

### Key Highlights

Selected country developments in the second quarter of fiscal year 2020 (Q2-FY20):

- **Egypt** completed successfully the roll out of a new filing and payment procedures, which should simplify and encourage tax compliance.
- **Lebanon** has nearly completed drafting a compliance improvement plan, which should allow the tax administration to better identify hidden taxpayers and hidden income, using a risk approach and third-party information.
- **Jordan** is on track to complete a new set of supply-use and input-output tables for 2016 by the end of 2019, which should have a marked improvement on GDP estimation.
- **Tunisia** updated its capital adequacy regulation for credit risk to align it with Basel III standardized approach, before performing a quantitative impact study.
- METAC is reengaging with **Libya and Yemen** on PFM issues. It will assist the authorities in building the basics of a fiscal framework and an annual budget, to support the ministries of finance in taking back control of the management of public finances.

**Outreach activities by the Center Coordinator:** keynote presentation at the *Inter-American Center of Tax Administrations’* annual technical conference in Marrakech, which theme was *Tax Administration and Development*; a round table on international taxation at the Université d’Auvergne’s *Centre d’Etudes et Recherches sur le Développement International*; and a lecture on taxation in fragile states to graduate students in economic development at the same Centre.

The Center delivered 36 capacity development (CD) activities in the first half of FY20—roughly 36 percent of its workplan (Figures 1, 2), and 30 percent of annual resources (person-days). The second quarter saw a marked increase in CD activities, in line with the workplan, but not strong enough to close the gap of Q1, which tends to be slow due to the summer months and Ramadan.<sup>1</sup>

Figure 1. CD Activities by Sector<sup>2</sup>

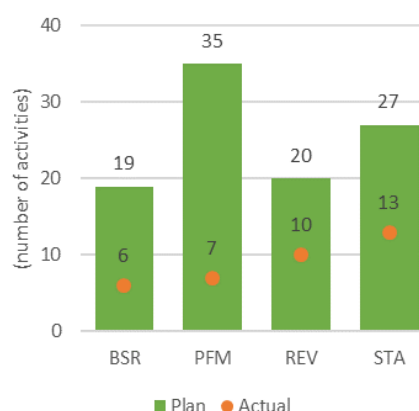
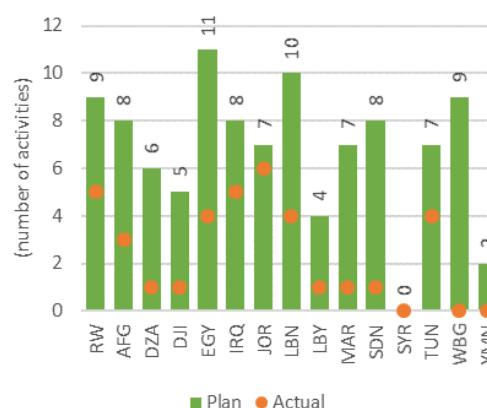


Figure 2. CD Activities by Country<sup>3</sup>



METAC replaced its PFM advisor (see announcements below) and hired an additional one. This will allow for scaling up PFM activities, for which the region has substantial needs—especially fragile

<sup>1</sup> Changes in personnel compounded a little this effect.

<sup>2</sup> BSR: banking supervision; PFM: public financial management; REV: revenue administration; STA: national statistics.

<sup>3</sup> Codes follow the IMF’s country codes. RW stands for regional workshops.

states. It will also help close the gap in PFM activities during the first half of the year.

## **Technical Assistance and Training**

### **BANKING SUPERVISION**

#### **Iraq (Sep 2-6)**

METAC trained a delegation of eight employees of the Central Bank of Iraq on Basel II/III capital adequacy requirements (Pillar 1 of the Basel framework). The training covered the following topics: (i) latest developments in Basel, (ii) capital requirements, (iii) credit risk standardized approach, (iv) market risk standardized approach, (v) operational risk standardized approach. The METAC team also held extensive discussions with central bank's management to: (i) identify the main implementation challenges of the Basel framework; (ii) provide practical guidance and advice on its implementation, taking into account country-specific limitations; and (iii) identify and prioritize future METAC TA needs.

