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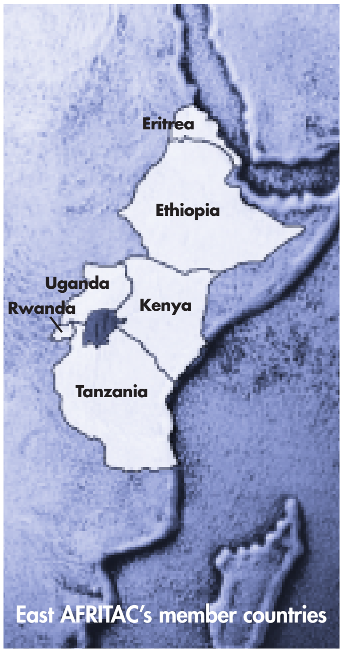
East AFRITAC opening

New center aims to strengthen East Africa's capacity to manage economic policies

Tanzanian President Benjamin William Mkapa's remarks on the inauguration of East AFRITAC could not have been clearer or more emphatic. If Africa is to define its own economic destiny, it must strengthen its ability to design and implement sound economic policies. And policy ownership and capacity building are what the new regional technical assistance center, which opened October 24 in Dar es Salaam, is all about.



East AFRITAC's member countries

The East Africa Regional Technical Assistance Center, or East AFRITAC, whose member countries are Eritrea, Ethiopia, Kenya, Rwanda, Tanzania, and Uganda, is one of the first products of Africa's request for help in strengthening institutions and in designing and implementing better policies, notably within the context of its New Partnership for Africa's Development. The AFRITAC concept—the development of regional centers for capacity-building technical assistance—is the central component of the response by the IMF and its donor partners, which, as of today, are China, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Norway, Russia, Sweden, the United Kingdom, and the African Development Bank. Two AFRITACs are planned for the near term. East AFRITAC is the first to open; another center, serving francophone west African countries, is expected to open in early *(Please turn to the following page)*

IMF, trade unions continue frank dialogue

On October 21–23, about 90 trade union representatives from 40 industrial, developing, and transition countries met with IMF and World Bank management and staff for a wide-ranging discussion of economic and labor-related issues. The meeting, continuing the exchange of views between the Bretton Woods institutions and the global labor movement that began a decade ago, renews a commitment to maintain a frank, open, and constructive dialogue.

Michael Sommer (right), President of Deutscher Gewerkschaftsbund, joins IMF Managing Director Horst Köhler for a meeting at the Managing Director's office.

The third day of the meetings took place in the IMF and was chaired by Willy Kiekens, an IMF Executive Director whose constituency includes several Eastern and Western European countries as well as Turkey, Belarus, and Kazakhstan. In an earlier meeting between the IMF Executive Board and labor unions, Kiekens paid tribute to this 10-year dialogue. It was begun, he explained, by former IMF Managing Director Michel Camdessus. In that first meeting, Camdessus promised that the IMF would pay more attention to poverty reduction, income distribution, and social safety nets. *(Please turn to page 359)*

AFRITAC stresses country involvement

Tanzanian President William Mkapa (right, with Eduardo Aninat): East AFRITAC reflects "unprecedented mutual respect" between the IMF and African countries.

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2003. If an independent study, to be conducted in 18 months, deems the two centers effective, additional ones will be established.

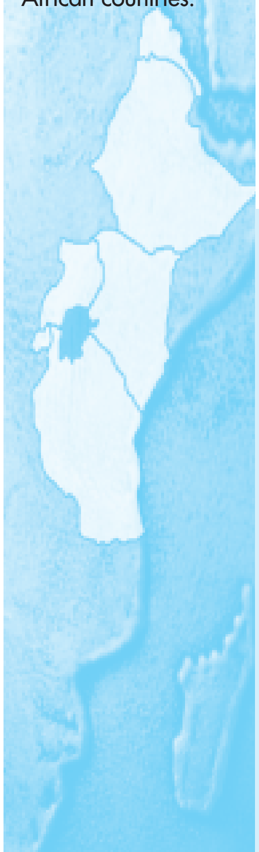
The AFRITAC initiative builds on efforts already under way in Africa, notably the Partnership for Capacity Building in Africa and its implementing agency, the African Capacity-Building Foundation, the latter of which the IMF joined earlier this year. The attention to capacity building is also linked to IMF and World Bank efforts, in cooperation with donor partners, to build country ownership of poverty reduction efforts, particularly in the context of the participatory policy design process associated with poverty reduction strategy papers, or PRSPs.

