MIDDLE EAST REGIONAL TECHNICAL ASSISTANCE CENTER

METAC

PROGRAM DOCUMENT

FOR PHASE V:

(January 2022–April 2027)

March 2021

INTERNATIONAL MONETARY FUND

METAC is a multi-donor initiative supported by the following members and development partners:

Afghanistan

Algeria

Djibouti

Egypt

Iraq

Jordan

Lebanon

Libya

Morocco

Sudan

Syria

Tunisia

West Band and Gaza

Yemen

Germany

The Netherlands

Switzerland

European Union

France

MIDDLE EAST REGIONAL TECHNICAL ASSISTANCE CENTER

METAC

PROGRAM DOCUMENT

FOR PHASE V:

(January 2022–April 2027)

March 2021

ACRONYMS AND ABBREVIATIONS

CD	Capacity Development
CDD	Capacity Development Department, IMF
CEF	Center for Economics and Finance, IMF
CPI	Consumer Price Index
FAD	Fiscal Affairs Department, IMF
FTE	Full-time Equivalent
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
HQ	Headquarters
ICAAP	Internal Capital Adequacy Assessment Process
ICD	Institute for Capacity Development, IMF
IOs	Input-output tables
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
LTX	Long-Term Expert
MCD	Middle East and Central Asia Department, IMF

MCM Monetary and Capital Markets, IMF

METAC Middle East Regional Technical Assistance Center, IMF

MTFF Medium-Term Fiscal Framework

PEFA Public Expenditure and Financial Accountability

PFM Public Financial Management

PPI Producer Price Index

PSDS Public Sector Debt Statistics

RBM Results-Based Management

RSN Regional Strategy Note

RTAC Regional Technical Assistance Center

SC Steering Committee of METAC

SDG Sustainable Development Goals

SNA System for National Accounts

STA Statistics Department, IMF

STX Short-Term Expert

SUTs Supply and Use Tables

TA Technical Assistance

TADAT Tax Administration Diagnostic Assessment Tool

TEA Tax Expenditure Assessment

CONTENTS

BOXES

FIGURES

TABLES

SECTION I

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This document outlines METAC's key achievements during Phase IV (FY2017-FY2021) and a strategy for Phase V (January 2022-April 2027). Based on Phase IV assessment, the size and economic characteristics of the membership, and challenges expected over the next five years, the Center will scale up its capacity development activities, especially to fragile states, and will cover new areas, including central bank operations, government finance statistics, and customs administration. It will assist governments to address the implications of COVID-19, improve opportunities for women to promote inclusive economic and social development, and support the implementation of climate policies. The strategy calls for an increase in resources from 5 to 8 long-term experts, and a corresponding increase in budget from USD 33 million in Phase IV to USD 50 million.

ACHIEVEMENTS DURING PHASE IV

Capacity development (CD) increased during Phase IV, but the average effort by country, measured in full-time equivalent (FTE), remained stable and low—about 0.55. The bulk of the increase went to new members (Algeria, Djibouti, Morocco and Tunisia). Total expenses during FY2017-2021 were USD 23.9 million.[1] Direct CD expenses amounted to 5.6 percent of the total of IMF regional technical assistance centers—roughly USD 210,000 per country per year, or 43 percent of the average across regional centers.

Fragile states received about 55 percent of METAC's FTE resources, and the four CD workstreams shared each about 25 percent. Relative to the original budget of Phase IV, the share of actual expenses in the area of public financial management (PFM) was five percent lower, and the share of revenue administration was five percent higher. Banking supervision and real sector statistics' shares were in line with the budget.

Phase IV has contributed significantly to improving institutional and human capacities for effective macroeconomic management. Generally, member countries have been committed to, and achieved excellent or good progress on 82 percent of their reform milestones, and many successfully attained their reform objectives. Participants in METAC workshops have consistently rated very high the quality of its CD. The mid-term independent evaluation of METAC was positive about the Center's relevance and the quality and efficiency of its CD delivery. It also noted that METAC has reached its maximum output given its current managerial and technical resources—a view generally shared by key informants interviewed by the evaluators.

There is room for METAC to improve the sustainability and impact of its CD. This is only possible as a shared objective with IMF departments and member countries. It will require more effective and sustained ownership from member countries, better application of IMF results based management (RBM) tools. A stronger country political and institutional support is also needed; successful capacity building has often remained trapped, and its results not well disseminated within government agencies and the wider public. METAC will continue to increase its outreach activities and disseminate the results of regional workshops in its *Regional Notes* series, to encourage public debates on the importance of transparency and good policy implementation.

MACROECONOMIC DEVELOPMENT, AND PRIORITIES AND OBJECTIVES FOR PHASE V

The macroeconomic outlook in METAC countries has deteriorated in the past decade, in part due to unfavorable regional and international developments, and the lack of policy actions to improve governance. Some of the negative consequences of the 2008 financial crisis have lingered, especially in terms of their impact on exports from the region. The decline in oil prices, which started in 2014, has had a large and lasting impact on growth in oil exporting countries—most are fragile states. Foreign and portfolio investment into the region also declined, reflecting unfavorable views on investment opportunity and political risks. At the same time, countries did not pursue aggressively

[1] Actual expenses of USD 18.96 million during FY2017-2020, and an estimated budget of USD 4.94 in FY2021.

fundamental structural reforms to eradicate corruption, reduce inequalities (especially inequality of opportunities), and improve public services.

The macroeconomic context for Phase V is likely to be characterized by similar challenges, in addition to the COVID-19 pandemic. Countries will face higher debt levels, and weaker balance of payments and net foreign investment positions. The pandemic has precipitated and aggravated the impact of these challenges, in addition to causing enormous human loss. Moreover, the economic and social impact of the pandemic seem to have fallen more heavily on women and the young.

Phase V will therefore be partly an extension of Phase IV, and partly new objectives and priorities that are complementary to, and exhibit synergy with, existing ones. More specially:

In the area of macroeconomic analysis:

- *Macroeconomic frameworks (new).* This will support central banks and ministries of finance to improve more comprehensive modeling of monetary and fiscal policies. It is complementary to, and support work on medium-term fiscal frameworks (MTFFs) and budgets, and stress testing the financial sector. The key outcome will be to integrate model-based macroeconomic analysis in policymaking.

In the area of monetary policy and implementation:

- *Central bank operations (new).* Phase V support will include: strengthening collateral frameworks, including asset eligibility and risk management measures, to respond to the increase demand for liquidity and preserve financial stability; adapting foreign exchange operations to deal with pressures arising from recent capital outflows, pressures in onshore FX funding market, and higher current account deficits; improving liquidity forecasting for the calibration of open market operations and reviewing the setting of other instruments, such as the reserve requirement and standing facilities.
- *Banking regulation and supervision.* Phase V will build on the ongoing reforms to further strengthen the regulation, supervision and practices of banks, with the purpose of preserving and enhancing financial stability. The coverage of fragile states will be extended.

In the area of fiscal policy and implementation:

- *Public financial management.* Phase V will broaden support to address emerging priorities, including those related to COVID-19. Ongoing projects on MTFFs and budgeting, cash management and fiscal risks, will continue. Given the heightened importance of fiscal transparency and governance, and increased spending to address the implications of COVID-19, particular attention will be given to budget monitoring and prioritization of spending and its efficiency. Coverage and intensity of CD in fragile states will increase, as will support to Maghreb countries and Djibouti.
- *Revenue administration.* A second revenue administration advisor will be recruited, allowing for more focused support for revenue mobilization in customs administration. Better implementation of policies to raise revenue, and address inequalities and environmental issues will be paramount. Moreover, significant efforts are needed to help countries secure smooth business continuity and recovery of operations after COVID-19—and be better prepared for future similar shocks.
- *Tax expenditure assessments (new).* The key objective is to improve tax and non-tax revenue, by helping countries be more transparent in how much and how well they "spend through the tax system". This will improve the debate on tax policy, and better integrate it within broader fiscal policy issues, in particular spending policies.

In the area of macroeconomic statistics:

- *Government Finance Statistics (new).* Phase V will address gaps in the fiscal accounts that most hinder fiscal management and IMF surveillance, particularly in fragile states. Depending on country cases, support will focus on expanding institutional and data coverage, and improving the compilation methods and techniques, and timeliness in data reporting and dissemination.
- *Real sector statistics.* METAC will continue assisting its members in improving and developing national accounts and price statistics. The emphasis for national accounts will be on the compilation of supply and use tables to produce benchmark GDP estimates and rebase the national accounts, and developing quarterly GDP estimates and institutional sector accounts—including financial accounts and balance sheets. For price statistics, the emphasis will be on increasing capacity to rebase consumer prices indexes and further develop producer indexes.

SECTION II

ACHIEVEMENTS DURING PHASE IV

SECTION II

A CAPACITY DEVELOPMENT ACTIVITIES

Capacity development delivery by METAC, in number of activities and full-time equivalent (FTE), has increased steadily since FY2016 (Figure 1).[2] This increase was entirely due to the new members (Algeria, Djibouti, Morocco, Tunisia) who started benefiting from METAC services in FY2017. However, the average FTE per country per year remained constant in Phase IV relative to Phase III—about 0.55 FTE including regional activities, or 0.15 FTE per CD sector.[3] This is very low both in absolute terms and relative to IMF CD in other regions—over FY2017-2019, METAC's direct CD expenses amounted to 5.6 percent of the total of IMF regional technical assistance centers (RTACs), roughly USD 210,000 per country per year, or 43 percent of the average across RTACs.

The country distribution of CD activities in Phase IV is uneven, reflecting available limited resources, authorities' commitment to reforms, and security constraints (Figure 2). The old members of METAC accounted for 75 percent of CD activities, while the new members (Algeria, Djibouti, Morocco and Tunisia) shared 25 percent, suggesting that the strategy to enlarge membership for Phase IV on the basis of unmet demand was appropriate and effective.

METAC invested over half of its CD resources during Phase IV in fragile states (Figure 2). This was mainly driven by strong engagements with Afghanistan, Iraq, Lebanon, Sudan, and West Bank and Gaza—wars and political unrest prevented a meaningful engagement with Libya, Syria and Yemen. The engagement with Afghanistan and Iraq is indicative of the success of METAC's model of focused CD in an off-site setting, involving small teams of senior officials from central agencies. Nevertheless, CD to fragile states remains low, and challenging in terms of delivery logistics and disruption to reform implementation.

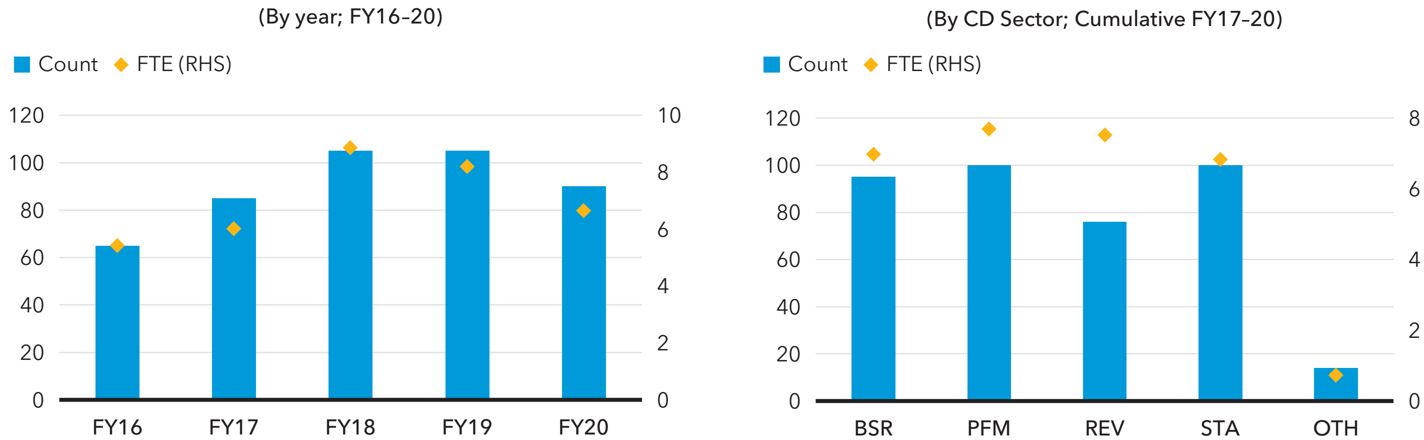
METAC's resources have been evenly shared across the four main CD sectors. Fiscal issues (revenue and PFM) accounted for 46 percent of resources; financial supervision and real sector statistics used roughly 23 percent each; and other activities, including outreach, accounted for 8 percent. This distribution is broadly in line with the original program document for Phase IV. The ratio of the number of activities to FTE resources differs across CD sectors, reflecting differences in flexibility with which METAC has addressed TA needs, with some sectors operating shorter activities than others.[4] Also, the flexibility of the Center in responding to priorities has largely operated within CD sectors, rather than across sectors.

[2] FY2016 was the last year of METAC Phase III.

[3] The average annual FTE for Phase III was 0.6.

[4] Such differences are due to a combination of supply factors (e.g. how IMF CDDs operate) and demand factors (e.g. less emphasis on report and more on hands-on training; preference for more frequent but shorter visits).

FIGURE 1. CAPACITY DEVELOPMENT IN PHASE IV



Source: METAC.

Note: BSR: banking supervision and regulation; PFM: public financial management; REV: revenue administration; STA: real sector statistics; and OTH: other activities.

FIGURE 2. COUNTRY DISTRIBUTION OF CAPACITY DEVELOPMENT IN PHASE IV, FY2017-2020

Source: METAC.

Note: The distribution across fragile vs. non-frigile groups includes country CD activities, but excludes regional activities.

SECTION II

B KEY RESULTS BY WORKSTREAM

OVERVIEW

Phase IV has contributed significantly to improving institutional and human capacity for effective macroeconomic policy.[5] Multiple sources support this assessment, including progress in achieving RBM milestones, survey questionnaires of participants in workshops and other regional activities, examples of outcomes achievement, and the mid-term independent evaluation of METAC Phase IV.

About 55 percent of milestones[6] have been fully or largely achieved during FY2018-2020, and 27 percent have been partially achieved (Figure 3). This is indicative of members' commitment to progress in CD implementation. Implementation progress has been appreciable and consistent within years and across CD sectors.

For the 18 percent of milestones not achieved, there is no obvious concentration by country or CD sector. This suggests that changes in priorities, or some other exogenous factors, such as the security situation, could be the reasons. Nevertheless, METAC can play a more effective role in communicating systematically logframes to country authorities and explaining how achievements at the institutional levels is crucial for progress at the macro level.

Although progress is noticeable at the institutional level, there is a need for stronger political awareness and commitment to drive reforms. The capacity built at the level of central agencies often remains trapped, and its results are not well disseminated within government agencies and the wider public. This lack of transparency in publishing analytical information on macroeconomic management remains a significant challenge for most countries; it needs better awareness and support from policymakers. METAC will continue to increase its outreach activities and disseminate the results of regional workshops in its *Regional Notes* series, to encourage public debates on policies and their implementation.

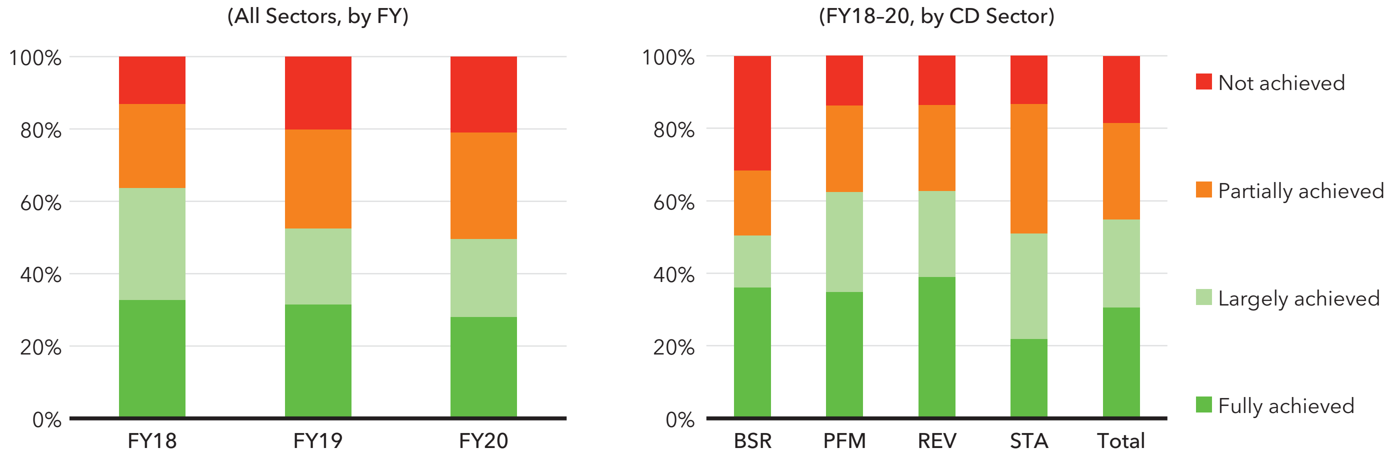
Participants in METAC workshops consistently rate very high the quality of its CD. An analysis of workshop surveys from over 2000 participants during FY2017-2020, shows an average rating of 4.5/5 for three key categories: (1) workshop content; (2) training methods and tools; and (3) administrative arrangements. The ratings are also consistently high for the subcategories, especially in category 2.[7] Moreover, the variance in rating across CD sectors is insignificant. Workshop participants frequently mention the quality of experts, the mix of theory, practice and hands-on training, and the fact that training is followed with country-level technical assistance.

