

### Key Highlights

METAC supplied 29 capacity development (CD) and two outreach activities in Q4-FY2021.<sup>1</sup> Two CD activities were peer-to-peer learning: in the first, experts from METAC, the IMF, and the PEFA secretariat presented practice and case studies on how PFM tools can be better tailored to countries' needs and constraints to assist them in analyzing and implementing reform options; in the second, experts from women's World Banking presented empirical results and international practice on how balanced gender recruitment in banking supervision authorities can reduce gender bias and enhance operational efficiency and results.

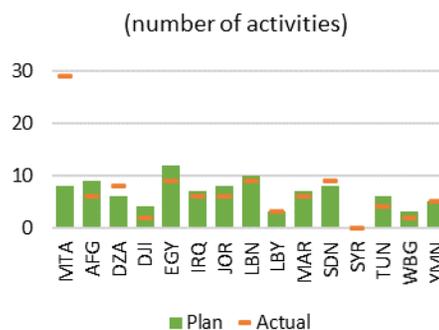
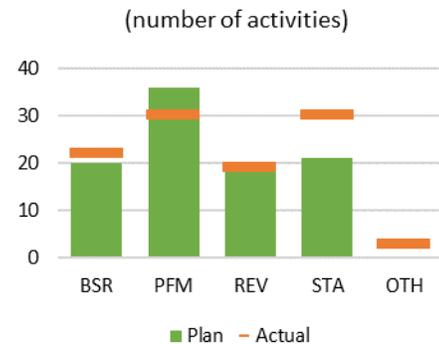
For the year as a whole, the number of activities realized by the Center exceeded its workplan. This reflects members' demands for CD to address the short-term implications of COVID-19 and the Center's flexibility to redirect its human and financial resources for that purpose. During the first half of the year, CD demand shifted from multi-year projects to short-term (and mostly peer-to-peer) activities related primarily to addressing the implications of COVID-19. In the second half, a gradual return to medium-term projects and priorities took place, albeit with emphasis on how to integrate COVID-19-like crises in medium-term macroeconomic management. This, and other priorities, are presented in METAC's Program Document for Phase V (available [here](#)).

Key achievements in Q4-FY21 at the country and regional levels included (details are provided in the following sections):

- **Algeria** started implementing program budgeting, a key part of its new budget law—which will take a few years to materialize.

**Egypt** made good progress in reforming its banking supervision framework. It revised

### Annual Cumulative CD Activities at End April 2021<sup>2</sup>



the calculation of risk-weighted assets under Basel III, and the large-exposures regulations.

**Egypt** revised its framework for measuring the non-observed economy and is currently looking into how it can include more of such activities in its GDP measure. The non-observed economy is believed to occupy a substantial part of MENA's economies, and is a priority in several countries. METAC will hold a workshop in FY2022 to disseminate international practices in this area and identify opportunities for assisting countries to improve their estimates of the non-observed economy.

<sup>1</sup> All CD in FY2021 was delivered remotely.

<sup>2</sup> BSR: banking supervision and regulation; PFM: public financial management; REV: revenue administration; STA: statistics; and OTH: other, mainly outreach. Country codes: Afghanistan (AFG), Algeria

(DZA), Djibouti (DJI), Egypt (EGY), Iraq (IRQ), Jordan (JOR), Lebanon (LBN), Libya (LIB), Morocco (MAR), Sudan (SDN), Syria (SYR), Tunisia (TUN), West Bank and Gaza (WBG), Yemen (YMN), and regional activities (MTA).

- **Jordan** improved the compilation of its national accounts. It now has a system to analyze, validate, and adjust the primary statistics; it established the framework for a supply-use compilation system; and it drafted a strategy and roadmap to disseminate 2017-18 GDP and revise quarterly GDP by the end of 2021.
- **Libya** started a new project with METAC, whereby targeted CD will be provided in PFM and revenue administration through the newly created Institute of Financial and Accounting Training of Libya—a training arm of the ministry of finance. The main purpose of this project is to create feasible reform for Libya to retake control of its public finances and needed reforms.
- **Morocco** developed a methodological guide in several areas of risk management in banking supervision.
- **Sudan** started extending its risk management and post-clearance audit capacity to excise taxes, particularly those applied to large iron producers, to support self-assessment and proper valuation of the excise tax bases.

