MEFMI

Macroeconomic and Financial Management Institute of Eastern and Southern Africa

Annual Report

2019

TABLE OF CONTENTS

List of Tables	3
Abbreviations	4
STATEMENT BY THE CHAIRMAN	6
STATEMENT BY THE EXECUTIVE DIRECTOR	8
EXECUTIVE SUMMARY	10
SECTION 1 - INSTITUTE WIDE SUMMARY	12
1.1 Introduction	13
1.2. Recent Economic Developments in the MEFMI Region and Beyond	13
1.3. MEFMI Activities in 2019	14
1.4. Hallmark Achievements in 2019	15
SECTION 2 - PILLAR AREA PROGRESS	17
2.1. Pillar 1: Programming Relevance and Effectiveness	18
2.2. Pillar 2: Diversification of Revenue Sources	20
2.3. Pillar 3: Monitoring and Evaluation (M&E)	20
2.4. Pillar 4: Innovation and Technology	21
2.5. Pillar 5: Administrative Effectiveness	22
SECTION 3: MONITORING AND RESULTS MEASUREMENT	23
3.1. Pillar 1: Programming Relevance and Effectiveness	24
3.2. Pillar 2: Diversification of Revenue Sources	32
3.3. Pillar 3: Monitoring and Evaluation	33
3.4. Pillar 4: Innovation and Technology	34
3.5. Pillar 5: Administrative Effectiveness	36
SECTION 4: CHALLENGES, OPPORTUNITIES AND LESSONS LEARNT	39
4.1. Challenges	40
4.2. Opportunities	40
4.3 Lessons Learnt	41
ANNEX 1: GOVERNANCE STRUCTURES OF MEFMI FOR 2019	42
SECTION 5: AUDITED FINANCIAL STATEMENTS	44
Independent Auditor’s Report	45
Statement of Comprehensive Income	47
Statement of Financial Position	48
Statement of Changes in Funds	49
Statement of Cash Flows	50
Notes to the Financial Statements	51-68
Detailed Statement of Income and Expenditure	69

LIST OF TABLES

Table 1: MEFMI Activities in 2019 14
Table 2: Summary of Programme Results 15
Table 3: Performance against quality of macroeconomic statistics 2019 24
Table 4: Capacity for financial and macroeconomic policy analysis and implementation 26
Table 5: Performance in strengthening legislative and institutional frameworks for financial and macroeconomic management 27
Table 6: Performance-Strengthening research that supports policy analysis and implementation 28
Table 7: Performance - Enhancing programme effectiveness 28
Table 8: Performance - Increasing MEFMI's Visibility. 29
Table 9: Mainstreaming Anti-corruption in MEFMI's capacity building activities 30
Table 10: Performance - Mainstreaming gender by MEFMI 30
Table 11: Performance - Mainstreaming gender in MEFMI's capacity building activities 31
Table 12: Performance - Attracting new sources of funding 32
Table 13: Performance - Strengthening Monitoring and Evaluation of MEFMI's Programmes 33
Table 14: Performance - Leverage on innovation and technology in programme delivery 34
Table 15: Performance - Improving process workflows through fully automated systems 35
Table 16: Performance - Strengthening organisational culture based on core values 36
Table 17: Performance - Strengthening the finance and administration function 36
Table 18: Performance - Strengthening the Institute's cost saving initiatives 37

ABBREVIATIONS

AERC	African Economic Research Consortium
AfCTA	African Continental Trade Area
AfDB	African Development Bank
BDU	Business Development Unit
BIS	Bank for International Settlements
BOP	Balance of Payment
BPM	Balance of Payments and International Investment Position Manual
BTOR	Back to Office Report
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
CS-Meridian	Commonwealth Secretariat-Meridian
DMFAS	Debt Management and Financial Analysis System
DMP	Debt Management Programme
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EAC	East African Community
e-GDDS	enhanced General Data Dissemination System
ERM	Enterprise Risk Management
EXCOM	Executive Committee
FAD	Finance and Administration Department
FDP	Fellows Development Programme
FPAS	Forecasting and Policy Analysis System
FSMP	Financial Sector Management Programme
GDP	Gross Domestic Product
GEP	Global Economic Prospects
GFS	Government Finance Statistics
ICRAT	Internal Credit Risk Analysis Tool
ICT	Information and Communication Technology
IIP	International Investment Position
IMF	International Monetary Fund
IMIS	Integrated Management Information Systems
ISO	International Standards Organisation
IT	Information Technology
JPM	Joint Performance Contract
LCBM	Local Currency Bond Markets
M&E	Monitoring and Evaluation
MAC DSA	Market Access Debt Sustainability Analysis

MEFMI	**Macroeconomic and Financial Management Institute of Eastern and Southern Africa**
MFSMCG	**Monetary and Financial Statistics Manual and Compilation Guide**
MMP	**Macroeconomic Management Programme**
MTDS	**Medium Term Debt Management**
MTR	**Mid-Term Review**
PCMS	**Private Capital Monitoring System**
PEFM	**Public Expenditure and Financial Management**
PSDS	**Public Sector Debt Statistics**
RMF	**Result Measurement Framework**
SADC	**Southern African Development Community**
SNA	**System of National Accounts**
SSA	**Sub-Sahara Africa**
TOC	**Theory of Change**
WEO	**World Economic Outlook**

STATEMENT BY THE CHAIRMAN OF THE BOARD OF GOVERNORS

John Rwangombwa

It is my great pleasure and honour to present the MEFMI 2019 Annual Report on behalf of the MEFMI Board of Governors. I thank MEFMI Management and Staff for their hard work in successfully implementing the 2019 Work Programme as approved by the Board.

I present the audited financial statements for the year ended 31 December 2019 as prepared by Ernst and Young (EY), who are the Institute's external auditors, appointed in 2018. Their audit report and opinion is contained in this annual report. I am pleased to report that MEFMI has yet again received an unqualified audit report. I want to commend Management and Staff for this achievement.

I acknowledge and thank all the Member States and financial partners who made it possible for the Institute to implement activities in 2019. This high level of commitment to honour financial and technical obligations to the Institute is clear demonstration of its strong ownership by Member States and solid partnership by its stakeholders. This is notwithstanding that many countries in the MEFMI region continue to face various economic challenges and changes in the socio-economic landscape, which would have otherwise had an adverse impact on the Institute's financial position. To our financial and technical partners, your splendid support to the Institute at such a time, when access to resources for capacity building in general is very competitive, is applauded.

As at 31 December 2019, Member States' contributions accounted for 78% of MEFMI's annual budget. Cognisant of the efforts that MEFMI is making to ensure its sustainability, I am confident that mobilisation of resources from non-traditional sources and strategic alliances with technical partners will augment Member States' contributions. I am also certain that MEFMI Management will target its resources to priority areas including the roll out and adoption of products that will see an increase in the number of non-Member States benefit from MEFMI activities for a fee.

The collaboration with the private sector and multilateral agencies is vital and will continue to be strengthened to create both financial and technical value that assist in alleviating the financial constraints being faced by MEFMI. In this regard, I want to extend great appreciation to the financial partners that supported the Institute in 2019, namely, World Bank Debt Management Facility (DMF), Investec Asset Management and Crown Agents Investment Management (CAIM). I also want to thank all the technical cooperating partners who, over the years, have continued to provide invaluable support to the Institute. These include the International Monetary Fund (IMF), Commonwealth Secretariat (COMSEC), United Nations Conference on Trade and Development (UNCTAD), African Institute for Economic Development and Planning (IDEP), East and South AFRITAC, African Forum and Network on Debt and Development (AFRODAD), South

African Reserve Bank (SARB) and Financial Stability Institute (FSI) based at the Bank for International Settlements.

This annual report coincides with the Mid Term Review (MTR) of Phase V. MEFMI strategic plans span five (5) year cycles or Phases. Phase V started in 2017 and I wish to express my sincere gratitude to MEFMI Management and staff for the effective and efficient execution of Phase V this far, as evidenced by the MTR Report. The Board in October 2019 approved strategic decisions for the remainder of Phase V based on the MTR recommendations. Specifically, the Institute will integrate the Theory of Change (TOC) into the Monitoring and Evaluation (M&E) framework in order to demonstrate the outcomes and impact of its capacity building activities in the region. This is expected to lead to better prioritised and focused activities based on monitorable and achievable outcomes and impact. Given the momentum and experience gained in the first half of Phase V, I am confident that MEFMI Management and staff will fully implement the Board strategic decisions for the remainder of the phase.

My deep gratitude goes to the Board of Governors who, despite their busy schedules, were able to have a quorum for all planned governance meetings held in 2019. I also want to express gratitude to the Executive Committee (EXCOM) and the Finance and Audit Committee, who worked tirelessly throughout the year to strengthen the Institute's reporting, compliance, risk management and control functions.

I bid farewell to Angola, Lesotho and Namibia who retire from EXCOM on rotation, and I would like to announce that the new members for the period 2020 / 2021 are Botswana, Kenya and Uganda who will be joining Tanzania (Chairman), Zambia and Zimbabwe (Ex-officio). I wish the EXCOM Chairman Prof. Florens Luoga, Governor, Bank of Tanzania and his new Committee all the best.

John Rwangombwa
Governor, National Bank of Rwanda

STATEMENT BY THE EXECUTIVE DIRECTOR

Michael Atingi-Ego

It gives me great pleasure to present the 2019 Annual Report, which comes at a seminal moment for the Institute. First, 2019 marked the mid-point in the implementation of Phase V Strategic Plan (2017-2021). Second, the environment in the host country remained challenging following the implementation of some new economic policies and prevalent power shortages that had attendant adverse implications on our operations. The Institute remained resolute in its resolve to minimize, to the extent possible, adverse implications and pursue what it sought to achieve in the year. As a result, a number of particularly notable achievements were made in line with the objectives defined in the 2019 annual work programme.

The Institute successfully undertook a Mid-Term Review (MTR) of the Phase V Strategic Plan, to reflect on progress towards achieving desired outcomes, and assess sustainability, relevance, efficiency and effectiveness of strategies in light of shifting member countries' priorities, as well as evolving funding and operational landscape. The findings of the MTR reaffirmed continued relevance of MEFMI products and services, and revealed that the Institute is uniquely positioned to make impactful capacity building interventions to its member countries. The review also signalled the need to adopt a more pragmatic business model that better responds to the dynamic funding environment while still achieving results with greater impact.

A number of capacity building activities were undertaken, including assessments; graduation and accreditation of fellows; interventions in new areas such as Debt Sustainability Analyses in Market Access Countries (MAC DSA); Forecasting Policy Analysis System (FPAS) and stepping up engagement in Local Currency Bond Markets (LCBM). The Institute also continued to support evidence-based policy analysis and implementation through knowledge generation and dissemination. Major milestones in this regard included the production and dissemination of study reports on (i) Assessment of the National Financing and Investment Policies in the Southern Africa Development Community (SADC) and East African Community (EAC) vis-à-vis the Regional Financing and Investment Protocol; (ii) Public Debt Accumulation in Sub-Saharan (SSA) Countries; and (iii) Status in Adherence to the Global Principles for International Remittances Services.

The turnaround of the Business Development Unit (BDU)'s operations by a near elimination of losses is another key achievement for the year, with fee-based activities and consultancy work for non-traditional client institutions generating handsome profits. We will continue to build on this foundation to expand the BDU's visibility and outreach to maximize the uptake of our products, and engage various organisations as part of brand awareness and exploring scope for collaboration.

In line with recommendations from the MTR, the Institute successfully integrated the Theory of Change (TOC) into the Monitoring and Evaluation (M&E) framework in order to demonstrate the impact of MEFMI capacity building activities in the region. This allows the Institute to better prioritise and focus activities based on achievable outcomes and not just inputs and outputs.

Importantly, the Institute continued to enhance its operational efficiency and effectiveness. In this regard, employee Joint Performance Contracts (JPMs) were revamped to align them with the Phase V Strategic Plan. A work-load analysis was conducted, and the report is being considered by the Institute's governance board. The Institute also introduced and piloted a Flexible Working Arrangement aimed at improving productivity and work-life balance of MEFMI employees. In addition, availability and remote access to the M-Files document management system, SAGE 300, Skills Map recruitment, and Quantrix budgeting and reporting systems were further enhanced in 2019.

We recognise that the demand for MEFMI services remains greater than available financial resources to sustain them. In this regard, MEFMI will continue to explore co-financing arrangements with non-traditional partners to crowd-in additional funding for Programme activities. In addition, the Institute will step up collaboration with traditional partners and private sector partners to leverage on their expertise and resources, thereby enhancing impact of our activities in mutually beneficial areas of interest.

None of the accomplishments referred to in this message would have been achieved without the momentous support of staff and the extraordinary collaboration between the Board of Governors, the Executive Committee and the Secretariat.

Going forward, the Institute plans to support non-bank financial service providers, revamp and market Private Capital Monitoring System (PCMS) to broaden its demand in the region. In addition, the Institute will streamline its work plan in the context of climate-smart actions and Fintechs to support member states in the achievement of Sustainable Development Goals.

Michael Atingi-Ego

EXECUTIVE SUMMARY

The main thrust of the 2019 work plan was to implement activities that contribute to the achievement of targets and objectives under the five (5) strategic pillars as outlined in the MEFMI Phase V Strategic Plan (2017-2021), namely: (a) Programming Relevance and Effectiveness; (b) Diversification of Revenue Sources; (c) Innovation and Technology; (d) Monitoring and Evaluation; and (e) Finance and Administration Effectiveness. These activities were implemented taking into account recommendations of the 2019 MTR report, emerging issues and identified capacity gaps in macroeconomic and financial management. The key highlights of each pillar are summarised below.

Pillar I: Programming Relevance and Effectiveness

Capacity building initiatives under this pillar focused on improving the quality of financial and macroeconomic statistics in line with international compilation and reporting standards; strengthening capacity for financial and macroeconomic policy analysis and implementation; developing a critical mass of regional experts through the Fellows Development Programme (FDP); and promoting the adoption of sound laws, practices, tools, standards and principles in macroeconomic and financial management.

