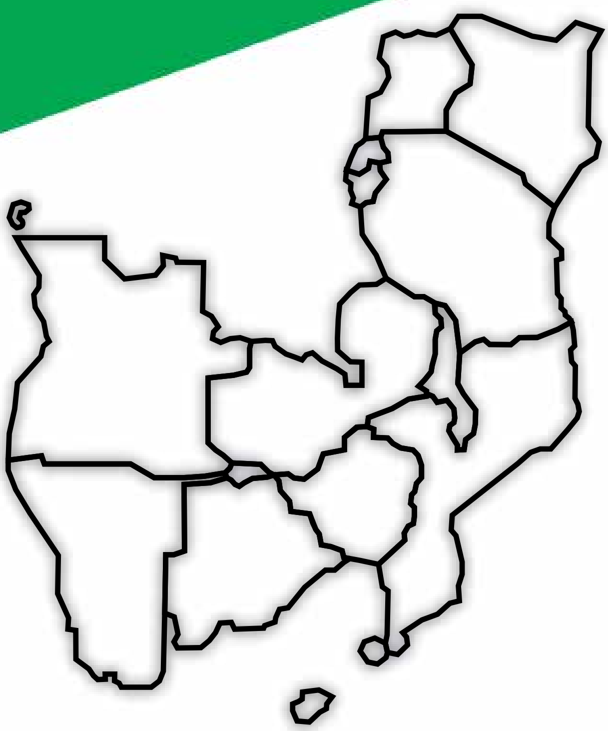
MEFMI

Macroeconomic and Financial Management Institute of Eastern and Southern Africa

ANNUAL REPORT 2020



BUILDING SUSTAINABLE CAPACITY

MACROECONOMIC AND FINANCIAL MANAGEMENT INSTITUTE OF EASTERN AND SOUTHERN AFRICA

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ABBREVIATIONS

AFRODAD	African Forum and Network on Debt and Development
AIR	African Institute for Remittances
ALSF	Africa Legal Support Foundation
BDU	Business Development Unit
BIS	Bank for International Settlements
BNA	National Bank of Angola
BOU	Bank of Uganda
BOZ	Bank of Zambia
BPM	Balance of Payment Manual
CAIM	Crown Agents Investment Management
CMI	COMESA Monetary Institute
COMESA	The Common Market for Eastern and Southern Africa
COMSEC	Commonwealth Secretariat
COVID-19	Corona Virus Disease 2019
CTP	Customised Training Programme
DMF	Debt Management Facility
DMFAS	Debt Management and Financial Analysis System
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EAC	East African Community
EXCOM	Executive Committee
EY	Ernst and Young
FINTECHs	Financial Technologies
FPAS	Forecasting and Policy Analysis Systems
FSD	Financial Sector Deepening Africa
FSDP	Fellows Development Programme
FSI	Financial Stability Institute
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
HR	Human Resources
ICRAT	Internal Credit Rating Assessment Tool
ICT	Information and Communications Technology

IDEP	African Institute for Economic Development and Planning
IFRS	International Financial Reporting Standard
IIP	International Investment Position
IMF	International Monetary Fund
IMIS	Integrated Management Information System
IRA	Insurance Regulatory Authority
JPM	Joint Performance Management
KPMG	Klynveld Peat Marwick Goerdeler
LIC	Low Income Countries
M&E	Monitoring and Evaluation
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MFSMCG	Monetary and Financial Statistics Manual and Compilation Guide
MOU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
MTDS	Medium Term Debt Strategies
MTDS AT	Medium Term Debt Management Strategy Analytical Tool
PCMS	Private Capital Monitoring System
PEFM	Public Expenditure and Financial Management
PSDS	Public Sector Debt Statistics
RBM	Reserve Bank of Malawi
RMB	Rand Merchant Bank
RMF	Results Management Framework
SADC	Southern African Development Community
SARB	South African Reserve Bank
SMART	Specific, Measurable, Accuracy, Realistic & Time bound
SNA	System of National Accounts
SSA	Sub-Saharan Africa
TDB	Trade Development Bank
TOC	Theory of Change
UNCTAD	United Nations Conference on Trade and Development
VPN	Virtual Private Network
WB	The World Bank
WEO	World Economic Outlook

STATEMENT BY THE CHAIRMAN OF THE BOARD

It is my great pleasure and honour to present the MEFMI 2020 Annual Report on behalf of the MEFMI Board of Governors. I thank MEFMI Management and Staff for their hard work in successfully implementing the 2020 Work Programme in a difficult operating environment induced by the COVID-19 pandemic, among other factors.

Mr. John Rwangombwa
Governor, National Bank of Rwanda
Chairman MEFMI Board of Governors

I would like to acknowledge and thank all MEFMI member countries, technical and financial partners for their invaluable support that made it possible for the Institute to implement activities in 2020. Member countries' financial contributions continue to account for the largest share of the MEFMI annual budget. This high level of commitment to the Institute is a clear demonstration of the strong and solid partnership between MEFMI and the member countries. MEFMI also greatly appreciates the support it continues to receive from all its stakeholders, especially in the current challenging environment which has increased the socio-economic challenges in the MEFMI region.

The strengthening of existing partnerships and exploration of new opportunities for collaboration with the private sector, multilateral agencies, and regional capacity building institutions continues to top the strategic agenda for MEFMI. Collaboration is important as it minimises donor fatigue and improves value for money by pooling resources, contributes to the reduction of cost of delivery and creates both financial and technical value that assist in alleviating the financial constraints being faced by MEFMI. In this regard, I want to extend sincere appreciation to our partners that supported the Institute in 2020, namely; African Institute for Remittances (AIR), World Bank, Investec Asset Management, Crown Agents Investment Management (CAIM), COMESA Monetary Institute (CMI), the International Monetary Fund (IMF), Commonwealth Secretariat (COMSEC), United Nations Conference on Trade and Development (UNCTAD), Financial Sector Deepening Africa (FSD), Rand Merchant Bank (RMB), Orrick, Herrington & Sutcliffe LLP (UK), the Africa Legal Support Foundation (ALSF), African Institute for Economic Development and Planning (IDEP), East, South and West AFRITACs, 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 (BIS).

This annual report coincides with the commencement of the development of the Phase VI Strategic Plan (2022 – 2026) which will succeed the Phase V Strategic Plan (2017-2021). I wish to express my sincere gratitude to MEFMI Management and Staff for the effective and efficient execution of Phase V thus far. I am confident that the development of the Phase VI Strategic Plan will be completed in time for approval by the Board in its next sitting.

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 2020. I also want to express gratitude to the Executive Committee and the Finance and Audit Committee, who worked tirelessly throughout the year to strengthen the Institute's reporting, compliance, risk management and control functions. In this regard, I am happy to announce that MEFMI has yet again received an unqualified financial audit report as shown by the audit report and opinion presented in this annual report. Management prepared the financial statements for the year ended 31 December 2020 and these were audited by Ernst and Young (EY), who are the Institute's external auditors.

In conclusion, I wish to report that the Institute bid farewell to the former Executive Director, Dr. Michael Atingi-Ego, who was appointed the Deputy Governor of the Bank of Uganda in August 2020. On behalf of the Board of Governors and on my own behalf, I would like to wish him a fruitful future in his new role. A process was initiated to recruit his successor and by close of 2020, interviews for shortlisted candidates had been conducted. Meanwhile, the EXCOM appointed Mr. Stanislas Nkhata, who is the Director of the Debt Management Programme, to act as Executive Director until the new Executive Director reports for duty.

Mr. John Rwangombwa
Governor, National Bank of Rwanda
Chairman MEFMI Board of Governors

STATEMENT BY THE MEFMI ACTING EXECUTIVE DIRECTOR

It is a pleasure for me to present the 2020 Annual Report. The year was characterised by unprecedented global challenges arising from the outbreak of the coronavirus (COVID-19) pandemic.

Mr. Stanislas Nkhata
MEFMI Acting Executive Director

The rapid spread of the COVID-19 and the restrictions implemented by most governments in the region early in the year, threatened the continuity of the Institute's operations and delivery of capacity building activities to its member countries. However, the Institute remained resolute in its commitment to deliver value to member countries by rolling out capacity building activities that addressed challenges faced in the areas of sovereign debt, macroeconomic and financial sector management. As a result, several changes were implemented in the Institute's internal operations and channels of delivering services to its member countries.

At the end of March 2020, the host country announced a national lockdown to curb the potential spread of COVID-19. Several restrictive measures were implemented as part of the national lockdown. As a result of the measures, staff at the Secretariat had to work from home for the greater part of the year. This was made possible by the successful adoption of appropriate ICT solutions. The Institute's web-based email, document management, human resources and e-learning systems were made available remotely. A Virtual Private Network (VPN) configuration for those systems that do not lend themselves to web based access, such as the accounting and payroll systems was also set up while the use of Zoom videoconferencing facilitated online meetings, for administrative effectiveness and webinars for programme delivery. Through these technologies, the Institute managed to maintain business continuity in an environment where access to the office was restricted. The environment necessitated the rapid adoption of technology and innovation, one of the strategic pillars of Phase V.

The COVID-19 pandemic and the accompanying restrictions on travel and other activities affected the delivery of capacity building interventions to member countries. Nearly all the face-to-face activities planned for the year were postponed or cancelled. However, the Institute demonstrated immense flexibility during the year by developing and implementing a revised work plan in response to the changed environment. The new work plan was anchored on delivering interventions to member countries remotely using the Institute's e-learning platform, and the Zoom platform for webinars and technical assistance missions. The work plan also contained COVID-19 themed activities, mostly webinars, to help member countries deal with the challenges presented by the pandemic. These activities were well-received by member countries.

The Institute also strengthened its drive to promote participation of Lusophone member countries in its capacity building activities by translating most of its e-learning courses to Portuguese. This was made possible by the savings that were realised from the conversion of face-to-face activities into virtual courses.

The Institute's efforts to fully implement the Phase V Strategic plan remained on course. Notable progress was recorded in enhancing monitoring and evaluation (M&E). The Results Management Framework (RMF) was reviewed during the year and, where necessary, new indicators were adopted. To further strengthen M&E, the Institute will fully implement the Integrated Management Information System (IMIS) to improve the production and management of quality M&E information.

The Business Development Unit (BDU) which had registered significant progress in the previous year, was also affected by COVID-19 and had to postpone or cancel some of its planned activities. However, the Institute managed to respond to the changed environment and successfully delivered the unit's first e-learning course. The unit also clinched some important consultancy work for AFRODAD and Government of Uganda. We will continue to build on these successes to expand the contribution of the unit to the Institute's revenue.

With the Phase V Strategic Plan drawing to its end in December 2021, the Institute commenced the development of the Phase VI Strategic Plan (2022 – 2026). The strategy development is ongoing and its draft will be finalised in the first quarter of 2021 for approval by the governance structures of the Institute.

During the year, the Institute also deepened existing and created new collaborations. A number of activities were carried out in collaboration with traditional and non-traditional partners encompassing multi-lateral institutions, public and private sector partners. Going forward, the Institute will continue to step up collaborations and co-financing arrangements with its partners to leverage on their resources and expertise. Co-financing arrangements enhance the impact and efficiency of the Institute's activities considering the limited resources at our disposal.

Without doubt, 2020 was a tough year globally and for the Institute. However, the commitment of our staff and support from member countries, Board of Governors and the Executive Committee kept the Institute running. In this regard, we give credit for the achievements made in the year to this support and commitment.

Going forward, the Institute plans to continue supporting member countries in their respective endeavours to build capacity in emerging areas as they contend with the COVID-19 pandemic and transition to the technology-driven environment, provide appropriate tools and systems and continue to leverage technology and innovation to effectively deliver its programmes. These aspirations will continue beyond the implementation of the Phase V Strategic Plan.

Mr. Stanislas Nkhata
MEFMI Acting Executive Director

EXECUTIVE SUMMARY

The main thrust of the 2020 work plan was to implement activities that contribute to the achievement of targets and objectives outlined in the MEFMI Phase V Strategic Plan (2017-2021). In the delivery of these capacity building interventions, MEFMI followed a catalytic approach centered on five (5) mutually supportive Phase V Strategic Pillars, 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. Each pillar has a set of corresponding strategic objectives, expected outcomes and annual targets. Performance evaluation of 2020 interventions thus follows a pillar-wise approach.

The key highlights of each pillar are summarised below. In reporting achievements, MEFMI is cognisant of the fact that the Institute is one of the many capacity development providers that support member countries. Therefore, some of the achievements at this level cannot entirely be attributed to any one provider. MEFMI contributes to achieving targets in line with its mandate and comparative advantages.

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 raised awareness on best practices in the compilation and dissemination of quarterly GDP statistics, economic activity indicators and the inclusion of the unobserved economy in GDP statistics; balance of payments and international investment position; international trade statistics; monetary and finance statistics; and public debt statistics. The officials are expected to apply the knowledge acquired to improve the quality of statistics, and timely availability to inform policy analysis and strategy elaboration.

Key highlights of intermediate outcomes under this strategic objective include the technical support given to the Government of Zambia to integrate the domestic debt securities into a centralised debt management system, which broadens the coverage of debt monitored and reported, while ensuring comprehensive debt information is available to facilitate debt analysis and strategy elaboration. In the area of external account statistics, the Reserve Bank of Malawi is ready to take over the responsibility of compiling and disseminating BOP and IIP statistics from the National Statistical Office of Malawi after receiving support from MEFMI.

On strengthening capacity for financial and macroeconomic policy implementation, MEFMI interventions strengthened client institutions' capacity to use existing tools and frameworks that facilitate analysis, formulation and implementation of financial and macroeconomic policies. These tools are (a) revised Debt Sustainability Analysis framework for Low Income Countries (LIC DSF); (b) Medium Term Debt Management Strategy Analytical Tool (MTDS AT); (c) Public Investment

Management (PIM); and (d) Forecasting and Policy Analysis Systems (FPAS). Other interventions conducted during the year enhanced member countries' capacity to develop their respective domestic debt markets, as well as negotiate and access external financing on favourable terms.