**Sudan** compiled and published a list of state-owned enterprises (SOEs) and is working on expanding it to include all such enterprises.

## Outreach

Mr. Mansour, Director of METAC, participated in a panel organized by the Euro-Mediterranean Economists Association on stabilization policies in fragile states. His remarks covered how tax policy and administration and PFM systems can be built in fragile states to account for weak absorption capacity and to allow states to gradually move from simple functions of budget management to more complex frameworks—as they move from conflict to fragility, and eventually exit fragility. The event included panelists from the IMF and academia, and was largely based on a recent book edited by IMF staff on macroeconomic policy in fragile states—published by Oxford University Press (available [here](#)).

Mr. Mansour also gave the opening remarks at a seminar on taxpayers' rights and obligations organized by the College of Law of the Hamad Bin Khalifa University in Qatar. His remarks focused primarily on how countries in the GCC can benefit from the opportunity of building new tax systems to instill simplicity and transparency, which will eventually foster good compliance cultures.

## Webinars

### Analytical Tools for Better PFM Reforms and Systems (Mar 1-4)

Jointly with the Public Expenditure and Financial Accountability (PEFA) Secretariat, METAC delivered a four-day course at the Center of Economics and Finance on PFM diagnostic tools and methodology of PEFA Handbook Volume IV. A case study was developed as a background discussion document based on a real country experience that participants had to apply to their own country. The objective was to understand how diagnostic tools can be used to inform PFM reforms, and answer questions related to each step of the reform process. Twenty-nine participants (16 women and 13 men) from METAC and GCC countries attended. Key points raised by participants included how to improve ownership and ensure timely implementation of PFM reforms in fragile and conflict countries.

### Gender Balance Recruitment and Leadership in Banking (Mar 8)

In partnership with Women's World Banking, METAC and IMF's Monetary and Capital Markets Department provided senior managers of central banks and financial sector regulatory agencies a forum to discuss how to promote the business case for gender balance management within their institutions, and trained participants (36 from 10 countries) on how to address barriers in building gender-balanced leadership. By establishing a data-driven baseline via a stocktaking survey, participants better understood barriers to leadership for women and shared insights from within their own institutions. These insights were instrumental into identifying unconscious bias and helped participants in developing options to address them, including sponsorship

to fortify buy-in from the highest levels of the organization. Following the webinar, participants had the opportunity to take an online organizational gender assessment and to receive high-level recommendations for their organization.

## Technical Assistance and Training

### BANKING SUPERVISION

#### Djibouti (Mar 13-20)

METAC assisted the Central Bank of Djibouti (CBD) to develop its capacity related to the Liquidity Coverage Ratio (LCR) standard, prepare to communicate with the banking sector and perform a quantitative impact study. The LCR is an essential component of the Basel III reforms; it promotes the short-term resilience of a bank's liquidity risk profile by ensuring that a bank has an adequate stock of unencumbered high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30-calendar day liquidity stress scenario. Once implemented, the LCR will enhance CBD's capacity to detect weak banks by considering early warning indicators in order to intervene at an earlier stage of the supervisory process—thus improving the banking sector's ability to absorb shocks arising from financial and economic stress, and reducing the risk of spillover from the financial sector to the real economy.

