BNR also finalised its National Payment System Vision and strategy document and will share it with all relevant stakeholders. Furthermore, the process of overseeing Rwanda's large value payment processing system commenced in 2013. This intervention saw the number of countries with fully functioning oversight division increase from 61% in 2012 to 69% in 2013.

- ▶ FSM conducted a mission to Bank of Uganda (BOU) to review the bank's payment systems operations as well as conduct an in-house training for staff in the Payment Systems Department (PSD) and from other relevant functional areas within the Bank. In carrying out this assignment, the MEFMI mission focused on the PSD's existing operations and processes with the ultimate goal of identifying gaps and capacity building needs of the Department and ultimately making recommendations for addressing these. A technical report on the assessment has since been developed. It outlines key findings and recommendations for improving the legal, regulatory and operational processes for Payment Systems in Uganda. The mission also helped to strengthen the capacity of BOU staff as they roll out and manage the PS modernisation process.
- ▶ MEFMI launched training on the recently published Principles for Financial Markets Infrastructures (PFMIs) by the Bank for International Settlements principles. These guidelines aim to harmonise and reinforce the various standards that existed with the aim of making payment systems more resilient to financial crises. In this regard eleven (11) out of the 13 MEFMI countries were trained on the new principles. Some member states have already started performing self-assessments to ensure that their payment systems adhere to the highest possible standards in their operations and risk management practices.
- ▶ Nine member countries have adopted payment system laws to govern the legal and regulatory process of their payment systems development and to cover key issues such as settlement finality, netting and electronic payment processing. This is an increase from 61% in 2012 to 69% in 2013, which is in line with Institute's target for the year.
- ▶ The Institute provided technical assistance towards strengthening the management of Financial Risk, through the development of a framework, for Rwanda and Swaziland. Interventions for both countries were built on previous missions and have set in motion a process that will ensure that the Risk Management Departments in these countries manage enterprise-wide financial risk. The framework provides a reporting template of the major financial risks and return performance of Financial Markets Department, together with a summary presentation of the risks and the status of compliance with the Strategic Asset Allocation (as per the Investment Guidelines) in a dashboard format. The adoption of the framework in these two countries translates to 20% of the target of countries having risk management systems.
- ▶ MEFMI continued its partnership with the World Bank – Reserves Advisory Management Program (RAMP) where 77% of MEFMI countries were trained in 2013. The training led to improvements in the effectiveness of institutions in critical areas of reserves management in accordance with the MEFMI RMF. Participants were equipped with practical tools on the risk/return trade-off associated with investing in various money market instruments, the management of related credit risk in

FSM assisted the Central Bank of Swaziland to develop capacity of its staff to undertake stress testing of its prudential data. The missions culminated in the conduct of Central Bank of Swaziland's maiden stress tests of its banks.

the current volatile market environment, the indexation process in the central bank reserve management framework, and management of a portfolio versus a market based benchmark.

- ▶ FSM continued to assist countries to develop appropriate governance structures for management of reserves in line with international best practice. Emphasis is being placed on selecting, managing and monitoring of external fund managers and custodians. As at 2013, 69% of Heads of Reserves Management from MEFMI member countries were trained in this regard. The end result is the adoption of a governance and operational framework for managing external fund managers and custodians.
- ▶ Ten (10) out of the 13 or 77% of MEFMI countries were trained on the establishment of deep, well-functioning and dynamic financial markets by developing policy frameworks to guide the operations and systems of financial markets as per the RMF. However, participation of all MEFMI member countries should be achieved to ensure level regional growth. The workshop on Financial Markets Regulation and Reforms dwelt on the development of legal frameworks and instruments necessary towards the development of financial markets. This is a first towards strengthening primary markets and developing secondary markets. MEFMI will follow up on this intervention through conducting in-country activities in 2014.
- ▶ The institute provided technical assistance to the Central Bank of Lesotho (CBL) building on previous missions on Capital Markets Development. This includes the maiden bond issuance by the government of Lesotho. MEFMI provided expertise towards the draft regulations for securities market and held discussions with various stakeholders to gauge market appetite and readiness for the development (broadening and deepening) of Capital Markets. This is part of the Financial Sector Development Strategy that the CBL has embarked on. The outcome is a capital markets development program that includes developing a regulatory framework for capital markets and establishing a secondary market for trading. A key inhibiting factor to be considered keenly is the tendency of funds to flow to the more sophisticated financial markets in SADC.



4. Governance Activities

4.1. Governance Meetings

The Institute usually holds two governance meetings every quarter that include – the Audit Committee Meeting and the Executive Committee Meeting (EXCOM) and one Board meeting annually. The Secretariat hosted the 5th and 6th Finance and Audit Committee on the 4th April, 2013 and the 18th July 2013 respectively and the 35th and 36th Executive Committee on the 5th of April, 2013 and the 19th of July 2013, respectively. The Committees approved the MEFMI 2012 audited Accounts and the 2012 Annual Report. They also reviewed and approved a number of manuals. The 2014 Work Programme and Budget were also recommended for Board ratification. The Board of Governors meeting was held on the 8th of October 2013. The Board ratified all the recommendations made by the EXCOM.

An extraordinary meeting of EXCOM was held on the 4th of December 2013 at which the members carried out second interviews of candidates for the positions of Directors of the Macroeconomic and Financial sector Programmes. They also interviewed candidates for the position of Executive Director. Successful candidates are expected to assume their positions in the first quarter and third quarter of 2014, respectively.

During the period under report, the Institute also hosted a technical meeting of the MEFMI Cooperating Partners Liaison Committee on the 21st of February 2013. The Committee among other things reviewed and discussed the Fourth Quarter 2012 Progress Report, update on the 2012 Systems Audit Report and the revised MEFMI Results Measurement Framework. In addition the Swedish Embassy hosted a policy meeting of the Cooperating Partners Liaison Committee on the 22nd of November 2013. The meeting looked at the outcome of the Board meeting held in October, 2013.

4.2. Staff Meetings

Three staff meetings were held during the period under review. One was to prepare staff for the start of the New Year. The second meeting was to review progress on key issues affecting the Institute and provide feedback from the EXCOM meeting. The third meeting was to brief staff on

pertinent issues from the 2012 Board meeting. The second meeting was held during the second quarter of 2013 to review progress on key issues affecting the Institute, and provide feedback from the EXCOM meeting. The meeting also discussed the management of assets and staff contributions to the review of manuals. Programmes and Departments also held internal meetings in order to ensure effective communication and monitoring of activities.

4.3. Networking Activities

In delivering its products, MEFMI actively collaborates with various highly regarded regional and international organisations in order to broaden and strengthen its worldwide alliances. During the period under review, the Institute participated in 27 networking activities listed in **Annex VII**. Below is a synopsis of some of the networking activities MEFMI participated in.

- ▶ The Executive Director and the Director of the Financial Sector Management Programme attended the Eighth BCBS – FSI High Level Meeting for Africa on "Strengthening Financial Sector Supervision and Current Regulatory Priorities" in Cape Town, South Africa, which was held on the 24th and the 25th of January 2013. The theme of the meeting was "From Ideas to Implementation" the BCBS (Basel Committee on Banking Supervision). The theme demonstrated that it will take many years for countries to get to the same route of GDP growth experienced before the global economic crisis. The Basel Committee's policy response to these challenges, however, was to call for more reforms in the banking sector.
- ▶ The Director of the Debt Management Programme attended UNCTAD's Brainstorming Meeting on New Debt Workout Mechanism which was held on 1st February 2013.
- ▶ On 7 March 2013, the Director of the Debt Management Programme joined the live video conference of Debt Managers' Network Discussions hosted by the World Bank. During the discussions the Programme made a very well received presentation on Domestic Debt and Debt Markets Developments in Eastern and Southern Africa. Participants in the discussions included officials of the World Bank,



WAIFEM, UNCTAD, the Eastern Caribbean Central Bank, and Debt Managers from countries such as Moldova, St. Kitts, the Dominican Republic, Nigeria, Uganda, and Sierra Leone.

- ▶ The Debt Management Programme was represented by a Programme Officer at the Commonwealth Secretariat's training and launch of Horizon, a new COMSEC strategic medium term debt management computer tool. The event was held in Cape Town, South Africa from 18 to 27 March 2013.
- ▶ The Executive Director, Director Finance and Administration and two staff members attended the ACBF Regional Strategic Planning Workshop for ACBF-supported projects which was held from the 15th to the 18th of March 2013. The workshop which was held in Harare, Zimbabwe sought to improve the effectiveness of project implementation through sensitizing grantees on ACBF's operational modalities, procedures and policies, as well as to propose service standards and solutions geared at addressing capacity building implementation challenges.
- ▶ One Programme officer from the Debt Management Programme was a co-facilitator at a Regional Workshop on the Medium Term Debt Strategy (MTDS) in Entebbe, Uganda, which was held from the 15th to the 19th of April 2013. The workshop was conducted jointly by the World Bank, International Monetary Fund (IMF) and United Nations Conference on Trade and Development (UNCTAD). The workshop which targeted DMFAS User countries was funded by Debt Management Facility (DMF) Trust Fund.
- ▶ The Executive Director and the Director Financial Sector Management Programme attended the Executive Forum for policy makers and senior officials in Washington DC from the 22nd to the 23rd of April 2013. During the Forum they held discussions with MEFMI Technical Cooperating Partners including the IMF on up-coming joint activities.
- ▶ The Director of the Debt Management Programme chaired a meeting of the World Bank's Debt Management Facility (DMF) Technical Advisory Group in Berlin, Germany, in May 2013. During the same trip the Director participated in the DMF Stakeholders' Forum which was hosted by the German Federal Ministry of Economic Cooperation and Development. The Forum whose theme was "*Debt Management: Building Resilience through a Coordinated Policy Agenda and Enhanced Institutions*" discussed, among other things, the current challenges faced by developing countries with respect to public debt.
- ▶ The Executive Director participated in the Continental Seminar organised by the Association of African Central Bank Governors held in Maseru, Lesotho, from the 6th to the 8th of May 2013 under the theme "The Role of Central Banks in Promoting Sustainable Economic Growth in Africa". The Executive Director presented a paper on "Instruments and Conditions for Efficient Monetary Policy Making in Support of Economic Growth".
- ▶ MEFMI held its maiden Discussion Forum on Natural Resources Management in Harare, Zimbabwe on the 23rd of May 2013. The event which was financed by the Norwegian Embassy in Harare provided an opportunity for some senior Government officials and Industry executives to exchange views and share experiences on optimal utilisation of natural resources through strategies that promote sustainable economic growth and development. The Discussion Forum was a follow-up to the presentation that was made at the Combined Forum in Tokyo, Japan in 2012 on the same topic. The Institute is also planning a field visit for Zimbabwe officials to Norway in 2014, in order for them to get first-hand experience on how to effectively harvest the country's natural resources and the financial benefits thereof.
- ▶ The Executive Director and a Debt Management Programme Officer participated in the UNCTAD's 9th Debt Management Conference and Debt Management held from the 11th to 13th of November 2013 at the Palais des Nations, Geneva, Switzerland. The objective of the Conference was to explore pertinent issues in debt management and public finance under the theme "Balancing Debt and Growth". After the Conference, the Programme Officer also attended the Debt and Financial Analysis System (DMFAS) Advisory Group Meeting aimed at discussing the DMFAS Programme capacity building activities, recent evaluation outcomes as well as the Programme's future strategic and annual plans.
- ▶ MEFMI staff conducted bilateral meetings with several stakeholders on the side-lines of the IMF/World Bank annual meetings held in October 2013 Washington D.C. Meetings were held with officials from the IMF Institute for Capacity Development, WAIFEM, CEMLA, Crown Agents, UNCTAD, and the DMF Implementing Partners.



5. Financial Performance for the period ended 31 December 2013

The Institute opened the year 2013 with positive cash and bank balances of US\$2,925,817 and an accumulated fund of \$2,957,714.

The significant brought forward cash and bank balances were as a result of pre-paid 2013 member country contributions. Four (4) countries paid their 2013 contributions in 2012. Also included in the brought forward amount is

30% increase in the member countries' in-kind contributions. The positive variance is also partly attributed to an increase in interest income.

The reduction in Financial Cooperating Partners' contribution in 2013, as compared to 2012, is as a result of the reduction in the contribution from Norway as per agreement, as well as there being no contribution from the

Table 8: Statement of Income and expenditure for the year ended 31 December 2013

	Jan-Dec 2013 Cumulative US\$	Jan-Dec 2012 Cumulative US\$	Jan-Dec 2013 Budget US\$	Jan-Dec 2013/2012 Actual Variance %	Jan - Dec 2013 Budget Variance US\$	Note
INCOME:						
Amortisation of deferred income	37,579	55,816	-	100%	100%	
Cooperating Partners In-kind contribution	1,593,831	1,873,179	1,943,509	(15%)	(18%)	
Interest Received	481,708	371,455	-	30%	100%	
Member States Contribution	330,342	90,313	30,000	266%	1001%	
Non-member States contribution	4,016,175	3,824,922	4,016,250	5%	0%	
Other income	44,569	-	-	100%	100%	
	27,400	109,169	-	(75%)	100%	
Total Income	6,531,604	6,324,854	5,989,759	3%	9%	5.1
EXPENDITURE:						
Accommodation & Subsistence	1,181,864	1,175,978	1,488,467	(1%)	21%	a
Audit Fees	28,654	35,381	28,476	19%	(1%)	
Bank Charges	25,793	24,120	31,500	(7%)	18%	
Depreciation	73,830	77,644	-	5%	(100%)	
Exchange loss	-	3,242	-	100%	0%	
Fund Manager's fees	8,541	-	-	(100%)	(100%)	b
Legal fees	3,660	2,820	5,513	(30%)	34%	c
Non-member States Expenses	28,769	-	-	(100%)	(100%)	d
Office Operating Expenses						
Professional Fees	357,851	311,447	339,756	(15%)	(5%)	
Resource Mobilisation	384,652	338,102	385,800	(14%)	0%	
Revaluation loss	3,430	25,597	25,990	87%	87%	e
Salaries and Wages	-	4,326	-	100%	0%	
Staff Benefits	1,662,544	1,612,144	1,719,411	(3%)	3%	f
Staff development	804,635	798,349	924,758	(1%)	13%	f
Staff recruitment	18,837	31,781	71,660	41%	74%	g
Travel Expenses	58,520	90,547	226,498	35%	74%	h
Travel Expenses In-kind	308,083	429,958	456,267	28%	32%	
Workshop Facilities & Materials	426,350	357,318	-	(19%)	(100%)	
Total Expenditure	390,648	187,950	513,620	(108%)	24%	i
Surplus for the period	5,766,662	5,506,703	6,217,716	(5%)	7%	5.2
	764,942	818,151	(227,957)	(7%)	459%	

Source: MEFMI Reports - 2012 & 2013

approximately 8 months of 2013 expenditure in the Swedish Government contribution made in September 2012, as the disbursement covered the year September 2012 to August 2013. The Swedish Government advance contribution also forms part of the accumulated funds.

5.1 Income

The total income of US\$6,531,604 reflects a 9% increase over the contributions that were budgeted for 2013, and a 3% increase when compared to 2012. This is largely attributed to a 5% increase in member countries' contributions and a

Netherlands in 2013, unlike 2012 where the Institute received the final contribution from Phase III of \$220,000. The negative variance compared to the 2013 budget is as a result of ACBF not coming on board as planned. The contribution from ACBF is expected to commence in 2014.