[5] This is METAC's broad objective, as outlined in its Phase IV program document.

[6] Milestones indicate how far CD projects have advanced toward their outcomes, and are one indicator, among others, of progress in project implementation. Although they do not represent project results, they have been more readily available and METAC has used reported on them since FY2018. The aggregation of milestones at the country level is problematic since their use can differ across CD sectors. Reporting during Phase V will be done at the outcome-level, which is more closely related to results.

[7] Ratings in workshops undertaken jointly with the Kuwait Center for Economics and Finance are lower than those undertaken by METAC, but the difference is insignificant and could reflect, for instance, the fact that the former have larger and more diverse audiences.

FIGURE 3. RATING OF MILESTONES, FY2017-2020



Source: METAC.

BANKING SUPERVISION AND REGULATION

A key objective during Phase IV has been improving compliance of national regulatory frameworks with international standards (i.e. Basel Committee on Banking Supervision). Several countries made progress toward updating their regulatory framework to Basel II and III norms (Djibouti, Egypt, Iraq, Morocco, Tunisia), improved their human capacity in this regard, and consulted extensively with the banking sector for the application of the framework to enhance common understanding and promote smooth implementation.

Several countries built their risk assessment and stress-testing capabilities, in particular to apply risk-based supervision. This included the development of regulations related to the internal capital adequacy assessment process (ICAAP) along international standards (Algeria, Morocco, Tunisia), and modeling capital adequacy and liquidity stress-testing (Egypt, Jordan, Lebanon).

Some countries continued upgrading their regulatory framework to promote and support the development of Islamic banking, and to provide additional training to their supervisors. This included the implementation of the standards of the Islamic Financial Services Board (IFSB) (Afghanistan, Djibouti, Libya).

Training represented 26 percent of all banking supervision activities in Phase IV. It covered subjects relevant to the objectives listed above. In addition, significant training was provided hands-on during technical assistance activities.

PUBLIC FINANCIAL MANAGEMENT

A key objective of Phase IV was to enhance the credibility of budgets by extending their coverage, improving the presentation of fiscal reports, and using MTFFs to anchor budgets. Important progress has been made in several areas, including: enhanced PFM legal frameworks in Iraq and Algeria; better coverage and management of guarantees (Egypt, Iraq); improved consolidation of cash management and better cash forecasts (Sudan); fiscal reporting closer to international standards (Iraq, Jordan, Lebanon); and modest improvement in medium-term budgeting capacities (Djibouti, Lebanon, West Bank and Gaza, Sudan).

Several countries have deepened their analysis of fiscal risks. Egypt and Lebanon produce fiscal risk statements (internal to their ministries of finance but not published). And capacities have been developed in the use of the Fiscal Affairs Department's (FAD) analytical tool for assessing risks related to public-private partnerships and state-owned enterprises (Afghanistan, Egypt, Lebanon, Morocco).

Only four METAC countries have undertaken a public investment management assessment (PIMA) – Jordan, Lebanon, Morocco and Tunisia.[8] This, together with other indicators of public investment, should help them produce feasible plans to improve public investment efficiency, which in turn will improve their absorption capacities and create much-needed fiscal space.

Libya and Yemen started new initiatives with METAC to return the function of fiscal management to the Ministry of Finance. The initial work commenced in FY2020, and will extend into Phase V. The emphasis in the early stages will be on budget preparation and execution, and cash management.

[8] This FAD tool is a holistic assessment of the selection, execution and governance of public investment projects, with a focus on the role of the Ministry of Finance.

FIGURE 4. FINANCIAL SUPERVISION AND REGULATION PERFORMANCE INDICATORS

	Resource Execution by Country (% of Planned FTE)														
	MTA	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
FY17	90	225	110	200	93	360	50	150	0	110	89	n.a.	50	75	0
FY18	100	100	100	100	100	100	100	33	100	32	128	n.a.	100	200	n.a.
FY19	79	90	0	44	100	59	100	100	100	0	82	n.a.	100	100	n.a.
FY20	64	100	96	169	114	200	n.a.	0	100	113	100	n.a.	175	0	n.a.
FY17-FY20	83	114	82	108	101	132	85	64	84	51	102	n.a.	108	95	100

Source: METAC.

Despite significant progress, the credibility of budget making in the region remains a distant target in many countries. This is due to various interrelated reasons including fragility, corruption, proliferation of quasi-fiscal activities by large state-owned enterprises, and a fragmentation of the conduct of budgeting across line ministries—as indicated by the still high level of off-budget taxes (often called fees) and spending programs. One of the objectives of Phase V is to improve fiscal transparency to address some of these long-standing issues.

REVENUE ADMINISTRATION

The primary objective of Phase IV was to strengthen revenue administration management and governance arrangements.[9] Several countries made progress in this regard and in various areas, including: moving toward organizational structures based on the key functions of tax administration and size segmentation of taxpayers (Afghanistan, Iraq); implementing public and private ruling procedures, and implementing dispute resolution mechanisms, to improve credibility and reduce unresolved disputes (Jordan).

Another objective of Phase IV was to strengthen core tax administration functions. This included improved filing and payment compliance procedures (Egypt, Box 1), new rules to ensure the integrity of the taxpayers' register (Morocco), and rationalized and strengthened tax arrears

[9] In Egypt, Jordan, Lebanon, and Morocco, these objectives were based on TADAT recommendations. TADAT is the tax administration diagnostic and assessment tool, now commonly used by the IMF and other international organizations to develop reform strategies.

BOX 1. IMPROVING CASH MANAGEMENT IN SUDAN: THE TREASURY SINGLE ACCOUNT

BACKGROUND

The Ministry of Finance and Economic Planning established a Treasury Single Account (TSA) at the Central Bank of Sudan in April 2015. This was part of reforms to address systemic fiscal imbalances and restore budget credibility after the secession of South Sudan. Cutting the governments net financing costs, reducing the incidence of expenditure arrears, and improving the reliability of cash releases to spending units, were key to addressing this challenge, and required strong political support.

The TSA reform was integrated in the IMF's Staff Monitored Program. An initial assistance by METAC and FAD in 2015 laid out a strategic approach for the functionalities of the TSA and advised on cash forecasting to correct the impact of seasonality and introduce monthly ceilings. Follow-up CD was gradual and included a series of workshops which brought practical examples from other countries (e.g. Turkey). In April 2018 METAC reviewed progress in implementation and identified lessons learned. In 2019, it advised the authorities to increase the coverage of the TSA and further improve cash programming.

RESULTS

Before the introduction of the TSA, there were approximately 700 active government accounts in commercial banks. Unused cash by some agencies/ministries prevented its use by others, which increased borrowing costs, caused poor oversight, and limited budget planning. Absence of enforced commitment control procedures led to unauthorized expenditures and arrears. Cumbersome ICT systems and use of Excel spreadsheets hindered data integrity.

Since its establishment, the TSA, which comprises a revenue and an expenditure account, has shown a substantial inflow of cash from individual accounts. Accounts of government agencies and ministries in commercial banks have been closed. This consolidation has led to lower average cash balances and more flexibility to respond to cashflow volatility. Government agencies now benefit from faster payment processing as they can make daily payments up to their monthly ceiling without prior notification to the Treasury. The adoption of automated procedures to replace Excel-based and manual information processing, has increased oversight and control.

The TSA implementation in Sudan generated important spillover effects. Rolling forward cash programming by one month has provided government agencies with better information on the availability of funds for budget execution, which in turn supports budget credibility. The Treasury benefits from more effective liquidity management and planning for short-term borrowing, which reduces pressure on the central bank's monetary policy operations.

REFORM SUSTAINABILITY

Sudan faces several challenges in sustaining its TSA reform. For instance, the TSA does not cover extra-budgetary funds—hence, a tendency to increase spending through such funds to bypass central cash management. Also, there is a need to increase the period of cash programming from one to three months, to improve visibility and budget execution.

FIGURE 5. PUBLIC FINANCIAL MANAGEMENT PERFORMANCE INDICATORS

	Resource Execution by Country (% of Planned FTE)														
	MTA	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
FY17	100	0	158	0	50	167	270	88	n.a.	0	100	n.a.	61	0	0
FY18	120	87	131	65	55	93	108	89	n.a.	33	111	n.a.	121	87	n.a.
FY19	137	114	37	0	94	142	55	91	n.a.	153	68	n.a.	17	158	n.a.
FY20	76	105	0	106	94	49	0	162	173	43	46	n.a.	18	0	84
FY17-FY20	106	89	75	64	74	104	96	104	173	58	79	n.a.	51	54	72

Source: METAC.

BOX 2. IMPROVING FILING AND PAYMENT COMPLIANCE IN EGYPT

In 2016 the Egyptian Tax Authority (ETA) initiated a project to address low levels of tax return filing and payment performance identified during a 2015 TADAT assessment. The ETA worked with METAC to design and roll-out new nationwide filing and payment procedures based on taxpayers' compliance risk assessment. Pilots were conducted to test the capability of offices to use the new procedures based on differentiating the treatment applied to specific elements of taxpayer behaviors. After concluding successful pilots in May 2018, the ETA rolled-out the new procedures across field offices and completed the national deployment in 359 offices in June 2019.

During the national roll-out, ETA offices risk-assessed taxpayers on their filing and debt databases, identifying and pursuing undisputed debt and previously compliant filers who stopped filing. ETA offices also applied the appropriate targeted treatments from a range of channels and approaches to match the taxpayer's behavior, thus influencing the taxpayer to comply.

As a result of this project, filing and payment compliance rates improved. The preliminary results indicate that: (i) in VAT offices in Phase I of the roll-out, collection of undisputed debt rose from 19 to over 50 percent; (ii) by the end of phase II of the roll-out (November 2018), 5,783 stop-filers (15 percent of total stop-filers) were incentivized to begin filing again; and (iii) results from income tax offices showed that 162,432 non-filers in 2017 (12.8 percent of the filing population) were incentivized to file.

Other countries can undertake similar projects to resolve common problems in filing and payment of taxes. The Egyptian experience shows that tangible results can be achieved when CD efforts are focused and delivered gradually. Moreover, the project helped the ETA to establish its own project management capability to organize and manage reform implementation.

management to provide greater focus on the collection of new and large debts (Algeria).

Countries achieved significant progress during Phase IV on implementing risk-based compliance management. This is a long-term endeavor that necessitates significant data, including from third parties, to improve signaling to taxpayers on the likelihood and probability of specific actions by the tax administration (e.g. audit), and to reduce inefficiencies related to auditing a large number of taxpayers. Several countries are on the right track to implement successfully these reforms, including Egypt, Jordan, Lebanon, and Sudan (in the customs area).

REAL SECTOR STATISTICS

A key objective in the area of national accounts was to improve measurement, timeliness, and frequency of GDP. Several countries made progress, and some were substantial. This includes revising and rebasing GDP, and improving coverage (Djibouti, Jordan, West Bank and Gaza); compiling financial accounts (Algeria, Tunisia); improving measurement of certain components of GDP, such as financial intermediation services (Egypt, Lebanon); compiling supply and use tables to provide benchmark GDP estimates (Egypt, Jordan, West Bank and Gaza); and progressing toward developing quarterly GDP estimates (Afghanistan, Lebanon).

In the area of price statistics, several countries revisited their consumer price index (CPI). Key changes included updating the CPI basket weights and introducing methodological changes to account for missing prices due to the COVID-19 lockdowns (Afghanistan, Egypt, Iraq, Lebanon, Sudan, West Bank and Gaza, Yemen), and producing producer price index (PPI) (Egypt, Iraq, Lebanon, Morocco).

Internal inconsistencies in the measurement of external sector statistics were addressed in Afghanistan, Iraq, and Lebanon.

FIGURE 6. REVENUE ADMINISTRATION PERFORMANCE INDICATORS

	Resource Execution by Country (% of Planned FTE)														
	MTA	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
FY17	100	n.a.	0	0	67	n.a.	125	29	n.a.	0	100	n.a.	0	100	n.a.
FY18	100	100	0	0	119	160	142	127	n.a.	25	310	n.a.	50	100	n.a.
FY19	113	114	110	0	127	57	167	89	n.a.	106	90	n.a.	0	110	n.a.
FY20	48	92	107	n.a.	86	95	125	56	n.a.	79	47	n.a.	n.a.	0	n.a.
FY17-FY20	90	127	49	0	101	130	139	72	n.a.	71	117	n.a.	29	87	n.a.

Source: METAC.

FIGURE 7. REAL SECTOR STATISTICS PERFORMANCE INDICATORS

	Resource Execution by Country (% of Planned FTE)														
	MTA	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
FY17	190	82	0	100	100	140	100	100	100	50	100	n.a.	50	67	0
FY18	100	120	64	225	130	83	100	100	73	100	20	n.a.	138	71	n.a.
FY19	89	103	0	35	76	50	155	63	n.a.	n.a.	69	n.a.	91	66	n.a.
FY20	87	0	0	56	217	114	275	68	n.a.	38	0	n.a.	100	9	n.a.
FY17-FY20	108	80	28	79	131	92	151	82	82	64	49	n.a.	97	51	0

Source: METAC.

SECTION II

C THE INDEPENDENT MID-TERM EVALUATION

The independent mid-term evaluation covered METAC's activities during the first three years of Phase IV, from May 2016 to April 2019. Its purpose was to: (1) assess the extent to which METAC is achieving its objectives along the Development Assessment Committee (DAC) five criteria of: relevance, effectiveness, efficiency, sustainability, and impact; and (2) assess entity-level processes and governance including how the results of the last evaluation have been implemented.

The evaluation scored the five DAC criteria mostly on the high end of the spectrum—Non-Demonstrated, Poor, Moderate, Good, and Excellent—with the overall score being Good. Relevance was the highest rated criteria (Excellent). The evaluation notes that "METAC interventions are, with few exceptions, highly relevant due to strong collaboration between country authorities, METAC, and IMF HQ functional and area departments to jointly identify priorities and develop appropriately tailored workplans." "METAC demonstrates responsiveness in its delivery of highly relevant interventions to member countries while navigating volatile political and security situations, unfavorable regional dynamics, and the constraints of its small size." Member countries expressed the views that METAC interventions are generally successful and of excellent or very high quality.

The evaluation concludes that METAC has reached its maximum output given its current managerial and technical resources. The consequence is that any additional technical assistance within existing human resources will be very difficult to realize, and probably of negligible impact. METAC has already acted on this conclusion; it used budgetary resources from efficiency gains and underutilization of long-term expert (LTX) resources in the first three years of Phase IV, to hire a second PFM LTX (November 2019) and an LTX in central bank operations (expected in February 2021).

Interviews with key informants supported the conclusion that the Center is small relative to the size of its membership and CD needs. "Numerous authorities shared they would appreciate more CD to support recommendations implementation and cement CD, as well as more regional events to promote peer-to-peer learning." One donor highlighted their desire for "more regional exchanges amongst peers and having more regional analysis […] than what they have in the current reports." METAC's current staffing allows, on average, less than two annual activities per workstream per country; "doing work on six countries in a given CD sector will more than fill the time of an LTX, [and] the average is now closer to ten" countries.

The evaluation also found that METAC's operations can be improved. However, such improvement is only possible as a shared objective with other IMF departments and member countries. In particular, higher "impact" and stronger "sustainability" of METAC's operations require more effective and sustained ownership from member countries, and better IMF RBM tools and application by IMF capacity development departments (CDDs).

The evaluation's six recommendations and proposed actions to address them are detailed in Annex I. METAC will report regularly to the Steering Committee (SC) on the implementation of the recommendations, including in its annual report to the SC.