#### Egypt (Oct 25-Feb 11; Mar 2-30)

METAC continued its support to the Central Bank of Egypt (CBE) Basel Directorate on the implementation of the Basel III revisions, with a specific focus on the credit risk framework—which seeks to restore the credibility in the calculation of risk-weighted assets and improve the comparability of banks' capital ratios. The experts held remote WebEx meetings with management and experts to explain the key aspects of the framework, through an in-depth analysis of the various asset classes and their respective risk weights. A draft discussion paper highlighting further investigations to be carried out and emphasizing the options that need to be addressed by the authorities was developed. Once the remaining steps are finalized (internal CBE review of the draft regulation, consultation

with the banking sector, performance of a Quantitative Impact Study) and the draft regulation issued, the CBE capital adequacy framework will benefit from improved risk sensitivity.

METAC supported the CBE in updating its large exposures regulation to ensure compliance with the new Banking Law (No. 194) and the Basel Committee on Banking Supervision standard. The experts interacted with a dedicated large exposure working group, composed of representatives from the Bank Regulation department, the Basel team, and the off-site and on-site departments. The working group has been established for the purpose of drafting an updated regulation for measuring, aggregating, and controlling single name concentration risk. The purpose of large exposure limits is to constrain the maximum loss a bank could face in the event of a sudden failure of a counterparty or a group of connected counterparties and to help ensure the bank remains a going concern. Especially where the bank's counterparty is another bank, large exposure limits can directly contribute to the reduction of banking system contagion risk. METAC provided training on the Basel large exposures standard and reviewed the draft regulation drawn up by the CBE. The training focused on the rationale and objectives of the Basel framework, its key aspects, and the implementation challenges to provide context to the changes that the CBE working group have proposed. METAC also addressed numerous technical questions raised by the CBE on the details of the Basel standard to enable the members of the working group to customize the framework to the specific characteristics of the Egyptian banking sector.

#### Morocco (Feb 1-5)

METAC assisted in the development of methodological guides in the following areas: (i) market risk, (ii) liquidity risk, and (iii) interest rate risk in the banking book. The guides contain supervisory attention points, tools, and procedures to be followed by Banking Supervision Department's on-site and off-site supervisors to analyze and assess the adequacy and effectiveness of banks' risk management framework. The guides focus on strengthening the effectiveness of the supervisory actions and provide additional

criteria in the current risk assessment and scoring methodology (which is currently transitioning to a full supervisory review and evaluation process-like approach).

### **Sudan (Feb 6-11)**

METAC assisted the Central Bank of Sudan (CBoS) to develop its capacity related to the Basel Committee on Banking Supervision standard on large exposures, which provides requirements for measuring, aggregating, and controlling single name concentration risk. It trained CBoS staff on the Basel large exposures standard, drafted regulation, and developed related prudential reporting. It also provided staff with the rationale and objectives of the large exposures' framework, its key aspects, and the implementation challenges that CBoS is likely to face.

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## **PUBLIC FINANCIAL MANAGEMENT**

### **Algeria (Feb 8-26)**

Further assistance was provided to the authorities on the implementation of program budgeting. While the agenda is advancing well, there are still pending matters regarding the definition of objectives and indicators for programs and the reengineering of budget execution processes. METAC facilitated practical workshop with stakeholders of the reform, both in the MoF and line ministries to discuss their respective new roles and better understand the new regulatory framework in program mode. METAC drafted a detailed outline of a budget execution manual in program mode and plan on assisting the authorities in developing it further during FY22.

### **Egypt (Dec 7, 2020–Feb 19; Apr 4-16)**

With these two activities, METAC assisted the authorities to design a database to keep a record of Public-Private Partnership (PPP)

projects along with key financial information and drafted a presentation on fiscal risks of PPPs for the PPP unit to use to disseminate the reforms to government senior officials. As an updated PPP law was prepared and is being discussed in parliament, METAC helped the authorities to update the corresponding regulations in order to improve surveillance of PPPs and coordination of the PPP process with the broader public investment management cycle.