#### **Libya (Oct 7-11)**

METAC trained six employees of the Central Bank of Libya on risk-based supervision and assisted them to develop a plan in that regard. The following topics were covered: (i) elements of a risk-based supervision framework, (ii) assessing banks' risks, identifying emerging risks and developing the risk matrix, (iii) supervisory rating system and yearly inspection planning process, (iv) on-site and off-site risk-based supervision. The training sessions were interactive, using case studies and group discussions to gain an in-depth knowledge of the topics covered.

#### **Sudan (Oct 20-24)**

METAC provided capacity building to the staff and management of the Credit Information and Scoring Agency (CIASA) of the Central Bank of Sudan and assisted them in improving the functioning of the credit register. This assistance followed up on the progress made in implementing the outstanding recommendations of a June 2018 mission, and included evaluating the progress of the launch of the credit scoring system, and assessing the conversion of the CIASA database to the "National Identification Number". A special attention was given to the reporting from micro finance Institutions to CIASA.

#### **Tunisia (Sep 16-20)**

METAC assisted the Central Bank of Tunisia to implement the Basel III Capital and Liquidity standards, which are created after the 2008 crisis to strengthen the regulation, supervision and risk management of banks. The following activities were performed: (i) provision of hands-on training to the project team, (ii) definition of the various exposure types, risk weights and credit risk mitigation techniques, (iii) update the draft regulation, (iv) prepare the templates to be used by the banks for the quantitative impact study and prudential reporting, and (v) provide the authorities with the background elements and rationale for the approval of the recommended regulatory options.

### **PUBLIC FINANCIAL MANAGEMENT**

#### **Afghanistan (Sep 16-20)**

METAC provided training to the Afghan authorities on cash management as a technical follow-up of last year general training. As well as forecasting and planning techniques, the workshop discussed how forecasts can be used in support of financial decisions, linkages between budget execution and cash management and institutional arrangements. The mission also made practical recommendation to improve coverage and relevance of cash management reports for better policy decision making.

### **REVENUE ADMINISTRATION**

#### **Algeria (Sep 22-Oct 3)**

METAC organized an expert visit to follow-up on its advice to the Algerian General Directorate of Taxes on improving debt recoveries and reducing the high stock of tax debts. The visit refined previous advice on implementing a tax arrears collection strategy, which included a greater focus on collection of new and large debts, and reduction of old debt. The expert also advised on the next priorities to overcome current impediments for effective debt recovery. These include organizational restructuring of the collection function, remedial actions to ensure a more effective implementation of the new integrated tax administration software, and establishment of specific legal authority for writing off uncollectible debts. In addition, the visit assisted the tax administration in determining performance standards to monitor and measure implementation of the collection strategy.

### **Egypt (Jul 28-Aug 8)**

METAC organized an expert visit to follow-up on the implementation of the national roll-out of the improved filing and payment procedures by the Egyptian Tax Authority. The Authority has completed on time and successfully the deployment of the new procedures across the field offices. The expert helped the Authority to assess the results of the national roll-out, identify lessons for the future, and evaluate regularly the measurable impacts on filing and payment performance. The implementation of new procedures improved the collection rate of undisputed debt and resulted in improvement in filing compliance.

### **Iraq (Jul 28-Aug 1)**

A METAC expert visit followed up on the progress in establishing a functionally integrated Large Taxpayer Department in the General Commission for Taxes, and advised on the implementation of a compliance risk management function, and on setting performance indicators and standards for timely filing and payment compliance. A time-bound work plan was developed for further actions needed. Training was provided on identification, assessment and ranking of compliance risks, and on the development of a compliance risk register.

### **Jordan (Sep 2-12)**

A METAC expert visit advised the Income and Sales Tax Department on the development of risk-based tax audit processes, including application of diverse audit types with appropriate audit duration. The expert reviewed current processes of risk-based case selection and audit programs, and advised on how to improve them. In addition, the expert provided guidance on the establishment of a sectoral specialization for audits and outlined the next steps for further development of the tax audit process, including overcoming existing structural barriers for effective audit process.

