



**20** YEARS

**METAC**

# Good Governance for Economic Resilience

## High-Level Seminar: Building Robust Governance Frameworks

Strengthening governance by confronting corruption:  
A new METAC workstream

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**MIDDLE EAST  
REGIONAL TECHNICAL  
ASSISTANCE CENTER**

# **Strengthening Governance by Confronting Corruption: a New METAC Workstream**

**DECEMBER 2024**

Emmanuel Mathias

Division Chief, Governance and Anticorruption  
Division

Legal Department

# **Underlying Principles of IMF's Engagement on Governance and Anti- Corruption**

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# Underlying Principles of IMF's Engagement on Governance and Anti-Corruption

- **Macro-critical** (Not small incidental corruption. Only if corruption has a major impact on macroeconomic and financial stability “macro-critical”. IMF Staff MUST then raise corruption with the authorities.)
- **Finance and economics** (Balance of payments; therefore not politics, not legal enforcement (investigation & prosecution))
- **Structural engagement while not interfering in political issues** (Laws, institutions, systemic matters; therefore not individuals, individual enforcement cases, individual transactions, incidental matters)



# When Does IMF Engage?

## PROGRAMS/LOANS



Measures to address corruption weaknesses will be established as conditions if they are of “critical importance for achieving the goals of the member’s program”

## SURVEILLANCE



Corruption weaknesses should be addressed “when they are sufficiently severe to significantly influence present or prospective balance of payments and domestic stability”

## REPUTATIONAL RISK



The failure of the Fund to address systemic corruption in surveillance and in Fund-supported programs gives rise to reputational risks and could also undermine the safeguarding of Fund resources.