### **Lebanon (Mar 15-21; Jan 11-Apr 30)**

METAC, jointly with the Institute of Finance Basil Fuleihan delivered a training to staff of the Lebanese MoF and SOEs on strengthening surveillance of SOEs. The training presented practical tools to better analyze and report on financial performance and risks of SOEs as well as good practices from comparable countries and peers. The training was also an opportunity to discuss a roadmap to take first actions to improve availability of financial data from SOEs to the MoF to strengthen its surveillance function and internal reporting.

METAC collaborated with the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) to provide input to their Lebanon monthly crisis monitoring dashboard. The center helped OCHA identify PFM and other key economic indicators, along with associated risks, likelihoods, and triggers, to feed into the monthly crisis monitoring dashboard. The dashboard is a tool aiming to monitor recent developments in Lebanon based on selected risks and associated indicators using available public data and information received from partners.

### **Libya (Apr 19-22)**

METAC, in collaboration with the Institute of Financial and Accounting Training of Libya, delivered a training on cash management to staff of the ministry of finance and the central bank of Libya. It provided an overview of the main objectives and functions of cash management such as cash forecasting, treasury single accounts, and coordination with other key functions like budget execution and debt management. The training included practical examples on how other fragile states rebuilt this core PFM function after a major conflict, and discussions with the authorities on

the steps to take to apply those examples in the Libyan context.

### **Morocco (Mar 8-19)**

METAC trained the authorities on practical tools to analyze key SOEs financial ratios and associated fiscal risks. It discussed with participants the international experience related to surveillance of financial performance and risks of SOEs, including fiscal support provided by the government to SOEs during the COVID-19 pandemic. METAC also assisted the authorities in drafting a roadmap to progressively integrate in their risk framework some of the tools and experience presented at the workshop.

### **Sudan (Mar 8-18)**

This joint IMF's Fiscal Affairs Department-METAC activity supported the treasury in the MoF and Economic Planning (MoFEP) in improving cash management practices, particularly with a view to extending the cash programming horizon from one to three months. This extension will lead to better management of scarce resources, provide predictability for budgetary units in planning their expenditure and improve coordination with the CBoS. It will be key that the cash program is built on a combination of bottom-up projections on cash requirements from the ministries and agencies and top-down analysis from the treasury. METAC also provided recommendations for expanding the coverage of the Treasury Single Account.

### **Yemen (Mar 22-April 30)**

METAC assisted staff of the Budget Sector Department and the Regulatory and Audit Control Department of the MoF to improve expenditure control and reduce the risks of arrears accumulation. It provided recommendations on practical steps to adopt a new process for issuing quarterly allocations and commitments approval. While grounding budget execution on more realistic information, this will also provide the MoF additional flexibility to review and update cash projections.

## **REVENUE ADMINISTRATION**

### **Afghanistan (Jan 25-Feb 8; Feb 7-Mar 7)**

METAC assessed the preparations made by the Afghanistan Customs Department (ACD) for the introduction of VAT, planned for December 2021. It gathered information on ACD's activities, organization, and workload, and discussed the VAT Law and its consequences on customs work. It also identified some of the areas where action is needed and urged ACD to adopt a systematic approach to identify others.

Another activity assisted the Afghanistan Revenue Department (ARD) in identifying issues and risks with VAT implementation and advised on mitigation actions. It evaluated the composition of the ARD VAT implementation plan and assessed its progress and achievability against the deadline of December 2021. Advice was also provided on gaps identified in the design of specific VAT business functions, and included a list of prioritized actions for the implementation of VAT.

### **Jordan (Mar 14-Apr 8)**

METAC assisted the Income and Sales Tax Department of Jordan in finalizing the formulation of compliance improvement plans for large taxpayers (LT) and free professionals (FP). Four separate approaches will be taken under the LT Compliance Improvement Plan (CIP) based on taxpayers' risk rating: (i) provide assistance and undertake risk reviews to determine the likelihood and consequences of non-compliance; (ii) implement administrative and/or system changes to make complying easier; (iii) provide advice on law interpretation as it applies to a taxpayer's situation; and (iv) undertake audits and penalize as appropriate. Three measures will be taken under the FP CIP based on taxpayers' risk rating: (i) measures for facilitating compliance (services focus); (ii) measures for dealing with non-compliance (enforcement focus); (iii) a compliance campaign for the high-risk medical sector, as developed by METAC.

