



TABLE OF CONTENTS

| | |
|---|----|
| TABLE OF CONTENTS | 1 |
| HIGHLIGHTS | 2 |
| FEATURE: CLIMATE CHANGE IN THE AFW2 REGION: DEVELOPMENTS AND PROGRESS | 3 |
| CD HIGHLIGHTS BY WORK AREA (NOV – JAN) | 6 |
| REGIONAL WORKSHOPS AND PROFESSIONAL ATTACHMENTS | 10 |
| OUTREACH AND PARTNER COOPERATION | 12 |

AFW2 Member Countries



AFW2 Development Partners



HIGHLIGHTS

The second half of fiscal year (FY) 2023 kicked off with experts making continued progress on workplan implementation. Between November 2022 and January 2023, 25 activities (17 TA missions, 7 regional workshops and trainings, and 1 peer attachment) were executed collaboratively with regional and international partners, virtually and in-person.



Former AFW2 PFM Regional Advisor, Naresh Jha, leading discussions at a regional workshop on Cash Management in Sierra Leone

AFW2 bid farewell to regional advisor for public financial management, Naresh Jha, in December 2022. After 5 years of service to the center and the region, the team is sad to see one of our cherished colleagues go. We are grateful for his time with us and wish him immense success in all his future endeavors.



AFW2 Director with authorities at the Banco de Cabo Verde (top) and the Ministry of Finance in The Gambia (bottom).

During country visits to Cabo Verde and The Gambia, AFW2 Director Eva Jenkner gained insight into our member countries' strategic priorities and reinforced partnerships with development partners in the region. In November 2022, she held discussions with the [Ministry of Finance, Banco de Cabo Verde \(BCV\)](#) and [Instituto Nacional de Estatística - INECV](#) in Cabo Verde, and the [Ministry Of Finance and Economic Affairs, The Gambia Bureau of Statistics, and IMF resident representative in The Gambia](#). These exchanges helped shed light on country developments and CD priorities ahead of work program design for the medium term. The visiting team also had the pleasure of meeting with representatives of [the European Union \(EU\), World Bank, and Germany, stationed in Banjul](#).



Support to member countries is focused on facilitating recovery from the ongoing crises, per the AFW2 mid-year report for FY 2023 published in December 2022. The report highlighted i) capacity development (CD) activities conducted in the first half, especially with the reinstatement of travel, ii) key achievements by member countries, iii) center outreach efforts within the region and iv) planned assistance towards further strengthening of public institutions. Read the full report [here](#).

FEATURE: CLIMATE CHANGE IN THE AFW2 REGION: DEVELOPMENTS AND PROGRESS

AFW2 countries are some of the most vulnerable to climate-related shocks.

While the six AFW2 countries make up about 3.5 percent of the world's population, they account for less than 0.3 percent of global carbon dioxide emissions (NDC estimates). As a result, mitigation measures are encouraged, but adaptation¹ will be critical. Adaptation is costly - with estimates of about 3 percent of GDP in additional financing each year - yet essential if the countries are to avoid even higher costs in the future.² Climate change has already impacted the region with droughts, heat waves, and flooding, and responses to extreme climate events have decreased governments' limited fiscal space.

All six AFRITAC WEST2 countries have set climate objectives in their Nationally Determined Contributions (NDCs) to the global challenge of reducing emissions, and are implementing various adaptation measures. But significant challenges remain,

and stepped-up external support will be needed.

Since 2021, AFW2 member countries have received climate-related CD at national and regional levels. A regional workshop on climate-related risk in banking supervision was conducted in November 2021. AFW2 facilitated IMF's participation in the Bank of England-Bank of Ghana regional workshop on *Micro-prudential Supervision: Climate Change Issues for Supervisors* in August 2022. In that respect, the IMF presented an overview of observations aimed at raising awareness on climate change financial risks, facilitating experience sharing and building capacity. The Fund also shared ongoing efforts to enhance supervisory capacity and offsite monitoring of climate related risks.

Additionally, AFW2 organized a seminar to encourage peer learning on green budgeting in January 2023. Senior officials from the finance and environment ministries of these six countries and experts from the

¹ Examples of mitigation and adaptation measures include (i) the elimination of kerosene lighting and gas flaring by 2030, (ii) all vehicles meeting EURO IV emissions norms by 2030, (iii) promotion of clean rural household lighting, (iv) gender-responsive sustainable forest management, (v) integration of climate change adaptation into the extractive sector, and (vi)

development of integrated approaches to build rural climate resilience.