SECTION III

RECENT MACROECONOMIC EVOLUTION AND FUTURE CHALLENGES

RECENT MACROECONOMIC EVOLUTION AND FUTURE CHALLENGES

This section provides a broad overview of the macroeconomic environment over 2011-2019, separated in two sub-periods which roughly coincide with phase III and IV of METAC. Its purpose is to inform the strategy and resource allocation for METAC's CD activities during phase V, especially as it relates to scaling up CD and addressing emerging new challenges, such as weakening fiscal positions in several countries, an increase in fragility caused by unfavorable political and social dynamics, and the more recent COVID-19 pandemic, which precipitated current challenges and created new ones, and whose medium-term consequences are yet to be fully understood.

SECTION III

A RECENT DEVELOPMENTS

METAC countries vary significantly in population size and key socio-economic indicators (Table 1). Total population in the region was 255 million in 2019, up by 9 percentage points relative to 2015. The share of the youth population is 29 percent, among the youngest in the world, and that of the active population 46 percent—meaning that over half of the population is either inactive, retired, too old to work, or under the legal working age. Unemployment remains a serious challenge in most countries and has worsened in some countries in the past five years.

METAC countries rank low on the Human Development Index (HDI).[10] In 2018, all countries scored over 100 (out of 189), except Algeria, Lebanon and Tunisia, and four countries scored over 150. Although income levels explain part of this ranking in some countries (Afghanistan, Syria and Yemen), the other components of the HDI, namely education and life expectancy, pose challenges for higher inclusive growth in the region.

[10] The HDI is a composite index of life expectancy, knowledge, and living standards. It is a measure of the quality of human capital, which is closely linked to the level and quality of development. The lower the score, the better a country's rank. See *Human Development Report 2019*, UNDP.

Real GDP growth has somewhat declined since 2010, with several factors playing a significant explanatory role (Figure 8). First, the decline in oil prices in 2014 had a large impact on growth in Algeria and Iraq. Second, slowdown in world growth after the 2008 crisis, especially in Europe, had a spillover effect on countries with export markets in Europe—e.g. Morocco and Tunisia—, or who benefit from foreign direct investment and other inflows, such as tourism and remittances—e.g. Jordan, Lebanon, Tunisia. Third, persistent state fragility has had a negative impact on growth in all fragile states, except Libya where growth improved due to an increase in oil production, which had come nearly to a halt in the early 2010s. Fourth, lack of fundamental structural reforms to reduce large price subsidies for energy consumption, improve the level and quality of public spending, introduce equitable tax reforms, and reduce corruption, weighed on all METAC countries, with some impacted more than others.[11]

[11] For example, the country-wide demonstrations in Lebanon, which broke out in October 2019 and lasted several months, blamed the collapse of the currency and the financial crisis to 30 years of mismanagement of public funds and corruption.

Egypt stood out as a good growth performer, after a financial and foreign exchange crisis hit it in 2014. Supported by an IMF program, the country undertook substantive structural reforms, with significant technical assistance from the IMF and METAC, which enabled it to return to a higher growth path since 2016. The challenge for Egypt is to continue structural reforms to sustain a more inclusive growth in the future.

METAC countries remain exposed to substantial macroeconomic risks (Figure 8). Inflation has remained subdued in most countries, except in Sudan, Egypt and Yemen. But the current account and budgetary balances have worsened in several countries, and they are unsustainable in some, posing significant short- to medium-term risks. Debt levels have risen in all countries; they exceed on average 70 percent of GDP and are above 100 percent in three countries. Claims of the banking sector on the private non-financial sector have remained somewhat constant over the two periods—although they are very high in Jordan, Morocco and Tunisia, and relatively modest or low in the other countries.

TABLE 1. METAC COUNTRIES: SELECTED INDICATORS

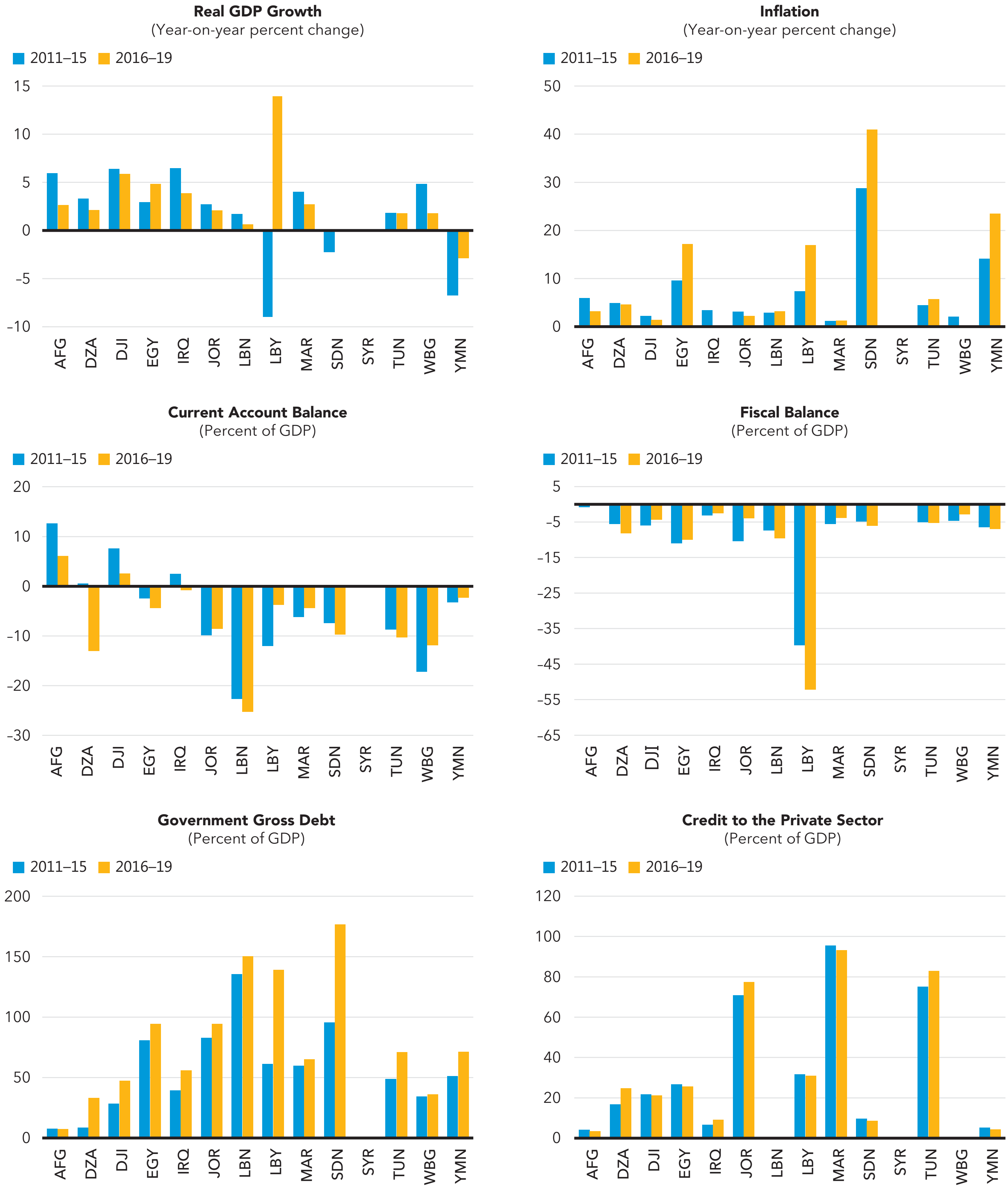
		Population (Millions)	Youth Population (Millions)	Active Population (Millions)	Unemployment Rate (Percent)	GDP per Captia (PPP Dollars)	HDI (Rank in parenthesis; higher score is better) 1/
Afghanistan	2019	36.5	8.1	14.0	1.5	$2,095	0.496 (170)
	2015	33.7	7.1	12.0	1.7	$1,904	0.490
Algeria	2019	43.4	6.0	12.3	12.4	$15,696	0.759 (82)
	2015	40.0	6.6	11.7	11.2	$14,614	0.751
Djibouti	2019	1.1	0.2	0.4	11.0	$5,568	0.495 (171)
	2015	1.0	0.2	0.4	11.1	$4,611	0.482
Egypt	2019	99.2	16.7	31.9	11.3	$14,023	0.700 (116)
	2015	89.0	16.3	29.9	13.1	$12,069	0.690
Iraq	2019	39.1	7.8	10.2	7.9	$18,025	0.689 (120)
	2015	35.2	7.1	9.0	8.1	$16,153	0.665
Jordan	2019	10.1	1.9	2.6	15.0	$9,649	0.723 (102)
	2015	9.2	1.8	2.3	13.1	$9,104	0.721
Lebanon	2019	6.1	1.1	2.2	6.2	$15,049	0.730 (93)
	2015	5.9	1.1	2.0	6.2	$14,164	0.728
Libya	2019	6.6	1.1	2.4	17.3	$9,358	0.708 (110)
	2015	6.3	1.1	2.3	16.1	$6,260	0.691
Morocco	2019	35.6	5.9	11.7	9.0	$9,235	0.676 (121)
	2015	34.1	6.0	11.5	9.5	$8,063	0.660
Sudan	2019	43.2	8.7	11.5	13.0	$4,072	0.508 (168)
	2015	38.4	7.8	10.2	13.2	$4,282	0.501
Syria	2019 2/	12.0	4.1	4.8	8.2	…	0.549 (154)
	2015	11.6	3.7	4.7	8.4	…	0.540
Tunisia	2019	11.8	1.6	4.1	15.5	$12,661	0.739 (91)
	2015	11.3	1.8	4.0	15.2	$11,495	0.731
West Bank and Gaza	2019	5.0	1.1	1.4	29.9	…	0.690 (119)
	2015	4.5	1.0	1.3	25.8	…	0.685
Yemen	2019	31.6	6.1	6.8	12.8	$2,280	0.463 (177)
	2015	28.3	5.9	5.9	14.0	$2,686	0.493

Sources: World Economic Outlook (WEO); International Labour Organization (ILO); UN Human Development Report, 2019; and IMF staff calculations.

1/ Human Development Index. Since data for 2019 is not available, data shown is for 2018.

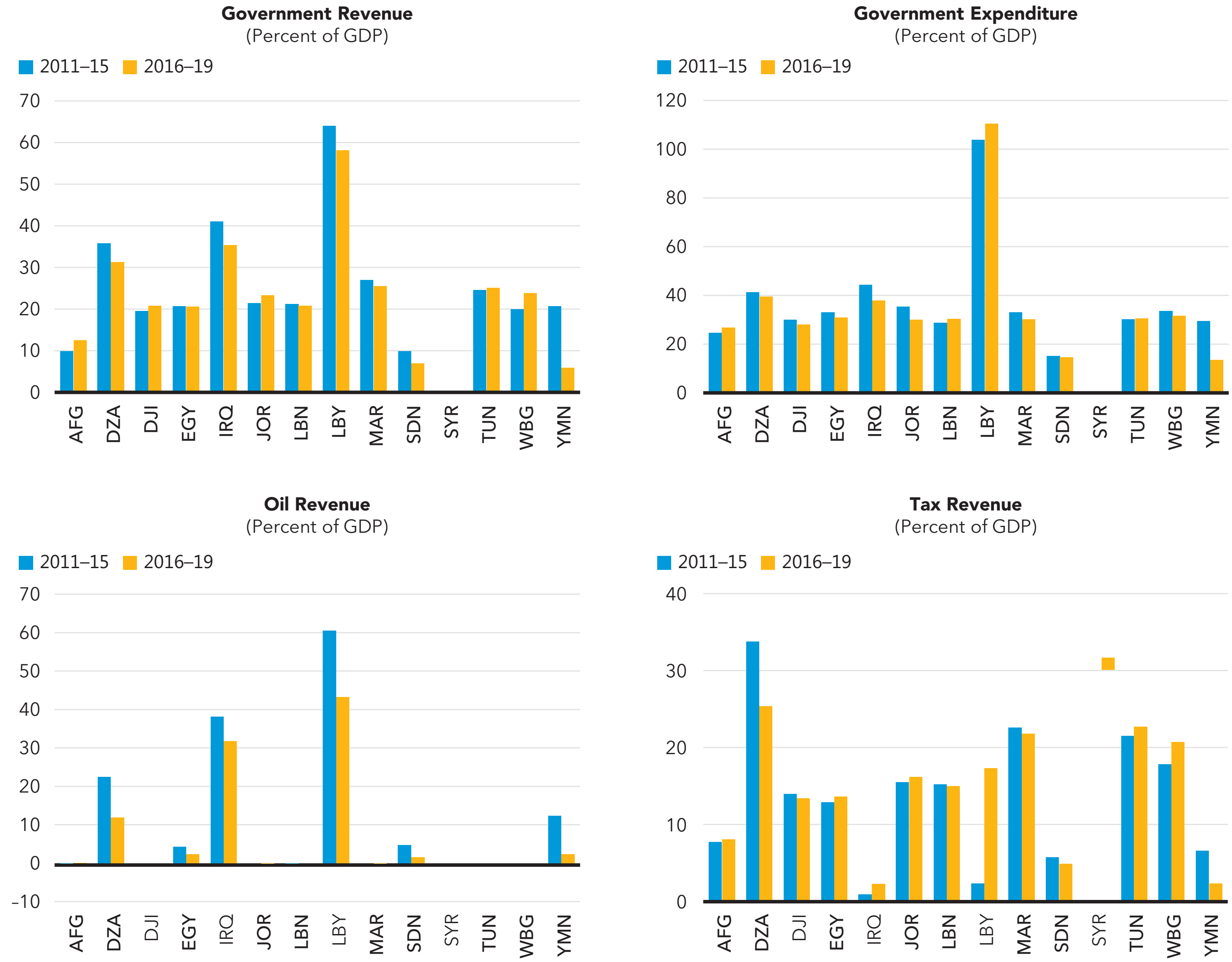
2/ Population data for Syria is not available via the World Economic Outlook. As such, population estimates from the International Labour Organization were used.

FIGURE 8. METAC COUNTRIES: EVOLUTION OF KEY MACROECONOMIC INDICATORS



Source: IMF World Economic Outlook and IMF staff calculations.

FIGURE 9. METAC COUNTRIES: EVOLUTION OF GOVERNMENT REVENUE AND EXPENDITURE



Source: IMF World Economic Outlook and IMF staff calculations.

The fiscal stance in METAC countries is characterized by a heavy reliance on oil revenue in oil exporters, and relatively low tax-to-GDP ratios in oil importers (Figure 9). In the first group of countries, this reliance meant that the substantial decline in oil revenue which started in 2014, has not been fully compensated by tax revenue. Policymakers in this group need to rethink the role of tax revenue (both level and composition) in fiscal management; in particular, by building more resilient non-oil tax systems that can be used effectively for fiscal adjustment to manage the risk of volatile oil revenue.[12] In the second group, tax revenue levels have been low given spending needs and international benchmarks (except in Morocco and Tunisia).

The difficulties in enabling higher and more inclusive growth, while reducing macroeconomic vulnerabilities are more acute in fragile states. Relative to the non-fragile group, the nine METAC economies that are classified as fragile have exhibited the following trends over the past decade:[13]

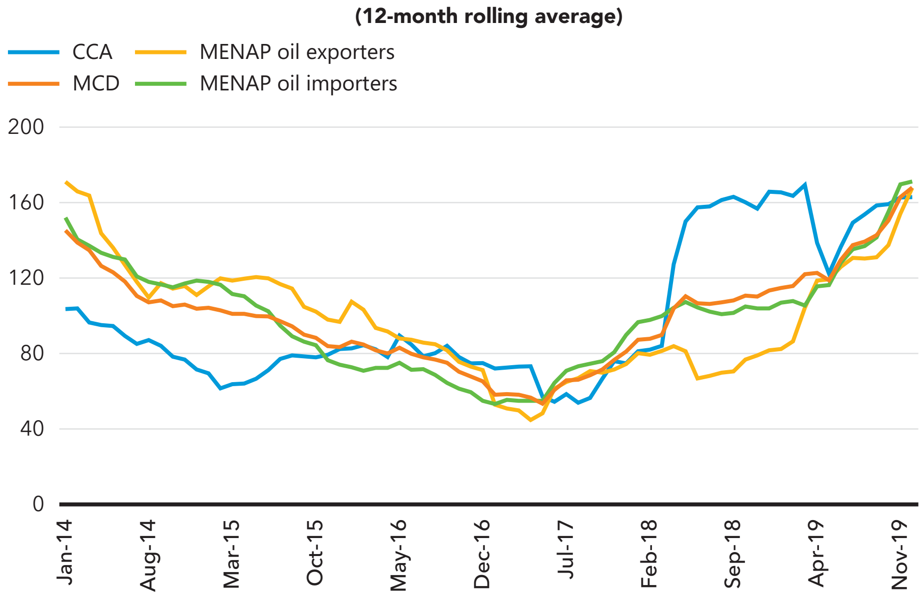
[12] The high tax-to-GDP ratios shown in Figure 9 for Algeria and Libya are largely due to classification of certain oil revenue as tax revenue, and the fact that revenue from the corporate income tax on extractive companies is also classified under tax revenue. Putting aside these two factors, the tax-to-GDP ratio in Algeria remains below 15 percent, and that in Libya below 5 percent.

