



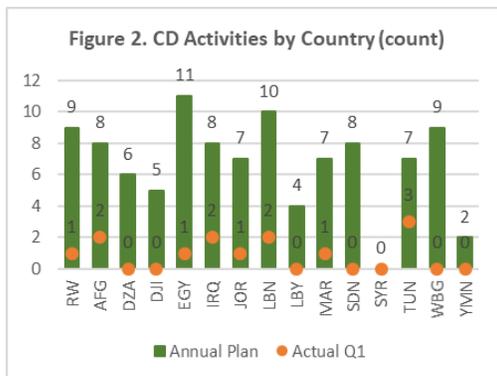
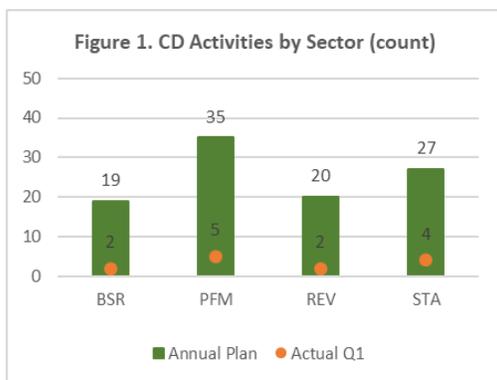
Middle East Regional Technical Assistance Center

Quarterly Newsletter
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Key Highlights

METAC delivered 13 capacity development (CD) activities in the first quarter (Q1) of fiscal 2020 (FY20), representing about 13 percent of its annual plan (Figures 1, 2), and 11 percent of its resources in person-days. This relatively low execution rate reflects seasonal factors, including Ramadan, which took place during May 2019. A faster delivery pace is expected in Q2—although activities in countries with heightened security may be slow during the year, especially in Sudan and Algeria.



Key results in Q1 included the following:

- **Afghanistan's** customs officials benefited from a study tour to Jordan Customs, to learn about design and implementation of risk profiling.

- **Egypt** continued to progress in implementing Basel III rules.
- **Iraq** devised a plan for the provision and monitoring of government guarantees, which have become important over the past decade. The statistics agency progressed toward upgrading its consumer and producer price indices to reflect international practice.
- **Jordan** accelerated its work toward producing supply-use, and input-output tables—a significant milestones in improving GDP measurement.
- **Lebanon** made some progress toward increased transparency in budget accounting of financial instruments, and management of risk related to public-private partnerships (PPPs)—an issue that will gain importance in coming months and years.
- **Tunisia** progressed toward implementation of consolidated banking supervision. It also reached an important milestone in integrating (and clarifying) the roles of its Central Bank and Ministry of Finance in cash management.
- **PFM reforms in the region over the past decade were discussed** at a regional workshop, organized jointly with the PEFA Secretariat and the IBP. Among the key challenges in coming years, government officials noted the following: modernizing PFM laws; managing fiscal risks of PPPs, state-owned enterprises (SOEs) and government guarantees; improving budget transparency; and scaling up CD activities in fragile states to better support state building.

METAC's steering committee met on June 13. It reviewed FY19 execution and approved the plan for FY20. It also discussed in depth how CD to fragile states (half of METAC's countries) can be made more effective.

Technical Assistance and Training

BANKING SUPERVISION

Egypt

METAC provided capacity building to the staff of the Central Bank of Egypt (CBE) and assisted in implementing the Basel III capital adequacy framework. It reviewed the CBE's roadmap and held extensive discussion with CBE staff to identify the main operational issues, provide practical guidance and advice on implementation, and assess future technical assistance needs. Experts assessed the CBE's draft consultative paper on operational risk. They also provided training on the following topics: (i) latest developments in Basel and implementation considerations, (ii) capital requirements, (iii) credit risk standardized approach, (iv) market risk standardized approach, (v) operational risk standardized approach, (vi) leverage ratio, and (vii) disclosure requirements.

