

Egypt

Technical Assistance in Fiscal Year 2022

Banking Supervision (April 11-30; July 11- August 20; June 6-August 1; June 7-July 26)

This activity provided the authorities with technical assistance on how to develop an early intervention framework in line with best international practices, calibrated to the Egyptian legal framework, notably the Banking Law 194 and integrated within the supervisory structure and processes. The mission prescribed the methodology to relate the risk category of banks to an array of early intervention measures, the adequate escalation system, and the necessary supervisory power to intervene early in a systemic and transparent way. The mission also advised how to address gaps in the current supervisory practices encountered during the review process.

These three related activities had as an objective bringing in line key elements of the Central Bank of Egypt's (CBE) regulations with the new Banking Law (No. 194) and the Basel Committee's international standards.

The first activity covered regulations of specialized banks licensing and supervision (namely micro and small enterprise banks and payment banks, two types of institutions relevant for improving financial inclusion). The capacity development mission provided training on the relevant Basel Committee core principles, discussed existing best practice and reviewed and provided suggestions to the draft regulation. Approving the specialized banks regulation will contribute to supporting the establishment of two types of banks that will have a significant contribution to financial inclusion, while being subject to a supervisory regime aligned with the specific risk profile of those banks.

The second activity covered stress testing regulations, which have been updated recently to reflect the fact that stress testing is a critical element of a bank risk management framework, and included objectives, governance, policies, processes, methodology, resources and documentation that guide stress testing activities in the broader context of banks' risk management framework and facilitate the use, implementation and oversight of stress testing frameworks. Approving and enforcing a comprehensive stress testing framework contributes to strengthening banks' risk management framework, integrating the forward-looking risk view, and strengthening a key element of the CBE risk-based supervision approach.

The third activity was to review and update the Domestic Systemically Important Banks (D-SIB) regulations. The capacity development mission interacted through the Webex platform with a dedicated cross-departmental working group, to provide training on the 12 Basel Committee principles that constitute the D-SIB framework. These principles can be broadly categorized into two groups: the first group focuses mainly on the assessment methodology for D-SIBs, while the second focuses on higher loss absorbency for D-SIBs. The mission addressed the technical questions raised by the CBE to enable the members of the working group to customize the framework to the specific characteristics of the Egyptian banking sector. Approving and enforcing a D-SIB framework contributes to mitigate the impact that the distress or failure of banks will have on the domestic economy.

Public Financial Management (October 12-28)

The mission held discussions with the authorities to advise on the preparatory steps to perform a PEFA self-assessment and drafted (i) a tentative timeline with various tasks to perform to undertake the self-assessment, (ii) a list of primary Central Government counterparts per each PEFA indicator and (iii) a training plan to be delivered by METAC over the medium-term to answer questions on the rating of specific indicators.

Revenue Administration (April 26-May 16; February 28-March 16)

METAC provided a remote activity to assist the Egyptian Tax Authority to better implement the risk management approach. An action plan including all needed actions to roll out all components of a modern risk management function was developed.

METAC assisted the Egyptian Tax Authority (ETA) in assessing the new Integrated Tax Core System (ITCS), the E-Invoicing/E-Receipt systems and reviewed the status of the data warehouse project. One of the main recommendations to ETA was to postpone the roll-out of the ITCS in Great Cairo, planned for June 2022, and to limit the roll-out of the ITCS to four centers: Large Taxpayers, Medium Taxpayers, large Professional Taxpayers and Cairo4th which are positively change-oriented and already equipped with the necessary equipment (IT, furniture and others).

Statistics (February 13-April 28; August 1-5)

As part of a project to assist the Central Agency for Public Mobilization and Statistics of Egypt to implement an improved supply and use tables compilation process, METAC conducted a remote activity spread over February to April 2022. The mission focused on developing the initial estimates to populate the SUTs. This included setting up files as part of a sustainable compilation system that may be used in future years.

METAC assisted the Central Agency for Public Mobilization and Statistics of Egypt to improve the process to produce supply and use tables in current prices. The METAC expert proposed a classification system based on the published 2017/18 supply and use tables and helped set up a compilation system that uses enhanced manual and automated balancing tools.