[13] For consistency with the figures shown in previous graphs, comparisons are averages of 2011-15 and 2016-19.

- Putting aside the resumption of oil production in Libya, real growth in the fragile group has deteriorated, from 0.8 to less than two-third the average growth in the non-fragile group, while relative inflation declined mildly from 1.8 to 1.7 times that in the non-fragile group.
- The current account balance has improved slightly, due primarily to oil exports. However, the situation has worsened in fragile states that are oil-importers, as have overall fiscal deficits.
- Debt levels have increased by 50 percent—twice as fast as in the non-fragile group.
- Government revenue has declined by about 3 percentage points of GDP, again due to the role of oil revenue, while it remained constant in the non-fragile group.

The deteriorating economic conditions, and financial instability in the region have contributed to a rise in social unrest, and in some cases uprisings (Figure 10).[14] Although each country's situation differs, common themes of the uprisings have included citizens' demand for transparency in the conduct of public policy, the eradication of corruption from public officials and civil servants, economic opportunities for all citizens, and better public services. These uprisings are indicative of the non-sustainability of the social contract between citizens and the state—a contract that has become characterized primarily by deep mistrust of citizens of their elected officials.

FIGURE 10. REPORTED SOCIAL UNREST INDEX IN THE MIDDLE EAST AND CENTRAL ASIA



Source: Barrett, Philip, Maximiliano Appendino, Kate Nguyen, and Jorge de Leon Miranda. 2020. *Measuring Social Unrest Using Media Reports*. IMF Working Paper 20/129.

[14] All groups refer to IMF groupings of countries. MENAP is a good proxy for METAC; it includes the same countries, plus Mauritania, Pakistan and Somalia. CCA is Caucasus and Central Asia. MCD is Middle East and Central Asia.

SECTION III

B RISKS AND MITIGATION

ECONOMIC RISKS

The macroeconomic context for Phase V is likely to be characterized by regional tensions leading to persistence or increase in state fragility, limited fiscal space, and challenges in maintaining financial stability. The COVID-19 pandemic will also have medium-term implications, such as higher debt levels and weaker balance of payments and net foreign investment positions. Policies to deal with these economic risks must be country specific. Three key differences will characterize the strategy in Phase V, relative to IV, in mitigating economic risks: (1) a resource envelope that is more consistent with the membership size and CD needs, and therefore more likely to improve CD sustainability and impact; (2) a broader set of CD activities to better respond to differences in CD needs across countries, while keeping an active engagement in most of them; (3) and learning to address the consequences of COVID-19.

First, a larger resource envelope is likely to improve the effectiveness of METAC CD activities and its impact in the long run. Current resources pale relative to needs, including when benchmarked against other IMF RTACs. On average, and for a given CD sector, METAC delivered less than two activities per year per country in Phase IV. METAC also has the highest country-to-LTX ratio across IMF RTACs—2.8 vs. 1.7 on average. This is often insufficient to keep momentum of reforms and achieve results over a reasonable horizon.

Second, differences in institutional and policy implementation capacities across the region require a broader set of CD activities, especially given that 9 METAC countries are fragile. The low number of LTXs and their specialization imply some constraints on the range of CD activities that METAC can deliver. This is particularly the case for needs that require an intensive engagement with countries exhibiting high level of fragility across key central agencies. Moreover, the traction of some TA is tied to the LTXs being able to work in French (in Maghreb countries), and English and/or Arabic in other countries. These factors have hindered TA effectiveness in certain situations, and probably explain in part the variation of TA delivery across countries.

Third, the COVID-19 pandemic has accelerated the use of communication technologies at METAC and its members. The Center will enhance its CD delivery by using multiple delivery modalities, combining in-person assistance on the ground with remote assistance, and relying more heavily on remote preparation of CD missions—e.g. to communicate with the authorities on project outcomes and discuss corresponding risks. This will allow the Center to respond more flexibly to country demands, and to better manage the impacts of country fragility on CD activities and results. It will also lessen the constraints related to the low average number of activities per country noted earlier.

POLITICAL AND SECURITY RISKS

The economic risks outlined above are compounded by political and security risks, which are hard to predict. These risks affect policy and CD priorities, not the least because they constrain METAC's capacity to deliver, and countries' capacity to absorb CD. All METAC countries are vulnerable to these risks, and some must cope with them constantly: 9 out of 14 countries are classified as high-risk locations by the IMF, and travel is currently prohibited to 6 of them.[15]

[15] The IMF imposed travel restrictions to all METAC countries since March 2020.

Most countries where travel is allowed have faced social and political unrests during Phase IV (e.g. Algeria, Lebanon, Tunisia, and Sudan); these have delayed achieving CD results in some cases, and in others caused a temporary halt in CD activities.

METAC has mitigated the security risk by providing CD off-site, in a METAC country other than the beneficiary country. This delivery model has consisted in gathering small groups of key government senior officials for periods of 3-5 days to assist them in developing solutions to the issues they face and provide training when necessary. The mid-term evaluation of Phase IV concluded that this CD approach works well and found no differences in the effectiveness of METAC CD between fragile and non-fragile states. It attributes this success to the effective collaboration that METAC has had with HQ (CDDs and MCD country teams) in identifying priorities and devising concrete plans to address them. This delivery approach will continue in Phase V, and consistent with the recommendations of the mid-term evaluation, METAC will discuss annually (or more frequently) the impact of risks with the authorities to be better able to devise mitigation measures.

Another mitigation that METAC has used successfully is to reallocate resources across countries and CD sectors. This occurred during certain periods of intense security risks, when government officials were not able to travel to the meeting country (e.g. Libya, Iraq), or when the security risks diverted the attention of government officials and policymakers away from economic reforms. This mitigation will continue in Phase V and will be guided by a stronger integration with MCD surveillance and other CD provided by the IMF, while keeping the objective of allocating at least 55 percent of resources to fragile states.

Finally, METAC will have to strengthen its engagement and coordination with country SC members, to ensure country engagement on multiple levels. This has been a challenge for two reasons: (1) LTXs tend to communicate directly with their counterparts when planning and executing CD projects, and face difficulties mobilizing the guidance of SC members when ownership weakens (e.g. new personnel; new management; new minister; new governor); (2) country SC members, unlike those from development partners, do not assume responsibility for CD projects to yield tangible results. This situation differs across member countries, and some are more engaged than others, probably due to differences in institutional capacity.

INDIVIDUAL AND INSTITUTIONAL CAPACITY

METAC provides substantial training to country officials, both formal and hands-on during TA activities, which is effective in building individual capacity, but does not always translate into better institutions. Experience varies across institutions, with central banks and ministries of finance being more able, generally speaking, to translate individual into institutional strengths (e.g. producing regular reports on fiscal risks), but statistical agencies less so. Multiple factors could explain this, including human resource policies, how managers utilize training to drive institutional reform, sub-optimal allocation of resources, political influence over hiring of middle managers (and even lower-level positions in some countries), and others.

METAC and the IMF are not always well placed to provide TA on human resource policies and management. However, METAC will more systematically point out and discuss these issues with government officials and encourage them to seek TA elsewhere to address them.

SECTION IV

PRIORITIES AND OBJECTIVES FOR PHASE V

PRIORITIES AND OBJECTIVES FOR PHASE V

Priorities and objectives for Phase V are partly a continuation of Phase IV, and partly new ones with synergies or complementarities vis-à-vis existing objectives. The logframes are described below and the corresponding detailed tables are in Annex II. Individual projects will be detailed annually in the report to the SC. All new areas of CD proposed for Phase V were the subject of regional seminars where countries expressed their views on challenges and needs in the medium-term.[16] The seminars were animated with the collaboration of IMF CDDs (FAD, MCM and STA); they also integrate MCD's priorities for the region.

METAC has improved the integration of its CD with other IMF CD, and surveillance and financing activities. The annual workplan is now prepared by the end of the calendar year and transmitted to MCD and CDDs for review and consultation to ensure it is well integrated with other CD activities. The workplan pays particular attention to how CD can better assist country authorities in meeting structural reform commitments under IMF-supported programs, or surveillance recommendations. This is especially the case for fragile states, where institutional capacities are weak, and sustained political commitment to reforms can be difficult to obtain.

Further integration will be realized by prioritizing TA according to criteria set at the broader level of IMF activities, while factoring in realities on the ground and the need for flexibility to respond to changing country priorities. As countries borrow from the IMF (and other sources) to deal with the consequences of the COVID-19 pandemic, METAC will also assist in monitoring and assessing PFM processes to reduce the risk of funds being diverted to other uses. These criteria include:

- Program support, especially where TA is essential to help the authorities meet program conditionality.
- Fragile states, where institutional build-up is crucial for policy design and implementation, and where short-term priorities, especially during the early stages of post-conflict periods, may weigh heavily in reform priorities.
- Ownership and track record of implementing past CD recommendations.

The engagement in fragile states will be scaled up.[17] In addition to existing challenges, fragile states will be more impacted by the COVID-19 pandemic and the decline in oil prices—all producers in METAC (Iraq, Libya, Sudan, Yemen) are fragile states, except Algeria. The proposed logframes in Annex II allocates over 60 percent of activities to fragile states (based on the number of RBM indicators). Although CD delivery and impact face higher risks in fragile states, METAC will strive to ensure that at least 50 percent of FTE resources are allocated to fragile states.

Engagement on gender issues is more explicitly reflected in Phase V. The PFM workstream will expand assistance in gender-responsive budgeting, which started in the latter part of Phase IV. This assistance will focus on two elements of budget making: (1) equip ministries of finance with analytical tools to plan and assess the gender consequences of the budget—e.g. the selection of public investment projects could include gender objectives based on measurable criteria; (2) assist line

[16] The only exception is the workstream "Macroeconomic Frameworks", which is based on requests made by Afghanistan, Jordan and Lebanon to the IMF, to support them in building macroeconomic models using well-established IMF tools.

[17] A state is classified as fragile if the three-year moving average of its World Bank Country Policy and Institutional Assessment (CPIA) index is higher than 3.2.

ministries in introducing in their budget submissions a gender statement with measurable gender indicators.

Climate related issues will be given more prominence in Phase V. Although there will be no explicit resources (financial or human) dedicated entirely to climate, two workstreams in METAC can contribute to this objective. First, with the increase in revenue administration resources, the Center can better assist countries in implementing taxes on fossil fuels, which are to a large extent imported in the region and taxed at the first point of entry. Carbon taxes are a key policy tool to orient the economy towards a more sustainable and green development framework. Second, METAC, in collaboration with the IMF MCM, can organize awareness workshops and CD activities about climate change related to financial risks. In particular, activities could focus on how such risks can be integrated in banking regulatory and supervisory frameworks, and follow-up with country CD activities to assist them in: (i) defining supervisory expectations about how banks should manage the financial risks associated with climate change, (ii) developing guidelines on environmental risk management, and (iii) creating environmental governance prudential reporting and disclosures principles. Climate issues have gained interest and momentum in recent years in a broad range of countries and are now part of the IMF agenda on financial sector surveillance.

The engagement of METAC in the region during Phase V will require an increase in LTX resources from 5 to 8. This increase will improve depth and breadth of CD. The increase in breadth will be achieved by increasing the CD areas—adding central bank operations, government statistics, and increasing CD in customs administration—so METAC can better respond to reform priorities in the region. The increase in depth will be achieved by adding LTX in PFM and revenue administration, and by reallocating resources to countries with the highest commitment to reform and/or the lowest capacities to undertake reform (e.g. fragile states), so that the intensity of TA on a workstream in a country is increased.

SECTION IV

A MACROECONOMIC FRAMEWORKS

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

Implementing well-developed, flexible and easily adaptable macroeconomic frameworks and model-based policy analysis and forecasting is critical for macroeconomic stability and growth in face of the large and evolving range of shocks, including the COVID-19 pandemic. As METAC countries grapple with increasing debt levels, a situation further exacerbated by the COVID-19 pandemic, authorities are rightly focused on ensuring debt sustainability, while preparing to address future crises and economic challenges (e.g. climate change, inequality). Macroeconomic framework tools (MFTs) are essential to make economic policy decisions on an informed and transparent basis for all stakeholders.

Technical assistance to strengthen macro-forecasting and policy frameworks will support policy making during Phase V. Strengthening monetary policy models to support central banks policies and implementing MTFFs are essential for many countries in the region. On the monetary policy side, macroeconomic and policy projections serve as basis to achieve objectives of low and stable inflation and smooth business cycle fluctuations, while on the fiscal policy side, formulating medium-term fiscal strategies and measures to sustain debt dynamics are important elements to ensure macroeconomic stability.

The workplan in Phase V will include building macroeconomic analytical and forecasting capacity through developing MFTs. The MFTs will be tailored to the needs of each country and institution, with a particular focus on macro-fiscal policy management and debt dynamics.

The macroeconomic frameworks workstream is complementary to CD in MTFFs under PFM, in monetary operations and debt management, and (to a lesser extent) in statistics (e.g. data gaps and standards). While the objective of the fiscal and monetary workstreams focus on single policy tools, and rely on partial analysis and static projections, the macroeconomic approach (and MFTs) can integrate fiscal and monetary policy scenarios in a dynamic temporal setting. Depending on the MFT implemented, this approach may be more demanding in modeling skills and data, requiring varying degrees of absorptive capacity and complementary capacity building to strengthen data compilation. Lessons from this experience will be used to better reflect on how MTFs can be used in other METAC countries.

EXPECTED OUTCOMES

The main targeted outcomes are summarized below, by strategic objective:[18]

- *Improved skills for macroeconomic policy analysis and forecasting:*

  A stable core group of relevant staff, who are tasked with spearheading the effort of developing capacity in macroeconomic policy analysis and forecasting at the institution, and a group coordinator, have been identified (Afghanistan, Jordan, Lebanon).

  Staff in the core group demonstrates capability to independently operate the tools developed as part of capacity building in macroeconomic policy analysis and forecasting (Afghanistan, Jordan and Lebanon).

  Strengthen the capacity of a staff cohort for economic policy analysis and forecasting (Afghanistan, Jordan, Lebanon).

[18] Expected outcomes could change according to the findings of scoping missions.

- *An MTF is fully operational:*

  An MPT tool has been developed in the form of: (1) a basic (Excel) framework for forecasting and policy analysis, respecting accounting relationships (Pillar 1) (Afghanistan); (2) a fully structural dynamic DSGE model (Pillar 4) (Jordan); (3) a fiscal/debt sustainability model (Lebanon).[19]

  Relevant staff is trained to prepare baseline projections and analyses using the MPT (Afghanistan, Jordan, Lebanon).

  Macroeconomic projections and policy analyses are prepared using an MPT tool (Afghanistan, Jordan).

  A user manual is prepared, is kept up-to-date, and readily available to users (Afghanistan, Jordan).

- *The preparation of macroeconomic projections and economic policy analyses is integrated in the economic policy process, supported by better internal cooperation and communication. Depending on the needs' assessment and country absorptive capacity, outcome achievement will be measured by one or a combination of the following (Afghanistan, Jordan):*

  Group of staff responsible for macroeconomic projections and analysis is institutionalized and operational.

  A detailed calendar from data exchanges leading up to the finalization of the projections and economic policy analyses is adopted and implemented.

  Group conducts regular internal presentations on scenario and risk analysis (both economic and policy scenarios).

  Analysis on the gaps between forecasts and outturn are presented internally.

  Relevant internal documents make use of forecasts and scenarios, considering underlying macroeconomic analyses using the MPT.

  MTFF is updated using the MPT and is supporting economic policy decision-making.

- *Transparency and policy credibility are improved through better external communication. Depending on the needs' assessment and country absorptive capacity, outcome achievement will be measured by one or a combination of the following (Afghanistan and Jordan):*

  Macroeconomic outlook and analysis based on the MPT are published in relevant documents (e.g. economic outlook, budget documentation).

  A published MTFF or other document contains economic/fiscal forecast scenarios based on alternative macroeconomic assumptions using the MPT.