² Adapted from Climate Risk Profiles: Cabo Verde, Gambia, Ghana, Liberia, Nigeria, Sierra Leone (2021): The World Bank Group.

IMF's Fiscal Affairs Department (FAD) gathered in Praia, Cabo Verde, to discuss and share knowledge on how to incorporate climate actions into the budget process to achieve the NDC targets.

Regional public financial management (PFM) systems require improvement in order to face the challenges of climate change. Sound PFM and public investment management (PIM) processes will be crucial for the development, financing, and efficient implementation of climate-related measures. Despite some improvements in PFM in recent years, such as program-based budgeting and strategic budgeting, many implementation gaps remain in the region.

Public investment management [assessments](#) (PIMAs) conducted in the region indicate inefficiency gaps similar to emerging markets economies, estimated to be 40-50 percent. Output could potentially be increased by this amount if PIM practices in these countries were improved to the level of the most efficient countries. Taking this as starting point, the one-week workshop in Praia underscored the importance of strengthening PFM and PIM practices as a precursor to the successful integration of climate objectives. Discussions also focused on how sound PFM practices contribute to increased fiscal space and good value for money to address climate action.

The FAD's "How-to-Note" on [How to Make the Management of Public Finances Climate Sensitive](#) was presented during the workshop in January. The note formed the basis for discussion among participants and FAD experts on how the recommendations can be incorporated in regional PFM systems. In addition, participants discussed the possibility of deploying a recently developed IMF tool which assesses the fiscal risks related to climate change.

There is some progress in integrating climate change in the budgetary process. Countries in the region have recorded some progress in integrating climate change issues into their economic policies and budget processes. For example, all countries have or are in the process of including the NDC targets in their national and sectoral plans. Nigeria has issued green bonds to finance climate-related investment projects. Ghana has set up a climate change unit within the finance ministry, which has developed manuals to guide government agencies in accessing funding from the Green Climate Fund³ and incorporating climate change concerns into the PFM system. This unit also coordinated the revision of the chart of accounts to track [climate-related expenditures](#).

Challenges remain, which the IMF can help countries address through technical

³ A fund established within the framework of the United Nations Framework Convention on Climate Change, mandated to support developing countries in raising and realizing their NDC ambitions towards low-emissions, climate-resilient pathways.

assistance. For example, countries in the region face financing gaps to achieve their NDC targets, and national and sectoral plans need to be aligned with the budget. Transparent monitoring and reporting of climate change-related expenditures will not only help strengthen the policy debates but will also be instrumental in allocating multi-lateral and bilateral funding through the budget and IFMIS system.

Climate change and related risks are not limited to public finance and will continue to feature in AFW2 CD planning across workstreams. For example, AFW2 experts delivered a seminar on climate related risks in banking supervision in FY22, and a

regional workshop on “Regulation and Supervision of Climate-related Financial Risks in Banks” is tentatively scheduled for this March in Nigeria with the College of Supervisors of the West African Monetary Zone (CSWAMZ). This workshop is aimed at enhancing regional collaboration and co-operation towards a unified approach to assessing climate related risks, including harmonized supervisory frameworks, definitions, methodologies, metrics, and taxonomies.

Elections and AFW2 CD

This year, a number of presidential elections in the AFW2 region are expected to affect mission scheduling and implementation. In addition to Nigeria’s election slated for February 25, elections in Sierra Leone and Liberia in June and October 2023, respectively, are expected to delay the delivery of capacity development. Experts will remain flexible, leveraging all resources and modalities available to ensure continuity of support to our member authorities.

CD HIGHLIGHTS BY WORK AREA (NOV – JAN)

TAX ADMINISTRATION



*Henry Gaperi
Tax Regional Advisor*

AFW2 tax experts continued to advise and support AFW2 revenue administrations to mobilize domestic revenue, improve taxpayer compliance and reduce compliance cost incurred by taxpayers. This included deepening implementation of reform strategies to improve core tax functions and closing areas of revenue leakage.

AFW2 supported Ghana to strengthen revenue administration management, governance arrangements and risk management.

The Ghana Revenue Authority (GRA) was assisted to develop its integrity promotion policy to lay foundation for enhancing integrity and accountability framework and practices in tax administration. To consolidate risk management, [a team of GRA Risk Management unit visited Tanzania to conduct a peer-to-peer learning and share experience.](#)



Ghana Revenue Authority Risk Management team at a Tanzania border post.

