

Key Highlights

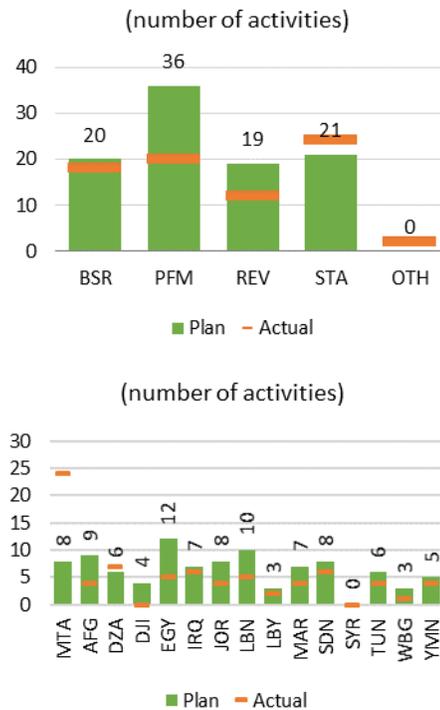
METAC supplied 19 capacity development (CD) activities to its members in Q3-FY2021.¹ The return to bilateral technical assistance continued to resume, after a first quarter dominated by regional webinars, where the primary role of METAC was to guide countries to deal with the immediate fiscal, monetary, and national statistics issues arising from COVID-19. A large share of the support provided in Q3 was in the public financial management (PFM) and revenue administration areas, and targeted issues related to fiscal risk assessment and recovery of revenue mobilization, including as they relate to the fiscal implications of the COVID-19 pandemic, and with a greater focus on the medium-term.

The Center continued its regional peer-to-peer learning activities with three webinars:² (1) continuity of external sector statistics during COVID-19, in particular how countries can record external aid flows to address the health implications of the pandemic; (2) principles and practices of risk-based banking supervision; and (3) the state of government finance statistics and public sector debt statistics in the region, and how METAC can provide support in improving transparency through better statistics, during its upcoming fifth five-year Phase (expected to start in January 2022).

Key achievements in Q3 at the country and regional levels included:

- **Morocco** continues to make progress in strengthening its analytical infrastructures to manage market risk of a more flexible exchange rate regime.
- **Algeria** started the implementation of key elements of its 2018 organic budget law, with program-based budgeting.

Annual Cumulative CD Activities at End January 2021³



- **Jordan** made substantial progress on the monitoring and transparency of trust accounts (i.e. individual accounts that run parallel to the budget to fund specific public or quasi-public services). The country also started a project with METAC assistance to improve tax compliance of large companies and self-employed professionals. The project aims at implementing a risk-approach to induce better self-compliance and higher revenue collections from audit and other actions by the tax administration.
- **Sudan** upgraded the weights and the base year of its consumer price index, leading to more accurate measurement of key inflation indicator.

¹ All CD in FY2021 has been delivered remotely.

² The first two are in collaboration with the IMF Center for Economics and Finance in Kuwait.

³ BSR: banking supervision; PFM: public financial management; REV: revenue administration; STA: statistics; and OTH: mainly general outreach. Country

codes are Algeria (DZA), Djibouti (DJI), Egypt (RGY), Iraq (IRQ), Jordan (JOR), Lebanon (LBN), Libya (LBY), Morocco (MAR), Sudan (SDN), Syria (SYR), Tunisia (TUN), West Bank and Gaza (WBG), Yemen (YMN), and regional activities (MTA).

Outreach

Steering Committee of the Arab Statistics Initiative (Nov 11)

At the invitation of the Arab Monetary Fund, Mr. Issam Alsammak, Real Sector Statistics Advisor at METAC, participated in the seventh (remote) meeting of the Steering Committee of the Arab Statistics Initiative (Arabstat). He presented on the pandemic's impact on real sector statistics and the IMF's response, including how METAC reacted to support its members to ensure continuity in publishing national statistics during periods of in-country restricted movements.

Webinars

Compilation of External Sector Statistics during the COVID-19 Pandemic (Nov 16-19)

A virtual regional workshop on the "Compilation of External Sector Statistics (ESS) during the COVID-19 Pandemic" was conducted jointly with the Center of Economics and Finance (CEF). The workshop focused on (i) the implications of the pandemic on the collection, compilation, and dissemination ESS; (ii) ways to address the challenges to ensure the continuity of ESS; and (iii) provide practical guidance to participants on the recording of transactions related to COVID-19 debt relief. Thirty-three officials from fifteen countries attended the workshop.