  Fiscal risk report is elaborated and published that includes an analysis of macro fiscal risks based on the MPT analyses and simulations.

  The forecasting tool is well documented, a user manual prepared, and key documents have been published.

[19] This outcome is tentative, depending on progress in the other projects and funding availability.

SECTION IV

B

CENTRAL BANK OPERATIONS

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

As in other regions, monetary policy implementation will be more challenging in the near future for METAC members because of the business disruptions due to the COVID-19 pandemic. Its impact is exacerbated by lower oil price for oil producing members, which imposes pressure on systemic liquidity. In this context, several members are continuing the reforms engaged before COVID-19 that aimed at modernizing their operational frameworks with increased focus given to forward-looking and interest rate-based policy operational frameworks.

Continuing the modernization process, while incorporating the specific challenges that have arisen in the aftermath of COVID-19, will be a key priority of monetary policy implementation in Phase V. Many central banks will have to adjust and strengthen their collateral framework, including asset eligibility and risk management measures, to respond to the increase demand for liquidity and preserve financial stability. Others will have to adapt their foreign exchange (FX) operations to deal with pressures arising from recent capital outflows, pressures in onshore FX funding market, and higher current account deficits.

The work plan in Phase V will be geared toward enhancing monetary policy transmission. This includes improving liquidity forecasting for the calibration of open market operations and reviewing the setting of other instruments, such as the reserve requirement and standing facilities, to strengthen the central bank's control on its chosen operational target; e.g. short-term interest rates, monetary aggregates, exchange rate. Particular attention will be devoted to the design of the operational frameworks to support the development of the money and FX markets, which are key to monetary policy transmission, as well as to transparency—in view of the growing attention that has been given to this critical dimension of policy implementation.

EXPECTED OUTCOMES

The main targeted outcomes are summarized below, by strategic objective:

- *Enhancing the effectiveness of monetary policy implementation and strengthening central banks' operational framework within the monetary policy regime of choice, by targeting the following outcomes:*

The central bank has an operational framework which clearly identifies the operational target of monetary policy in place (Afghanistan, Egypt, Tunisia).

The central bank has a robust short-term liquidity forecasting framework designed and operational (Afghanistan, Algeria, Djibouti, Jordan).

The central bank has an effective interest rate corridor designed and operational (Afghanistan, Algeria, Djibouti).

The central bank has flexible and appropriate monetary instruments and operational strategy to deal with changing liquidity conditions (Afghanistan, Djibouti, Egypt, Jordan).

An interbank and money market to support monetary policy transmission is active and efficient (Afghanistan, Algeria, Djibouti, Egypt, Tunisia).

The central bank publicly and clearly discloses its instruments of monetary policy (Egypt, Tunisia).

The central bank has in place a framework to support the money and securities markets in the wake of financial disruptions (Algeria, Egypt, Jordan, Morocco, Tunisia).

- *Strengthen efficient implementation of FX operations given the existing monetary policy and FX regime, by targeting the following outcomes:*

  Developed FX market with adequate price discovery in line with the desired FX and monetary policy regime (Algeria, Morocco).

  FX intervention policy consistent with existing FX regime is understood by market and broader public (Afghanistan, Egypt, Morocco, Tunisia)

  Clearly and publicly disclosed policy objectives and operational framework and instruments of FX interventions (Egypt, Morocco, Tunisia).

- *Enhancing central bank risk management process: safety, liquidity and optimal return, by targeting the following outcomes:*

  The central bank has a collateral framework broad enough to respond to an increase in the demand for liquidity while including risk mitigation measures that keep the residual risk at the level tolerated by the central bank (Afghanistan, Algeria, Djibouti, Jordan, Tunisia).

  The central bank has FX reserve management guidelines covering risk management and investment strategy (Afghanistan, Algeria, Djibouti, Jordan).

SECTION IV

C

BANKING REGULATION AND SUPERVISION

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

Phase V will build on the ongoing reforms to further strengthen the regulation, supervision and practices of banks in METAC countries, with the purpose of preserving and enhancing financial stability. It is expected that most of the ongoing multi-year projects from Phase IV and related objectives will continue, and similar ones will be started in new fragile states (Libya, Yemen). The objectives include: (1) develop/strengthen banks' regulation and supervision frameworks (including risk-based supervision); (2) develop/strengthen regulatory framework and supervisory tools to address specific risks in Islamic banking; and (3) improve accounting and prudential provisioning regulatory guidelines. METAC will continue to work with member countries to ensure their reform strategies adequately address financial sector vulnerabilities, and that CD activities rely on appropriate timing, prioritization and sequencing in support of reform measures.

EMERGING ISSUES

Phase V will likely face fluctuating country CD demands. An illustration is the deteriorating asset quality as a result of the COVID-19 pandemic and related economic implications—an important cross-cutting concern for METAC authorities. Emerging CD activities will likely focus on enhancing the credit risk reporting framework, improving the functioning of the credit registry, on- and off- site credit risk reviews, analysis of loan files and banks' underwriting processes, prudential provisioning and the methodology to perform an asset quality review of banking sector.

Fintech firms, which pose particular risks to financial stability, have appeared over recent years in METAC countries. During Phase IV, METAC provided some training to keep supervisors informed about recent developments in fintech technology and related risks. As fintech develops across the region, and its potential remains untapped in several countries, METAC will provide during Phase V assistance to address fintech regulatory and supervisory challenges. This will include information and communication technology supervision, raising awareness about cyber risk, building cyber resilience, emerging range of practice for fintech supervision, and advances in regulation and regulatory and supervisory technology (regtech and suptech).

Some member countries are concerned that climate change may result in physical and transition risks. Such risks could potentially impact the safety and soundness of individual financial institutions and could have broader financial stability implications for the banking system. The authorities in some METAC countries may consider appropriate to address climate-related financial risks within their existing regulatory and supervisory frameworks.

EXPECTED OUTCOMES

The main outcomes are described below, grouped by their key objectives:

- *Develop/strengthen banks' regulation and supervision frameworks (including risk-based supervision):*

  Banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability. Countries ensure that their banks have adequate capital, made up of high-quality instruments, that is in line with the Basel II & III standards (Afghanistan, Algeria, Djibouti, Egypt, Iraq, Tunisia, West Bank and Gaza, Yemen).

Countries have a framework in place ensuring an efficient use of supervisory resources to oversee, in a forward-looking approach, key risks in the banking system. Countries ensure that risk assessment frameworks for banks are strengthened to: (i) enhance the quality and timeliness of regulatory reporting; (ii) rely on risk-based processes supported by manuals; (iii) on-site inspection rely on off-site risk analysis; (iv) supervisors sanction and enforce prompt corrective actions; and (v) supervisors oversee the timely implementation of effective corrective measures (Algeria, Djibouti, Egypt, Iraq).

Countries put in place an early warning system to ensure that unsafe practices are identified and addressed early (Afghanistan, Djibouti, Egypt, Iraq, West Bank and Gaza, Yemen).

- *Develop/strengthen regulatory framework and supervisory tools to address specific risks in Islamic banking:*

  Specificities of institutions offering Islamic financial services are adequately addressed in the prudential framework (Djibouti, Iraq, Libya, Sudan, West Bank and Gaza, Yemen).

  Countries address the specific features of Islamic banking, including Sharia governance, internal controls and specific risks, in their regulatory and supervisory frameworks, and rely on a comprehensive prudential reporting framework.

- *Improve accounting and prudential provisioning regulatory guidelines:* Countries develop improved provisioning guidelines, in line with IFRS 9 (Djibouti, Egypt, Iraq, Libya, Sudan, Tunisia, West Bank and Gaza, Yemen) and the supervisors ascertain that banks' provisions to cover non-performing loans are commensurate with the banks' credit risk and sufficient for capital adequacy assessment purposes.

- *Develop/strengthen cyber security regulation and prudential norms:* Countries (Djibouti, Egypt, Iraq, West Bank & Gaza, Yemen) have integrated cybersecurity and the management of cyber risks by financial institutions in their regulatory framework and supervisors assess how regulations are applied by the supervised entities.

SECTION IV

D GOVERNMENT FINANCE STATISTICS

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

Improving the government finance statistics (GFS) and public debt statistics (PSDS) is a priority. More than 50 percent of the METAC countries are fragile states, and insufficient coverage of the fiscal accounts needs to be addressed in nearly all countries. In line with the Fund's policy of providing demand-driven CD with higher priority to fragile states, Phase V will address gaps in the fiscal accounts that most hinder fiscal management and IMF surveillance in seven fragile states.

The strategic objective for METAC in Phase V is to address gaps in the GFS and PSDS that most hamper surveillance. Support to these countries would be tailored to the specific priorities agreed with IMF country teams. Depending on the case, CD will focus on expanding institutional and data coverage, and improving the compilation methods and techniques, improving timeliness in data reporting and dissemination. Efforts could also be directed to strengthen staff capacity to compile reliable data; improve the quality of source data and align the charts of accounts with best practices; develop data revision policies; document the compilation processes; compile high-frequency data; migrate to an accrual basis of recording; compile balance sheet data; and adapt macro-fiscal frameworks to *GFSM 2014* concepts.

EXPECTED OUTCOMES

- *Member countries build human and institutional capacities to improve the quality of GFS and PSDS:*

  Given the baseline differences between member countries, those countries that already achieved a steady progress would be able to compile and disseminate timely annual GFS and PSDS for the general government or other sectors of government that are considered essential for the understanding of fiscal risks, depending on local realities (Algeria and Tunisia). For countries with less developed statistical systems (all fragile states), the focus would be on the budgetary central government. These countries would need to strengthen the institutional framework for collecting adequate and reliable source data.

- *Countries improve sectorization, data sources, classification, and progressively migrating to an accrual basis of recording:*

  Some countries would also expand coverage to the public sector and migrate the fiscal framework to *GFSM 2014*. In addition, and to further integrate CD with MCD country work, countries would compile high-frequency data (quarterly and/or monthly) and expand sectoral and instrument coverage for PSDS (all countries).

SECTION IV

E

REAL SECTOR STATISTICS

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

High quality real sector statistics[20] are important for informed decision-making and for monitoring and evaluation of development programs. National accounts statistics provide information about the size and performance of the economy, and the interactions between different sectors. Price statistics provide information on changes in prices, enabling the observation of inflationary trends and the compilation of deflators for the calculation of real GDP.

During Phase IV, support included improving the quality, frequency, and sectoral coverage of GDP and price statistics. METAC assisted countries in compiling supply and use tables to produce benchmark GDP estimates, develop quarterly GDP estimates, and improve institutional sector accounts. Similar assistance helped to rebase CPIs, and further develop PPIs. Support on external sector statistics was provided mainly from IMF HQ, with METAC funding one to two activities per year.

[20] The real sector statistics have two components, national accounts (statistics related to GDP) and prices (statistics related to price indexes).

In Phase V, member countries will continue to improve and develop national accounts and price statistics. The emphasis for national accounts will be on supporting the compilation of supply and use tables to produce benchmark GDP estimates and rebase the national accounts, and on improving and developing quarterly GDP estimates and institutional sector accounts, including financial accounts and balance sheet statistics. For price statistics, the emphasis will be on increasing capacity to rebase CPIs and on further developing PPIs.

EXPECTED OUTCOMES

The main targeted objectives and outcomes for real sector statistics (national accounts and prices) are summarized below.

- Strengthen compilation and dissemination of national accounts:

  Ensure that data are compiled and disseminated using appropriate statistical techniques, concepts, definitions, coverage, and scope of the 2008 SNA (Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Sudan, West Bank and Gaza). This includes a comprehensive, robust and well documented compilation system, and quarterly compilation techniques to ensure consistency between annual and quarterly estimates.

  Compile and disseminate higher frequency data, namely quarterly estimates of GDP (Afghanistan, Djibouti, Iraq, Jordan, Libya, Sudan, Yemen).

- *Strengthen compilation and dissemination of price statistics:*

  Publish new data on prices, and disseminate internally and externally (Afghanistan, Djibouti, Egypt, Lebanon).

  Rebase existing CPI and PPI statistics while ensuring that data are compiled and disseminated using appropriate statistical techniques (Libya, Sudan, Yemen).

  Ensure that data are compiled using the latest guides (Afghanistan, Djibouti, Egypt, Iraq, Libya, West Bank and Gaza, Yemen).

  Increase the adequacy of source data for the compilation of price indexes (Afghanistan, Djibouti, Lebanon, Libya, Sudan, Yemen).

SECTION IV

F

PUBLIC FINANCIAL MANAGEMENT

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

Phase V will build on progress made in PFM reforms during Phase IV, and will broaden the work to address emerging priorities, including those related to COVID-19. A particular attention will be given to fragile and conflict states, where strengthening or rebuilding PFM systems will focus on the core function of budget making (revenue and expenditure forecasting, expenditure control, and cash management), and include substantial hands-on training. Similarly, PFM support to oil-producers, where tax-to-GDP ratios are very low, will pay more attention to revenue forecasting given the impact of oil price volatility on budget execution. With two PFM resident advisors, the Center also plans to increase its PFM support to countries that benefited little in Phase IV (Algeria, Djibouti, Libya, Tunisia, Yemen).

Ongoing projects on MTFFs, cash management, and fiscal risks, will continue throughout Phase V and will be expanded to new countries and new risk sources. The COVID-19 pandemic, the oil price shock, and a significant decline in remittances and other capital inflows, have exacerbated existing fiscal vulnerabilities, and brought new ones. These include higher deficits and debt as spending has expanded to support the private sector and the vulnerable population most affected by these shocks. Fiscal space to deal with new shocks is limited; hence there is a heightened importance for budget monitoring and prioritization of spending and its efficiency.

The Center will focus on the following strategic objectives:

- *Comprehensive and credible budgeting* anchored into MTFFs and medium-term budgets, and allowing for more efficient allocation of resources and execution of large spending programs, such as public investments. This will be increasingly important for assessing fiscal policy sustainability, while supporting inclusive growth (in particular gender-responsive budgeting) and protecting the most vulnerable.

- *Improved assets and liability management*, in particular more accurate forecasts of revenue and expenditures, and a comprehensive budget coverage of revenue sources and their management into a single treasury account to reduce the cost of debt service.

- *Improved budget execution and control*, with a special focus on fragile states, where institutional weaknesses are major constraints to budgeting, a source of opaqueness and inefficiencies, and the primary cause of accumulation of arrears.

- *Increase government initiatives in fiscal transparency, governance and anti-corruption initiatives*, all areas in which the region lag behind international practice, to respond to the concerns of citizens and financial markets. This will require further efforts on budget coverage, fiscal reporting and reduction of vulnerabilities of PFM systems to corruption. Two countries in the region (Tunisia, Jordan) have undertaken a Fiscal Transparency Evaluation, and it is expected that other countries will follow.

EMERGING ISSUES

The new risks associated with COVID-19 have clearly highlighted how relatively solid fiscal situations can become fragile very quickly. While METAC will continue ongoing work on fiscal risks management, the new risks that are rising with COVID-19, such as issuance and calling of government guarantees, bail-out of troubled state-owned enterprises, support to the financial sector, will require careful monitoring and mitigation, as well as close coordination with CD on financial supervision and central bank operations.

Fiscal risk management needs a more comprehensive approach. As certain specific risks materialize, governments are incentivized to shift fiscal or quasi fiscal operations to special vehicles, such as public-private partnerships. METAC will emphasize this issue to country authorities; it will seek to encourage them to address fiscal risks in a more coordinated approach across various agencies and ministries and using the budget as the central tool to accomplish this.

Public investment management will be a key in fostering inclusive growth. In order to stimulate the economy in the recovery from the effects of COVID-19 the approach to planning, selecting, budgeting and executing public investment will have to improve in the region. This will create a conducive environment for foreign investment and support from development partners. As a cross-cutting responsibility of ministries of finance, ministries of planning as well as service delivery agencies, this will require some piloting and selection of entry points before moving to more comprehensive CD engagement.

Gender-responsive budgeting will be better promoted and supported during Phase V. The workshop and corresponding METAC *Regional Note* on this issue, have clearly shown that most countries in the region lack the basics of gender budgeting.

EXPECTED OUTCOMES

The main targeted outcomes are summarized below, by strategic objective:

- *Comprehensive, credible, and policy-based budget preparation:*

  Governments publish a more comprehensive and unified annual budget (Lebanon, Sudan, Syria, Yemen). This is a key challenge in fragile states which are coming out or are still in a protracted conflict situation.

  A more credible MTFF to anchor budget preparation into the macroeconomy and the forces shaping it (Afghanistan, Algeria, Djibouti, Jordan, Lebanon, Libya, Tunisia, West Bank and Gaza).