Technical assistance to Nigeria helped improve tax exemptions management capacity. Improved tax exemptions management is expected to increase transparency and close tax revenue leakage. A team of Nigerian officials from both the federal tax administration and ministry of finance were assisted to benchmark and gain hands-on experience at the Mauritius Revenue Authority.

CUSTOMS ADMINISTRATION



*David Smith
Customs Regional Advisor*

The current focus on customs core procedures remains critical to the effective collection of customs duties and other taxes. It was very pleasing to see that some of the key instruments related to customs risk management, including an overall mandate and policy document, have been signed off by the Commissioner-General in Sierra Leone. A similar sign-off in Ghana, including standard operating procedures (SOPs), is also imminent. Assistance was provided to the Ghana Revenue Authority to develop an

entity-level integrity plan, as well as to draft SOPs in relation to the provision of customs advance rulings. Support was provided to the Nigeria Customs Service to review and update the draft instruments related to customs border controls, risk management and post clearance audit.

Customs risk management capacity was enhanced in Ghana and Sierra Leone. Experts delivered training to revenue authorities in Ghana and Sierra Leone during the period, which covered a range of target audiences including senior managers, customs risk management staff, operational customs staff, and other stakeholders in the risk management process.



Lizbal Heroe, Assistant Commissioner Customs, opening the training event in Sierra Leone

PUBLIC FINANCIAL MANAGEMENT AND MACRO-FISCAL POLICY



*Kubai Khasiani
PFM Regional Advisor*



*Naresh Jha
PFM Regional Advisor*

In November, Members of Parliament (MPs) in Ghana, consisting primarily of members of the Finance Committee, identified and discussed the key issues concerning Public-Private Partnerships (PPPs). The workshop raised awareness on the fiscal commitments and risks emanating from PPP implementation. It

further raised the profile on the need to operationalize Act 1039 -the Private Partnership Act 2020, especially the overriding consideration for fiscal sustainability/ protection of the public finances. The MPs requested further AFW2 support in capacity development to assess and monitor fiscal costs and risks in PPP contracts.

AFW2 provided support to the Directorate of Internal Audit in The Gambia on Fraud investigation and report writing skills based on IIA standards. Participants included the Government of The Gambia (GoTG) internal auditors from line ministries and state-owned enterprises. The engagement resulted in informal professional networking across the GoTG public sector, which was useful for experience-sharing and peer-learning. Going forward, continuous capacity development in transitioning from transaction-based internal auditing to risk-based internal audit will be necessary.

AFW2 also supported the Accountant General's Department (AGD) to draft a GoTG asset management plan (AMP). Authorities will need a high-level action plan to guide the implementation of the AMP and detailed operational guidelines to assist the Ministries,

Departments and Agencies in preparing their fixed asset registers and related statements. Due to limited technical capacity in the AGD, the AMP-Action Plan provides for a phased approach, concentrating initially on PPEs, especially land and buildings. Further capacity building will be necessary to implement the AMP.

In Cabo Verde, 10 officials from the macro fiscal forecasting and debt management departments of the [Ministry of Finance received training on macro-economic and fiscal forecasting](#). The mission developed a simplified macroeconomic forecasting template for their medium-term fiscal framework, and better management and monitoring of the recently agreed Extended Credit Facility (ECF) program with the Fund. The officials highly appreciated the support.

MONETARY POLICY & FX OPERATIONS AND PAYMENT SYSTEMS (MONOPS)



*Gani Gerguri
MONOPS Regional Advisor*

CD Support in MONOPs assisted the Central Bank of The Gambia (CBG) to further develop their forecasting and policy analysis system (FPAS) and improve the liquidity forecasting and management framework. The November 2022 forecast update included all necessary steps for a successful forecasting process, including the review of the core projection model and technical infrastructure, relevant updates, assessment of the current economic situation as of November 2022 and discussion of the Gambian outlook, as well as risk assessment. A two-day training for the Modeling and Forecasting Unit (MFU) staff, focused on processing and visualizing of key data variables in MATLAB, with practical tips on operating the Gambian model infrastructure using the program. Also, the CBG continued in improving its monetary policy communication, implementing previous mission recommendations in both the Monetary Policy Report and the Forecast Report.

