



Key Highlights

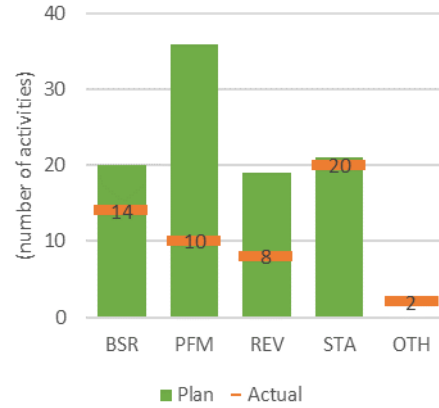
METAC continued its strong support to its members during Q2-FY2021, with 26 capacity development (CD) activities focusing primarily on COVID-19 related issues, and including business continuity, policy implementation to address the impact of the pandemic, and medium-term strategies to recover from it.¹ Unlike the first quarter of the fiscal year, which was marked by a flurry of regional webinars dealing with pandemic issues, the second quarter saw a gradual return to bilateral technical assistance.²

The center held a webinar with member countries on how customs strategies can improve revenue mobilization. The results of the webinar will help METAC plan its revenue administration support to members during its fifth five-year phase (expected to span January 2022 – April 2027). Revenue mobilization will be central to the recovery period in the medium term as countries recover lost revenue, and address potentially lasting changes to their tax revenue structures.

Key achievements in Q2 at the country and regional levels included:

- METAC participated in the **United Arab Emirates** Young Economist Program, delivering two lectures to 50 individuals on the role of tax policy and medium-term budgeting in fiscal management. The purpose of the program (details [here](#)) is to encourage young Emirati professionals pursue careers in economics, and educate them on various practical aspects of economic management.
- Engagement with **Yemen** has been scaled up, with activities now spanning PFM, banking supervision, and statistics, all

Annual Cumulative CD Activities at End October 2020³



focused on helping the country rebuild basic macroeconomic management functions.

- **Egypt** updated its Fiscal Risk Statement to reflect recent developments, including the COVID impact on public finances and the mitigation measures the authorities have taken.
- **Jordan** progressed in implementing a tax disputes resolution process, by creating an independent Objections Division separate

¹ As in Q1, all activities were virtual.

² Activities tended to be shorter in length than those before the pandemic and focused on short-term issues.

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).

from the audit function, and started analyzing the causes of disputes. In time, this function will improve efficiency by reducing the stock of tax disputes and reallocating resources to better uses.

- **Sudan** drafted a business continuity plan establishing how its tax administration responds to an epidemic, drawing from international experience and its own COVID-19 lessons. The plan covers areas such as safeguarding critical functions (e.g. registration, filing, payment), ensuring the safety and health of employees, securing IT capital and its maintenance, clear remote work policies, and communication with taxpayers.

Outreach

United Arab Emirates Young Economist Program (Oct 10 and 24)

Mr. Mario Mansour gave a lecture to 50 participants in the UAE Young Economist Program (YEP), on the role of tax policy in economic management. The purpose of YEP (detail available [here](#)) is to encourage young Emirati professionals to pursue careers in economics in the public and private sectors. The lecture covered the role of taxes in state building, a brief overview of tax trends in the MENA region, and how the function of tax policy analysis is organized within ministries of finance. This outreach is part of METAC's effort to increase exposure to the public in the MENA.

Mr. Jonas Frank, Public Financial Management Advisor, addressed the same audience on the topic of budgeting. His lecture emphasized the principles of unity, universality, specificity, and annuality, and highlighted the features of modern budgeting, which is being increasingly embraced around the world—in particular medium-term fiscal and budget frameworks, and results-oriented budgeting. The lecture also reviewed key features of budgeting in the MENA, including the issue of “dual budgeting” which creates coordination challenges among ministries of finance and planning entities related to the budgeting of current and investment expenditures. He concluded that progress in transparent and modern budgeting in the MENA region is an unfinished reform agenda, despite progress in some countries,

as citizens demand higher accountability from public decision makers and politicians, and better public services.

Webinars

Customs Modernization Strategies for Improved Revenue Mobilization (Oct 28)

In collaboration with the IMF's Fiscal Affairs Department (FAD), METAC held a webinar on “Customs Modernization Strategies for Improved Revenue Mobilization” on October 28, 2020. The main objective was to discuss priorities and challenges in modernizing the revenue function of customs and share country experiences. Discussions were informed by the results of a questionnaire, which suggested the following (respondents included Afghanistan, Jordan, Morocco, Sudan, Tunisia and Yemen): (1) customs collections represent one-third of tax revenue on average, with VAT accounting for the largest share, followed by excises and the external tariff; (2) tax incentives related to various programs such as free economic zones, and valuation and post-clearance audit, are key operational challenges in terms of risk to the revenue base; and (3) key institutional challenges include human resource and information technology management (in particular ethic and integrity), strategic planning, and data collection, organization and analysis. The results of the webinar will be published in a METAC Regional Note and will serve as a basis for planning capacity development support over the next five years.

