

Egypt

Technical Assistance in Fiscal Year 2019

Banking Supervision (June 24-28, 2018, July 29-August 2, 2018, November 5-8, 2018):

METAC provided CD on the implementation of the IFRS 9 of the International Accounting Standards Board. IFRS 9 defines the accounting approach for recording the impairment of financial assets, based on expected credit losses instead of incurred losses. The activity introduced the Central Bank of Egypt (CBE) to how supervisory guidance could be improved on loan-loss provisioning in line with the requirements of the IFRS 9. It also discussed with the CBE, two international external audit firms, and one large bank in Egypt their preparedness to implement this standard and the challenges they face, particularly with respect to loan classification, measurement and provisioning, and made several recommendations on these issues.

METAC provided training to the CBE supervisors on Market Risk. The activity built the CBE capacity to upgrade and update the capital adequacy regulation and better capture and measure the risks of financial instruments in the trading book in line with the Standard on Market Risk issued by BCBS in January 2016.

METAC delivered a training to the CBE supervisors on the “Revised Standardized Approach for Credit Risk” published by BCBS in December 2017. The training aimed to assist the CBE in implementing the revised Basel approach, and included explanation and discussion of the approach and the necessity to exercise due diligence by supervisors for individual exposures in addition to the recognition of external ratings. The training also presented in an excel sheet analysis of the impact of the new credit risk measurement framework on banks’ profits, and accordingly on their capital adequacy ratio.

Public Financial Management (September 2–12, 2018):

METAC provided two TA missions that were part of the medium-term support to the Egyptian authorities on fiscal risk identification, management, and disclosure. Over the last two years, Egyptian authorities have initiated actions to strengthen their fiscal risk management practices, including (i) publication of a FRS annex to the Budget Statement, (ii) development of an in-year fiscal risk monitoring exercise, (iii) streamlining of the guarantee policy, and (iv) preparation of hedging against movements in imported oil prices. In this context, METAC supported the development of capacities and identified avenues for progress, including through a special focus on SOEs. The support included a workshop on (i) standards, good practices, and international experiences related to fiscal risk management, (ii) tools for monitoring fiscal risks, including the ones resulting from SOEs, and (iii) their integration within the budget cycle. The workshop gathered representatives of all key units involved in fiscal risk management within the MoF.

Revenue Administration (May 6-17, 2018, September 3-October 2, 2019, December 9-20, 2018, March 26-30, 2019, April 14-25, 2019):

METAC continued to support the Egyptian Tax Authority (ETA) in developing and implementing improved filing and payment compliance management procedures, based on international good practice. METAC’s experts discussed with the authorities the design of a Program Management

Office and governance framework to support further tax administration reforms. They also assisted the ETA in defining the preparations for the national rollout of the new procedures, including finalization of the detailed and time-bound action plan.

A joint FAD-METAC mission to Egypt discussed with the MoF and Revenue Agencies the adoption of a MTRS. The mission provided guidance on the core elements and steps needed for an effective formulation and implementation of an MTRS, presented other country examples and advised on the development of a time-bound workplan for the formulation and adoption of the MTRS.

METAC provided further TA to support the ETA in developing and implementing improved filing and payment compliance management procedures based on international good practice. After completion of the pilot phase designed with METAC support, the ETA is currently half way through a national roll-out; the new procedures have been introduced into 188 offices with encouraging early results. The mission assisted the ETA to monitor and analyze the results of the use of improved filing and payment compliance management procedures on a regular basis and advised on how to use the information gathered through monitoring and analyses, and to revise the procedures. Additionally, it supported the authorities in building a sustainable project management and analytical capability, mitigation of project risks and developing outcome-based performance measures.

METAC's revenue advisor joined an IMF FAD mission to Egypt to advise on the revenue administration component of Egypt's MTRS. The mission held discussions with senior officials of the MoF and key operational staff of the ETA, to identify strategic issues in designing and implementing the MTRS. Discussions were also held with private sector stakeholders on the challenges in revenue administration reforms.

METAC provided the ETA with support in improving compliance risk management—part of an ongoing project in strengthening revenue administration and governance arrangements. The activity included: providing practical workshops on the compliance risk management process (identifying risk, assessing and prioritizing risk, and developing a risk register and treatment strategies); reviewing ETA's current risk management structure and governance; and providing guidance on how to set up a unit and a steering committee dedicated to compliance risk management.

Statistics (December 9-20, 2018, January 13-22, 2019):

METAC assisted the Ministry of Planning, Monitoring and Administrative Reform, and the Central Agency for Public Mobilization and Statistics, in improving the measures of GFCF in the national accounts and the SUT. The mission reviewed methods used to estimate GFCF in the observed and non-observed economy and identified data gaps and sources to fill them. The mission also made recommendations to address some of the problems that contribute to different GDP estimates between the annual national accounts and the SUTs.

METAC assisted the CAPMS in improving the CPI and the PPI. A METAC experts assessed and updated workplans established in previous missions, noting that significant progress had been made in the last year. They also trained officials on selecting, weighting, and aggregating transactions for PPIs, on methods for calculating PPIs for the construction sector, and on imputation for temporarily missing items in CPI and PPI.