



TABLE OF CONTENTS

TABLE OF CONTENTS	1
HIGHLIGHTS	2
FEATURE: TOWARDS AN INTEGRATED MANAGEMENT OF FISCAL RISKS IN GHANA	3
CD HIGHLIGHTS BY WORK AREA (AUGUST – OCTOBER) 2023.....	4
REGIONAL WORKSHOPS AND PROFESSIONAL ATTACHMENTS	8
OUTREACH AND PARTNER COOPERATION	10
<u>ANNEXES.....</u>	

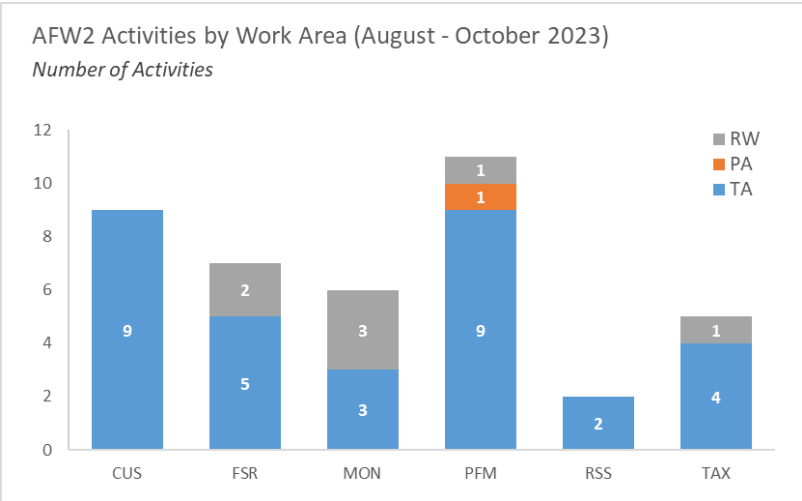
AFW2 Member Countries



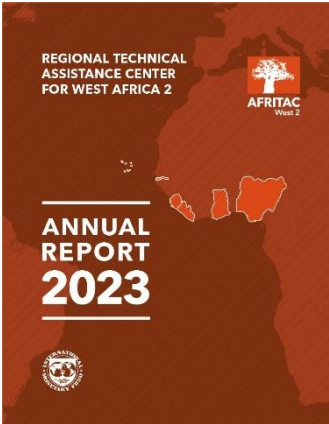
AFW2 Development Partners



HIGHLIGHTS



The pace of workplan delivery picked up during the second quarter (Q2) of fiscal year (FY) 2024. By October 31, 40 activities (32 TA missions, 7 regional workshops, and one professional attachment) were executed collaboratively with regional and international partners. Regional workshops increased in Q2, out of which 4 were collaborations with other RCDCs, regional partners and IMF CD departments.



The AFW2 Annual Report for FY 2023 was published to the Steering Committee in September 2023. The report captures [key highlights of AFW2 support AFW2](#) to help strengthen economic resilience and recovery and the work program for FY 2024, including envisaged coordination with regional stakeholders and partners. [Access the full report here.](#)



AFW2 bade farewell to AFW2 Regional Advisor for Statistics, Ms. Elirjeta Pepaj, after five years of service. She has been succeeded by Ms. Pamela Audi, a Kenyan national, who joined the center in October 2023.

FEATURE: TOWARDS AN INTEGRATED MANAGEMENT OF FISCAL RISKS IN GHANA

Non-financial performance of SOEs- a critical indicator in Fiscal Risk Management

By Samuel Ankomah (STX), SIGA Ghana, and Kubai Khasiani, PFM Advisor, AFW2

Governments in the region use State-Owned Enterprises (SOEs) as instruments to further public policy and deliver economic development objectives.

In addition to the broad level financial objectives usually stated in legal and regulatory frameworks, governments have in past not clearly specified non-financial objectives in ownership policy documents. Yet, implementation of these objectives often triggers fiscal risks emanating from SOEs which, left unmanaged, threaten their long-term viability.