Residential Property Price Index (Sep 8)

The needs of policy makers for reliable and timely statistics on prices have increased, as they attempt to make timely decisions to lessen the impact of the COVID-19 pandemic on the welfare of citizens. The Residential Property Price Index (RPPI), which measures the change over time in the selling price of residential properties, provides the information to policy makers and markets more generally to assess the economic situation of real estate markets. This regional webinar on the RPPI illustrates the sources and methods to compile the RPPI, in accordance with the Practical Guide developed by the IMF and other partners. The Guide contains easy-to-use scripts that can be adapted to country data.

Technical Assistance and Training

BANKING SUPERVISION

Algeria (Oct 3-10)

METAC continued assisting the Bank of Algeria (BA)'s General Inspection Department (GID) in developing a comprehensive risk assessment and risk rating methodology for off-site supervisors to assess the risk profile of banks. During this activity, a review was undertaken of the risk assessment guides for ten significant risks that rely on the assessment of quantitative and qualitative risk factors and that have been developed by the GID project team. METAC proposed a methodology for determining the overall risk rating, and drafted a reporting format, i.e. the rating sheet, which will summarize the results of the off-site risk assessment process. Suggestions were also made about how to best calibrate the weights of risk factors by testing the off-site risk assessment methodology on a representative sample of Algerian banks. Once integrated in the supervisory process, this methodology will enhance GID's capacity to detect weak banks using early warning indicators—thus, allowing it to intervene more effectively at an earlier stage of the supervisory process.

Yemen (Aug 30-Sep 3)

A remote training, focusing on the required knowledge and capabilities to establish an effective on-site and off-site supervisory framework, and to strengthen risk-based supervision (RBS), was delivered to the Directorate of Banking Supervision of the Central Bank of Yemen. A preliminary assessment identified the elements of the supervisory framework that could be further improved and aligned with international standards and best practices. One of key outputs of this activity was the production of an action plan to strengthen banking supervision with a focus on RBS building blocks. This plan will serve as a basis for future technical assistance to Yemen.

PUBLIC FINANCIAL MANAGEMENT

Egypt (Oct 26-Nov 6)

A joint METAC-FAD mission supported the Egyptian authorities in updating their draft

Fiscal Risk Statement to reflect recent economic and fiscal developments, including the COVID impact, drawing on international experience to identify good practices and emerging trends. The update provides a more structured outline to discuss the main factors that may cause fiscal outcomes to differ from initial budget assumptions and forecasts, such as changes in the macroeconomic environment and the financial position of public corporations. It also summarizes the impact of the COVID crisis on public finances and the mitigation measures the authorities took. A special attention is also granted to long-term fiscal risks, such as demographics and climate change.

Morocco (Oct 26-Nov 3)

METAC continued its support in setting an analytical framework to analyze the fiscal risks associated with public-private partnerships (PPPs). At a workshop attended by more than 20 participants from the Ministry of Finance, the analysis provided in March 2019, which was based on simplified cases, was extended to a real PPP contract. The METAC team also discussed with participants and provided recommendations on the desired role of the budget department and the Treasury in strengthening the integration of PPPs in the public investment and the budget process.

Sudan (Oct 12-19)

METAC supported the MoF to assess fiscal risks from state-owned enterprises (SOEs). Gradually building up a comprehensive inventory of SOEs is a first important step towards more transparency. Timely and comprehensive financial reporting would allow fiscal risk assessments on operational profitability and balance sheet risks. The assessment of fiscal risk should initially focus on the largest SOEs and be expanded over time to smaller entities where build-up of risks is likely.

Yemen (Aug 31-Nov 10)

METAC and FAD supported the Ministry of Finance and the Central Bank of Yemen in rebuilding their PFM systems, in particular in the area of budget execution, to improve resource use and start building trust in the state. Twenty-six government officials from both agencies discussed and analyzed the

complementarity of cash management and commitment control, and how coordinating these two functions can help improve budget execution—especially oversight and transparency.

REVENUE ADMINISTRATION

Afghanistan (Aug 5-19)

METAC supported the Afghanistan Customs Department (ACD) with their implementation of compliance risk management. The TA consisted in developing risk criteria, defining effective relationships between the Risk Management Unit and other ACD structures, developing Key Performance Indicators, and communicating more effectively and more broadly risk management principles and objectives to ACD staff.

Egypt (Sep 6-Oct 3)

METAC supported the Egyptian Tax Authority in analyzing the main causes of the accumulation of disputed tax debts, including procedural and legal reasons, and advised on actions to reduce such debts. The support included advice on improving monitoring and management of disputed tax debts, including how changes to the ETA's procedures and practices may result in a reduction in tax debts. This support is relevant to the key tax administration elements of the Medium-Term Revenue Strategy, which Egypt's MoF is putting together with TA from the IMF FAD.

