

Key Highlights

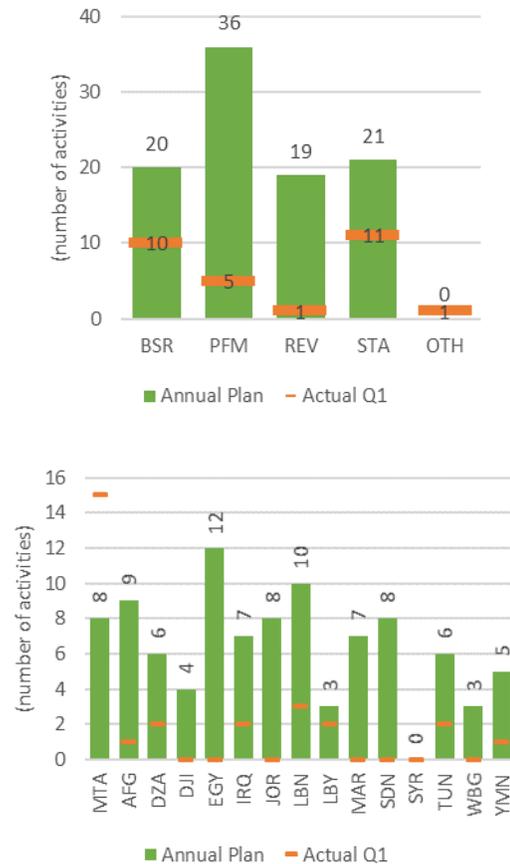
All METAC activities in FY21-Q1 were delivered remotely. In total, the Center organized 15 regional seminars and 13 country-specific capacity development (CD) activities (Figure 1). Remote activities are much shorter than standard mission activities, and hence are not directly comparable to the workplan—which is based on standard one- to two-week activities. However, in terms of full-time-equivalent (FTE) resources, the Center used about 11 percent of its annual resources in Q1, an effort similar to Q1 of last year.

Capacity development activities in Q1 addressed issues related to business continuity, especially in national statistics (price indices and quarterly GDP accounts), and banking supervision. In the PFM area, METAC assisted countries to update their medium-term fiscal frameworks, build various scenarios related to the economic implications of the pandemic, and broaden the social-safety nets to low-income households during the lockdown. Most countries introduced temporary tax measures (deferral and reduction in taxes) to relieve individuals and companies from paying taxes. A webinar organized jointly with the IMF Fiscal Affairs on how to safeguard revenue collection and compliance during COVID-19, suggests that most countries in the region are ill-equipped to deal with business continuity issues related to revenue collection, and that revenue for 2020 may be lower than expected, even after taking into account the preliminary impact of the pandemic.

METAC continued to adapt its capacity development during the pandemic, by structuring country activities to suit their constraints and capacities to implement policy, and to follow up on the advice provided by the

IMF and others. Some 30 CD activities are planned for Q2 (see description on page 8).

Figure 1. CD Activities in Q4-FY20¹



Key achievements in Q1 at the country and regional levels included:

- **Tunisia** improved banking sector business continuity (with a focus on liquidity contingency planning) to reflect pandemic-related risks.
- **Lebanon's** statistics agency compiled and published its consumer price index (CPI) for March, April, and May 2020, using

¹ 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), and Yemen (YMN). MTA includes regional workshops and outreach activities.

techniques to substitute for missing prices due to COVID-19 the lockdown, and drafted a statement on the impact of COVID-19 on the CPI. The Ministry of Agriculture drafted its first gender-sensitive budget statement.

- **Morocco** is developing a roadmap for recovery from COVID-19 consequences on the operations of its tax administration and revenue collection.
- All countries benefited from the regional webinars on business continuity and policy measures to address the impact of COVID-19 (e.g. monetary and exchange rate policies, fiscal policies, revenue administration measures to preserve collection and prepare for recovery, and continuity of national accounts during the lockdown). Some countries requested technical assistance to develop plans in this regard to be better prepared for future crises.

METAC's banking supervision advisor, Mr. Didier Casier, and the center coordinator, Mr. Mario Mansour, participated in two virtual meetings of the Arab Monetary Fund on, respectively, monetary and fiscal policies related to COVID-19—their impact on Arab countries, and options for responses.