Among the highlights of intermediate outcomes achieved during the year is the use of the DSA findings produced with the support of MEFMI by the Governments of Tanzania and Zambia to inform budget formulation, borrowing decisions, and engagements with creditors and other relevant stakeholders. In addition, the National Bank of Angola (BNA) produced a guideline that documents the step-by-step process of using FPAS with support from MEFMI. Use of the FPAS is expected to facilitate discussions with stakeholders, which is key in shaping macroeconomic and financing policymaking in Angola.

Over and above the mentioned capacity interventions, MEFMI hosted several webinars aimed at providing support to member countries' efforts to address the economic challenges caused by the COVID-19 pandemic. These include risk management in crisis situations and impact of COVID-19 on public debt; micro, small and medium enterprises (MSMEs); reserves management; bank supervision; external sector; local currency bond market development; debt restructuring; digital financial services; COVID-19 and macroeconomic statistics; and COVID-19 and external sector issues.

MEFMI continued to develop, redesign and deploy tools and frameworks to foster adoption of sound practices in macroeconomic and financial management. Key intermediate outcomes of the interventions for the year include the support provided to the Insurance Regulatory Authority of Uganda's effort to develop guidelines for the implementation of International Financial Reporting Standard (IFRS) 17 Insurance Contracts; deployment of the Internal Credit Rating Assessment Tool (ICRAT) to the Bank of Zambia (BoZ) and National Bank of Angola (BNA); and the development of frameworks for managing contingent liabilities (such as guarantees) and on-lending operations in Zambia and Zimbabwe. In addition, MEFMI reviewed the existing legal framework for public debt management, drafted a regulatory framework for the National Directorate of Public Debt Management and advised on the appropriate structure of the newly established National Directorate for Public Debt Management in Mozambique.

The Institute also conducted interventions which strengthened capacity for regulation of securities markets, supervision of pensions, development and implementation of financial inclusion strategies and managing risks in reserves management. One of the key highlights is that the interventions prepared financial sector supervisors for the post COVID-19 crisis phase, enhanced their understanding of the prudential regulation and supervision measures to absorb the COVID-19 shock as well as the prudential treatment of extraordinary support measures, credit loss accounting and utilisation of Basel III capital and liquidity buffers. In the area of financial inclusion, the support from MEFMI helped country officials to identify common challenges they face in developing consistent and comparable financial inclusion measures and indicators, as well as balance inclusion with other important goals of financial sector integrity and stability.

MEFMI continued to develop a regional pool of experts in priority areas of sovereign debt, macroeconomic and financial sector management. In this regard, 12 Candidate Fellows were recruited as the 11th Cohort (group) of the Fellows Development Programme (FDP). One key achievement of the recruitment process is the diversity in terms of country distribution, with notable intake of officials from member countries least represented in the programme, notably Angola (1), Botswana (2) and Eswatini (1).

MEFMI will continue with its endeavour to balance country representation in the programme without compromising its quality. The other notable achievement is the ***"Meet the MEFMI Fellows Initiative"*** pioneered in 2020 to showcase the flagship FDP by profiling MEFMI Fellows in the Institute's quarterly bulletins and on the website to publicise the programme.

In a continued effort to address the language barriers and increase participation of Lusophone member countries (Angola and Mozambique) in MEFMI's capacity building activities, the Institute offered eight (8) e-learning courses in Portuguese. In addition, MEFMI utilised savings realised from the implementation of other activities to translate additional ten (10) e-learning courses from English to Portuguese. This is expected to increase the number of e-learning courses that will be offered in the Portuguese language in future and reinforce the continued relevance of the Institute's capacity building activities to Lusophone member countries.

Pillar II: Diversification of Revenue Sources

As part of efforts to enhance sustainability of the Institute, the Secretariat continued with efforts to mobilise additional revenues in 2020. While progress was affected by the COVID-19 pandemic, a few particularly notable achievements were made in line with this objective.

Several fee-paying activities were implemented, including support to a central bank on Policy Development, Implementation, Monitoring and Evaluation (M&E). Further, MEFMI successfully completed consultancy work for a Civil Society Organization (CSO), and enrolled participants from non-traditional client institutions for e-learning courses at a fee. In addition, MEFMI won a bid to develop a Public Investment Finance Strategy for a country in the region, an assignment expected to be completed in the first quarter of 2021.

MEFMI was allocated funding under the World Bank's Debt Management Facility (DMF) Phase III, to support implementation of debt management activities. Furthermore, two (2) Memoranda of Understanding (MOU) were concluded in 2020, one with COMESA, and the other with Trade and Development Bank (TDB) to foster collaboration in capacity building initiatives.

In addition, MEFMI stepped up collaboration with traditional and private sector partners to leverage their expertise and resources to enhance impact of capacity building activities in mutually beneficial areas of interest. In this regard, MEFMI established collaborative arrangements with Rand Merchant Bank, Financial Sector Deepening Africa (FSDA); Orrick, Herrington & Sutcliffe LLP (UK) and the Africa

Legal Support Foundation (ALSF), among others. The Institute had also secured firm commitments from private sector partners to support hosting of face-to-face Executive Fora activities in 2020. However, these events were not held as planned due to travel restrictions because of the COVID-19 pandemic.

Pillar III: Monitoring and Evaluation

As an integral part of M&E undertakings, MEFMI conducted two (2) bi-annual performance reviews in 2020, covering July - December 2019 and January - June 2020. The reviews identified challenges the Institute faced during the period and drew lessons for improvement. The bi-annual meetings informed adjustments to the implementation and operational strategies for the 2020 work plan, and a review of the Results Measurement Framework (RMF). In addition, the structure of the annual report was revised to track progress and outcomes per strategic pillar. As Phase V draws to a close, MEFMI commenced the development of Phase VI Strategic Plan (2022 – 2026). The preparation of the new strategic plan is expected to be completed for approval by the governance structures of MEFMI in 2021.

Pillar IV: Innovation and Technology

In a dynamic environment, MEFMI is continuously adapting to the changes and embracing opportunities in information and communications technology (ICT) as they emerge. In the face of threats caused by the COVID-19 pandemic, MEFMI underwent significant transformation by moving most operations onto a virtual environment to protect the health and safety of staff. The Institute leveraged the new digital communication platforms to introduce remote assistance to member countries and redouble outreach through a series of webinars and e-learning courses to support member countries' efforts to respond to the challenges posed by the pandemic. A total of 25 e-Learning courses were conducted in 2020, compared to a planned target of nine (9) courses in the Prospectus approved by the Board of Governors in October 2019. This shift demonstrates MEFMI's flexibility in converting face-to-face workshops into virtual training following the outbreak of COVID-19.

Staff training on ICT security awareness was reviewed to include emerging issues, including the impact of COVID-19. Phishing tests and notifications of current ICT scams as well as security awareness training courses were made available to staff to strengthen MEFMI's security posture and reduce the likelihood of breaches. The internet gateway security software was upgraded to ensure continued network protection from ICT threats. All these aimed at protecting ICT resources from various security threats.

Pillar V: Finance and Administration Effectiveness

In line with good corporate governance, the governance structures continued to meet regularly to review progress and assess the implementation of board policies and decisions. The 24th Meeting of the Board of Governors of MEFMI was held virtually to approve the 2021 Work Plan and Budget, appoint the 2021-2022 Board Chairperson, the Vice Chairman, and EXCOM members. The Board also ratified all EXCOM approvals made in 2020. The 52nd and 53rd EXCOM meetings were held via video conference and approved audited financial statements, progress reports, revised policies and procedures, among other documents. Management held a number of meetings to explore strategies for business continuity in the face of COVID-19, as well as reviewing operational manuals. The Executive Committee was supported by the Finance and Audit Committee in the review of documents.

The year 2020 demonstrated the need for close collaboration and strategic engagement with country authorities in scoping and implementing capacity building programmes, as this results in improved traction and impact. It is important that the scope of engagement at the highest decision-making level is deepened to raise awareness and secure the buy-in of senior policy makers.

SECTION 1

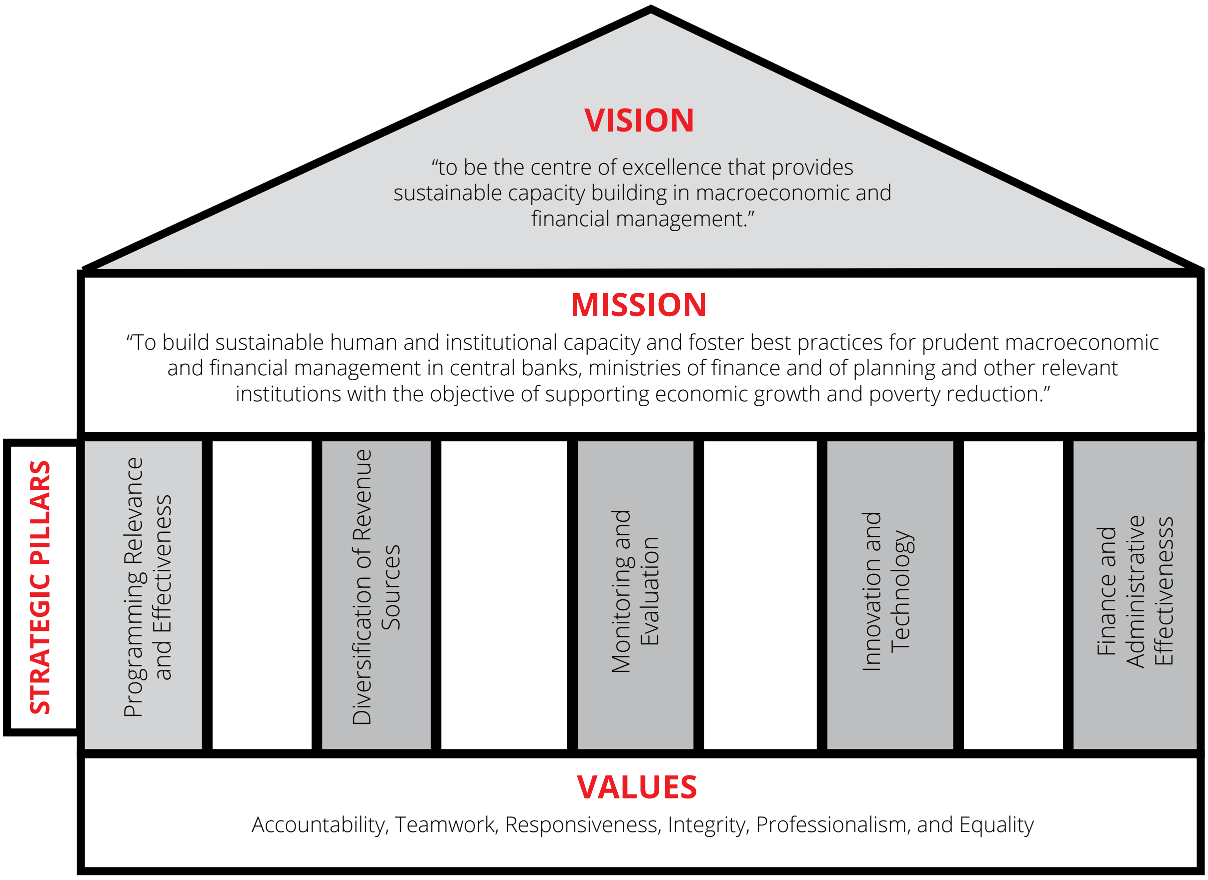
INSTITUTE WIDE SUMMARY

SECTION 1: INSTITUTE WIDE SUMMARY

1.1. Introduction

MEFMI is mandated to build sustainable human and institutional capacity of its member countries in macroeconomic and financial management. To achieve this objective, MEFMI identified five (5) strategic pillars as presented in Figure 1 that set priorities and provide a roadmap to guide activities for the period 2017 to 2021. This report provides a summary of activities implemented in 2020 and highlights key milestones towards achieving priorities set in the Phase V Strategic Plan. The Report further presents audited financial statements of the Institute for the year ended 31 December 2020..

Figure 1: Vision, Mission and Values



Given that the environment in MEFMI member countries is affected by regional and global economic developments, the activities and outcomes presented in this report are discussed in this context.

1.2. Economic Developments and Prospects

The COVID-19 pandemic adversely affected the global economy by disrupting financial and commodity markets, global supply chains, trade, travel and economic activity in 2020. The global economy plunged into a recession, as measures to contain the spread of the virus, such as lockdowns and widespread restrictions on labour mobility and travel, slowed global trade by reducing international travel and disrupting global value chains. Tighter global financial conditions, weaker external demand, and terms-of-trade losses compounded the economic slowdown. As a result of the pandemic, IMF and the World Bank estimated the global economy to have contracted in 2020 by 3.5 percent and 4.3 percent, respectively - an outcome worse than that recorded during the 2009 global financial crisis.

In 2021, both IMF and World Bank project the global economy to grow by 5.5 percent and 4 percent, respectively - reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of economic activity later in the year, expected to outweigh the drag on near-term momentum due to rising reinfections. However, both institutions point to some downside risks that remain, as recovery is based on public health factors that include widespread distribution of the vaccine, as well as the extent of global spill-over from weaker demand.

For the Sub-Saharan Africa (SSA) region, both IMF and World Bank estimates showed a 2.6 percent and 3.7 percent contraction in economic activity in 2020, respectively. In 2021, growth is expected to recover by a moderate 3.2 percent according to IMF and 3 percent according to the World Bank, a near zero percent growth in per capita terms. This outlook largely reflects the likelihood that the COVID-19 pandemic may persist for a longer period, as the rollout of vaccines is expected to lag that of advanced economies and major emerging market economies. The pace of growth is therefore expected to be slow in countries that have larger outbreaks or greater exposure to global spill-overs through tourism and industrial commodity exports.

MEFMI member countries were not spared by the negative impact of the COVID-19 pandemic as well. The pandemic put the health care systems under immense pressure, while tourism revenues, remittances and capital flows remained subdued amid rising public debt vulnerabilities. In addition, the impact of the pandemic on investment and human capital is expected to erode growth prospects and set back the achievement of key development goals. These developments are expected to put pressure on the fiscal and external positions of member countries, and in turn, minimise growth prospects in the region. Looking ahead, MEFMI member countries need to adopt socio-economic policies that help to reduce the impact of the pandemic on economic growth and incomes. Considering this, policymakers should ensure that public spending is properly targeted to safeguard public health and education, support the vulnerable households and businesses, and put in place logistical arrangements necessary for effective procurement and distribution of COVID-19 vaccines.