Interventions on statistics bolstered capacity of country officials to handle challenges of compiling and disseminating macroeconomic and financial statistics based on internationally accepted statistical methodologies. Member countries were supported in the following key areas: Government Finance Statistics (GFS); Public Sector Debt Statistics (PSDS); national accounts; external sector statistics; and enhanced General Data Dissemination System (e-GDDS). Overall, these activities are expected to improve availability of high quality data, which is necessary to develop reliable economic analysis that can guide decision making, and foster transparency and accountability in member countries.

On strengthening capacity for financial and macroeconomic policy analysis and implementation, in addition to implementation capacity building in new areas, the Institute stepped-up engagement in LCBM; Public Expenditure and Financial Management (PEFM); Fundamentals of Payments and Securities Settlement Systems; Enterprise Risk Management (ERM) framework; Principles for Financial Market Infrastructures; and risk-based supervision and prudential micro stress testing. While an increasing number of activities have been organized as country-specific interventions, some regional workshops specifically sought to facilitate sharing of policy experiences through peer-to-peer learning in order to reap synergies therefrom. With these interventions, member countries are expected to build effective policies and institutions to strengthen their economies and promote inclusive growth.

In order to foster the adoption of sound practices, tools, standards and principles, the Institute continued to support member countries by designing, improving and deploying tools such as the PCMS and the Internal Credit Risk Analysis Tool (ICRAT). The Institute also supported the implementation of new International Financial Reporting Standard on financial instruments (IFRS 9) and strengthened member countries' capacity on macroeconomic modelling and forecasting. One (1) client institution was assisted to expand the FPAS with the monetary block while Gross Domestic Product (GDP) forecasting tools were also developed. These tools are expected to aid member countries' policy discussions and ultimately the design of evidence-based policies.

The Institute also continued to develop regional experts through the FDP. During the year, five (5) candidate fellows graduated while three (3) were accredited, thereby increasing the number of experts that can be utilised to build capacity in the region. In addition, 14 candidate fellows were assessed for graduation while one (1) graduate fellow was assessed for accreditation. The policy, procedures and guidelines for the FDP were reviewed in order to address some of the

application challenges encountered over the past years.

Pillar II: Diversification of Revenue Sources

Efforts to diversify revenue sources to enhance the Institute's sustainability continued in 2019. The BDU rolled out a number of activities that generated profit during the year. The BDU also managed to generate business beyond the MEFMI region. The Institute continues to build foundations necessary to expand BDU's visibility and outreach to target markets, and engagement of various organisations as part of brand awareness and exploring scope for collaboration.

In addition, the Institute stepped up collaboration with co-financing partners. In this regard, the Institute held joint activities with the World Bank, International Monetary Fund (IMF) Africa Technical Assistance Centres and private sector partners. These initiatives resulted in savings that were then used to support capacity building programmes. Efforts to increase MEFMI membership within the region are also underway.

Pillar III: Monitoring and Evaluation (M&E)

Following the recommendations from the MTR, the Institute revamped some of its reporting processes in order to track and document the impact of its activities. In light of this, all Back to Office Reports (BTORs) have been enhanced with a TOC component while the RMF, annual and M&E reports were streamlined to bring out key strategic issues. Furthermore, finalisation of the development of the Integration of Management Information Systems (IMIS) is at an advanced stage and is earmarked to be rolled out in 2020.

Pillar IV: Innovation and Technology

The drive to leverage on technology to deliver programmes in a more efficient and cost-effective manner continued in 2019. The Institute's e-learning platform was revamped to include more interactive features. A user guide and manual were prepared and adopted during the year. Sustained efforts were made to improve staff productivity by automating process flows and ensuring availability and accessibility of remote services to staff. The Institute also intensified its IT security by upgrading relevant software and conducting regular security awareness training for employees. These interventions have improved the delivery of MEFMI services.

Pillar V: Administrative Effectiveness

In line with improving governance and compliance, the Institute held the Board of Governors, Executive Committee, Finance and Audit Committee and other Committe Meetings timely. MEFMI continued to promote and enforce a high standard of ethical behaviour among its employees in accordance with the Institute's Code of Ethics. In this regard, the MEFMI Code of Ethics was updated and is due for approval by Executive Committee (EXCOM) in March 2020. In addition, a link that enables whistle blowers to report fraudulent and corruption cases was created on the MEFMI website. To enhance the budgeting processes, the Quantrix budgeting and reporting system was improved with additional modules, and is expected to be fully operational in 2020.

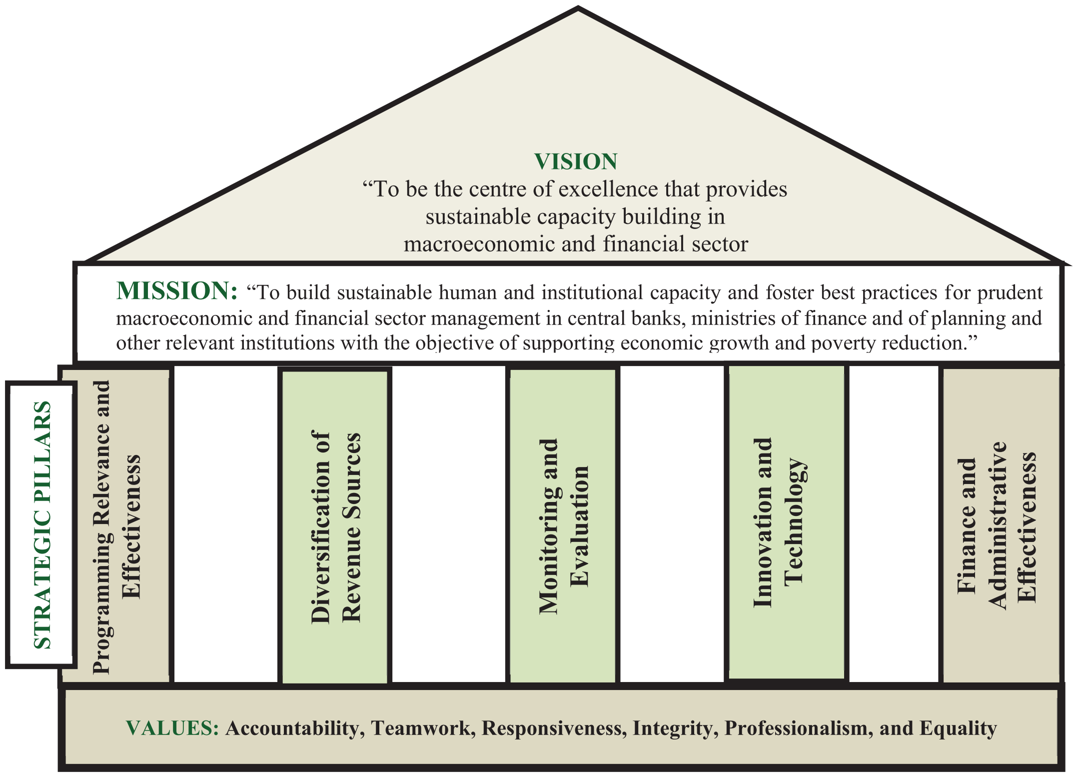
SECTION ONE

INSTITUTE WIDE SUMMARY

1.1 Introduction

MEFMI's mandate is to build sustainable capacity of its member countries in macroeconomic and financial sector management. To achieve this, the Institute identified five (5) strategic pillars to guide its operations covering the Phase V Strategic Plan (2017 to 2021) period as shown in Figure 1. This report provides a summary of activities implemented and results achieved from January to December 2019.

Figure 1: Vision, Mission and Values



Taking into account that MEFMI member countries' environment is affected by regional and global economic developments, the activities and outcomes reported are discussed in this context.

1.2. Recent Economic Developments in the MEFMI Region and Beyond

The IMF's World Economic Outlook (WEO) update of January 2020 estimates global growth for 2019 at 2.9 percent, 0.1 percent lower than the October 2019 WEO estimate of 2.8 percent. This downward revision is on account of various factors across regions such as trade policy uncertainty, geopolitical tensions, increased social unrest and effects of climate change. However, in 2020, global growth is expected to pick up to 3.3 percent due to a broader shift towards accommodative monetary policy and diminished fears of no Brexit deal, among others. The WEO suggests that for this growth to be achieved, there is need for stronger multilateral cooperation, balanced policy mix, building financial resilience and enhancing inclusiveness. Potential risks to this outlook include disruptions in oil supply as a result of rising tensions between the USA and Iran as well as widespread weather related disasters. The WEO growth trends are higher than those in the World Bank's January 2020 Global Economic Prospects (GEP) publication, which estimates the 2019 global growth at 2.4 percent and projects it to reach 2.5 percent in 2020. The conservative growth in the GEP is attributed to a slower-than-expected recovery in global trade and investment, caused by a persistence in geo-political and economic tensions. Risks to this growth are also in line with those highlighted by the WEO. These global economic trends weigh in on commodity prices. For instance, the World Bank Commodity Market Outlook of February 2020 indicates that in 2019, average oil prices reached USD61.4/bbl compared to

USD68/bbl recorded in 2018 while non-energy prices for agriculture produce, metals and minerals were also muted during the same period.

With respect to SSA, the WEO expects growth to strengthen, with real GDP growth for 2019 estimated at 3.3 percent compared to 3.2 percent realised in 2018. Much of the growth in this region is attributed to large economies like Nigeria with growth estimated at 2.3 percent in 2019 compared to 1.9 percent recorded in 2018. The WEO's aggregate growth expectations for the region differ with those highlighted in the GEP. The latter estimates growth in this region to be lower at 2.4 percent in 2019 due to subdued economic activity in major trading partners, heightened policy uncertainty, and declining commodity prices as well some internal fragilities in several countries. However, the GEP expects growth to pick up in 2020 due to improvements in investor confidence, easing energy bottlenecks and an increase in oil production, among others. The January 2020 African Economic Outlook for the African Development Bank (AfDB) estimates the African continent to grow by 3.4 percent in 2019. This estimate is about the same as in 2018 and expected to be driven by moderate expansion of the continent's big five (5) economies of Algeria, Egypt, Morocco, Nigeria, and South Africa, which jointly grew at an average rate of 3.1 percent, compared with the average of 4.0 percent for the rest of the continent. However, global uncertainty, rising public debt, inflation, deficits, political and continued uncertainty are expected to weigh on this growth.

MEFMI member countries faced various challenges during the period under review. The region also suffered some extreme weather conditions in 2019, including drought while others were adversely affected by the intensity of cyclone Idai and hurricane Kenneth. This is worsened by the fact that a number of countries in the region are facing deteriorating risks of debt distress while others are already in debt distress. These developments put pressure on the fiscal and external positions of member countries, and in turn, minimise growth prospects in the region. Looking forward, MEFMI member countries need to continue pursuing fiscal consolidation measures to contain deficits, strengthen financial buffers and diversify their economies.

1.3. MEFMI Activities in 2019

The main thrust of the 2019 work plan was to implement activities that contribute to the achievement of objectives of the MEFMI Phase V Strategic Plan, taking into account the emerging issues and identified capacity gaps in macroeconomic, financial sector and public debt management.

The Institute implemented a total of 112 activities, compared to 102 planned for the year, representing 110 percent implementation rate. Of the activities implemented, 101 were planned while 11 were unplanned. These activities have increased awareness, knowledge, and capacity in client institutions, to better adopt and apply sound practices in macroeconomic and financial management. This is expected to contribute to systemic improvements in macroeconomic, financial sector and sovereign debt management, leading to financial and macroeconomic stability in the region. Table 1 shows the breakdown of these activities by category.

Table 1: MEFMI Activities in 2019

Activities	Planned Activities	Actual Activities Implemented	Implementation Rate (%)
Regional activities			
(a) Residential	11	14	127
(b) E-learning	12	11	92
Total Regional Activities	**23**	**25**	**109**
In-country capacity building activities			
(a) In-country Workshops	21	22	103
(b) Country Missions	10	13	130
Total In-Country Activities	**31**	**35**	**113**
Other Activities			
a) Fellows Development Programme	1	1	100
b) Specialised Studies	1	1	100
c) Executive Fora	3	3	100
d) Governance	17	24	141
e) Networking	13	13	100
f) Staff Development	4	4	100
g) Business Development Unit	9	9	100
Total Other Activities	**48**	**52**	**108**
Grand Total (All Activities)	**102**	**112**	**110**

1.4. Hallmark Achievements in 2019

In 2019, MEFMI implemented a strategic work plan promoting activities that produced commendable results relative to the annual and Phase V Strategic Plan targets. Interventions in financial sector management focused on sovereign foreign reserves management, domestic financial markets, financial sector supervision, as well as financial sector infrastructure. The focus of macroeconomic management activities was on improving production of data to support analysis and implementation of monetary and fiscal policy with activities focusing on macroeconomic modelling and forecasting, macroeconomic statistics compilation and analysis, as well as private capital flows monitoring and analysis. Debt management activities focused on debt data recording and validation, debt management reform plans, contingent liabilities, loan negotiation, debt strategy formulation and sustainability analysis, development of local currency bond markets and audit of public debt. Table 2 below summarises hallmark achievements for the year against the targets.

