

Regional Workshops in Fiscal Year 2019

Banking Supervision

International Financial Reporting Standard 9 (IFRS 9) Implementation and Key Supervisory Issues

International Monetary Fund's Middle East Center for Economics and Finance (CEF) and the Middle East Regional Technical Assistance Center (METAC), concluded a joint seminar on "International Financial Reporting Standard 9 (IFRS 9) Implementation and Key Supervisory Issues", in Kuwait City during April 22-25, 2019. The workshop attracted 38 senior bank supervisors from 12 Arab League countries.

The implementation of IFRS 9 addresses shortcomings identified during the global financial crisis of 2008. Several countries in the METAC and CEF region have implemented IFRS 9, to improve financial sector soundness and stability. The improvements introduced by IFRS 9 include a new model for classification and measurement of financial assets and liabilities, a single forward-looking 'expected credit loss' (ECL) impairment model, and a substantially-reformed approach to hedge accounting. Enhanced credit risk management policies and practices are needed to address the new ECL approach and, in particular, banks need to carefully monitor whether a "significant increase in credit risk" has occurred since this will require a movement from Stage 1, measured at 12-month ECL, to Stages 2 or 3, measured at lifetime ECL. There are also important implications for calculating regulatory loan loss provisions, general provisions, and special provisions for risk-based capital purposes.

The seminar covered conceptual issues and practical challenges in implementing IFRS 9, which were organized by thematic topic and included: (i) classification and measurement of financial instruments under the prior standard, International Accounting Standard No. 39 (IAS 39), and IFRS 9, (ii) the movement from the IAS 39 incurred loss model for provisioning to the new IFRS 9 ECL model, (iii) interrelationships between ECL loan loss provisions and regulatory general and specific provisions, (iv) an introduction to derecognition and hedge accounting rules, along with new international auditing requirements, (v) Basel Committee on Banking Supervision guidance on credit risk and accounting for expected credit loss and related capital rules, and Pillar 3 reporting issues, (vi) Financial Stability Board guidance on enhanced risk disclosures, and (vii) supervisory concerns about IFRS 9 treatment of accrual of interest on nonperforming loans.

Participants in the seminar received extensive information about IFRS 9 and supervisory guidance, shared their countries' experiences, worked on case studies, and performed a role play exercise to enhance their practical knowledge of IFRS 9 and related key supervisory issues.

Strengthening Regulations and Supervision of Institutions Offering Islamic Financial Services

The IMF's Middle East Center for Economics and Finance (CEF), Monetary and Capital Market Department, and Middle East Regional Technical Assistance Center (METAC), concluded a joint workshop on "Strengthening Regulations and Supervision of Institutions Offering Islamic Financial Services (IIFS)", in Kuwait City during December 17-20, 2018. The workshop attracted 33 senior bank supervisors from 11 Arab League countries (Iraq, Jordan, Kuwait, Libya, Mauritania, Morocco, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and West Bank and Gaza) and two from Afghanistan.

Islamic finance instruments have grown substantially in value over the past two decades, from less than USD 500 million in 2001 to close to USD 319 billion in 2016. METAC countries, and others, have stepped up their efforts to build an effective regulatory framework that balances the growth needs of the sector while ensuring its soundness, and enhancing financial stability. The key purpose of the workshop was to assist countries to achieve this objective by presenting and discussing several relevant thematic topics related to establishing and improving an effective regulatory and supervisory regime for IIFS. These topics included: (i) core principles for Islamic finance regulations; (ii) risk-based supervision framework; (iii) activities and inherent risks in IIFS; (iv) capital adequacy standards and determination of alpha in the calculation of capital adequacy ratios; (v) liquidity management; (vi) market risk management; and (vii) rate of return risk.

Participants in the workshop acquired practical methods for identifying and measuring risks, sharing their countries' experiences, and working on case studies to enhance their practical knowledge of capital adequacy ratios, and determine alpha for calculating the displaced commercial risk born by the IIFS shareholders.

Regulatory and Supervisory Approaches to Managing Cyber Risks in the Financial System

The International Monetary Fund (IMF)'s Middle East Regional Technical Assistance Center (METAC) and the IMF Monetary and Capital Markets Department organized a joint regional workshop on "Regulatory and Supervisory Approaches to Managing Cyber Risks in the Financial System" during October 23-25, 2018 in Amman, Jordan. Eighteen senior bank supervisors from 9 METAC member countries (Afghanistan, Djibouti, Egypt, Iraq, Jordan, Libya, Morocco, Tunisia, and West Bank and Gaza) attended the workshop.

The workshop reported on emerging cyber security trends and measures to handle them. It also provided hands-on capacity building to financial sector supervisors of METAC constituent jurisdictions on preparing quality regulation and efficiently supervising cyber risk.

The workshop provided a forum to exchange views and share country, regional, and international experience on cyber security management. Discussions covered a number of related topics such as the systemic dimension of cyber risk and its potential impact on financial stability, the cyber regulatory frameworks internationally, cyber and third-party risk management, cyber security and the cloud, role of security reviews in building cyber resilience, strategies to promote domestic and cross-border information-sharing, supervision techniques for IT risk and cyber, on-site cyber and IT examinations, including practical experience on inspection in FinTech companies, and the IMF approach to provide technical assistance in that field. The practical case studies provided during the workshop provided an opportunity to build hands-on expertise in understanding and managing cyber-attacks and their management.