1.3. MEFMI Activities in 2020

In the face of threats caused by the COVID-19 pandemic, MEFMI underwent a significant transformation by moving most operations into a virtual environment to protect the health and safety of its employees. Management took a well-timed decision to move activities into the virtual environment by cancelling the face-to-face regional workshops and missions, and redeployed resources to the overwhelming needs of member countries induced by the COVID-19 pandemic and enhanced the implementation of e-learning courses.

The Institute leveraged on new digital communication platforms to introduce remote assistance to member countries, and increased outreach through a series of webinars to support member countries' efforts to respond to the challenges posed by the pandemic. Further, MEFMI offered some e-learning courses in Portuguese to address the language barriers and boost participation by Lusophone member countries (Angola and Mozambique). Table 1 presents the activities implemented in 2020, disaggregated by category.

Table 1: Activities Implemented in 2020

ACTIVITIES	Planned	Actual
Regional Workshops		
a) Residential	2	1
b) E-learning	24	25
c) Webinars / Seminars	18	14
Total Regional Workshops	**44**	**40**
In-country capacity building activities		
a) In-country Workshops	8	6
b) Country Missions	6	5
Total In-Country Activities	**14**	**11**
Other Activities		
a) Fellows Development Activities	3	3
b) Specialised Studies	0	0
c) Executive Fora	1	0
d) Governance	22	40
e) Networking	2	5
f) Staff Development	4	5
g) Business Development Unit	5	4
Total Other Activities	**37**	**57**
Grand Total- All Activities	**97**	**108**

Source: MEFMI Database (2020)

The Institute implemented a total of 108 activities, compared to 95 planned for the year, representing 114 percent implementation rate. Of the 108 activities, 40 relate to governance meetings, which became necessary as MEFMI explored options for ensuring business continuity amid the COVID-19 pandemic. These meetings also explored how MEFMI could contribute to countries' efforts to respond to the challenges posed by the COVID-19.

As Table 1 shows, MEFMI implemented 51 capacity building activities (40 regional activities and 11 in-country activities) compared to 58 planned for the year. In the first quarter of the year, the Institute implemented less than half of planned activities, as most were cancelled due to the COVID-19 pandemic. While most of these were implemented as e-learning, the others could not be accommodated in the remaining period. In addition, there was low uptake of country-specific activities, as some countries were still adapting to the new working environment that required relevant infrastructure, efficient internet connectivity and other tools to facilitate effective delivery of virtual support. MEFMI continued to engage with the respective authorities to explore feasible solutions for effective delivery of capacity building interventions.

The activities implemented during the year benefitted 2,235 officials, 961 (43 percent) of which were female, while males accounted for the remaining 1,273 (57 percent) of the total officials trained. The training raised awareness, knowledge, and capacity 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 medium to long-term.

1.4. Hallmark Achievements in 2020

In 2020, MEFMI implemented a work plan comprising activities that contributed to the realisation of 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 and financial sector supervision, as well as financial sector infrastructure. The focus of macroeconomic management activities was on improving production of data to support the analysis and implementation of monetary and fiscal policy. Specifically, the activities focused on macroeconomic modelling and forecasting, compilation and analysis of macroeconomic statistics and the monitoring and analysis of private capital flows. 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 2020	Outcome - December 2020	2020 Outcome - against Target for 2021[1]
Pillar 1			
a. Percentage of training activities on the production and dissemination of statistics recording statistically significant improvement in knowledge among the trained officials.	100%	100%	100%
b. Number of countries trained by MEFMI that are compiling and disseminating statistics in line with international standards.			
(i) SNA 2008	11	13	14 (93%)
(ii) BPM6	13	13	14 (93%)
(iii) GFSM 2001	13	13	14 (93%)
(iv) MFSMCG 2016	3	3(100%)	4 (75%)
(v) PSDS	10	10 (100%)	11(90%)
c. Percentage of training activities on the analysis and implementation of macroeconomic policies recording statistically significant improvement in knowledge among the trained officials.	100%	100%	100%
d. Number of countries conducting annual DSAs as an integral part of annual budget formulation	10	9 (90%)	11 (82%)
e. Number of countries with approved and annually updated Medium Term Debt Strategies (MTDS)	10	10 (100%)	11 (91%)
f. Number of countries with standalone debt management laws that meet the minimum requirement for effective debt management	10	7(70%)	11 (64%)
g. Number of countries with Principal Debt Management Entities (debt management offices) organised along the sound practice of Front, Middle and Back Office functions	10	9 (90%)	11 (82%)

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

Indicators	Target 2020	Outcome - December 2020	2020 Outcome - against Target for 2021[1]
h. Number of countries that have adopted and are using Private Capital Monitoring System–PCMS.	9	7(78%)	9 (78%)
i. Number of countries that have adopted and are using ICRAT	10	8(80%)	13(61%)
j. Percentage of Fellows actively involved in the provision of capacity building services in the MEFMI region.	24%	18% (75%)	18% (75%)
k. Proportion of 10th Cohort of Fellows who successfully graduated	100%	100%	100%
l. Percentage ratio of female to male employees at the Secretariat, based on current 50:50 ratio	50:50	50:50	50:50
Pillar 2			
m. Financing business proposal success rate	100%	67%	67%
Pillar 3			
n. Proportion of annual targets achieved in departmental RMF (Overall)	100%	75%	75%
Pillar 4			
o. Percentage of activities conducted using virtual tools.	40%	100%	100%
p. Turnaround time for ICT queries (the time between the arrival of a case and its completion).	24 hrs	24 hrs	24 hrs
Pillar 5			
q. Risk compliance gap (current practices versus best practices in risk management).	6	6	6(100%)
r. Budget variance.	+/- 7%	7%	+/-5%

SECTION 2

IMPLEMENTATION STATUS AND ACHIEVEMENTS

SECTION 2: IMPLEMENTATION STATUS AND ACHIEVEMENTS

2.1 Pillar 1: Programming Relevance and Effectiveness

MEFMI is committed to continuously improve its relevance by providing capacity building services in areas that are demanded by client institutions. It is devoted to delivering its services in an effective manner which highly impacts the targeted audience, including enhancing its delivery modes to meet the demands of client institutions.

Under this Pillar, MEFMI interventions focused on improving the quality of macroeconomic and financial statistics and promote their dissemination in line with international compilation and reporting standards; strengthening capacity for policy analysis, strategy formulation and implementation; and fostering the adoption of sound practices, tools, standards and principles in macroeconomic and financial management. Several notable achievements were made in line with these objectives, and the highlights of these achievements are as follows:

i. Improving the quality of financial and macroeconomic statistics in line with the latest international reporting standards:

MEFMI interventions during the year focused on supporting member countries' efforts to produce and report quarterly gross domestic product (GDP), economic activity indicators and the unobserved economy; balance of payments and international investment position (BOP/IIP); international trade statistics; monetary and finance statistics; and public sector debt statistics. These interventions raised awareness on best practices in the compilation of statistics and enhanced the capacity of country officials to compile and disseminate these statistics in line with international best practices. The officials are expected to apply the knowledge acquired to improve the quality of statistics produced, and their timely availability to inform policy analysis and strategy elaboration.

With the technical support provided by MEFMI, the Reserve Bank of Malawi (RBM) is ready to assume the responsibility of compiling and disseminating BOP and IIP statistics, which is currently undertaken by the National Statistical Office of Malawi. In Zambia, the integration of domestic debt securities into a centralised debt management system is expected to improve the quality and coverage of debt monitored and reported, while ensuring comprehensive debt data is easily available for debt analysis and strategy elaboration.

The intervention on Quarterly GDP, Economic Activity Indicators and Unobserved Economy is expected to promote inclusion of the unobserved economy in the calculation of GDP figures, development of economic activity indicators and improve the dissemination of consistent and comparable quarterly GDP figures. The member countries are also expected to explore innovative ways of compiling monetary and financial statistics in a virtual working environment, and statistics on international trade in services, which is still hampered by deficiency of robust data collection systems.

Over and above the interventions mentioned, a webinar hosted by MEFMI on the *Impact of COVID-19 on macroeconomic statistics* raised awareness on fundamental considerations on data collection, compilation, dissemination and forecasting of key macroeconomic indicators during pandemics. It also focused on new data strategies, given remote working conditions, as well as exploring innovative data collection methods and sources. This is expected to improve strategies on collection, compilation, dissemination and forecasting of key macroeconomic indicators for better economic policy formulation and analysis.

ii. Strengthening capacity for financial and macroeconomic policy analysis:

The interventions largely focused on strengthening the client institutions' capacity to use existing tools and frameworks to enhance the analysis and implementation of financial and economic policies. These tools include the (a) the IMF/World Bank revised Debt Sustainability Analysis Framework for Low-Income Countries (LIC DSF); (b) the IMF/World Bank Medium Term Debt Management Strategy Analytical Tool (MTDS AT); (c) Public Investment Management (PIM); and (d) Forecasting and Policy Analysis Systems (FPAS). The other interventions focused on building member countries' capacity to develop their domestic debt markets, as well as access external financing on favourable terms and conditions. These were delivered virtually either as country-specific interventions or regional training.

Significant knowledge transfer is one of the key achievements of these capacity interventions undertaken during the year. Officials' capacity to undertake key tasks in sovereign debt and macroeconomic management was developed, such as conducting debt sustainability analysis; formulation of medium-term debt management strategies; forecasting and policy analysis; and develop PIM reform action plans. They are expected to undertake these tasks in future, with little or no external support, and drive necessary reforms in their countries.

MEFMI supported the Governments of Tanzania and Zambia to assess the sustainability of their existing public debt and envisaged future borrowings, taking into account the impact of the COVID-19 shock on their respective economies. This guided the two (2) Governments' borrowing and debt management decisions and their engagement and dialogue with relevant stakeholders. This also raised awareness at senior level policymakers on the importance of DSAs as a tool for monitoring countries' risk of external and domestic debt distress, informing annual budget formulation and borrowing decisions.

In Angola, MEFMI supported the National Bank of Angola (BNA)'s effort to build the capacity of its staff to use the new monetary block of the Forecasting and Policy Analysis Systems (FPAS). Apart from acquainting staff with knowledge on how the FPAS works and the interpretation of policy recommendations emerging from the model simulations, a guideline that documents a step-by-step process of using FPAS was produced and translated from English to Portuguese. The officials are expected to apply the knowledge acquired and use FPAS as a basis for facilitating discussions, which is key for shaping macroeconomic and financing policies in Angola.

At the regional level, MEFMI collaborated with the IMF to raise awareness on best practices in public investment management (PIM). As part of this support, countries developed their reform plans which identified strengths, areas requiring improvements in their public investment management practices and a roadmap for addressing identified capacity building needs. The trained country officials are expected to use the knowledge and skills acquired to drive reforms required to improve PIM practices in their respective countries.

In the area of debt markets, MEFMI's interventions enhanced the capacity of country officials to identify key constraints and understand reforms needed to support the development of domestic debt markets in their countries. They are expected to develop tailored actionable plans that identify, prioritize, and guide the implementation of reforms in their countries. In addition, MEFMI enhanced debt managers' loan negotiation skills and understanding of strategic and operational issues in accessing international capital markets. With this knowledge, debt managers are expected to secure favourable borrowing terms for the governments and interact effectively with different stakeholders in the international market for better outcomes, as well as manage costs and risks of their public debt portfolios to safeguard debt sustainability.

MEFMI also supported countries to strengthen their capacity to use standard frameworks such as the Medium-Term Debt Management Strategy Analytical Tool (MTDS AT) as a basis for formulating debt management strategies that are underpinned by a sound cost-risk analysis of the debt portfolio. Country officials are expected to apply this knowledge to develop borrowing strategies for their countries by combining different sources of finance in a way that optimizes the composition of public debt portfolios, which is key to safeguarding debt sustainability.

MEFMI also intervened in emerging areas such as E-Government and E-Public Finance to assist governments to reshape their public finances in a way that is consistent with the evolving technological landscape. With this knowledge, countries are expected to leverage digital technology to improve the effectiveness of public finance systems which may generate widespread long-lasting benefits. In addition, MEFMI collaborated with the IMF to impart knowledge on how to incorporate contingent liability tools into the fiscal risk toolkit.

