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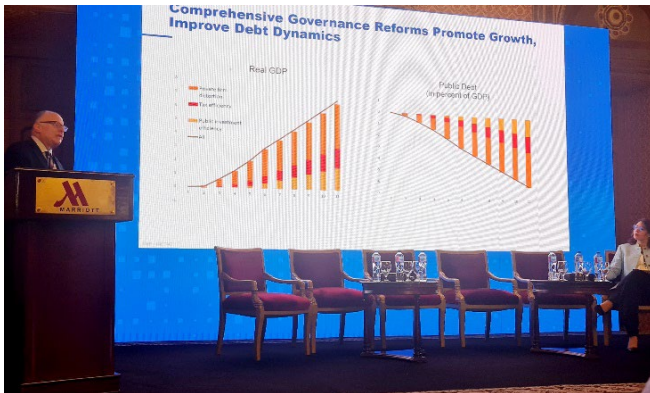
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High-Level Seminar on Building Robust Governance Frameworks

3 December 2024



Reducing corruption and strengthening the rule of law are key to fostering sustainable development and building public trust in economic reforms. This high-level seminar shed light on the causes and impacts of corruption and weak governance for countries in the Middle East and North Africa (MENA), and showcased countries' efforts and challenges to improve transparency. Panel discussions elaborated how IMF-METAC can support its member countries in promoting fiscal transparency to strengthen governance and accountability as well as identifying governance weaknesses and corruption vulnerabilities and designing effective anti-corruption responses.

During the first session “Governance—The IMF’s Framework for Enhanced Engagement”, Nabila Akhazzan from the Fiscal Affairs Department and Joel Turkewitz from the Legal Department presented the IMF’s 2018 Governance Framework which frames the IMF’s engagement on governance and anti-corruption issues. It spotlighted governance and anti-corruption capacity development, in particular Governance Diagnostics, showcasing how IMF capacity development supports member countries in strengthening governance and reduce corruption.

In the second session, “*Strengthening Governance Throughout the PFM Cycle*”, Carolina Rentería from the IMF’s Fiscal Affairs Department explained how governance vulnerabilities can emerge in various stages of the public financial management (PFM) cycle, including weak legal frameworks, limited institutional capacity, outdated IT systems, weak control and oversight mechanisms, non-transparent disclosure practices, and the existence of numerous public agencies operating outside regular budgeting processes and regulations. The session explored these vulnerabilities, highlighting key findings from the region, and offered concrete strategies for prevention and mitigation.



The third session “*Promoting Fiscal Transparency for Accountability and Effective PFM*” drew on key insights from the 2023 Open Budget Survey by the International Budget Partnership (IBP) and recent stakeholder engagement, underscoring the governance challenges in fiscal transparency in the MENA region, which is the least transparent region globally. Weak accountability persists due to limited budget information, a challenging political and economic landscape, restricted public participation, and inadequate legislative oversight and audit capabilities. Aligned with the conference’s governance theme, a panel discussion featured country representatives from Egypt and Jordan, showcasing their transparency efforts, and addressing shared challenges and approaches. The session illustrated how support from the IMF and other partners is assisting METAC countries in strengthening their fiscal transparency practices, fostering better governance and accountability across the region.

The fourth session “*Corruption as a Macro-Critical Challenge*” highlighted the importance of understanding the nature and severity of corruption. It explored methods to identify governance weaknesses and corruption vulnerabilities that have significant macro-economic implications and ways to design effective anti-corruption responses. Emmanuel Mathias and Joel Turkewitz from the IMF Legal Department shared examples of country corruption cases that have informed policy discussions regarding the impact of corruption on macro-economic stability and growth.