Interest income increased due to the Institute's strategy of investing all funds that are not immediately required for use. The Board approved the MEFMI investment policy which authorises the Institute to invest any funds that are not for immediate use.

Most in-kind contributions come from air tickets purchased by client institutions for participants that attend regional

workshops and expenses incurred by the member countries when MEFMI carries out in-country activities. The increase in the 2013 contributions was largely due to the shift in focus in delivery towards more in-country activities. Member countries meet a significant part of the expenses for in-country activities.

Cash contributions from member countries for the period under review accounted for 61%, in-kind contributions 7%, interest income 5% and contributions from cooperating partners 24%, as detailed in **Table 9**.

The non-member contribution was from the Republic of Sudan, through AfDB, to cover expenses incurred on a mission undertaken by MEFMI to assist the country with the formulation of its debt management programme. The related expenditure is separately disclosed under expenditure.

5.2 Expenditure

The total expenditure for 2013 amounted to US\$5,766,662. This reflects a 5% negative variance when compared to 2012, and a 7% positive variance against the budget. The major variances and new items are explained below.

- a) **Accommodation and Subsistence**
The accommodation and subsistence expenses are 21% lower than budgeted, reflecting efforts by Programmes to negotiate for favourable rates with service providers. There is very little difference in the actual compared to 2012.
- b) **Fund Managers' fees**
This is a new item in the income statement arising from the use of Old Mutual as a Fund Manager for part of the investments activities in 2013. Due to earlier invoicing for contributions compared to prior years, members are now paying earlier, and sometimes in advance for the next year. This has resulted in the Secretariat holding a significant amount of funds at the beginning of the year, which are being invested prudently, partly through Old Mutual as a fund manager, but also directly with Zimbabwe commercial banks. The Secretariat has been authorised by the Board, through the investment policy, to invest any funds that are not immediately required for use on MEFMI activities.
- c) **Legal Fees**
The legal fees relate to a case where MEFMI took a supplier to court for failing to deliver a service which had been partly paid for.
- d) **Non-member state expenses**
This expenditure relates to the non-member contribution which has been explained under income.
- e) **Resource mobilisation**
Only one resource mobilisation activity that required

Table 9: Income Contribution by Source

Income Source	Amount US \$	% Contribution
Cooperating Partners	1,593,831	24%
In-kind contribution	481,708	7%
Interest Received	330,342	5%
Member States Contribution	4,016,175	61%
Non-member contribution	44,569	1%
Other income	64,979	1%
Totals	6,531,604	100%

Source: MEFMI Data Base and Reports, 2013

Table 10: Expenditure per Programme

Programme	Actual (US \$)	% of total
MACRO	1,504,088	26%
FSM	1,328,339	23%
Debt	1,593,832	28%
MDA	495,403	9%
SECB	360,291	6%
Administration	484,708	8%
Total	5,766,662	100%

Source: MEFMI Reports - 2013

travel was undertaken in 2013, hence the positive variance both against the budget and the previous year. However, the Secretariat continued to engage potential donors and private sector cooperating partners electronically and within Harare.

- f) **Salaries and wages**
Staff salaries and wages were within budget but slightly higher than for the same period in 2012. This is attributed to the fact that the positions that were vacant in part of 2012 had been filled in 2013.

Staff benefits for the period under review were slightly lower than budgeted as a result of staff having accumulated a significant number of leave days as at 31 December 2012, which they had to utilise in the first quarter of the year to comply with policy. This resulted in a net negative leave provision, as the leave taken was more than the leave accrued.

- g) **Staff Development**
The Secretariat did not carry out all the planned staff development activities due to pressure of work.
- h) **Staff Recruitment**
Compared to 2012, there was a 35% decrease in the amount spent on staff recruitment in 2013 hence the expenditure reflected a 74% positive budget variance. This is due to the fact that recruitment activities for replacement of staff that were leaving at the end of 2013 only commencing towards the end of the year. Some of the expenditure would therefore be incurred in the first quarter of 2014.
- i) **Workshop Facilities and Materials**
The expenditure on workshop facilities and materials for 2013 is significantly higher than 2012 due to the Institute having carried out some activities in Angola in 2013, where hotel charges are significantly higher than the rest of the region. The expenditure is however within the budget, with some savings reflecting efforts by Programs to negotiate for favourable rates with service providers.

The Macroeconomic Management and Debt Management Programmes make up 26% and 28% each of the total expenditure for the period January to August 2013, while Financial Sector Management Programme (FSM) makes up 23%. A significant part of FSM activities are done jointly with the World Bank RAMP Programme, which finances the activities.

5.3 Risk Management

Management has continued to monitor the major risks that face the institute. Where possible, the risks are managed and where this is not possible, they are accepted and monitored. The current risks as identified by management are detailed in **Annex V1**.

6. Human Resources and Administration

6.1 Staff Establishment

The Institute has an establishment of 32 posts. During the first half of the year, 32 posts were filled as indicated in **Table 11** below. In the last half of the year, the number of filled posts was reduced to 31 due to the death of one member of staff.

6.2 Terminations and Vacancies

There were no terminations, although a number of vacancies existed towards the end of the year as detailed below.

6.2.1. Death in Service

The passing on of Mr Sydney Mabika, on 30 June, 2013 after protracted illness, created a vacancy for the post of Director Macroeconomic Management Programme.

6.2.2. End of Term of Office and Retirement

The Director of the Financial Sector Management Programme, Mr. Alphious Ncube, retires on 31 December, 2013. In addition, Messrs. Cornilious Deredza and Simon Namagoa (both Programme Officers) end their tour of duty on 31 December, 2013 after having attained the limit of service for professional staff.

6.2.3. Recruitment and Selection

The Institute maintained its efforts to meet organizational staffing requirements in a timely and efficient manner. Recruitment notices for the positions that fell vacant at the end of the year were advertised in all member states. Interviews were held and suitable candidates were identified for all but one of the vacant positions, which was re-advertised due to poor response. The Institute continued to apply best practice assessment tools in the form of practical assessments, psychometric tests to ensure equitable selection of eligible candidates. MEFMI expects the successful candidates to assume their duties in Harare in the first quarter of 2014. Meanwhile, the Institute's Management will take measures to ensure that their work is allocated to existing staff, until the positions are substantively filled.

Table 11: Staff Composition

Category	Established posts	Male	Female	Total in Post
Executive Director	1	1	-	1
Programme Director	3	2	-	2
Director Finance and Administration	1	-	1	1
Programme Officer	10	7	3	10
Publications and Networking Officer	1	-	1	1
IT Officer	1	1	-	1
Accountant	1	-	1	1
HR Officer	1	-	1	1
Assistant IT Officer	1	1	-	1
Assistant Accountant	1	-	1	1
Accounts Assistant	1	-	1	1
Secretary	6	-	6	6
Driver	2	2	-	2
Office Orderly	1	-	1	1
Gardener	1	1	-	1
Total	32	15	16	31

Source: MEFMI Database

6.3. Health and Safety

The HIV & AIDS Workplace Programme Committee that was put in place in 2012 to facilitate the HIV/AIDS Workplace Programme implementation, has continued to implement the programme using the recommendations that came from the knowledge, behaviour, skills and attitudes (KBPA) survey conducted by the Zimbabwe Aids Prevention Support Organisation (ZAPSO). There is presently a high level of awareness as MEFMI staff have participated in the development of the programme. In addition, through the HIV/AIDS awareness component build into all MEFMI activities, staff are constantly exposed to other perspectives as they carry out region-wide activities.

In its quest to continue mainstreaming HIV/AIDS amongst staff, the Committee organised two presentations that were made to staff on Friday 2 August 2013. The first presentation titled "My Story as Someone Living Positively with HIV" was made by a Zimbabwe based female journalist. Her presentation gave staff in-sight on how she discovered she was positive, her journey through the testing period as well as how she has accepted her situation and is living positively. The second presentation which focused on dietary requirements for someone living positively with HIV/AIDS was made by an HIV/AIDS activist. The presenter took staff through the various organic and herbal remedies for boosting the immunity, that are available in Zimbabwe and some parts of the MEFMI region.

6.4. Policies and Procedures

To ensure overall guidance, consistency and clarity in its day to day operations the Institute reviewed and updated some of its policies and procedures. The following policies and procedures manuals were presented to and approved by EXCOM:

- Revised Human Resources Manual
- Revised Remuneration Policy
- Revised Procurement Manual
- ICT Policy
- ICT Business Continuity Plan
- Risk Management Policy

6.5. Performance Management

The electronic performance management system which was installed in 2011 was tested for the first time to review performance for the period January to June 2013. The performance reviews are currently based on key performance areas (KPA's) and competencies. Measurement on key performance indicators will be incorporated after staff have been trained on setting of performance objectives and standards. Competencies will be reviewed once a competency framework for the Institute has been developed.

The electronic system is a faster and more efficient way of managing performance and helps to reinforce the organizational performance culture.

6.6. Staff Relations

A positive industrial relations environment is critical for productivity and success of an organization. To this end a Staff Committee has been launched to deal with common employment related and social issues. The Committee structure and terms of reference are being developed.

6.7. Staff Development and Learning

In line with the 2013 staff development plan and in an effort to keep staff up-to-date with emerging issues and enhance their skills, MEFMI undertook some staff development and learning activities. **Table 12** provides a synopsis of some of the staff development activities that took place during the period under report.

6.8. Information Technology

6.8.1. Electronic Communication

The Institute commissioned a back-up internet service provider for internet communication in order to improve

on the reliability of the service. This followed the commissioning of a new primary internet service provider at the end of 2012. Consequently, the Institute has improved bandwidth from 256Kb/s to 2Mb/s on each of the service providers.

6.8.2. Hosting of ICT Services

The hosting of ICT services have been a challenge due to the erratic power supply, the frequent breakdown of the backup generator and the resultant damage inflicted on the uninterruptible power supplies in the server room. The Institute has resolved to engage a Zimbabwe based supplier of alternative power. The proposed solution will also ensure that the MEFMI offices have constant, clean and reliable power at all times and that the air conditioners in the server room run at all times.



Table 12: Staff Development Activities

Staff Trained	Dates and place	Type of Training	Results
Three new members of staff	24 - 25 Jan 2013 Secretariat	Joint Performance Management training	The trained staff were able to implement the skills and knowledge gained in drafting their 2013 performance contracts.
Programme Officer from the FSM	6 - 9 May 2013, New York, USA	Payment System Policy and Oversight	Course offered annually by Federal Reserve Bank of New York to central bankers from around the world. Provided Officer with an overview of payment system risk issues from a policy and oversight perspective. She now appreciates the multi-faceted issues surrounding payments and settlement systems especially those systems with systemic importance, and the methods that central banks use to fulfil their oversight responsibilities for payment systems.
Programme Officer from the FSM	4 June 2013 in Harare, Zimbabwe	Managing Currency Risk (Organised by one of MEFMI bankers)	The Officer increased her understanding of spot quotations, terminology and market practices, quantification of currency exposure and the consequences of not hedging and using forward FX and options to protect commercial margins.
Professional staff in the Finance and Administration Department	10 to 18 June, 2013	VIP Payroll, VIP HR (Job Management, Employee Management, Performance Management and Employee Self Service (ESS) Super User Training)	IT staff are now able to provide users with the required technical support. Regular users of the VIP systems are now able to use the systems to perform the different tasks such as loading of information and producing reports.
All Staff	18 June, Secretariat	Employee Self Service (ESS)	Improved understanding of ESS in general, and performance reviews using ESS in particular. All staff trained are now able to use the system and all its functionalities. Staff were able to complete their June 2013 electronic performance reviews without problems.
Nine Members of staff	1 August, 2013, Secretariat	Advanced Excel	Improvement in reports that require the use of spreadsheets.
Human Resources Officer	29 August 2013	Labour Law	Improved understanding of the Zimbabwe labour Law, as it relates to MEFMI.

7. Challenges, Lessons & Emerging Issues

7.1. Challenges

Table 13 provides a snap-shot of the challenges faced during the period under review and proposed interventions to address them.

- ▶ In-country interventions have continued to grow in significance over time. The significant increase in demand for in-country activities is testimony that MEFMI's strategy of striking the balance between in-country and regional activities is bearing fruit in member states. To be more effective and ensure that

Table 13: Challenges Identified During 2013

Challenge	Proposed Intervention
Some weaknesses in data quality, in some member states, making it difficult to undertake activities such as macroeconomic modelling and forecasting	<ul style="list-style-type: none"> • Support countries to assess and improve the quality of their data.
High cost of venue hire and workshop facilities in some member states	<ul style="list-style-type: none"> • Strategic allocation of venues for activities; • Continued search for more affordable facilities in member countries; • Forging of strategic partnerships with service providers; and • Request host countries for in-kind support to leverage the cost of activities.
Postponement or rescheduling of some in-country activities due to other priorities or slow country preparations for the activities	<ul style="list-style-type: none"> • Encourage the host countries to inform the Secretariat in time and continuously maintain close communication with countries.
Delays in concluding funding agreements by some financial cooperating partners	<ul style="list-style-type: none"> • The Institute will continue to engage the partners concerned.
Delay in responding to a few member countries' requests for joint MEFMI/Cooperating Partner missions	<ul style="list-style-type: none"> • MEFMI will continue encouraging Cooperating Partners to let; • MEFMI lead such missions whenever they are too busy to get mission team leaders.
Language constraints affecting one member state's effective participation in MEFMI capacity building activities	<ul style="list-style-type: none"> • Explore innovative strategies bilaterally with the member state to overcome the language barrier.
Delays in obtaining entry VISAs in some countries	<ul style="list-style-type: none"> • Continue dialogue with member states to support coordination of logistics for MEFMI activities. <p>In the case of non-member states there will be need to engage the sponsoring cooperating partners to assist in hastening the visa approvals.</p>
MEFMI Secretariat IT systems instability	<ul style="list-style-type: none"> • Continued engagement with the ISP to ensure that the Institute suffers less down-time; • Installation of alternative power back up.

7.2. Lessons Learnt

The following are some of the lessons learnt during implementation of some capacity building initiatives during the period under review:

- ▶ Countries are increasingly undertaking institutional reforms through implementing sound practice as their awareness of the need for these grow and informative assessments and comparisons are made. This provides an opportunity for MEFMI to deepen country-level engagement in the region and also outside (through cost recovery) for implementation of systems, procedures and policies using skills and knowledge acquired through past and on-going capacity building efforts;

there is tangible impact of these country specific activities, the Institute is considering introducing a two-tier event evaluation by keeping the usual evaluation by participants and introducing an official evaluation by principals of the host institution. Some institutions in member states have already been doing that by sending appreciation letters to the MEFMI Management;

- ▶ Many of the on-going strategic technical partnerships with cooperating partners and peers in capacity building are translating into significant cost-saving, benchmarking to best practice and also effective coordination of country interventions for maximum impact; and,



- ▶ Many countries are actively pursuing the diversification of their financing strategies including through developing and tapping domestic financial markets, issuing international sovereign bonds and harnessing public-private partnerships (PPPs). However, some countries are also implementing development projects outside of the budget which creates contingent fiscal risks that need to be carefully assessed and managed. These developments are creating new and different types of needs to which MEFMI will need to continue to respond.