Government Finance Statistics and Public Sector Debt Statistics (Dec 15)

METAC and the IMF Statistics department hosted a regional webinar on Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS) for decision and policymaking. Participants benefitted from an overview of the internationally-accepted framework for compiling and disseminating GFS and PSDS and discussed the challenges they face, which varied from basic compilation of central government fiscal statistics to data consolidation for a broad definition of government and its entities. The webinar was attended by development partners, and revealed possibilities and priorities to enhance capacity building efforts towards broader and better GFS and PSDS compilation in the region. The lessons from the webinar will be used to

draft a METAC *Regional Note* and inform its capacity development planning over the next few years.

Risk Based Supervision (Jan 18-21)

METAC and CEF jointly organized a webinar on "Risk Based Banking Supervision". The workshop provided 50 participants from 15 countries a forum to exchange views and experiences on key elements of risk-based banking supervision. Using a combination of lectures and case studies, participants sharpened their technical skills in (i) analyzing the key principles and success factors for implementing risk-based supervision, and identifying interactions with Pillar 2 of Basel II, (ii) evaluating banks' risk profiles, in particular assessment of credit, liquidity, market and operational risks, (iii) assessing banks' governance frameworks, and (iv) considering how stress tests could be used to assess a bank's resilience to the COVID-19 shock, including preliminary results from central banks' experiences in the US, UK, and the EU.

Technical Assistance and Training

BANKING SUPERVISION

Egypt (Oct 11-Jan 15)

METAC continued its support to the Central Bank of Egypt (CBE). This activity focused on enhancing market discipline through public disclosures which are consistent with Basel III (Pillar 3). This pillar was designed to incentivize banks to implement sound and robust risk management. METAC's experts held several virtual meetings with CBE senior management to explain recent changes to Basel Pillar 3 disclosure requirements, and mapped them against Egypt's current guidelines. They identified 42 disclosure requirements (out of 80) relevant to Egypt. The CBE will undertake an internal review of the draft regulation, consult with the banking sector, and perform a Quantitative Impact Study. When the draft regulation is completed and issued, it will improve public disclosure requirements enabling market participants to access key information on a bank's regulatory capital and risk exposures, and increase transparency in a bank's exposure to risks and the adequacy of its regulatory capital.

Morocco (Nov 2-6; Jan 30-Feb 5)

These two activities supported Bank Al-Maghrib (BAM), Banking Supervision Department (BSD), to improve its market risk supervision capacity, following the authorities' decision to move to a more flexible foreign exchange rate regime. During the first activity, METAC assisted BSD to address and answer banks' comments on the revised ICAAP regulation, identified the regulations that require adjustments in order to further enhance the supervision of market risk, reviewed the current market risk prudential reporting, and organized workshops with BSD staff in charge of on-site and off-site supervision in order to understand how they supervise market risks and identify how they could strengthen their effectiveness.

During the second activity, METAC assisted in the development of methodological guides in the following areas: (i) market risk, (ii) liquidity risk, and (iii) interest rate risk in the banking book. The guides contain supervisory attention points, tools and procedures to be followed by BSD's on-site and off-site supervisors to analyze and assess the adequacy and effectiveness of banks' risk management framework. The guides focus on strengthening the effectiveness of the supervisory actions and provide additional criteria in the current risk assessment and scoring methodology (which is currently transitioning to a full SREP-like approach).

Tunisia (Nov 23-27)

METAC continued its support to the Central Bank of Tunisia, General Directorate of Banking Supervision, to develop its capacity to assess banks' asset quality, through planning for the performance of an asset quality review (AQR) in 2021, including the design of a loan tape format aimed at supporting the performance of an AQR and drafting an AQR methodology, paying attention to adopting harmonized assessment methods and criteria. Emphasis was on: (i) implementing a thorough cash-flow analysis at the appropriate level; (ii) assessing debtors' solvency condition on "a going concern" basis only if the repayment capacity allowed for repayment with a reasonable time horizon; (iii) adopting "liquidation approach" where such repayment capacity was not granted; (iv) adopting a

harmonized but prudent approach in assessing value and effectiveness of collateral and guarantees; and (v) conducting all such assessments at debtors-group's level where repayments are dependent on an exclusive or predominant cash-flows source. The experts also issued reporting templates aimed at simplifying reporting and aggregating AQR outcomes, to address additional provisioning needs, losses occurred from the implementation of the liquidation approach, and impacts on risk-weighted assets on Tier 1 capital and on the solvency ratio.