Jordan (Aug 8-20; Sept 15-Oct 6)

METAC supported the Income and Sales Tax Department (ISTD) of Jordan on progressing in the implementation of an effective disputes process. This is an ongoing project, which main objective is to improve fairness for taxpayers by ensuring that disputes are resolved independently and as quickly as possible—especially those that can be easily avoided. The ISTD is making good progress in this project, in particular: (1) creating an independent Objections Division separate from the audit function; (2) established a Dispute Analysis Division, which has already started analyzing the causes of disputes. This CD activity has also supported ISTD in developing capacity in establishing indicators to monitor the performance of the disputes process and identify improvements. An updated action plan

was prepared to further advance the implementation of this project.

METAC supported Jordan's customs in the application international standards for the valuation of goods and intangibles. The advice focused on cases of undervaluation of imports during the clearance process and post clearance audit. METAC also provided guidance to customs on how to apply World Trade Organization's Valuation Agreement Method 2 and 3 regarding transaction values of identical/similar goods and adjustments, including to intellectual property, and international practice on software licenses.

Sudan (Aug 10-27; Aug 31-Sep 17)

METAC assisted the Sudan Taxation Chamber (STC) in the implementation of a compliance risk management structure and processes. This is a follow-up activity, which took participants through the risk identification, assessment and prioritization processes, and how to develop mitigation/treatment strategies (using the cash economy as a case study). The compliance risks were addressed by tax type (e.g. VAT, CIT, PIT) and pillars of compliance (e.g. registration, filing, payment). Future TA will focus on how to identify, assess and mitigate risk by economic sector.

METAC also assisted the STC in developing a business continuity plan to maintain tax collections and critical tax administration functions during the COVID-19 pandemic. Following in-depth discussions of how the STC had so far addressed these matters under lockdown, a customized plan was prepared for approval by STC's Secretary General. The plan identified which functions (including support functions) were mission critical and would need to be continued in the event of a further wave of infections—or future similar events. It also addressed priorities in dealing with work backlogs caused by the closure of STC offices during the lockdown.

STATISTICS

Lebanon (Aug 6-7)

METAC assisted the Central Administration of Statistics of Lebanon in incorporating new quarterly data into the estimation of the output and value added of financial institutions. This was done on a very short notice from the

authorities to allow for timely production of quarterly GDP estimates, especially given the financial crisis that the country is going through.

Libya (Jul 20-30)

METAC assisted the Libyan Bureau of Statistics and Census to improve consumer price index (CPI) compilation methods and addressing continuity issues related to the COVID-19 pandemic. The assistance identified improvements to the collection of rent, demonstrated techniques to impute for missing prices and indexes, and identified potential sources to partially update CPI weights.

Morocco (Sep 8-Oct 9)

METAC assisted the *Haut Commissariat au Plan* of Morocco to begin development of producer price indexes for the service sector (SPPIs). It provided training on SPPI compilation to ten members of staff and set out an initial roadmap to guide staff in the compilation of SPPIs. The development of SPPIs will lead to a better understanding of the origins of inflation and their incorporation in the compilation of national accounts will improve the measurement of economic growth in volume terms in Morocco.

Sudan (Aug 16-27)

METAC reviewed the status of the national accounts. It assessed the sources and methods, and provided training to the national accounts staff on revising the GDP estimates using a supply-use framework.

West Bank and Gaza (Aug 9-13)

METAC assisted the Palestinian Central Bureau of Statistics to compile an input-output table (IOT) for economic modeling and analysis. IOTs allow analysts to model “what if?” questions at a detailed level, exploring the impact of exogenous changes in final demand on output. For example, “What is the effect on industrial output that would result from an increase in public expenditure to combat a recession or unemployment?” The compiled IOT was an industry-by-industry table based on the 2017 supply and use tables (SUTs) that were compiled and published in December

2019. As part of the process of compiling the IOT, the following tables were also compiled: SUTs at basic prices, imports use table, domestic use table, and Leontief inverse matrix.

Yemen (Aug 16-27)

METAC assisted staff of the Central Statistical Organization of Yemen to address missing observations in the CPI. It provided guidance on methods to measure price changes for items whose price collection was suspended for security or COVID-19 reasons. This included interpolating missing observations between January 2019 and March 2020, where only prices for food and tobacco were collected. Implementation of the recommendations will allow the CPI to better reflect inflation.