Over and above the mentioned capacity interventions, MEFMI hosted various webinars aimed at providing support to member countries' efforts to address the economic challenges caused by the COVID-19 pandemic. These include:

a) ***Implications of COVID-19 on public debt and the proposed responses,*** which enhanced the knowledge of participants and other stakeholders on the impact of COVID-19 on public debt and raised awareness on debt relief initiatives by the international community. MEFMI expects public sector officials to use this knowledge to develop and implement strategies that better respond to the challenges posed by the pandemic without compromising public debt sustainability.

b) ***Impact of the lockdowns on Micro, Small & Medium Enterprises (MSMEs) and financial market infrastructures,*** which enhanced knowledge of participants and other stakeholders on the impact of the COVID-19 pandemic on MSMEs, the implications of macroeconomic policy responses to the pandemic and how payment systems can be reshaped to address specific issues faced by MSMEs. MEFMI expects member countries to continue exploring the potential gaps that exist in the current policy responses to make informed decisions on how best the MSMEs sector can be served. MEFMI also plans to support countries in priority areas such as remittances, collateral registries and credit bureaus that were identified through the feedback session at the end of the webinar.

c) ***Impact of COVID-19 pandemic on reserves management in central banks,*** which enhanced knowledge of participants on the implications of the COVID-19 pandemic on reserves management. It identified insights from the global investment environment, assessment of US-dollar liquidity pressures and subsequent key drivers of interest rates, foreign exchange rates, sovereign yields and credit spreads, volatilities, correlations, equities market reactions and total returns. MEFMI expects reserves managers and other officials to use this knowledge to develop and implement investment strategies that aim to achieve the objectives of managing and holding reserves during pandemics.

d) ***Impact of COVID-19 on bank supervision,*** which enhanced participants' knowledge of the impact of the COVID-19 pandemic on the financial sector and the measures that banks and bank supervisors are implementing to mitigate the adverse impact of the crisis on financial sector stability. It is expected that bank supervisors will use the knowledge to develop and implement appropriate strategies to contain the impact of the crisis in their respective jurisdictions.

e) ***Digital financial services and COVID-19,*** which enhanced participants' knowledge on how digital financial services are being used to alleviate the impact of COVID-19 on businesses, individuals, and vulnerable sections of society. Examples from across the world were used to demonstrate how digital financial services have allowed financial institutions to continue offering services in the wake of the lockdown. It also highlighted how the right policy environment can support the digital transformation to drive inclusive finance and spur economic recovery in the post-lock down period. MEFMI expects member countries to create, in their respective jurisdictions, a well-regulated environment where digital financial services can thrive.

f) ***Impact of COVID-19 on the external sector,*** which raised awareness on the pandemic-induced swings in international trade, remittances, capital flows to the region and provided insights into various policy options and opportunities that countries can leverage to mitigate emerging risks. MEFMI expects that the officials who participated in the webinar will build on the knowledge gained, to explore policy options and implement strategies to withstand the external shocks to their economies.

g) ***Impact of COVID-19 on domestic debt markets,*** which raised awareness on some key considerations for sovereign debt managers and policymakers when confronted by volatile funding markets while financing requirements are increasing. For debt managers, these included adapting issuance techniques, modifying maturities, liability management operations, aligning borrowing plans/issuance calendars, investor relations, and coordination requirements with cash managers and central banks.

h) ***COVID-19 and debt restructuring,*** which discussed opportunities available to developing countries on debt restructuring during both the COVID-19 containment phase and thereafter. It raised awareness on key considerations for sovereign debt managers and policy makers, challenges that some countries are facing and explored alternative debt restructuring initiatives that institutions such as MEFMI should support to help member countries.

i) i) MEFMI also partnered with the World Bank to discuss ways in which pensions can navigate the COVID-19 crisis. The webinar discussed how pensions can preserve value and balance access and adequacy during the period of the crisis. It also delved into supervisory interventions that can be implemented by pensions regulators and supervisors in the region to mitigate the adverse impact of the crisis while fostering pensions sustainability and efficiency.

iii. To strengthen legislative and institutional frameworks for financial and macroeconomic management

The interventions focused on strengthening capacity for regulation of securities markets, supervision of pensions, development and implementation of financial inclusion strategies and management of risk in reserves management. These interventions were delivered through e-learning.

In the area of financial inclusion, MEFMI supported member countries' efforts to promote the development and implementation of national financial inclusion strategies. The intervention addressed challenges faced by member countries in developing consistent and comparable financial inclusion measures and indicators, as well as balance inclusion with other important goals of financial sector integrity and stability. MEFMI expects the trained officials to advance the creation and implementation of effective strategies to improve financial inclusion in their respective jurisdictions.

MEFMI also hosted an e-learning course on regulation of securities markets and supervision of pensions. This raised awareness and enhanced knowledge on traditional and emerging issues in securities regulation such as global best practices and international standards for regulation of securities markets, risk-based supervision, anti-money laundering and combating the financing of terrorism and regulation of financial technology entities (FINTECHs) as well as cross-border cooperation amongst regulators and self-regulation. MEFMI expects the officials to use the knowledge gained from the course to strengthen the regulation of securities markets, thus enabling them to play a greater role in financing development.

In addition, the intervention on pension regulations and supervision enhanced country officials' understanding of the models, processes and challenges involved in the regulation of pensions and the role that pensions play in improving financial inclusion. The COVID-19 pandemic also provided a practical test case on how resilient the pension systems are and sheds light on how successful systems are best managed and designed. MEFMI interventions in this area strengthened participants' knowledge on how pension systems can be made more secure, adequate, efficient, and inclusive. It is expected that participants will use the knowledge to strengthen policy and regulatory frameworks as well as supervisory practices governing pension systems in their respective jurisdictions.

In risk and foreign exchange reserves management, MEFMI's support focused on enhancing country officials' understanding of the impact of the COVID-19 pandemic on reserves management, the challenges facing reserves managers and lessons learnt from interventions taken. The trained officials are expected to use the knowledge to improve risk management and pave way for the adoption of best practices in reserves management.

Lastly, MEFMI collaborated with FSI to host a virtual seminar on prudential issues arising from the effects of the COVID-19 pandemic, focusing on two issues (i) evaluating the COVID-19 impact and preparing the post-crisis phase, and (ii) prudential regulation and supervision measures to absorb the shock. The seminar discussed the pressures on the banking system arising from the COVID-19 shock in comparison to past episodes of banking distress, the prudential treatment of extraordinary support measures, credit loss accounting and utilisation of Basel III capital and liquidity buffers. Participants are expected to use the knowledge acquired to develop and implement tailored measures to protect the financial systems in their respective jurisdictions during shocks of similar magnitude to the COVID-19 pandemic.

iv. To foster and enable the adoption of sound practices, tools, standards and principles

MEFMI supported the Insurance Regulatory Authority (IRA) of Uganda's effort to raise awareness among staff and its supervised entities on the implementation of IFRS 17 and explored options for implementing this standard. Participants received information on the likely impact of IFRS 17 and the differences it will bring to financial reporting for insurance companies. This set the tone for stakeholder consultations and surveys that will be undertaken by MEFMI consultants as they develop guidelines for IFRS 17 implementation in Uganda. It is expected that participants will use the knowledge acquired to support the work being done by the IRA and MEFMI so that the standard can be adopted in Uganda with minimal challenges.

MEFMI supported the Governments of Zambia and Zimbabwe to develop frameworks for managing contingent liabilities (such as guarantees) and on-lending operations. Draft frameworks for managing these contingent liabilities were produced, and recommendations on how to strengthen the legal framework for managing contingent liabilities were proffered. Participants' knowledge on contingent liabilities and on-lending credit risk assessment was enhanced. Going forward, MEFMI expects officials in the two (2) countries to use their respective frameworks for effective management of contingent liabilities and on-lent agreements.

MEFMI assisted the Government of Mozambique to review the existing legal framework for public debt management and advised on the appropriate structure of the newly established National Directorate for

Public Debt Management, including key functions for each department, and carried out an assessment of the existing human capacity for the Directorate. A draft regulatory framework for the National Directorate of Public Debt Management was developed, and this was submitted to the authorities for consideration. This intervention was delivered in Portuguese. MEFMI will explore collaborative arrangements with other partners to deliver technical assistance to strengthen debt management operations in Mozambique going forward.

MEFMI deployed the Internal Credit Rating Analysis Tool (ICRAT) to the Bank of Zambia and Banco Nacional de Angola in 2020. This is expected to assist reserve managers in the two (2) central banks in managing credit risk.

The Institute continued to work on revamping the Private Capital Flows Monitoring System (PCMS), to ensure that it meets the emerging needs of users as well as align it with technological advancements. The new version of the system will be rolled out in 2021 and is expected to facilitate more efficient reporting of data on private capital flows in the region.

v. Developing regional expertise in priority areas of sovereign debt, macroeconomic and financial sector management

MEFMI continued to develop a regional pool of experts in priority areas of sovereign debt, macroeconomic and financial sector management. In 2020, 14 Candidate Fellows graduated, and one (1) Graduate Fellow was accredited. These comprised eight (8) males and seven (7) females. As a way of preparing them to deliver quality services in their respective countries and the MEFMI region, the Graduate Fellows were trained in consulting and facilitation.

In addition, the Secretariat recruited 12 Candidate Fellows (8 males and 4 females) under the 11th Cohort of the Fellows Development Programme (FDP). The successful candidates were from nine (9) member countries, namely: Angola (1 male), Botswana (2 females), Eswatini (1 male), Malawi (1 female), Namibia (1 male), Rwanda (1 male), Uganda (1 male and 1 female), Zambia (1 male) and Zimbabwe (2 males). After recruitment, they went through the orientation programme to prepare them for their FDP journey.

In an effort to showcase the MEFMI flagship FDP, the Secretariat pioneered the *"Meet the MEFMI Fellows Initiative"* in 2020, where it features both Graduate and Accredited Fellows in the MEFMI quarterly bulletins and website. A total of 11 Fellows (8 males and 3 females) have so far been featured and the Secretariat plans to continue with this in subsequent editions as part of the effort to market and publicise the programme.

vi. To enhance Programme effectiveness

In a continued effort to address the language barriers and increase participation of Lusophone member countries (Angola and Mozambique) in MEFMI's capacity building activities, the Institute offered the following e-learning courses in Portuguese: Financial Negotiation Skills and Techniques, Monetary Policy Analysis, Regulation of Securities Markets, International Trade Statistics, Introduction to Monetary and Financial Statistics, Introduction to e-Government and e-Public Finance, and International Sovereign Bond Issuance. These courses enhanced participants' capacity for policy analysis, as well as produce quality financial and macroeconomic statistics in line with the latest international reporting standards. In addition, MEFMI utilised savings realised from the implementation of some activities to translate ten (10) E-learning courses from English to Portuguese. This is expected to increase the number of e-learning courses that will be offered in Portuguese in future and enhance the relevance of the Institute's capacity building activities to Lusophone countries.

2.2 Pillar 2: Diversification of Revenue Sources

As part of efforts to enhance the sustainability of the Institute, the Secretariat has continued with efforts towards mobilisation of funds and other resources during Phase V. In 2020, the progress on revenue diversification was affected by the COVID-19 pandemic, which led to the cancellation of BDU activities planned for the year.

i) Attract new sources of funding

MEFMI supported a central bank on Policy Development, Implementation, Monitoring and Evaluation (M&E) on a commercial basis. Two (2) other fee-based activities planned for the year were cancelled due to the COVID-19 pandemic.

MEFMI successfully completed consultancy work for a Civil Society Organization (CSO), which involved producing an annual public debt report for a country in the region. The Institute also enrolled participants from non-traditional client institution for an e-learning course on International Sovereign Bond Issuance at a fee.

In addition, MEFMI was awarded a tender to develop a Public Investment Finance Strategy for Uganda, and the assignment is expected to be completed in the first quarter of 2021. BDU also submitted a proposal to provide consulting services for the Sub-National Capacity Building Project of the Debt Management Office in Nigeria.

The BDU also offered an inaugural e-learning course on cybersecurity in the financial services sector to strengthen participants' understanding of core principles and functions of cybersecurity governance and risk as well as compliance as a critical part of an effective cybersecurity strategy. The course attracted 42 participants, of which 27 were officials of eight (8) MEFMI member countries. The other 15 participants were staff from non-member countries or non-client institutions.

BDU began developing content in preparation for rolling-out more e-learning courses to replace the face-to-face activities that has become the norm due to the COVID-19 pandemic.

ii) Strengthening existing and creating new collaborative partnerships

MEFMI was allocated US$403,315 under the World Bank's DMF Phase III, to support the implementation of debt management activities. The DMF III will initially be implemented from 2021 to 2022, and depending on the progress, will be extended for three (3) years.

Firm commitments were received from private sector partners to support the hosting of face-to-face Executive Fora activities in 2020. Crown Agents Bank committed to contribute US$35,000 as financial support for the Deputy Principal Secretaries' and Deputy Governors' Forum. In addition, Ninety One (formerly Investec Asset Management) committed to contribute US$50,000 for the Governors' Forum and the Retreat for Heads of Supervision. However, these events were not held as planned due to travel restrictions because of the COVID-19 pandemic.

MEFMI entered into an agreement with the South African Reserve Bank (SARB), where the latter committed to support five (5) MEFMI activities (2 mainstream and 3 BDU) through the provision of resource persons or conferencing facilities. However, these activities were postponed to 2021 due to the COVID-19 outbreak.

MEFMI signed a Memorandum of Understanding (MOU) with COMESA, where the two (2) institutions will collaborate to conduct activities of common interest. The Institute leveraged this MOU to secure gratis resource persons to review course content on the e-learning course on International Trade Statistics during the year.

In addition, an MOU was also signed between MEFMI and Trade and Development Bank (TDB) to foster collaboration in capacity building initiatives. The initial areas of focus will be in sovereign debt management and trade finance.

MEFMI agreed on collaboration with WAIFEM and IMF Statistics to conduct online activities in macroeconomic statistics in 2021. These include the following: Quarterly National Accounts; Cross Border Position Statistics; and Government Finance Statistics.

2.3 Pillar 3: Monitoring and Evaluation

Monitoring and Evaluation (M&E) plays an instrumental role in the measurement and tracking of progress on the implementation of capacity building programmes and ascertain the attainment of stipulated goals and results. MEFMI has over the past years been strengthening its M&E framework as evidenced by the adoption of the Theory of Change (TOC), which aims to provide a picture of the impact of MEFMI's interventions in its client institutions. The key highlights of the M&E interventions are presented below.

i) Strengthening the monitoring and evaluation of MEFMI programmes

As an integral part of M&E undertakings, MEFMI conducts programme performance reviews bi-annually. The 7th and 8th bi-annual performance review meetings were conducted in 2020 to ascertain the extent to which the planned activities in the 2019 and the first half of 2020 work plans were conducted and whether the intended results were achieved. The meetings also provided an opportunity to identify challenges that MEFMI faced during the review period, and draw lessons from these challenges and successes.

Lessons derived from the review meetings informed adjustments to the implementation and operational strategies of the 2020 work plan, and a review of the RMF. The RMF review constituted five (5) stages: i) ascertaining the extent to which results reflect the identified problems or constraints; ii) classifying results or outcomes according to the three (3) standard categories (immediate outcomes, intermediate outcomes and impact); iii) ascertaining whether the indicators for each result are appropriate, taking into account the SMART (Specific, Measurable, Accurate, Realistic and Time-bound) attributes of an indicator; iv) reviewing the outputs and activities to establish their appropriateness and logical linkage with the respective outcomes, and v) reviewing the targets and setting new ones where required (especially in instances where new indicators have been identified). The revised RMF has been transposed to the Integrated Management Information System (IMIS).

The review of the RMF was followed by the training of 22 staff members in the fundamentals and essential aspects of monitoring and evaluation, to enhance their capacity to monitor and evaluate capacity building activities they implement.

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

To improve the capturing and reporting of results set out in the RMF, the structure of the MEFMI Annual Report was revised to track progress and outcomes per strategic pillar. A framework to guide the process of reviewing the RMF was also developed. Further, the bi-annual performance review template was reviewed to determine the extent to which it fulfils the purpose of assessing the implementation of planned capacity building activities, attainment of planned outputs, and achievement of annual outcome targets set out in the RMF.