Analytical Corner

[The Open Budget Survey \(OBS\) for 2019](#) shows persistent challenges for the MENA region in budget transparency. Although the region as a whole increased the score from 20 (out of 100) in 2017 to 22 in 2019, it remains the lowest-scoring region globally. Continued efforts for fiscal transparency are necessary to achieve further improvements.

[Budgeting in a Crisis: Guidance for Preparing the 2021 Budget](#). This note, published by the IMF Fiscal Affairs as part of the Special Series on COVID-19, anticipates a more demanding 2021 budget exercise across the world to set the budget baseline. This is likely to require greater engagement with line ministries, including costing ongoing and new COVID-19-related policies. The note recommends more flexible and agile budgets for 2021, which balance the executive branch's need for responsiveness with the legislative's mandate for scrutiny, to strengthen effectiveness and accountability.

Outreach

Arab Monetary Fund 5th Virtual Meeting (June 30)

Mr. Didier Casier, METAC's banking supervision advisor, attended the 5th virtual meeting of the Arab Monetary Fund (AMF). Forty participants from Arab League countries discussed topics around the following presentations: (i) Covid-19 and financial stability: what role for Basel III buffers (Basel Committee)?; (ii) Fiscal Response to the COVID-19 (Bank for International Settlements); (iii) Impact of the Loan-to-Income Flow Limit (Bank of England); and (iv) The Effectiveness of Macroprudential Policy and Capital Controls (De Nederlandsche Bank). During the question period, Mr. Casier made a brief presentation on the IMF COVID-19 special series notes, in particular IMF MCM note on the regulatory and supervisory responses to the COVID-19. After the meeting Mr. Casier discussed with a representative of the AMF opportunities for organizing joint capacity development activities in the field of banking regulation and supervision.

Looking Ahead to Post COVID-19 Crisis: Fiscal and Tax Policy Measures Between Stimulating Economic Recovery and Strengthening the Financial Situation (Virtual Meeting of Arab Monetary Fund; July 26)

Mr. Mario Mansour, Center Coordinator, spoke on tax policy measures to address the health and economic implications of COVID-19 in the short-term, and exit strategies for the medium- and long-term. He emphasized the importance of monitoring the effectiveness and budgetary cost of recently-introduced tax measures to help individuals and companies fight the pandemic, and to use the opportunity of building exit strategies to fundamentally rethink tax levels and tax revenue composition in the region, especially in oil-exporting countries where tax-to-GDP ratios are very low relative to spending needs. Mr. Mansour raised the issue of income tax policy as the next challenge that Arab countries should address, with the aim to reduce distortions to labor and capital markets, diversify the revenue base (especially in oil-exporting countries), and address (if only partially) income and wealth inequalities. Over

70 participants attended this event, which included talks by senior officials from the IMF Middle East and Central Asia Department and Fiscal Affairs Department, OECD, and several Arab country officials.

Webinars

Regulatory and Supervisory Response to COVID-19 Crisis (June 23, 24)

Two webinars on this topic, one in English (June 23) and one in French (June 24), were attended by respectively 60 and 18 participants from 12 METAC countries. Organized jointly with the IMF's Monetary and Capital Markets Department (MCM), the webinars covered the following topics: (i) a presentation on the appropriate regulatory and supervisory response to deal with the impact of the Coronavirus pandemic, with the objective of maintaining a balance between preserving financial stability and banking sector soundness, and sustaining economic activity; (ii) from a prudential perspective, how banks should follow certain requirements related to restructured loans, using the flexibility embedded in the regulatory framework; (iii) how to deal with the impact of the COVID-19 outbreak on banks' financial position; and (iv) updates to consider to the supervisory approach.

Central Bank Operations in Support of Financial Markets During COVID 19 Crisis (June 30)

Organized jointly with IMF MCM and attended by 34 participants from 6 METAC countries, this webinar, which included presentations by Morocco and Jordan, covered the following topics: (i) identifying which financial markets are important for maintaining financial stability; (ii) identifying market dysfunctions and determining the appropriate triggers for intervention; (iii) designing support programs to address market impairment; and (iv) overview of support measures to financial markets of countries of different income levels (advanced, emerging, and low-income).