### **Lebanon (Apr 7-28; 18-31)**

METAC assisted the Lebanese Tax Authority (LTA) on the management of its tax arrears, which stood at 173 percent of annual tax

revenues collected by the LTA in 2019. Strategies were developed based on a segmentation of debtors and classification of debts. The assistance included an analysis of the impact of the COVID-19 pandemic and the on-going economic crisis on the stock of tax arrears. Several priority actions were recommended, including: (i) starting prioritizing the newest debts for follow-up as soon as possible; (ii) profiling large debtors; (iii) launching a new instalment scheme for all taxes; (iv) extending the role of tax auditors to assess taxpayers' net financial position and their capacity to pay, subject to audit.

METAC also assisted the LTA on how to identify, assess and prioritize compliance risks. A Compliance Committee has been established in the LTA with overall responsibility for the adoption of a Compliance Risk Management approach. In addition, given more recent economic turmoil caused by the ongoing financial and foreign exchange crises, assistance was given to develop specific compliance treatment strategies for previously compliant taxpayers who now present challenges to the LTA.

#### **Morocco (Mar 1-15)**

METAC supported the General Directorate of Taxes (GDT) on the development of a structure and governance arrangements for sound risk management. As risk management in the GDT is currently fragmented, METAC recommended to consolidate all types of risks into one risk management unit and to create a risk committee.

#### **Sudan (Feb 15- Mar 14)**

METAC advised the Sudan Customs Authority (SCA) on the integration of risk management into the excise duty function. It provided recommendations on (i) a pilot program proposed by the SCA to implement voluntary compliance to iron producing sector ahead of a broader roll-out; (ii) developing an enhanced excise licensing system; (iii) developing reporting mechanisms to remotely monitor risk; (iv) extending current post clearance audit capabilities to excises; and (v) supporting industry in the new self-assessed environment.

## **STATISTICS**

### **Djibouti (Feb 14-25)**

METAC assisted the National Institute of Statistics of Djibouti to develop the national accounts compilation system, finalize the 2014-2018 GDP estimates, and compile the preliminary 2019-2020 GDP estimates. It also assisted with the incorporation of data on the activities of ports and free zones, and compiled the preliminary 2019-2020 GDP estimates.

### **Egypt (Mar 14-25; Apr 4-8)**

The mission assisted the Egyptian Ministry of Planning and Economic Development (MoPED) progress the development of annual financial accounts and balance sheets statistics. Newly received data sources were assessed and compilation of preliminary estimates of balance sheets was initiated.

The mission assisted the MoPED assess and classify existing measures of the non-observed economy. Strategies and methods to measure more of the non-observed economy were also recommended.

### **Jordan (Feb 28-Mar 11)**

METAC assisted the Department of Statistics of Jordan progress toward the compilation of 2017-2018 annual GDP estimates directly from primary annual statistics. It developed a system to analyze, validate, and adjust the primary statistics; it established the framework for supply-use compilation system; and it drafted a strategy and roadmap to disseminate 2017-18 GDP and revise quarterly GDP by the third quarter of 2021.

### **Lebanon (Apr 19-30)**

METAC assisted the Central Administration for Statistics to compile institutional sector accounts for general government and the rest of the world.

### **Sudan (Mar 19-28)**

METAC assisted the Central Bureau of Statistics (CBS) to update the consumer price index (CPI). Key outcomes included: (i) updating the weights and the product basket to 2014/15; (ii) producing the CPI with a new base year and advising on how to produce an index series for long-term analysis; and (iii) training on CPI compilation methods.

Significant progress has been made, and the CBS expects to publish a new CPI in the second quarter of 2021.