  A more credible medium-term budget framework is integrated with the annual budget process (Algeria, Djibouti, Iraq, Jordan, Lebanon, Sudan, Yemen), to allow for a longer perspective on large spending envelopes, and to reflect policy reforms (including tax and spending) over the medium term.

  Planning and budgeting for public investments is more credible (Afghanistan, Algeria, Egypt, Lebanon, Tunisia). Large investment projects in these countries need more transparency and efficiency to attract and keep foreign donors interested in infrastructure projects.

- *Fiscal policies and associated institutional frameworks are consistent with progress towards SDGs*. Budget is an effective tool for the strategic allocation of resources towards policies that promote gender equality (Egypt, Lebanon, Tunisia)

- *Asset and liability management is improved*.

  Cash flow forecasts for central government are more accurate and timelier (Afghanistan, Djibouti, Morocco, Yemen). This is one of the most important factors underlining budget slippages and forcing unnecessary revisions to budgets during its execution.

  More central government revenues and expenditures are deposited and disbursed through a Treasury Single Account (Djibouti, Tunisia). This consolidation is key to gaining efficiency in cash management, therefore reducing interest costs.

- *Budget execution and control are improved*. This remains a multifaceted challenge in fragile states, reflecting, lack of specific controls in poorly performing IT systems, quasi absence of cash and spending forecasting, and more generally governance issues (Iraq, Libya, Sudan, Syria, West Bank and Gaza).

- *Comprehensiveness, frequency, and quality of fiscal reports is enhanced* (Lebanon, West Bank and Gaza). Together with the Governance Finance Statistics workstream, this outcome will improve decision making from better analytical outputs concerning fiscal management.

- *Identification, monitoring, and management of fiscal risks*. Several crises in the past decade have highlighted the importance of forward-looking fiscal risk management (e.g. 2008 financial crisis, oil price crisis, COVID-19). Two outcomes will guide the work of METAC in Phase V: (a) risks related to public enterprises (Afghanistan, Algeria, Egypt, Jordan, Lebanon, Morocco); (b) other specific risks, such macroeconomic risks and contingencies (Afghanistan, Algeria, Egypt, Jordan, Morocco, Libya).

SECTION IV

G

REVENUE ADMINISTRATION

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

Revenue mobilization is a top priority for METAC countries, especially to modernize and widen their tax bases, notably by increasing non-oil revenues. This necessitates strengthening domestic tax and customs tax administrations to support the implementation of relevant tax policies and improve overall compliance and efficiency.

In recent years, demand for CD support in revenue administration has exceeded METAC's capacity to deliver, particularly in the area of customs administration. This is a priority area of work as countries' customs are responsible for one-third of non-oil tax revenue collection on average in the region. Accordingly, a second revenue administration advisor will be recruited, allowing for more focused support to member countries in this area.

Overall, the three objectives for Phase V are: (1) strengthened revenue administration management and governance arrangements, (2) strengthened core tax administration functions, and (3) improved customs administration functions. These objectives, particular as they relate to improving compliance and reducing leakages, are to some extent related to the project on tax expenditures, whose purpose is, among others, to inform how such expenditures could weak tax compliance by creating opportunities for tax avoidance and evasion.

EMERGING ISSUES

The ongoing COVID-19 pandemic has had pervasive implications for revenue administrations. Although all METAC countries have taken some ad-hoc initiatives to address the impact of the pandemic, more remains to be done in order to secure smooth business continuity and the recovery of operations and revenue collection. METAC countries flagged the need to develop business continuity plans—the existence of such plans could have guided decision-makers in better responding and preparing for recovery. A new area of support for revenue administrations in the member countries will be the design of "business continuity plans" that: (1) ensure continued revenue administration operations in the event of major disruptions; (2) provide adequate support functions; (3) protect the health and safety of staff and visitors; and (4) protect essential facilities, records, and other assets.

Another area of support, complementary to "business continuity plans" is advice on developing a "post-crisis revenue collection action plan". This support will help revenue administrations to re-establish their compliance levels and revenue collections as quickly as possible following the lockdown imposed by COVID-19. The plans will focus on mobilizing the resources necessary to fund the country's responses to the pandemic, while being mindful of the economic impact that COVID-19 has had on businesses and individuals.

EXPECTED OUTCOMES

The expected outcomes for Phase V are detailed below, and grouped by the three strategic objectives:

- *Strengthened revenue administration management and governance arrangements*. A continuation of Phase IV outcomes will be to support tax and customs administrations with the implementation of their institutional reforms, including: improve compliance and institutional risk management (Afghanistan, Egypt, Iraq, Jordan, Lebanon, Morocco, Sudan) and secure business continuity in the post-COVID-19 environment (all countries); implement targeted components of Medium-Term Revenue Strategies; use more effectively the results of TADAT assessments to identify, plan, and implement reforms. The Center will therefore work to further promote the use of TADAT assessments across the region.

- *Strengthened core tax administration functions*. METAC will support core tax operations, including: (i) building robust taxpayer registration policies and procedures (Jordan, Egypt, Libya); (ii) improving on-time filing and payment (Afghanistan, Iraq, Tunisia); supporting voluntary compliance through taxpayer services initiatives (West Bank and Gaza); (iii) management of tax arrears (Afghanistan, Djibouti, Lebanon); (iv) improving the performance of disputed tax debt (Egypt); and (v) improving audit techniques (Iraq, Jordan, West Bank and Gaza).

- *Improved customs administration functions*. The addition of an LTX will allow METAC to increase its assistance, with targeted outcomes including: (i) development and effective application of procedures based on international standards for valuation, origin, and tariff classification of goods (Egypt, Iraq, Jordan), and clearance procedures and transit (Afghanistan, Jordan, Morocco); (ii) consistent application of risk-based control selectivity (Djibouti, Iraq, Sudan); (iii) strengthened trade control progressively through a properly-designed post-clearance audit program (Afghanistan, Morocco, Tunisia); (iv) strengthened framework to control special regimes and exemptions (Algeria, Egypt, Jordan); (v) higher effectiveness in the fight against fraud and smuggling (Afghanistan, Morocco, Tunisia); and (vi) setting up procedures for exchange of information with tax and non-tax administrations and with foreign customs administrations.

SECTION IV

H TAX POLICY-TAX EXPENDITURE ASSESSMENT

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

Countries in the region will need to tap scarce public resources following the COVID crisis. Tax expenditures are alternative policy means by which governments deliver financial support to individuals and companies. TEs should be managed as carefully as outlay expenditures to make efficient use of financial resources. This requires that TEs be identified, and their costs be measured and reported in a way that enables comparison of their monetary value with that of outlay expenditures. Tax expenditure assessment (TEA) and reporting improves transparency in fiscal management.

The key objective of this workstream is to assist countries improving tax and non-tax revenue, a key SDG indicator. Five countries (Algeria, Egypt, Jordan, Lebanon, and Tunisia) have been selected on the basis of existing capacities to undertake such a project, and the potential benefits in terms of transparency and revenue. The regular publication of TE reports is a complex medium-term exercise requiring several steps: (i) defining a benchmark tax system, (ii) identifying tax expenditures by comparing the current regulation to the benchmark, (iii) developing data sets, methods, and models to estimate the cost of tax expenditures; and (iv) publishing the findings in a tax expenditure report. The project should be undertaken by a team in the ministry of finance, ideally a dedicated tax policy unit with support from the revenue and customs administrations (especially in the provision of data), and other relevant line ministries.

All selected countries offer a wide range of TEs and would benefit from the transparency provided by TEAs. A preliminary fact-finding exercise in these countries shows the following:

- Algeria does not publish TEA report and does not have a tax policy unit. Data availability and quality to undertake a TEA is uncertain and would need to be explored, but tax expenditures are believed to be very important, especially in VAT and income taxes.
- Egypt does not prepare and publish a TEA report and does not have a dedicated tax policy unit. Tax expenditures are very important, especially in VAT and in business taxes, as a result of many special economic zones (SEZs), but revenue forgone is unknown. Data is limited for the estimation of the cost of tax expenditures, especially for the personal income tax and SEZs.
- Jordan produces a simple tax expenditure report, but it does not cover benefits provided in SEZs. The budget office prepares the report; Jordan does not have a tax policy unit. Tax policy analysis is scattered across several departments and the tax administration. Tax expenditures are a significant issue in Jordan, where the tax system has several loopholes and SEZs. Data is not available on the SEZs, hampering the costing of tax expenditures.

- Lebanon does not report the cost of tax expenditures. Simple estimates are sometimes prepared to analyze specific policy proposals, but these are not comprehensive nor regular. There is no tax policy unit, but the Macro-Fiscal Department of the Ministry of Finance would be able to lead a project on TEA. Taxpayer data is available for income taxes and VAT, but the quality needs to be assessed.
- Tunisian laws mandate the production of a TEA report to be annexed to the annual budget. Tunisia published its first report in the 2021 budget law—making it the third METAC country to publish tax expenditures.

EXPECTED OUTCOMES

- *Maximized transparency in the conduct of tax policy, simplify and improve enforcement of tax laws and minimize compliance costs (all five countries):* A simplification and better targeting of tax expenditures will improve their economic impact (e.g. increase their benefits relative to their costs), simplify compliance, and reduce administrative costs.
- *Quality and intensity of fiscal policy debate is improved due to intensified outreach (Egypt, Jordan, Tunisia):* the availability of TEA reports is likely to increase scrutiny of why and how governments subsidize certain activities through the tax system.

SECTION IV

I

TRAINING AND OTHER REGIONAL EVENTS

GENERAL CONSIDERATIONS AND STRATEGIC OBJECTIVES

The key objective of METAC's training project is to develop stronger analytical skills for country officials who are working daily on macroeconomic management issues. This includes organizing data and using models to study policy options, improving capacities to undertake comparative analyses and draw appropriate conclusions for a country's own policy and implementation options, and building much-needed institutional tools.

Training and regional events are key elements of peer-to-peer learning. They are of three types: (I) training joint with the Kuwait Center for Economics and Finance (CEF) provided by METAC staff, in some cases in collaboration with HQ and other international institutions; (II) training organized by METAC and delivered to METAC countries only; (III) hands-on training provided during TA missions.

METAC has shifted all its Type II training in Phase IV to the CEF (type I). Starting in calendar year 2021, it will deliver seven courses per year in collaboration with the CEF, up from 4 during Phase IV. This has the added advantage of increasing the size of beneficiary countries to all 25 countries members of the CEF and realizing significant synergies in terms of costs and peer-to-peer learning.

Type II training will be reserved to topical issues of current interest to countries and will be conducted regionally. It will be delivered primarily as short seminars or conferences of no more than 2 days. Several of these events were organized in the past two years, to gauge interest of countries on particular issues—e.g. tax expenditures assessment; customs administration reform priorities; central bank operations response to COVID-19; government finance statistics. To increase peer-to-peer learning from these events, METAC will produce a *Regional Note* summarizing the key results and lessons learned.

Type III training will continue as a fundamental element of METAC technical assistance. Nearly all METAC activities contain informal training, especially in the highly connected areas of organizing and using simple datasets and building analytical tools. Some of the key successes in Phase IV depended on the provision of hands-on training. Although it is difficult and somewhat arbitrary to measure resources spent on hands-on training, they are estimated at about 25 percent of direct TA FTE resources.

In addition to these changes, training in Phase V will be a stand-alone project rather than a deliverable within the other CD workstreams. This will keep flexibility and create new synergies, as resources will be allocated to the most relevant topics.

SECTION V

GOVERNANCE, OPERATIONS, AND FINANCIAL MANAGEMENT

SECTION V

A GOVERNANCE

METAC is guided by a SC with members from recipient countries, donor partners, and the IMF. The SC provides strategic guidance and helps set METAC's priorities, including through endorsing workplans and annual budgets, and is a vehicle for feedback on TA quality. METAC's SC meets annually and is chaired by the minister of finance or the governor of the central bank of the country where the meeting takes place. An external evaluation of the work of METAC will be carried out by independent experts, mid-way though the phase, to assess the relevance, effectiveness, efficiency, sustainability, coherence and impact of the Center's activities.

The Center comprises a director, resident advisors, and support staff. The director is responsible for administration of the Center, with strategic guidance from the SC and general oversight from the IMF. This entails managing day-to-day administrative, travel, budget, reporting, procurement, and accounting operations. In consultation with the SC, IMF MCD and CDDs, the director leads the preparation of the workplan and budgets and monitors their implementation. He/she is in regular contact with country authorities, donors, and other CD providers in the region to keep them fully informed of the Center's activities and to facilitate coordination.

IMF CDDs are responsible for the TA and training delivered by METAC. Working in conjunction with the director and resident advisors, they design, approve, and direct the CD programs delivered by resident advisors and short-term experts (STXs), and provide quality control, monitoring, backstopping, and supervision. They lead the drafting of the sectoral workplans and supervise the technical content of the work.

SECTION V

B

OPERATIONS

WORKPLAN

The director leads METAC's annual workplan, in consultation with member countries and within the context of the IMF's TA prioritization processes, managed through the Regional Strategy Note (RSN) for MCD and broader IMF CD resource allocation. This process takes into account each beneficiary country's macroeconomic reform strategy. The IMF's country teams and METAC resident advisors have a continuous dialogue with member countries to provide a basis for the identification of key CD needs and priorities and the formulation of detailed country CD programs. This ensures that CD activities are fully integrated with country reform agendas. The development of the annual workplan is also coordinated with the IMF's budget cycle and RAP processes to ensure timely and predictable delivery of TA.

METAC's workplan consists of member countries' TA programs (which may form part of broader regional projects), in-country training, regional workshops and seminars, and outreach to civil society at the country or regional levels. The METAC director seeks strategic guidance from SC members on the workplan including by asking them to send their requests for TA needs, prior to seeking their formal endorsement. At each SC meeting, the METAC director delivers a monitoring report on the progress of the activities outlined in the workplan and lays out, in consultation with the chairman, some issues that the SC should discuss.

The delivery of CD is carefully coordinated with other IMF multi-partner vehicles. These include the Data for Decisions Fund (D4D), the Financial Sector Stability Fund (FSSF), the Revenue Mobilization Trust Fund (RMTF), and the Tax Administration Diagnostic Assessment Tool (TADAT). Additional collaborations with external (non-Fund) facilities are also possible and could bring complementarity and synergy to the activities of METAC, which are often appreciated by beneficiary countries and help avoid overlap of TA provided.

DIRECTOR

The director is a staff member of MCD. She or he is selected by MCD, reports to MCD, and ensures that the work of the Center is consistent with the overall strategy of MCD and the IMF. The director maintains constant contact with the SC members in the Center's beneficiary countries and with MCD and all relevant TA departments to identify broad strategic priorities and emerging issues and country needs.

STAFF

METAC staff comprises resident advisors in each of the relevant TA areas, and support staff. CDDs, in consultation with the Center director, select and hire the resident advisors through external international advertisements, providing them with the substantive support and backstopping required to ensure quality and consistency in their advice and activities. They are also responsible for hiring STXs for peripatetic assignments, who are backstopped by the resident advisors. Support staff is selected and managed by MCD and the Center director, who is entirely responsible for all HR issues related to them.

ACCOUNTABILITY

METAC is designed and operated to ensure that IMF TA is delivered in a manner that is responsive and accountable to the recipient countries. METAC must also meet and maintain the high-quality standards that are expected of IMF TA.

The IMF's dissemination policy[21] on sharing TA reports will further improve accountability and facilitate coordination. Under the policy, TA reports may be shared with the SC members with consent of the TA recipient on a no-objection basis, and on the understanding that such information shall be kept confidential. Sharing of TA reports with non-SC members will be determined on a case-by-case basis based on whether the institution in question has a legitimate interest in the TA report in question, for example through its engagement in related activities in the recipient country.

It is a core objective of METAC that its activities reflect the ownership and commitment of its members. This helps to ensure the continued effectiveness and sustainability of the TA delivered.

The inputs of beneficiary countries are sought at various stages of the planning and operations of METAC: during surveillance ("Article IV Consultations") programs and diagnostic missions that inform the CD planning process by MCD and CDDs in their preparation of CD strategies, and through the input and oversight of METAC's SC.

The SC provides an additional forum for accountability. Member countries can provide immediate feedback and recommendations on TA delivery and value. All SC members receive the information that allows them to guide METAC's work.

[21] See http://www.imf.org/external/np/pp/eng/2013/061013.pdf. METAC has a password protected part of its website under which TA reports are posted and shared with SC members who signed confidentiality agreements in line with the policy. The dissemination policy also covers country-specific RBM data, which cannot be shared without countries' consent.