Macro-Fiscal Units and the Response to COVID-19 (May 27; June 10, 24)

METAC and the IMF Fiscal Affairs Department held a series of three webinars on macro-fiscal

planning in the context of COVID-19—about 100 participants from 11 countries attended. At the first webinar (The Role of Macro-Fiscal Units in the COVID-19 pandemic), 41 participants from 9 countries discussed and shared experiences on how macro-fiscal units can lead government-wide efforts to provide timely technical analysis to policymakers and coordinate the fiscal response to the pandemic. Of particular interest to participants was the issue of how to handle unforeseen budget revisions in light of the uncertainty related to the pandemic, including lower revenues.

The second webinar (Managing Uncertainty: Approaches and Tools for Macro Fiscal Planning), attended by 34 participants from 7 countries, presented approaches, tools, and country experiences on how macro-fiscal analysis can better guide budget planning and execution in times of crisis, while providing transparency and effective communication to the public. This event deepened peer learning, in particular through presentations which showed the various approaches used by countries to respond to COVID-19.

The Third and final session (Fiscal Risks and COVID-19: Relevance for the METAC Region) stressed the fact that fiscal risks rarely appear in isolation, and that there are significant interconnections between them. This is case for instance of risks that materialized in recent years in METAC countries in relation to state owned enterprises, pension liabilities, government guarantees, and the financial sector. The session also presented tools and practical experiences that are useful to help countries improve their reporting on fiscal risks—hence, improving transparency. The economic challenges related to COVID-19 are likely to accentuate fiscal risks over the medium term, highlighting the increasingly important role of macro-fiscal planning.

Strengthening Fiscal Transparency in Challenging Times (June 23, 30; July 7)

METAC, in collaboration with the International Budget Partnership and the IMF Fiscal Affairs Department, held a series of three webinars on how to improve fiscal transparency during the COVID-19. In total, about 100 participants attended, and included representatives from civil society organizations (CSOs). The primary

motivation for the seminar was to discuss how government can provide better oversight to the large additional outlays they have committed to fighting the pandemic. Discussions during the first webinar focused on the 2019 results of the Open Budget Survey, which indicate that the MENA region scores lower than comparator groups, and on various metrics and analytical tools available to countries to help them plan and implement reforms to improve fiscal transparency. Participants from fragile states noted the particular constraints they face in advancing reforms in this area of PFM.

The second webinar covered budget execution reporting. Few country representatives made presentations on recent progress in improving the content of budget execution reports, and how to institutionalize transparency reforms. METAC spoke on the key challenges hampering budget execution reporting in the region – e.g. data availability and integrity, good practices in making small but sustained progress. Participants raised questions on how to conduct more regular PEFA evaluations, and CSOs made the important point that more budget documents should be made publicly available and that governments should actively seek their dissemination and communication.

The third and last webinar focused on the role of capacity development in improving fiscal transparency. Egypt, Iraq and Lebanon presented their experiences working with METAC (and other CD providers), in particular how CD has helped them design and implement transparency reforms, such as in the areas of fiscal risk analysis and statement, and improved financial oversight by parliament. Based on feedback from the authorities, METAC advisors summarized the key reforms contemplated in the region on budgeting, fiscal risks, and fiscal integrity and reporting.

Revenue Administrations' Responses and Business Continuity Actions Related to COVID-19 (June 22-23)

METAC's revenue administration advisor participated in two FAD-led webinars (one in English-Arabic and one in French-Arabic) on how tax administrations can deal with the consequences of the COVID-19 pandemic and prepare for future challenges and opportunities. The agenda of the event was organized around

two IMF Special COVID-19 Series notes: (i) Business Continuity; and (ii) Reinvigorating Operations to Safeguard Collection and Compliance. Discussions among participants suggested that although tax administrations have taken some ad-hoc initiatives to address the impact of the pandemic on operations and revenue, much more remains to be done in order to secure business continuity and recovery. In particular, participants noted the necessity of digitalization across all functions of tax administrations, the importance of having business continuity plans and regularly updating them, and the challenges facing tax administration in restoring taxpayer compliance after the pandemic—hence, the criticality of compliance risk management.