PUBLIC FINANCIAL MANAGEMENT

Afghanistan (Nov 25-Dec 14)

METAC supported the Ministry of Finance to strengthen its fiscal risk function. The absence of proper mitigation measures for key risks, currently leads to an excessive use of the contingency budget and cash buffers. To improve fiscal risk disclosure, the Ministry should add a quantitative element to its fiscal risk analysis (and disclose it in its annual Fiscal Strategy Paper), particularly in relation to the largest state-owned enterprises—where there is an urgent need to improve quality and timeliness of financial information availability. Fiscal risks related to public-private partnerships will increase in coming years, as 20 additional projects are in the pipeline for negotiation and execution. The Ministry should also disclose contingent liabilities to enhance awareness among parliamentarians on medium-term fiscal implications.

Algeria (Nov 16-26; Jan 28)

A joint activity with the IMF's Fiscal Affairs Department (FAD) assisted the Algerian authorities in program-based budgeting and management of fiscal risks from state-owned enterprises (SOEs). Both of these reforms are part of a broader agenda led by the Ministry of Finance to implement the Organic Budget Law (OBL) voted in 2018. Building on the important progress the authorities made in program-based budgeting, the mission worked with authorities to define a coherent and realistic set of actions to take toward full implementation. Regarding surveillance of SOEs, the mission helped define the next steps to better collect financial data from key SOEs and developed

capacities to perform quantitative and qualitative analysis of financial information.

This activity included a three-day workshop for senior officials from the Ministry of Finance on: (i) benchmarking and good practices in implementation of program-based budgeting; (ii) practices from neighboring countries on surveillance of SOEs; and (iii) introducing FAD's SOE financial performance tool, with a real example—and how it can be adapted to the Algerian context.

METAC provided support to the IMF Article IV consultations with the authorities, on the analysis of fiscal risks of state-owned enterprises. The support covered a discussion with key internal stakeholders of the current financial situation of state-owned enterprises, solutions to monitor their performance the risk they pose to the budget, and avenues for further capacity development from METAC. The key output of this support was an annex on fiscal risks of state-owned enterprises in the IMF staff report for the Article IV. This activity is part of a broader strategy to drive further the integration of METAC's CD activities in the broader work on macroeconomic surveillance of the IMF.

Iraq (Dec 7-21)

METAC supported the Ministry of Finance of Iraq to strengthen the management of guarantees, a source of significant fiscal risk. It provided assistance to enhance the existing guarantee registry so that it facilitates comprehensive financial monitoring. One of the key challenges for the Ministry is to assess the timing and likelihood of a guarantee being called, and to devise payment plans consistent with medium-term fiscal planning.

Jordan (Sep 28-Nov 18)

METAC supported the Ministry of Finance to improve monitoring and reporting of financial activities in trust accounts, which are a non-negligible source of fiscal operations and risks. In order to improve oversight, statistical information should be directly captured from trust accounts on a monthly basis, so that all transactions with third parties are accounted for directly and in a timely manner. The use of the GFSM 2014 standard would provide for consistency of accounting and reporting, together with conducting regular reconciliation

exercises. Finally, in terms of transparency, METAC recommended that trust accounts should be included in the budget, especially when they are used to fund service delivery, in order to enhance parliamentary oversight.

Tunisia (Dec 8-Jan 8)

METAC provided support to the IMF Article IV consultations, focusing on the financial situation and implications of SOEs. This was also an opportunity to discuss more broadly with officials from the Ministry of Finance technical assistance in this area. METAC's key outputs consisted of a presentation to senior officials on good practices in monitoring and reporting on SOEs, and an annex on this issue for the Article IV report.