EVALUATION

Half-way through the phase, an independent evaluation of the work of METAC will be carried out by a team of external experts. The evaluation will assess METAC's effectiveness and sustainability of its TA, bearing in mind the long-term nature of capacity-building. The evaluation will formulate recommendations for improvement, which will inform discussions on METAC's future operations. It will also assess recommendations from previous mid-term evaluations.

QUALITY CONTROL

Maintaining the quality of the TA advice and activities delivered is the responsibility of the IMF HQ and METAC. The IMF HQ backstops METAC's resident advisors. Combining the recommendations of previous surveillance and TA missions with the needs of the country, the TA departments discuss with the resident advisors the objectives and outcomes of each activity with a view to ensuring a proper sequencing of TA and improving its effectiveness in building capacity in beneficiary countries. Throughout the assignment of STXs and the presence of the resident advisors, the TA departments provide supervision and support as needed. In addition, STXs are backstopped by resident advisors. This is a dynamic and fluid process that can take multiple forms.

TA departments review and authorize the TA reports produced by the resident advisors and STXs. Further, TA and area departments work with country authorities to ensure follow-up on the recommendations of TA missions mainly through METAC. At all stages of TA, backstopping ensures the consistency and quality across countries.

The director contributes to quality control based on his/her management of the day-to-day operations of METAC and given his/her close relationship with country authorities. The director has a well-developed knowledge of the macro challenges of member countries and how CD could answer such challenges. He/she coordinates closely with MCD on these challenges and provides input to MCD in building its annual RSN, which details how CD fits within the broader picture of surveillance and lending activities. The director also monitors the progress of beneficiary countries in implementing reforms that are supported by METAC.

VISIBILITY FOR METAC AND DEVELOPMENT PARTNERS

The IMF recognizes the central role of RCDCs in championing effective communication with development partners, civil society, and governments, on the role of IMF TA in enhancing macroeconomic management. In this regard, the director leads the planning and execution of outreach activities of the Center, in collaboration with MCD and resident representatives, to ensure consistent messaging across the key macroeconomic priorities for the country and the region. The number of outreach activities doubled in FY2019-2020 relative to the first two years of Phase IV, as has collaboration with various partners, in almost all CD sectors. This is not only an issue of efficiency in the provision of CD, but also visibility and transparency of CD to the wider public.

Under phase V, existing tools (annual reports, newsletters, website, press releases, conferences, development partner debriefings, and social media) will be supplemented by: (i) the *Regional Note* series—three have been published since September 2019; and (ii) more topical regional workshops where external stakeholders are invited to participate. Development partners will continue to be systematically recognized, with acknowledgement in publications and continued efforts to seek their involvement in the Center's activities.

Moreover, the director and/or resident advisors will: (i) participate, whenever possible, in regional workshops/seminars organized by other institutions related to CD; (ii) keep country teams at IMF HQ informed of progress under the workplan; and (iii) transmit information to development partners on the Center's latest developments and issues.

Collaboration with development partners and other institutions will be increased, building on initiatives implemented in Phase IV. These included partnering with the *Institut Basil Fuleihan* in Lebanon, the *Egyptian Center for Economic Studies* in Egypt, the *UAE Young Economist Program* with the federal UAE government, joint statistics activities with *UNESCWA*, and joint activities on fiscal transparency with the *UK Westminster Foundation for Democracy*. Although these activities do not respond directly to country CD needs, they are effective in raising awareness on the key issues that the region faces, and possible options as to how policymakers can address them.

METAC will continue to engage in donor coordination at the country level, in its relevant thematic areas. It will hold general briefings at least once a year. The Center's resident advisors and STXs will hold more systematically briefings at the end of TA missions with development partners in the field to explore synergies and improve coordination.

SECTION V

C FINANCIAL MANAGEMENT

Contributions from development partners and recipient countries will be made into the METAC Subaccount under the IMF's Framework Administered Account for Selected Fund Activities (the "SFA Instrument"). This Subaccount will be used to receive and disburse financial contributions for the Center's activities; all resources contributed to the Subaccount will be for the sole use of METAC.

The anticipated risks during Phase V remain mainly tied to weak security situations in a number of METAC countries, social uprisings that in some cases lead to temporary travel suspension, the new risks associated to COVID-19, and potential challenges for raising the entire external funding envelope. To limit the impact of these events, for countries with serious security issues, TA missions will be held in external locations. Offsite TA can significantly strengthen engagement with country authorities and provide the basis for progress during difficult times and faster jump start when the security situation improves. They are particularly effective when TA is provided in the context of an economic program supported by lending from the IMF. As was the case in phase IV, the cost of travel of officials participating in offsite missions will be covered from the METAC budget during phase V. As to COVID-19 risks, the Center will operate remotely where necessary to manage this risk. This was done successfully in FY2021. Phase V will heavily depend on donors' funding but member countries including the host country also need to contribute financially.

The basis for the financial arrangements between the IMF, METAC member countries and development partners will be Letters of Understanding. These will establish the purposes of the contributions related to this program document and subject to the terms and conditions of the Subaccount, as well as the SFA framework instrument. The IMF manages the trust fund in accordance with its financial regulations and other applicable IMF practices and procedures.

The IMF provides donor partners and METAC member countries with reports on the Subaccount's expenditures and commitments through a secure external gateway (PartnersConnect). Financial reporting on the execution of METAC's budget will be provided at each SC meeting. Costs will be on an actual basis. The operations and transactions conducted through the Subaccount during the financial year of the IMF will be audited as part of the IMF's Framework Administered Account. METAC is also subject to audits by the IMF's internal audit office.

METAC is an IMF office. It complies with IMF procurement practices.

SECTION V

D RESOURCE NEEDS AND SUSTAINABILITY

The volume of CD delivery will increase in Phase V, in line with the strategy outlined above. As such, three additional LTXs will join the Center, in the areas of central bank operations, customs administration, and government finance statistics. To support its new workload, the Center will hire one local economist, who will work on analytical projects and assist the advisors in tracking project performance, and one assistant.

The total budget for Phase V, including external funding and IMF resources, is estimated at USD 49.7 million. It is proposed that countries contribute USD 10 million, and the IMF USD 4 million. Contributions from donors will therefore amount to USD 35.7 million. The IMF contribution will cover the cost of the Center's director, including travel expenses related to his/her outreach activities. External funding will cover all costs related to direct CD operations of the Center. The increase in LTX resources will be partially funded by efficiency gains from changes to the LTX/STX mix.

The workstreams "Tax Expenditures Assessment" and "Macroeconomic Modeling" will be managed primarily by IMF ICD and FAD. They are designed to increase complementarity of HQ and METAC's activities, and additionality of TA to the region. Their budgets will be low relative to the other workstreams, reflecting the small number of countries in which such work will be done, and will be used primarily to fund STXs delivery.

The training budget will be common to all workstreams. This will improve allocative efficiency of training, by dedicating resources to regional workshops where they are the most in demand – rather than splitting them equally across workstreams.

The IMF will take a multi-pronged approach to manage the financial sustainability of the Center, especially as budgetary pressures in traditional donor countries have increased in the past two years. First, it will seek opportunities for long-term strategic partnerships with additional donor partners. Second, it will work to preserve strong partnerships with existing donors—all of whom have expressed interest in continuing their contributions to Phaser V. Thirst, beneficiary countries will be called upon to contribute more to Phase V than they did to Phase IV.

TABLE 2. METAC BUDGET FOR PHASE V (USD MILLION)

	Phase V Budget
Capacity Development (by workstream)	**37.6**
1. Banking Regulation and Supervision (1 LTX)	4.6
2. Monetary Policy Operations (1 LTX)	4.6
3. Public Financial Management (2 LTXs)	8.8
4. Revenue Administration (2 LTXs)	8.8
5. Tax Expenditure Assessment (HQ/STXs) 1/	0.8
6. Real Sector Statistics (1 LTX)	4.1
7. Government Finance Statistics (1 LTX) 2/	3.6
8. Financial and Fiscal Law 3/	0.0
9. Seminars and Workshops 4/	1.0
10. Macroeconomic Modeling 5/	1.2
Administration 6/	**3.8**
Governance and Evaluation	**0.3**
Strategic Budget Reserve	**1.0**
Sub-total	**42.7**
Trust Fund Management Fee (7 % of sub-total)	3.0
Total	**45.7**
IMF Expenditures	4.0
Grand Total	**49.7**

Sources: PartnersConnect and METAC.

Notes:

1/ This work will be backstopped by IMF FAD, separately from revenue administration. (Estimate for 5 country projects).

2/ Assumes an LTX for four years only, starting in the second year of Phase V.

3/ These activities are folded into other activities, and backstopped by IMF LEG.

4/ Seminars and workshops are a separate project in Phase V, to improve allocative efficiency.

5/ This work will be backstopped by IMF ICD. (Estimate for four country projects).

6/ Administration includes one new assistant, one new local economist, and relocation costs.

ANNEXES

ANNEX I. ACTION PLAN IN RESPONSE TO PHASE IV MID-TERM EVALUATION

Recommendation	IMF Staff Response	Action(s)	Timing	Owners
(1) In line with Fund-wide improvements in the RBM framework, the results-based orientation of METAC assistance should be strengthened: • The predefined performance indicators available in the RBM Catalog must be clear and measurable. This will require a Fund-wide effort to strengthen RBM. METAC should support the definition of clearly defined baselines and measurable indicators… • Project frameworks should adhere to the Fund's distinction between outputs, milestones, and outcomes to delineate what is accomplished directly by METAC versus what requires action by member countries… • METAC should shift its monitoring and reporting focus from input-output to assessment of the likelihood of achieving expected outcome-level results. More emphasis should be put on what benefits did the member country receive from METAC (inputs) and how did METAC contributions (outputs) strengthen the capacity of the institutions (outcomes)…	Fully agree	The IMF works constantly on improving its RBM practices (e.g. updated RBM Governance Framework and Operational Guidance launched in 2020) and upgrading the RBM system and its implementation tools (e.g. new CDMAP system and new RBM catalogue). One of METAC's LTX acts as an RBM champion to facilitate and improve the use of RBM, especially among new hires. In addition to the current use of outputs and milestones, the revised RBM governance framework and the implementation of CDMAP provide better tools for METAC and CDDs report on project outcomes using measurable and verifiable indicators.	Ongoing	ICD METAC CDDs
(2) METAC should strengthen integration of the Risk Management Framework with project implementation and regularly update the framework with country authorities throughout implementation.	Partially agree	METAC conducts project risk assessments according to the RBM governance framework. This includes assessing risks related to political support, technical staff support, resource adequacy, external climate conditions and other risks. This practice will be more regular in the future, as the revised policy requires assessments on an annual basis. METAC will also have more regular discussion with the authorities on these risks.	Ongoing	METAC
(3) Strengthening the RBM system (Rec #1) and regularly discussing and addressing implementation risks with country authorities (Rec #2) will naturally promote increased and sustained engagement, awareness, and commitment on the part of country authorities.	N/A	We understand from DevTech Systems that the purpose of this recommendation is to emphasize the potential impact of recommendations 1 and 2. We therefore have no action to propose. However, we note that METAC has improved its resource usage, in particular the combination of LTX and STX, while ensuring complementarity of METAC and Fund HQ TA. Moreover, it hired one additional LTX and another is planned for February 2021; these actions will absorb budgetary resources from efficiency gains and underutilization of LTX resources in the first 3 years of Phase IV.	N/A	N/A

ANNEX I. (CONTINUED)

Recommendation	IMF Staff Response	Action(s)	Timing	Owners
(4) METAC should review and consider revising the modality of mission outputs and donor coordination communication, as well as standardizing TA mission report templates: • Optimizing mission reporting. • Optimizing information sharing for donor coordination	Partially agree	Fund-wide discussions are ongoing on how to further increase METAC's regional footprint, with decisions envisaged for 01/2021 that will impact both the remainder of Phase IV, as well as Phase V (starting 01/2022). Mission reports are filed according to a standard template, and usually do not exceed 20 pages. We agree that further streamlining of mission reporting is useful, especially for projects with a series of activities covering a single and narrow issue; this could generate efficiencies and improve communications with the authorities. METAC revamped its website to improve information sharing; it also simplified and shortened its SC report. Further improvement of information on project implementation and other aspects of CD delivery will be regularly discussed with the SC (including indicators and outcomes of project implementation).	Ongoing	IMF METAC CDDs
(5) In collaboration with the IMF's CDDs, METAC should increase its efforts to identify and optimize the use of local/regional expertise, to the extent possible, and increase the visibility of these efforts among member countries and other stakeholders, including other regional TA providers.	Fully agree	METAC hires a number of STXs from the METAC region and has one LTX (out of 5) from the region. LTXs are encouraged to participate to regional events of other CD providers, and vice-versa, to improve visibility of METAC's footprint. More hiring from the region will be actively sought, especially STXs.	Ongoing	CDDs METAC
(6) Develop a common understanding between IMF HQ area departments, CDDs, CDMAP team, and METAC of what constitutes an acceptable and actionable TA request, as well as a storage system to maintain that information, to support a streamlined and uniform engagement process.	Fully agree	CDMAP will allow a more effective management of TA requests (with functionality for CD demand recording and management, based on upcoming ICD guidelines on CD medium-term budgeting and prioritization), easier prioritization, and better integration with other IMF TA and surveillance activities. METAC will start using CDMAP for its FY2022 workplan.	Ongoing	ICD CDDs METAC

Note: The timing selected for all actions is "Ongoing" to emphasize that not only the action is important, but also regular reporting on the action. For instance, the partial implementation of the RBM in Phase IV emphasized the use of the old RBM management system (CD-PORT) and reporting on outputs and milestones to the SC started in the second year of METAC Phase IV.

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Macroeconomic Frameworks																
Better macroeconomic forecasting and policy analysis at the Ministry/ central bank/or other governmental agencies feeds into the economic policymaking process	Improved skills for macroeconomic policy analysis and forecasting	1. A stable core group of relevant staff, who are tasked with spearheading the effort of developing capacity in macroeconomic policy analysis and forecasting at the institution, and a group coordinator, have been identified.	●					●	●							
		2. Strengthen the capacity of a staff cohort for economic policy analysis and forecasting	●					●	●							
	A fully operational Macroeconomic Projection Tool(s)/Simulation Tools(s) (MPT)	1. An MPT tool has been developed in the form of: (a) A basic (Excel) framework for forecasting and policy analysis, respecting accounting relationships (Pillar 1); or, (b) a fully structural DSGE model (Pillar 4); or, (c) A fiscal/debt sustainability model	●					●								
		2. Relevant staff is trained to prepare baseline projections and analyses using the MPT	●					●								
	The preparation of macroeconomic projections and economic policy analyses is integrated in the economic policy process, supported by better internal cooperation and communication	1. The group of staff responsible for macroeconomic projections and analysis (GMP) is institutionalized and operational	●					●								
		2. Relevant internal documents make use of forecasts and scenarios, taking into account underlying macroeconomic analyses using the MPT	●					●								

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Central Bank Operations																
Strengthen efficient implementation of monetary policy under the existing monetary regime	An operational framework which clearly identifies the operational target of monetary policy in place	1. The operational framework and related policy decisions are aligned with money market conditions.	●													
	A robust short-term liquidity forecasting framework designed and operational	1. Liquidity forecasting is derived from the liquidity table, and the forecasts are done on a regular basis	●	●	●			●						●		
	An effective interest rate corridor is designed and operational	1. Standing facilities are operational on a daily basis as a backstop instrument for liquidity adjustment	●	●	●											
	Flexible/appropriate monetary instruments and operational strategy to deal with changing liquidity conditions operational.	1. Appropriate Open Market Operations instruments are available to manage different liquidity conditions	●		●	●		●								
		2. The central bank can allocate and strategize liquidity instruments to achieve its monetary policy objective	●		●	●										
	Collateral framework consistent with the broader policy objectives designed and operational	1. CB legislation provides for transparent collateral framework provisions	●		●	●		●						●		
		2. Published collateral framework contains eligibility criteria and list of eligible assets.	●		●	●		●						●		
	An interbank/money market to support monetary policy transmission active and efficient	1. The interbank market has adequate trading volume at standard maturities	●	●		●								●		
		2. The central bank disseminate market trading information on a timely basis	●	●		●								●		
	The CB publicly and clearly discloses its instruments of monetary policy.	1. CB discloses its operational framework with a well-defined operational target, objectives, and instruments, and collateral				●								●		
		2. CB discloses the volumes and interest rates of monetary policy instruments, as well as the level of the operational target achieved				●								●		