Tunisia

METAC continued its support to the Central Bank of Tunisia in developing and implementing an internal capital adequacy assessment process, including: providing guidance to perform an in-depth assessment of governance, processes and procedures, and implications on banks' profit and loss and on risk measurements; providing training to the banking inspectors to build their supervisory capacity on market and liquidity risks and stress testing; and, issuing on-site examination guidelines. The guidelines accounted for the feedback received from the inspectors during the training regarding the difficulties they encounter with the performance of on-site inspections.

PUBLIC FINANCIAL MANAGEMENT

Iraq

Iraq is substantially exposed to fiscal risks related to the State's guarantees. The framework to control guarantees issuance has been strengthened by a decision of the council of Ministers in 2017, setting rules for the approval of guarantees. In addition, the recently adopted General Financial Management Law includes provisions aiming at improving budgeting and reporting related to these contingent liabilities. The stock of guarantees accumulated over the last 10 years remain significant and could further expand under the pressure of line ministries

looking for alternative sources to spend. In this context, METAC worked with representatives of key directorates involved in the management of guarantees to identify a set of actions to improve the control and monitoring of guarantees, and define an implementation roadmap. In addition, METAC coproduced with the authorities the structure of a guarantee registry to ascertain their magnitude.

Lebanon

METAC provided training on IPSAS related to financial instruments and their implications to the key stakeholders of fiscal reporting (Debt, Accounting, and Treasury departments), and discussed possible development of balance sheet information related to financial instruments. This work is part of an ongoing project, which started in 2016, to improve the government's financial reporting practices. It is carried out in collaboration with a governmental working group in charge of implementing the Cash-Basis IPSAS.

METAC has designed a medium-term capacity development project to develop the human and institutional capacities to assess and manage the fiscal implications of public private partnership (PPP) projects. A METAC expert mission prepared a roadmap to (i) further clarify the roles and responsibilities of the Ministry of Finance in the management of PPPs, (ii) include PPPs within the budget process and documentation, and (iii) set up mechanisms to identify and approve contingent liabilities arising from PPPs. Lebanon's low level of public investment and significant infrastructure needs could be partially met by PPPs, but the country has limited experience in this area; it needs to ensure that PPP projects provide the expected benefits, without jeopardizing the sustainability of public finances.

Tunisia

METAC fielded its third expert visit under the METAC's medium-term program aiming at strengthening the institutional and organizational arrangements related to cash management within the public sector in Tunisia. It reviewed the draft agreement between the Ministry of Finance and the Central Bank for the management of the Treasury Single Account (TSA) and facilitated the technical meetings between the two institutions. It also

updated the roadmap for strengthening cash management, with a focus on: (i) progress regarding treasury systems developments; (ii) development of cashflow forecasting, and (iii) status of the TSA design.

REVENUE ADMINISTRATION

Afghanistan

METAC organized a study visit for Afghanistan Customs Department's (ACD) officials to Jordan Customs on the implementation of risk management. During the study visit the ACD delegation learned about the practical implementation and experience of Jordan Customs in the following areas: risk management and selectivity, including multi-criteria risk profiling; ASYCUDA functionality supporting risk management; review of the enforcement actions and audit results and their implication on risk profiling, including relevant information technology support; identification of shipments for post-clearance audit; the Authorized Economic Operator program and the "Golden list" initiative; and the implementation of the single window. Two off-site visits to the airport and a company from the "Golden list", gave the participants in-depth view of the working of customs clearance processes at the airport, and how a private company benefits from being on the "golden list."

METAC has been helping the Afghanistan Revenue Department (ARD) in managing compliance risks. A short-term expert advised Single Large Taxpayer Office (SLTO) on developing a compliance improvement plan that uses a range of actions to mitigate identified risks. This methodology applies treatment strategies that are differentiated according to the particular risks to revenue that large taxpayers pose to the revenue base. It is expected to achieve improvements in compliance and a more effective use of human resources.

