

Egypt

Capacity Development Activities in Fiscal Year 2024

Financial Supervision and Regulation (December 17-21; February 11-15)

The mission assisted the Central Bank of Egypt (CBE) on the development of consolidated supervision. It built on a previous mission in October 2022, which discussed the main aspects of consolidated supervision of the banking sector, including international standards and practices. The mission's focus was on the development of internal guidelines to support CBE's supervisors in the implementation of consolidated supervision. The guidelines set out the nature and purpose of consolidated supervision and the application of key regulatory requirements and supervisory practices and crisis preparedness. They highlight the importance of a good understanding of group structures, to construct a comprehensive view of all group risks, and to ensure that bank groups are adequately supervised in practice.

Based on the request of Central Bank of Egypt (CBE) to assist the Licensing Sector (Governance Unit) on the development of the CBE's work on banking sector corporate governance, the mission (i) presented an overview on topics of conflicts of interest in bank governance, the role and composition of board sub-committees, approaches to assessing governance in practice and fit and proper requirements applied to banks' Boards of Directors and senior managers, highlighting international standards and practices, (ii) shared comments on the CBE's governance regulations, and (iii) provided advice on the enhancement of banks' corporate governance regulations, assessment processes and the next steps.

Public Financial Management (May 23-June 1; December 3-14; February 11-15)

A METAC scoping mission identified progress made, and challenges faced in the implementation of the new PFM law, mainly regarding Performance-Based Budgeting (PBB), Medium-Term Budget Framework (MTBF) and the production of a fiscal strategy document. A phased implementation has started but should be completed before the four-year transition period. The mission highlighted that the work done on PBB over the last three years has to be considered as a pilot phase and recommended to take stock of the lessons learned in linking the program designs to the Sustainable Development Strategy, Egypt 2030. The authorities are about to produce a Fiscal Strategy paper and implement an MTBF. The mission stressed that these reforms are useful in the context of a top-down budget process, where achieving fiscal targets is a clear priority.

In response to a request of the Ministry of Finance, a joint FAD and METAC mission supported the authorities in drafting a detailed action plan for the full implementation of the new Public Finance Law in the areas of medium-term budget framework (MTBF) and fiscal strategy paper. The Law, adopted in February 2022, includes a comprehensive array

of reforms and tools aiming at reinforcing fiscal discipline, strengthening oversight mechanisms, and fostering a more efficient and effective allocation of public resources. The mission provided support on the key design elements of a Fiscal Strategy Paper (FSP) and MTBF that will be adopted in the coming years.

A joint FAD–METAC mission supported the Ministry of Finance (MoF) in the implementation of medium-term budgeting stipulated in the new PFM law. The law introduces top-down budgeting which will require new roles for the Budget Department and line ministries. Several workshops helped (i) guiding MoF through different options on setting budget ceilings and ensuring these are in line with the fiscal target/anchor; and (ii) discussing the key methodological steps for baseline budgeting and identifying implementation steps. The mission was co-funded by Swiss SECO as part of a work program with FAD.

Revenue Administration (May 14-25; May 21-25; March 4-8)

METAC assisted the Egyptian Customs Authority (ECA) in the review of its strategic performance over the past three years, and in developing a new strategic plan for 2023-2026, including the formulation of a mission statement and SMART objectives. Specifically, METAC provided training to raise ECA staff awareness for strategic planning and strategic performance management. Several meetings, trainings, and workshops provided detailed practical advice on strategic performance and management issues. The mission proposed improvements to the strategic planning and performance measurement process. If fully embraced and resourced by the ECA leadership, improved strategic and performance management will contribute to improving overall performance of customs administration.

METAC conducted a follow-up mission to review the work accomplished by the various working groups on the implementation of the Post-Clearance Audit (PCA) programs. Progress was achieved in two of the six programs initiated during the previous mission (March 2023), namely customs valuation and tariff classification. Also, at the request of the Egyptian authorities, the mission reviewed current transfer pricing practices at the Egyptian Customs Administration (ECA). The mission made presentations on import transactions between related parties and discussed the OECD transfer pricing Guidelines for Multinational Enterprises and Tax Administrations.

METAC's Customs Advisor supported the IMF Fiscal Affairs Department (FAD) Medium-Term Revenue Strategy (MTRS) CD Planning Activity. The mission team assessed the Egyptian Customs Administration's (ECA) reform progress, particularly in relation to MTRS obligations. Additionally, core customs functions were assessed, and the team made recommendations for improvements. The mission discussed an FAD CD workplan over a two-year period (FY25 & FY26) with senior ECA management. The team assessed that ECA had started 17 of 19 obligations, but that most (11) were only partly achieved. The authorities requested further CD on the MTRS obligations, particularly in compliance risk management (CRM) and post clearance audit (PCA).

Real Sector Statistics (September 17-21; December 18-22; January 21-February 1; March 10-25)

As part of a project to assist the Central Agency for Public Mobilization and Statistics of Egypt (CAPMAS) to implement an improved supply and use tables (SUTs) compilation process to produce 2019/20 SUTs, METAC conducted hybrid missions during July and September 2023. The missions helped with generating most of the remaining outstanding initial SUT estimates, and with integrating them into the central compilation file. CAPMAS staff are now entering in the product balancing phase of the SUT compilation.

Four national accounts staff of MPED and two staff from CAPMAS participated in a peer-to-peer activity at the High Commission Plan in Morocco. The peer-to-peer activity increased staff capacities on the full integration of annual national accounts and supply and use tables.

At the request of the Egyptian Ministry of Planning and Economic Development (MPED), the mission assisted MPED with the improvement of GDP volume measurement. The mission reviewed the volume and price data available and advise on other methods of estimating the GDP by the production and expenditures approaches at constant prices. National accountants and price statisticians from the Central Agency for Public Mobilization and Statistics (CAPMAS) joined the mission as prices and some volume indicators are produced and compiled by this institution. As this was Elirjeta Pepaj's first visit in Egypt as METAC's new regional statistics advisor, the mission visited CAPMAS offices to meet Mr. Mustapha Saad Badawi, the Head of the Economic and Mobilizing statistics and other key staff and to discuss their capacity development needs and priorities.

The mission assisted the Central Agency for Public Mobilization and Statistics of Egypt (CAPMAS) to progress in compiling 2019/20 supply and use tables (SUT). Key outcomes were: i) the integration of all initial SUT estimates into the central file; ii) developing control aggregate tables for the goods-producing industries; and iii) initiating the balancing process and manually balancing several products.

Anti-Money Laundering And Combating The Financing Of Terrorism AML/CFT (September 17-21)

Co-hosted by METAC and financed by the AML/CFT Trust Fund

Under the Egypt CD project, a mission visited Cairo to advice on strengthening risk-based AML/CFT supervision of banks and improving the effectiveness of financial investigations and other enforcement actions. The mission met with officials from a variety of authorities, notably the Central Bank of Egypt, Egypt's financial intelligence unit, and the Public Prosecution Office. It followed a scoping mission which was conducted in March 2023 to develop a road map for the delivery of CD outputs.