# How IMF Engages on Governance and Anti-Corruption?

## Six State Functions



Fiscal Governance



Financial Sector Oversight



Central Bank Governance and Operations



Market Regulation

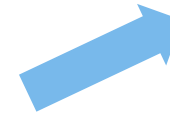


Rule of Law

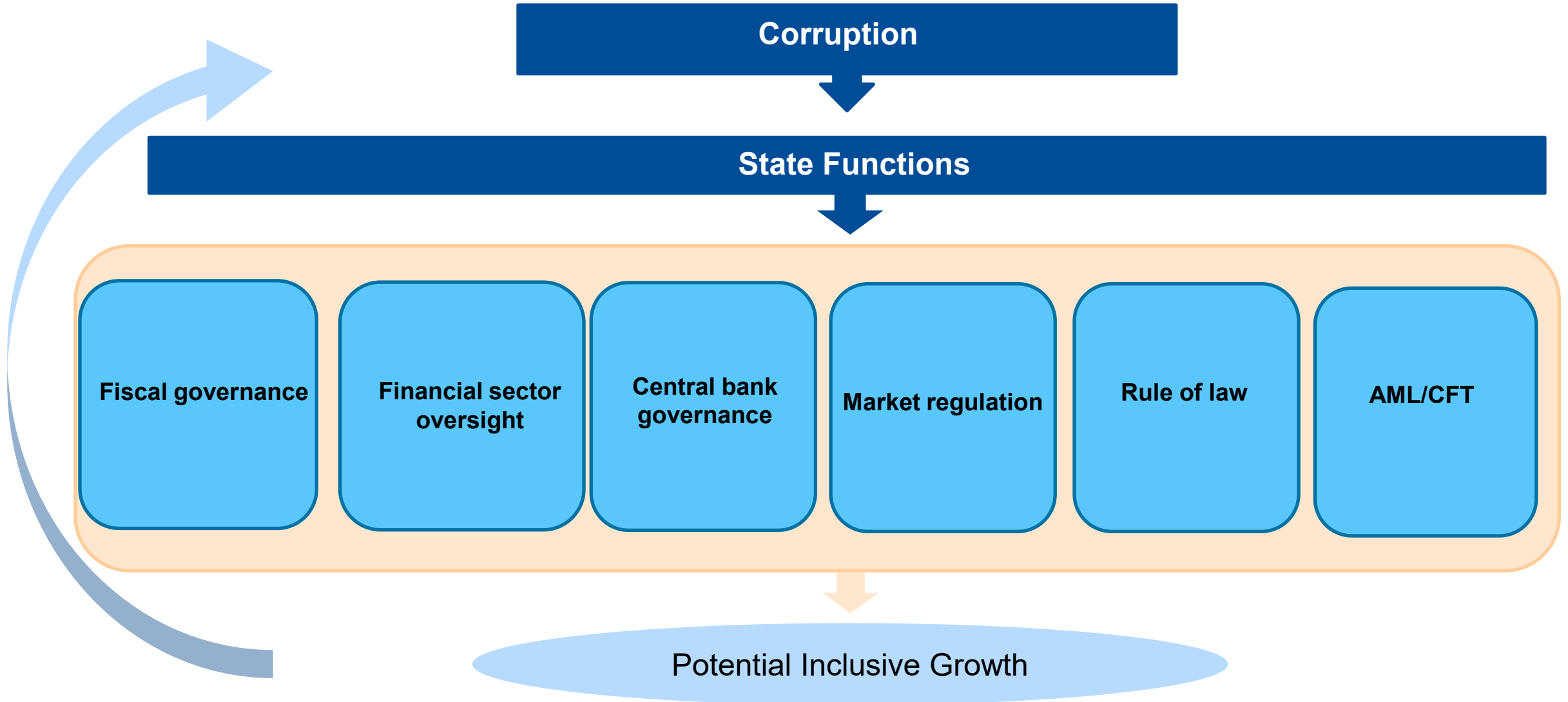


AML/CFT

## Analysis of Governance and Corruption Vulnerabilities



# State functions: discussion



# How IMF Can Help

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## How can we help?

**Convening power:** facilitating cooperation between international and domestic agencies and partners

**Broad support:** Support for international and regional consultations (Peer to Peer etc.)

**Expertise:** Capacity development and technical assistance.



# CD for Governance and Anti-corruption Reforms

## Scope and Type of Governance and Anti-Corruption CD

### Governance Diagnostics

- Holistic approach to governance weaknesses and corruption vulnerabilities
- Reform plan proposed, informed by political economy analysis

### CD to support implementation of GD Recommendations related to Governance and anti-corruption:

- strengthening anti-corruption legal and institutional frameworks in Zambia
- amending anti-corruption laws in Republic of Congo, Central African Republic
- strengthening asset declarations frameworks in Equatorial Guinea, Benin
- Strengthening anti-corruption agency's ability to plan and implement reforms in Sri Lanka
- Strengthening conflict of interest and asset declaration frameworks in Republic of Congo, Mauritania

### CD to support implementation of IMF-assisted program conditionality

- supporting development of legal framework for independent anti-corruption agency in Comoros
- reforming conflict of interest and asset declarations frameworks in Comoros, Suriname, Ecuador, Tajikistan
- supporting development of legal framework for specialized anti-corruption judiciary in Moldova

### Strengthening SAls to detect and prevent fraud and corruption

- In Tanzania, Mozambique, Solomon Islands, Cameroon
- Regional Peer-to-Peer (one workshop held in ATI, the second workshop for francophone Africa is planned)

# Regional CD: Long-term Resident Advisor

## Long-term resident advisor placed in AFRITAC South

- (i) manages and implements specific Governance and anti-corruption CD
- (i) contributes to the enhanced field presence, more regular and continuous support to member countries
- (i) contributes to integration of anti-corruption approaches in other capacity development initiatives in areas like AML and fiscal governance.