MEFMI commenced the development of the Phase VI Strategic Plan (2022 – 2026) to succeed Phase V which is ending in 2021. The strategy development process was preceded by a one (1) day training in strategy formulation for all MEFMI staff, followed by a four (4) day workshop on the actual development of the strategy. The output of the workshop was a draft Phase VI strategy report.

2.4 Pillar 4: Innovation and Technology

Information Technology is a critical support function to MEFMI's operations. The evolution of Information and Communications Technology (ICT) affects the business environment in many significant ways. It changes business practices, reduces costs and alters the ways in which systems should be controlled. In a dynamic environment, MEFMI is continuously adapting to the changes and embracing opportunities in ICT as they emerge.

i. Leveraging innovation and technology in program delivery

MEFMI has continued to leverage information and technological advancement to deliver courses and technical assistance. Specifically, the number of activities implemented using virtual tools in 2020 increased significantly. These modes of delivery allowed MEFMI to respond timeously to the capacity building needs of member countries, especially during crisis situations. Of the 40 capacity building activities implemented in 2020, a total of 39 were conducted using virtual tools (14 webinars using Zoom and 25 e-learning courses were delivered using the MEFMI Learning Management System). The e-learning platform was upgraded to improve security and take advantage of new features.

New Programme staff were trained in the use of the e-learning platform, and this enhanced their capacity to administer online courses. In addition, staff training in ICT security awareness was reviewed to include emerging issues, including the impact of COVID-19. Phishing tests and notifications of current ICT scams as well as security awareness training courses were made available to staff to strengthen MEFMI's security posture and reduce the likelihood of breaches. The internet gateway security software was upgraded to ensure continued network protection from ICT threats. All these are aimed at protecting ICT resources from various security threats.

Furthermore, security for the M-Files document management system was fortified by ensuring that data at rest and data in motion is encrypted. The speed of the system was also improved for better performance, faster access, and better user experience. Training in remote access features of M-Files was also carried out. This will allow staff to create and share documents when working remotely.

MEFMI successfully transitioned to working from home after the announcement of the national lockdown measures by the Government of Zimbabwe. Staff were able to continue their work without impediments, as systems for email, document management, human resources and e-learning were available remotely. These systems enabled business continuity in an environment where access to the office was restricted. A Virtual Private Network (VPN) configuration for those systems that do not lend themselves to web-based access, such as the accounting and Human Resources management systems, was also set up.

The Zoom videoconferencing application enabled the Secretariat to conduct regional and in-country trainings, missions, online meetings, and webinars for programme delivery. The capacity for conducting Zoom meetings allows for multiple concurrent meetings as demanded by the remote working status.

MEFMI embarked on a project to host email and document management systems on the cloud. As a result, emails were migrated from Groupwise to a cloud-based Microsoft 365 solution. The old email system is still available for reference during the implementation period of approximately one (1) year. This also provides adequate time for staff to ensure that all emails were successfully migrated before completing the switchover.

Migration of the document management system to the cloud-based system was postponed due to the unavailability of the vendor's server in the region. Testing of the vendor's servers in other regions indicated that the performance of the system would be severely affected if the migration was carried out. The Institute is considering migration and cloud hosting to a non-vendor entity.

ii. Improving process workflows through fully automated systems

Upgrades to a virtual infrastructure backup software were carried out to take on board improvements in features and performance. Consequently, the performance of all ICT systems in terms of availability, accessibility and usability was satisfactory during the year. There were no negative incidences related to these three (3) criteria.

There was significant progress in the implementation of Integrated Management Information System (IMIS). Issues identified during the testing periods were resolved by the developer. MEFMI also conducted a refresher training for staff on the IMIS in preparation for roll out. The development of a user role matrix which includes the definition of user roles and assignment of access permission to users was finalised and approved by Management for implementation. The matrix is an important governance document for Management's oversight over access to IMIS and is the basis for the creation of user accounts within the system. The process of migrating historical programming activity data to the IMIS is underway.

The Quantrix budgeting and reporting system and Pastel accounting systems were integrated to enable automatic data transfer and comprehensive reporting for the systems. An e-signature vendor was identified to enable secure electronic signing of requests and other documents by staff. The e-signature is expected to be implemented in the first quarter of 2021. Implementation of e-signature is a part of the identified activities in the MEFMI-wide Business Continuity Plan, and Phase VI Strategic Plan for remote working. This is particularly relevant as staff continue to work from home during the COVID-19 pandemic induced lockdown.

The human resources software, Sage People 300 Systems, was upgraded to consider new performance features. KPMG, the current internal auditors, carried out an audit of the ICT service and various recommendations to make documentation better suited to working from home were made. These recommendations will be incorporated in the updated ICT Policy and Standards document and the Business Continuity Plans due for review in March 2021.

2.5 Pillar 5: Finance and Administrative Effectiveness

Consistent with good corporate governance principles, MEFMI operates on a three (3) tier governance structure comprising of a Board of Governors, an Executive Committee, and a Secretariat. The Board sets the broad policy and strategic direction of MEFMI, while the Executive Committee is charged with oversight responsibility of the activities of MEFMI. The Executive Committee operates with the support of a sub-committee, the Finance and Audit Committee. Management and Board oversight responsibilities are adequately segregated to allow for effective controls and checks and balances.

In line with good corporate governance, the governance structures continued to meet regularly to review progress and assess the implementation of board policies and decisions.

i) Improving administration, control and compliance

a) Board of Governors

The 24th Meeting of the Board of Governors of MEFMI was held virtually in October 2020. Traditionally, the meeting is held on the side-lines of IMF/World Bank Annual meetings. However, due to global travel restrictions, the meeting was held using the Zoom platform. The meeting was chaired by the Governor of the National Bank of Rwanda and was attended by 14 substantive members from 11 member countries and 23 observers from 13 member countries.

During this meeting, the Board approved the 2021 Work Plan and Budget, appointed the 2021-2022 Board Chairperson, the Vice Chairperson, and EXCOM members. The Board also ratified all EXCOM approvals made in 2020.

b) Executive Committee

During the period under report, the 52nd and 53rd EXCOM meetings were held via video conference due to the travel restrictions imposed by member countries on their staff as a result of COVID-19. The meeting was Chaired by the Governor of the Bank of Tanzania and attended by members from Botswana, Kenya, Uganda, Zambia, Zimbabwe (ex-officio member) and the Secretariat. During these meetings, EXCOM approved audited financial statements, progress reports, revised policies and procedures, among other documents. They also appointed the 2020 internal auditors and approved a revision of the 2020 Work Plan following the COVID-19 outbreak, which necessitated a change in the delivery mechanism of activities from face-to-face online. They also recommended the 2021 Work plan and Budget to the Board for approval.

c) Finance and Audit Committee

The 19th, 20th and 21st Finance and Audit Committee meetings were held via videoconferencing in March, June and August 2020, respectively. The meetings were attended by members from Botswana, Kenya, Uganda, Zambia, Zimbabwe and the Secretariat. During these meetings, the Committee recommended to EXCOM proposals that were made by Management to implement strategies for business continuity in the face of COVID-19 pandemic. The Committee also reviewed and recommended to EXCOM for approval the audited Financial Statements for the year ended 31 December 2019, MEFMI policies and operational manuals, Risk Register and internal audit reports.

d) Management Meetings

In accordance with MEFMI corporate governance, Management holds a minimum of one (1) monthly meeting to assess progress in implementation of work plans, as well as to ensure that focus on MEFMI's core business of capacity building is adhered to. Management held 24 meetings in 2020. The increase in the number of meetings was necessitated by the need to explore strategies for business continuity in the face of COVID-19 pandemic, as well as reviewing operational manuals. The meetings up to 31 August 2020 were chaired by the Executive Director, Mr. Michael Atingi-Ego. From 1 September 2020, the meetings were chaired by the Acting Executive Director (Mr. Stanislas Nkhata) and attended by MEFMI Directors.

e) External Audits

The financial audit of the Financial Statements for the year ended 31 December 2019 was completed in March 2020 and were approved by the Executive Committee. Ernst and Young (EY), the external auditor, gave a clean audit opinion on the financial statements.

f) Internal Audit

KPMG carried out an internal Audit review of Q1 and Q2 2020 in August 2020. The audit focused on Information Security Governance, Regulatory Compliance, Financial Sustainability and Procurement.

g) Policies and Manuals

The following policies and manuals were approved by EXCOM and ratified by the Board of Governors:

(i) Procurement Policies and Procedures Manual

(ii) Human Resources Policies and Procedures Manual;

(iii) Induction Handbook;

(iv) Wellness Policy; and

(v) Code of Ethics.

(vi) Business Development Unit Operations Manual

h) Staffing

Three (3) new staff members were recruited and two (2) left the Institute in 2020. The Executive Director, Dr. Michael Atingi-Ego, left on appointment as Deputy Governor, Bank of Uganda while a Programme Manager left the Institute on recall by the seconding institution. Recruitment of the new Executive Director is in progress.

i) Staff Performance Management

All employees signed Joint Performance Management contracts (JPMs) for the year 2020, and review of their performance using the Human Resources (HR) system, SAGE 300, took place at the end of the year, covering 12 months. The half-year performance reviews were a recorded discussion between the supervisee and supervisor.

SECTION 3

MONITORING AND RESULTS MEASUREMENT

SECTION 3: MONITORING AND RESULTS MEASUREMENT

This section presents the progress by pillar, against the set targets, for outcome indicators as at 31 December 2020.

3.1 Pillar 1: Programming Relevance and Effectiveness

Programming relevance and effectiveness constitutes the core strategic pillar for MEFMI, as it speaks directly to the mandate of the Institute. All capacity building activities are guided by this aspiration. Considering this, the Institute continues to place programming effectiveness at the top of its agenda to ensure that it remains relevant to its member countries. Therefore, the delivery of high impact interventions that respond to evolving needs of member countries, including emerging issues is critical in ensuring that macroeconomic and financial stability is realised in the region. Efforts towards the realisation of this aspiration are guided by MEFMI's key strategic objectives and the respective outcomes as presented below.

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

The training activities on the compilation and dissemination of statistics led to a significant improvement in knowledge among the trained officials (Table 3). The improvement in knowledge among the trained officials is also reflected in the member countries' adoption of best practices in the compilation and dissemination of statistics, based on the international statistics standards [SNA 2008, BPM6, GFSM 2001, PSDS 2013, and MFSMCG 2016 (Table 4)].

Table 3: Improvement in knowledge on Production and Dissemination of Statistics

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome December 2020	Outcome against 2021[2]	Observations/ Comments
Percentage of training activities on the production and dissemination of statistics recording statistically significant improvement in knowledge among the trained officials.	No data because this indicator was introduced during the period under review as part of RMF review process.	100%	100%	100%	This measure was introduced during the period under review and has proven to be effective in determining the effectiveness of MEFMI capacity building activities.

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

On the other hand, due to the adverse effects of the COVID-19 pandemic, moderate progress was recorded in the realisation of the targets for member countries using the Commonwealth-Meridian (CS-Meridian) debt managemet system. Face-to-face missions could not be conducted to assist member counties to install this system. To offset the loss of traction in the implementation of some activities, MEFMI has continued to leverage technology to step-up the delivery of capacity building activities without compromising the quality of the services.

Table 4: Quality of Macroeconomic Statistics

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome December 2020	Outcome against 2021[3]	Observations/ Comments
a. Number of countries using latest versions of Computer-Based Debt					
(i) Number of countries using commonwealth - Meridian	0	6	1 (17%)	6 (17%)	Realisation of the set target was hampered by COVID-19 pandemic.
b. Number of countries trained by MEFMI that are compiling and disseminating statistics in line with international standards.					
(i) SNA 2008	8	11	13	14 (93%)	Target met
(ii) BPM6	8	13	13	14 (93%)	Target met
(iii) GFSM 2001	10	13	13	14 (93%)	Target met
(iv) MFSMCG 2016	0	3	3(100%)	4 (75%)	Target met
(v) PSDS	2	10	10 (100%)	11(90%)	Target met

3.1.2: To strengthen the capacity for financial and macroeconomic policy analysis

The immediate outcome of this strategic objective is to improve knowledge among officials from client institutions in MEFMI member countries. This outcome was fully attained as evidenced by the statistically significant improvement in knowledge among the trained officials in all courses conducted, indicating the effectiveness of MEFMI's capacity building activities. This is critical in the results chain, considering that the desired change for capacity building programmes starts with imparting knowledge to targeted beneficiaries.

Member countries' capacity to undertake financial and macroeconomic policy analysis and implementation is measured through, among others, their ability to analyse financial and macroeconomic policies and conduct annual debt sustainability analyses (DSAs) with limited or no external support. Table 5 shows that tremendous progress was recorded on these two (2) measures, with 90 percent achievement on the former and 100 percent on the latter. This demonstrates that countries are taking the right approach to the financing of their development priorities, by ensuring new borrowings do not compromise medium-term debt sustainability and macroeconomic stability. MEFMI will continue to support member countries in this respect and enhance awareness among senior officials and broader stakeholders on the importance of monitoring and managing debt vulnerabilities.

[3] 2021 is the last year of the MEFMI Phase V Strategic Plan.

Table 5: Capacity for financial and macroeconomic policy analysis and implementation

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome - December 2020	Outcome against 2021 target	Observation/ Comment
a. Percentage of training activities on the analysis and	N/A	100%	100%	100%	This measure was introduced during the period under review and has proven to be an effective empirical way of determining the effectiveness of the MEFMI capacity building activities.
b. Number of countries conducting annual DSAs as an integral part of annual budget formulation	2 Countries	10	9 (90%)	11 (82%)	Considering that MEFMI started with 2 countries, this is a commendable achievement. DSA is a critical intervention, given rising debt vulnerabilities in recent years.
c. Number of countries with approved and annually updated Medium Term Debt Strategies (MTDS)	2 Countries	10	10 (100%)	11 (91%)	The increase in the number of member countries developing MTDS is a positive outcome as this will play a critical role in minimising cost and risks of public debt portfolios.