STATISTICS

Iraq

METAC organized a follow-up technical assistance mission on price statistics to the Central Organization of Statistics and Information Technologies (COSIT) of Iraq, in coordination with the IMF's fragile states module of the Enhanced Data Dissemination Initiative funded by the United

Kingdom's Department for International Development. The mission provided guidance, using COSIT data, in the compilation and methodological aspects for CPI and PPI to bring them further in line with international practice. The mission also provided training in using big data sources (web scraping and in scanner data) for price statistics.

Jordan

As part of a series of support activities to the Department of Statistics in compiling supply, use, and input-output tables for 2016, METAC provided further assistance in the following areas: refining estimates of trade and transportation margins and net taxes on products; aiding the staff to balance products; illustrating how to document balancing adjustments and set up a template for staff to follow; and fully installing and setting up the IMF's supply and use tables balancing tool.

Morocco

METAC conducted a scoping visit to the national accounts and price statistics teams at the *Haut Commissariat au Plan*. The purpose was to discuss collaboration opportunities with the authorities, including capacity development. Areas where METAC could support the authorities in national statistics include annual and quarterly sectoral balance sheets.

Tunisia

METAC continues to support *Statistiques Tunisie* in developing a full set of financial accounts. In collaboration with the authorities, it worked on the financial and non-financial corporations' sectors, with a special focus on the valuation of unlisted shares and other equity. Sectoral financial accounts contribute to better macroeconomic management as they offer a complete picture of the flow of funds in the economy. They also inform macroprudential policies by reporting the gross and net debt positions and evolutions of the domestic sectors and the interrelations between them.

Regional Workshops



METAC and FAD, the International Budget Partnership (IBP), and the Public Expenditure and Financial Accountability (PEFA) Secretariat concluded a regional workshop on “strengthening public financial management (PFM) in the Middle East and North Africa (MENA): lessons learnt from recent initiatives, medium-term outlook, and the role of analytical tools”. Delegations from 10 countries (Afghanistan, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, and Tunisia), along with representatives from the European Commission, UK’s Department for International Development, Canada, USAID, and civil society organizations, gathered in Amman to work together to: (1) better understand the impact of the political, social, and economic transformation over the last 10 years on PFM systems in the MENA; (2) share experiences of using key tools available to define and support the development of more resilient and inclusive PFM systems; (3) identify challenges and opportunities, and related capacity development needs. Mr. Xavier Rame, METAC PFM Advisor, concluded the workshop by highlighting that, overall and despite noteworthy progress in some countries, the alignment with international standards and practices for resource allocation, budget implementation, and accountability remains too often limited in the MENA region. In a context of limited fiscal space and heightened social expectations, fiscal institutions should be further strengthened to effectively support the design of sustainable policies, shed light on the full cost of public policy choices, enhance accountability, and address populations’ needs – especially the most vulnerable.



Following the workshop, and in a first-ever PEFA regional learning event in the MENA delivered in English, French and Arabic, Mr. Rame participated in a two-day training session led by the PEFA Secretariat, which gathered 71 participants from 14 countries and development partners from the MENA region.

Steering Committee Meeting



The Steering Committee of METAC met on June 13, in Beirut, to review the Center’s activities for fiscal year 2019 and discuss its workplan for 2020. Officials from 10 member countries attended the meeting, together with representatives of development partners that support the Center—Germany, Switzerland, the European Union, France, and the Netherlands.

In his opening remarks, Mr. Wassim Manssouri, Advisor to the Minister of Finance of Lebanon and chairperson of the meeting, noted that the region continues to face macroeconomic challenges, and that METAC plays an important role in helping countries address them. He stressed the importance of the collaboration between the IMF, member countries, and development partners in building effective institutions for macroeconomic management through hands-on technical advice and peer-to-peer learning.

Mr. Mario Mansour, the Center’s Coordinator, noted that METAC realized nearly 100 percent of its workplan for FY2019, ensuring strong support for members’ reform and institutional building efforts.