## Regional training/workshops

- (i) Offered in collaboration with Regional Capacity Development Centers (6 workshops in FY24 and FY25)
- (i) Designed for anti-corruption policy-makers and practitioners
- (i) Drawing upon analytical and case study materials
- (i) Promotes experience-sharing and regional network-building among anti-corruption officials

# Governance Diagnostics Statistics

## Completed GDs

Country (FCS*)	Year	Published	AD
Congo, Rep*	2018	Yes	AFR
Peru	2019	No	WHD
Equatorial Guinea	2019	Yes	AFR
Mozambique*	2019	Yes	
Congo, Democratic Republic of*	2020	Yes	AFR
Honduras	2020	No	WHD
Guinea-Bissau*	2020	Yes	AFR
Zimbabwe*	2020	No	AFR
Central African Republic*	2021	Yes	AFR
Mali*	2021	No	AFR
Moldova	2021	Yes	EUR
Sudan*	2021	No	MCD
Paraguay	2022	Yes	WHD
Zambia	2022	Yes	AFR
Benin	2023	Yes	AFR
The Gambia	2023	No	AFR
Cameroon*	2023	Yes	AFR
Mauritania	2023	Yes	MCD
Sri Lanka	2024	Yes	APD
Malawi	2024	No	AFR

## Ongoing GDs

Ongoing GDs in AFR	
Country (FCS*)	Status
Ghana	Near completion
Burundi *	Near completion
Burkina*	Near completion
Sierra Leone	Launched in 10/2024
Madagascar	Launched in 10/24
Niger*	Planned in 01/2025
Kenya	Planned in 01/2025

Ongoing GDs in MCD	
Country (FCS*)	Status
Lebanon*	Near completion (report completed, pending submission to the authorities' review)
Pakistan	Planned in 12/2024

Ongoing GDs in WHD	
Country (FCS*)	Status
Haiti*	Near completion (report is being reviewed by the authorities)

*20 GD reports have been completed. Ten GDs are underway, and 13 are under consideration*

# LEG Support to FCS

## Weak governance and corruption are among key drivers of fragility

### Capacity Development

- **Governance diagnostic reports** - 9 completed (RoC, CAR, DRC, Mozambique, Guinea Bissau, Zimbabwe, Cameroon, Mali, Sudan), 5 ongoing (Haiti, Lebanon, Burundi, Burkina Faso, Niger);
- **Targeted CD**, with clear objectives linked to conditionality and focused on creating effective anticorruption laws, conflict of interest and asset declaration systems (Comoros, RoC, Equatorial Guinea)
- **CD** to strengthen capacity of Supreme Audit Institutions to effectively audit **COVID-19 expenditure** (Mozambique, Solomon Islands, Cameroon)

- Corruption in **almost all FCS is assessed as severe**
- Macro-criticality of governance weakness and anti-corruption concerns **higher in FCS vs. non-FCS**
- **Vicious circle** of fragility and corruption
- **Heterogeneity in FCS** makes effective engagement highly complex



# A New METAC Workstream

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# **Long Term Governance and Anti-Corruption Advisor for METAC (FY26)**

- Based on the positive experience in AFRITAC South since 2023
- Backstopped by Legal Department, to manage and implement specific Governance and anti-corruption CD
- Closely coordinating with other regional advisors and CD departments to ensure synergies
- Aim at better integrating anticorruption perspectives in METAC's existing workstreams

# Regional Workshop on Confronting Macro-Critical Corruption for METAC

**Objectives:** Strengthen capacity of IMF's member countries to address corruption vulnerabilities in key economic state functions

**Target audience:** Officials in IMF's members states responsible for the development, implementation and monitoring of Anti-corruption programs, policies, or action plans

**Content:**

- IMF's approach to governance and anti-corruption;
- assessing the severity of corruption;
- tailoring anticorruption approaches for impact;
- core principles of effective anticorruption laws and institutions.

# THANK YOU



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# **Revenue Administration - Considerations for combating corruption**

**DECEMBER 3, 2014**

Rosen Bachvarov

Andrew Allan

METAC Revenue Administration advisors



## MEMBERS



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



Syria



Tunisia



West Bank and Gaza



Yemen

## DEVELOPMENT PARTNERS



European Union



France



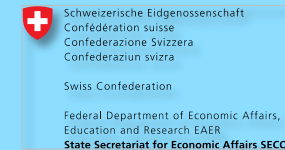
Germany



The Netherlands



Saudi Arabia



Switzerland

# **Why do we pay taxes/customs duties?**

# The neoclassical deterrence model (ASY)

The tax/customs compliance decision of the individual as a rational, economic decision of costs and benefits.