7.3. Emerging Issues

The scope of MEFMI's capacity building efforts has expanded significantly since the Institute was established in 1997, from the initial focus on basic debt and reserves management to the broader macroeconomic issues, including financial sector management. The environment and challenges facing member states continue to be dynamic hence the need for the Institute to keep repositioning itself in order to meet the associated capacity building demands. The following are some of the emerging issues in macroeconomic management, debt management, and financial sector management that are and will continue to shape the direction of the Institutes' capacity building activities going forward.

The environment and challenges facing member states continue to be dynamic hence the need for the Institute to keep repositioning itself in order to meet the associated capacity building demands.

7.3.1. Macroeconomic Management

- ▶ **Natural resources management:** Recent discoveries of oil and gas reserves in Kenya, Uganda, Tanzania and Mozambique have the potential to greatly impact and transform economies in East Africa. More than 50 wells were completed in the region in 2012, delivering nearly half of conventional oil and gas resources found worldwide that year. Used responsibly, billions of dollars of new government revenues will support investments in infrastructure and

social services. At the same time, these discoveries can engender or exacerbate local conflicts, fuel corruption, negatively impact the environment, and disrupt local communities and livelihoods. MEFMI Secretariat is exploring possible avenues to assist the member states to ensure their natural resources support the stabilization of their finances and lead to sustainable economic growth. In pursuit of this MEFMI, in collaboration with IMF Institute organized a regional course on natural resource management during the fourth quarter of 2013. The Institute further published a booklet and launched it in the second quarter of 2013 on the trajectory of foreign direct investment (FDI). Among others, the booklet examined resilience of FDIs in extractive sector (natural resources) and recommended policies to exploit more benefits out of this sector. Going forward studies and missions are recommended looking at how countries can manage the challenges of natural resource wealth so as to reap the benefits while avoiding the pitfalls. The Secretariat will be leading a Zimbabwe government delegation to on knowledge gathering field trip to Norway on natural resources management.

- ▶ **Energy gap in Africa:** Measures towards addressing long-standing energy gaps in Africa and the region was another issue that emerged with strong impetus during 2013. The region hosted President Barack Obama from USA, the visit which mainly focused on how the problem of energy can be resolved to unlock regional potential. Commissioning of studies pertaining to energy solutions will therefore be considered to contribute towards this global initiative.
- ▶ **Regional integration:** The region further experienced growing momentum towards implementation of a deeper regional integration agenda. This was evident among member countries in the East African Community (EAC) where Heads of States approved and signed the protocol on the establishment of the East African Monetary Union (EAMU). To support this process MEFMI in collaboration with Trade Mark – East Africa (TMEA) organized a continental seminar on deeper regional integration protocols. Deliberations from this seminar are expected to contribute in partner states implementation of the roadmap towards a single currency.

7.3.2. Debt Management

- ▶ **Emergence of New Creditors and Issuance of Sovereign Bonds:** The global and financial economic crisis as well as the on-going Euro Zone crisis has resulted in reduced aid flows and declining export and tourism earnings in MEFMI member states, thus putting more pressure on governments to borrow to meet their financing needs. For example, governments took recourse to increase semi-concessional borrowing from new creditors as well as issuing sovereign bonds on the international capital market. Such borrowing elevates the cost and risks to government budgets while compromising the long term debt sustainability prospects of member states.
- ▶ **Growing Domestic Debt, Arrears and Contingent Liabilities:** MEFMI member states are increasingly relying on domestic borrowing in order to finance their fiscal resource shortfalls. However, domestic debt markets in the region are undeveloped, and

dominated by short term debt instruments that are also heavily concentrated among a few participants, comprising mainly commercial banks and very few institutional investors. The limited diversity of financing instruments and their very short-term maturities, combined with the shallow debt markets, entail substantial constraints and risks to long term funding and debt sustainability. Other member countries have also registered substantial increases in domestic arrears as well as contingent liabilities, some associated with Public Private Partnerships, which are key fiscal risks.

- ▶ **Debt Management Reforms:** MEFMI countries have increasingly become aware of the need to adopt best practice legal and institutional frameworks for debt management. In this regard, a number of countries have embarked on the necessary reforms, while others are contemplating doing so. Assistance in designing the reform plans and also implementing the same is a key component of MEFMI's Phase IV Programme.

7.3.3. Financial Sector Management

- ▶ **Revision of banking supervisory standards by the Basel Committee:** Since the global financial crisis, a lot of changes have been experienced in financial sector regulation. The changes include the Basel Committee's issue of the Basel III package in 2010 and the revision of the 25 Core Principles of Effective Banking Supervision in 2012. In view of the significant changes to the regulatory framework, regulatory changes will dominate capacity building activities that will be conducted in Phase IV. Towards the end of the phase, there will also be need to conduct assessment of compliance to the revised core principles by member countries and carry out implementation missions thereof.
- ▶ **Rapid increase of mobile financial services:** During the last decade the use of mobile phones in Africa increased dramatically, altering how people in the continent access financial services. Rural people that previously had no access to financial services now use payment services and a range of other products offered through mobile phones. While mobile financial services have over the past decade been the preserve of Kenya and Tanzania, in the past two years, there has been a shift that has seen new entrants like Zimbabwe, Malawi, Zambia, Rwanda among other MEFMI member countries also actively taking it up, due to the realization by private sector players of its profitability. The growing mobile financial services market contributes to greater financial inclusion and therefore regulators need to acquire a deeper understanding of stakeholders' needs, the value propositions, the products and associated risks and the technology. MEFMI will have to play its part in capacitating regulators in the region to develop regulatory frameworks for mobile financial services that not only ensure safety and stability of the general public funds but also develops the financial markets.
- ▶ **Financial inclusion:** this is one of the priority goals for most economies and is increasingly becoming a predominant focus of dialogue and debate among policy makers at many global forums. Reforms that promote financial inclusion are at the core of policy makers' agenda. Countries are still faced with challenges in their efforts to increase the extension of

financial services to the financially excluded. Policy and regulatory barriers still restrict entry into the financial sector by institutions offering services to the poor. Weak infrastructure and inadequate innovative models prevent effective outreach to the underserved regions and groups; while limited awareness and understanding from consumers limits effective utilisation of these financial services. Authorities are now tasked with the responsibility to build capacity in regulating the financial sector appropriately, supervise and oversee financial institutions to ensure that they deliver services fairly and in response to demand; and to protect the consumers from exploitation. There is need for regulators to design initiatives that will address the legal and regulatory impediments in place, provide for competitive market conditions and support effective standards and infrastructure arrangements. Furthermore to scale up efforts to support the financially excluded, policy makers need to craft policies and regulation that will help to foster these advances without compromising the wider goal of safety and efficiency in the financial systems.

- ▶ **Development of domestic financial markets:** this is a dynamic process and especially so with markets at a nascent stage, shallow and lacking liquidity. The development of these financial markets has a set of preconditions; sound fiscal and monetary policies, effective legal domestic framework, efficient payment and settlement systems and a liberalized financial system. Thus, in the region, for efficient and effective capital markets to evolve, financial sector reforms have to be undertaken.
- ▶ **Foreign Exchange Reserves Management:** Foreign exchange reserves held by Central Banks in the region continue to rise and their management in a global economic climate that remains uncertain remains distinctly in focus. In addition to that, portfolio managers are searching for extra yield in the prevailing zero-interest-low-yield investment climate through non-traditional investments by taking on additional risk in one or a combination of : currency risk - investments in non-traditional currencies; liquidity risk - sacrificing some liquidity of your reserves to analyse new non-traditional markets; interest rate risk - the risk of adverse market moves due to a sharp move in market interest rates – which points to investing longer term up to a certain point past which yield no longer compensates for capital market-down; credit risk - buying corporate bonds or investing in emerging market debt.



Executive Committee's responsibility and approval of Financial Statement

Executive Committee's responsibility and approval of financial statements for the year ended 31 December 2013

To the Executive Committee of Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

It is the Executive Committee's responsibility to ensure that the financial statements fairly present the state of affairs of the Institute. The external auditors are responsible for independently reviewing and reporting on the financial statements.


The Executive Committee has assessed the ability of the Institute to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Executive Committee believe that under the current economic environment a continuous assessment of the ability of the Institute to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

The statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The statements are based on appropriate accounting policies which are supported by reasonable and prudent judgements and estimates.

The Institute's internal and accounting control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the entity's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Executive Committee have been addressed and the Executive Committee confirm that the system of internal and accounting control is operating in a satisfactory manner.

In light of the current financial position, the Executive Committee is satisfied that the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

The Institute's financial statements which are set out below on pages 31 to 44 were, in accordance with their responsibilities, approved by the Executive Committee on 28 March 2014 and are signed on its behalf by:



.....
Mr José de Lima Massano
Chairman



.....
Dr. E. E. Ngalande
Executive Director

Independent Auditors' Report

To the Executive Committee of Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

We have audited the financial statements of MEFMI, set out on pages 31 to 44, which comprise the statement of financial position as at 31 December 2013, the statement of income and expenditure, the statement of changes in funds and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Executive Committee's responsibility for the financial statements

The Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Grant Thornton Camelsa
Chartered Accountants (Zimbabwe)
Registered Public Auditors
HARARE


17 June 2014

Statement of income and expenditure for the year ended 31 December 2013

	Notes	2013 USD	2012 USD
INCOME			
Amortisation of deferred income	2	37 579	55 816
Co-operating partner funding	3	1 593 831	1 873 179
In-kind contributions	4	481 708	371 455
Interest income	5	330 342	90 313
Member state contribution	6	4 016 175	3 824 922
Other income	7	71 969	109 169
Total income		6 531 604	6 324 854
EXPENDITURE			
Accommodation and subsistence		1 181 864	1 175 978
Audit fees (internal and external)		28 654	35 381
Bank charges		25 793	24 120
Depreciation		73 830	77 644
Exchange loss		-	3 242
Facilities and materials		390 648	187 950
Fund Manager's fees		8 541	-
Legal fees		3 660	2 820
Non member state expenses		28 769	-
Office expenses	8	416 372	401 994
Professional fees	9	384 652	338 102
Resource mobilisation		3 430	25 597
Revaluation loss		-	4 326
Salaries and wages		1 662 544	1 612 144
Staff benefits	10	804 636	798 348
Staff development		18 837	31 781
Travel expenses		734 432	787 276
Total expenditure		5 766 662	5 506 703
Surplus for the year		764 942	818 151

Statement of financial position as at 31 December 2013

ASSETS	Notes	2013	2012
Non-current assets			
Property and equipment	12	921 242	961 484
Current assets			
Consumables	13	53 959	60 462
Trade and other receivables	14	321 258	845 842
Cash and cash equivalents	15	4 361 136	2 925 817
		4 736 353	3 832 121
Total assets		5 657 595	4 793 605
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		2 597 714	1 832 772
Current liabilities			
Trade and other payables	16	1 275 956	1 335 868
Provisions	17	808 599	612 060
Deferred income	18	975 326	1 012 905
		3 059 881	2 960 833
Total funds and liabilities		5 657 595	4 793 605



 Mr. Jose de Lima Massano
Chairperson



 Dr. E. E. Ngalande
Executive Director

Statement of changes in funds for the year ended 31 December 2013

	Accumulated Funds
Balance at 1 January 2012	1 014 621
Surplus for the year	818 151
Balance at 31 December 2012	<u>1 832 772</u>
Balance at 1 January 2013	1 832 772
Surplus for the year	764 942
Balance at 31 December 2013	<u><u>2 597 714</u></u>

Statement of cash flows for the year ended 31 December 2013

		2013 USD	2012 USD
Cash flows from operating activities	Notes		
Surplus for the year		764 942	818 151
Adjustment for:			
Depreciation	12	73 830	77 644
Interest income		(330 342)	(90 313)
Amortisation of deferred income		(37 579)	(55 816)
Increase in provisions		196 539	327 808
Loss on revaluation		-	4 326
Profit on disposal of equipment		(540)	-
Cash flow before changes in working capital		666 850	1 081 800
Net effect of working capital changes	19	471 175	746 669
Net cash generated from operations		1 138 025	1 828 469
Cash flows from investing activities			
Proceeds from disposal		745	-
Interest income		330 342	90 313
Acquisition of property and equipment		(33 793)	(43 732)
Net cash inflow from investing activities		297 294	46 581
Increase in cash and cash equivalents		1 435 319	1 875 050
Cash and cash equivalents at the beginning of the year		2 925 817	1 050 767
Cash and cash equivalents at the end of year	15	4 361 136	2 925 817

Statement of accounting policies for the year ended 31 December 2013

1 General information

The main activities of the Institute, which is constituted in Zimbabwe is to advise and assist member countries in the Eastern and Southern African region to develop capacity to manage their debt and reserves and to provide training in macroeconomic and financial management.

Basis of preparation

The principal accounting policies adopted in the preparation of financial statements are set out below. The basis of preparation of financial statements is International Financial Reporting Standards.

Statement of Compliance

The Institute's financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) and the International Financial Reporting Interpretations Committee, (IFRIC) interpretations. The financial statements are based on statutory records that are maintained under the historical cost convention.

Summary of accounting policies

1.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

1.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Co-operating partner funding

Co-operating partner funds are recognised on a receipt basis. The contributions from co-operating partners are pooled together for use by the Institute.

Member state contributions

Revenue from member states is recognised on an accrual basis. Contributions from member states for a particular phase are determined beforehand by the Board of Governors. Revenue is therefore recognised over the phase on an accrual basis.

Interest

Interest income is recognized on a time proportionate basis using the effective interest rate.

In-kind contributions

A portion of the Institute's income is derived from in-kind contributions from member countries. In-kind income is recognised on receipt basis. In-kind contributions received from technical co-operating partners are not recognised in the financial statements. The contribution is acknowledged in a memorandum to the financial statements.

1.3 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

1.4 Taxation

In terms of the agreement with the Government of Zimbabwe and statutory instrument 428 of 2011 issued under the Income Tax Act (Chapter 23:06), the Institute is exempt from tax.

Statement of accounting policies for the year ended 31 December 2013 (continued)

1.5 Employee benefits

Short-term employee benefits include wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the period in which the employees render the related employee service; bonuses payable within twelve months after the end of the period in which the employees render the related service; and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees. The entity recognises the undiscounted amount of short-term employee benefits as an expense in profit and loss during the period in which the services are rendered.

1.6 Foreign currency translation

Transactions in foreign currencies are translated to the United States Dollars at rates of exchange ruling on the date of the transaction. Exchange gains or losses arising on the settlement of foreign currency transactions are dealt with in the income and expenditure statement.

Assets and liabilities in foreign currencies are translated to United States Dollars at rates of exchange ruling at the statement of financial position date.

1.7 Cash and cash equivalents

Cash on hand and in banks and short term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of change. For the purpose of the cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

1.8 Provisions

Provisions are recognized when the Institute has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

1.9 Retirement benefit cost

The Institute does not have a retirement fund. Instead, provision is made in the financial statements for gratuity payments over the period of employees' employment contract. All employees are paid a gratuity of twenty five (25) percent of their contract period earnings in terms of the Institute's employment policy.

1.10 Property and equipment

Property and equipment is shown at cost, less accumulated depreciation and accumulated impairment losses. Land is not depreciated. The Institute's policy is to depreciate property and equipment evenly over the expected life of each asset.

The expected useful lives are as follows:

Buildings	-	25 years
Computers	-	4 years
Furniture and fittings	-	3 years
Motor vehicles	-	5 years

The carrying amounts of property and equipment are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed the estimated recoverable amounts, assets are written down to their recoverable amounts. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end. The Institute has estimated that all property and equipment have nil residual value as the Institute has no intention of disposing of the assets before the end of their useful lives.