Another METAC expert visit followed up on the 2018 recommendations for improving the management of tax disputes, which aim is to develop an independent and effective tax dispute resolution process. Guidance was provided to the tax department on the design and implementation of such mechanism, independently from the audit process, including identifying the changes needed to the organization and procedures. In addition, the

visit identified the leading causes for the high levels of disputes, and provided guidance on how to improve effectiveness in addressing them.

### **Lebanon (Aug 26-Sep 6)**

A METAC expert followed up on the development of a Compliance Improvement Plan (CIP) in the VAT and Revenue directorates of Lebanese Tax Authority. The Authority made progress in the development of some treatment strategies that focus on gathering information from third parties to identify unregistered taxpayers and transactions hidden by registered taxpayers. The expert provided further practical guidance (workshop style) to the Authority to identify, assess and rank compliance risks, and develop an initial register of high risks, which covered VAT, corporate income tax, and the wage tax. The expert also provided a sample CIP template was.

## **STATISTICS**

### **Djibouti (Sep 8-19)**

METAC assisted the National Institute of Statistics of Djibouti in developing the national accounts compilation system and preparing the 2018 GDP estimates, incorporating the additional data provided on the activities of the ports and free zones of the country.

### **Egypt (Jul 28-Aug 8)**

A METAC mission assisted with the valuation of output of conventional and Islamic financial services institutions in the national accounts, working with the two government organizations that are responsible for the national accounts in Egypt: the Ministry of Planning, Monitoring, and Administrative Reform, which publishes the official national accounts of Egypt; and the Central Agency for Public Mobilization and Statistics, which publishes the supply and use tables. The mission increased staff knowledge through training, practical examples, and exercises; it improved statistical techniques to value insurance and financial intermediation services; and it proposed a workplan to fill data gaps.

### **Iraq (Sep 22-Oct 4)**

METAC conducted a mission on external sector statistics to the Central Bank of Iraq. The mission assessed and made recommendations to improve

the compilation system of these statistics, and provided hands-on training in this regard to central Bank staff. The mission also provided assistance with the establishment of a balance of payments committee to meet regularly; improving the international transactions reporting system; and strengthening cooperation between users and providers of data with the government.

### **Jordan (Aug 22-26; Sep 15-26; Oct 13-24)**

METAC assisted and advised the Department of Statistics of Jordan in their plans to implement comprehensive improvements to the existing CPI methodology, with changes at both the elementary and upper level aggregations. The Department will implement a modified version of the Laspeyres price index based on short-term movements using a geometric instead of an arithmetic version. In addition, the index reference period (base year) will be updated to 2018. The Department of Statistics also wants to build a new IT production system for index calculation and data storage which will include making use of new tablets for data collection.

METAC also supported the Department of Statistics in compiling supply-use and input-output tables for 2016, through a series of intensive activities. Significant progress has been made, and it is expected that a full set of tables will be completed by the end of 2019.

### **Lebanon (Sep 30-Oct 11)**

METAC fielded a TA mission to the Central Administration of Statistics to assist with revising the national accounts compilation system. The mission updated the method used to estimate financial intermediation services indirectly measured, to bring it more in line with the recommendations of the System of National Accounts, 2008. In addition, the method to compile sector accounts for the commercial banking sub-sector was updated.

## **Regional Workshops**

### **Strengthening Budget Institutions (Oct 22-24)**

METAC and the CEF delivered a course on budget institutions, at the CEF offices in Kuwait. Thirty-

three participants from 14 countries attended the course. Key sessions included budgeting, cash management, public investment management, and fiscal risks management. Participants shared experiences and views on how to improve on these issues in their countries, in a challenging regional context.

## **Outreach Activities**

### **CIAT Technical Conference (Marrakech, Morocco, Oct 8-10)**

The Center Coordinator of METAC, M. Mario Mansour, gave the key note presentation at the annual technical conference of the *Inter-American Center of Tax Administrations*, which theme was *Tax Administration and Development*. The conference explored various subjects regarding the role of tax administrations not only as revenue collection agencies, but also as state-building institutions that help define the nature of the relationship between state and citizen. Mr. Mansour emphasized three points: (1) tax administrations should invest more in collecting, organizing and analyzing big data, to improve effectiveness and efficiency in tax compliance and revenue collection, and to provide input for the evaluation and design of tax policies; (2) digitalization is challenging tax policy design and tax administration, and there appears to be a growing “digital gap” between tax administrations in developing and developed countries, with uncertain consequences on tax revenue mobilization in the former group; (3) countries should pay more attention to the interaction of tax policy and tax administration, and take a longer-term view on how to coordinate them.