- Compliance is conceptualized as enforced
- Ignoring voluntary compliance as a phenomenon



# Social psychological model (based on trust)

The tax compliance as a psychological decision based on trust.

- Tax/customs compliance is conceptualized as based on attitudes and public trust in institutions
- Key role of voluntary compliance



# Compliance as a mix of trust and enforcement





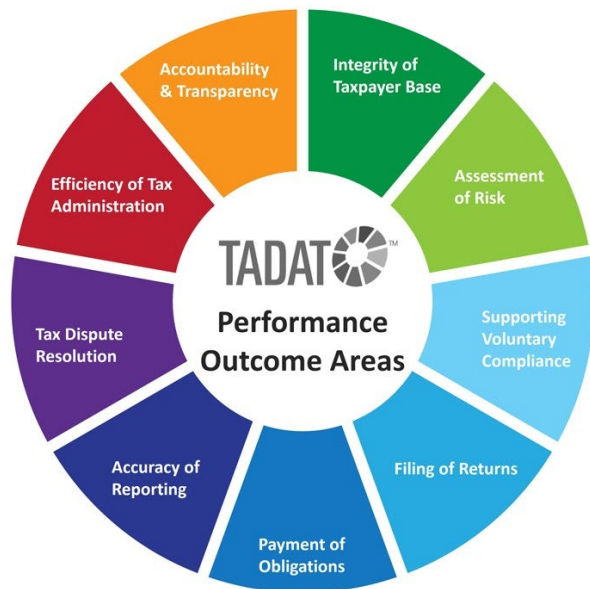
# **Corruption in revenue administration and how to prevent it**

# Why there is corruption in revenue administrations ?

- Weak legal framework
- Inadequate public service provided by governments
- Lack of technology (underdeveloped IT systems, paper based approach)
- Complicated tax and customs processes, high compliance cost
- Limited Institutional Capacity
- Missing Culture of Integrity
- Lack of Transparency and Accountability
- Stakeholders not involved

# Measuring the tax administration system in a tax administration ?

- TADAT as a unified methodology to assess the performance in 9 key areas
- ISORA to collect and compare tax administration data globally (MENA countries participation can be improved)



## **How can we help?**

- **Joint LEG/FAD support**
- **METAC advice in governance improvements (customs and tax)**
- **Digitalization (AI, data governance, data analytics, IT systems)**
- **Core tax/customs functions (registration, filing, payment, reporting, collection ) support**

## **Approaches for combatting corruption in revenue administrations**

**Enhance the autonomy and administrative capacity**

**Digitalization in revenue administrations**

**Proper remuneration for the employees**

**Improved taxpayer service/ reduce compliance cost**

**Improved accountability and transparency**

**Review and adapt the legislation**

**Encourage taxpayers feedback and participation**



# VITARA Institutional Governance Course

**Developed for executives and high-level officials in tax administration**

- Completing the course, your teams will be capable to build the governance infrastructure in line with good international practice.

Register here:

<https://www.imf.org/en/Capacity-Development/Training/ICDTC/Courses/VITARA-IGO>





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## **Strengthening Governance**

### ***Financial Sector Oversight***

**DECEMBER 3, 2024**

**NEHMAT HANTAS**  
METAC FSR Advisor

## MEMBERS



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



Syria



Tunisia



West Bank and Gaza



Yemen

## DEVELOPMENT PARTNERS



European Union



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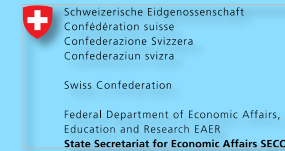
Germany



The Netherlands



Saudi Arabia



Switzerland

# Supervision and Financial Sector Governance

## *A Double-sided Coin*

Recent bank failures have (once again) emphasized the importance of effective internal governance of the supervisor that enables timely supervisory decisions.