The CBG also benefited from assistance in improving liquidity forecasting and management. A hybrid mission assessed the existing monetary policy toolkit with a focus on effectiveness of the interest rate corridor under the reserve money operating target framework and the efficiency of interbank/money market in supporting the monetary policy transmission. The team also assisted the CBG to review liquidity forecasting instruments and frameworks. The CBG is the first AFW2 central bank to have received bilateral CD assistance in introducing the new liquidity forecasting tool developed by the by the IMF's Monetary and Capital Markets (MCM) Department.

FINANCIAL SECTOR SUPERVISION AND REGULATION



Vitus Ukwuoma
Financial Sector Supervision
Regional Advisor

Member central banks were assisted with deepening their banking and insurance supervisory and regulatory practices in support of more effective management of existing and emerging financial sector risks. A mission to Cabo Verde on Insurance Core Principles (ICP) marked the first of direct capacity development missions in insurance supervision by the center. The mission aimed to improve BCV's observance of ICP and knowledge of the supervisory methodologies for ICP's self-assessment.

Two regional workshops were held during the quarter to further strengthen risk-based supervision. The first aimed to sharpen supervisory and regulatory skills in recognizing early warning signs and addressing those weakness by employing prompt corrective actions. Subsequently, an executive forum with the 6 member countries focused on managing banking supervision and regulation in a risk-based environment. Executive officers with responsibilities for bank supervision attended the forum, where there was a high degree of interaction and peer exchange on challenges related to banking supervision in the current macroeconomic environment, as well as the contemplation of financial stability measures.

REAL SECTOR STATISTICS



Elirjeta Pepaj
Statistics Regional Advisor

AFW2 continued to assist The Gambia and Nigeria in the compilation of quality national accounts statistics. The Gambia Bureau of Statistics (GBoS) has made progress in the compilation of quarterly GDP (QGDP) estimates by the production approach, non-seasonally adjusted series for Q1/2013-Q3/2022 at current and constant prices. In addition, the GBoS national accounts team has worked on the development of quarterly indicators for the QGDP by the expenditures approach. In Nigeria, results of the National Business Survey of Establishments (NBSE) were further improved with additional information. The Nigeria Bureau of Statistics made further progress on expanding coverage of the financial sector in national accounts and Supply and Use Table (SUT) compilation.

The Liberian Institute of Statistics and Geo-Information Services (LISGIS) commenced work on developing a producer price index (PPI) and reviewing consumer price index (CPI) compilation methods. The technical assistance mission helped LISGIS to enhance knowledge on the PPI compilation methods and identification of source of data to be used for the PPI weights. LISGIS has developed the preliminary PPI weights and selected a sample of establishments for some economic activities.

REGIONAL WORKSHOPS AND PROFESSIONAL ATTACHMENTS

Joint Regional Workshop on Management and Reporting of Fiscal Risk Related to State-Owned Enterprises, November 28 – December 2, Accra, Ghana

AFW2, jointly with the IMF Fiscal Affairs Department, hosted an [inter-regional workshop](#) for 50 officials from Ministries of Finance and independent institutions responsible for the oversight of SOEs across 14 member countries. Most of the participating countries reflected the SOE Sector as contributing to a large share of their GDP. Participants agreed on the usefulness of the SOE Health Check and the Stress Test tools for quality and effective analysis, and the need for more peer learning opportunities through the regional workshop approach. Participants identified priority reform activities for strengthening the management and reporting of fiscal risks within the SOE sector, including customizing the Fiscal Risk Health Tool and designing appropriate IT systems. They also created a WhatsApp peer community for continued cross country learning.

Regional Workshop on Cash Management, December 5-9, Freetown, Sierra Leone



AFW2 hosted a [regional workshop on Cash Management](#) where 24 middle- to senior-level officials representing all six member countries shared experiences. Common challenges identified with cash management in the region included lack of capacity for cash planning and forecasting; inadequate coordination between stakeholder agencies and

entities (including poor capacity in MDAs); inadequate focus on realistic budgeting and discipline during budget execution. In some countries, massive arrears or overdraft problems are a direct consequence of delinking the budget and in-year financing needs. Participating countries expressed the need for attachments/exposure to more developed country systems for peer learning, and comprehensive training on the Cash Forecasting and Analytical Tool (CFAT).