Table 2: Summary of Programme Results

Indicators	Target 2019	Outcome - December 2019	Outcome - against 2021[1]
Pillar 1			
a. Number of countries producing Annual Debt Statistical bulletins that meet the minimum requirements	8	88% (7)	64% (11)
b. Number of countries conducting Annual Debt Sustainability Analysis (DSAs) as an integral of annual budget formulation	8	113% (9)	82% (11)
c. Number of countries with approved and annually updated Medium-Term Debt Management Strategy (MTDS)	8	113% (9)	82% (11)
d. Number of countries with debt management laws that meet the minimum requirement for effective debt management	8	50% (4)	36% (11)
e. Number of countries with Principal Debt Management Entities (debt management offices) organised along the sound practice of Front, Middle and Back Office functions	8	88% (7)	64% (11)
f. Number of countries compiling National Accounts statistics basing on SNA 2008	10	110% (11)	92% (12)
g. Number of countries compiling External Sector statistics basing on BPM6	12	100% (12)	86% (14)
h. Number of countries compiling Government Finance statistics basing on GFSM 2001/2014	12	100% (12)	86% (14)
i. Satisfaction rate recorded from Lusophone on MEFMI activities	60%	82%	70%
j. Proportion of stakeholders attending MEFMI events when invited	60%	80%	75%
k. Percentage ratio of female to male employees at the Secretariat, based on current 50:50 ratio	50:50	57:43	50:50
Pillar 2			
l. Revenue as a percentage of MEFMI's total revenue	0.32%	2.2%	2.8%
m. Percentage of planned income generating activities carried out	N/A	100%	100%
Pillar 3			
n. Proportion of annual targets achieved	100%	68%	100%
Pillar 4			
o. Proportion of courses delivered using the LMS/E-Learning	19%	44%	22%
p. Proportion of participants satisfied with virtual tool sessions	75%	89%	85%
q. Percentage of services which are available remotely or web-based	30%	67%	50%
r. Duration of disaster recovery process	2 hrs	2.4 hrs	2hrs
Pillar 5			
s. Percentage of the MEFMI budget that is based on expected results/outcomes	80%	100%	95%
t. Percentage annual budget variance	+8%	+10%	+/-5%

[1] *2021 is the last year of Phase V.*

SECTION TWO

PILLAR AREA PROGRESS

Activities were aligned to MEFMI's five (5) strategic pillars in an effort to support its mission and vision. Each pillar has a set of corresponding strategic objectives, expected outcomes and targets as set out in the Institute's RMF and detailed in the M&E part of this report.

2.1. Pillar 1: Programming Relevance and Effectiveness

Under this pillar, the activities were aimed at achieving the following:

(i) Improving the quality of financial and macroeconomic statistics in line with international compilation and reporting standards:

In so doing, it is anticipated that these statistics would aid member countries to better understand economic flows and contribute to evidence-based policy analysis, as well as support prudent macroeconomic management and guide sustainable development strategies. In this regard, interventions were focused on supporting countries' efforts to produce and publish better macroeconomic and financial statistics and bring them in line with best international standards. These interventions comprised activities on GFS; PSDS; remittance statistics; Commonwealth Meridian; e-GDDS; Balance of Payments and International Investment Position (BOP/IIP); debt database validation and DMFAS. These interventions raised awareness on best practices in the compilation of statistics on government finance, public debt and international remittances. In addition, awareness was raised on the functionalities of a new debt management system, as well as Meridian developed by the Commonwealth Secretariat. With this support, countries are expected to produce and publish better macroeconomic and financial statistics in line with international standards.

***(ii) Strengthening capacity for financial and macroeconomic policy formulation and implementation*:**

The interventions largely focused on strengthening the client institutions' capacity to use existing tools to enhance the analysis and implementation of financial and economic policies. These tools include the (a) revised Debt Sustainability Analysis Framework (DSF); (b) MTDS Analytical Tool; and (c) the payment system oversight framework.

In light of the above, the Institute assisted Botswana, Eswatini, Kenya, Malawi and Tanzania to assess the sustainability of their public debt while the governments of Tanzania and Zambia were supported in reviewing and updating their MTDS. Further, in collaboration with the IMF and World Bank, the Institute conducted regional workshops on DSA and MTDS, which enhanced the capacity of participants on the application of the Low-Income Countries Debt Sustainability Framework and MTDS Analytical Tool as a basis for debt analysis and strategy formulation. Further, the Institute supported the Bank of Uganda to strengthen its payment system oversight framework

In the area of LCBM, the Institute supported the governments of Malawi and Zambia to develop plans that will guide the implementation of reforms relating to the development of domestic debt markets. In addition, the Institute collaborated with IMF, World Bank and Financial Sector Deepening Africa in a regional workshop on domestic debt and local currency bond market development.

The Central Bank of Eswatini was supported on benchmarking its risk oversight and control processes to global best practices, particularly on the three (3) standards issued by the International Standards Organization (ISO), namely ISO 31000 (Risk Management), ISO 27000 (Business Continuity Management) and ISO 9001 (Quality Management). This increased the awareness, knowledge and capacity of participants to develop implementation roadmaps supported by adequate resources and timelines. MEFMI also enhanced capacity of bank supervisors of Banco Nacional de Angola on topical areas critical in the effective implementation of risk based supervision and prudential micro stress testing.

The National Planning Commission of Namibia received training on the impact and implications of the African Continental Free Trade Area (AfCFTA) agreement, with a view to guide the Commission in defining priority sectors and aligning national development policies and programmes for effective implementation of the agreement. The Institute supported the government of Mozambique to enhance knowledge on PEFM, with particular focus on fiscal reporting and management of fiscal risks and shocks, as well as analysis of the budget cycle and its main components. In addition, the Bank of Zambia received training on gender-responsive economic policy management to enhance skills in the crafting and analysis of gender sensitive policies, programmes, projects and strategies, among others.

In delivering on its mandate, MEFMI also collaborated with the IMF Institute for Capacity Development to build capacity on macroeconomic diagnostics in the region, which is key for effective policy analysis. In addition, MEFMI collaborated with the Bank for International Settlements (BIS) to host the 2019 Policy Implementation Meeting, which enhanced delegates' understanding of the revised Basel III standardised approach to credit risk and proportionality in bank regulation and supervision. With this knowledge, countries are expected to develop their own frameworks for proportional implementation of Basel standards in non-Basel Committee on Banking Supervision.

(iii) Developing regional expertise in priority areas of sovereign debt, macroeconomic and financial sector management:

The Institute continued to support the development of high quality regional expertise as follows:

a) Graduated five (5) candidate fellows and accredited three (3) graduate fellows;
b) Conducted external and oral assessments of the 10^{th} cohort of candidate fellows. In total, 15 fellows were assessed, 14 for graduation and one (1) for accreditation; and
c) Reviewed the policy, guidelines and procedures for the FDP, which were approved by EXCOM.

(iv) Fostering the adoption of sound practices, tools, standards and principles

In response to changing user needs, MEFMI embarked on a project to enhance the functionalities of the PCMS. The system is expected to be adopted by more MEFMI countries and also be marketed to non-member countries on a commercial basis, and contribute to the Institute's resource mobilisation efforts. Implementation of the ICRAT continued, as member countries sought to address gaps and enhance risk management oversight in reserves management. The Bank of Namibia, National Bank of Rwanda, Bank of Uganda, Bank of Tanzania, Reserve Bank of Malawi and the Central Bank of Lesotho implemented the tool in 2019. It is expected that the tool will strengthen analysis of data and provide additional information to aid sound investment decisions. MEFMI also worked with the government of Uganda to support the Insurance Regulatory Authority in generating guidelines for implementing IFRS 9 in reporting financial instruments by the insurance industry. This is expected to create an enabling regulatory environment for sustainable growth of the insurance industry in the country.

In addition, the Institute commenced work on developing a customised step-by-step financial programming and policy manual to cater for new staff in relevant client institutions. MEFMI also assisted Angola to integrate its FPAS with a monetary block while Malawi was supported to develop two (2) GDP forecasting tools. These tools will assist respective countries to support sound policy analysis and implementation.

(v) Strengthen legislative and institutional frameworks for financial and macroeconomic management

MEFMI collaborated with the World Bank to support the Insurance and Pensions Commission of Zimbabwe's efforts to upgrade supervisory skills of pensions and insurance supervisors. The collaboration provided invaluable knowledge and critical guidance in regulation models of insurance and pensions, principles of risk management, corporate governance principles and application of international standards guiding the regulation of insurance and pensions.

As part of efforts to strengthen debt management practices, the Institute collaborated with the World Bank and United Nations Conference on Debt and Development to conduct a debt management performance assessment for Zimbabwe. The assessment highlighted strengths and weaknesses in debt management in Zimbabwe, which provides a basis for reforms. In addition, a Joint MEFMI/IMF/World Bank Reform Plan Mission assisted the government of Zambia to develop an actionable plan to reform debt management practices in line with international best practice. The Institute also provided comments on Malawi's revised Public Finance Management Act, which among others, seeks to enhance the legal framework for public debt management.

2.2. Pillar 2: Diversification of Revenue Sources

As part of efforts to enhance sustainability of the Institute, the Secretariat has continued with efforts towards mobilisation of funds and other resources during Phase V.

To attract new sources of funding

The BDU conducted several profitable events generating new insights on how partnerships can be leveraged on, going forward. In line with this, a peer learning visit was made to the West African Institute for Financial and Economic Management. BDU activities were marketed in Zambia, and as a result, the Institute secured an assignment to train Bank of Zambia officials on policy development, implementation and monitoring. This assignment is scheduled to take place in the first quarter of 2020. In addition, the Secretariat successfully completed a study commissioned by the African Forum and Network on Debt and Development.

MEFMI also leveraged its partnerships with the Reserve Bank of Zimbabwe, Bank of Zambia and the Central Bank of Kenya to deliver fee-based courses on foreign exchange trading, combating money laundering, cyber financial crime and enterprise wide risk management.

Other revenue diversification initiatives delivered in the year included webinars on bank supervision and regulation; asset-liability management training for ZB Bank of Zimbabwe; and a funded research paper for the African Economic Research Consortium (AERC)'s bi-annual research workshop.

2.3. Pillar 3: Monitoring and Evaluation

As guided by the 2017-2019 Strategic Plan and the RMF thereof, MEFMI has prioritised the drive to improve the quality of information used in decision making and programme delivery. As such, the importance of M&E cannot be overemphasised in the implementation of the Phase V Strategic Plan. M&E provides the necessary information required to make decisions regarding critical areas for improvement, optimal allocation of resources, and prioritising, amongst others. During the period under review, the Institute advanced the stages of rolling out of the IMIS. This included the designing and signing of the capacity building and maintenance contract with the developer. The system will be rolled out in 2020.

(i) Strengthening the monitoring and evaluation of MEFMI programmes

The Secretariat continues to implement recommendations of the 2019 MTR. In this regard, the Institute has embarked on the process of refining the RMF, particularly in respect of indicator definitions, rationale and calculation of selected indicators to support accurate and plausible reporting of the results. In addition, the bi-annual performance review for the first half of 2019 was conducted to assess progress on planned activities and results achieved along with anticipated outcomes. The performance review of the second half of 2019 will be conducted in the first quarter of 2020.

(ii) Enhancing the production and management of quality M&E information

MEFMI continued to update the FDP database and closely monitored progress against the candidate fellows' work programmes, as well as apprenticeship programmes for graduate fellows. In addition, all BTORs were reviewed as part of the quality management process. The application of the theory of change in BTORs has also ensured that reporting goes beyond identification of programme outputs, as it links activities and the achievement of the long-term goals. This has led to better planning and evaluation of MEFMI activities and their ultimate impact.

2.4. Pillar 4: Innovation and Technology

Information Technology is a critical support function of the MEFMI business and its operations. The evolution of Information and Communication Technology (ICT) affects the business environment in many significant ways. It changes business practices, reduces costs of doing business and alters the ways in which systems should be controlled. MEFMI is continuously adapting to the changing environment and embraces opportunities in ICT as they emerge. In 2019, the Institute focused on attaining the following:

(i) Leveraging Innovation and Technology in Programme Delivery:

During the period under review, the Institute continued to leverage innovations and technology to enhance programme delivery. E-learning courses were enhanced by introducing a number of interactive multi-media and audio-visual features (such as images and graphics), as well as pre and post course quizzes. Additionally, the e-learning user guide and manual were updated to ensure uniformity of courses across the Institute. The Moodle e-learning platform was upgraded to take advantage of new features that allow users' interaction with the system. In this regard, a refresher training on e-learning interactive features was held to enhance the capacity of staff to use the virtual tools and systems to deliver courses efficiently and effectively, as well as improve productivity when working away from the office.

MEFMI also continued training staff on security awareness as a means of protecting the ICT resources of the organisation. Phishing tests and notifications of current ICT scams, as well as security awareness training courses were made available to staff to alert them of the risks and threats to IT equipment. An upgrade of the security software was carried out to ensure continued network protection from IT threats. In addition, the anti-ransomware system was replaced, and a configuration that integrates and monitors vulnerability, antivirus and windows updates and internet monitoring of network devices was setup.

In order to improve the productivity of MEFMI employees, including monitoring and user support, sustained efforts were made to ensure availability and accessibility of remote services for communication, document management and online meetings. Progressive training in the use of document management system and video-conferencing were completed to equip staff with the skills required to use the systems. Internet services were migrated to another service provider in order to stabilise and improve reliability of the internet service at the Secretariat. In order to assure the ability to recover from a disaster, disaster recovery testing was carried out. The disaster recovery tests were successful.

(ii) Improved information risk management:
MEFMI's information resources are critical for the sustained functioning of the Institute. Risk management continues to be carried out by way of identifying and registering risks in the risk register. This has been critical in monitoring the identified risks and instituting remedial measures.

(iii) Improving process workflows through fully automated systems:
The three (3) modules of the Human Resources system (Sage People 300, Sage People Employee Self Service and Sage People Payroll) continued to perform well, thereby enhancing the flow of work. The Recruitment System was used for receiving applications for two (2) vacant positions of Programme Managers in the Financial Sector Management Programme.

2.5. Pillar 5: Administrative Effectiveness

In response to the increase in demand for better governance through better compliance and constant update and reforms to match the International Financial Reporting Standards, the Finance profession is moving away from traditional reporting towards being a business advisory service within organisations. Within the context of enhanced and real time reporting, MEFMI continued to meet its reporting requirements to its member states and cooperating partners through its financial system. In addition, the Institute focused on attracting and retaining outstanding talent to successfully steer the mandate of the organisation.

Strengthening organizational culture based on core values
In accordance with the Institute's code of conduct, MEFMI continued to promote and enforce a high standard of ethical behaviour among its employees. In this regard, the MEFMI Code of Ethics was updated and is due for approval by EXCOM in March 2020. A link to enable whistle blowers to report fraudulent and corruption cases was created on the MEFMI website as part of efforts to elevate the Institute's commitment to sound governance.

SECTION THREE

MONITORING AND RESULTS MEASUREMENT

This section provides the status on progress by pillar as at the end of 2019 against the targets for the year and expected outcomes over the five (5) year period.