Governance of  
Supervision



Governance of  
Financial Sector

Well governed banks  
contribute to an efficient and  
cost-effective supervisory  
process

# What do Basel Core Principles require?

## Preconditions for effective supervision

- Clear framework for **crisis management, recovery and resolution**

## Principle 1

- **Clear responsibilities and objectives** for supervisory authority
- Necessary **legal powers** to act and perform its mandate

## Principle 2

- Operational **independence and autonomy**, transparent processes and sound governance
- **Accountability** for the discharge of its duties and **legal protection** of the supervisor

## Principle 14

- Banks have **robust corporate governance policies and processes**, corporate culture and values, control environment, **suitability assessment process of boards and senior management**, and compensation practices.

# METAC FSR Workstream Efforts in Enhancing Financial Sector Governance

## Enhancing Regulatory Framework

- Board composition, independence and expertise
- Board committees
- Risk management
- Internal control
- Compliance
- Related parties' transactions

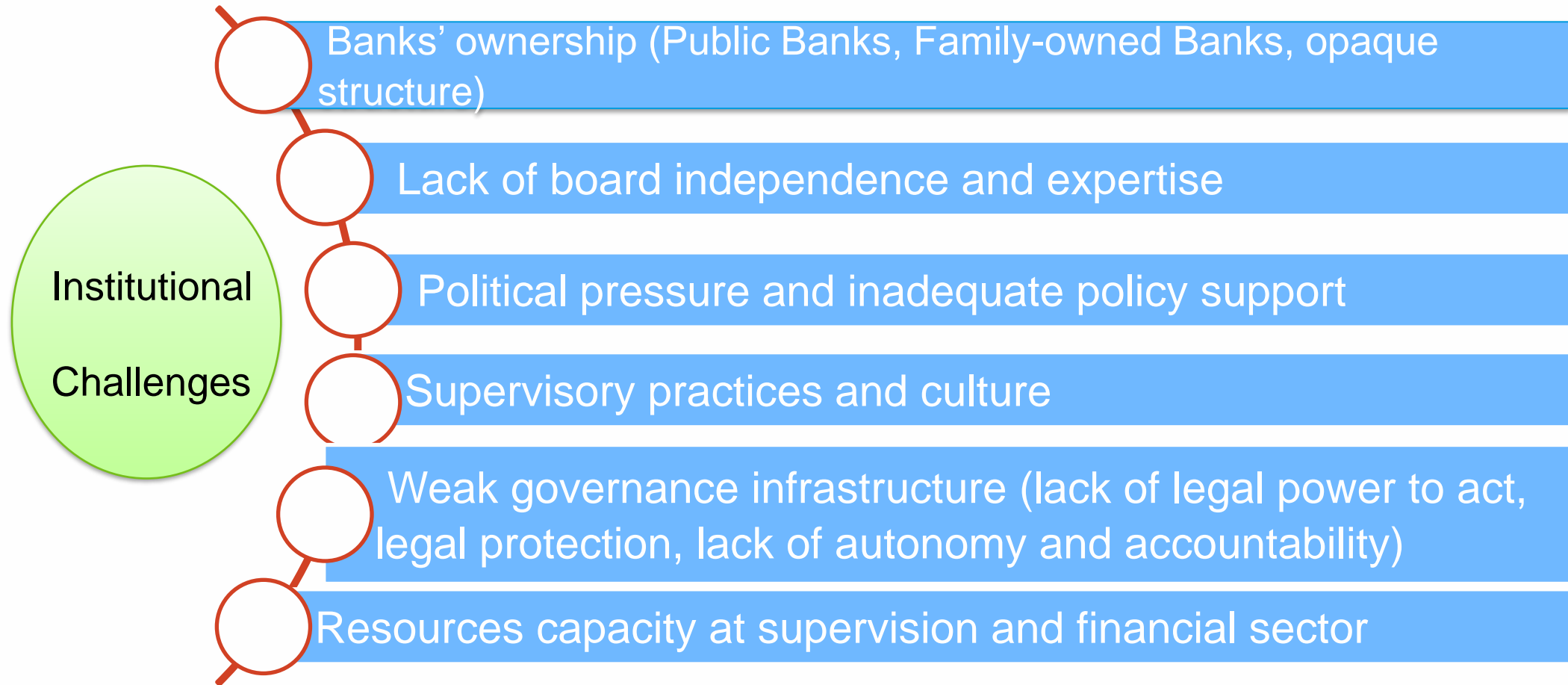
## Strengthening Supervisory Practices

- Develop methodology to assess banks' governance, fit and propriety criteria of directors, etc..
- Integrate governance assessment in Banks' risk rating and Supervisory Review Process SRP

## Capacity Building

- Building capacity of the supervisor on the concepts and principles of good governance practices