He added that the Center continued to show flexibility in managing its workplan to respond to urgent needs, but cautioned that countries should learn to more effectively address delays in implementing reforms, even when such delays are due to external factors. Mr. Mansour presented METAC's workplan for FY2020, which foresees an increase in capacity development in public financial management and regional workshops oriented towards assessing countries' medium-term needs for capacity development.

Participants in the meeting had a lively debate on how to improve reform traction and political commitment in fragile states, following a presentation by Ms. Vicky Perry, Deputy Director at the IMF. Some participants stressed the importance of taking a long-term perspective in cases of fragility, others emphasized a practical and marginal approach focused on the core activities of central agencies, and others stressed the importance of outreach to policymakers to address political-economy constraints and instill more transparency in the conduct of reforms. Development partners encouraged METAC to seek ways to improve reform traction in fragile states, including through outreach activities to parliamentarians and other stakeholders.

Participants appreciated the additional information provided during the Steering Committee meeting, which included: the IMF's medium-term capacity development strategy (by Mr. Roger Nord, Deputy Director at the IMF); medium-term economic perspectives and policy challenges in the METAC region (by Mr. Gavin Gray, Deputy Division Chief at the IMF); and further details on reform progress in METAC's member countries using the IMF's results-based management framework (by METAC's Resident Advisors).

Analytical Corner

Rebasing GDP: Why Has It Become So Popular? In a growing number of low- and middle-income countries, updating GDP estimates has led to significant revisions upward. Governments often welcome these revisions because they, seemingly overnight, improve macroeconomic indicators, such as reducing debt-to-GDP ratios and increasing GDP per-capita. But is this real? Why does this happen and what are the downsides? [A recent IMF video explains](#) (ctrl and click to follow link).

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, August 28 – Oct 16, 2019

Apply online by August 21, 2019

Financial Programming and Policies, Part 1: Macroeconomic Accounts and Analysis (FPP.1x)

Language: Arabic, May 1 – Oct 31, 2019

Apply online by October 17, 2019

Macroeconomic Diagnostics (MDSx)

Language: English, Oct 16 – Nov 27, 2019

Apply online by October 9, 2019

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 @ www.imfmetac.org

Banking Supervision	Djibouti
	Compte-Rendu d'Assistance Technique dans le Domaine de la Supervision Bancaire
Public Financial Management	West Bank and Gaza
	Supporting the Development of the Macro-Fiscal Unit's Capacity
Revenue Administration	Egypt
	Implementing New Filing and Payment Procedures: Progress and Challenges
	Jordan
	Implementing a Binding Rulings System
	Compliance Improvement Plan
	Lebanon
	Introducing Compliance Risk Based Management
	Sudan
Further Roll-Out of Risk Management Across Sudan Customs	
Statistics	Egypt
	Improving the Compilation of Price Statistics
	Iraq
	National Accounts Statistics
	Jordan
	National Accounts Statistics
	Compilation of National Accounts
	Sudan
	Price Statistics
	Tunisia
	National Accounts Statistics
	West Bank and Gaza
National Accounts Statistics	