3.1. Pillar 1: Programming Relevance and Effectiveness

As one of the key strategic aspirations, the Institute will continue to ensure that it remains relevant to its key stakeholders by delivering high impact interventions that respond to evolving priorities of member countries. In order to realise this aspiration, MEFMI developed strategic objectives to guide outcomes at individual and institutional level in order to enhance macroeconomic and financial management competencies and practices.

3.1.1: To improve the quality of financial and macroeconomic statistics in line with latest international compilation and reporting standards

In the period under review, the number of countries sustainably compiling and producing annual debt bulletins increased from six (6) in 2018 to seven (7) in 2019. However, the target for the year was not achieved. While two (2) countries were supported to develop standard debt bulletins, the approval process has taken longer than anticipated. With regards to adoption of new versions of debt management systems, the target for the year was also not achieved as these were not released by the developers as planned. The new version of DMFAS is now expected to be released in 2020. Similarly, the Commonwealth-Meridian (CS-Meridian), which superseded CS-DRMS, will be rolled out in MEFMI member countries in 2020.

Progress was recorded on macroeconomic statistics, as the number of countries compiling national accounts statistics in line with System of National Accounts (SNA) 2008 rose from 9 in 2018 to 11 in 2019 while, the number of countries compiling GFS basing on GFS Manual of 2001/2014 rose from 10 to 12 during the period under review (Table 3). Similarly, the number of countries compiling external sector statistics in line BPM6 increased to 12 as at end-2019. In these cases, targets for the period under review were attained. The target on the number of countries compiling monetary statistics according to MFSMCG 2016 was not met as the migration process is lengthy. Countries are at different stages of full migration.

Adoption of best practices in the compilation and reporting of macroeconomic and financial statistics is expected to enhance availability of high quality statistics to inform sound policy decisions.

Table 3: Performance against quality of macroeconomic statistics 2019

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2019	Outcome December 2019	Outcome against 2021[2]	2019 MEFMI Footprint
a. Number of countries producing Annual Debt Statistical bulletins or equivalent, that meet the minimum requirements	2	8	7 (88 %)	11 (64%)	Uganda, Kenya, Tanzania, Malawi, Lesotho, Angola, Rwanda. Zambia and Zimbabwe were assisted to produce draft bulletins but these are still going through the approval process
b. Number of countries using DMFAS Version 7	0	2	0	6 (0%)	DMFAS Version 7 was not released as planned. Release is expected in 2020
c. Number of countries using CS-DRMS Version 3	0	2	0	8 (0%)	CS-DRMS Version 3 has been superseded by the Commonwealth-Meridian (CS-Meridian) which will be rolled out in the region beginning 2020
d. Number of countries compiling National Accounts statistics basing on SNA 2008	8	10	11 (110%)	12 (92%)	Kenya, Lesotho, Mozambique, Malawi, Rwanda, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
e. Number of countries compiling External Sector statistics basing on BPM6	8	12	12 (100%)	14 (86%)	Angola, Burundi, Kenya, Mozambique, Rwanda, Swaziland, Tanzania, Uganda, Zambia. Lesotho, Namibia, Zimbabwe. The target for the period under review

[2] *2021 is the last year of the MEFMI Phase V Strategic Plan.*

Indicators	*Baseline 2016 (end of Phase IV)*	*Target - December 2019*	*Outcome December 2019*	*Outcome against 2021*[1]	*2019 MEFMI Footprint*
					The target for the period under review was attained in 2018
f. Number of countries compiling Government Finance statistics basing on GFSM 2001/2014	10	12	12 (100%)	14 (86%)	Angola, Botswana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, Swaziland, Tanzania, Uganda, and Zambia
g. Number of countries compiling Monetary statistics basing on MFSMCG 2016	0	1	0 (0%)	4 (0%)	The Monetary and Financial Statistics standard is still in its infancy stage, as such member countries are at different stages of full migration to it

3.1.2: To strengthen capacity for financial and macroeconomic policy formulation and implementation

The summary of performance under this strategic objective is presented in Table 4. The table shows that the number of countries that have conducted and integrated DSAs in their annual budget planning increased from 5 in 2018 to 8 in 2019. While the number of countries that developed and used MTDS to guide borrowing decisions has remained unchanged at 9, the target for 2019 has been surpassed. The attainment of targets earlier than planned is attributed to the high demand for technical assistance, which signals growing awareness among senior officials and broader stakeholders on the importance of monitoring and managing debt vulnerabilities.

Table 4: Capacity for financial and macroeconomic policy analysis and implementation

Indicators	***Baseline 2016 (end of Phase IV)***	***Target - December 2019***	***Outcome- December 2019***	***Outcome against 2021***	***2019 MEFMI Footprint***
a. Number of countries conducting annual DSAs as an integral of annual budget formulation	2 Countries (Tanzania, Uganda)	8	8 (100%)	11 (64%)	Botswana, Eswatini, Kenya, Malawi, Tanzania, Uganda, Zambia, Rwanda
b. Number of countries with approved and annually updated MTDS	2 Countries (Zimbabwe, Tanzania)	8	9 (113%)	11 (82%)	Angola, Botswana, Kenya, Lesotho, Malawi, Rwanda, Tanzania, Uganda, Zambia
c. Satisfaction rate from capacity building activities conducted	Not computed	80%	87%	90%	

3.1.3: To strengthen legislative and institutional frameworks for financial and macroeconomic management

In order to strengthen the legal and institutional frameworks for financial and macroeconomic management in the member countries, MEFMI provides support towards the review and update of existing laws for them to conform to international best practices. In this regard, the Institute provided comments to the public debt management sections of the PFM Act of Malawi, which the government is currently reviewing. The objective was to ensure that the provisions of the public debt law are in line with sound practice. The number of countries with standalone debt management law that meet the minimum requirement for effective debt management stood at 4, against the target of 8 (Table 5). The target was not achieved because of the long administrative processes for adopting revisions to the countries' laws, including cabinet and parliamentary approvals. The number of countries with Principal Debt Management Entities organised along the sound practice of front, middle and back office functions stood at 7, which remains slightly below the 2019 target of 8.

Table 5: Performance in strengthening legislative and institutional frameworks for financial and macroeconomic management

Indicators	***Baseline 2016 (end of Phase IV)***	***Target December 2019***	***Outcome- December 2019***	***Outcome against 2021***	***2019 MEFMI Footprint***
a. Number of countries with debt management laws that meet the minimum requirement for effective debt management	2 Countries (Kenya, Zimbabwe)	8	4 (50%)	11 (36%)	Zambia, Zimbabwe, Tanzania, Kenya
b. Number of countries with Principal Debt Management Entities (debt management offices) organised along the sound practice of Front, Middle and Back Office functions	2 Countries	8	7 (88%)	11 (64%)	Mozambique, Lesotho, Kenya, Malawi, Zimbabwe, Zambia, Angola

3.1.4: To foster and enable the adoption of sound practices, tools, standards and principles

Regarding this strategic objective, MEFMI anticipates that member countries will adopt and use the manuals, handbooks, guidelines, procedures, frameworks and systems to improve their macroeconomic and financial management practices. Due to MEFMI's contribution, in the reporting period, the number of countries that have published national financial inclusion strategies increased from 11 in 2018 to 12 in 2019. Similarly, the number of member countries that adopted and implemented principles for financial market infrastructures increased from 11 in 2018 to 12 in 2019. The number of countries producing FPC data using the PCMS Version III has remained at 7, which is below the 2019 target of 8. During the period under review, MEFMI has also embarked on redesigning the PCMS as part of efforts to enhance its functionalities in supporting member countries, as well as the objective to then market it to non-member countries on commercial terms.

3.1.5: To strengthen research that supports policy analysis and implementation

In the reporting period, the Secretariat planned to conduct research studies based on member country needs for new knowledge on emerging issues in macroeconomic and financial management to aid in policy analysis and implementation. The Institute achieved its target of three (3) research papers in 2019, as follows: (i) Assessment of the National Financing and Investment Policies in the SADC and EAC Countries vis-à-vis the Regional Financing and Investment Protocol; (ii) Public Debt Accumulation in SSA; and (iii) Status in Adherence to the Global Principles for International Remittances Services. Table 6 shows details of the results in 2019.

Table 6: Performance-Strengthening research that supports policy analysis and implementation

Indicators	***Baseline 2016 (end of Phase IV)***	***Target - December 2019***	***Outcome- December 2019***	***Outcome against 2021***	***2019 MEFMI Footprint***
Number of research papers produced annually	0	3	3 (100%)	5 (40)	Assessment of the National Financing and Investment Policies in the SADC and EAC Countries vis-à-vis the Regional Financing and Investment Protocol Public Debt Accumulation in SSA Status in Adherence to the Global Principles for International Remittances Services

3.1.6: To enhance programme effectiveness

The focus under this strategic objective is to improve effectiveness of capacity building activities. In this regard, the percentage of participants who completed the modular training courses was 78 percent against the target of 55 percent in 2019 (Table 7). Results also indicate that Lusophone countries were satisfied with MEFMI's capacity building interventions. In 2019, the satisfaction rate reached 82 percent against a target of 60 percent (Table 7).

Table 7: Performance - Enhancing programme effectiveness

Indicators	***Baseline 2016 (end of Phase IV)***	***Target- December 2019***	***Outcome- December 2019***	***Outcome against 2021***	***2019 MEFMI Footprint***
a. Percentage of participants who have successfully completed the entire module	0	55%	78%	65%	**78**%
b. Satisfaction rate recorded from Lusophone on MEFMI activities	0	60%	82%	70%	**82%**

3.1.7: To increase MEFMI's visibility

Regarding this strategic objective, the Institute targeted to achieve results around three (3) core areas, namely: (a) To increase visibility of MEFMI programming[3], BDU commercial activities and Executive Fora events in the region and globally; (b) make keynote presentations in international fora such as AERC and IMF-BIS Symposium; and (c) improve collaboration with other institutions such as IMF, World Bank, AfDB, COMESA, and private sector partners. In the reporting period, 75 percent of MEFMI interventions received media coverage against a target of 60 percent. In addition, MEFMI undertook corporate social responsibility initiative in response to the cyclone Idai which affected three (3) member countries (Malawi, Mozambique and Zimbabwe). The contribution to this unplanned activity amounted to USD9,000. Table 8 indicates details of the results.

Table 8: Performance - Increasing MEFMI's Visibility.

Indicators	***Baseline 2016 (end of Phase IV)***	***Target - December 2019***	***Outcome- December 2019***	***Outcome against 2021***	***2019 MEFMI Footprint***
a. Percentage increase in activities receiving media coverage	To be computed	60%	75%	70%	Regional and Executive For a events
b. Number of communities impacted by CSI events annually	0	2	3	5 (60%)	MEFMI made cash donations USD 9,000 to the member countries that were affected by Cyclone Idai: Malawi, Mozambique and Zimbabwe

3.1.8: Mainstreaming Anti-corruption in MEFMI's capacity building activities

The anticipated outcomes in this strategic objective are that member countries will have increased awareness on corruption in macroeconomic and financial management, including emerging issues like illicit financial flows and transfer pricing. In addition, the 2019 Executive fora theme contributed towards achievement of this strategic objective by focusing on governance. These activities led to a satisfaction rate of 86 percent, compared to the target of 60 percent for the year (Table 9).

[3] *This includes workshops, tools, manuals and systems.*

Table 9: Mainstreaming Anti-corruption in MEFMI's capacity building activities

Indicators	***Baseline 2016 (end of Phase IV)***	***Target - December 2019***	***Outcome December 2019***	**Outcome against 2021**	***2019 MEFMI Footprint***
Satisfaction rate recorded on anti-corruption modules within the programme activities and MEFMI Executive fora events.	0	60%	86%	70%	**86%**

3.1.9: Mainstreaming Gender in MEFMI Operations and Capacity Building

In this strategic objective, MEFMI targeted that gender will be mainstreamed at the Secretariat and in capacity building activities. At the Secretariat, MEFMI monitored performance on three (3) dimensions, namely (i) policies that are gender sensitive; (b) individual JPMs that have a gender perspective; and (c) ratio of female to male employees, among others. The target was achieved in all the three (3) indicators (Table 10).

Table 10: Performance - Mainstreaming gender by MEFMI

Indicators	***Baseline 2016 (end of Phase IV)***	***Target - December 2019***	***Outcome-December 2019***	***Outcome against 2021***	***2019 MEFMI Footprint***
a. Number of policies reviewed and new ones developed which qualify to be gender sensitive.	Not analysed in 2016	2	5 (250%)	7 (57%)	**5**
b. Proportion of JPM which include Key Performance indicators and assessment on gender mainstreaming. MEFMI to assess participation, course content, gender analysis sections in reports, etc.	Not applicable in 2016	100%	100%	100%	**100%**
c. Percentage ratio of female to male employees at the Secretariat.	57%	50:50 (%)	57:43	50:50	**57:43**[4]

[4] *More female employees than males. Programme Assistants' skew the figures, as these positions are traditionally female. The secretariat has since dropped the policy of awarding extra marks to female candidates at recruitment time, as females are well represented across all positions*

On the programming side, all reports prepared by staff (i.e. quarterly progress reports, annual reports, BTORs, etc.) included a gender analysis component, including a gender profile of participants. In terms of gender modules, a satisfaction rate of 82 percent was recorded against an annual target of 55 percent (Table 11).

Table 11: Performance - Mainstreaming gender in MEFMI's capacity building activities

Indicators	***Baseline 2016 (end of Phase IV)***	***Target - December 2019***	***Outcome - December 2019***	***Outcome against 2021***	***2019 MEFMI Footprint***
a. Satisfaction rate recorded on gender modules within activities	0	55%	82%	70%	Received positive feedback on modular course conduced.
b. Number of reports disseminated with gender analysis component policies	0	15	All reports	100%	BTORs and other reports had a gender analysis component.

3.2. Pillar 2: Diversification of Revenue Sources

The core constraint identified at the commencement of Phase V Strategic Plan was inadequate funding for the Institute's activities. For some time, MEFMI funding has ebbed following the scaling down of contributions from the traditional donors due to shifting priorities. While the resources have dwindled over the years, the demand for MEFMI products and services by member countries to address their human and institutional capacity constraints has continued to increase.