Traditionally, the International Financial Reporting Standards (IFRS) provide the minimum reporting requirements for SOEs. These requirements do not however provide sufficient basis for a holistic analysis of the performance of SOEs and, therefore, of the underlying vulnerabilities for fiscal risks.

AFW2 has recently provided advice to member countries on an integrated approach to performance analysis and reporting for SOEs. In addition to using the traditional IFRS based financial statements, the approach involves understanding of the underlying performance drivers, as a source

of basic information to analyzing fiscal risks emanating from SOEs. This can be achieved by assessing the management of non-financial aspects of performance – an aspect traditional financial reporting does not adequately address.

In undertaking this assessment, the development of meaningful and measurable key performance indicators (KPIs) of the non-financial aspects is critical. These KPIs can then be incorporated as part of a holistic performance measurement system (collection of KPIs) and used as the basis for SOE performance accountability based on an annual or multi-year performance contracting process and performance reporting.

The importance of managing the non-financial aspects of performance of SOEs cannot be overstated, due to their implicit and explicit implications for fiscal risk. For instance, at the behest of governments, some SOEs provide essential public services such as healthcare and utilities often charging less than commercial cost prices, thus providing implicit subsidy to consumers. Failure to meet their service

obligations exemplifies poor non-financial performance which often tends to worsen the financial position of SOEs, with potential for increasing demand for government support and bailouts. On the hand this often leads to poor service to the public.

Using a multi-dimensional performance measurement system, SOE oversight institutions are advised to monitor both

financial and non-financial aspects of performance. An effective system should: (i) have dimensions of performance and links to SOE's long term strategy; (ii) consider the expectations of government as owner; (iii) embody relevant fiscal risk measures; (iv) consider internal and external measures of performance; and (v) link to SOE's rewards and motivation.

CD HIGHLIGHTS BY WORK AREA (AUGUST – OCTOBER) 2023

TAX ADMINISTRATION



Henry Gaperi
Tax Regional Advisor

AFW2 continued to help Ghana, and Nigeria to strengthen both institutional and compliance risk management. Further compliance risk management CD was provided to Nigeria to improve compliance in more complex economic sectors, including financial, petroleum and extractives sectors. **Ghana** was also assisted to continue with its business processes re-engineering in preparation for Integrated Tax Administrations System (ITAS) implementation, and to develop its digital ICT and digital transformation strategy.

CUSTOMS ADMINISTRATION



David Smith
Customs Regional Advisor



IMF FAD short term expert, Andrew Argyle, with customs officers of the Gambia Revenue Authority (GRA)

Missions to Ghana, Liberia, and Sierra Leone built capacity and effectiveness of information exchange and coordination between different Customs functions. [AFW2 support to the Gambia](#) reviewed and updated core customs instruments, while training on the previously designed standard operating procedures (SOPs) on border and inland control was delivered, at short notice, at the request of the Gambia Revenue Authority, to meet an urgent need. Trainings on customs risk management also built capacity of customs officials at the Nigeria Customs Service and the [National Revenue Authority in Sierra Leone](#).

PUBLIC FINANCIAL MANAGEMENT AND MACRO-FISCAL POLICY



*Kubai Khasiani
PFM Regional Advisor*



*Phyllis Makau
PFM Regional Advisor*

PFM support advanced budgeting, regulatory, audit and cash management objectives at ministries of finance in The Gambia, Ghana and Liberia. The Gambia Ministry of Finance and Economic Affairs (MOFEA) was supported to redefine Program Based Budgeting (PBB) in order to review the program budget structures and

information for key ministries. An AFW2 desk review improved the quality of the draft FY 24 Gender Budget Statements from four pilot ministries. Progress was made towards the digitalization of the internal audit progress, as experts helped review guiding documentation in readiness for the implementation of software that will enable tracking and monitoring of audit reports. Through a desk review and follow-up in-person mission, AFW2 assisted the Directorate for State Owned Enterprises (SOEs) within the MOFEA to develop an organogram for the new SOE Commission in the Gambia. In **Liberia**, assistance in August/September helped the authorities to finalize Public Financial Management (PFM) regulations for the PFM Act 2019 by validating changes and taking initial steps to build capacity within key ministries. A joint AFW2/FAD mission helped the Accountant General and Budget Directorates to improve Budget execution, fiscal reporting, and the Treasury Single Account operation in **Liberia**. Finally, a mission to **Ghana** improved cash management capacity at the Ministry of Finance.