Statement of accounting policies for the year ended 31 December 2013 (continued)

1.11 Impairment of assets

At each statement of financial position date the Institute reviews the carrying amounts of assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognized in the statement of income and expenditure.

When an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the statement of income and expenditure.

1.12 Consumables

The carrying amount of consumables is measured at the lower of cost or net realizable value. Valuation is determined on a first in first out basis. The cost of consumables is recognized in the statement of income and expenditure as it is drawn down.

1.13 Financial instruments

Loans receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The institute classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit and loss

This category comprises out-of-the money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income and expenditure.

Other financial liabilities

Other financial liabilities include trade payables and short-term monetary liabilities, which are initially recognized at fair value and subsequently are carried at amortized cost using the effective interest method.

De-recognition of financial assets

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Institute has also transferred substantially all risks and rewards of ownership. Gains and losses are recognized in statement of income and expenditure when the financial assets are derecognized or impaired, as well as through the amortization process.

Impairment of financial assets

A financial asset is deemed to be impaired when its carrying amount is greater than its estimated receivable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements.

1.14 Deferred income

Contributions by member countries in the form of property and equipment are recognised as deferred income in the statement of income and expenditure over the useful life of the assets.

Notes to the financial statements for the year ended 31 December 2013

	2013 USD	2012 USD
2 Amortisation of deferred income		
Deferred income	37 579	55 816
3 Co-operating partner funding		
African Capacity Building Refund	(698)	-
International Monetary Fund (IMF)	-	40 000
Netherlands Government	-	220 000
Norwegian Government	504 519	669 012
Swedish Government	902 256	886 293
Other donors	72 767	-
World Bank	114 987	57 874
	1 593 831	1 873 179
4 In-kind contributions		
Member states	481 708	371 455
5 Interest income		
MEFMI joint account	2 301	2 922
Residence funds	15 792	4 029
Short term deposit	305 873	79 756
Staff loans	6 376	3 606
	330 342	90 313
6 Member state contributions		
Angola	367 131	355 262
Botswana	293 256	276 260
Kenya	322 586	327 672
Lesotho	278 606	291 305
Malawi	330 077	302 963
Mozambique	311 272	270 847
Namibia	279 069	261 005
Rwanda	278 660	266 107
Swaziland	279 294	263 908
Tanzania	337 828	331 751
Uganda	308 113	298 559
Zambia	320 562	284 074
Zimbabwe	309 721	295 209
	4 016 175	3 824 922

Notes to the financial statements
for the year ended 31 December 2013 (continued)

	2013 USD	2012 USD
7 Other income		
Non member states contribution	44 569	-
Zimbabwe Debt Office Refund	20,624	-
Sale of MEFMI damaged inventory	981	-
Participant fee	3 750	1 000
MEFMI publications	1 505	-
MEFMI t-shirts	-	34
Proceeds from National Waste Paper	-	25
Reversal of provision for NSSA	-	105 272
Profit on disposal of assets	540	366
VAT refund	-	2 472
	71 969	109 169
8 Office expenses		
Advertising	9 791	557
Air courier mail	6 010	7 346
E-communication charges	64 365	72 740
Equipment maintenance	63 127	56 746
General expenses	63 349	44 477
Office maintenance	21 931	27 403
Office security	19 443	18 818
Printing and stationery	11 473	10 600
Publications	69 671	38 181
Recruitment and relocation expenses	58 520	90 547
Telephone and postage	28 692	34 579
	416 372	401 994
9 Professional fees		
Macroeconomic management programme		
In-country workshops	46 000	27 850
Missions	42 000	42 613
Administration expenses	1 642	-
Regional workshops	32 559	31 990
Studies	2 730	8 000
	124 931	110 453

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

9 Professional fees (continued)	2013 USD	2012 USD
Financial sector management programme		
Administration expenses	1 542	-
In-country workshops	37 670	5 800
Mission	42 700	50 960
Regional workshops	19 880	31 614
Studies	9 875	-
	111 667	88 374
Debt management programme		
In-country workshops	8 220	24 970
Missions	3 900	600
Administration expenses	1 542	-
Regional workshops	26 500	20 450
Studies	10 625	39 900
	50 787	85 920
Multi-disciplinary activities		
Executive fora	2 000	800
Fellow activities	71 250	6 975
Administration expenses	308	-
Professional fees for fellows	-	1 790
Studies	9 600	-
	83 158	9 565
Secretariat capacity building		
Recruitment	7 725	675
Library materials	2 300	-
Secretariat support	-	41 245
Administration expenses	308	-
Staff development	450	1 870
	10 783	43 790

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

	2013 USD	2012 USD
9 Professional fees (continued)		
Administration		
Governing bodies	2 400	-
Administration expenses	925	-
	3 325	-
Grand total	384 652	338 102
10 Staff benefits		
House rent and maintenance	56 910	58 677
Housing allowance	150 621	109 347
Medical aid contribution	93 736	76 039
NSSA	13 125	11 490
Other staff benefits	27 178	34 882
Leave pay provision reduction	(35 843)	59 349
School fees subsidy	84 886	49 846
Terminal gratuity	414 023	398 718
	804 636	798 348
11 Compensation to key management personnel		
Gratuity	127 050	144 144
NSSA	2 147	2 516
Salaries and short term employee benefits	581 018	689 531
	710 215	836 191

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

12 Property and equipment

	Land USD	Buildings USD	Motor vehicles USD	Computer equipment USD	Office furniture USD	Total USD
Year ended 31 December 2012						
Opening carrying amount	-	898 206	5 264	74 687	21 565	999 722
Revaluation	125 000	(207 620)	-	-	-	(82 620)
Accumulated depreciation on revaluation	-	78 294	-	-	-	78 294
Additions	-	2 830	-	15 103	25 799	43 732
Depreciation charge	-	(33 917)	(5 264)	(22 893)	(15 570)	(77 644)
	125 000	737 793	-	66 897	31 794	961 484
At 31 December 2012						
Cost/valuation	125 000	752 850	86 098	244 689	286 229	1 494 866
Accumulated depreciation	-	(15 057)	(86 098)	(177 792)	(254 435)	(533 382)
Closing carrying amount	125 000	737 793	-	66 897	31 794	961 484
Year ended 31 December 2013						
Opening carrying amount	125 000	737 793	-	66 897	31 794	961 484
Additions	-	-	-	20 550	13 243	33 793
Disposals	-	-	-	(5 477)	(11 228)	(16 705)
Depreciation on disposals	-	-	-	5 272	11 228	16 500
Depreciation charge	-	(30 114)	-	(28 330)	(15 386)	(73 830)
	125 000	707 679	-	58 912	29 651	921 242
At 31 December 2013						
Cost/valuation	125 000	752 850	86 098	259 763	288 244	1 511 955
Accumulated depreciation	-	(45 171)	(86 098)	(200 851)	(258 593)	(590 713)
Closing carrying amount	125 000	707 679	-	58 912	29 651	921 242

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

	2013 USD	2012 USD
13 Consumables		
Consumables	1 397	2 082
Computer consumables	25 252	30 935
Publications	19 456	19 225
Stationery	7 854	8 220
	53 959	60 462
14 Trade and other receivables		
Trade receivables		
Workshop advances	-	7 256
Contributions due: Angola	-	355 262
Rwanda	-	266 107
Zimbabwe	-	85 209
Other receivables		
Prepayments	55 538	44 745
Staff loans and advances	225 016	79 204
Other receivables	31 085	2 891
Value Added Tax claims	9 619	5 168
	321 258	845 842
15 Cash and cash equivalents		
For the purposes of statement of cash flows, cash and cash equivalents includes cash on hand and cash at bank. Cash and cash equivalents at the end of the financial period as shown in the statement of cash flows can be reconciled to the statement of financial position as follows:		
Cash on hand	105	1 057
Cash at bank	622 727	74 534
Gratuity account	10 550	100 269
Short term deposits	3 727 754	2 749 957
	4 361 136	2 925 817

Notes to the financial statements
for the year ended 31 December 2013 (continued)

	2013 USD	2012 USD
16 Trade and other payables		
Accrued expenses	17 454	12 013
Audit fees accrual	29 030	32 647
Member states	1 160 957	1 228 248
Professional fees	68 515	62 960
	1 275 956	1 335 868
17 Provisions		
Leave pay	46 114	90 013
Terminal gratuity	762 485	522 047
	808 599	612 060
18 Deferred income		
Balance at beginning of the year	1 012 905	1 068 721
Amortisation	(37 579)	(55 816)
	975 326	1 012 905
19 Net effects of changes in working capital		
Decrease/(increase) in consumables	6 503	(10 212)
Decrease/(increase) in receivables	524 584	(394 490)
(Decrease)/increase in payables	(59 912)	1 151 371
	471 175	746 669

Annex I: RESULTS MEASUREMENT FRAMEWORK FOR MEFMI

Macroeconomic Management Programme

Capacity Constraints	Objectives	Activities	Outputs	Reach	Outcomes	Outcome Indicator(s)	Baseline Values	Target Values Cumulative					Risks/ Assumptions
								2012	2013	2014	2015	2016	
A. Inadequate institutional capacity for macroeconomic management	Strengthen institutional capacity for effective macroeconomic management	i). Develop/ review/ upgrade/ rollout macroeconomic tools/instruments (models, frameworks, software, manuals, models) -Modeling & Forecasting (M&F)	Cutting edge tools, systems and frameworks.	MOF, Ministry of Planning, Central Banks, NSOs, Revenue Authorities.	Sound macroeconomic policies formulation & implementation.		0%	0%	31%	38%	50%	61%	Conductive external environment. Human and financial resources. Cooperation with technical and financial partners. Country commitment and uptake of reforms and best practices. Improvement in governance. Demand for capacity building. Absence of severe external shocks.
							0%	31%	40%	45%	54%		
							54%	61%	69%	77%	84%		
							31%	31%	38%	45%	54%		
							0%	0%	8%	24%	50%		
2). Weak macroeconomic data		iii). Support compliance to statistical international minimum standards	Quality statistics in accordance to international best practices.	MOF, Ministry of Planning, Central Banks, NSOs, Revenue Authorities.	Credible macroeconomic data (timeliness, consistency).		0%	8%	8%	16%	24%	40%	
							0%	0%	8%	24%	32%		
							50%	70%	80%	80%	80%		
							8%	16%	24%	46%	46%		
							3	5	6	7	8		
3). Weak Policy formulation and coordination	Strengthen human capacity for effective macroeconomic management	iv). Provide technical advisory services v). Facilitating interagency sensitization meetings/forums vi). Conduct and disseminate policy research products (policy notes, research papers)	-Advisory services. -interagency meetings and retreats of heads of departments. Researches & publications.	MOF, Ministry of Planning, Central Banks, NSOs, Revenue Authorities.	Enhanced policy coordination.		2	4	5	6	7	8	
							7	8	10	12	13	15	
							13	11	17	17	17	26	
B. Inadequate skills and competencies		Implement Fellow Programme, regional and in-country training	Trained Fellows.										

Debt Management Programme

Capacity Constraints	Objectives	Reach (Beneficiaries)	Activities	Outputs	Outcomes	Outcome Indicators	Baseline Values	Target Values cumulative					Risks/ Assumptions
								2012	2013	2014	2015	2016	
1. Weak legal framework and institutional arrangements 2. Weak coordination of debt strategy with fiscal and monetary policies 3. Weak debt data quality management and reporting 4. Inadequate skills to conduct analytical work for debt management and other operations	Strengthen debt management capability in selected member countries MEFMI member countries	Debt Management Offices Auditor Offices Parliamentarians Central Banks Ministry of Finance Economic Planning Ministries/entities Attorney General Offices	Assess, assist, and monitor legal and institutional framework for debt management in Lesotho, Malawi, Rwanda and Zambia.	DevMPA Reports and reform plans for the four countries.	Improved legal and institutional frameworks in Lesotho, Malawi, Rwanda and Zimbabwe.	Percentage of countries with minimum requirements for effective debt management in legal and institutional frameworks.	50%	60%	70%	75%	80%	80%	Buy in by client institutions. Timely amendment of Laws. Availability of technical and financial resources. Access to relevant developments and initiatives.
			Support Rwanda, Zambia, Zimbabwe, and Swaziland Prepare Medium Term Debt management Strategies (MTDS).	MTDS Documents and Aide Memoires for Namibia, Rwanda, Zambia, Zimbabwe, & Swaziland.	Approved and updated MTDS for the five countries.	Percentage of countries with documented and approved MTDS.	60%	60%	75%	80%	80%		
			Assist Angola, Botswana, Kenya, Lesotho, Malawi, Rwanda, Swaziland, Tanzania.	DSA reports for the 11 countries.	Continuous updating of DSA in the 11 countries.	Percentage of countries undertaking all steps of DSA with minimum external support.	30%	40%	55%	75%	85%		
			Uganda, Zambia and Zimbabwe to conduct Debt sustainability Analysis (DSA).	Improved coordination between debt management and macroeconomic policies.	Percentage of countries considering DSA outputs in the fiscal and monetary policies.	50%	55%	60%	65%	70%	70%		
	Support client institutions in Angola, Botswana, Kenya, Mozambique, Namibia, Tanzania and Zambia in the installation of new versions, use of new features of the computer based systems of debt management and in the preparation of statistical bulletins.	New versions of DMFAS in Angola, Zambia and Zimbabwe. New features of CS-DRMS in Botswana, Kenya, Namibia, Mozambique and Tanzania.	Use of new versions of DMFAS in the three countries.	Percentage of countries with and using new versions of DMFAS.	0%	33%	66%	100%	100%				
			Use of new features of CS-DRMS in the five countries.	Percentage using the new features of CS-DRMS.	0%	40%	55%	70%	85%	85%			
		Public debt statistical bulletins in the eight countries.	Publishing of Public Debt Statistical bulletins in the eight countries.	Percentage of countries publishing Public Debt Statistical bulletin.	30%	40%	50%	60%	70%	70%			