REVENUE ADMINISTRATION

Algeria (Jan 4-28)

METAC continued its support to the General Directorate of Taxes (DGI) on tax debt stock analysis and development of strategies for debt reduction and prevention. The mission found that the build-up of tax arrears is concentrated in small taxpayers, and that it has increased in 2020 to over 200 percent of annual revenues. The active management of almost all tax debts has stalled due to the pandemic. To slow the accumulation, a major re-scheduling of tax debts was recommended, for taxpayers affected by the pandemic, together with tighter controls over non-filing of recurrent obligations (VAT and wage tax). The mission also recommended to engage debtors early on, especially those with a history of non-payment, and to maximize collections of tax debt before applying enforcement measures.

Iraq (Jan 10-31; Jan 17-Feb 4)

METAC continued its support to the General Commission for Taxes (GCT) on management and governance arrangements for a new tax IT system. There are significant delays in implementing previous advice, due to the fact that the current contract has not been signed and cooperation with the IT supplier has been cancelled. As such, METAC recommended that the authorities issue a new tender and redesign and validate a new IT strategic plan; it also mentioned the importance of not funding the IT system implementation and operation by increasing taxes.

METAC advised the General Customs Authority (GCA) on the development and application of procedures for valuation, origin and tariff classification of goods. Iraq's trade system is heavily regulated; the goods clearance process demands a large volume of documents, most of which are paper based. An IT system to support new business procedures meeting international commitments and standards is needed. METAC recommended that GCA should (i) review the legal and regulatory framework for customs; (ii) implement a modern customs transactions processing IT system to support operations (strengthen compliance, secure borders, combat fraud and corruption, improve productivity); and (iii) accelerate its recent bid to join the World Trade Organization. To achieve the above, a comprehensive strategic plan should be prepared, and a modernization project office should be created to be responsible for managing and monitoring all the reform activities and coordinate technical assistance from various donors.

Jordan (Dec 2-16)

METAC supported the Income and Sales Tax Department (ISTD) of Jordan to develop compliance improvement plans for the Large Taxpayers Department and the Free Professionals Department. This activity focused on commencing the process of preparing the plans; a second activity in March/April 2021 will assist ISTD in finalizing them and readying them for implemented. Key recommendations included that compliance improvement should be based on a greater level of large taxpayers' risk analysis, and, for professionals, that the ISTD should formulate a clear picture of high risk sectors as well as a thorough understanding of how actual compliance (and its risks) relate to the profile and actions of non-complaint taxpayers.

STATISTICS

Afghanistan (Oct 11-Nov 19)

METAC assisted the National Statistics and Information Authority (NSIA) to develop quarterly national accounts (QNA). Training was provided to 14 staff on concepts and methods of compiling QNA. Existing sub-annual statistics were assessed by measuring their benchmark-to-indicator ratios and

correlations with the annual estimates. The NSIA will continue to investigate issues discovered in order to increase the coverage and quality of quarterly indicators.

Iraq (Oct 25-Feb 4)

METAC assisted the Central Organization of Statistics and Information Technologies (COSIT) of Iraq to set up a system to compile supply and use tables. It provided training on key concepts and helped develop a supply-use classification framework and organize the source data files.

Sudan (Oct 18-Nov 29; Jan 10-Feb 7)

These two CD activities assisted the Central Bureau of Statistics (CBS) to update the consumer price index (CPI). Key outcomes included: (i) updating the weights and the product basket to 2014/15; (ii) producing the CPI with a new base year and advising on how to produce an index series for long-term analysis; and (iii) training on CPI compilation methods. Significant progress has been made, and the CBS expects to publish a new CPI in the second quarter of 2021.

Analytical Corner

A new IMF paper ([here](#)) explains why governments in the Middle East, North Africa, and Caucasus and central Asia (MECA) should undertake governance and anti-corruption reforms. Strong governance is associated with better economic performance—higher growth, lower inequality, higher revenues, more efficient spending, higher private investment, etc.—while poor governance and corruption diminish public trust in governments and institutions, feed public anger, and trigger uprisings and political instability—leading to poor economic performance. The paper is relevant to METAC's support to its members in several areas, including, fiscal risk management, governance of central banks and state-owned enterprises, equitable application of tax rules by tax administrations, and credible and timely publications of national accounts.

Effective cash management has become more relevant in the context of COVID-19. A note by IMF FAD ([here](#)) explores practical ways to set up cash buffers, and discusses their roles in managing cash balances and mitigating

liquidity risks. The note also provides examples of country practices.