There are those in the world, Mkapa noted, who still think that poor countries seeking aid from the IMF and the World Bank, to paraphrase Alfred Lord Tennyson's poem "Charge of the Light Brigade," have "no right to ask, no right to reply, no right to reason; only to do and die in the valley of economic bondage and assured death of sovereignty." Nothing could be further from the truth, he said. East AFRITAC reflects "unprecedented mutual respect" between the IMF and African countries, and its members intend to use East AFRITAC's assistance "to self-develop, to plan strategically, to ask the right questions, to reply intelligently to questions about the decisions we make, to reason deeply and logically, and certainly not to do and die at the behest of anyone outside our countries!"

Institutions matter

As both IMF Deputy Managing Director Eduardo Aninat and Abdoulaye Bio-Tchané, Director of the IMF's African Department, underscored in their remarks at the inauguration, strong domestic institutions play a vital role in development. If anything, the importance of domestic institutions has grown as economies have become more market driven. Aninat noted that "strong domestic human and institutional capacity is both a precondition for economic development and an 'insurance policy' in cases of external shocks."

These institutions also have a strong human component. In the past, Neway Gebre-ab, Chief Economic Advisor to the Prime Minister of Ethiopia, explained, many of the trained and most talented staff left public service, discouraged by past political



East AFRITAC operations

The AFRITAC initiative, which will ultimately establish several regional technical assistance centers, is part of an ambitious IMF-sponsored capacity-building effort in Africa. East AFRITAC is the first of these centers to begin operations.

The AFRITAC concept builds on experience in the Caribbean (CARTAC) and the South Pacific (PFTAC). These centers have found that a regional approach to identifying and meeting technical assistance needs ensures a greater opportunity for, and a stronger voice from, country officials in setting priorities. And that, in turn, enhances both country ownership and commitment and encourages an efficient use of scarce resources. Placing technical assistance resources directly in the region has the added advantage of increasing staff familiarity with the needs of the area and allowing for a more flexible and rapid response to capacity-building requirements.

East AFRITAC will be staffed by five resident experts and a center coordinator, John Crotty. Their work will be supplemented by short-term specialists. Tanzania generously provides office space and logistical support for the center, with a major part of the financing (more than 60 percent) underwritten by bilateral and multilateral donors, and the remainder furnished by the IMF.

Even before the center opened, much work was done by a small IMF team headed by Piroska Nagy of the African Department and Claire Liuksila of the Office of Technical Assistance Management. After start-up meetings in Addis Ababa in late May, the AFRITAC beneficiary countries prepared their capacity-building needs assessments and discussed them with IMF experts, the African Development Bank, the World Bank, and donor representatives in June.

A steering committee made up of senior officials from the participating countries and from agencies and donors supporting the center held its first plenary session on October 23 under the leadership of Daudi Ballali, Governor of the Bank of Tanzania. Among other matters, it discussed the center's work plan and the framework for monitoring and evaluating the center's work.

regimes or by poor appreciation for their skills. Liberalization has made the loss of these skills obvious and the need for capacity building great.

Not just "technical" or "assistance"

The world and its institutions are changing and so, too, is technical assistance, Mkapa said. In remarks to an East AFRITAC workshop on capacity building, Director of the IMF's Fiscal Affairs Department Teresa Ter-Minassian emphasized how crucial it was to understand that technical assistance can no longer be thought of as simply "technical" or "assistance" to passive recipients. Countries themselves must make key strategic choices, she said, and it is they who will bear responsibility for the results of these policies. Gone, too, is a technical assistance driven by short-term expediency—one that largely amounted to gap-filling and fire fighting.

Given the fast-paced nature of the global economy, it is also essential, Mkapa noted, to stress flexibility and a willingness to experiment. If Africa is to adapt to a relentlessly changing world, he said, it cannot be bound by old ways. Citing Keynes's dictum that "the difficulty lies not so much in developing new ideas as in escaping from old ones," Mkapa looked to increased capacity to help East Africa's countries shape new policy ideas and leave behind "a world that remains only in our imagination."

The region's capacity-building effort will not start from scratch. East Africa has a long history of technical cooperation with the IMF and other institutions. Workshop participants paid tribute to East AFRITAC's member countries, which have already made substantial efforts to strengthen their institutions, often in difficult circumstances. Some countries have been to the brink of chaos and collapse, but they have striven to reestablish stability, rebuild or even, in some cases, create institutions, change policies, and set their economies on a path of sustainable growth.

Economic focus

The region's commitment to ownership and institution building will give East AFRITAC a running start in terms of defining needs and setting an ambitious agenda for itself. The center's work program is meant to reflect the IMF's traditional areas of expertise: macroeconomic policy, tax and revenue administration, public expenditure management, monetary policy, exchange rate regimes, financial sector sustainability, and statistics. And there is wide consensus, as the workshop indicated, on what the center's priorities should be. These include the following:

Central banks. Macroeconomic management is impossible without a sound and respected institution to maintain price and financial stability. It will be vital to develop more effective monetary instruments, interbank money and foreign exchange markets, and treasury bill markets, and to strengthen banking system regulation and supervision to help national authorities better manage risks.