Annex II: MONITORING AND EVALUATION PLAN

Expected Results (Outcomes & Outputs)	Indicators ²	Indicator Definition	Baseline	Target (Cumulative)					Source of Data	Data collection method	Frequency	Responsibility	Key information users
				2012	2013	2014	2015	2016					
Outcome 1a: Improved management of foreign private capital	# of member countries that has adopted the PCMS	Count of member countries that has adopted PCMS	8	9	10	11	12	13	Annual Report	Survey	Annual	MMP & ED	MEFMI stakeholders
Outcome 1b: Improved modeling and forecasting	# of member countries that has models	Count of member countries that has adopted Models	3	4	5	5	6	6	Annual Report	Survey	Annual	MMP & ED	MEFMI stakeholders
Outcome 1c: Enhanced regulation and supervision of bank and non-bank financial institutions	# of member countries implementing supervisory practices in line with international best practice	Count of member countries implementing supervisory practices in line with international best practices	5	7	9	11	12	13	Annual Report	Survey	Annual	FSM & ED	MEFMI stakeholders
Outcome 1d: Increased use of CS-DRMS in member countries	# of member countries using the new features of CS-DRMS	Count of member countries that are using the new features of the CS-DRMS	0	2	3	4	5	5	Annual Report	Survey	Annual	DMP & ED	MEFMI stakeholders
Output 1e: country Needs assessments conducted	# of people trained	Count of country needs assessments conduct by country	0	0	0	1	2	2	Quarterly Reports	Document Review	Quarterly	ED	MEFMI stakeholders
Output 1.2(a):3991	# of people trained	Count of people trained at regional level	0	764	1500	2364	3205	3991	Quarterly Report Training Report/ attendance Register	Document Review	Quarterly	ED	MEFMI stakeholders
Output 1.2(b): 1,903 people trained	# of client institutions supported	Count of people trained in member countries by institution, sex, position	0	323	380	400	400	400	Quarterly Report Training Report/ attendance Register	Document Review	Quarterly	ED	MEFMI stakeholders
Output 1.3: 20 client institutions supported annually	Level of stakeholder satisfaction with MEFMI's products and services	Count of institutions in member countries supported by type of support provided	0	20	19	21	21	19	Quarterly Report	Document Review	Quarterly	ED	MEFMI stakeholders
Outcome 2 : Improved effectiveness of MEFMI in supporting macroeconomic policy formulation and management in member countries	# of new macroeconomic and financial products developed by MEFMI	Assessment of the extent to which clients institutions/ member countries perceive the products and services of MEFMI based on agreed criteria relevance ,in for purpose or usefulness & quality)	85%	95	90	92	95	97	Annual Report	survey	Annual	ED	MEFMI stakeholders
Output 2.2:M&E system review conducted	M&E system review report	Count of the number of new tools & instruments developed by MEFMI based on client needs	5	6	7	7	9	9	Annual Report	Document Review	Annual	ED	MEFMI stakeholders
Output 2.3:M&E tools and reporting arrangement operationalized	Extent of operationalization of M&E tools and reporting arrangements	A report indicating the strengths and weaknesses of MEFMI's M&E system and action plan for improvement	0	0	1	4	7	10	Quarterly Report	Document Review	Quarterly	ED	MEFMI stakeholders
Output 3.1.7 Staff of MEFMI trained in M&E	# of staff trained	Assessment of the extent of operationalization of M&E tools and reporting arrangements agreed after the review	0	0	1	4	7	10	Quarterly Reports	Review of system implementation / document review	Quarterly	ED	MEFMI stakeholders
		Count of MEFMI staff trained by type of gender and position	4	4	5	6	7	8	Quarterly Report Training Report/ attendance Register	Document Review	Quarterly	ED	MEFMI stakeholders

Annex III: Regional capacity building activities conducted during January to December 2013
Courses / Retreats / Seminars / Workshops

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C - country, M- male, F- Female)		Target (J- Junior, MM - Middle Manager, Snr-Senior Manager, D- Director)		
			International		Regional	MEFMI Fellows		MEFMI Staff	C		M	F
			Paid	Gratis								
MACRO MANAGEMENT PROGRAMME												
1 Regional Course on Fiscal Policy & Aid Coordination, April 8-19, 2013 Speke Resort, Kampala, Uganda	The Course explored challenges that authorities face in striking a meaningful fiscal balance and ensuring fiscal sustainability with a focus on expanding the fiscal space and enhancing aid coordination. Share experience across MEFMI member states on implementing prudent fiscal policies for macroeconomic sustainability.	-	0	0	3	0	1	2	11	17	10	J, M & S
Outputs: The course provided a framework of creating fiscal space to enhance development spending to achieve the millennium development goals, meet infrastructural backlogs and enhance urban development in low in countries in the MEFMI region.												
2 Workshop on PCMS maintenance and development 29 April-03 May 2013 Elephant Hills, Victoria Falls-Harare	To update users with PCMS Online Questionnaire Module and Data Time Series. To address system anomalies and take stock of users' requirements for future Software upgrade.	-	0	0	2	3	1	2	9	18	1	J, M & S
Outputs: • PCMS users were updated and equipped with skills to use PCMS Online Questionnaire Module and functionalities for Data Time Series. • Exchanged experiences on application of PCMS and its related challenges, and • Documented users' requirements for future PCMS development.												
3 Advanced Macroeconomic Analysis and Management Course 13-24 May 2013 Kigali, Rwanda	<ul style="list-style-type: none"> To equip participants with knowledge and skills on key conceptual and analytical frameworks for macroeconomic policy design, analysis and management. To specify, estimate, simulate and forecast using a set of equations of a macro framework composed of Phillips curve, Taylor rule, uncovered interest parity, AS curve and Okun's law equations. To answer questions that are a concern to everybody, such as what determines the rate of growth of economies, what determines the level of employment or unemployment, what determines inflation, or why is Africa underdeveloped and so on. 	-	--	--	1	2	1	1	12	18	11	M, S
Outputs: • Participants were equipped with knowledge and skills on key conceptual and analytical frameworks for macroeconomic policy design, analysis and management; • Specified, estimated, simulated and forecasted using a set of equations of a macro framework composed of Phillips curve, Taylor rule, uncovered interest parity, AS curve and Okun's law equations; • Answered questions that are a concern to everybody, such as what determines the rate of growth of economies, what determines the level of employment or unemployment, what determines inflation, or why is Africa underdeveloped and so on.												
4 Joint MEFMI/IMF Course on BOP and IIP Statistics	• To build capacity in the compilation and analysis of BOP and IIP statistics using the 6th Edition of IMF's Manual (IMF's BPM 6) .	IMF	0	2	0	0	0	3	12	16	19	J, M, S

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J – Junior MM – Middle Manager, Snr – Senior Manager, D – Director)	
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F
			Paid	Gratis								
17-28 June 2013 Maseru Sun Hotel, Lesotho	<ul style="list-style-type: none"> To prepare member countries benchmark their BOP/IIP statistics according to BPM 6 and improve compliance on General Data Dissemination System (GDDS). 											
Outputs: <ul style="list-style-type: none"> Equipped participants with BPM 6 conceptual and applied skills. Exposed participants with techniques and tools to implement BPM 6, and Drafted road map for BPM 6 compliance. 												
5	Seminar on Monetary Policy Frameworks Design, Implementation and Effectiveness 22 – 26 July 2013 Windhoek, Namibia	0	0	0	2	0	2	1	9	17	6	Snr, D
Outputs: <ul style="list-style-type: none"> Five research papers were presented, discussed and received comments. Nine countries shared their experiences on monetary policy framework design, implementation and monitoring. 												
6	Joint MEFMI/IMF Macroeconomic Management and Natural Resource Management Course 5-18 September 2013 Sarova Panafic, Nairobi, Kenya	IMF ICD	0	4	0	0	0	2	11	24	8	M, S
Outputs: <ul style="list-style-type: none"> Broadening participants' understanding and analytical skills to address the challenges faced by resource-rich countries with a view to developing appropriate policy measures. Equip participants with a wide range of policies, including the fiscal implications of alternative strategies for natural resource exploitation, monetary and exchange rate policies, financial sector issues and structural reforms in resource-rich countries. Provide the opportunity to discuss in depth a number of case studies of natural resource-rich countries. 												
Outputs: <ul style="list-style-type: none"> Participants learned how to assess fiscal sustainability in a resource-rich country using a number of approaches, including the Permanent Income Hypothesis, the Bird-in-Hand rule, and the IMF's new Fiscal Sustainability Framework (FSF). Participants were equipped with a wide range of policies, including the fiscal implications of alternative strategies for natural resource exploitation, monetary and exchange rate policies, financial sector issues and structural reforms in resource-rich countries. 												
7	Seminar on Deeper Regional Integration 30 Sept. – 4 October 2013 Sarova Stanley, Nairobi, Kenya	-	0	0	2	0	0	2	8	8	4	MM, Snr
Outputs: <ul style="list-style-type: none"> Upgraded participants' skills in analysis, formulation and management of policies and programmes for deepening and accelerating regional integration and trade in MEFMI region. Enhanced knowledge on the recent regional integration initiatives including the Iripapite and Grand FTA. Exposed participants to the key conceptual and empirical issues which are recurrent in the area of regional integration, and Enhanced participants' ability to build alternative regional integration scenarios and the implications of each for regional development. 												

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J – Junior, MM – Middle Manager, Snr – Senior Manager, D – Director)	
			International		Regional	M		F				
			Paid	Gratils								
DEBT MANAGEMENT PROGRAMME												
8 Regional Workshop on Debt Statistical Bulletin and Use of DMFAS 6: Luanda, Angola 11-20 February, 2013	<ul style="list-style-type: none"> To train participants on how to define and produce debt statistics within a debt statistical bulletin, applying the latest international guidelines. To review the theoretical concepts related to the compilation of debt statistics. To train the participants on how to define the content of a statistical bulletin. 	UNCTAD	0	3	0	0	1	2	5	11	11	J, M
Outputs: <ul style="list-style-type: none"> Draft country-specific debt statistical bulletin Enhanced DMFAS statistical report generation and analytical skills 												
9 Regional Workshop on External Debt Operations and Management: Kigali, Rwanda 4 – 13 March, 2013	<ul style="list-style-type: none"> To equip participants with knowledge and practical skills for undertaking external debt management activities and operations. Specifically, it aimed at introducing participants to the external debt concepts, processes and sustainability indicators as well as the strategies for meeting government financing needs while minimizing the associated costs and risks. 	-	0	0	0	3	2	3	12	15	18	M, S
Outputs: <ul style="list-style-type: none"> Knowledge and practical skills for managing external debt, including best practices in the legal and institutional framework, measuring debt sustainability and calculating costs and risks of the debt portfolio. 												
10 Joint MEFMI/COMSEC Regional Workshop on Public Debt Analytical Tool (Horizon) 3 – 12 June, 2013 Arusha, Tanzania	<ul style="list-style-type: none"> to equip participants with knowledge and practical skills for formulation and implementation of medium term debt management strategies using Horizon. To train participants on financial characteristics of debt instruments, annual borrowing plan, primary and secondary market structure and practices, sound practices in issuance strategy and measurements and management of debt costs and risks as well as liability management operations. 	COMSEC	2	4	0	1	0	3	8	13	18	MM, Snr
Outputs: <ul style="list-style-type: none"> knowledge and practical skills for formulation and implementation of medium term debt management strategies using Horizon 												
11 Joint MEFMI/World Bank Regional Workshop on Methodologies for Public Debt Sustainability Analysis 17th to 26th July 2013 Maseru, Lesotho	<ul style="list-style-type: none"> To impart knowledge and developing skills on the methodologies used for assessing public debt sustainability, including the IMF/World Bank Debt Sustainability Framework (DSF), the MEFMI Domestic DSA and HIPC DSA methodologies and other approaches. 	World Bank	0	1	1	1	2	3	12	25	12	J, Snr, MM
Outputs <ul style="list-style-type: none"> Participants gained knowledge and practical skills for conducting a debt sustainability analysis using various approaches as well as skills for macroeconomic forecasting and generating debt and new financing data. 												

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J – Junior, MM – Middle Manager, Snr – Senior Manager, D – Director)		
			International		Regional	MEFMI Staff		MEFMI Fellows	C	M		F	
			Paid	Gratis									
12 Regional Workshop on Loan Negotiation Skills and Techniques 5th - 9th August 2013, Lusaka, Zambia	<ul style="list-style-type: none"> Enhancing understanding of loan negotiation processes, and Practical considerations in the preparation for a successful negotiation outcomes. 	0	2	0	0	0	0	0	3	10	14	15	J, M, S
Outputs <ul style="list-style-type: none"> Knowledge of contemporary loan negotiation practices Enhanced participants' understanding of the practical considerations entailed in preparation for successful negotiation outcomes 													
13 Debt Statistics and Reports 14th – 23rd October 2013 Gaborone, Botswana	<ul style="list-style-type: none"> Debt statistics compilation and reporting skills, including role of debt systems in this regard. Exposure to international reporting standards and initiatives, including dissemination of the External Debt and Public Sector Debt Statistics Compilation Guides. Sharing on country experiences which also helped identification of gaps in debt statistics. 	IMF COMSEC UNCTAD	0	4	0	0	0	1	2	11	17	17	J, M, S
Outputs/Outcomes: <ul style="list-style-type: none"> Debt statistics compilation and reporting skills, including the related use of computer-based debt systems in this regard Exposure to international debt reporting standards and initiatives, including dissemination of the latest versions of the External Debt and Public Sector Debt Statistics Compilation Guides Sharing of country experiences which also helped identification of regional gaps in debt statistics 													
14 Joint MEFMI / World Bank Regional Workshop on Medium Term Debt Management Strategy (MTDS): 4th – 13th November 2013 Mombasa, Kenya	<ul style="list-style-type: none"> To impart knowledge and develop the skills of participants in the use of the MTDS analytical tool to formulate debt management strategies. 	2	0	1	1	0	2	3	11	21	11	11	JM, Snr, MM
Outputs <ul style="list-style-type: none"> Participants gained knowledge and practical skills to design and update their national management debt strategies. 													
FINANCIAL SECTOR MANAGEMENT PROGRAMME													
15 Credit Risk, Money Market Investments and Compliance Monitoring - RAMP 4 – 8 February 2013 Lusaka, Zambia	<ul style="list-style-type: none"> Provide participants with the knowledge and practical tools to understand the risk/return trade-offs associated with investing in various money market instruments, as well as to manage related credit risk in the current volatile market environment. 	World Bank	0	3	1	0	1	2	21	20	11	11	J, MM
Outputs: <ul style="list-style-type: none"> Equipped participants with knowledge and practical tools to understand the risk/return trade-offs associated with investing in various money market instruments. Updated participants on ways to manage credit risk in a volatile market environment. 													

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J – Junior, MM – Middle Manager, Snr – Senior Manager, D – Director)	
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F
			Paid	Gratis								
16 Joint MEFMI – FSI Seminar on the revised core principles and BASEL III. Retreat for Heads of Supervision 5 – 7 February 2013 Zanzibar, Tanzania	To raise awareness of the new global regulatory developments post the global financial crisis. To create an environment where senior supervisors can share ideas on supervisory challenges and policies. To enhance participants' understanding of some of the technical developments in the supervisory processes and hone skills for Basel III.	BS	0	3	3	0	3	12	18	4	Snr, D	
Outputs: <ul style="list-style-type: none"> • Raised awareness of the new global regulatory developments post the global financial crisis and created an environment where supervisors can share ideas on supervisory challenges and policies. • Enhanced participants' understanding of some of the technical developments in the supervisory processes and honed skills for Basel III. 												
17 Regulation and Supervision of Non-Bank Financial Institutions 8 – 12 April, 2013 Lusaka, Zambia	To provide participants with an appreciation of the unique features of regulating non-bank financial institutions as well as stress the inter-linkages between the financial sector policy and financial sector regulation to the national development agenda.	AfDB	0	0	2	2	0	9	16	10	J, MM & Snr	
Outputs: <ul style="list-style-type: none"> • Raised awareness of the importance of NBFIs operations to the national policy agenda of financial inclusion and poverty alleviation. • Created an environment for NBFIs' regulators to discuss and agree on developing a region specific supervisory rating framework to be used in the region for the assessment and rating of microfinance institutions. 												
18 RAMP Core workshop on Market Risk, Indexation of Treasuries and Performance Measurement 6 – 10 May 2013, Accra, Ghana	To provide participants with the knowledge and practical tools for the indexation process in the central bank reserve management framework. To move from investing in money markets to the management of a bond portfolio versus a market benchmark index.	World Bank	0	3	0	0	1	6	20	10	MM, J	
Outputs: <ul style="list-style-type: none"> • Clear understanding of bond basics, bond pricing and market risk measures. • Comprehension of benchmark management and portfolio indexation. • Demonstrable skill in portfolio rebalancing and performance measurement. • Good knowledge of reporting needs of senior management. 												
19 Regional Workshop on Payment System Oversight 5 - 9 August, 2013 Mombasa, Kenya	To address some of the current issues and challenges facing central banks in carrying out the task of oversight.	BS	0	1	0	2	0	11	12	16	MM, J	
Outputs: <ul style="list-style-type: none"> • Through role-play, participants were able to simulate a real-life on-site examination of a national SWITCH by the central bank. • The case studies elicited thought provoking issues and these are going to be compiled and shared among the group. • At the end of the workshop, participants demonstrated an appreciation and understanding of oversight of financial market infrastructures. • Participants were able to share their experiences among member states. Experience from WAMI helped the group appreciate the complex process of regional and financial integration and the challenges that exist. 												