### **Round Table on Recent Development in International Taxation (Clermont-Ferrand, France, Oct 14-15)**

M. Mario Mansour participated in a round table on recent development in international taxation at the *Université d’Auvergne*. Discussions covered the approach and policies that France has recently taken to address the taxation of the digital economy, and analysis at the IMF regarding how the international community could address the pressure that globalization has exerted on the corporate income tax, and how the interest of developing countries, including the METAC region,

are affected and could benefit from changes to the international tax system.

## Analytical Corner

**How to Design Tax Policy in Fragile States.** In 2017, there were 42 fragile states in the world (one in three low- and middle-income countries); they accounted for 7.3 percent of world population (more than half a billion people), but only 1.7 percent of global GDP. In this publication ([find it here](#)), Mario Mansour and Jean-Luc Schneider propose a two-step approach to tax policy design in fragile states, where institutional and political constraints pose unique and protracted challenges. The authors emphasize feasibility and incrementality: in the first stage (emergency), countries impose few simple taxes, with few collection points; in the second stage, taxes are gradually modified/expanded to address equity and efficiency issues.

## Technical Assistance Reports

The following TA reports were uploaded to METAC's website. Steering Committee members of countries and donors who have signed a confidentiality agreement with the IMF may access the reports at [www.imfmetac.org](http://www.imfmetac.org)

BSR	<b>Lebanon</b>
	Capability Building in Stress Testing
PFM	<b>Iraq</b>
	Implementing a New Budget Classification
	<b>Sudan</b>
	Preparing for Treasury Single Account Reforms
STA	<b>Afghanistan</b>
	Producer Price Index
	<b>Djibouti</b>
	National Accounts Statistics
	<b>Jordan</b>
	Compilation of the 2016 Supply and Use Tables
	<b>Lebanon</b>
	National Accounts Statistics

## New Staff

METAC recently welcomed two PFM advisors, boosting its capacity to deliver technical assistance in this core area of its services.

Mr. Benoit Wiest joined METAC on October 1. He has 15 years of experience in various PFM areas. Previously, he was an economist at the IMF's Fiscal Affairs Department, where he coordinated and delivered PFM TA in Africa and South East Asia. He also held the position of IMF fiscal economist for Côte d'Ivoire. Before he joined the IMF, Mr. Wiest held various positions at the Financial Audit team at the French Court of Accounts, and was an auditor in the private sector. He holds a master's degree in PFM from Paris-Dauphine university and is an alumnus of Sciences-Po Paris and Paris 2 Panthéon-Assas.



Mr. Jonas Frank, a German national, joined METAC on November 1. He has 20 years of professional experience on a wide range of PFM issues. Previously, he was Deputy Head of the Macroeconomic Support Division at the Swiss Secretariat of Economic Affairs, overseeing operations in MENA, Eastern Europe, and Central Asia. He also worked for ten years at the World Bank, focusing on public investment management and fiscal decentralization, and co-led the Decentralization and Subnational Finance Thematic Group. Mr. Frank holds a Doctorate in Economics and Social Sciences from the University of Potsdam (Germany).



## IMF Online Courses

General information is available at: <https://www.edx.org/school/imfx>. Registration for online courses, available to government officials and, in some cases, to the public can be accessed at: <http://imf.smartcatalogiq.com>

Current and forthcoming courses include:

### Financial Programming and Policies, Part 2: Program Design (FPP.2x)

Language: English, Aug 28–Nov 27, 2019

Apply online by November 13, 2019

### Compilation Basics for Macroeconomic Statistics (CBMSx)

Language: English, Oct 9, 2019–Jan 8, 2020

Apply online by Dec 9, 2019

## Planned Activities: November – January

Country	Topic	METAC Staff	External Staff	Dates
<b>Banking Supervision</b>				
Regional	Basel III finalization: revised approaches to measure risk-weighted assets	Mr. Casier	Mr. Raskopf; Mr. Ashour	11/04-07
Regional	Draft Regional Note on Basel implementation in METAC countries	Mr. Casier	Mr. Raskopf	TBC
Afghanistan	Related-party transactions	Mr. Casier	Mr. Radi	12/15-19
Algeria	Supervisory Review and Evaluation Process	Mr. Casier	Mr. Bonte	11/17-21
Djibouti	Financial Sector Stability Review	Mr. Casier	N/A	01/15-17
Egypt	Basel II/III implementation	Mr. Casier	Mr. Raskopf	12/08-12
Iraq	Follow-up on capital adequacy regulation	Mr. Casier	Mr. Nasr	01/05-09
Libya	Capital adequacy regulation	Mr. Casier	Mr. Chattha	12/15-19
Morocco	ICAAP	Mr. Casier	Mr. Clanet	01/20-24
Tunisia	Basel II/III implementation: credit risk standardized approach	Mr. Casier	Mr. Bangratz	11/11-15
Tunisia	Consolidated Supervision	Mr. Casier	Mr. Barge	11/25-29
<b>Public Financial Management</b>				
Regional	Fostering shared prosperity in challenging times	Mr. Mansour Mr. Wiest	Ms. Beckman Mr. Gray Mr. Ismail Mr. Rosenberg Mr. Sadikov	11/03-04
Regional	Medium-term budgeting (at CEF)	Mr. Frank	Mr. Dubertret Mr. Steger	12/16-19
Afghanistan	Follow-up on fiscal costs and risks from PPPs	N/A	Ms. Funke Mr. Tenne	11/10-13
Djibouti	Institutional arrangements and capacity to develop MTBF and identify key fiscal risks	Mr. Wiest	TBC	01/07-16
Egypt	Support to update the FRS	Mr. Wiest	Mr. Wendling	11/17-21
Egypt	Development of capacity to assess fiscal costs and risks from PPPs	N/A	Ms. Funke Mr. Tenne	02/24-03/04
Lebanon	Fiscal risk management; budget preparation	Mr. Wiest	Mr. Steger	12/4-13
Libya	Development of the macro-fiscal function (1/2)	N/A	Mr. Snoek	11/04-07
Libya	Development of the macro-fiscal function (2/2)	TBC	TBC	TBC
Morocco	Review of cash management arrangements	Mr. Wiest	Mr. Roudeau	01/26-02/06
Sudan	Development of institutional arrangements and capacity to identify and monitor fiscal risks	N/A	Mr. Steger	11/17-27
Yemen	Training on budget preparation and transparency	Mr. Frank	Mr. Mungenast	11/15-19
Sudan	Development of institutional arrangements and capacity to develop a MTF	N/A	Mr. Ramadan	01/2020
<b>Revenue Administration</b>				
Regional	Tax expenditures in the Middle East and North Africa: Current Practice and Way Forward	Mr. Markov	Mr. Story	12/03-04
Afghanistan	VAT implementation and follow-up on the establishment of a VAT refund system	Mr. Markov	TBC	TBC
Morocco	Tax administration diagnostic mission	Mr. Markov	N/A	11/12-25
Jordan	Enhanced data analysis for customs selectivity, targeting system and compliance programs	Mr. Markov	TBC	TBC
Sudan	Compliance and institutional risks; develop a compliance improvement plan	N/A	TBC	TBC
Sudan	Further implementation of risk management within Sudan Customs Authority operations	Mr. Markov	TBC	TBC
<b>Statistics</b>				

Country	Topic	METAC Staff	External Staff	Dates
Regional	Supply-use tables	Mr. Alsammak	N/A	11/12-14
Regional	Supply-use, and input-output tables	Mr. Alsammak	Mr. Iommi	01/12-16
Egypt	Improvement of CPI and PPI	N/A	Mr. Jenkins	11/07-28
Egypt	Compilation of supply-use tables in volume terms and input-output tables	Mr. Alsammak	Mr. Ghanem	01/19-30
Jordan	Compilation of 2016 supply-use, and input-output tables and rebasing GDP	Mr. Alsammak	N/A	12/01-12
Tunisia	Development of sectoral financial accounts and balance sheets	Mr. Alsammak	Mr. Langenus	01/06-17

## Development Partners



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and Gaza



Yemen



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