Consumer Price Index (CPI) Business Continuity (May 20; June 22; July 13)

Continuous compilation and dissemination of a reliable CPI is of key importance for economic policymaking. The CPI is compiled by most national statistics offices and is usually published on a monthly basis within four weeks of the end of the reference period. This first (out of three) webinar provided guidance on dealing with issues affecting the routine compilation and dissemination of CPIs as a result of measures taken to limit the spread of COVID-19—e.g. how missing prices should be accounted for.

The second webinar, organized in response to positive feedback received from the first, covered similar issues, with a greater focus on developing solutions to specific country challenges.

The third webinar provided further guidance on imputation methods for missing prices. Topics discussed included variety of samples and outdated index weights, treatment of increases in local transportation prices, when to replace disappearing varieties, and the need for flexibility with regard to the number of months non-seasonal items can be imputed.

Business Continuity of Producer Price Indexes (PPIs) and Export and Import Price Indexes (XMPIx) (June 15)

Attended by 26 participants from eight METAC members (Afghanistan, Egypt, Lebanon, Libya, Morocco, West Bank and Gaza, Tunisia, and

Yemen), this webinar included presentations on guidelines for dealing with issues affecting the routine compilation and dissemination of PPIs and XMPIs, and good practices for transparency. Topics discussed during the webinar included data collection challenges. Countries identified and discussed their current compilation challenges, including data collection, the treatment of missing data due to temporary closures and restrictions on movement, how to use alternative data sources such as counterpart country price indexes, and how to adjust for fluctuating exchange rates.

Recording COVID-19 Related Government Initiatives in the National Accounts (June 29)

This webinar covered methods on how to record COVID-19-related government policy interventions in the national accounts, to ensure comprehensiveness and accuracy in GDP estimates, both in aggregate and within the key components of GDP. It presented a range of examples taken from the IMF COVID-19 policy tracker in the fiscal and monetary areas, which can be found here. Countries raised questions regarding their own policy interventions and were able to compare their experiences to others in the region and elsewhere. It is worth noting that proper recording of policy interventions goes beyond the accuracy of GDP estimates, and touches on issues of transparency in the conduct of macroeconomic policy to ensure effectiveness and efficiency of government interventions.

National Accounts Business Continuity (July 6)

At this webinar, topics presented and discussed included challenges and solutions related to missing or late source data, restrictions to movement and reduced accessibility to workplaces, volatility in primary statistics, and communications with users of national accounts. The webinar was attended by 37 participants from 11 METAC members (Afghanistan, Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, West Bank and Gaza, Sudan, and Syria).

Monthly Indicator of Economic Growth (July 20)

Policy makers require timely information on changes in economic activity. The ongoing

COVID-19 pandemic has made the need for a monthly indicator of economic growth (MIEG) even more evident. Annual and quarterly gross domestic product (GDP) programs will often capture these changes with a significant time lag. As a complement to traditional national accounts products, many statistical offices and central banks compile and publish a MIEG (also known as Monthly GDP in some countries) using a collection of high-frequency indicators (HFIs). A webinar was organized by METAC on July 20 to introduce the topic of the MIEG, illustrate the HFIs needed to compile such an index, and explain the broad steps to compile a timely MIEG.

Technical Assistance and Training

BANKING SUPERVISION

Algeria (May 3-7; June 7-11)

METAC continued its assistance to the Bank of Algeria (BA)'s General Inspection Department (GID) by developing jointly with the BA project team a Liquidity Coverage Ratio (LCR) and a Net Stable Funding Ratio (NSFR) frameworks—key elements of the Basel III standards. The assistance reflected the specificities of the unencumbered high-quality liquid assets and the balance sheet structure of the Algerian banking sector. METAC's experts also developed the prudential reporting templates, and trained BA staff on their use, including for the purpose of performing a quantitative impact study. Once implemented, the LCR and NSFR regulations will enhance BA's capacity to detect weak banks by considering early warning indicators.