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C - country, M - male, F - Female)			Target (J - Junior MM - Middle Manager, Snr - Senior Manager, D - Director)	
			International		Regional	C		M	F			
			Paid	Gratis								
20 Regional Workshop on Financial Markets Regulation & Reforms 9-13 September, 2013 Victoria Falls, Zimbabwe	To review the process of developing appropriate legal frameworks and legal instruments. To equip officials with skills to develop appropriate financial sector reform strategies.	AISB	0	1	2	1	0	3	10	13	11	J, M
Outputs <ul style="list-style-type: none"> The country presentations provided practical examples of steps taken by countries in the region towards financial market development through regulations and reforms. These were shared to the group. At the end of the workshop, participants demonstrated an appreciation of the importance to sequence reforms and understanding of how to go about it. Participants were able to understand the benefits of reform agendas in the financial markets and their contribution towards the development of these financial markets. 												
21 Retreat for Heads of Reserves Management 6-8 November, 2013 Windhoek, Namibia	<ul style="list-style-type: none"> To understand the process of selecting, managing and monitoring external fund managers and custodians. To bring to fore the importance of the legal issues and implications of engaging external fund managers and custodians. 	WB, BIS, BNY Mellon, Investec, SSGA	0	8	0	0	0	3	9	9	4	Snr
Outputs <ul style="list-style-type: none"> An understanding of the process of selecting, managing and monitoring external fund managers and custodians. Comprehension of the importance of the legal issues and implications of engaging an external fund manager and custodian. 												
MULTI-DISCIPLINARY ACTIVITIES												
22 Candidate Fellows Section 8 - 10 April, 2013 Harare, Zimbabwe	To assess shortlisted applicants for suitability to join the Fellows Development Programme.	0	1	0	8	0	9	2	12	37	15	J, MM
Outputs: <ul style="list-style-type: none"> Eighteen (18) officials of whom 6 (33%) are female were selected into the Fellows Development Programme 												
23 Fellow's Assessment for Graduation 10 April, 2013 Harare, Zimbabwe	To assess a candidate fellow for suitability to graduate.	0	0	0	2	0	1	2	1	1	0	MM
Outputs: <ul style="list-style-type: none"> The assessed candidate fellow performance was not satisfactory and therefore could not graduate 												
24 Candidate Fellows Orientation 1 July, 2013 Victoria Falls, Zimbabwe	To provide full understanding of the guiding principles and policies of Fellows Development Programme; To assist candidate fellows in identifying skill gaps and prepare customized training plans (CTP).	0	0	0	0	0	2	1	8	13	6	MM
Outputs: <ul style="list-style-type: none"> Orientation of 19 candidate fellows 												
25 Candidate Fellows Research Design, Methodology and Report Writing Skills workshop 2 - 10 July, 2013 Victoria Falls, Zimbabwe	To provide knowledge and skills in research design, methodology and report writing skills.	0	0	0	1	2	2	1	8	13	6	MM
Outputs: <ul style="list-style-type: none"> Orientation of 19 candidate fellows 												

Annex IV: In-country Workshops (seminars/retreats) during January to December 2013

Courses / Retreats / Seminars / Workshops

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C - country, M- male, F- Female)		Target (J- Junior, M- Middle Manager, Snr-Senior Manager, D- Director)		
			International		Regional	MEFMI Fellows		MEFMI Staff	C		M	F
			Paid	Gratis								
MACRO MANAGEMENT PROGRAMME												
1 Mozambique In-Country Workshop on PCMS 04 - 15 February 2013 Bank of Mozambique, Maputo	To facilitate adoption of MEFMI-PCMS and facilitating connectivity of online questionnaire module. To equip the IT and Balance of Payments (BOP) staff at the Bank of Mozambique with adequate skill to use, manage, support and sustain the system.	-	0	0	2	0	1	1	1	9	10	J, M, Snr
Outputs: <ul style="list-style-type: none"> Customized PCMS and the online questionnaire module. Trained software users and system administrators on system application, basic infrastructures, database management, data linkages and interpretation of outputs. Facilitated data entry of over thirty questionnaires as per planned target. Undertook data integrity checks and ensured that all entries were placed under the right components/classifications. 												
2 In-Country Skills Transfer Workshop on the Work that has been done so far on the Development of a Core Model of Inflation for the National Bank of Rwanda 20 - 22 February 2013 Kigali, Rwanda	To explain in greater details variables considered for the model, their data sources, data treatment and transformation challenges. To describe the process of designing and estimating equations in the different defined blocks. To present or demonstrate to the BNR team all the technical specifications of the estimated equations in the blocks.	--	--	--	1 gratis	--	1	1	6	2	J, M, S	
Outputs: <ul style="list-style-type: none"> Completed the data base for the model by collecting extra and accurate data proxies for consumption and disposable income, unemployment, real wage and Government capital expenditure from NSIR, RSSB and RRA and MoF; Agreed on a final list of relevant variables/proxies and their measurement; Agreed with the consultant on the equations to consider in the different blocks which will be assembled in the model object (overall model). 												
3 Rwanda In-Country Workshop on IMF's BPM 6 11 - 22 March 2013 Hotel Ila Palize, Kigali-Rwanda	Impart skills on BPM 6 concepts and their application in data compilation. Identify potential data sources that meet BPM6 reporting requirements. Facilitate initial implementation of the BPM 6 including identifying data gaps and availing working tools and techniques.	-	0	0	1	0	1	1	1	7	0	J, M, Snr
Outputs: <ul style="list-style-type: none"> Trained staff on BOP/IIP concepts according to BPM 6 Framework. Identified potential data sources that meet BPM6 reporting requirements, and Initiated implementation of the IMF's BPM 6 Reporting Framework. 												
4 In-Country Workshop to Develop Quarterly GDP and Short-Term Economic Indicators for Lesotho	Identified suitable and available indicators for flash estimates. Initiated the development of quarterly GDP-estimates and put together a framework for these estimates; and	-	0	0	1	0	1	1	1	18	2	J, M, Snr

Activity Date Venue	Objective	TCP	Resource Persons			Staff	Participants (C – country, M – male, F – Female)		Target (J- Junior, MM – Middle Manager, Snr – Senior Manager, D- Director)	
			International	Regional	MEFMI Fellows		MEFMI Staff	C		M
			Paid	Gratis						
18 - 29 March 2013, Maseru, Lesotho	Provided training to compliers on national accounts concepts, definitions and data compilation methodologies that are relevant for employment statistics, quarterly GDP estimates and national accounts in general.									
Outputs: <ul style="list-style-type: none"> Identified suitable and available indicators for flash estimates; Developed a framework for Economic Activity Indicator (EAI) for GDP or a flush estimate. Made recommendations on the development of quarterly GDP estimates; and Provided training to compliers on national accounts concepts, definitions and data compilation methodologies that are relevant for employment statistics, quarterly GDP estimates and national accounts in general. 										
5	In-Country Workshop on Inflation Management Frameworks for Banco Nacional de Angola 08 - 19 April 2013 Luanda, Angola	-	1	-	-	1	1	5	8	J, M, S
<p>To take country technicians through lessons from other parts of the world, for instance Latin America (Brazil, Chile ..) indicating the steps they have taken to migrate from one inflation management framework to the other.</p> <p>To look at the current economic context of Angola and draw lessons from elsewhere in the world, and finally advise the country technicians on how to improve on the current inflation framework in Angola and also determine what should be the way forward in the medium to long run.</p> <p>To propose any further MEFMI intervention that will be required to support the Banco Nacional de Angola on the strategy they wish to take to manage inflation for their economy.</p>										
Outputs: <ul style="list-style-type: none"> Detailed understanding on how monetary policy works; its objectives, strategies, implementation, limitations and theories that support the actions of central bankers around the world. Fully understood monetary policy framework in Angola. Participants were fully aware of monetary theory's controversies as well as its limitations and have an accurate view of central banking in practice: what monetary policy can and cannot do and under what conditions it is more efficient. Focused on the different monetary policy frameworks that have been adopted by different central banks along time, including the rationale that underpins them and the historical context behind which they originated and endured, inflation targeting framework, which has established itself as one of the most appealing strategies available to central banks was taken as example. Provided econometric lessons, including practical classes using xmetrics software. 										
6	In-Country Workshop on Macroeconomic Indicators Analysis: Monitoring the Namibian Economy 22 April to 3 May 2013 Windhoek, Namibia	-	0	0	1	0	1	4	4	J, M
<p>To equip participants with knowledge and skills in order for them to be able to extract and analyse useful information on the macroeconomic performance of the Namibian economy.</p> <p>To upgrade capacity and help the bank staff moving from guess work to evidence based policy design, forecasting, analysis and management.</p>										
Outputs: <ul style="list-style-type: none"> Participants understood issues surrounding Macroeconomic balances and key macroeconomic indicators under the three markets and the four macro accounts; Equipped bank staff with skills which enabled them to use the basic macroeconomic model to understand relationships between macroeconomic variables; Participants analysed the results through both a theoretically informed and empirically grounded transformation of data in E-views; Equipped Bank staff with a very thorough example of how to do basic macroeconomic modelling and to present findings in a very professional manner to inform policy. Participants estimated and presented results of the Phillips curve, the AS curve, Taylor rule, uncovered interest parity (UIP) and Okun's Law and effected simulations and forecasts and came up with a workable macro framework on which consistent policy packages can be designed to effect desired policy adjustments. 										

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M- male, F- Female)			Target (J- Junior, MM – Middle Manager, Snr-Senior Manager, D- Director)	
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F
			Paid	Gratis								
7 In-Country Workshop on Advanced Modelling and Forecasting 17 - 28 June 2013 Maputo, Mozambique	To cover advanced topics such as ARMA, VARs, and SVARS methods, GMM and DSGE models.	-	0	0	1	0	1	0	1	15	9	J, M, S
Outputs: <ul style="list-style-type: none"> Delivered theoretical sessions on modelling and forecasting issues on Box Jenkins (ARMA, ARIMA...), VAR & SVARS and GMM in mornings. Participants enjoyed practicals and hands-one exercises on real life situations in the afternoons. All practicals and hands-on examples were customised to reflect the real economic context of the Mozambican economy. 												
8 E-views Programming Workshop for the National Bank of Rwanda 8- 12 July 2013 Kigali, Rwanda	To create a strong foundation for a successful completion of the model. To ensure the NBR team is equipped with enough software skills to manipulate the model after its handing over.	-	0	0	2 on gratis	0	0	1	1	6	2	J, M, S
Outputs: <ul style="list-style-type: none"> Participants applied Basic Programming Commands in E-views to understand econometric regressions Participants were equipped with knowledge and skills on how to use E-views programming commands to customise any models to their needs. The customised models were used for forecasting and policy analysis Participants were given and successfully completed a test on programming a whole model in E-views from the first step of data treatment to the last step of Model simulations and impulse responses. 												
9 In-Country Training on PCMS Customization for Kenya 29 July – 9 August 2013 Nairobi, Kenya	To impart skills on PCMS Version II and its application in data recording and analysis. To facilitate PCMS customization, data entry and extraction of the reports.	-	0	0	2	0	0	1	1	9	8	10 J, M, Snr
Outputs: <ul style="list-style-type: none"> PCMS users were updated and equipped with skills to use PCMS Version II. Inputted 100 questionnaires into the PCMS, equivalent to 40% of the total number of questionnaires with Foreign Assets and Liabilities (FAL) data Documented users' requirements for future PCMS development, and updated participants with contemporary PPC compilation methods. 												
10 In-Country Workshop on PPC Data Dissemination and Sensitization for Malawi 26 - 28 August 2013 Lilongwe, Malawi	To disseminate findings from 2010 PPC Survey and launching of 2013 PPC Survey.	-	0	0	0	0	0	1	1	1	8	9 Snr & MM
Outputs: <ul style="list-style-type: none"> Results for 2010 PPC survey were disseminated 2013 PPC survey was launched and enumerators were trained on survey administration and PPC concepts. 												
11 In Country Workshop on BOP/IFP data migration from the IMF's BPM5 to BPM6 Central Bank of Lesotho September 2013	Facilitating implementation of the BPM6, which includes identifying data gaps, availing compilation tools/techniques and data linkage using the IMF's BPM6 Data Conversion Matrix.	-	0	0	1	0	0	1	1	1	3	4 J, MM, Snr

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J- Junior, MM – Middle Manager, Snr- Senior Manager, D- Director)	
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F
			Gratis	Paid								
Outputs: <ul style="list-style-type: none"> Imparted skills on BPM6 conceptual underpinnings, Exposed participants to latest BOP/IIP framework (as outlined in BPM6), related classifications and IMF's BOP/IIP Conversion Matrix. Enhanced understanding of Financial Statements/Balance Sheets and its application in verifying survey results, Updated the BOP/IIP data with results from FPC surveys and facilitated migration from BPM5 to 6, and Developed BOP/IIP data time series from 2000-2013 												
12	Retreat on Economic Management under Hyperinflationary Environment: Lessons from Zimbabwe Kadoma, November 17-20, 2013	0	0	0	0	4	1	1	0	0	Snr, D	
Outputs: <ul style="list-style-type: none"> Assessed the quality of papers that have been received and determined whether they can be published Established whether the papers conform to the guidance given to the authors in both the Concept Note and during the briefing session of November 2012; Prepared the introductory chapters including preface, if any, and acknowledgement; 												
13	Skills Transfer and Model handing over in-country workshop for the National Bank of Rwanda Kigali, December 5-13, 2013	0	0	1	0	1	1	1	6	4	J, MM, Snr, D	
Outputs: <ul style="list-style-type: none"> Ensured there is adequate skills transfer by explaining the entire econometric work that has been done and the whole estimation process from estimating equations to model building and simulations; The consultant helped the BNR team to back up the model on the server of the bank and at the same time saved it on portable CDs and DVDs The consultant also made available a "How and What to Do" Guide that is a step-by-step reference tool to ensure their continuity even in the absence of the current staff of the research department. The workshop discussed the forecasting strengths and robustness and weakness of the model and suggested future possible avenues for its improvement. Carried out complete hand over of the core model of inflation to BNR's research department 												
DEBT MANAGEMENT PROGRAMME												
14	High-Level Workshop on Legal and Institutional Framework for Public Debt Management in Zimbabwe 7 - 8 March 2013 Kadoma, Zimbabwe	Crown Agents	-	1	1	0	1	1	38	15	MM, Snr, D	
Output <ul style="list-style-type: none"> Specific recommendations for strengthening Zimbabwe's legal and institutional framework for public debt management 												
15	Joint World Bank/MEFMI MTDS Workshop in Lesotho 17 - 16 April 2013 Maseru, Lesotho	World Bank	0	2	0	0	1	1	1	8	12 MM, Snr	