Analytical Corner

A new IMF paper (available [here](#), together with a blog [here](#)) estimates how COVID-19 has affected the measurement of inflation. Despite its finding that CPI weights underestimated inflation in the early months of the pandemic, it argues that a quick update of these weights to reflect the spending patterns during the pandemic would be impractical. The paper concludes that a better approach would be for statistical agencies to develop a supplementary index whose weights reflect spending patterns during the pandemic. This would give policymakers a better picture of the effect of inflation on the prices that consumers are actually paying.

An IMF working paper (available [here](#)) examined the relationship between revenue performance and the strength of tax administrations, using ISORA data.⁴ It finds that the operational strength of tax administrations is positively and significantly associated with higher tax revenue collection.

⁴ ISORA is the international survey on revenue administration, available [here](#).

New Staff

Ms. Fadia Sakr, a Lebanese national, joined METAC on September 14, 2020. She has more than 19 years of professional experience in revenue administration, of which 17 with the tax administration of Lebanon, covering a wide range of taxation issues, including tax policy design, compliance, audit, and strategic planning. In the past two years, Ms. Sakr was a resident expert with the Tax Authority of the Sultanate of Oman, where she helped in the regulatory and legislative areas, organization structure, development of information technology to support tax procedures, development of risk management strategies, and providing training to staff of the Authority. Ms. Sakr brings to METAC excellent communication skills as she has worked with parliamentarians and bilateral and international organizations, has a deep knowledge of the MENA region, and has private sector experience working part-time for big consulting firms on tax reforms in the GCC region.



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

| |
|---|
| Revenue Administration |
| Egypt: Strategic Planning and Performance Measurement in the Egyptian Customs Authority |
| Public Financial Management |
| Djibouti: Appui à l'amélioration des prévisions de trésorerie et à la mise en œuvre du compte unique du Trésor |
| Statistics |
| Tunisia: Financial Accounts |

Planned Activities during November-January

| Country | Topic and Lead METAC Advisor | Dates |
|--|---|-------------|
| Banking Supervision – Mr. Didier Casier | | |
| EGY | Credit and counterparty credit risk framework | 11-12-01 |
| EGY | Pillar 3 disclosures | 11-12-01 |
| MAR | Market risk supervision | 11/01-08 |
| MTA | Hands-on regional workshop on Risk Based Supervision | 01/18-21 |
| TUN | Development – strengthening banking regulation and prudential norms | 11/22-29 |
| Public Financial Management – Mr. Jonas Frank | | |
| AFG | Follow-on support PPP and fiscal risk: strengthened fiscal risk section in annual Fiscal Strategy Paper | 11/18-12/02 |
| IRQ | Disclosure and management of contingent liabilities and other specific risks are more comprehensive | 12/05-14 |
| JOR | Developing a concept for fiscal risk function and reporting | 01/25-02/03 |
| SDN | Gaps to achieving consistent monthly reporting on budget execution | 12/13-22 |
| Public Financial Management – Mr. Benoit Wiest | | |
| DZA | Support to implement the provisions of the new organic budget law related to program-based budgeting | 11/16-26 |
| DZA | Support to implement the provisions of the new organic budget law related to disclosure of fiscal risks | 11/16-26 |
| EGY | Development of the institutional framework for governance and transparency of public corporations | 12/01-15 |
| EGY | Development of capacity to assess fiscal costs and risks from PPPs | 12/07-11 |
| LBY | Development of the macro-fiscal function (1/2) | 01/04-15 |
| MAR | Review of cash management arrangements | 01/04-15 |
| MAR | Fiscal risk management from Public corporations | 01/18-29 |
| Revenue Administration – Mr. Stoyan Markov and Ms. Fadia Sakr | | |
| AFG | Follow-up on VAT implementation | 11 |
| DZA | Follow-up on tax arrears management | 11 |
| EGY | Follow-up on development of compliance risk management function | 01/17-28 |
| IRQ | Follow-up on the management arrangements and implementation of new IT system to support tax administration main business processes | 12 |
| IRQ | Advise on the development and effective application of procedures based on international standards for valuation, origin and the tariff classification of goods | 12 |
| JOR | Design and implementation of a tax audit quality assurance process | 01/31-02/18 |
| Statistics – Mr. Issam Alsammak | | |
| AFG | Backcasting the national accounts | 01/03-07 |
| DJI | Backcasting the national accounts | 01/10-21 |
| EGY | Compilation of financial accumulation accounts and balance sheets | 12/06-17 |
| JOR | Develop compilation system for annual national accounts | 01/31-02/11 |
| MTA | Regional workshop on balance of payments | 11/16-19 |
| MTA | Participation in the 7th Meeting of the Arab Statistics Initiative (Arabstat) | 11/11-12 |

MEMBERS



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



Syria



Tunisia



West Bank and
Gaza



Yemen

DEVELOPMENT PARTNERS



Germany



Netherlands



Switzerland



France



European
Commission



Middle East Regional Technical Assistance Center

metacss@IMF.org; IMFmetac.org