- Conduct bilateral and Regional workshops on corporate governance (recent June 2024 workshop)

# Challenges in Banks' Governance Implementation in METAC countries





# **AML/CFT and Anti-corruption**

**DECEMBER 3, 2024**

Peter El Sharoni

AML/CFT Regional Advisor for the MENA and  
CAA Regions – IMF Legal Department

The views expressed in the presentation are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.



## AML/CFT Regional advisor is supported by the AML/CFT Thematic Fund



**Qatar**



Federal Ministry  
of Finance

**Germany**



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Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA  
State Secretariat for Economic Affairs SECO

**Switzerland**



Ministry of Foreign Affairs

**The Netherlands**



**Japan**



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DU GRAND-DUCHÉ DE LUXEMBOURG  
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DE L'ÉCONOMIE,  
DES FINANCES  
ET DE LA RELANCE

Liberté  
Égalité  
Fraternité

Direction générale  
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**France**

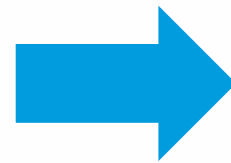


Ministry of Economy  
and Finance

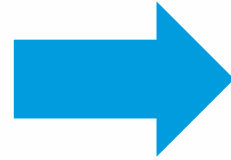
**Korea**

## a. Impact of systemic corruption on reforms in AML/CFT

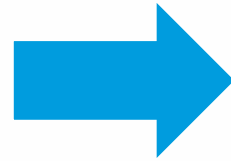
### Link between corruption and money laundering



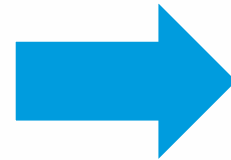
AML/CFT is one of the six state functions identified as most relevant for economic activity (the “2018 Governance Framework”)