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J – Junior, MM – Middle Manager, Snr – Senior Manager, D – Director)		
			International	Regional	MEFMI Fellows	MEFMI Staff		C	M	F			
												Paid	Gratis
Outputs: <ul style="list-style-type: none"> Trained 20 staff on formulation of debt strategy using MTDS – Analytical Tool Produced a draft MTDS for Lesotho 													
16	Joint World Bank/MEFMI MTDS Workshop in Malawi 19 - 29 April 2013 Lilongwe, Malawi	World Bank	0	3	0	0	1	1	1	13	7	MM, Snr	
Outputs: <ul style="list-style-type: none"> Trained technical staff on the use of MTDS Analytical Tool Draft MTDS Aide Memoir, summarizing the MTDS formulation process and performance of alternative strategies 													
17	WB/IMF/UNCTAD/MEFMI MTDS Training to Uganda 22 - 30 April 2013 Kampala, Uganda	WB, IMF, UNCTAD	0	4	0	0	1	1	1	9	4	Snr, MM, J	
Outputs: <ul style="list-style-type: none"> Skills consolidation for MTDS design and analysis using MTDS tool; and A draft MTDS Aide Memoir with strategy formulation guidelines 													
18	Zimbabwe National Debt Sustainability Analysis Workshop 6 - 14 May 2013 Kadoma, Zimbabwe	-	0	1	0	1	2	2	1	16	10	J, Snr, MM	
Outputs: <ul style="list-style-type: none"> Draft DSA Report; Trained technical staff on the use of Debt Sustainability Framework tool 													
19	Sudan National Debt Sustainability Analysis Workshop 23 June - 4 July 2013 Khartoum, Sudan	AfDB	0	2	1	0	1	1	1	16	9		
Outputs: <ul style="list-style-type: none"> Draft DSA Report; Trained technical staff on the use of Debt Sustainability Framework tool 													
20	Uganda Debt Data Validation and Training In-Country Workshop 29 July – 5 August 2013	0	0	0	1	1	1	1	1	6	6	Jnr, MM	

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J- Junior, MM – Middle Manager, Snr – Senior Manager, D- Director)	
			International		Regional	C		M	F			
			Paid	Gratis								
Outputs <ul style="list-style-type: none"> Knowledge of relevant debt validation concepts and the practical skills for validating the specific DMFAS 6.0 database; Following the training, participants worked under guidance of resource persons to identify the validation issues and errors in Uganda's DMFAS 6 database. To this end, a table summarizing the specific database validation issues identified and corrective steps necessary to take was produced; A short guide for DMFAS data corrections which was provided for reference when implementing debt data corrections in DMFAS 6.0 Validated about 60 % of the database; and Imparted knowledge to Back Office staff on how to validate the database. 												
21	Namibia DSA Training 12 - 15 August 2013	0	1	0	0	1	1	1	1	6	9	J, MM, Snr
Outputs <ul style="list-style-type: none"> Knowledge and practical skills for conducting a debt sustainability analysis using the IMF/World Bank Middle Income Countries DSF. Preliminary results of the debt sustainability analysis for Namibia. 												
22	Tanzania National Debt Sustainability Analysis Workshop 16th to 27th September 2013 Dar Es Salaam, Tanzania	1	0	1	0	1	2	1	19	7	J, MM, Snr	
Outputs <ul style="list-style-type: none"> To help MoFED of Ethiopia to develop a debt management reform plan that would address weaknesses identified during the DeMPA mission of June 2013, and draw a road map for implementation of the reforms. To train officials from MoFED, National Bank of Ethiopia and major State Owned Entities on key debt management aspects. 												
23	World Bank/MEFMI Reform Plan and Training Mission to Ethiopia October 23 – November 2, 2013 Addis Ababa, Ethiopia	1	0	2	0	0	1	1	23	6	J, MM, Snr	
Outputs <ul style="list-style-type: none"> A debt management reform plan was prepared and discussed with the authorities Country officials trained on debt management issues 												
24	Tanzania MTDS Follow Up Mission 12th – 22nd November 2013 Dar es Salaam, Tanzania	World Bank / IMF	0	5	0	0	1	1	22	12	Snr, MM, J	
Outputs <ul style="list-style-type: none"> To build capacity through training aimed at helping the country to internalize the MTDS making process. To update the medium term debt management strategy; and To review the legal framework governing public debt management in the country. 												

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)		Target (J – Junior, MM – Middle Manager, Snr – Senior Manager, D – Director)		
			International		Regional	C		M	F			
			Grants	Paid								
Outputs <ul style="list-style-type: none"> Trained 34 staff on the development of the medium term debt management strategy using the MTDS-AT. The trained staff will be able to update the MTDS; Draft Aide memoire to be produced by the mission team and shared with authorities within four weeks after the mission; The draft MTDS to be prepared by the workshop participants, covering public and publicly guaranteed debt, that will be submitted to the country authorities within the next three weeks; and A matrix outlining weakness and proposing revisions in the Loans, Grants and Guarantees Act of 1974 (as amended in 2004). 												
FINANCIAL SECTOR MANAGEMENT PROGRAMME												
25	National Bank of Rwanda Payment System Oversight training 27 - 31 May 2013 Kigali, Rwanda		-	0	1	1	1	2	1	5	11	MM, Snr
Outputs: <ul style="list-style-type: none"> Trained BNR staff on oversight techniques and development of oversight tools Finalised on-site oversight report template 												
26	In-country workshop on Risk-Based Supervision 1 – 3 October, 2013 Maputo, Mozambique	World Bank	0	-	2	-	1	-	n/a	27	16	J, MM, Snr
Outputs/Outcomes: <ul style="list-style-type: none"> Finalised the on-site pre examination documents for a local bank that was examined. Conducted pilot examination of a commercial bank in Mozambique using RBS principles laid out in the RBS Framework. Skills and knowledge in procedures for conducting on-site examination of a bank using risk based supervision principles. 												
27	In country workshop on Payment System Operations for the Bank of Uganda 7-11 October 2013 Kampala, Uganda	World Bank	0	3	0	1	1	1	n/a	20	15	J, MM
Output <ul style="list-style-type: none"> Knowledge and practical skills for operation and management of Financial Market Infrastructure 												
28	In country workshop – Financial Risk Management for the National Bank of Rwanda 14-18 October 2013 Kigali, Rwanda		1	-	0	2	2	2	n/a	9	2	J, MM, Snr
Output <ul style="list-style-type: none"> Practical skills for on risk identification, measurement, mitigation, management and reporting. 												

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C - country, M - male, F - Female)			Target (J - Junior, MM - Middle Manager, Snr - Senior Manager, D - Director)	
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F
			Paid	Gratis								
29 In-country workshop – Financial Risk Management for the Central Bank of Swaziland 21-25 October 2013 Mbabane, Swaziland	To provide refresher training course on principles and concepts and calculation of: - Liquidity gap analysis both static and dynamic. - Market risk - Derivative instruments: DGD & CLN. - Measurement of rates of return and risk.		1	-	0	1	2	n/a	10	7	J, MM, Snr	
Output												
<ul style="list-style-type: none"> Practical skills and knowledge for calculation of gap analysis, market risk, derivative instruments and measurement of rates of return and risk. 												
30 In-country workshop on Money & Capital Markets 2-6 December, 2013 Harare, Zimbabwe	To build capacity in the key aspects of Money and Capital Markets. Equip participants with quantitative skills on the pricing of money market instruments and bonds. Highlight the role of government and regulators in developing and implementing money and capital markets policies and regulations. Create a platform for the regulators and industry to share views on money and capital markets.		1	-	0	2	1	n/a	57	19	J, MM, Snr	
Outputs												
<ul style="list-style-type: none"> Financial market players equipped on the key and fundamental aspects of money and capital markets. Market players and RBZ staff armed with practical skills on the quantitative pricing of money market instruments and bonds. A platform for the both the market and the regulator to discuss the money and capital market growth plan for Zimbabwe. 												

Annex V: Country Missions during January to December 2013
Courses / Retreats / Seminars / Workshops

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C - country, M - male, F - Female)			Target (J - Junior, MM - Middle Manager, Snr - Senior Manager, D - Director)	
			International	Regional	MEFMI Fellows	MEFMI Staff		C	M	F		
MACRO MANAGEMENT PROGRAMME												
<p>1 In-Country Mission on Follow-up In-Country Mission on Development of Financial Programming Framework for Ministry of Finance and Development Planning, Botswana</p> <p>4 - 8 February 2013 Lansmore Hotel, Gaborone, Botswana</p>	<ul style="list-style-type: none"> Examine the Excel file with the financial programming framework and provide guidance to improve and make progress on the financial programme. In particular, provide guidance to finalise the baseline scenario by checking all the individual forecasts as well as completing the iterative process. Provide additional conceptual training on financial programming framework. Assist Botswana in the construction of analytical indicators and provide training in interpretation of analytical indicators. 	-	0	0	1	0	1	1	1	7	6	FPP Group
<p>Outputs:</p> <ul style="list-style-type: none"> Finalised baseline scenario. Training and implementation of proxies and mechanical forecasting. Establishment of economic indicators Aide Memoire 												
<p>2 Follow Up In-Country Mission on Rebasings and Revisions of Kenya's National Accounts</p> <p>22 July - 2 August 2013 Nairobi, Kenya</p>	<ul style="list-style-type: none"> Compilation of supply and use tables. 	IMF EAST AFRITAC	0	1	1	0	1	1	1	4	3	MM and J
<p>Outputs:</p> <ul style="list-style-type: none"> The procedures for balancing the Supply and Use Tables were finalised and a preliminary version is available. Revised time series for the 2006-11 were put together for most of the industries and products, although constant prices are outstanding for some of them. 												
<p>3 In-Country Mission on Follow-up In-Country Mission on Finalisation of the Development of Financial Programming Framework for Ministry of Finance and Development Planning, Botswana</p> <p>19 - 23 August 2013 Crest Lodge, Gaborone, Botswana</p>	<ul style="list-style-type: none"> The main purpose of the Mission was to finalise the baseline forecasting scenario of the financial programme. Particular emphasis was given to the iterative process and the closing of the forecasting model. (Closing the model basically involves closing the system for each account and for integrated accounts by ensuring that suitable residuals are identified and carried over to the other accounts where necessary.) 	-	0	0	1	1	1	1	1	7	9	FPP Group
<p>Outputs:</p> <ul style="list-style-type: none"> The counterparts closed the whole system. They identified the main economic flows that are reflected by the linkage system between the accounts. They wrote a note on these economic flows - the note is attached to this report. They incorporated information about economic indicators so that the results are a better reflection of the economic reality. They improved substantially on the techniques for individual forecasts. 												

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M- male, F- Female)			Target (J- Junior, MM – Middle Manager, Snr-Senior Manager, D- Director)		
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F	
			Paid	Gratis									
4 In-Country Mission on International Classification of All Economic Activities (ISIC), Rev 4 23 Sep to 4 Oct 2013 National Bank of Rwanda	<ul style="list-style-type: none"> Identify the exact purpose for this task with a view to improving forecasting, analysis and correlation with other monetary aggregates. Identify a suitable level of breakdown of the industries that is relevant to and meaningful for Rwanda with specific emphasis on the industries which are important, given the specific purpose at hand. Investigate whether data is available or can be made available for the level of breakdown identified in point two. Examine how data that are not yet available can be made available and the time frame for making them available. Undertake to disaggregate domestic credit with the data that are already available. 	-	0	0	1	1	1	1	1	12	3		
Outputs: <ul style="list-style-type: none"> MEFMI made proposal for a new activity classification for bank credit. MEFMI prepared a manual with general classification principles and explanatory notes for the specific items of the classification specific to Rwanda. 													
DEBT MANAGEMENT PROGRAMME													
5 Madagascar DeMPA Mission Antananarivo, Madagascar 16 - 24 January 2013	<ul style="list-style-type: none"> To assess Madagascar's debt management performance. To identify preliminary areas for future debt management reform. 	World Bank, UNCTAD DRI	0	3	0	0	1	1	1	1	n/a	n/a	J, MM, Snr, D
Output: <ul style="list-style-type: none"> DeMPA Report with country scores for each areas of debt management and related implicit identification of areas for capacity enhancement 													
6 Debt Reform Mission to Sudan Khartoum, Sudan 27 February - 7 March 2013	To develop Debt Reform Plan for enhancing Sudan's public debt management.	World Bank, UNCTAD	0	4	0	0	1	1	1	1	n/a	n/a	J, MM, Snr, D
Output: <ul style="list-style-type: none"> Debt Reform Plan to guide improvement of public debt management in Sudan 													
7 MEFMI - AfDB Technical Assistance Situational Analysis Mission to Sudan 8 - 14 March 2013 Khartoum, Sudan	To assist Sudan develop a Sovereign Debt Arrears Clearance Strategy.	-	0	0	0	1	1	1	1	1	n/a	n/a	J, MM, Snr, D
Output: <ul style="list-style-type: none"> Collected information required for preparation of Sovereign Debt Arrears Clearance Strategy document 													

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M – male, F – Female)			Target (J – Junior, MM – Middle Manager, Snr – Senior Manager, D – Director)	
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F
			Paid	Gratis								
8 Sudan Technical Assistance Mission (Follow-up) 10 - 13 April 2013 Khartoum, Sudan	<ul style="list-style-type: none"> To present a draft of the Sovereign Debt Arrears Clearance Strategy. 	-	0	0	0	1	1	1	n/a	n/a	J, MM, Snr, D	
Outputs: <ul style="list-style-type: none"> Comments on Sovereign Debt Arrears Clearance Strategy document Agreement on the way forward – preparation of Sudan Debt Relief and Arrears Clearance Strategy 												
9 ZAMBIA: Joint MEFMI/UNCTAD Contingent liabilities Assessment – Projects on Assets and Liability Management 20 May – 8 June 2013 Lusaka, Zambia	<ul style="list-style-type: none"> Conduct an assessment of current explicit and implicit contingent liabilities of the Government of Zambia, including an evaluation of their magnitude and sources. Propose policy and organizational reforms at the Ministry of Finance with a view of strengthening the management of all contingent liabilities. 	UNCTAD	0	1	0	1	1	1	n/a	n/a	J, MM, Snr, D	
Outputs <ul style="list-style-type: none"> Technical Report on the Assessment of Contingent Liabilities in Zambia to be completed within 5 weeks after the mission and be presented to MoF in mid-July 2013 Recommendations, contained in the Technical Report, for improving management of contingent liabilities at MOF-IDM and where feasible also at the enterprises 												
10 Debt Data Validation and training for, Mozambique 24 June - 5 July 2013, Maputo, Mozambique	<ul style="list-style-type: none"> To assist the Debt Management Office (DMO) review flow of debt information. To identify database errors and guide DMO staff to correct them. To respond to technical queries from DMO staff. 	0	0	0	1	1	1	1	1	4	J, MM	
Outputs <ul style="list-style-type: none"> Validated about 60 % of the database; and Imparted knowledge to Back Office staff on how to validate the database. 												
11 Contingent Liabilities Assessment Mission to Uganda, Kenya and Rwanda 6th – 13th September 2013, Harare – Zimbabwe, Kampala – Uganda, Nairobi-Kenya, Kigali - Rwanda	<ul style="list-style-type: none"> To explain contingent liabilities assessment questionnaire and guide the resource persons and contacts persons by demonstrating how to administer the assessment questionnaire. 	0	0	0	0	1	1	4	n/a	n/a	D, Snr, MM, J	
Outcomes/Outputs <ul style="list-style-type: none"> Knowledge and practical skills amongst the contracted resource persons and designated contact persons for contingent liabilities assessment in the respective countries visited Facilitating identification and engagement of national resource person in Rwanda Kick-starting of the contingent liabilities assessment processes in the countries visited 												
12 Contingent Liabilities Assessment Mission to Mozambique, Swaziland, Lesotho and Botswana 23rd – 27th September and	<ul style="list-style-type: none"> To explain contingent liabilities assessment questionnaire and guide the resource persons and contacts persons by demonstrating how to administer the assessment questionnaire. 	0	0	0	0	1	1	4	n/a	n/a	D, Snr, MM, J	