It is estimated that countries lose on average one-third of potential benefits from public infrastructure investments due to inadequate project selection and execution. A new [Infrastructure Governance Portal](#) shows how the IMF can assist countries to improve infrastructure governance using analytical tools such as Public Investment Management Assessment (PIMA) and Public-Private Partnerships Fiscal Risk Assessment Model (P-FRAM). The portal also features IMF publications, seminars, and good practices. Visitors can access cross-country comparisons from a rich dataset and indicators on infrastructure investment.

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>

Technical Assistance Report

The following 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

Public Financial Management
Iraq: Guarantees and Extra-Budgetary Funds Management - September 2020
Egypt: Improving Surveillance of State-Owned Enterprises - September 2020
Sudan: Fiscal Risk Advisory - September 2020
Revenue Administration
Afghanistan: Risk Management in the Afghan Customs Department – October 2020
Iraq: Management Arrangements and Implementation of New Tax Information Technology System – November 2020
Sudan: Follow-up Technical Assistance on Improving Compliance Risk Management – November 2020
Statistics
Iraq: Producer Price Index - September 2020
Sudan: National Accounts - November 2020
West Bank and Gaza: Compilation of Input-Output Tables - September 2020

Planned Activities during February-April

Country	Topic and Lead METAC Advisor	Dates
Banking Supervision and Regulation– Mr. Didier Casier		
DJI	Risk-based supervision	03/13-20
EGY	Update of Large Exposures framework	02/28-03/18
MTA	Webinar on gender-balanced leadership and recruitment	03/08
MTA	Webinar on awareness creation on climate change	04/20
SDN	Risk-based supervision	02/07-14
SDN	Risk-based supervision	03/21-28
Public Financial Management – Mr. Jonas Frank		
AFG	Follow-on support on fiscal risk: budgetary treatment of SOE financial support	03/15-25
JOR	Developing a reporting system on trust accounts	03
LBN	Finalizing the pilot ministerial gender budget statement of the Ministry of Agriculture	03/01-12
SDN	Gaps to achieving consistent monthly reporting on budget execution	04
SDN	Joint HQ-METAC Mission: support treasury by improving effectiveness of the TSA	03
YMN	Linking projected cash flows to allocations and commitments approval	03
YMN	Reinstating the cash management unit and creating cash management committee	04
Public Financial Management – Mr. Benoit Wiest		
DZA	Support to implement the provisions of the new organic budget law related to program-based budgeting	02/08-26
EGY	Treasury Single Account and cash management	02/15-19
LBN	Development of the institutional framework for governance and transparency of public corporations	03/15-21
LBN	Workshop on fiscal governance	04/12-16
MAR	Fiscal risk management from public corporations	03/08-19
MTA	Conduct a regional PFM reform and PEFA training at CEF	03/01-04
TUN	Development of institutional arrangements and capacity to develop a MTFF	04/04-10
Revenue Administration – Ms. Fadia Sakr		
AFG	Follow-up on VAT implementation in the Customs Department	02/07-25
AFG	Identifying issues with VAT implementation and advise on mitigation actions in the Revenue Department	02/07-03-07
EGY	Follow-up on development of compliance risk management function	02/14-28
EGY	Advice on the usage of the Management Information System (MIS) for better evaluation	03/22-04/11
JOR	Follow-up on the development of a compliance improvement plan for LTO and for free	03/14-31
LBN	Follow-up on the development of a strategy for debt reduction and debt prevention	04/07-28
LBN	Follow-up on how to identify, assess and prioritize compliance risks	04/18-30
MAR	Development of a structure and governance arrangements for sound compliance risk management	03/01-15
SDN	Implementation of compliance risk management in the administration of excise duties within Sudan Customs Authority	02/15-03/04
Statistics – Mr. Issam Alsammak		
DJI	Back casting the national accounts	02/14-25
EGY	Compilation of financial accumulation accounts and balance sheets	03/14-25
JOR	Develop compilation system for annual national accounts	02/28-03/11
LBN	Institutional sector accounts	04/19-30
MTA	Regional workshop on national accounts	04/04-08
WBG	Chain-linking the national accounts	02/21-25

MEMBERS



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



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Gaza



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DEVELOPMENT PARTNERS



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