Iraq (June 4-11)

METAC continued assisting the Central Bank of Iraq (CBI) in strengthening its regulatory framework. It developed a fact-finding survey, and then coordinated with the authorities on the responses obtained, which were considered during the development of the capital adequacy regulation for Islamic banks in order to reflect the specificities of the Iraqi banking sector. The experts also developed the prudential reporting templates and explained how to use them, including for the purpose of performing a quantitative impact study. A guidance note was also developed to ensure that both the draft regulation and the

reporting templates can be easily understood, used, and enforced by the CBI and the Iraqi Islamic banks.

Libya (June 14-21)

METAC continued assisting the Central Bank of Libya (CBL) in strengthening its Islamic banking regulatory framework. It developed a fact-finding survey, and coordinated with the authorities on the responses obtained, which were considered in the development of regulations for equity investment and operational management risks.

Tunisia (May 4-8)

METAC assisted the Central Bank of Tunisia (CBT), General Directorate of Banking Supervision (GDBS), on business continuity issues, notably with regard to liquidity contingency planning, and the development of an Internal Liquidity Adequacy Assessment Process (ILAAP) framework. This involved three tasks: (i) determining how to best address the crisis management and the assessment of banks' business continuity planning; (ii) developing an ILAAP framework and training staff; and (iii) reemphasizing the importance of ICAAP and ILAAP as a critical aspect of the overall Supervisory Review and Evaluation Process. The daily sessions, which were set as training in the morning and workshop-style discussions in the afternoon, proved very effective in answering the authorities' concerns and motivating active participation.

Yemen (May 10-14)

METAC assisted the Directorate of Banking Supervision (DBS) of the Central Bank of Yemen (CBY) in the area of regulatory framework for Islamic banks. The following outputs were delivered: (i) identify key preconditions to be addressed in order to strengthen Islamic banking regulation and supervision; (ii) develop a comprehensive medium-term action plan for implementing an Islamic banking regulatory framework in compliance with the Islamic Financial Services Board (IFSB) standards—including five key elements for the authorities to develop in the short-term; and (iii) draft a comprehensive risk management framework regulation for Islamic banks, which provides a set of best practices

for managing Islamic financial services and products undertaken through identifying, measuring, monitoring, mitigating, reporting and controlling relevant categories of risks.

PUBLIC FINANCIAL MANAGEMENT

Afghanistan (June 22-July 30)

A remote mission on fiscal risk management was conducted jointly with the IMF Fiscal Affairs (FAD) and Legal (LEG) departments. The emerging institutional framework for fiscal risk oversight and management needs to be strengthened, among others by fostering the responsibilities of the Oversight Board for state owned enterprises (SOEs). Fiscal risk oversight should continue to focus on the largest SOEs, with a more strategic approach and better financial information. Risks related to public-private partnerships (PPPs) need to be integrated into the budget process alongside a disclosure of fiscal risks while the “gate-keeping” role of the ministry of finance needs to be fostered.

Lebanon (June 29-July 1; July 27-29)

METAC organized, jointly with the Institute of Finance Basil Fuleihan, a workshop on PPP management. The objective was to develop further the capacity of government officials to analyze and report on PPP risks. Discussions focused on how the Ministry of Finance can play its role effectively in monitoring and assessing PPP projects, and how the IMF P-FRAM model can be used to assess the risks of a PPP contract and to analyze risks and report on them to the Minister of Finance and other stakeholders. Twenty participants from three agencies attended the event—Ministry of Finance, High Council for Privatization and PPPs, and Electricité du Liban. This multi-agency attendance allowed participants to better appreciate the respective role of each, and the criticality of cross-agency collaboration.

METAC held three webinars on medium-term budget planning, which was attended by 32 staff from the Ministry of Finance and six sectoral ministries and agencies. Participants underscored the potential of medium-term budget planning to strengthen predictability in the allocation and management of budget resources, and encourage results-based

management. Participants also stressed the importance of strengthening Lebanon’s current medium-term fiscal framework, in particular using fiscal rules, to increase budget transparency and improve linkages between economic perspectives and budget making. Finally, Lebanon can improve the transparency and efficiency of budget costing by introducing and unifying the use of costing parameter across government ministries and agencies.

STATISTICS

Iraq (July 19-30)

METAC assist the Central Organization of Statistics and Information Technologies (COSIT) of Iraq with the development of the producer price index (PPI), in particular rebasing it to 2020 using weights from the economic survey of 2018. Training was also provided to COSIT staff on how more detailed data collection could be carried out.