To address this challenge, this strategic objective focuses on attracting new sources of funding, developing new and strengthening existing collaborative partnerships. Key outcomes anticipated include sustained inflow of alternative funding sources, and cost sharing through new collaborative business models with partners.

3.2.1: To attract new sources of funding

BDU generated USD152,108.61 from its activities in 2019, an improvement from USD39,312.00 in 2018 and USD19,857 in 2017. Table 12 below shows performance of the BDU as a contributions towards the target of attracting new sources of funding. The Institute responded to calls for expression on interest and was also approached by clients for consultancy services. The success rate on proposals and tenders submitted was 50 percent, against the target of 23 percent.

Table 12: Performance - Attracting new sources of funding[5]

Indicators	***Baseline 2017 (1st year of Phase V)***	***Target - December 2019***	***Outcome December 2019***
a. Percentage of budgeted revenue realised	N/A	100%	118%
b. Percentage of planned income generating activities carried out	N/A	100% (5)	100% (5)
c. Success rate on consultancy proposals and tenders submitted	N/A	23%	50%
d. Loss as percentage of income	N/A	-82%	-4%
e. Revenue as a percentage of MEFMI's total revenue	0.32%	2.2%	2.8%
f. Receipts before end of activity	0	100%	87%

3.3. Pillar 3: Monitoring and Evaluation

Pillar 3 of the MEFMI Strategic Plan is an important part of accountability and transparency. It aims at demonstrating that results are being achieved while also providing information for decision making by the Institute. The challenges identified in this pillar were (i) inadequate knowledge and skills for monitoring and evaluating capacity building programmes; and (ii) inadequate quality of M&E information.

To address this, there are two (2) strategic objectives, namely: To strengthen M&E of MEFMI's programmes and to enhance the production and management of quality information. Six (6) outcome indicators have been developed to monitor performance under this pillar.

3.3.1: To strengthen Monitoring and Evaluation of MEFMI's Programmes

Among the anticipated outcomes in this strategic objective is that MEFMI will have a functional and effective M&E system that supports data collection, analysis and reporting to demonstrate results and improve performance through timely decision making. Two (2) outcome indicators are listed to measure progress. Table 13 shows MEFMI performance in 2019.

[5] *Analysis based on BDU Activities.*

Table 13: Performance - Strengthening Monitoring and Evaluation of MEFMI's Programmes

Indicators	*Baseline 2016 (end of Phase IV)*	*Target December 2019*	*Outcome December 2019*	*2019 MEFMI Footprint* [6]
Proportion of annual targets achieved in the departmental RMF (Overall)	45%	100%	68%	**MMP** (15 out of 24 indicators: 63%) **DMP** (13 out of 20 indicators: 65%) **FSMP** (19 out of 25 indicators: 76%) **FAD** (11 out of 16 indicators: 69%)

The Institute achieved 68 percent against the target of 100 percent. This underachievement is attributed to the fact that some interventions were on-going and not completed during 2019. In addition, utilisation of some products by client institutions takes time, resulting in delays in realisation of desired results, which may go beyond the financial year in which the services were delivered. The delay in the utilisation of services could mainly be attributed to lengthy approval processes. It is also important to note that outcomes may take longer than anticipated to materialise.

3.3.2: To enhance the production and management of quality M&E information.

In this strategic objective, MEFMI expects to influence outcomes that improve knowledge and skills of staff to compile and report performance accurately and timely. Likely outcomes are adoption of comprehensive systems, data repository and retrieval, and database effectiveness. In the reporting period, MEFMI continued to consolidate database platforms to effortlessly capture, store and retrieve data required for decision making. The MEFMI IMIS was developed while training on its use was completed. However, the implementation of the system did not commence in 2019 as planned because there was a need to integrate it with other MEFMI systems.

3.4. Pillar 4: Innovation and Technology

This pillar aims to address two (2) capacity challenges, namely: inadequate use of ICT in programme delivery and workflow processes that have long completion cycles. To overcome the challenges, two (2) strategic objectives were developed, namely: (i) to leverage on innovation and technology in programme delivery; and (ii) to improve process workflows through fully automated systems. High level outcomes anticipated include enhanced business processes on the use of technology, sustained cost reduction and efficient product and services offering to client member countries. Twelve indicators are listed to measure performance around these outcomes.

[6] MMP - Macroeconomic Management Programme; DMP - Debt Management Programme; FSMP - Financial Sector Management Programme and FAD - Finance and Administration

3.4.1: To leverage on innovation and technology in programme delivery

Table 14 shows the performance of the indicators in the reporting period. Overall, the number of participants trained through the e-learning platform was higher than the target. The proportion of course delivered through e-learning was 44 percent, against a target of 19 percent for the year. Participants' feedback show 89 percent satisfaction rate on virtual tools, which is above the 2019 target of 75 percent. The online automated system for registering participants is not yet functional as it is an integral part of the IMIS, which is yet to be rolled out in 2020. It is for this reason that the proportion of participants registered using the automated on-line system annually has no data. The finalisation of the IMIS involves the integration with the Quantrix Budgeting and Reporting System, which will allow to measure value for money around e-learning delivery mode.

Table 14: Performance - Leverage on innovation and technology in programme delivery

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2019	Outcome December 2019	Outcome against 2021	2019 MEFMI Footprint
i. Number of participants trained.	40	360	400	1,800[7] (17%)	400
ii. Proportion of courses delivered using the LMS/E-Learning and technology platforms.	16%	19%	44%	22%	DMP:33% MMP:50% FSMP:50%
iii. Proportion of participants satisfied with virtual tool sessions.	0	75%	89%	85%	DMP:100% MMP:86% FSMP:80%
iv. Percentage of activities conducted using the virtual tools.	No data	40%	50%	80%	DMP:50% MMP:50% FSMP:50%
v. Proportion of participants registered using the automated on-line system annually.	0	90%	0%	100%	Enabling system was not yet in place

3.4.2: To improve process workflows through fully automated systems

In the reporting period, the MEFMI Secretariat reviewed and improved its work processes. The performance indicators include efficiency of technology and safeguarding of information key to MEFMI administration and results reporting, including accountability. Table 15 shows that all targets for 2019 were achieved.

[7] *The annual target for 2021 is 360 and the cumulative t arget 1800 participants trained.*

Table 15: Performance - Improving process workflows through fully automated systems

Indicators	***Baseline 2016 (end of Phase IV)***	***Target - December 2019***	***Outcome - December 2019***	***Outcome against 2021***
a. Percentage of documented and classified queries with historical reference	No data	100%	100%	100%
b. Time lapse between successive backups, for transaction intensive and transaction non-intensive backups	One (1) day/24 hrs for all types of backups	2:4 hrs	2:4 hrs	2:4 hrs
c. Duration of disaster recovery process	6 hrs	2 hrs	2 hrs	2hrs

3.5. Pillar 5: Administrative Effectiveness

Some of the challenges identified during formulation of Phase V Strategic Plan are weak MEFMI organisational culture, weak risk and budget management processes and observed reduction in donor support against unlikely proportionate increase in member country contributions going forward. The strategic objectives to mitigate these challenges are three (3), namely: i) to strengthen organisational culture based on MEFMI's six (6) core values; ii) to strengthen the finance and administration function; and iii) to strengthen the Institute's cost saving initiatives.

To achieve these objectives, MEFMI anticipates to sustain and standardise risk management practices, systematise staff development, and sustain effective resource allocation and management. Likewise, MEFMI will have a robust finance and administrative system supported by policy and guidelines. Several indicators have been crafted to monitor achievements of the anticipated outcomes. Below is the institutional performance.

3.5.1: To strengthen organisational culture based on core values

To ensure that staff perform professionally and share core values of the organisation, MEFMI targets to develop staff capacities through carefully selected capacity building interventions. The Institute is working on the operationalisation of the staff development plan developed in 2019. Equally, the Institute recognises that staff must achieve a balanced workload and an enabling environment to produce high quality results. In this regard, the workload analysis was completed and management recommendations are under consideration by the MEFMI governance structures. Table 16 shows performance against the planned targets for 2019.

Table 16: Performance - Strengthening organisational culture based on core values

Indicators	*Baseline 2016 (end of Phase IV)*	*Target-December 2019*	*Outcome-against 2019*	*Outcome December 2021*
a. Analysis of the status of current workload.	Last analysed in 2007	1	1	N/A
b. MEFMI-wide Staff Development Plan in place.	Staff development plan not in place	1	1	1
c. Number of interns recruited annually in compliance with the internship policy.	0	1	0 (0%)	5

3.5.2: To strengthen the finance and administration function

The Institute has a comprehensive risk management register which is reviewed and updated on quarterly basis. The risk register facilitates the identification, registration and tracking of risks that can potentially hamper business operations and achievement of the desired results. Training aimed at enhancing the knowledge and capacity of MEFMI staff in risk management was planned for in 2019 but did not materialise. As a result, staff did not have capacity to develop their departmental risk management plans. Table 17 shows the status of the results under this outcome as at 31 December 2019.

Table 17: Performance - Strengthening the finance and administration function

Indicators	*Baseline 2016 (end of Phase IV)*	*Target - December 2019*	*Outcome December 2019*	*Outcome against 2021*
a. Level of maturity basing on "the risk management maturity model" by Risk and Insurance Management Society, Inc. (RIMS) and Logic Manager (2015).	No data	level 3	No new data	level 4
b. Number of functional departmental risk management plans in place	0	4	0	4
c. Percentage of the MEFMI budget that is based on expected results/outcomes.	Results Based Budgeting	80%	100%	95%

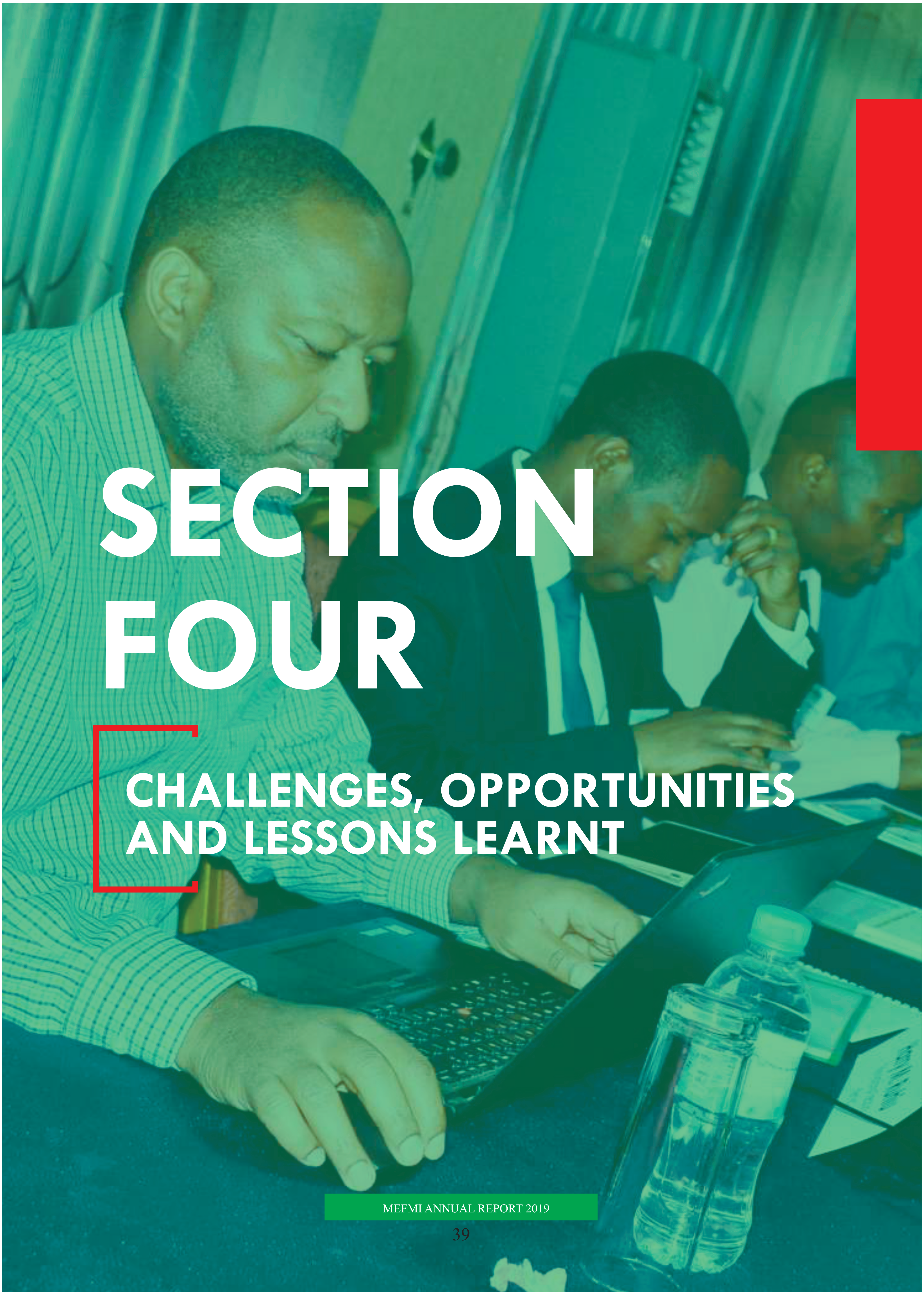
3.5.3 Strengthen the Institute's cost saving initiatives

The results indicate that generally, MEFMI is cognizant of cost saving measures. There is a 12 percent positive variance against the 2019 budget and against the target for 2019 target in the Phase V Strategic Plan of +/-8 percent (Table 18). One (1) compliance related issue was raised in the 2019 audit report against the target of zero compliance issues.

Table 18: Performance - Strengthening the Institute's cost saving initiatives

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2019	Outcome December 2019	Outcome against 2021
a. Percentage annual budget variance.	7% (2015)	+/- 8%	12%	+/-5%
b. Number of issues raised in the audit reports regarding non-compliance to existing policies and guidelines.	0	0	1	0

Overall, review of performance in 2019 suggests that out of the 85 indicators tracked, targets were met on 58 indicators, representing an achievement rate of 68 percent. This performance gap is partly a reflection of the lengthy pathway to move from activities implemented and realisation of desired outcomes. In addition, some of the indicators are no longer relevant due to their immeasurability and lack of consistency with results thereof. Nevertheless, the lower than target performance provides good pointers for urgent areas of improvement in the results measurement framework, to better respond to the dynamic funding environment and country priorities. The revamp in the M&E indicators will be done immediately using the MEFMI bi-annual performance reviews. In this regard, a limited number of indicators will be retained, and redundant ones will be dropped.