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C – country, M- male, F- Female)			Target (J- Junior, MM – Middle Manager, Snr-Senior Manager, D- Director)	
			International		Regional	MEFMI Fellows		MEFMI Staff	C	M		F
			Paid	Gratis								
4th October 2013, Maputo – Mozambique, Mbabane – Swaziland, Maseru-Lesotho, and Gaborone - Botswana –												
Outputs <ul style="list-style-type: none"> Knowledge and practical skills amongst the contracted resource persons and designated contact persons for contingent liabilities assessment in the respective countries visited Facilitating engagement of national resource person in Mozambique Kick-starting of the contingent liabilities assessment processes in the countries visited 												
FINANCIAL SECTOR MANAGEMENT PROGRAMME												
13	Rwanda Mission on payment systems oversight 22 - 25 May 2013 Kigali, Rwanda	0	0	0	1	1	1	2	1	n/a	n/a	MM, Snr
Outputs: <ul style="list-style-type: none"> Finalised PS policy and oversight framework document On-site examination of Rwanda's national Switch A detailed action plan with key recommendations on how BNR can perform effective oversight 												
14	Mission for the development of a Stress Testing Policy framework for the Central Bank of Swaziland Phase III 19 – 28 June 2013 Mbabane, Swaziland	0	0	0	0	2	1	2	n/a	n/a	n/a	J, MM, Snr
Outputs: <ul style="list-style-type: none"> Finalised and issued a Stress Testing Policy Framework for use by the Central Bank of Swaziland as part of its supervisory processes. Conducted pilot stress tests for all banks operating in Swaziland and present reports to senior management of CBS and the respective banks. Provided on the job training to CBS staff on how to conduct stress testing and the interpretation of results thereof. 												
15	Mission for the implementation of Risk Based Supervision for the Bank of Botswana Phase II 31 July – 9 August, 2013 Gaborone, Botswana	0	0	0	1	1	1	n/a	n/a	n/a	n/a	Snr, MM, J
Outputs: <ul style="list-style-type: none"> Finalise and issue the Risk Based Supervision policy paper to be presented to the Board of Directors of BoB. Policy paper marks the official implementation of RBS Conduct a workshop on risk based supervision implementation procedures Commence the process of developing a risk based supervision framework Commence the development of a Risk Management Guideline. 												

Activity Date Venue	Objective	TCP	Resource Persons				Staff	Participants (C - country, M - male, F - Female)			Target
			International	Regional	MEFMI Fellows	MEFMI Staff		C	M	F	
20	Mission – Financial Risk Management for the Central Bank of Swaziland 21-25 October 2013 Mbabane, Swaziland		Paid	Grants							
	To provide technical assistance towards the review of CBS's management of Financial Risk.		1	-	0	1	2	n/a	n/a	n/a	J. MM, Snr

Outputs

- Preparation of risk & portfolio performance spreadsheets as at 31 August 2013 with actual portfolio data.

Outcomes

- Development of spreadsheets to carry out the calculations of currency risk, interest rate risk, return performance and compliance with investment guidelines.
- Summarising of the calculated information into one clear and concise report called a dashboard, highlighting all the major portfolio risk and performance data.

Annex VI: MEFMI RISK ASSESSMENT

MEFMI Strategic Objective - To improve human and institutional capacity in the critical areas of macroeconomic and financial management

Risk Title	Risk Description	Category of Risk	Root Cause	Internal/ External	Impact (Refer to risk Ranking Worksheet)	Likely hood (Refer to risk Ranking Worksheet)	Final Risk Rating	Mitigation (accept, manage and avoid)	Control Title / Activity	Control Description	Risk Owner	Action Owner	Due Date
1	Going concern and liquidity risk	Strategic	Member countries or donors might change their perception of the need for MEFMI.	External	4	2	8	Manage	Compliance with members and donor requirements.	"Ensure we meet donor obligations and ensure we meet member states."- Impacts and Needs assessment is done to assess whether needs of member states are being met. -Medium term reviews are commissioned by donors to assess needs satisfaction."	Executive Director	All Programme Directors	Immediate. Continuously done.
2	Increase in competition	Strategic- Emerging	a). The lack of provisions to deliver activities in Portuguese. b). Acceptance of new initiatives by our members.	External	2	5	10	Accept / Manage	a). Conduct in-country activities in Portuguese. b). Collaboration with the new institutions.	a). Missions are held in Portuguese for programmes in Portuguese speaking countries but workshops will be held in English. b). Deliver joint programmes with other institutions.	Executive Director	All Programme Directors	Continuous
3	Loss of data due to power interruptions	Information Security	Unreliability of ZESA.	External	4	4	16	Manage	a). Back up of MEFMI data. b). Install power back-up.	a). RBZ has provided an off-site back up at their disaster recovery site. b). The Secretariat installed a diesel generator in 2011. A solar power back-up system has been procured and is being installed.	Executive Director	Director Finance and Admin	a). Done b). 30-Apr-14
4	Loss of cash due to theft, robbery or fraud	Operational	- Lack of adequate banking facilities within Zimbabwe that would allow MEFMI to safeguard cash assets on workshops. - Exchange controls in some countries would not allow MEFMI to access their USD before translation into local currency.	Internal and External	3	2	6	Manage	Custody of cash on business trips.	Management has negotiated Stanbic VISA debit cards for all secretaries to use in the field, thereby reducing amount of cash carried on trips.	Finance Director	All Programme Directors	Continuous
5	Likelihood of Supplier fraud through collusion with MEFMI staff (kick backs)	Operational	Inherent risk/weakness in the purchasing process.	External - Fraud	2	4	8	Manage	Authorisation and review of expenditures.	- Capital items will be procured through open competitive bidding. - Capital items purchased for MEFMI will always be new. - CAPEX will be made	Executive Director	Finance Director	Immediate. Continuously done. 29 Aug 2014 for the anti-corruption policy.

Risk Title	Risk Description	Category of Risk	Root Cause	Internal/ External	Impact (Refer to Risk Ranking Worksheet)	Likely hood (Refer to Risk Ranking Worksheet)	Final Risk Rating	Mitigation (accept, manage and avoid)	Control Title / Activity	Control Description	Risk Owner	Action Owner	Due Date
										only after it has received prior approval by the Board of Governors on recommendation of the Executive Committee. - Goods costing USD5000 and more per contract will be procured through open competitive bidding. - Comparing quotations from at least three local suppliers. - MEFMI has in place an approved suppliers list. - MEFMI is in process of formulating an anti-corruption policy.			
6	Late submission of presentation material by resource persons	Operational	Inherent issue with our resource persons as they are employed else where.	External	2	4	8	Manage	Dialogue between Senior management and the resource persons.	- MEFMI has put a clause in the contracts with the resource persons stipulating deadlines for submission of material.	Executive Director	Programme Directors	Immediate. Continuously done.
7	Inability to undertake planned activities due to delays in receipt of funds from members or cooperating partners	Operational	Late receipt of funds from donor and member countries.	External	1	1	1	Manage	Management sends out requests for funding early.	- Management ensures that audited accounts are finalised first week of April each year. - Frequent follow-ups of unpaid subscriptions and donations.	Executive Director	Finance Director	Immediate. Continuously done.
8	Non-Attendance by resource persons	Operational	Inherent issue with our resource persons as they are employed else where.	External	1	2	2	Manage	MEFMI has resources to stand in for non attending resource persons.	MEFMI has employees (Programme Officer, Programme Director) to stand in if a resource does not turn up. MEFMI currently requires resource people to submit their presentations at least a week before the activity. Should anyone need to stand in for them at short notice, the material would already be available.	Executive Director	Programme Directors	Immediate. Continuously done.
9	Disruption of IT Services	Operational	Lack of adequate technical know how by service providers.	External	3	4	12	Manage	Training of MEFMI staff as a backup for the external threat. Maintenance of backups in case of data corruption.	- IT Staff are trained in all systems so that they can act as a backup for the external service providers of internet and systems. - Backups are maintained off site, in case the disruptions cause loss of systems or data.	Executive Director	Finance Directors	Immediate. Continuously done.

Risks detailed in the detailed risk register should be rated by management lead by the Executive Director, for example. The detailed risk register should be used as a tool for continuous assessment of risks affecting MEFMI. Action plans should be developed that will be used to mitigate the risks identified. Thereafter, due dates should be agreed and included in the register which will allow for continuous monitoring of the action plans. The criteria below can be used in the Analysis and rating of the risks.

Risk Analysis Suggestion

1. EXPLANATION OF A CRITERIA THAT CAN BE USED IN RISK ANALYSIS

The 5 x 5 rating scale can be used for determining the likelihood (probability) of the risk materializing, and the impact of the risks on objectives and operations.

The likelihood of a risk can be estimated using a scale of 1 to 5, where 1 is equivalent to "rare" with 5 being equivalent to "almost certain" that the risk will happen. The same rating scale can be used to determine the potential impact of the risks, with 1 being equivalent to having an "insignificant" impact and 5 denoting "catastrophic" impact.

To obtain the risk "score" the likelihood of risk is multiplied by the risk impact. Risks with an overall score of 25 are classified as "extreme" and those with score of 16 - 20 as "High". The risk profile and ratings can be compiled on an inherent and residual basis. For further details please refer to the risk assessment guideline tables as presented below.

2. RESULTS OF THE RISK ASSESSMENT

The inherent nature of the risk is the assessment of the risk without specific, focused controls in place. The residual nature of the risk is the assessment of the risk taking into account the existing controls and their perceived effectiveness.

The larger the difference between the inherent and residual risk factors the more effective the controls in place are perceived to be.

The smaller the difference between the inherent and residual risk factors, the more management actions and improved control effectiveness is needed to ensure that the risk is properly managed.

Management should take cognizance that the higher the residual risk factor, the greater the need for control effectiveness and therefore more management attention is required to:

- Maintain the quality of control where control effectiveness is considered adequate; and
- Improve quality of control further where residual risk is considered to be too high.

LIKELIHOOD	IMPACT				
	Insignificant 1	Minor 2	Moderate 3	Significant 4	Critical 5
Almost Certain 5	5	10	15	20	25
Likely 4	4	8	12	16	20
Possible 3	3	6	9	12	15
Unlikely 2	2	4	6	8	10
Rare 1	1	2	3	4	5

PROPOSED RESIDUAL RISK CLASSIFICATIONS

All risks may be graded and acted upon as outlined in the table below:

#	Residual Risk Score	Risk Classification	Colour Coding	Code
1	21 - 25	Extreme	Red	Urgent action required to bring risks classified as 'red' under control, the risk should be addressed within 3 months of being identified, and should be monitored on a quarterly basis.
2	16 - 20	High	Amber	Same as above, but the risk should be addressed within 6 months.
3	8 - 15	Medium	Yellow	Medium level risks should be monitored and reviewed after 6 months as a minimum.
4	1 - 7	Low	Green	Low level of risk, should not require much attention but should be reviewed at least annually, and monitored at Business Unit Level.

Annex VII: Networking & Staff Development: January to December 2013

MEFMI values the benefits of networking and the impact it has on staff exposure and capacity building. In that regard, the Institute participates in relevant networking events, most of which are by invitation from other institutions. Below is a table outlining the networking activities the Institute participated in during the period:

	Date	No. of Staff	Institute/Organization	Main Theme
1.	24 – 25 January 2013	2	BCBS –FSI, Cape Town, South Africa	Strengthening Financial Sector Supervision and Current Regulatory Priorities
2.	1 February 2013	1	UNCTAD	UNCTAD Brainstorming Meeting on Debt Workout Mechanism
3.	7 March 2013	1	World Bank / DMF	Network Discussion on Domestic Debt and Debt Markets in Eastern and Southern Africa
4.	18 – 27 March 2013	1	COMSEC - Cape Town, South Africa	Horizon Launch Workshop
5.	15 - 18 March 2013	4	ACBF, Harare.	Strategic Planning Workshop for ACBF-Supported Projects: Enhancing Project Implementation
6.	15 – 19 April 2013	1	UNCTAD/WORLD BANK/IMF – Entebbe, Uganda	Regional Workshop On Medium Term Debt Strategy
7.	22 – 23 April 2013	2	Washington, DC	Executive Forum for Policy-makers and Senior Officials
8.	1 - 3 May, 2013	1	World Bank - Berlin, Germany	Debt Management Stakeholders' Forum" during the period
9.	2 May 2013	1	Ulando consulting	Front office Skills Workshop
10.	6 - 8 May, 2013	1	AACB, Maseru Lesotho	The role of Central Banks in Promoting Sustainable Economic Growth in Africa
11.	6 - 9 May, 2013	1	Federal Reserve Bank, New York, USA	Payment Systems Policy and Oversight
12.	23 May 2013	15	Norwegian Embassy, Harare, Zimbabwe	The MEFMI Discussion Forum on Natural Resource Management
13.	4 June 2013	1	NBM Bank, Harare, Zimbabwe	Managing Currency Risk
14.	10 – 18 June 2013	9	OMNI Africa	VIP Training
15.	17 June 2013	23	OMNI Africa	Employee Self Service system
16.	17 - 28 June 2013	1	IMF Statistics Department	Completion of Balance of Payments Statistics
17.	26 – 28 June 2013	1	OECD	Seventh OECD Forum on African Public Debt Management and Bond Markets
18.	8 - 10 July 2013	1	MEFMI	Report writing skills
19.	1 August 2013	9	OMNI Africa	Advanced Excel Workshop
20.	29 August 2013	1	NGI Consulting	Labour Law Workshop
21.	5-19 September 2013	1	IMF/MEFMI Course	Macroeconomic Management and Natural Resource Management
22.	16-20 September 2013	1	South AFRITAC, Mauritius	Medium Term Budget Framework
23.	30 Sept. – 3 October 2013	1	UNCTAD, SA Treasury and MEFMI	Asset and Liability Management
24.	9-12 October 2013	2	IMF, World Bank, UNCTAD, CEMLA, WAIFEM, Crown Agents, Debt Managers Network	IMF-World Bank Annual Meetings
25.	27-30 October	1	AfDB-South Africa	African Conference on Regional Integration
26.	11-15 November 2013	2	UNCTAD	9th UNCTAD Debt Management Conference and DMFAS Advisory Group Meeting
27.	30 November 2013	1	AERC	AERC 25th Anniversary Event and Seminar

Our Values:

Accountability

Teamwork

Responsiveness

Integrity

Professionalism



MEFMI

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