Fiscal policy. For countries seeking to reduce poverty, spur growth, and integrate their economies into the global economy, there is major work to be done in the fiscal arena. The center will give priority to improving the capacity of governments to raise revenue and use public resources more efficiently. Its assistance is expected to help countries strengthen budget management, which is a key step if countries are to direct more resources to poverty reduction within a sustainable macroeconomic framework; ensure accountable public expenditure management; and improve revenue administration, where expanding the tax net to a private sector long characterized by informal activity will be a major challenge.

Neway Gebre-Ab (left, with Alemseged Assefa Vice-Governor, National Bank of Ethiopia): In the past, many of the trained and most talented staff left public service.

Decentralization. It is critical for poverty reduction that lower levels of government develop the capacity to use public resources effectively—whether for education, health, or other social services. The center will assist both central governments and local governments in this process.

Statistics. Timely and accurate economic, financial, and sociodemographic statistics are essential if countries are to formulate effective policies, monitor their implementation, and assess their impact. All of East AFRITAC's members either are participating in the General Data Dissemination System or have expressed a strong interest in doing so. Tanzania's and Uganda's efforts to strengthen their statistical systems are expected to provide a good framework for the center's work in other countries. The statistical work is expected to emphasize the integrity, transparency, and legal basis of statistical processes and institutions as well as the quality of the data they produce.

Teresa Ter-Minassian (left, with Piroska Nagy): It is crucial to understand that technical assistance can no longer be thought of as simply "technical" or "assistance" to passive recipients.

Economic development requires skilled public officials as well as appropriate policies. In recent years, the IMF Institute and the Joint Africa Institute, which is supported by the IMF, the World Bank, and the African

The AFRITACS represent a new partnership between providers and recipients of technical assistance.
—Sergeant and Manno

Development Bank, have stepped up and diversified their efforts to train African officials. The Africa Capacity-Building Foundation, in partnership with the IMF, will develop training programs responsive to the particular needs of each of East AFRITAC's member countries, including the postconflict countries. The first emphasis will be on a strong program to "train the trainers."

Making East AFRITAC work

What is needed to ensure the center's success? Aninat cited six key ingredients: country ownership, mutual accountability, well-defined and time-bound capacity-building targets, effective donor coordination, an overarching reform process, and an external environment that rewards reform. Mkapa, too, pointed to the value of carefully formulated and time-bound programs, effective coordination of ongoing efforts, mutual accountability of stakeholders, and meaningful benchmarks against which to assess the effectiveness of the center's assistance.

Certainly, Aninat reiterated, the IMF views country ownership as essential. "We have listened to, and worked very closely with, country officials in mapping out the work priorities of the center." There is also hope, as Rwanda's Minister of Finance and Economic Planning Donald Kaberuka noted, that the center's regional approach will encourage active peer review and allow member countries to learn from each other.

There was complete agreement on how important the governance structure of the center would be—in particular, the role of the steering committee. East AFRITAC's steering committee, which includes representatives from all member countries as well as from donor partners and the IMF, will provide guidance on the center's priorities. All agreed that emphasis should be placed on clear goals and timetables to ensure accountability and on a well-designed monitoring and feedback process.

The context in which AFRITAC operates also matters a great deal, Aninat said. With pressing needs and scarce resources, donors must coordinate their work. He also indicated that capacity building can be sustained only in the context of a comprehensive reform effort, most notably in countries' civil services. Retaining trained civil servants is a precondition, he said, "to achieving the ultimate objective of establishing durable institutions and strong capacity."

Speaking as a former finance minister, Aninat also offered some practical political advice. Capacity building is not a friction-free process: government officials will have to contend with vested interests. Reformers can win this battle, he said, but having the right external incentives in place can prove a potent ally. The prospect of European Union accession, which helped fuel Eastern Europe's transformation, may have been a unique circumstance, but Aninat suggested that the international community could do more to develop appropriate incentives for Africa. It could begin, he said, by removing current disincentives—namely, the industrial country subsidies that constrained the growth potential of many African economies.

Fruitful partnership

As Caroline Sergeant of the U.K. Department for International Development, and Francesca Manno, Advisor to the IMF Executive Director for Italy, observed, the AFRITACs represent a new partnership between providers and recipients of technical assistance. Constructive consultation and dialogue can help both to sharpen the design of that assistance and to deepen its impact. A successful East AFRITAC, Mkapa said, will make itself superfluous. It will be "a bridge to help us cross the divide from low to high capacity, nationally and regionally." ■

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News Briefs

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02/111: Statement by Horst Köhler, IMF Managing Director, on the Work Program of the Executive Board, November 7

Public Information Notices

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02/124: IMF Concludes 2002 Article IV Consultation with Germany, October 31

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Speeches

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