SECTION FOUR

CHALLENGES, OPPORTUNITIES AND LESSONS LEARNT

4.1. Challenges

i. Although the demand for MEFMI capacity building services is increasing, the decline in the Institute's revenue has resulted in the reduction of capacity building activities delivered. To address this challenge, the Institute has intensified collaborative efforts with other organisations, including resource mobilisation and marketing of the BDU activities.

ii. Weak coordination between fiscal and monetary institutions in some member countries has subsequently affected effective delivery of some capacity building activities, especially those that require comprehensive macroeconomic data such as debt sustainability analysis, financial programming and macroeconomic modelling. To this effect, institutions continue to be encouraged to collaborate during in-country activities in order to enhance effectiveness of MEFMI interventions.

iii. To a large extent, power load shedding in the host country affected the Secretariat's operations. For instance, intermittent email and internet services in the first half of the year led to communication challenges with external stakeholders. This was resolved in the second half of the year by migrating to a new Internet Service Provider with reliable power back-up.

iv. The change in the economic policy environment in the host country necessitated modifications to MEFMI's financial accounts and the associated systems. These changes increased consultancy costs as most of the changes required technical input from the service providers.

v. As a result of some recent developments, some of the indicators designed and targets set at the planning stage of Phase V are no longer relevant due to their immeasurability and lack of consistency with results. This has partly contributed to the reduced achievement rates in the performance of indicators in respect to their targets.

4.2. Opportunities

Notwithstanding the challenges encountered during the period under review, there have been notable opportunities:

i. The capacity gaps identified in client institutions in the areas of gender mainstreaming, e-GDDS, MAC DSA, revised Basel III, AfCFTA, FPAS, LCBM, Government Finance Statistics, PSDS, and Payments and Securities Clearing and Settlement System has created an opportunity for MEFMI to roll out in-country activities in these areas.

ii. The partnership with other capacity building organisations offers MEFMI the opportunity to deliver technical assistance at reduced costs because the cost of hiring resource persons is shared among the partners.

iii. The relationship with Banco Central do Brazil presents an opportunity to conduct more missions in Portuguese in Mozambique and Angola. Presentations in Portuguese are more helpful to participants than having English speakers present with translation services. Portuguese speakers have the advantage of wider vocabulary, especially for technical terms. Participants relate to them easily and confidently, as they participate in discussions without the fear of being misinterpreted.

iv. To counter the dwindling financial resources, the Institute has continued to leverage on virtual technology as a cost effective means of delivering trainings, conducting meetings and recruitment interviews.

v. Based on the reduced performance of the indicators relative to their targets, the Institute will leverage on bi-annual performance reviews as a platform to realign the RMF, taking into account the whole results chain from activities, outputs, outcomes and impact.

4.3 Lessons Learnt

i. There is need for continuous engagement with client institutions to ensure that relevant officials are nominated, particularly when training activities focus on specific areas of specialisation. This ensures that capacity is built on relevant people to enhance prospects for achieving desired outcomes.

ii. There is need for the Institute to update some analytical tools used for building capacity to ensure that these respond to the needs of the client institutions.

iii. For interventions that require intensive use of Microsoft Excel such as debt sustainability analysis, financial programming and financial stress testing, it may be necessary to dedicate the first day of workshops on developing skills in advanced excel. This would ensure that participants are fully involved in the practical work undertaken during activities, thereby ensuring sustainability of the outcomes of interventions.

iv. The delivery of introductory courses using e-learning is a relevant approach to addressing the needs of client institutions in view of the high staff turnover, as well as a cost saving measure for the Institute.

v. There is need for consistent communication with the Institute's e-learning hosting providers with regards to the e-learning training schedule, to ensure that upgrades do not coincide with live e-learning courses.

vi. The use of Portuguese resource persons proved to be value adding during in-country activities conducted in the Lusophone countries.

vii. Where required, there is need to regularly review the RMF to respond to the changing operating environment and country priorities. This will help in improving the accuracy in the measurement of the indicators.

ANNEX 1:
GOVERNANCE STRUCTURES OF MEFMI FOR 2019

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 14 Member States. Where a Governor is a substantive member, then the Treasury Secretary/Permanent Secretary is an alternate, and vice-versa. The Executive Director is responsible for conducting the business of the Institute and ensuring that its policies and programmes are properly developed and implemented. This is done with the assistance of a Management team comprising four (4) Directors.

The Institute operates under the direction of an Executive Committee, which consists of the Vice-Chairperson of the Board of Governors and four (4) 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 members of the Executive Committee. The Committee is chaired by the Vice-Chairperson of the Board of Governors of the Institute and is allowed to elect an Alternate Chairperson, who can preside over meetings in the absence of the Chairperson. Each member of the Executive Committee serves for two (2) years.

FINANCIAL STATEMENTS

31 DECEMBER 2019

MACROECONOMIC AND FINANCIAL MANAGEMENT INSTITUTE OF EASTERN AND SOUTHERN AFRICA (MEFMI)

(Constituted in Zimbabwe)

NATURE OF THE BUSINESS

To advice and assist member countries in the Eastern and Southern African region to develop sustainable capacity in macroeconomic and financial management and debt and reserve management; and to foster best practice for prudent macroeconomic and financial management in Central Banks and Ministries of Finance and planning.

INFORMATION ABOUT THE BUSINESS
EXECUTIVE COMMITTEE

Prof. Florens Luoga - Chair
Dr. Adelaide Mathlanyane
Mr. José de Lima Massano
Mr Ipumbu Shiimi
Dr Denny Kalyalya
Dr. John Mangudya (Executing Agency - ex-officio)
Mr. Michael Atingi - Ego (Executive Director - ex-officio)

AUDITOR

Ernst & Young Chartered Accountants Angwa City, Zimbabwe
Cnr Julius Nyerere Way/ Kwame Nkrumah Avenue
Harare, Zimbabwe

BANKERS

Stanbic Bank
SSC Building
Corner Julius Nyerere Way/
Sam Nujoma Street.
Harare
Zimbabwe

Stanbic Bank Kenya Head Office
Westlands Road
Nairobi
Kenya

Standard Chartered Bank Africa Unity Square
Nelson Mandela Avenue
Harare
Zimbabwe

REGISTERED OFFICE

9 Earls Road
Alexandra Park
Harare

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Page
INDEPENDENT AUDITOR'S REPORT	45
STATEMENT OF COMPREHENSIVE INCOME	47
STATEMENT OF FINANCIAL POSITION	48
STATEMENT OF CHANGES IN FUNDS	49
STATEMENT OF CASH FLOWS	50
NOTES TO THE FINANCIAL STATEMENTS	51-68
DETAILED STATEMENT OF INCOME AND EXPENDITURE	69

The financial statements are presented in United States Dollars (“US$”).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 4 750905-14 or 750979-83
Fax: +263 4 750707 / 773842
Email: admin@zw.ey.com
www.ey.com

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Macroeconomic and Financial Management Institute of Eastern and Southern Africa set out on pages 4 to 23, which comprise the statement of financial position as at 31 December 2019, and the income and expenditure statement, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organisation in accordance with the International Ethics Board for Accountant's Code of Ethics for professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with these requirements and (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Executive Committee for the Financial Statements

The Executive Committee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the organisation's accounting policies and for such internal control as the Executive Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Committee are responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Committee either intend to liquidate the organisation or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- Conclude on the appropriateness of the Executive Committee ' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the organisation's activities and express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Executive Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditor's report is Walter Mupanguri (PAAB Practising Certificate Number 367).

Ernst & Young

____
Ernst & Young
Chartered Accountants (Zimbabwe)

Angwa City,
Cnr Julius Nyerere Way/Kwame Nkrumah Ave,
Harare

16 June 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
INCOME	**Notes**	**US$**	**US$**
Amortisation of capital expenditure reserve - land and building	23	42 279	42 279
Co-operating partner funding	6	234 646	980 499
In-kind contributions	7	211 810	343 044
Interest income	8	26 317	83 677
Member state contributions	9	4 648 242	4 648 241
Non Member States income		-	8 484
Other income	10	25 456	62 865
Income from Business Development Unit	10.2	152 109	39 313
Total income		**5 340 857**	**6 208 401**
EXPENDITURE			
Programme Delivery			
Accommodation and subsistence	11	571 243	805 915
Non Member States Expenses		-	6 843
Facilities and materials		236 422	310 308
Professional fees	12	524 765	1 046 992
Programme delivery - staff	13.1	2 333 813	2 182 459
Travel expenses	14	419 699	646 307
Sub-total		**4 085 943**	**4 998 824**
Secretariat Administration			
Audit fees (internal and external)		31 676	29 561
Bank charges		44 474	47 624
Depreciation	17	115 072	166 275
Fund Management fees		268	8 156
Office expenses	15	364 380	339 055
Recruitment and relocation expenses		27 976	138 246
Salaries and benefits	13.2	260 335	391 094
Staff development		19 656	46 176
Exchange Loss		119 478	-
Sub-total		**983 316**	**1 166 188**
Business Development Unit expenses	10	158 098	170 940
Total expenditure		**5 227 357**	**6 335 952**
Surplus /(Deficit) for the year		**113 501**	**(127 550)**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

ASSETS	Notes	2019 US$	2018 US$
Non-current assets			
Property, vehicles and equipment	17	1 264 938	1 381 553
Current assets			
Inventory	18	32 979	47 607
Receivables	19	208 515	182 488
Cash and cash equivalents	20	4 719 903	4 699 074
		4 961 397	4 929 169
Total assets		**6 226 335**	**6 310 722**
FUNDS AND LIABILITIES			
Funds			
Residence Fund	24	-	65 506
Revaluation surplus	25.1	448 645	448 645
Reserve Fund	25.2	2 088 864	1 558 236
Accumulated funds		1 282 917	1 669 416
		3 820 426	3 741 804
Non-current liabilities			
Capital expenditure reserve - land and buildings	23	633 344	675 621
Current liabilities			
Payables	21	670 032	1 074 667
Provisions	22	822 331	607 126
Capital expenditure reserve - land and buildings	23	42 279	42 279
Residence Fund	24	237 923	169 225
		1 772 564	**1 893 297**
Total funds and liabilities		**6 226 335**	**6 310 722**

Prof. Florens Luoga
Chair - Executive Committee

Michael Atingi - Ego
Executive Director

STATEMENT OF CHANGES IN FUNDS
THE YEAR ENDED 31 DECEMBER 2019

	Residence Fund US$	Revaluation surplus US$	Reserve Fund US$	Accumulated Funds US$	Total US$
Balance at 1 January 2018	65,506	238 752	1 006 665	2 296 966	3 607 889
Appropriation to Reserve Fund			500 000	(500 000)	-
Revaluation		209 893	-	-	209 893
Interest Earned		-	51 571	-	51 571
Loss for the year	-	-	-	(127 550)	(127 550)
Balance at 31 December 2018	**65 506**	**448 645**	**1 558 236**	**1 669 416**	**3 741 803**
Balance at 1 January 2019	65,506	448,645	1,558,236	1,669,416	3,741,803
Appropriation to Reserve Fund		-	500 000	(500 000)	-
Interest Earned	-	-	30 628	-	30 628
Transfer to residence funds	(65 506)				(65 506)
Surplus for the year	-	-	-	113 501	113 501
Balance at 31 December 2019	**-**	**448 645**	**2 088 864**	**1 282 917**	**3 820 426**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Cash flows from operating activities			
Surplus / (deficit) for the year		113 501	(127 550)
Adjustment for:			
Depreciation	17	116 615	166 275
Interest income	8	(26 317)	(83 677)
Amortisation of capital expenditure reserve - land and building	23	(42 279)	(42 279)
Profit on disposal of equipment	10	-	(2 386)
Cash flow before changes in working capital		161 520	(89 617)
Net effect of working capital changes	26	(200 830)	(122 110)
Net cash outflow from operating activities		(39 310)	211 727
Cash flows from investing activities			
Proceeds from disposal of equipment		-	3 331
Interest income	8	26 317	83 677
Interest income - Residence fund		3 192	8 379
Interest income - Reserve funds	25.2	30 628	51 571
Acquisition of property and equipment		-	(72 267)
Net cash inflow from investing activities		60 137	74 691
Net increase / (decrease) in cash and cash equivalents		20 827	(137 036)
Cash and cash equivalents at the beginning of the year		4 699 074	4 836 111
Cash and cash equivalents at the end of the year	**20**	**4 719 901**	**4 699 074**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 GENERAL INFORMATION

To advise and assist member countries in the Eastern and Southern African region to develop sustainable capacity in macroeconomic and financial management and debt and reserve management; and to foster best practices for prudent macroeconomic and financial management in Central Banks and Ministries of Finance and Planning.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and presentation

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 records that are maintained under the historical cost convention except for the revaluation of certain property and vehicles.

2.1.1 (a) New and amended standards, and interpretations effective for the first time for 31 December 2019 year-end

The Institute applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Institute. The Institute has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Topic	Effective date	Key requirements
Amendments to IFRS 9 Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 January 2019	Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Institute
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied (published "January 2016) "	IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Institute is the lessor. The Institute adopted IFRS 16 using the simplified modified retrospective method of adoption with no impact on equity, with the date of initial application of 1 January 2019. The Institute applied the short term expedient on its operating lease as it has a lease term of 12 months and does not contain a purchase option (short-term leases).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.1 (a) New and amended standards, and interpretations effective for the first time for 31 December 2019 year-end (continued)

Topic	Effective date	Key requirements
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	Annual periods beginning on or after 1 January 2019	The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to re-measure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Institute as it did not have any plan amendments, curtailments, or settlements during the period.

2.2 Income recognition

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

2.2.1 Co-operating partner funding

Co-operating partner funds are recognised in the accounting period to which they relate. The contributions from co-operating partners are pooled together for use by the Institute.