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

To strengthen the legal and institutional frameworks for financial and macroeconomic management in member countries, MEFMI provides support towards the review and update of existing laws for them to conform to international best practices. As shown in Table 6, this support resulted in seven (7) member countries having debt management laws that meet the minimum requirement for effective debt management and nine (9) member countries with Principal Debt Management Entities (debt management offices) organised along the sound practice of Front, Middle and Back Office functions, against the target of ten (10) for each scenario.

Table 6: Strengthening legislative and institutional frameworks for financial and macroeconomic management

Indicators	Baseline 2016 (end of Phase IV)	Target December 2020	Outcome - December 2020	2020 Outcome against 2021 target	Observation/ Comment
a. Number of countries with standalone debt management laws that meet the minimum requirement for effective debt management	2 Countries	10	7 (70%)	11 (64%)	While MEFMI supported countries to review their legal frameworks, the approval process takes long and involves stakeholders outside of the MEFMI's client institutions
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	10	9 (90%)	11 (82%)	While MEFMI supported countries to align institutional frameworks with sound practice, the approval process takes long and involves stakeholders outside of the MEFMI's client institutions

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

This strategic objective is aimed at supporting member countries to adopt and use manuals, handbooks, guidelines, procedures, frameworks and systems to improve their macroeconomic and financial management practices. The number of member countries adopting and using a particular system/tool/instrument varies. For instance, eight (8) countries were reported to be using the Internal Credit Risk Analysis Tool (ICRAT) against the 2020 target of ten (10). Two countries were delayed due to the onset of COVID-19 which came with travel restrictions. Arrangements were made to deliver the support using video conferencing tools in 2021. The number of countries using the Private Capital Monitoring System (PCMS) remained at seven (7) against the 2020 target of nine (9) (Table 7). The stagnation in progress on the use of PCMS is due to the ongoing redesign and upgrade of the system from Version III to Version IV. Once this process is finalised, the focus will be on supporting member countries to adopt the upgraded system and market it to non-member countries on commercial terms.

Table 7: Adoption of sound practices, tools, standards and principles

Indicators	Baseline 2016 (end of Phase IV)	Target December 2020	Outcome - December 2020	2020 Outcome against 2021	Observation/ Comment
a. Number of countries that have adopted and are using Private Capital Monitoring System–PCMS.	0	9	7(78%)	9 (78%)	The ongoing redesign of the PCMS aimed at meeting the emerging needs of users and incorporating technological advancements has slowed the achievement of the target. Once the redesign is complete, the Institute will rollout the system to additional member countries
b. Number of countries that have adopted and are using ICRAT	0	10	8(80%)	13(61%)	Progress on the implementation of ICRAT was affected by the COVID-19 pandemic.

3.1.5: To strengthen research that supports effective policy analysis

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. However, as indicated in Table 8, this target was not realised as no research activities were undertaken during the period under review. This was mainly due to the prioritisation of activities during the revision of the 2020 prospectus to focus on activities that were feasible given the limited operating environment that was induced by the COVID-19 pandemic.

Table 8: Strengthening research that supports policy analysis and implementation

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome - December 2020	2020 Outcome against 2021	Comments/ Observations
a. Number of research publications on emerging issues.	0	3	0	5 (0)	No research activities were undertaken during the under review, due to the limiting operating environment that was induced by the COVID-19 pandemic.

3.1.6: To develop regional expertise in priority areas of sovereign debt, macroeconomic and financial sector management

The completion of the Customised Training Programme for the 10th Cohort of Candidate Fellows was at the top of the Institute's plans in 2020. In addition, the Institute also set out to improve the utilisation of Fellows in delivering capacity-building activities. As indicated in Table 9, the target on Fellows utilisation was not fully attained mainly due to the lack of expertise in priority areas for the year. The focus for the year was largely on emerging issues, particularly those induced by the COVID-19 pandemic.

Table 9: Developing regional expertise in priority areas of sovereign debt, macro-economic and financial sector management

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome - December 2020	2020 Outcome against 2021 target	Comments/ Observations
a. Percentage of Fellows actively involved in the provision of capacity building services in the MEFMI region.	0	24%	18% (75%)	18% (75%)	New capacity gaps emerged due to the COVID-19 pandemic and most Fellows had no expertise to resource these new areas
b. Proportion of 10th Cohort of Fellows who successfully graduated	89%	100%	100%	100%	Target met.

3.1.7: To increase MEFMI's visibility

The Institute targeted to achieve results around three (3) core areas, namely: (a) To increase the visibility of MEFMI programming[4], BDU commercial activities and Executive Fora events; (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. During the period under review, 50 percent of MEFMI interventions received media coverage against a target of 70 percent (see Table 10). The coverage was largely through electronic means such as MEFMI website and twitter. The shift in the activity delivery approach from face-to-face, to virtual resulted in no physical presence of the media at events due to the COVID-19 pandemic.

Table 10: Performance - Increasing MEFMI's Visibility.

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome - December 2020	2020 Outcome against 2021 target	Observations / Comments
a. Percentage of MEFMI activities receiving media coverage.	65%	70%	50%	70%	Due to COVID-19 pandemic, media coverage was largely through electronic means.

3.1.8: To mainstream regional integration in MEFMI's capacity building activities

The anticipated outcome in this strategic objective is enhanced collaboration and cooperation with regional economic communities such as COMESA, SADC and EAC. In this regard, MEFMI signed a memorandum of understanding (MOU) with COMESA (see Table 11). As a result, the two (2) institutions collaborated in the development of regional guidelines to support the harmonisation of trade in services statistics. Efforts are underway to establish a formal relationship with SADC.

Table 11: Mainstreaming regional integration in MEFMI's capacity building activities as Reflected by Improvement in Partnerships with RECs

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome - December 2020	2020 Outcome against 2021 target	Observations / Comments
Number of MOUs or formal Agreements between MEFMI and RECs.	0	3	1	33%	MOU with COMESA was signed during the period under review.

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

3.1.9: Strengthen gender mainstreaming in MEFMI Operations, practices and Capacity Building activities

In this strategic objective, the target is to mainstream gender at the Secretariat and in capacity building activities. At the Secretariat, MEFMI monitored performance on two (2) dimensions, namely (i) operations, practices and capacity building activities that are gender-sensitive or take into account any gender dimensions; and (ii) ratio of female to male employees, among others. As shown in Table 12, efforts to achieve the former yielded 89 percent, while the latter was fully realised as the female to male employee ratio stood at 50:50.

Table 12: Mainstreaming gender by MEFMI

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome - December 2020	2020 Outcome against 2021 target	Observations /Comments
a. Percentage of MEFMI operations, practices and capacity building activities that are gender sensitive or take into account the gender dimension (according women and men equal opportunity to participate in capacity building activities)	Not analysed in 2016.	100%	89%	89%	The Secretariat will endeavour to further improve on this positive outcome.
b. Percentage ratio of female to male employees at the Secretariat.	57%	50:50 (%)	50:50	50:50	The Secretariat will endeavour to maintain gender balance

3.2 Pillar 2: Diversification of Revenue Sources

Diversification of revenue sources was identified as one of the main pillars of the Phase V Strategic Plan following the scaling down of contributions from the traditional donors due to shifting priorities. To address this challenge, MEFMI stepped up efforts to attract new sources of funding, through the provision of fee-based services and establishing new collaborative partnerships while at the same time strengthening the existing ones. Key expected outcomes include the sustained in-flow 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 USD36,200 from its activities in 2020, a significant decline from USD152,108.61 realised in 2019. This was mainly attributed to the adverse effects of the COVID-19 pandemic which resulted in the cancellation of some BDU activities. Table 13 below shows the performance of the BDU as a contribution towards the target of attracting new sources of funding. The success rate on proposals and tenders submitted was 67 percent, against the target of 100 percent. The 67 percent success rate includes two (2) contracts awarded to MEFMI; (i) to develop the Government of Uganda Public Investment Financing Strategy and (ii) to conduct training on Gender and Transformative Leadership for Staff of the Bank of Zambia (BOZ). The assignment to develop the Government of Uganda Public Investment Financing Strategy commenced in December 2020. The training on gender leadership for the Bank of Zambia staff will be conducted in 2021.

Table 13: Attracting new sources of funding[5]

Indicators	Baseline 2017 (1st year of Phase V)	Target - December 2020	Outcome December 2020
a. Financing business proposal success rate	USD19,857	100%	67%

3.3 Pillar 3: Monitoring and Evaluation

Monitoring and Evaluation is critical in providing insight and direction to the change pathway of the Institute, including shedding light in terms of discerning change as and when it occurs. It also serves as an important part of accountability and transparency and is instrumental in aiding the Institute to demonstrate that results are being achieved, at the same time elicit the requisite information for decision making, given the importance of evidence-based decision making. To address inadequate knowledge and skills for monitoring and evaluating capacity building programmes, and inadequate quality of M&E information, during the formulation of Phase V Strategic Plan, two (2) strategic objectives, namely, to strengthen M & E of MEFMI's programmes and to enhance the production and management of quality information were identified as the main focus in terms of monitoring and evaluation.

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 in Table 14 to measure progress and MEFMI's performance.

[5]*Analysis based on BDU Activities.*

Table 14: Strengthening Monitoring and Evaluation of MEFMI's Programmes

Indicators	Baseline 2016 (end of Phase IV)	Target December 2020	Outcome December 2020	Observation / Comment
a. Proportion of annual targets achieved in departmental RMF (Overall).	45%	100%	75% (MMP: 81%, DMP 76.5%, FSMP 69.2%, FAD 62.5%)	This is a commendable achievement given the COVID-19 pandemic challenges experienced during the period under review.
b. Percentage of staff trained in monitoring and evaluation indicating having learned something new.	N/A	100%	100%	This is critical in ensuring mainstreaming of the M & E function across the Institute.

Overall, the Institute achieved 75 percent against the target of 100 percent. This is a siginficant achievement, given the COVID-19 pandemic challenges experienced during the period under review. The pandemic hampered the full-scale implementation of capacity building activities. Eventually, this has had a domino effect on the realisation of desired results. It is also important to note that outcomes may take longer than anticipated to materialise. Further, in an effort to strengthen monitoring and evaluation of MEFMI's Programmes, during the reporting period, MEFMI undertook to review the Results Measurement Framework (RMF) indicators to ensure that performance is accurately recorded. Critical in strengthening the institutional monitoring and evaluation function is ensuring a comprehensive system, 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 through the implementation of the MEFMI Integrated Management Information System (IMIS).

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 innovation and technology in programme delivery; and (ii) to improve process workflows through fully automated systems.

3.4.1: To leverage on innovation and technology in programme delivery

Table 15 shows the Institute's performance on leveraging innovation and technology in programme delivery during the period under review. The proportion of courses delivered through virtual means was 100 percent, against a target of 40 percent for the year. The steep upward shift in performance is attributed to the shift in the mode of delivery of capacity building activities from face-to-face to online, following the outbreak of the COVID-19 pandemic.

Table 15: Leverage on innovation and technology in programme delivery

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	2020 Outcome against 2021 target	Observation/ Comment
i. Percentage of activities conducted using virtual tools.	No data	40%	100% (FSMP 100%, DMP 100%, MMP 100%)	Due to the COVID-19 pandemic the mode of delivery of capacity building activities changed from face-to-face to online.

3.4.2: To improve process workflows through fully automated systems

As shown in Table 16, during the reporting period, the MEFMI Secretariat recorded significant improvement in its work processes. This level of achievement is critical in ensuring a smooth workflow and effectiveness in the delivery of capacity building activities, especially, at a time when the mode of delivery is 100 percent virtual.

Table 16: Improving process workflows through fully automated systems

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	2020 Outcome against 2021 target	Observation/ Comment
a. Percentage of documented and classified queries with historical reference.	No data.	100%	100%	100%
b. Turnaround time for ICT queries (the time between the arrival of a case and its completion).	One (1) day/24 hrs for all types of backups.	24 hrs	24 hrs	24 hrs

3.5 Pillar 5: Administrative Effectiveness

Strengthening of the MEFMI organisational culture, risk and budget management processes are at the heart of the Phase V Strategic Plan. Considering this, MEFMI identified three (3) strategic objectives namely: i) to strengthen organisational culture based on MEFMI's six (6) core values; ii) to strengthen the risk management and the alignment of Budgeting to Results; and iii) to strengthen the Institute's cost-saving initiatives. During the period under review, the MEFMI Secretariat undertook various interventions to ensure that these objectives and associated outcomes are realised.

3.5.1: To strengthen organisational culture based on core values

To ensure that staff perform their assigned duties professionally in line with the shared core values of the organisation, MEFMI targets to develop staff capacities and enhance their awareness through carefully selected capacity building interventions and awareness avenues. 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 were reviewed and considered by the MEFMI governance structures. Table 17 shows performance against the planned targets for 2020.

Table 17: Strengthening organisational culture based on core values

Indicators	Baseline 2016 (end of Phase IV)	Target-December 2020	Outcome - against 2020 target	2020 Outcome 2021 target
a. Organisational Culture Compliance Score (Taking into account staff ratings on the six MEFMI core values).	No data.	1	8	N/A. This indicator was devised during the reporting period as the part the review process of the RMF.

3.5.2: To strengthen the risk management and the alignment of Budgeting to Results

The Institute has a comprehensive risk management register which is reviewed and updated on a 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. Table 18 shows the status of the results under this outcome as at 31 December 2020. MEFMI has continued to comply with international best practices in risk management. Further, a comprehensive review of the RMF undertaken during the reporting period did not only help to align key interventions with specific results but to also ensure that financial resources support the achievement of a particular result.

Table 18: Strengthening the finance and administration function

Indicators	Baseline 2016 (end of Phase IV)	Target-December 2020	Outcome December 2020	2020 Outcome against 2021
a. Risk compliance gap (current practices versus best practices in risk management).	No data.	6	6	6(100%)
a. Existence of budget showing alignment with results.	0	Yes	Yes	Yes

3.5.3 Strengthen the Institute's cost saving initiatives

In view of the financial constraints that MEFMI has continued to face, EXCOM made a decision for the Secretariat to continue identifying and implementing cost-cutting measures on a case-by-case basis. The results indicate that generally, MEFMI is on course in implementing cost-saving measures. As shown in Table 19, a positive variance of 7 percent was attained against the target of +/-7 percent.

