

**CABRI VIRTUAL TRAINING EVENT ON IMPROVING APPLICATION, APPROVAL AND
 MONITORING PROCESSES OF GOVERNMENT GUARANTEES
 WITH SELECTED WEST AFRICAN COUNTRIES
 9 – 10 MARCH 2021**

PROGRAMME

Following CABRI’s peer learning event on the risks posed by contingent liabilities to national budgets in Africa last year, we are scheduling a follow-up training event, upon request, aimed at strengthening the application, approval and monitoring processes of government guarantees in selected West African countries.

This training focuses on guidelines/procedures and institutional structures that should govern the issuance and monitoring of government loan guarantees. A questionnaire designed to engage discussions on the progress made in the respective countries will be prepared and distributed to registered participants. Participants will also be provided with study notes on conceptual framework and country examples before the event to prepare and equip them for the learning experience.

The first day of the programme will comprise of 3 sessions:

- Contingent liabilities - importance, management, and country cases
- Questionnaire analyses on the issuance and monitoring processes in selected West African countries
- Creating an institutional environment for managing guarantee issuance and monitoring processes with a risk management approach

The second day will be a role play exercise designed to simulate guarantee application, credit risk assessment and recommendations for approval processes.

Tuesday, 9 March 2021	
11:00 - 11:15	Welcoming by Neil Cole, Executive Secretary, CABRI
Session 1 11:15 - 12:00	<p>Contingent liabilities - Importance, management, and country cases</p> <p>Contingent liabilities pose significant fiscal risk to government’s public finances, which should be mitigated and managed through appropriate frameworks and tools. As ministries of finance develop their public debt management capabilities, consideration should also be given to building enabling regulatory environments for managing contingent risks. A broad discussion on these issues will be provided in this session.</p>

	<p>Objective - To increase participants' risk awareness and understanding of contingent liabilities from a government perspective.</p> <p>Presenter – Ms. Nicole E. Kears - African Legal Support Facility, Senior Legal Counsel, ALSF</p>
12:00 – 12:15	Break
<p>Session 2 12:15 - 13:30</p>	<p>Questionnaire analyses on the issuance and monitoring processes in selected West African countries</p> <p>To provide for a robust legal framework in the management of government guarantees. Rules of the game should be clearly set in the primary legislation. Detailed rules and procedures can then be designed and put into force through appropriate legal proceedings by the institutions owning the processes and given the mandate.</p> <p>In the area of management of government loan guarantees, the problems of countries within their existing managerial structures as well as the application, approval and monitoring procedures differ across the globe.</p> <p>A questionnaire with leading questions will be sent to the registered country officials prior to the training event, to explore the progress or challenges in guarantee issuance, monitoring processes and institutional structures in each participating country.</p> <p>Objective: To bring to the table the actual situation in West Africa for better understanding of where countries are and the challenges that they are experiencing in building/improving their application, approval and monitoring processes.</p> <p>Format – Participants will be presented the analyses of the questionnaire followed by a Q&A and discussion session. Participants will also be provided, several days before the session, with study notes on guaranteed issuance and monitoring guidelines/regulations from several country cases as study materials.</p> <p>Presenter: Lerzan ULGENTURK - former Public Debt Risks Manager at the Turkish Public Debt Office, Ministry of Treasury and Finance.</p>
<p>Session 3 13:30 - 14:30</p>	<p>Creating an institutional environment for managing guarantee issuance and monitoring processes with a risk management approach</p> <p>Clarity in the structure, mandate and roles and responsibilities of the institutions involved in contingent liabilities strengthens coordination and effectiveness in their management. Strong institutions also improve relations with stakeholders outside of the ministry who may have divergent interests. Building the credit risk management function within the institutional structures with clearly designed</p>

	<p>workflows ensures that decision-makers understand the potential risks of guarantees and are encouraged to limit their realisation.</p> <p>Objective: To provide the participants with insights into how institutional arrangements can bring about coordination that allows for collective and informed decision-making and provide an enabling environment for credit risk assessments in managing guarantees.</p> <p>Format: Participants will be provided, several days before the training event, study notes on several country cases with different organizational structures and sample work-flow charts for guarantee issuance and monitoring processes as training materials.</p> <p>Presenter – Mr Hamado Seogo – Head of the Unit of Studies and Debt Management Systems within the Debt Management Office, Ministry in Charge of Finance, Burkina Faso</p>
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Wednesday, 10 March 2021	
11:00 – 11:15	Key messages from Day 1
Session 4 11:15 – 13:00	<p>Application, and approval processes when issuing government guarantees to State Owned Entities (SOEs)– Role play</p> <p>Objective –</p> <p>The roleplay will assist participating countries to better understand and to compare country-practices on structures and institutional arrangements needed to inform a decision on government guarantee applications.</p> <p>Role play -</p> <p>Ministry of Finance of country X in West Africa has constituted a guarantee committee (CC) for the evaluation of government guarantee applications as well as for monitoring government’s portfolio of guarantees.</p> <p>Section 218(1) of the Constitution of country X’s reads as follows – “National government may guarantee a loan only if the guarantee complies with any conditions set out in national legislation”.</p> <p>The Public Finance Management Act 1999 Act 1 of 1999 (PFMA) gives effect to section 218(1) of the Constitution – stipulating that the responsible Minister</p>

	<p>may issue a guarantee if the financial commitment is accepted and approved by the Minister of Finance.</p> <p>The Minister of Finance has also approved the guidelines for the issuance of guarantees, mandate of the GC, criteria for the application of guarantees for approval, membership of the GC and recommendations and approval process. (See annexure 'A')</p> <p>The Electricity Generating Utility (EGU) of country X would like to expand its electricity supply by adding more green energy to the grid. They would like to add wind and solar system capacities to the current supply. To develop wind and solar capacities, they will need to raise USD 5 billion of additional capital (project loan) to ensure enough funding. Due to the high cost of borrowing, they apply to government for a guarantee to enable them to reduce their borrowing cost.</p> <p>The participants of the training session will be divided into two groups. One group will play the role of the EGU, which will apply for the guarantee. The other group (credit risk division within the public debt office), will receive the application, analyse the risks and prepare their recommendations to the GC. Both groups will then state their case to the GC - why a guarantee needs to be granted to the EGU.</p> <p>During this session, the groups will receive their respective scenarios, which they have to role play to enable them to strategize and prepare themselves to appear before the GC.</p> <p>Different groups will be moderated by –</p> <p>Moderator – Electricity Generating Utility group, Burkina Faso</p> <p>Moderator – Credit Risk group – Mkhulu Maseko, Director Credit Risks, Asset and Liability Management division, National Treasury of South Africa</p> <p>GC group – Neil Cole, Executive Secretary, CABRI and Anthony Julies, former Head of Asset and Liability Management Division, National Treasury of South Africa</p> <p>Facilitator: Johan Krynauw, CABRI</p>
<p>Session 5</p> <p>13:00 – 14:00</p>	<p>Respective groups will appear before GC</p> <p>Format:</p> <p>GC members will hear the different groups cases. The Electricity Utility to motivate their application and credit risks, based on their analyses. They will recommend why a guarantee should or should not be granted. The Credit Risk group should also clearly state under what conditions a guarantee could be</p>

	<p>granted and what post-approval monitoring mechanism they will put in place to assess the risks on a continuous basis. Based on the cases as presented to the GC, the committee will make their recommendations to the Minister of Finance.</p> <p>Facilitator: Johan Krynauw, CABRI</p>
14:00 – 14:15	<p>Wrap-up and way forward</p> <p>Participants will be asked to complete a confidential evaluation form.</p>