MONETARY POLICY & FX OPERATIONS AND PAYMENT SYSTEMS (MONOPS)



Gani Gerguri
MONOPS Regional Advisor

CD to central banks improved monetary policy analysis, forecasting capabilities and FX policy and operations management capacity in The Gambia, Ghana, Liberia, and Sierra Leone. With AFW2 support, the Central Bank of **The Gambia** (CBG) now regularly produces quarterly updates of the medium-term macroeconomic outlook, which is fully integrated into the monetary policy decision-making process and has upgraded

the quarterly projection model (QPM) with extensions of the inflation block and composite index of economic activity (CIEA). The Central Bank of **Liberia** (CBL) has extended the CIEA by new indicators (gold extraction) and prepared its documentation. The AFW2 advisor also participated in an HQ-led TA mission on improving FX operations at the Bank of **Ghana** (BoG).



AFW2 TA Mission (Gani Gerguri and Karel Musil) and Dr. Musa Dukuly, Deputy Governor for Economic Policy

FINANCIAL SECTOR SUPERVISION AND REGULATION



Vitus Ukwuoma
Financial Sector Supervision
Regional Advisor

Technical assistance to Cabo Verde, Ghana, Liberia, and Sierra Leone helped with building capacity in the regulation and supervision of the financial sector. AFW2 provided technical assistance on the IFRS 9 expected credit loss (ECL) to Banco de

Cabo Verde (BCV) to improve the supervisory capacity to assess the impairment of credit risk and the adequacy of provisions in a forward-looking manner. AFW2 has helped **the Bank of Ghana** to complete Phase I of the 3-Phased project to develop an in-house supervisory curriculum to improve the quality of supervisory



Participants at the mission on Developing a Training Curriculum for the Banking Supervision Department at the BoG.

products, reduce training costs, and accelerate the competencies of new supervisors within a shorter timeframe. Support to the Central Bank of **Liberia** improved supervisory functions with capacity building in bank analysis and offsite monitoring. Further assistance was provided to **Sierra Leone** to support FX supervision and regulation, including to enhance capital adequacy regulation and minimum requirements in line with Basel II/III requirements.

REAL SECTOR STATISTICS



Elirjeta Pepaj
(Former) Statistics Regional

Work in statistics continued to support AFW2 member countries in the development of key national accounts and price statistics, and build related institutional capacity. TA to statistical services in Cabo Verde and Sierra Leone supported the improvement and update of consumer price indexes (CPI). Stats SL was also supported with implementing handheld devices to improve the collection of prices for the CPI; and to advance the GDP rebasing process to provide up-to-date and comprehensive estimates.

In October 2023, the center bade farewell to former regional advisor for statistics, Elirjeta Pepaj, after 5 years with the center. Ms. Pepaj was a valuable member of the AFW2 team and recognized by all member countries' statistical services for her exceptional work in advancing national accounts and price statistics compilation and dissemination in the region. Her successor [Ms. Pamela Audi, a national of Kenya](#), joined the center in same month and has already hit the ground running. Previously, she worked at the IMF- East AFRITAC in the same capacity and worked with the Fund as short-term expert for several years- including to support the AFW2 region.



Pamela Audi
Statistics Regional Advisor

REGIONAL WORKSHOPS AND PROFESSIONAL ATTACHMENTS

A regional Institutional Survey on Revenue Administration (ISORA) workshop co-organized with FAD-HQ and sponsored by all RCDCs in Africa was conducted in Mauritius (August 14 – 17). All national coordinators of ISORA from AFW2 member countries participated. Ghana participated both in-person and virtually.

AFW2 collaborated with the African Training Institute to conduct a training workshop on Climate Change and Macro Financial Policies in Abuja (September 25 – 29). The workshop helped 40 officials from the six AFW2 member countries to understand the link between climate and macro and financial policies, and how the IMF-based tools can support their analysis. Countries requested for further training in fiscal and central banking issues, shortened workshops for Ministers and Central Bank Governors, and in-country training. Countries with ongoing Resilience Sustainability Trust (RST) negotiations noted the usefulness of the workshop to inform discussions.