In the final session “*Strengthening governance by confronting corruption: A new METAC workstream,*” Emmanuel Mathias and Joel Turkewitz presented METAC’s new Governance and Anti-corruption workstream that aims at strengthening governance by tackling corruption through holistic, country-specific reforms. The session discussed the IMF’s approach in collaborating with member countries to advance structural reforms related to governance and anti-corruption. It provided an overview of IMF’s Capacity Development initiatives, which are closely integrated into other workstreams – such as surveillance and lending – and include Governance Diagnostics, targeted anti-corruption capacity development, regional activities, and placement of long-term resident advisors. During the panel session, METAC advisors Nehmat Hantas (Financial Supervision and Regulation), Rosen Bachvarov (tax administration), and Peter El Sharoni (IMF Legal Department Regional Advisor for Anti-Money Laundering and Counter Financing of Terrorism) explained how IMF-METAC’s technical assistance promotes good governance and accountability as well as the relevance of effective anti-corruption policies and practices to good governance in core state function.



- METAX tax administration advisor Rosen Bachvarov presented how METAC's Technical Assistance in Revenue Administration workstream assists countries in the #MENA region in improving governance in tax and customs administration. Mr. Bachvarov presented corruption in the context of revenue administrations, along with a governance approach to preventing it. He highlighted the main motivators for revenue compliance as well as the primary drivers for corruption. He also discussed the quantitative tools used by the Fiscal Affairs Department to assess the operational performance of tax administrations and the governance arrangements in place. The presentation also covered the recommended approach to strengthening institutional capacity to fight corruption, which includes: (i) establishing a robust legal framework, (ii) increasing autonomy of Revenue Administrations, (iii) promoting digitalization, (iv) enhancing service delivery and reducing compliance costs, (v) improving accountability and transparency, and (vi) encouraging taxpayer feedback and participation. Additionally, opportunities for cross-workstream cooperation to support member countries in their fight against corruption were discussed.
- METAC's Financial Supervision and Regulation (FSR) advisor Nehmat Hantas highlighted the importance of good governance at the supervision and banks levels. While well governed banks help promote financial stability and contribute to an efficient and cost-effective supervisory process, strengthening governance of the supervisory body is equally important. She shed light on the necessity to empower the supervisor with operational independence, legal power to act, accountability and legal protection. She presented METAC's current capacity development activities to enhance financial sector governance, which include (i) bilateral technical assistance to strengthen member countries' regulatory and supervisory frameworks on banks' corporate governance and (ii) regional workshops to raise awareness and discuss countries' experience on implementation challenges. Examples of these challenges were discussed such as the ownership structures of banks (state-owned banks and family-owned banks), lack of independent directors, political interference and supervisory culture. Potential synergies between the Financial Supervision and Regulation workstream and new governance workstreams were also discussed.
- The Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regional advisor, Peter El Sharoni, highlighted how corruption and money laundering are interrelated and the impact

of systemic corruption on AML/CFT regimes including in the area of operational autonomy of competent authorities and the country's high-level political commitment to implement effective AML/CFT systems. He also shed light on the adverse implications on these systems if the private sector involves ownership or control by corrupt individuals or implementing weak AML/CFT preventive measures and the circumstances involving opaque systems where the proceeds of corruption crimes cannot be traced back to the underlying corrupt activities. Examples were also given on how AML/CFT systems could help in mitigating corruption risks including by implementing effective AML/CFT risk-based supervision, identifying beneficial owners when engaging in public procurement and implementing asset disclosures and utilizing various avenues of international cooperation. Efforts and potentials for synergies between AML/CFT and Governance were also discussed.”

In his closing remarks, Zeine Zeidane, Deputy Director of the Middle East and Central Asia Department emphasized that governance vulnerabilities and corruption challenges remain significant impediments to realizing MENA countries' full economic potential. He highlighted key takeaways from the seminar's discussions. First, strengthening governance is not just a technical imperative but a foundational pillar for sustainable development. Effective governance fosters trust, accountability, and economic stability. Second, achieving meaningful progress requires collaboration—across countries, institutions, and sectors. Finally, while challenges remain, the commitment that was demonstrated during the seminar is a powerful reminder of the potential for collective action. The strategies discussed, from enhancing fiscal transparency to combating corruption, provide a roadmap for building stronger institutions.