Serious predicate offense

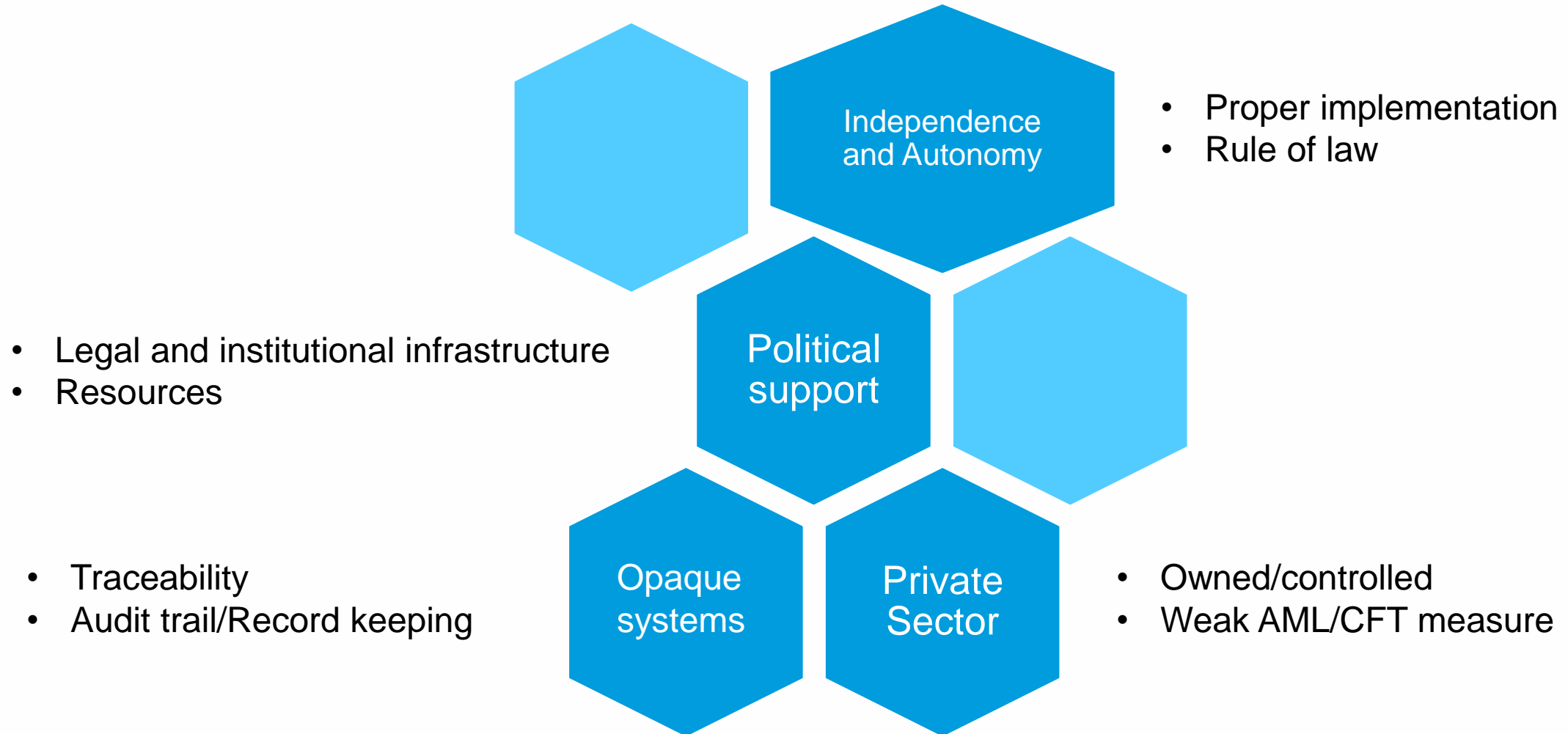


Benefiting from the illicit proceeds



Exploitation of weaknesses in systems

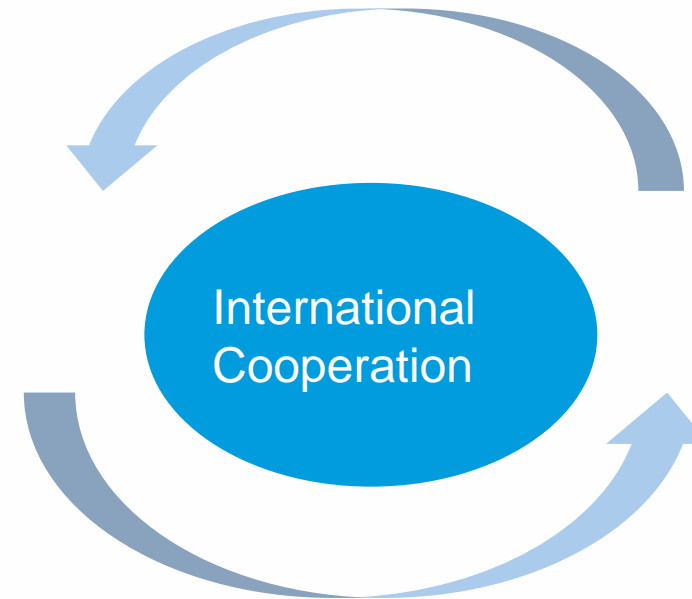
## a. Impact of systemic corruption on reforms in AML/CFT