Officials from the MoPED (Sierra Leone) and the Permanent Secretary to the Treasury and officials from MoFPED (Uganda), and PFM regional advisor, Kubai Khasiani, during the professional attachment.

A professional attachment to the Ministry of Finance, Planning and Economic Development (MoFPED) Uganda was facilitated by AFW2 (September 4 – 8). Five officials from the Public Investment Management Directorate of the Ministry of Planning and Economic Development in Sierra Leone for peer learning in Public Investment Management (PIM) to the were hosted by (MoFPED) Uganda to observe budget execution processes.



In-person participants from AFE, AFS, and AFW2 member countries during the workshop

In cooperation with IMF’s Monetary and Capital Markets Department, AFRITAC South - IMF Regional Technical Assistance Center South and IMF - East Africa Regional Technical Assistance Center, [a joint hybrid workshop on Forecasting and Policy Analysis \(FPAS\) was organized in Praia, Cabo Verde \(August 7 -11\)](#). The workshop was opened by the Governor of the Banco de Cabo Verde, Oscar Humberto Evora dos Santos. Officials from 27 central banks participated in the workshop and discussed the progress and challenges related to development of a FPAS. The workshop sought to strengthen monetary policy analytical and forecasting capabilities and identify bilateral technical assistance needs in this area. It also allowed peer-to-peer sharing of country experiences, opening avenues for possible future cooperation among 76 participants (45 in-person and 31 remote).

In collaboration with the IMF’s MCM department, AFS, AFE and AFW2 jointly organized a 3-day virtual workshop on Emergency Liquidity Assistance (ELA) (October 18 – 20). The objective of the workshop was to help central banks of the regions to strengthen their ELA frameworks, allow peer-to-peer sharing of country experiences and provide technical assistance to strengthen the capacity of participating officials. The workshop brought together 88 participants from 23 central banks.

A regional workshop on Stress Testing as a Supervisory Tool was held in Praia (August 28 – September 1). The mission presented “best practice” principles to provide some practical guidance to stress testers for different stages of the stress testing process. Key messages were that: (i) in-depth knowledge of the financial system is a pre-condition for effective stress tests; (ii) stress tests need to focus on tail-risks and be informed by market views; (iii) stress tests cannot predict the future and need to be used in conjunction with other assessment tools; (iv) communication of results needs to meet market expectations; and (iv) vulnerabilities of nonbank

financial sector and interbank contagion can become important sources of imbalances in the financial system.

An inter-regional Webinar on the Revised Basel Core Principles for Effective Supervision was conducted (September 13). AFW2, in collaboration with the IMF Monetary and Capital Markets Department and four other IMF Regional Technical Assistance Centers (AFE, AFS, AFW and METAC), conducted a webinar on the revised Basel Core Principles for Effective Banking Supervision to chiefly explain the proposed changes, engage with member countries to raise awareness about the consultation period, and encourage their feedback.

OUTREACH AND PARTNER COOPERATION



AFW2 Director and regional advisors held a virtual introductory meeting with the EU Delegation to Liberia. The discussions centered around CD activities in Liberia, as well as opportunities to further strengthen cooperation and collaboration in CD delivery in the context of the Delegation's plans for launching a new PFM program.

The regional advisor for financial sector supervision and regulation participated in the Review and Comment on West African Monetary Agency (WAMA) Concept Note for ECOWAS Harmonization of Regulatory Policies (Oct 30-31, 2023). The LTX supported WAMA with a review of the agency concept note for harmonization of banking sector regulatory policies in the ECOWAS countries and provided improvement comments to strengthen its implementation. Various activities are outlined for the ECOWAS Single Currency Roadmap, including the harmonization of existing regulatory and supervisory frameworks for bank and non-bank financial institutions, especially against the backdrop of increasing cross-border banking operations and financial stability concerns in the ECOWAS region.