2.2.2 Member state contributions

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

2.2.3 Interest

Interest income is recognised using the effective interest rate method. When a receivable is impaired, the Institute reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

2.2.4 In-kind contributions

A portion of the Institute's income is derived from in-kind contributions from member countries. In-kind income is recognised in the accounting period to which it relates. It is based on actual cost or value of the goods or services received.

2.3 Taxation

In terms of the Government Notice 428 of 2011 issued under the Income Tax Act (Chapter 23:06), the Institute is exempt from Income Tax. In terms of the headquarters agreement between the Government of Zimbabwe and MEFMI, the Institute was accorded certain privileges, immunities and facilities. MEFMI, its properties, assets, income and operations and transactions were exempted from all forms of direct or indirect taxes. For procurement the Institute remits the tax on the vatable supplies to the regulatory authorities and claims refunds for the remittances. The Institute also remits payroll and social security taxes on behalf of local employees.

2.4 Employee benefits

Short-term employee benefits include wages, salaries and social security contributions, short-term compensated absences, bonuses and terminal gratuity. Compensation for the short-term absences such as paid annual leave and paid sick leave is due to be settled within twelve months after the end of the period in which the employees render the related employee service. Bonuses are payable within twelve months after the end of the period in which the employees render the related service. Terminal gratuity is payable upon successful completion of the full period contemplated in the contract. 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.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Institute are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars ("US$"), which is the Institute's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.7 Provisions

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Where the Institute expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end.

2.8 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.

2.9 Property, vehicles and equipment

Property, vehicles and equipment are shown at fair value based on periodic valuations by independent professional valuers less subsequent accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net

2.9 Property, vehicles and equipment (continued)

amount is restated to the revalued amount of the asset. Computer equipment and office furniture are stated at historical cost. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, vehicles and equipment is calculated using the straight line method so as to allocate their cost over their estimated useful lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are recognised in the income statement.

2.9.1 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 recognised in the statement of comprehensive income.

When an impairment loss subsequently reverses, 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 recognised for the asset in prior years.

A reversal of an impairment loss is recognised in the statement of income and expenditure.

2.9.2 Valuation

Valuation of property and vehicles is done after every three (3) years and the last valuation was done in 2018

2.10 Inventory

Inventory is measured at the lower of cost or net realisable value. Cost is determined on a first in first out basis. The cost of inventory is recognised in the statement of comprehensive income as it is drawn down.

2.11 Financial instruments

Classification

The Institute classifies its assets in the category of amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its assets at initial recognition.

The Institute only has staff loans and receivables in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for those with a maturity greater than twelve months after the end of the reporting year. These are classified as non-current assets. The Institute's loans and receivables comprise "member state contributions receivable and other receivables", and "cash and cash equivalents".

Recognition and measurement

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

Impairment

The Institute uses the IFRS 9 General approach to measure expected credit losses. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate allowance for impairment account.

The Institute considers that there is evidence of impairment if there is any indication of significant financial difficulties of the debtors.

Receivables for which an impairment allowance was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within operating expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

2.12 Payables

Accounts payables represent liabilities for goods, services and member state contributions provided to the Institute prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within two months of recognition. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.13 Deferred income

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Institute's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Institute's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Institute's financial performance.

Risk management is carried out by the Executive Committee which identifies, evaluates and hedges financial risks. The Executive Committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Institute's market risks arise from open market positions in interest bearing assets and, to the extent that these are exposed to general and specific market movements.

(i) Foreign exchange risk

The Institute is not exposed to foreign currency risk because all transactions and balances are denominated in the functional currency, the US$.

(ii) Price risk

The Institute is not exposed to listed equity securities price risk because it does not hold any investments classified on the statement of financial position as financial assets at fair value through profit or loss or available for sale. At end of the reporting period, the Institute was not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Institute is not exposed to interest rate risk as it holds fixed interest money market investments, though it does not have any borrowings.

3.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a contract. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to member countries , including outstanding trade and other receivables.

There is no significant concentration of credit risk with respect to cash and cash equivalents as the Institute holds cash accounts with large financial institutions with sound financial and capital cover. Reassessment of the credit rating of each financial institution is regularly done by the Executive Committee.

The financial institutions holding cash and cash equivalents have the following external credit ratings:

		2019	2018
Financial institution	**Rating**	**US$**	**US$**
Old Mutual	A+	-	481 129
FBC	A2	-	17 086
CBZ	A1+	-	8 460
Stanbic Bank Zimbabwe Limited	A1+	326 099	2 278 529
African Banking Corporation of Zimbabwe Limited	B	-	790
Standard Chartered Bank Limited	A1+	-	10 778
Central African Building Society Limited	A1	-	49
Ecobank	A3	-	180
Reserve Bank of Zimbabwe		545 433	1 011 475
Stanbic Kenya	F1+	3 846 317	890 387
		4 717 849	**4 698 863**

Member countries receivables are based on country level contractual agreements and are recoverable.

The fair value of trade and other receivables and cash and cash equivalents at the reporting date approximates the carrying amounts

3.4 Liquidity risk

Liquidity risk arises from a mismatch of asset and liability cash flows and or different maturity profiles. Liquidity obligations arise from requirements to repay loans, advance committed funds, and make interest and other expense payments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The table below analyses the maturity profile of the Institute's assets and liabilities based on the remaining period as at the reporting date to the contractual maturity date.

3.4 Liquidity risk (Continued)

31 December 2019	**Up to 1 month US$**	**Total US$**
Assets		
Cash and cash equivalents	4 719 903	4 719 903
Receivables	105 381	105 381
Other receivables (excluding prepayments)	17 710	17 710
Total assets	4 842 994	4 842 994

31 December 2019	**Up to 1 month US$**	**Total US$**
Liabilities		
Payables	400 630	400 630
Other payables (excluding statutory liabilities)	278 742	278 742
Total liabilities	679 371	679 371
Liquidity position	**4 163 622**	**4 163 622**
31 December 2018		
Assets		
Cash and cash equivalents	4 699 074	4 699 074
Receivables	51 568	51 568
Other receivables (excluding prepayments)	76 305	76 305
Total assets	4 826 947	4 826 947
Liabilities		
Payables	751 674	751 674
Other payables (excluding statutory liabilities)	322 993	322 993
Total liabilities	1 074 667	1 074 668
Liquidity position	3 752 280	3 752 279

3.5 Financial instruments by category

	2019 US$	**2018 US$**
Financial assets at amortised cost		
Receivables (excluding pre-payments)	123 091	150 998
Cash and cash equivalents	4 719 903	4 836 111
	4 842 994	4 987 109
Financial liabilities at amortised cost		
Payables (excluding statutory liabilities)	(670 031)	(1 382 928)

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Institute makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Going Concern

The Executive Committee has assessed the ability of the Institute to continue operating as a going concern and have concluded that the preparation of these financial statements on a going concern basis is appropriate.

They believe that under the current local 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.

(b) Useful lives of property, vehicles and equipment

The Institute's management determines the estimated useful lives and related depreciation charges for its property, vehicles and equipment. This estimate is based on projected lifecycles for these assets. It could change significantly as a result of technological innovations. Management constantly reviews the useful lives of property, equipment and motor vehicles and make adjustments to the depreciation charge accordingly.

c) Valuation of property, vehicles and equipment

Property, vehicles and equipment are presented at fair value less subsequent accumulated depreciation and impairment losses. A professional valuation is performed every three years to determine the market values, remaining useful lives and residual values of property, vehicles and equipment. These measurements require the use of critical judgement. Property, vehicles and equipment were last valued by a professional valuer as at 31 December 2018.

Revaluations are done making reference to recent market transactions on arms length terms.

d) Allowance for Expected Credit Losses

The Institute reviews its Receivables to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Institute makes judgements as to whether there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

5 FUNCTIONAL CURRENCY

In February 2019 the Reserve Bank of Zimbabwe introduced a local currency pegged at USD1 : Zwl 2.5. The rate had moved to approximately USD1 : Zwl 17 by 31 December 2019.

Management have done an assessment of the impact of the change in functional currency and the use of fluctuating exchange rates. Apart from the exchange loss which has been recognised in the financial statements, management have concluded that there is no material impact on the financial statements of the entity. This conclusion was based on the fact that the entity operates mainly using USD.

5.1 Hyperinflation

Annual inflation (based on the Consumer Price Index statistics as published by the Reserve Bank of Zimbabwe) has continued to exhibit an upward trend and as a result, triggered considerations over the applicability of IAS 29 – Hyperinflation ("IAS 29") to the financial results of companies in the economy.

IAS 29 considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation which includes but are not limited to the following:

a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

5.1 Hyperinflation

IAS 29 considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation which includes but are not limited to the following:

a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
d) interest rates, wages and prices are linked to a price index;
e) the cumulative inflation rate over three years is approaching, or exceeds 100%

The Public Accountants and Auditors Board (PAAB) issued a pronouncement stating that the effective date of application of IAS 29 would cover financial statement periods ended on or after 1 July 2019

Management have evaluated these characteristics, including the communication from relevant regulators and have concluded that they are not impacted as the functional currency of MEFMI is the United States Dollar (USD), which is not the hyperinflationary currency.

	2019	2018
6 CO-OPERATING PARTNER FUNDING	**US$**	**US$**
African Capacity Building Fund ("ACBF")	91 008	627 183
Other Donors	12 000	-
World Bank	68 990	353 316
IMF	62 648	-
	234 646	980 499

6.1 ACBF
MEFMI under grant Number 327 signed an agreement of US$1.2 million with ACBF. The grant period came to an end on 28 February 2019.

6.2 World Bank
A grant agreement was signed between MEFMI and the World Bank, Word Bank Debt Management Facility Phase II ("DMF') Grant No. TFOA2231 (No.072132), amounting to US$854 706 for the period starting 14 March 2016 to 31 December 2019. Funds are claimed on a reimbursement basis. US$68,989.65 was recorded as revenue in 2019.

7 IN-KIND CONTRIBUTIONS		
Member countries	211 810	343 044
8 INTEREST INCOME		
Bank accounts	6 493	3 805
Staff loans	583	2 618
Short - term deposits	19 241	77 254
	26 317	83 677

	2019 US$	2018 US$
9 MEMBER STATE CONTRIBUTIONS		
Angola	404 813	399 395
Botswana	342 121	322 647
Kenya	375 469	390 359
Lesotho	318 656	368 427
Malawi	349 962	327 560
Mozambique	350 421	315 880
Namibia	325 191	300 793
Rwanda	320 964	305 801
Swaziland	313 276	308 254
Tanzania	396 474	386 430
Uganda	355 215	346 400
Zambia	364 118	335 845
Zimbabwe	431 562	540 450
	4 648 242	4 648 241
10 OTHER INCOME		
Profit on disposal of assets	-	2 386
Private sector partner contributions	25 000	60 000
Miscellaneous income	456	479
	25 456	62 865

10.1 BUSINESS DEVELOPMENT UNIT (BDU)

10.2 Income

In its efforts to improve financial sustainability of the Institute, the Board authorised MEFMI to start a Business Development Unit (BDU). The BDU was launched on the Ist February 2017. The funds allocated to BDU also constitute income for the section.

Income from BDU operations	152 109	39,313
	152 109	39 313
10.3 Expenses		
Programme delivery		
Accommodation and subsistence	9 760	2 590
Facilities and materials	27 426	9 021
Professional fees	28 803	14 190
Programme delivery - staff	60 856	124 117
Travel expenses	4 496	1 160
Sub-total	**131 341**	**151 078**

	2019 US$	2018 US$
Secretariat Administration		
Bank charges	1 264	1 107
Depreciation	1 542	1 876
Audit fees	1 732	1,076.68
Fund management fees	-	1 527
Office expenses	9 929	12 925
Foreign Exchange loss	11 351	-
Publications	939	1 261
Staff development	-	90
Sub-total	**26 757**	**19 862**
Total BDU expenses	**158 098**	**170 940**

11 ACCOMMODATION AND SUBSISTENCE

	2019	2018
Staff	159 221	196 779
Participants	322 185	432 691
Fellows	5 683	42 509
Resource persons	70 424	117 807
Board	13 730	16 128
	571 243	805 915

12 PROFESSIONAL FEES

	2019	2018
Macroeconomic management programme		
E Learning	-	112 445
In-country workshops	-	16 470
Fellows Development	-	221,140.00
Missions	-	71 710
Operating expenses	-	
Regional workshops	17 508	55 190
Studies	313,901	141,516.00
	331 409	618 471
Financial sector management programme		
E Learning	-	45 520
In-country workshops	-	36 522
Mission	-	53 379
Regional workshops	75 760	36 380
Studies	-	110,230
	75 760	282 031
Debt management programme		
E Learning	-	28 750
In-country workshops	-	51 400
Missions	-	18 200
Regional workshops	87 796	-
Studies	-	47 840
	87 796	146 190

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12 PROFESSIONAL FEES

	2019 US$	2018 US$
Secretariat capacity building		
Operating expenses	29,000	300
Administration		
Governing bodies	800	-
Grand total	**524 765**	**1 046 992**

13 SALARIES AND BENEFITS

13.1 Programme delivery - staff

Salaries	1 505 644	1 665 550
House rent and maintenance	48 808	41 824
Housing allowance	138 231	96 224
Medical aid contribution	106 572	56 785
Social security (NSSA)	11 015	7 547
Leave pay	3259	(6 860)
School fees subsidy	100 471	63 130
Terminal gratuity (Note)	367 978	242 980
Insurance	20 203	14 896
Other staff benefits	31 632	384
	2 333 813	**2 182 459**

Terminal gratuity

As per Remuneration Policy, all employees are paid gratuity at a rate of 25% of their monthly basic salary. This amount is provided for at the end of every month and is paid to the employee at the end of the contract or at exit.