## b. Leveraging AML tools to promote broader transparency and accountability

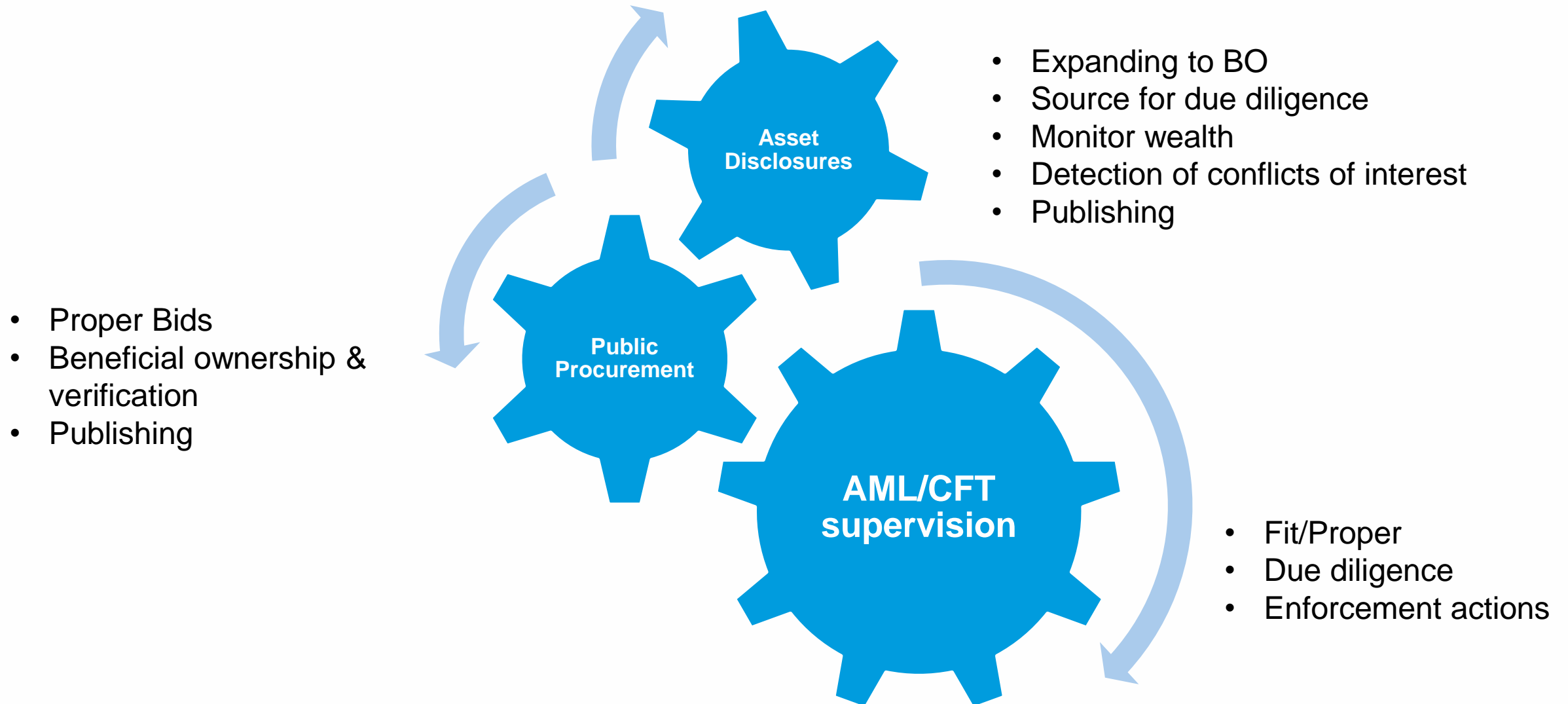


- Traceability
- Seizure/ confiscation
- Recover



- Traceability
- Slowness of information
- Multiple venues for cooperation

## b. Continue ... Leveraging AML tools to promote broader transparency and accountability



## c. Collaboration between the workstreams for greater effectiveness of CD