Regional Workshop on Climate Change Budgeting, January 23 – 27, Praia, Cabo Verde



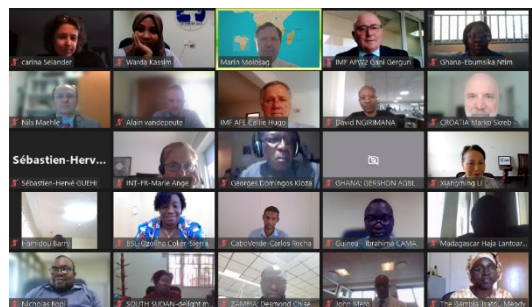
While making up about 3.5 percent of the global population and emitting less than 0.3 percent of the global total carbon dioxide emissions, AFW2 countries are perhaps some of the most vulnerable to climate-related shocks. [30 officials from the region](#) attended and agreed on the need to sensitize and engage all stakeholders to build strong political

will and ownership in integrating climate change into PFM systems. They expressed the need for technical and logistical support on Green PFM to build capacity for climate change budgeting across government. Feedback from the workshop showed that countries are eager to introduce climate change budgeting in their PFM.

Professional Attachment Program to the Bank of Ghana on Oversight and Risk Management Framework for Financial Market Infrastructures (FMIs), January 23 – 27, Accra, Ghana

Staff of the BCV, Bank of Sierra Leone, Central Bank of Liberia and the CBG were hosted by the Bank of Ghana (BoG) with the objective of supporting the central banks in the region to enhance the safety and efficiency of financial market infrastructures (FMIs) and payments systems. A total of 4 officials learnt directly from BoG on the latter's implementation of oversight and a risk management framework for FMIs.

Virtual Interregional Workshop on Modernization of Monetary Policy Operations and Financial Market Development, November 14 – 18



AFW2, AFRITAC East, AFRITAC South, and AFRITAC West hosted a virtual workshop as part of their capacity building programs at the regional level and the on-going engagement with member countries. The main objective of the workshop was to bring forth and discuss the inter-linkages between monetary policy operational frameworks and financial markets in a peer-to-peer sharing environment. The workshop brought together 36 African central banks, with up to 102 attendees.

Executive Forum on Managing Risk-Based Supervision, January 30 – February 2, Accra, Ghana



[This forum](#) brought together Deputy Governors, Directors and Deputy Directors of Banking Supervision and Regulation at the AFW2 6 central banks for discussions focused on improving the risk-based supervision function, supporting field staff with the appropriate resources, and considering ways to insert

the much-needed critical thinking into the supervisory process. Discussions also touched on the need to build and enhance supervisory capacity, focus on gaps in the regulatory framework (where needed) and forge stronger working relationships amongst the 6-member countries, particularly around establishing crisis management operational preparedness in normal times to agree on and clarify the varying roles of "home" versus "host" regulators.

Regional Workshop on the Role of Early Warning Systems (EWS) and Prompt Corrective Actions (PCA), January 23 – 27, Cabo Verde



[During this workshop](#), senior supervisors from AFW2 member countries learned about the latest tools and practices related to supervisory early warning systems and prompt corrective actions. There was a high degree of interaction and exchange of peer views on the status and use of EWS/PCA in each country. Further, this workshop covered the critical use of PCA

when dealing with a weak or problematic bank, including critical supervisory factors when addressing crisis management operational preparedness. Each participating central bank provided written feedback to their banking supervision director and copied AFW2.



OUTREACH AND PARTNER COOPERATION



AFRITAC West 2 (AFW2) hosted Ghana's [State Interests and Governance Authority \(SIGA\) Head, Ambassador Edward Boateng, and team in Accra.](#)

Discussions during the meeting touched on Ghana's current challenges and highlighted opportunities to partner with SIGA in strengthening SOE oversight and reducing fiscal risk.

AFW2 support remained a collaborative effort with regional and international partners. Experts coordinated with the UK's Foreign, Commonwealth and Development Office (FCDO) to optimize capacity development support provided to Ghana. Two coordination meetings with the FCDO Revenue Program were held to ensure alignment of respective work on risk management and compliance within the GRA. Detailed discussions were held with the World Bank (WB) in relation to their trade facilitation program, which includes both Sierra Leone, and Liberia, identifying avenues for cooperation in risk management and data analytics. Separate discussions were also held with the WB in Nigeria to coordinate activities, in terms of their new trade facilitation program, thus working to coordinate missions in the coming weeks following the Federal Elections. Further, coordination between AFW2 and WB projects in statistics continued during this quarter, especially in the design of questionnaires to ensure that source data will be useful for real sector statistics.