Table 19: Strengthening the Institute's cost saving initiatives

Indicators	Baseline 2016 (end of Phase IV)	Target - December 2020	Outcome December 2020
a. Budget variance.	7% (2015)	+/- 7%	7%

As outlined in Section 3.3.1 on strengthening monitoring and evaluation of MEFMI's programmes, it is evident that, overall, during the period under review the Institute made significant strides in achieving set targets standing at 75 percent. Given the turbulent operating environment experienced throughout the period under review, this is a commendable achievement.

SECTION 4

CHALLENGES, OPPORTUNITIES AND LESSONS

SECTION 4: CHALLENGES, OPPORTUNITIES AND LESSONS

4.1 Challenges

The following challenges were encountered during the implementation of capacity building activities in 2020:

(i) As mentioned in section three (3) of this report, COVID-19 pandemic adversely affected the delivery of MEFMI face-to-face activities during the period under review. As a result, residential regional workshops and several face-to-face in-country activities were postponed. In addition, all member countries issued travel and other restrictions in view of the COVID-19 outbreak, leading to non-participation of some officials in courses held earlier in the year.

(ii) Due to travel and other restrictions imposed by countries to reduce the risk of spread of the COVID-19 pandemic, most participants were working from home. As a result, some had intermittent access to internet connection, and this delayed their progress in completing E-learning courses. This affected completion rates in some cases.

(iii) The pandemic resulted in low uptake of in-country technical assistance missions. However, the current environment requires continuous support to countries to enhance their skills for effective management of the evolving economic landscape. In this regard, the Institute will continue to raise awareness on its readiness to provide technical assistance to member countries through alternative means such as virtual support during the pandemic.

(iv) While the capacity for developing policies and frameworks was built in macroeconomic and financing management as was initially envisaged, implementation has lagged in some countriees, due to a number of factors. First, bureaucracy in approval processes at client institutions delayed the adoption and implementation of technical assistance recommendations and adoption of frameworks developed, and thus the achievement of MEFMI targets. Second, high staff turnover is also a factor, as it diminishes the pool of staff with the requisite capacity to implement reforms. Hence, continued efforts to rebuild capacity is key. Third, in some cases, countries lacked the necessary funding to support the implementation of recommended reforms.

4.2 Opportunities

The outbreak of COVID-19 provided MEFMI with the following opportunities:

(i) Working remotely intensified the development and review of content for planned online courses.

(ii) MEFMI provided technical assistance to some countries through alternative means like e-platforms instead of the face-to-face mode.

(iii) MEFMI has ventured into offering capacity building initiatives to its member countries through webinars, which have helped raise awareness on the impact of COVID-19 on macroeconomic and financial management. Going forward, MEFMI will continue leveraging these webinars to raise awareness on emerging and topical issues.

(iv) The conversion of face-to-face activities into e-learning courses has provided some savings that were utilised to translate course materials and the offering of some of the e-learning courses into Portuguese. This supported MEFMI's efforts to promote the participation of Lusophone member countries (Angola and Mozambique) in capacity building activities.

(v) The use of virtual tools for programme delivery minimises the cost of delivering capacity-building activities and has wider coverage.

(vi) Some e-learning content could be converted into handbooks to serve as reference material for officials in relevant institutions. The handbooks could be shared electronically or as hard copies. These can also be sold to non-member countries and interested parties thereby generate income for MEFMI.

4.3 Lessons

The following lessons were learnt from the implementation of capacity building activities during the year:

(i) The outcomes of the bi-annual performance review form a critical basis for the preparation of the annual report. Therefore, the annual report should be finalised after the second bi-annual performance review (covering July-December 2020), given that much of its input is from the RMF. This will help to avoid discrepancies between the report and the outcome of the bi-annual review.

(ii) There is a need for flexibility and adapting capacity building implementation mechanisms to suit the prevailing operating environment.

In-country capacity building activities can be effectively delivered using video conferencing facilities.

(iii) There is a need for MEFMI to be flexible in terms of the duration of e-learning courses and the number of participants that can be enrolled per institution, particularly during crisis situations.

(iv) Participants value some degree of real time interactivity (with peers and subject area experts) even in e-learning courses. Organising webinars or live sessions at the end of each Module is one convenient and feasible way of enhancing interactivity.

(v) High online course completion rates can be achieved even during crisis periods such as the COVID-19 if innovative ways of encouraging endurance are adopted. These include moral persuasion through direct and personalised communications with participants, not only those lagging behind but even those on schedule, just to motivate them to continue. Flexibility in terms of deadlines for submission of timed assignments and completion dates was also key.

(vi) E-learning courses are more effective where they are self-paced, with participants given a finite period during which to complete a course. Weekly deadlines and mandatory posting on discussion fora were noted to be a huge constraint for participants whose schedules might be particularly busy during some periods or restricted due to COVID-19 the pandemic.

(vii) MEFMI has recognised that there are priority areas of support to member countries that are of interest to the private sector. It is therefore important that the Institute continues to explore collaborative arrangements with the private sector in mutually beneficial areas of interest, to leverage their expertise and resources, thereby enhancing the impact of Programme activities.

(viii) Due to the dynamic environment in which member states operate, there will always be ad hoc requests for technical assistance from client institutions. Flexibility in delivering capacity building is therefore key, as well as aligning capacity building priorities with new gaps emerging from evolving landscape. It is therefore important that annual work plans provide some degree of flexibility in to accommodate emerging issues and ad-hoc country requests. Being responsive to the changing needs of client institutions is key in ensuring MEFMI's continued relevance.

(ix) There has been high uptake of e-learning courses by officials from Lusophone countries. In addition, it has been observed that female participants registered high completion rates in e-learning courses than their male counterparties. It is important that MEFMI continues to leverage e-learning to increase participation of special groups, that is, female officials and Lusophone member countries officials.

(x) Close collaboration and strategic engagement with country authorities in scoping and implementing capacity building programmes result in improved traction and impact. It is important that the scope of engagement at the highest decision-making level is deepened to raise awareness of the importance of reforms.

SECTION 5

CONCLUSION

SECTION 5: CONCLUSION

While much progress has been made, the region is still confronted with critical capacity gaps, particularly those arising from emerging challenges, notably shocks caused by the COVID-19 pandemic. Hence, there is currently a strong "pipeline" of outstanding requests for technical assistance from the MEFMI member countries. These emerging challenges have presented an opportunity for the Institute to recalibrate the scope and mode of delivery of capacity building services.

Capacity for developing policies and frameworks has been built in macroeconomic and financial management as was initially envisaged. Implementation has, however, remained a challenge in most countries. Close collaboration and strategic engagement with country authorities in scoping and implementing capacity building programmes results in improved traction and impact. It is important that the scope of engagement at the highest decision-making level is deepened to raise awareness of the importance of implementing reforms.

The Phase V Strategic Plan which is experiencing constrained funding compared to previous phases, has guided the implementation of most activities by forging collaborative and partnership initiatives with other related capacity building institutions and the private sector. MEFMI capacity building events have leveraged gratis collaboration to manage costs. These partnerships have brought in added value leading to high quality capacity building product offering.

ANNEXES

ANNEX 1: GOVERNANCE STRUCTURES OF MEFMI FOR 2020

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 MEFMI 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.

MEFMI operates under the direction of an Executive Committee, which consists of the Vice-Chairman of the Board of Governors and four other voting members nominated by the Board of Governors from the Board. The MEFMI Executive Director and the Head of the Executing Agency of MEFMI – the Reserve Bank of Zimbabwe - are ex-officio members of the Executive Committee. The Committee is chaired by the Vice-Chairman of the Board of Governors of the MEFMI and is allowed to elect an Alternate Chairman, who can preside over meetings in the absence of the Chairman. Each member of the Executive Committee serves for two years. The Finance and Audit Committee aids the Board, through the Executive Committee in fulfilling its fiduciary and legal obligations. The Finance and Audit Committee oversees the audit and financial reporting processes as well as the internal control systems and risk management of MEFMI.

FINANCIAL STATEMENTS

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

31 DECEMBER 2020

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
Mr. Moses Pelaelo
Dr. Patrick Njoroge
Prof. Emmanuel Tumusiime-Mutebile,
Dr. Denny Kalyalya - January to July 2020
Mr. Christopher Mvunga - August to December 2020
Dr. John Mangudya (Executing Agency - ex-officio)
Mr. Michael Atingi - Ego (Executive Director - ex-officio) - January to August 2020
Mr. Stanislas Nkhata (Acting Executive Director) - September to December 2020

AUDITOR

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

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 20, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 Registration Certificate Number 220).

Ernst & Young
Chartered Accountants (Zimbabwe)
Angwa City, Cnr Julius Nyerere Way/Kwame Nkrumah Ave, Harare
31 March 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
INCOME	**Notes**	**US$**	**US$**
Amortisation of capital expenditure reserve - land and building	23	42 279	42 279
Co-operating partner funding	6	82 573	234 645
In-kind contributions	7	18 422	211 810
Interest income	8	139 714	26 316
Member state contributions	9	4 648 242	4 648 242
Other income	10	50 377	25 456
Income from Business Development Unit	10.2	39 400	152 109
Exchange Gain		10 817	-
Gain on disposal of assets		4 966	-
Total income		**5 036 790**	**5 340 857**
EXPENDITURE			
Programme Delivery			
Accommodation and subsistence	11	27 213	571 243
Non Member States Expenses		-	-
Facilities and materials		24 989	236 422
Professional fees	12	349 942	524 765
Programme delivery - staff	13.1	2 303 858	2 333 813
Travel expenses	14	39 558	419 699
Sub-total		**2 745 560**	**4 085 942**
Secretariat Administration			
Audit fees (internal and external)		36 389	31 676
Bank charges		25 801	44 475
Depreciation	17	105 369	115 072
Fund Management fees		-	268
Office expenses	15	326 966	364 380
Recruitment and relocation expenses		67 121	27 976
Salaries and benefits	13.2	256 261	260 335
Staff development		10 982	19 656
Exchange Loss		-	119 478
Sub-total		**828 889**	**983 316**
Business Development Unit expenses	10.3	39 159	158 098
Total expenditure		**3 613 608**	**5 227 356**
Surplus for the year		**1 423 182**	**113 501**

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

ASSETS	Notes	2020 US$	2019 US$
Non-current assets			
Property, vehicles and equipment	17	1 226 042	1 264 938
Current assets			
Inventory	18	41 001	32 979
Receivables	19	79 770	208 515
Cash and cash equivalents	20	6 822 417	4 719 903
		6 943 188	4 961 397
Total assets		**8 169 230**	**6 226 335**
FUNDS AND LIABILITIES			
Funds			
Revaluation surplus	25.1	448 645	448 645
Reserve Fund	25.2	2 376 136	2 088 864
Accumulated funds		2 643 642	1 282 917
		5 468 423	**3 820 426**
Non-current liabilities			
Capital expenditure reserve - land and buildings	23	591 067	633 344
Current liabilities			
Payables	21	1 283 195	670 032
Provisions	22	538 744	822 331
Capital expenditure reserve - land and buildings	23	42 279	42 279
Residence Fund	24	245 522	237 923
		2 109 740	**1 772 565**
Total funds and liabilities		**8 169 230**	**6 226 335**

Prof. Florens Luoga
Chair - Executive Committee

Stanislas Nkhata
Acting Executive Director

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 31 DECEMBER 2020

	Residence Fund US$	Revaluation surplus US$	Reserve Fund US$	Accumulated Funds US$	Total US$
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)	-
Transfer to Residence Funds	(65 506)				(65 506)
Interest Earned		-	30 628	-	30 628
Surplus for the year	-	-	-	113 501	113 501
Balance at 31 December 2019	-	448 645	2 088 864	1 282 917	3 820 426
Balance at 1 January 2020	-	448 645	2 088 864	1 282 917	3 820 426
Member Countries Contributions	-	-	232 412	-	232 412
Interest Earned	-	-	54 859	(54 859)	-
Transfer to ED Residence Funds				(7 598)	(7 598)
Surplus for the year	-	-	-	1 423 182	1 423 182
Balance at 31 December 2020	**-**	**448 645**	**2 376 136**	**2 643 642**	**5 468 422**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US$	2019 US$
Cash flows from operating activities			
Surplus for the year		1 423 182	113 501
Adjustment for:			
Depreciation	17	105 369	116 615
Interest income	8	(139 714)	(26 317)
Amortisation of capital expenditure reserve - land and building	23	(42 279)	(42 279)
Profit on disposal of equipment		(4 966)	-
Cash flow before changes in working capital		1 341 592	161 520
Net effect of working capital changes	26	450 299	(200 828)
Net cash inflow / (outflow) from operating activities		1 791 891	(39 308)
Cash flows from investing activities			
Proceeds from disposal of equipment		4 966	-
Interest income Operations funds		77 261	26 317
Interest income - Residence funds		7 598	3 192
Interest income - Reserve funds		54 859	30 628
Acquisition of property and equipment		(66 472)	-
Net cash inflow from investing activities		78 212	60 137
Cashflows from financing activities			
Member countries contributions to Reserve Fund		232 412	-
Net Cash inflows / (outflows) from financing activities		232 412	-
Net increase in cash and cash equivalents		2 102 514	20 829
Cash and cash equivalents at the beginning of the year		4 719 903	4 699 074
Cash and cash equivalents at the end of the year	**20**	**6 822 417**	**4 719 903**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Topic	Effective Date	Key Requirements
IFRS 9 Financial Instruments Fees in the '10 per cent' test for de-recognition of financial liabilities	Annual periods beginning on or after 1 January 2022	As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Institute will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Institute.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Topic	Effective Date	Key Requirements
***Amendments to IAS 1:* Classification of Liabilities as Current or Non-current**	Annual periods beginning on or after 1 January 2023	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: - What is meant by a right to defer settlement - That a right to defer must exist at the end of the reporting period - That classification is unaffected by the likelihood that an entity will exercise its deferral right - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Institute is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	For annual reporting periods beginning on or after 1 January 2022	In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognise the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Institute.
Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022	In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 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 .