### West Bank and Gaza (Feb 21-25)

METAC recommended improvements to the methodology used by the Palestinian Central Bureau of Statistics to compile GDP at constant prices. It also provided guidance and a roadmap to move from fixed-base year constant price estimates to chain-linked volume measures.

### Analytical Corner

METAC published its fourth *Regional Note* (available [here](#)), which summarizes the results of a webinar (joint with the IMF's Fiscal Affairs Department) on modernization strategies for revenue mobilization in customs administrations. Participants discussed medium-term planning, challenges and possible strategies, highlighted the importance of customs' role in domestic revenue mobilization, and noted that more efforts are needed to strengthen their capacities to modernize—and that this has become more urgent due to the implications of COVID-19. The key outcomes from this webinar are consistent with METAC's current CD to customs administrations and provide further ideas to plan future CD.

### Technical Assistance Reports

The following reports were uploaded to METAC's website. Steering Committee members of countries and donors who have signed a confidentiality agreement with the IMF may access the reports at [www.imfmetac.org](http://www.imfmetac.org)

<b>Public Financial Management</b>
<b>Jordan:</b> Fiscal Reporting on Trust Accounts – January 2021
<b>Sudan:</b> Fiscal Risk Management for State-Owned Enterprises – February 2021
<b>Revenue Administration</b>
<b>Algeria:</b> Follow-up on Tax Arrears Management – March 2021
<b>Jordan:</b> Effective Application of Valuation Procedures – December 2020
<b>Statistics</b>
<b>Sudan:</b> Price Statistics – January 2021

### IMF Online Courses

General information is available at: <https://www.edx.org/school/imfx>. Registration for online courses, available to government officials and, in some cases, to the public can be accessed at: <http://imf.smartcatalogiq.com>

### Activities Planned During May-July, 2021

Country	Topic and Lead METAC Advisor	Month/Day
<b>Banking Supervision and Regulation – Mr. Didier Casier</b>		
EGY	Licensing of Tier 2 banks	06/07-07/30
	Domestic systemically important banks framework	06/07-07/30
	Bank stress testing requirements	06/06-08/01
IRQ	Risk management regulation	05/30-07/15
MTA	CEF webinar on Islamic banking regulation and supervision	06/07-06/24
<b>Public Financial Management – Mr. Jonas Frank</b>		
AFG	Support on fiscal risk: Applying the state-owned enterprises health check tool	05/10-06/15
JOR	Macro-fiscal planning: support to the new macro-fiscal unit	07/15-07/27
SDN	Macro fiscal planning and medium-term fiscal framework	06/10-06/24
YEM	Setting up a new cash management unit	06/20-07/08
<b>Public Financial Management – Mr. Benoit Wiest</b>		
DZA	Program based budgeting	07/01-07/15
LBN	Fiscal risks from private public partnerships	06/14-06/17
MAR	Internal control framework	06/21-06/29
TUN	Surveillance of state-owned enterprises	05/17-05/28
<b>Revenue Administration – Ms. Fadia Sakr</b>		
JOR	Follow-up on the development of an independent and effective tax dispute resolution process	06/13-22
	Follow-up on developing a compliance improvement plan for large taxpayers and free professionals	07/01-10
MTA	CEF webinar on post crisis revenue generation for tax administration	06/28-07/01
TUN	Follow-up on the establishment of internal audit unit for customs administration	05/17-26
YEM	Strengthening the taxpayer base and ledger	05/23-06/01
<b>Statistics – Mr. Issam Alsammak</b>		
EGY	Compilation of supply, use, and input-output tables	07/18-07/29
IRQ	Improvement of annual national accounts	06/13-06/24
JOR	Improve compilation methods for annual national accounts	05/23-06/03
MTA	CEF webinar on national accounts	07/05-07/08

## MEMBERS



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



Syria



Tunisia



West Bank and  
Gaza



Yemen

## DEVELOPMENT PARTNERS



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Netherlands



Switzerland



France



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Middle East Regional Technical Assistance Center

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