Public Financial Management

Understanding and Assessing Fiscal Risk from Public Private Partnerships

MENA countries are developing Public Private Partnerships (PPPs) to address their infrastructure needs. The IMF Middle East Center for Economics and Finance and METAC organized a four-day training seminar on “Understanding and Assessing Fiscal Risk from PPPs”, based on the new version of the PPP Fiscal Risk Assessment Model, in Kuwait City, Kuwait during October 29 – November 1. The seminar’s main objective was to provide officials from the region responsible for managing public investment, with the tools to evaluate the sustainability of their PPPs and develop a holistic view on their fiscal impacts.

METAC concludes a workshop on “Gender Responsive Budgeting”

The workshop, held in Amman during February 12-14, 2019, was attended by delegations from 9 countries (Afghanistan, Algeria, Egypt, Iraq, Jordan, Morocco, Sudan, Tunisia, and West Bank and Gaza), representatives of the European Union, UNICEF, and civil society organizations. The workshop facilitated extensive peer-to-peer discussions of countries’ practices, challenges, and solutions to gender responsive budgeting. It also provided a venue to present the IMF analytical work on the issue, and more broadly on inclusive growth in the MENA region.

Discussions focused on how public financial management institutions and practices can support the operationalization of gender responsive fiscal policies, and inclusive and sustainable development. METAC presented the results of a survey that it conducted among its members, which highlighted the challenges and achievements in incorporating a gender sensitive lens in the budget process. In addition to cultural obstacles, the survey suggests that many countries face challenges in collecting relevant data to inform the design of a gender responsive budget. At the same time, countries shared tangible and inspiring achievements. For instance, Morocco explained how they pioneered gender budgeting to address disparities in access to public services, and Afghanistan described how improvements in budget allocations led to a drop in maternal mortality rates.

During the wrap-up session, participants discussed the need to go beyond the gender issues and make budget institutions more sensitive to the needs of the most vulnerable groups of the population, such as the children, so no one is left behind.

Mr. Mario Mansour, METAC Coordinator, concluded the workshop by stressing that building more inclusive budget institutions in the region is “a long and difficult process, which includes many stakeholders, but whose economic benefits are potentially significant”, and indicated that METAC stands ready to support its member countries’ initiatives to develop gender responsive budgets.

Revenue Administration

Performance Management in Tax Administration

The International Monetary Fund (IMF)'s Middle East Regional Technical Assistance Center (METAC) held a workshop on performance management in tax administration at the Center for Economics and Finance (CEF) in Kuwait City, Kuwait during the period April 1-4, 2019. Twenty-eight senior representatives of tax authorities and finance ministries from 14 countries attended the workshop.

The workshop emphasized central control over field operations to ensure national strategic and operational plans and performance standards are met, and programs and policies are delivered in a uniform way. In particular, the workshop covered the importance of the role of headquarters in ensuring that certain functions, such as strategic and operational planning, managing of reforms and governance, are executed coherently and consistently across the entire organization. Several measures and indicators (both quantitative and qualitative) that could be used in monitoring performance against established operational targets and standards were presented and discussed.

Participants shared extensively their experiences in performance management and challenges they face in improving this function. METAC will continue providing support for strengthening its member countries' capacity in performance management.

Risk Management in Customs

The International Monetary Fund (IMF) Middle East Regional Technical Assistance Center (METAC) organized a regional workshop on "Risk Management in Customs" during December 10-13, 2018 in Amman, Jordan. Nineteen senior officials of customs authorities and finance ministries from 10 METAC member countries (Afghanistan, Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Sudan, Tunisia, and West Bank and Gaza) attended the workshop.

Risk management has been identified by many customs authorities as an area where improvements are needed to enhance effectiveness in protecting the tax base from trade and consumption taxes on imports. The workshop presented international good practices on effective risk management for compliance and institutional risks in customs administration. It provided the participants with an initial overview of the key concepts and elements of the compliance risk management process, including detailed discussions of identification, assessment and ranking of compliance risks.

The workshop included a session on the awareness of good practices in the management of institutional risks. Workshop participants shared extensively their own administrations' experiences in establishing and implementing the risk management function, which in turn gave them a fuller perspective of the challenges they face in building and improving this function.

Feedback received from the participants was very positive, in particular in relation to new ideas and solutions they can consider implementing in their countries.

METAC will continue providing support for strengthening its member countries' capacity in implementing effective risk management solutions.

Statistics

Statistics on International Trade in Goods and Services

METAC and IMF Statistics Department conducted a joint regional workshop on “Statistics on International Trade in Goods and Services” during December 16-20, 2018 in Amman, Jordan. Twenty-three participants from central banks, national statistics offices, and one exchange office covering 11 METAC member countries attended the workshop (Afghanistan, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Tunisia, and West Bank and Gaza).

The workshop’s objective was to enhance compilers’ capacity to produce reliable current account statistics and promote a better understanding of the linkages between international merchandise trade statistics and the goods component of the balance of payments. The interactive workshop helped strengthen compilers’ knowledge of emerging demands and international initiatives on trade in services, and addressed issues related to informal cross-border transactions, digital trade, and globalization.

National Accounts Compilation Issues: Price and Volume Measures

The workshop was held in Kuwait City during January 21-24, 2019 and was attended by 34 participants from 15 countries (Djibouti, Egypt, Iraq, Jordan, Kuwait, Libya, Morocco, Oman, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, West Bank and Gaza, and Afghanistan). It

covered international standards and best practices regarding common and country-specific issues in compiling annual and quarterly gross domestic product and its components in volume terms. It facilitated extensive peer-to-peer discussions of countries’ practices, challenges and solutions, and included practical exercises. During the wrap-up session, participants identified potential areas for further technical assistance from METAC to improve the quality of their national accounts, and by extension macroeconomic management.