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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:

Financial institution	Rating	2020 US$	2019 US$
Stanbic Bank Zimbabwe Limited	A1+	513 538	326 099
Reserve Bank of Zimbabwe		-	545 433
Stanbic Kenya	F1+	6 307 059	3 846 317
		6 820 597	4 717 849

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 FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk (Continued)

31 December 2020	Up to 1 month US$	Total US$
Assets		
Cash and cash equivalents	6 822 417	6 822 417
Receivables	79 770	79 770
Other receivables (excluding prepayments)	-	-
Total assets	6 902 187	6 902 187
Liabilities		
Payables	1 283 195	1 283 195
Other payables (excluding statutory liabilities)		-
Total liabilities	1 283 195	1 283 195
Liquidity position	5 618 992	5 618 992
31 December 2019		
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	679 372	679 372
Liquidity position	4 163 622	4 163 622
	2020	**2019**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3.5	Financial instruments by category	US$	US$
	Financial assets at amortised cost		
	Receivables (excluding pre-payments)	28 663	123 091
	Cash and cash equivalents	6 822 417	4 719 903
		6 851 080	4 842 994
	Financial liabilities at amortised cost		
	Payables (excluding statutory liabilities)	(1 283 195)	(670 031)

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 : ZWL2.5. The rate had moved to approximately USD1 : ZWL 17 by 31 December 2019 and USD1 : ZWL 81.9 by 31 December 2020.

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 gain (2019 - 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. There are very few transactions in ZWL local currency, therefore the conclusion that the functional currency is 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;

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:

c) 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;

d) 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;

e) 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;

f) interest rates, wages and prices are linked to a price index;

g) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		2020 US$	2019 US$
6	**CO-OPERATING PARTNER FUNDING**		
	African Capacity Building Fund ("ACBF")	-	91 008
	Other Donors	-	12 000
	World Bank	82 573	68 990
	IMF	-	62 647
		82 573	234 645

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$82,573 was recorded as revenue in 2020 due to a delayed activity as agreed with donor.

		2020 US$	2019 US$
7	**IN-KIND CONTRIBUTIONS**		
	Member countries	18 422	211 810
8	**INTEREST INCOME**		
	Bank accounts	77 225	6 493
	Staff loans	32	583
	Reserve Fund and Residence Funds bank Accounts	62 457	-
	Short - term deposits	-	19 240
		139 714	26 316

9	**MEMBER STATE CONTRIBUTIONS**		
	Angola	432 299	404 813
	Botswana	382 907	342 121
	Eswatini	293 844	313 276
	Kenya	409 866	375 469
	Lesotho	327 812	318 656
	Malawi	326 964	349 962
	Mozambique	350 937	350 421
	Namibia	307 933	325 191
	Rwanda	328 496	320 964
	Tanzania	389 790	396 474
	Uganda	349 437	355 215
	Zambia	354 423	364 118
	Zimbabwe	393 534	431 562
		4 648 242	4 648 242

10	**OTHER INCOME**		
	Private sector partner contributions	50 000	25 000
	Miscellaneous income	377	456
		50 377	25 456

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		2020 US$	2019 US$
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 1st February 2017. The funds allocated to BDU also constitute income for the section.		
	Income from BDU operations	39 400	152,109
		39 400	152 109
10.3	**Expenses**		
	Programme delivery		
	Accommodation and subsistence	2 024	9 760
	Facilities and materials	357	27 426
	Professional fees	28 500	28 803
	Programme delivery - staff	-	60 856
	Travel expenses	2 477	4 496
	Sub-total	**33 358**	**131 341**
	Secretariat Administration		
	Bank charges	1 217	1 264
	Depreciation	-	1 542
	Audit fees	815	1 732
	Fund management fees	-	-
	Office expenses	3 769	9 929
	Foreign Exchange loss	-	11 351
	Publications	-	939
	Staff development	-	-
	Sub-total	**5 801**	**26 757**
	Total BDU expenses	**39 159**	**158 098**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		2020 US$	2019 US$
11	**ACCOMMODATION AND SUBSISTENCE**		
	Staff	4 267	159 221
	Participants	19 968	322 185
	Fellows	-	5 683
	Resource persons	1 998	70 424
	Board	980	13 730
		27 213	571 243
12	**Professional Fees**		
	Macroeconomic Management Programme	139 057	331 409
	Financial Sector Management Programme	69 401	75 760
	Debt Management Programme	139 884	87 796
	Secretariat CAPACITY Building	-	29 000
	Administration	1 600	800
		349 942	524 765
13	**SALARIES AND BENEFITS**		
13.1	**Programme delivery - staff**		
	Salaries	1 451 719	1 505 644
	House rent and maintenance	38 426	48 808
	Housing allowance	133 195	138 231
	Medical aid contribution	91 716	106 572
	Social security (NSSA)	5 185	11 015
	Leave pay	63209	3 259
	School fees subsidy	80 727	100 471
	Terminal gratuity (Note)	362 918	367 978
	Insurance	17 802	20 203
	Other staff benefits	58 964	31 632
		2 303 858	2 333 813

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

13.2 Secretariat Administration - Salaries and benefits

Salaries	161 579	167 294
House rent and maintenance	4 270	5 423
Housing allowance	14 799	15 359
Medical aid contribution	10 191	11 841
Social security (NSSA)	576	1 224
Leave pay	7 023	362
School fees subsidy	8 970	11 163
Terminal gratuity	40 324	40 886
Insurance	1 978	2 245
Other staff benefits	6 552	4 538
	256 261	260 335

14 TRAVEL EXPENSES

Staff	13 193	77 688
Participants	18 422	212 545
Fellows	289	8 074
Resource persons	7 654	59 734
Board	-	61 658
	39 558	419 699

15 OFFICE EXPENSES

Air courier mail	304	526
E-communication charges	55 460	47 966
Equipment and software maintenance	78 684	15 984
General expenses	111 235	230 228
Office maintenance	16 952	14 530
Office security	17 960	18 026
Printing and stationery	11 063	12 267
Publications	17 986	10 119
Telephone and postage	17 322	14 734
	326 966	364 380

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	145 439	156 010
National Social security (NSSA)	33	1 712
Salaries and short-term employee benefit	672 763	770 364
	818 235	928 086

17 PROPERTY, VEHICLES AND EQUIPMENT

	Land	Buildings	Motor vehicles	Computer equipment	Office furniture	Total
Year ended	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
31 December 2019						
Opening carrying Amount	460 000	637 888	147 468	113 778	22 420	1 381 554
Disposals	-	-	-	-	(1,436)	(1,436)
Depreciation on disposals	-	-	-	-	1 436	1 436
Depreciation charge	-	(25,344)	(30,195)	(50,170)	(10,907)	(116,616)
Closing carrying amount	**460 000**	**612 544**	**117 273**	**63 608**	**11 513**	**1 264 938**
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**	**117 272**	**63 608**	**11 514**	**1 264 938**
Year ended						
31 December 2020						
Opening carrying Amount	460 000	612 544	117 272	63 608	11 514	1 264 938
Disposals	-	-	-	(48 020)	(31 177)	(79 197)
Additions	-	-	-	49 024	17 448	66 472
Depreciation on disposals	-	-	-	48 020	31 177	79 197
Depreciation charge	-	(25,344)	(30,195)	(39,944)	(9,886)	(105,369)
Closing carrying amount	**460 000**	**587 200**	**87 077**	**72 689**	**19 076**	**1 226 042**
At 31 December 2020						
Cost/Valuation	460 000	640 000	152 500	465 998	382 627	2 101 125
Accumulated Depreciation	-	(52,800)	(65,423)	(393,309)	(363,551)	(875,083)
Carrying Amount	**460 000**	**587 200**	**87 077**	**72 689**	**19 076**	**1 226 042**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		2020 US$	2019 US$
18	**INVENTORY**		
	Consumables	2 480	1 916
	Computer consumables	26 596	23 281
	Publications	8 185	4 383
	Stationery	3 740	3 400
		41 001	32 979
19	**RECEIVABLES**		
	Member countries		
	Contributions due:	-	105 381
	Other receivables		
	Prepayments	51 107	85 423
	Committed Funds - Assets	8 091	-
	Staff loans and advances - Other staff	222	2 937
	BDU Receivables	2 500	-
	Value Added Tax claims	17 850	14 774
	Total other receivables	**79 770**	**103 134**
	Total receivables	**79 770**	**208 515**

During 2020, there was no write off of receivables . As at 31 December 2020, receivables of US$ 2,500 were past due but not impaired. These relate to BDU customers. It was assessed that these receivables are expected to be recovered. The age analysis of these receivables is as follows:

	2020	2019
Over 3 months	**2 500**	**105 381**

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.

	2020 US$	2019 US$
20 CASH AND CASH EQUIVALENTS		
Cash on hand	1 808	2 054
Cash at bank	1 286 137	1 123 293
Cash at bank - Gratuity Account	-	19
Short term deposits	5 534 472	3 594 537
	6 822 417	4 719 903
21 PAYABLES		
Accrued expenses	11 434	46 208
Audit fees	28 000	28 000
Member countries annual contributions	1 090 196	354 423
Member countries Reserve Fund contributions	-	36 866
Professional fees	153 565	204 535
	1 283 195	670 032
22 PROVISIONS		
Leave pay	88 076	81 513
Performance bonus	26 668	28 005
Terminal gratuity	424 000	712 813
	538 744	822 331

Reconciliation of provisions

	Leave pay provision US$	Performance bonus provision US$	Terminal gratuity provision US$	Total provision US$
As at 1 January 2019	85 130	29 019	492 978	607 127
Charge to the income statement	175 778	27 608	427 982	631 368
Utilised during the year	(179 395)	(28 622)	(208 145)	(416 162)
As at 31 December 2019	**81 513**	**28 005**	**712 815**	**822 333**
As at 1 January 2020	81 513	28 005	712 815	822 333
Charge to the income statement	70 232	42 661	403 242	516 135
Utilised during the year	(63 669)	(43 998)	(692 057)	(799 724)
As at 31 December 2020	**88 076**	**26 668**	**424 000**	**538 744**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23 CAPITAL EXPENDITURE RESERVE - LAND AND BUILDINGS	2020 US$	2019 US$
Balance at beginning of the year	675 625	717 902
Amortisation	(42 279)	(42 279)
Balance at end of year	633 346	675 623
Non-current portion of capital expenditure reserve - land and Building	591 067	633 344
Current portion of capital expenditure reserve - land and Building	42 279	42 279
Balance at end of the year	**633 346**	**675 623**

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.

24 RESIDENCE FUND

	2020 US$	2019 US$
Balance at the beginning of Year	237 923	169 225
Interest Income from the current period	7 599	3 192
Balance at end of the year	245 522	172 417
Accumulated interest Income	-	65 506
Total residence Fund as at year end	**245 522**	**237 923**

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

25 FUNDS

25.1 Revaluation reserve

	2020 US$	2019 US$
Balance at the beginning of the year	448 645	448 645
Revaluation surplus for the period	-	-
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

	2020 US$	2019 US$
Balance at beginning of the year	2 088 864	1 558 236
Transfer from Accumulated funds	-	500 000
Member countries contributions to Reserve Fund	232 413	-
Interest Income from the current period	54 859	30 628
Balance at end of year	**2 376 136**	**2 088 864**

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

	2020 US$	2019 US$
(Increase)/(Decrease) in inventory	(8 022)	14 628
Decrease/(Increase in receivables)	128 745	(26 027)
Increase/(Decrease) in payables	613 163	(404 635)
Increase/(Decrease) in provisions	(283 587)	215 205
	450 299	**(200 828)**

27 EVENTS AFTER REPORTING PERIOD

There are no events after the reporting date.

DETAILED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2020

INCOME	2020 US$	2019 US$
Amortisation of capital expenditure reserve - land and building	42 279	42 279
In-kind contributions	18 422	211 810
Interest income	139 714	26 316
Member state contributions	4 648 242	4 648 242
African Capacity Building Refund	-	91 008
Exchange Gains	10 817	-
Other income	377	25 455
Other donors	50 000	12 000
IMF	-	62 648
World Bank	82 573	68,990.00
Income from BDU	39 400	152,109
Profit on Disposal	4 966	-
	5 036 790	**5 340 857**

EXPENDITURE

Macroeconomic Management Programme		
In-country workshops	-	78 326
Missions	16 034	39 087
Operating expenses	118 142	93 326
Programme delivery - staff	767 953	777 938
Regional workshops	120 609	196 983
Participants travel -in kind expenses	18 422	57 940
Networking	-	3 964
Fellows Development	8 682	25 139
Studies	-	15 000
E learning	42 708	127 991
Monitoring and evaluation	10 575	101 259
	1 103 125	**1 516 953**

Financial Sector Management Programme		
In-country workshops	32 179	88 151
Missions	13 701	78 964
Operating expenses	100 109	92 464
Programme delivery - staff	767 953	777 938
Regional workshops	1 500	36 390
Participants travel - in kind expenses	-	50 479
Networking	1 301	5 464
Studies	-	-
E learning	25 652	15 040
	942 395	**1 144 890**

Debt Management Programme		
In- country workshops	64 178	109 227
Missions	-	12 550
Operating expenses	97 209	98 516
Programme delivery - staff	767 953	777 938
Regional workshops	1 059	296 393
Participants travel -in kind expenses	-	103 391
Networking	-	13 621
E Learning	78 584	17 720
	1 008 983	**1 429 356**

DETAILED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	2020 US$	2019 US$
EXPENDITURE (continued)		
Secretariat Capacity Building		
Operating expenses	18 279	83 312
Staff development and retreats	10 982	19 656
Executive Fora	-	153 602
Networking	13 522	32 567
In-house workshops	-	19 000
Staff recruitment and relocation	67 121	27 976
	109 904	**336 113**
Business Development Unit		
Operating expenses	5 801	25 215
Programme Delivery staff	-	60 856
Depreciation	999	1 542
Open courses	33 358	70 485
	40 158	**158 098**
Administration		
Governing bodies	5 803	73 887
Depreciation	105 369	115 072
Exchange Loss	-	119 478
Operating expenses	42 609	73 173
Salaries, wages and benefits	256 261	260 335
	410 042	**641 945**
Allowance for impairment of receivables	**-**	**-**
Total expenditure	**3 614 607**	**5 227 355**
Surplus for the year	**1 422 183**	**113 501**

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