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Strengthen efficient implementation of monetary policy under the existing monetary regime (*Continued*)	Framework to support the money and securities markets in the wake of financial disruption designed and operational.	1. Critical money and securities markets for maintaining financial stability identified		●		●		●			●			●		
		2. Framework to identify market dysfunctions (e.g. appropriate triggers for intervention) identified		●		●		●			●			●		
Strengthen the efficient implementation of FX operations given the existing monetary policy and FX regime	Developed FX market with adequate price discovery	1. FX is generally available to customers via intermediaries (any bank/dealer) at unified and competitive FX market prices		●							●					
		2. Bid-offer spreads are reasonable, and quotes are widely available with intermediaries.		●							●					
	FX intervention policy consistent with the FX regime and understood by markets and the public	1. An internal FX intervention policy document with objectives, criteria for use, and defining success is in place	●			●					●			●		
	Market-determined exchange rate consistent with the desired FX and monetary policy regime	1. The exchange is sufficiently variable, with the de-facto regime being consistent with that desired	●			●					●			●		
	Clearly and publicly disclosed policy objectives and operational framework and instruments of FX interventions	1. The broad objectives of FX policy, and its interaction with monetary policy, are clearly and publicly disclosed				●					●			●		
Strengthen the reserve management policy framework and management of FX reserves	CB has effective and consistent investment policy and guidelines in place	1. CB investment policy guidelines are consistent with the IMF guidelines for reserve management		●	●			●								
	CB has an effective and consistent Risk Policy Framework in place	1. Appropriate risk metrics and quantified risk tolerance based on CB financial strength defined	●	●	●			●								
		2. FX reserves strategic objectives, safety, liquidity and optimal return defined based on quantified risk tolerance.	●	●	●			●								

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Strengthen the reserve management policy framework and management of FX reserves (*Continued*)	Strengthened disclosure and accounting policies are in place	1. Publications consistent with defined reserve data template or Special Data Dissemination Standard		●				●								
		2. Appropriate accounting policy framework, IT systems & reporting of financial results in place		●				●								
	Effective decision-making process in place	1. Well-defined governance structure in place			●											
	CB has strengthened Strategic Asset Allocation	1. Optimized tranches of reserves (portfolios) based on strategic objectives are defined	●	●				●								
Banking Regulation and Supervision																
Develop/strengthen banks' regulation and supervision frameworks.	Legislation/prudential regulations on capital adequacy developed/strengthened, including maintaining adequate capital structure composed of high capital instruments in line with Basel II/III	1. Issuance of an enhanced/new capital adequacy regulation and minimum requirements in line with Basel II/III requirements	●	●	●	●	●							●	●	●
		2. Banks' disclosures show that their capital adequacy and risk exposures are in line with the new requirements.	●	●	●	●	●							●	●	●
	The level of banks' capital reflects well their risk profile	1. Banks regularly assess their capital internally in respect to their risk profiles and business strategies and send ICAAP reports to supervisors	●	●	●	●	●							●	●	●
		2. Supervisors set different capital charges on top of the minimum requirements to account for differing banks' risk profiles and risk management capacity	●	●	●	●	●							●	●	●
	Forward-looking assessment of banks' risk strengthened	1. Risk assessment matrix developed/strengthened including inherent risk assessment, evaluation of risk management and internal control and forward-looking direction of risks		●	●	●	●									
		2. Institutional profile for bank is developed		●	●	●	●									

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Develop/strengthen banks' regulation and supervision frameworks. (*continued*)	Institutional structure and operational procedures for RBS enhanced/developed	1. Risk-based processes and manuals are implemented		●	●	●	●									
		2. On-site inspection scope and frequency is performed based on risk and impact of banks and are guided by off-site risk analysis		●	●	●	●									
	Unsafe and unsound practices or activities that could pose risks to banks or to the banking system are timely addressed	1. Early warning system is implemented that identifies unsafe and unsound activities at an early stage	●		●	●	●								●	●
		2. Supervisors enforce corrective actions and measures to address banking problems	●		●	●	●								●	●
Develop/strengthen regulatory framework and supervisory tools to address specific risks in Islamic banking	Issuance of necessary amended legislation/ regulations to establish full range of necessary authority and instruments for IIBS	1. Prudential framework that considers specificities of IIBS is established			●		●			●		●			●	●
		2. Reporting framework to support prudential standards of IIBS is established			●		●			●		●			●	●
	Supervisors require IIBS to have robust Sharia governance policies and processes covering among others Board and senior management oversight and sound control environment	1. Regulations and guidelines for Sharia governance and internal controls are adopted			●		●			●		●			●	●
		2. Supervisors regularly assess the adequacy of IIBS' governance and controls, and their compliance with applicable regulations and guidelines			●		●			●		●			●	●
Improve accounting and prudential provisioning regulatory guidelines	Issuance of enhanced/ new regulations/guidelines on assets classification and provisioning that balance between by IFRS 9 requirements and Basel principles	1. Amendments and/or redrafting new regulations/ guidelines are made along lines with IFRS 9 and supervisory reports' recommendations			●	●	●			●		●		●	●	●
		2. Banks and NBCIs' internal rating system and credit risk management process improved to reflect IFRS 9 requirements for ECL			●	●	●			●		●		●	●	●

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Improve accounting and prudential provisioning regulatory guidelines (*continued*)	Banks and NBCIs provisioning practice improved in line with IFRS 9 requirements, evidenced by external auditor and supervisory reports	1. Banks and NBCIs assess the impact of the implementation of IFRS 9 on the level of provisions and on banks' capital adequacy			●	●	●			●		●		●	●	●
		2. Supervisors ensure that banks have processes to ensure data quality and integrity and management proficiency to modeling ECL			●	●	●			●		●		●	●	●
Develop/strengthen cybersecurity regulations and supervisory frameworks	A legal/regulatory framework underpinning the implementation of regulation and supervision of cybersecurity risk are enacted/ strengthened in line with international standards	1. A prudential framework for cybersecurity risk management, governance and internal control is developed/strengthened			●	●	●								●	●
		2. The legal/regulatory framework enables the authorities to take corrective action and effectively enforce compliance			●	●	●								●	●
	A cybersecurity risk supervisory framework is developed/strengthened and implemented	1. New/amended on-site and off-site supervisory processes are implemented			●	●	●								●	●
		2. Supervised entities establish and run formal processes to determine their cybersecurity risk tolerance and to effectively assess, mitigate and report this risk			●	●	●								●	●
Government Finance																
Strengthen compilation and dissemination of fiscal statistics	Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination	1. The number of staff trained to compile and disseminate these statistics is adequate	●		●		●		●	●		●	●		●	●
	Data are compiled and disseminated using the sectorization of the latest manual/guide	1. A comprehensive list of general government (or public sector) units exists, is maintained, and is disseminated	●	●	●		●		●	●		●	●	●	●	●
		2. Institutional sectors are defined in accordance with GFSM 2001/GFSM 2014 guidelines	●	●	●		●		●	●		●	●	●	●	●

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Strengthen compilation and dissemination of fiscal statistics (*continued*)	Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs	1. Compilation procedures are well documented and updated periodically	●	●	●		●		●	●		●	●	●	●	●
		2. Data for central government, general government, nonfinancial public sector, and public sector are consolidated following GFSM 2001/GFSM 2014 guidelines	●	●	●		●		●	●		●	●	●	●	●
Real Sector Statistics - National Accounts and Price Statistics																
Strengthen compilation and dissemination of real sector statistics (national accounts)	Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs	1. The compilation system is comprehensive, robust and well documented	●		●	●		●	●			●			●	
		2. Specific quarterly compilation techniques are used to ensure consistency between annual and quarterly estimates						●							●	
	Data are compiled and disseminated using the coverage and scope of the latest manual/guide	1. The scope covers minimum required data set of national accounts: quarterly GDP by production and/ or expenditure	●		●				●			●				
		2. The scope covers minimum required data set of national accounts: annual financial accounts		●		●									●	
		3. The scope covers recommended data set of national accounts: supply and use tables			●	●	●	●	●			●				
	Source data are adequate for the compilation of the national accounts	1. Source data needed to compile annual and/ or quarterly estimates are comprehensive and reasonably approximate the definitions, scope, classifications, valuation, time of recording required, and timely	●		●		●	●		●		●				●
	Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination	1. The number of staff trained to compile and disseminate national accounts statistics is adequate	●	●	●	●	●	●	●	●	●	●	●	●	●	●

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Strengthen compilation and dissemination of real sector statistics (price indexes)	A new data set has been compiled and disseminated internally and/ or to the public	1. New price statistics or IPI data sets are consistent with the existing manuals and reflect international standards, guidelines, and best practices	●		●	●			●							
	Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs	1. Statistical procedures employ sound statistical techniques								●		●				●
	Data are compiled and disseminated using the concepts and definitions of the latest manual/guide	1. Concepts, definitions, and compilation methods broadly follow, as relevant, the latest manual	●		●	●	●			●					●	●
	Source data are adequate for the compilation of price statistics	1. Source data needed to compile the price indexes are adequate	●		●				●	●		●				●
	Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination	1. The number of staff trained to compile and disseminate price statistics is adequate	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Macro-Fiscal Policies																
Fiscal policies and associated institutional frameworks consistent with progress towards SDGs	Budget is an effective tool for the strategic allocation of resources towards policies that promote gender equality (SDG5)	1. Systems, processes and tools to plan, track and disclose allocations for gender equality and women's empowerment are in place (SDG 5.c.1)				●			●					●		
Strengthened identification, monitoring, and management of fiscal risks	Analysis, disclosure and fiscal oversight of public corporation risks are strengthened	1. Comprehensiveness and timeliness of monitoring and reporting public corporation's fiscal risks (Record Score: PEFA PI-10.1, FTC 3.3.2, PIMA 3.c)	●	●		●		●	●		●					
	Analysis, disclosure and management of other specific fiscal risks are more comprehensive	1. Disclosure and management of contingent liabilities and other risks (Record Score: PEFA PI-10.3, OBI 42)	●	●		●		●			●			●		
Public Financial Management																
Comprehensive, credible, and policy-based budget preparation	A more comprehensive and unified annual budget is published	1. Comprehensiveness of budget documentation (Record Score: PEFA PI-5)							●			●	●			●

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Comprehensive, credible, and policy-based budget preparation (*Continued*)	A more credible medium-term budget framework is integrated with the annual budget process	1. Medium-term perspective in budget framework (Record Score: PEFA PI-16, FTC 2.1.3)		●	●		●	●	●			●				●
	A more credible medium-term macro-fiscal framework that supports budget preparation	1. Presentation and explanation of medium-term macroeconomic and fiscal forecasts (Record Score: PEFA PI-14, FTC 2.1.2)	●	●	●			●	●	●				●	●	
	Planning and budgeting for public investments is more credible	1. Inclusion of medium-term projections for investments in budget (Record Score: PEFA PI-11.3, FTC 2.1.4, PIMA 1 to 5)	●	●		●			●					●		
Improved asset and liability management	Cash flow forecasts for central government is more accurate and timelier	1. Timeliness and accuracy of cash forecasting and monitoring (Record Score: PEFA PI-21.2)	●		●						●					●
	More central government revenues and expenditures are deposited and disbursed through a Treasury Single Account	1. Extent of consolidation of cash balances by the Treasury (Record Score: PEFA PI-21.1, PIMA 12.c)			●									●		
Improved budget execution and control	Budget execution monitoring and controls are strengthened	1. Stock of expenditure arrears as share of expenditure and frequency of monitoring (Record Score: PEFA PI-22)					●			●		●	●		●	
Improved coverage and quality of fiscal reporting	Comprehensiveness, frequency, and quality of fiscal reports is enhanced	1. Completeness, timeliness and consistency of annual financial reports (Record Score: PEFA PI-29)							●						●	
Revenue Administration																
Strengthened revenue administration management and governance arrangements (SDG 17.1)	Authorities have a baseline understanding of the current state of the government's revenue administration, management, and governance arrangements and core revenue	1. Procedures for internal and/or external review of revenue administration management, governance, and operations are established to produce baselines and identify								●			●			●
	Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1. Key performance indicators established, regularly reported and monitored	●			●		●				●				

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Strengthened revenue administration management and governance arrangements (SDG 17.1) (*Continued*)		2. Reform management capacity strengthened or in place for reform implementation, including dedicated resources	●			●		●	●		●	●				
	Corporate priorities are better managed through effective risk management	1. Better identification, assessment and mitigation of institutional risks (TADAT POA2-6)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
		2. Better mitigation of risks through a compliance improvement program TADAT POA2-4)	●		●	●	●	●	●		●	●			●	
	Effective implementation of a new tax or modernized legislation	1. New/modernized tax implemented on scheduled date	●				●									
	More independent, accessible, effective and timely dispute resolution mechanisms adopted	1. Existence of an independent, workable, and graduated dispute resolution process. (TADAT 2015 POA7-19/TADAT 2019 POA7-23)							●		●					
	Organizational arrangements enable more effective delivery of strategy and reforms	1. Appropriate institutional settings in place								●			●			●
		2. Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened	●			●	●	●	●	●			●		●	●
	Support functions enable more effective delivery of strategy and reforms	1. Improved human resources strategies and practices to support the tax administration (TADAT 2019 POA2-7)						●								
		2. Improved ICT strategies and systems to support the tax administration			●	●	●	●								
	Transparency and accountability are more effectively supported by independent external oversight and internal controls	1. Financial and operational performance and plans more publicly reported (TADAT 2015 POA9-28/TADAT 2019 POA9-32)							●							
		2. Internal controls covering all key core operations and staff integrity assurance mechanisms strengthened or in place (TADAT 2015 POA9-25/TADAT 2019 POA9-29)							●			●				

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Strengthened core tax administration functions	A larger proportion of taxpayers meet their filing obligations as required by law	1. Management of filing compliance improved (TADAT 2019 POA4-13)	●				●	●						●	●	
		2. On-time filing ratio improved (TADAT 2015 POA4-10/TADAT 2019 POA4-12)	●				●	●						●	●	
	Audit and other verification programs more effectively ensure accuracy of reporting	1. Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/ TADAT 2019 POA6-19)	●		●	●	●	●	●			●			●	
		2. Automated cross-checking used to verify return information (TADAT 2015 POA6-16/TADAT 2019 POA6-20)			●		●	●								
	Taxpayer services initiatives to support voluntary compliance are strengthened	1. Scope, currency and accessibility of information for taxpayers improved (TADAT 2015 POA3-7/TADAT 2019 POA3-8)													●	
	The integrity of taxpayer base and ledger is strengthened	1. Knowledge of taxpayer base and potential taxpayers improved through robust taxpayer registration policies and procedures (TADAT POA1-2)				●		●		●			●			●
		2. More accurate and reliable taxpayer information held in centralized database (TADAT POA1-1)				●		●	●	●			●			●
Improved customs administration functions	Customs control during the clearance process more effectively ensures accuracy of declarations	1. Effective application of procedures based on international standards for valuation, origin and the tariff classification of goods improved				●	●	●			●	●				
		2. Rate of physical inspections decreased	●		●		●	●			●	●				
	Audit and anti-smuggling program more effectively ensure enforcement of customs laws	1. A larger share of trade controlled progressively through a properly designed post clearance audit program	●				●	●			●			●		
		2. Framework to control special regimes and exemptions strengthened		●		●		●			●			●		

ANNEX II. (CONTINUED)

Strategic Objective	Outcome	Verifiable Indicator	AFG	DZA	DJI	EGY	IRQ	JOR	LBN	LBY	MAR	SDN	SYR	TUN	WBG	YMN
Improved customs administration functions (*Continued*)	Foreign trade operators better comply with their reporting and payment obligations	1. Alignment of customs procedures (including transit) with international standards and regional integration objective improved	●				●				●			●		
		2. An increasing percentage of cargo manifests and declarations electronically received and processed by customs and reconciliation procedures strengthened	●					●			●			●		
Tax Policy-Tax Expenditure Assessment																
Improved tax and non-tax revenue policy	Maximized transparency (including in the policy process) and potential for enforcement and minimized administration and compliance costs	1. Tax expenditures are published		●		●		●	●					●		
	Quality and intensity of fiscal policy debate improved due to intensified outreach	1. Public consultations are undertaken as part of tax policy reforms				●		●						●		

METAC

METACSS@IMF.org
IMFMETAC.org

INTERNATIONAL MONETARY FUND
Institute for Capacity Development
Global Partnerships Division

700 19th Street, NW
Washington, DC 20431 USA
T. +(1) 202.623.7636
F. +(1) 202.623.7106
GlobalPartnerships@IMF.org