13.2 Secretariat Administration - Salaries and benefits

Salaries	167 294	218 036
House rent and maintenance	5 423	10 147
Housing allowance	15 359	49 457
Medical aid contribution	11 841	55 424
Social security (NSSA)	1 224	4 601
Leave pay	362	12 620
School fees subsidy	11 163	34 599
Terminal gratuity	40 886	-
Insurance	2 245	1 154
Other staff benefits	4 538	5 056
	260 335	**391 094**

	2019 US$	2018 US$
14 TRAVEL EXPENSES		
Staff	77 689	101 954
Participants	212 546	362 247
Fellows	8 074	36 879
Resource persons	59 734	95 637
Board	61 658	49 591
	419 699	**646 307**
15 OFFICE EXPENSES		
Advertising	-	1 469
Air courier mail	526	760
E-communication charges	47 966	57 457
Equipment and software maintenance	15 984	35 882
General expenses	230 228	142 736
Office maintenance	14 530	18 139
Office security	18 026	18 060
Printing and stationery	12 267	17 952
Publications	10 119	18 269
Telephone and postage	14 734	28 331
	364 380	**339 055**

16 RELATED PARTY TRANSACTIONS

Related party relationship exists between the Institute, key management, Executive Committee, Board of Governors and their immediate family members

16.1 Compensation to key management personnel (Included in Note 13)

Gratuity	156 010	151 191
National Social security (NSSA)	1 712	1 668
Salaries and short-term employee benefits	770 364	733 219
	928 086	886 079

16.2 Balances due from key management personnel (Included in Note 18)

Staff loans and advances	-	-

All loans to staff were given out at an interest rate of 5% per annum. In 2018, a decision was made to cease issuing loans to staff and MEFMI now has an arrangement with Stanbic Bank where staff can access loans.

17 PROPERTY, VEHICLES AND EQUIPMENT

Year ended	Land US$	Buildings US$	Motor vehicles US$	Computer equipment US$	Office furniture US$	Total US$
31 December 2018						
Opening carrying Amount	200 000	832 265	78 125	129 808	26 414	1 266 612
Revaluation surplus/Loss	260 000	- 154 035			103 928	209 893
Additions	-	-	-	48 129	24 138	72 267
Disposals	-	-		- 1 317	- 13 930	- 15 247
Depreciation on disposals	-	-		543	13 760	14 303
Depreciation charge		- 40 342	- 34 585	- 63 385	- 27 963	- 166 275
Closing carrying amount	**460 000**	**637 888**	**147 468**	**113 778**	**22 420**	**1 381 553**
At 31 December 2018						
Cost/Valuation	460 000	640 000	152 500	464 993	397 792	2 115 286
Accumulated Depreciation	-	- 2 112	- 5 033	- 351 216	- 375 372	- 733 732
Carrying Amount	**460 000**	**637 888**	**147 468**	**113 778**	**22 420**	**1 381 553**
Year ended 31 December 2019						
Opening carrying Amount	460 000	637 888	147 468	113 778	22 420	1 381 553
Disposals	-	-	-	-	- 1 436	- 1 436
Depreciation on disposals	-	-			1 436	1 436
Depreciation charge		- 25 344	- 30 195	- 50 170	- 10 906	- 116 615
Closing carrying amount	**460 000**	**612 544**	**117 273**	**63 608**	**11 514**	**1 264 939**
At 31 December 2019						
Cost/Valuation	460 000	640 000	152 500	464 993	396 356	2 113 849
Accumulated Depreciation	-	- 27 456	- 35 228	- 401 385	- 384 842	- 848 911
Carrying Amount	**460 000**	**612 544**	**117 273**	**63 608**	**11 514**	**1 264 938**

18 INVENTORY

Consumables	**1 915**	**2 717**
Computer consumables	23 281	22 237
Publications	4 383	17 826
Stationery	3 400	4 828
	32 979	**47 607**

19 RECEIVABLES

Member countries		
Contributions due:	105 381	51 568
Other receivables		
Prepayments	85 424	54 615
Staff loans and advances - Other staff	2 937	68 272
Value Added Tax claims	14 774	8 032
Total other receivables	**103 134**	**130 919**
Total receivables	**208 515**	**182 487**

19 RECEIVABLES

During 2019, there was no write off of receivables . As at 31 December 2019, receivables of US$ 105,381 were past due but not impaired. These relate to member state contributions for whom there is no recent history of default. It was assessed that these receivables are expected to be recovered. The ageing analysis of these receivables is as follows:

Over 6 months	105 381	51 568

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The fair values of trade and other receivables are as stated above, because of their short tenor.

The carrying amounts of the Institute's trade and other receivables are denominated in US$.

The other classes of trade and other receivables do not contain impaired assets and are not past due. The Institute does not hold any collateral in relation to these receivables.

20 CASH AND CASH EQUIVALENTS

Cash on hand	2 054	213
Cash at bank	1 123 293	3 154 442
Cash at bank - Gratuity Account	19	35 232
Short term deposits	3 594 537	1 509 188
	4 719 903	**4 699 074**

21 PAYABLES

Accrued expenses	46 207	29 793
Audit fees	28 000	35 734
Member countries annual contributions	354 423	751 674
Member countries Reserve Fund contributions	36 866	-
Professional fees	204 535	257 466
	670 031	**1 074 667**

22 PROVISIONS

Leave pay	81 513	85 130
Performance bonus	28 005	29 020
Terminal gratuity	712 813	492 976
	822 331	**607 126**

22 PROVISIONS (continued)

Reconciliation of provisions

	Leave pay provision	Performance bonus provision	Terminal gratuity provision	Total provision
	US$	US$	US$	US$
As at 1 January 2018	84 540	52 514	559 933	696 986
Charge to the income statement	178 409	-	439 690	618 098
Utilised during the year	(177 819)	(23 495)	(506 645)	(707 959)
As at 31 December 2018	**85 130**	**29 019**	**492 978**	**607 126**
As at 1 January 2019	85 130	29 019	492 978	607 126
Charge to the income statement	175 778	27 608	427 982	631 367
Utilised during the year	(179 395)	(28 622)	(208 145)	(416 161)
As at 31 December 2019	**81 513**	**28 005**	**712 814**	**822 332**

23 CAPITAL EXPENDITURE RESERVE - LAND AND BUILDINGS

	2019	2018
	US$	US$
Balance at beginning of the year	717 902	760 179
Amortisation	(42 279)	(42 279)
Balance at end of year	675 623	717 900
Non-current portion of capital expenditure reserve - land and Building	633 344	675 621
Current portion of capital expenditure reserve - land and Building	42 279	42 279
Balance at end of the year	**675 623**	**717 901**

During the 2010 financial year, an amount of US$957 000 was received as a grant for the purchase and construction of land and buildings. In 2015 an additional US$99 970 was received from Burundi. US$42 279 of this grant was recognised as income in the current year while the remainder represents deferred income. The amount is being amortised over a period of 25 years which is the useful life of the buildings. There was double amortisation in 2018 so the reserve has not been a mortised in 2019.

24 RESIDENCE FUND

	2019	2018
Balance at the beginning of Year	169 225	160 846
Interest Income from the current period	3 192	8 379
Balance at end of the year	172 417	169 225
Accumulated interest Income	65 506	65 506
Total residence Fund as at year end	**237 923**	**234 731**

24 RESIDENCE FUND (continued)

The residence fund was created for the contributions made by member countries. Member countries made contributions amounting to US$150 000 towards the building of the Executive Director's residence. This amount was invested in short term money markets from 2010 to date and interest is earned on the investment. As approved by the Board of Governors starting in 2017 the reserve for the residence will be disclosed separately from the capital expenditure reserve - land and buildings.

	2019	2018
25 FUNDS	**US$**	**US$**
25.1 Revaluation reserve		
Balance at the beginning of the year	448 645	238 752
Revaluation surplus for the period	-	209,893
Balance at the end of the period	**448 645**	**448 645**

The revaluation surplus relates to the revaluation of property and vehicles that was carried out in October and November 2018

25.2 Reserve fund		
Balance at beginning of the year	1 558 236	1 006 665
Transfer from Accumulated funds	500 000	500 000
Interest Income from the current period	30 628	51 571
Balance at end of year	**2 088 864**	**1 558 236**

The Reserve Fund was created to increase the Institute's ability to absorb or respond to temporary changes in its environment or financial circumstances, such as in the event of unanticipated significant budget increases in expenses and/or losses in revenue. The target amount for the fund is approximately six months' expenditure or 50 percent of the Institute's annual budget. Amounts will be transferred as approved by the Board of Governors.

26 NET EFFECTS OF CHANGES IN WORKING CAPITAL		
Decrease /(Increase) in inventory	14 628	(1 531)
(Increase)/decrease in receivables	(26 027)	1 336 361
(Decrease) in payables	(404 635)	(1 367 080)
(Decrease) in provisions	215 205	(89 861)
	(200 830)	**(122 110)**

27 EVENTS AFTER REPORTING PERIOD

The year 2020 is expected to be dominated by new risks emanating from the COVID-19 pandemic. Both global and domestic economic activity are expected to slow-down as Governments adopt restrictive measures to curtail the spread of the virus. In Zimbabwe, Government's efforts to fight the pandemic will put further pressure on the limited fiscal resources, thereby raising the risk of fiscal slippages and further macroeconomic instabilities.

27 EVENTS AFTER REPORTING PERIOD (continued)

Impact on the business operations:

Due to the COVID-19 pandemic, and the related risks, MEFMI has activated part of its business continuity plan, and put in place various measures to ensure business does not come to a standstill.

a) The Secretariat employees are working remotely from home, with only a skeleton staff coming into the office as necessary.

b) Due to the current restrictions on travel in the MEFMI region (Eastern and Southern Africa), regional activities are being held online through the e-learning platform. The Secretariat is also in discussion with member countries to assess whether some of the planned in-country activities can be carried out remotely. The anticipated challenge here is likely to be lack of internet infrastructure for some junior staff in member countries.

c) The Secretariat will have a mid-term review of the 2020 budget, so that where an activity can't be conducted remotely, funds could re-allocated to those that can be conducted through e-learning.

d) Management meetings are being held weekly through Zoom, to assess where we are with work, and to also assess where Zimbabwe is with the management of the pandemic.

e) Cleaning of offices is being done by a cleaning company that comes in twice a week. These are equipped with masks and gloves. Social distancing is mainatined for any staff who may be in the office when they come in.

Financial statements impact:

The full financial impact of the measures being taken by the Institute in response to this pandemic cannot be quantified at the reporting date. For the 2020 financial year and subsequent reporting periods, the effects of the COVID-19 pandemic may affect the recognition and measurement of assets and liabilities in the financial statements.

The expected varying impact of the COVID pandemic will be as follows:

a) Member contributions may be delayed for some countries. However, all countries have given assurances that the contributions will be made. As at 30 April, 7 out of 13 countries had made their 2020 contributions which amount to USD 2,881,449. In addition, 9 countries have made contributions to the Reserve Fund amounting to USD 143,079. Should some countries fail to make their contribution by end of the year, consideration may have to be made on whether to make allowance for impairment or not. The likelihood of a country failing to pay completely is however low.

b) Savings will be made on regional activities that will now be offered through e-learning, as there will be no expenditure on travel and accommodation.

Accounting considerations

In accordance with IAS 10, Events after the Reporting Period, MEFMI has accounted for the current ongoing event as a non-adjusting event because the significant development and spread of the Coronavirus did not take place until March 2020. Whilst it is anticipated that the lockdown will negatively disrupt business income, expenses, impairments among other things, the future financial implications of Covid-19 could not be fully ascertained at the date of authorization of these financial statements. We will continue to monitor developments in each market and respond accordingly.

DETAILED STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
INCOME	**US$**	**US$**
Amortisation of capital expenditure reserve - land and building	42 279	42 279
In-kind contributions	211 810	343 044
Interest income	26 317	83 677
Member state contributions	4 648 242	4 648 241
African Capacity Building Refund	91 008	627 183
Non Member States income	-	8 484
Other income	25 456	62 865
Other donors	12 000	-
IMF	62 648	-
World Bank	68 990	353 316
Income from BDU	152 109	39,313
	5 340 858	**6 208 402**
EXPENDITURE		
Macroeconomic Management Programme		
In-country workshops	78 326	51 355
Missions	39 087	139 218
Operating expenses	93 326	89 446
Programme delivery - staff	777 938	795 375
Regional workshops	196 983	370 042
Participants travel -in kind expenses	57 940	111 683
Networking	3 964	7 405
Fellows Development	25 139	239,030
Studies	15 000	175 951
E learning	127 991	115 950
Monitoring and evaluation	101 259	-
	1 516 953	**2 095 455**
Financial Sector Management Programme		
In-country workshops	88 151	82 687
Missions	78 964	107 610
Operating expenses	92 464	84 160
Programme delivery - staff	777 938	717 301
Regional workshops	36 390	190 170
Participants travel - in kind expenses	50 479	93 685
Networking	5 464	36 208
Studies	-	165 418
E learning	15 040	45 577
	1 144 890	**1 522 816**

DETAILED STATEMENT OF INCOME AND EXPENDITURE (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 US$	2018 US$
Debt Management Programme		
In- country workshops	109 227	109 032
Missions	12 550	55 087
Operating expenses	98 516	82,300
Programme delivery - staff	777 938	669 783
Regional workshops	296 393	273 697
Participants travel -in kind expenses	103 391	137 676
Networking	13 621	10 189
Studies	-	83 192
E Learning	17 720	28 750
	1 429 356	**1 449 706**
Secretariat Capacity Building		
Operating expenses	83 312	114 696
Salaries and wages	-	-
Staff development and retreats	19 656	46 176
Executuve Fora	153 602	90 027
Networking	32 567	26 459
In-house workshops	19 000	1 050
Staff recruitment and relocation	27 976	138 246
	336 113	**416 654**
Business Development Unit		
Programme Delivery Staff	60 856	124 117
Staff Development	-	90
Operating expenses	25 215	27 730
Depreciation	1 542	1 876
Open courses	70 485	17 126
Staff recruitment and relocation		-
	158 098	**170 939**
Administration		
Governing bodies	73 887	68 885
Depreciation	115 072	164 399
Exchange Loss	119 478	-
Operating expenses	73 175	56 003
Salaries, wages and benefits	260 335	391 094
	641 948	**680 381**
Allowance for impairment of receivables	**-**	**-**
Total expenditure	**5 227 357**	**6 335 951**
Surplus / (deficit) for the year	**113 501**	**(127 550)**