Planned Activities: August - October

Country	Topics	Resident Advisor	Short-Term Expert	Tentative Dates
Banking Supervision				
Iraq	Training on Basel III capital adequacy framework	Mr. Casier	Mr. Nasr	09/02-06
Tunisia	Basel III credit risk standardized approach	Mr. Casier	Mr. Bangratz	09/16-20
Algeria	Follow up on supervisory review and evaluation process	Mr. Casier	Mr. Gomez	09/22-26
Libya	Training on risk-based supervision of Islamic banks	Mr. Casier	Mr. El Radi	10/06-10
Public Financial Management				
Afghanistan	Review of cash planning and forecasting models	N/A	Mr. Williams; Ms. Wilkinson	09/16-20
Afghanistan	Follow-up on fiscal costs and risks from PPPs	N/A	TBC	10/21-25
Libya	Development of the macro-fiscal function	N/A	TBC	TBC
Egypt	Support to update the fiscal risk statement	TBC	TBC	10/06-17
Regional Workshop (CEF-FAD)	Strengthening Budget institutions	TBC	N/A	10/20-24
Egypt	Development of capacity to assess fiscal costs and risks from PPPs	N/A	TBC	TBC
Djibouti	Follow up on TSA and cash management	N/A	TBC	TBC
Iraq	Support the design of a framework for guarantees and on-lending loans	N/A	TBC	TBC
Jordan	Development of capacity to identify and monitor key fiscal risk	N/A	TBC	TBC
Libya	Development of the macro-fiscal function	N/A	TBC	TBC
Morocco	Fiscal Risk Management from Public Corporations (follow-up)	N/A	TBC	TBC
Morocco	Review of cash management arrangements	N/A	TBC	TBC
Sudan	Development of institutional arrangements and capacity to identify and monitor fiscal risks	N/A	TBC	TBC
Sudan	Development of institutional arrangements and capacity to develop a medium-term fiscal framework	N/A	TBC	TBC
Sudan	Follow up on TSA/cash flow forecasting	N/A	TBC	TBC
West Bank and Gaza	Development of institutional arrangements and capacity to develop a medium term budget framework	N/A	TBC	TBC
West Bank and Gaza	Capacity development in the macro-fiscal area	N/A	TBC	TBC
Revenue Administration				
Lebanon	Follow up on the development of a compliance improvement plan	Mr. Markov	Mr. Howlin	08/26 – 09/06

Country	Topics	Resident Advisor	Short-Term Expert	Tentative Dates
Jordan	Development of an independent and effective tax dispute resolution process	N/A	Mr. Woods	09/02-12
Jordan	Development of a tax audit processes using risk-based approaches, diverse audit types and duration, and sectoral specialization of the audits	N/A	Mr. Martens	09/02-12
Algeria	Follow-up on analysis of stock of tax arrears and development of strategies for reduction and prevention of arrears	Mr. Markov	Mr. Bosh	09/22-10/03
Egypt	Identify, assess and rank compliance risks in Customs and develop a compliance improvement program to mitigate risks	Mr. Markov	TBC	TBC
Jordan	Improvement of Customs selectivity, targeting system and compliance programs through enhanced data analysis capacity	Mr. Markov	TBC	TBC
Statistics				
Egypt	Reconciliation of the annual national accounts and the supply and use tables	Mr. Alsammak	Mr. Campbell	07/28-08/08
Jordan	Update of the CPI index	N/A	Ms. Nygaard	08/18-22
Djibouti	Preparation of the documentation of sources and methods for the compilation of national accounts	N/A	Mr. Sory	09/08-19
Iraq	All positions in financial claims between resident institutions and nonresidents are included in the IIP	N/A	Ms. Sisik	09/08-19
Jordan	Compilation of 2016 supply and use tables	Mr. Alsammak	N/A	09/15-26
Lebanon	Implement quality assurance mechanisms for the annual national accounts	Mr. Alsammak	TBC	09/30-10/11
Jordan	Compilation of 2016 supply and use, and input-output tables	Mr. Alsammak	N/A	10/13-24
Egypt	Compilation of sectoral financial accounts	Mr. Alsammak	Mr. Manolikakis	10/27-31
Lebanon	Improve and expand the PPI; Update and revise CPI weights with new data	TBC	TBC	TBC

Development Partners



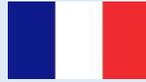
Germany



Switzerland



European
Commission



France



Netherlands

Members



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



Syria



Tunisia



West Bank
and Gaza



Yemen



Middle East Regional Technical Assistance Center

Bourie Bldg. No. 119

Abdallah Beyhum Street

Marfaa, Beirut

Lebanon

Tel: +961 (0) 1 963382

Fax: +961 (0) 1 963377

E-mail: metacss@imf.org

Website: <http://www.imfmetac.org>