Tunisia (June 15-26)

METAC assisted the Institut National de la Statistique (INS) in the development of sectoral financial accounts. This included the compilation of a preliminary table for stocks of financial assets and liabilities. 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, evolutions of the domestic sectors, and the interrelations between them.

Lebanon (June 1-12)

METAC assisted the Central Administration for Statistics (CAS) in addressing CPI continuity issues related to the COVID-19 crisis. The key outcomes included: (i) compiling the indexes for March, April, and May 2020; (ii) drafting a statement on the impact of COVID-19 on the CPI; and (iii) developing a plan going forward for the continued timely monthly release of CPI data.

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
Egypt
Publishing a Fiscal Risk Statement
Lebanon
Fiscal Risk Statement
Afghanistan
Cash Planning and Forecasting
Libya
Roadmap to Establish a Macro Fiscal Unit
Egypt
Publishing a Fiscal Risk Statement
Yemen
Budget Management
Revenue Administration
Lebanon
Follow-up Technical Assistance Report on Improvement Compliance Risk
Afghanistan
Review of VAT Implementation and the Proposed Refund System
Egypt
Progressing Compliance Risks Management
Statistics
Iraq
External Sector Statistics
National Accounts
Tunisia
Financial Accounts
Lebanon
National Accounts
Egypt
Supply and Use Tables in Constant Prices
Jordan
Supply and Use Tables
WBG
National Accounts
Djibouti
National Accounts

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>

Planned Activities during August-October

Country	Topic and Lead METAC Advisor	Dates
Banking Supervision – Mr. Didier Casier		
DZA	CD on off-site risk assessment and scoring methodology	10/04-08
EGY	Training on credit risk & counterparty credit risk (12 WebEx sessions spread over 3 months)	09/01-11/30
EGY	CD on Pillar 3 (12 WebEx sessions spread over 3 months)	10/01-12/31
MAR	CD on market risk supervision	10/12-16
TUN	CD on Basel II & III implementation	10/26-11/06
YMN	Training on establishing effective off-site and on-site banking supervision	08/30-09/03
Public Financial Management – Mr. Jonas Frank		
AFG	Follow-on support PPP and fiscal risk	10
IRQ	fiscal reporting classification	10
LBN	Ministerial gender budget statement in Ministry of Agriculture	TBC
SDN	Support to address fiscal risk in identified areas	09
YMN	Provide TA in specific areas for budget execution (wage bill, public investment)	08/31-09/30
Public Financial Management – Mr. Benoit Wiest		
EGY	Update of the Fiscal Risk Statement to account for the covid19 crisis	09
EGY	Development of the institutional framework for governance and transparency of public corporations	10/04-12
LBY	Development of the macro-fiscal function (1/2)	08
MAR	Review of cash management arrangements	10
MAR	Fiscal risk management from public corporations	09
Revenue Administration – Mr. Stoyan Markov		
AFG	Follow-up on VAT implementation	10/10-28
AFG	Improving compliance risk management implementation in customs administration	08/05-19
EGY	Advise on improving the performance in respect of disputed tax debt	08/30-09/30
JOR	Follow-up on the development of an independent and effective tax dispute resolution process	09/15-10/06
JOR	Advise on the effective application of procedures based on international standards for valuation of goods	08/08-20
SDN	Follow-up on development of compliance risk management function	08/10-27
SDN	Development of Business Continuity Plan	08/31-09/10
MTA	Regional workshop on Customs modernization strategies for improved revenue mobilization	09/15
Statistics – Mr. Issam Alsammak		
WBG	Compilation of input-output tables	08/09-13
YMN	Development of the CPI	08/16-27
MAR	Development of services producer price index	09/28-10/09
SDN	Develop compilation system for annual national accounts	08/16-27
LBY	Development of the CPI	07/20-09/03

MEMBERS



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



Syria



Tunisia



West Bank and
Gaza



Yemen

DEVELOPMENT PARTNERS



Germany



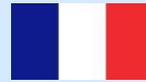
Netherlands



Switzerland



European
Commission



France



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