

### Key Highlights

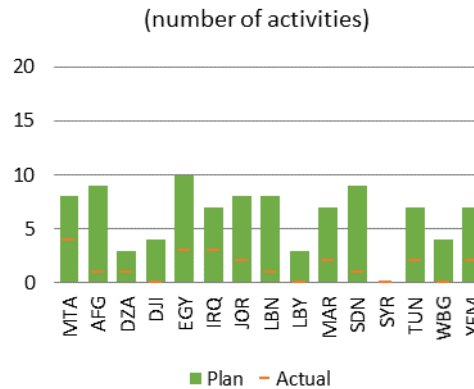
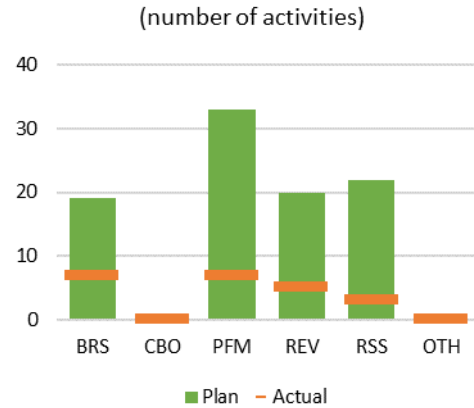
METAC supplied 22 capacity development (CD) activities to its members in Q1-FY2022, about 23 percent of its workplan for the year. Regional webinars included an event on how the Center can support its members in incorporating climate change risks in banking supervision, recording COVID-19 initiatives in the national accounts, and devising action plans for revenue administrations to recover from the pandemic. Despite ongoing operational challenges caused by the pandemic throughout the region, member countries have remained committed to their CD engagement with METAC; the Center provided 409 person-days of CD in Q1-FY2022, double the level provided in Q1-FY2021, which coincided with the beginning of the pandemic—suggesting that countries have adapted well to remote CD.

Key achievements in Q1-FY22 at the country level included the following (details are provided in the next sections):

- **Egypt** updated in a relatively short time regulations related to its new banking law, including for systematically important banks, specialized banks, and stress testing.
- **Morocco** progressed in developing the architecture of its Pillar 2 supervisory review process and is ready to test it on a small number of banks.

**Morocco's** Central Inspectorate (*Inspection Générale des Finances*) launched a project with METAC (and other CD providers), to revamp the internal control framework, in line with the Organic Budget Law.

### Annual Cumulative CD Activities at End of July 2021<sup>1</sup>



- **Afghanistan** started applying the IMF's "SOE health check tool" on key companies, including the electricity company Da Afghanistan Breshna Sherkat and Afghanistan Telecom. This will allow for a better assessment of fiscal risks related to public enterprises.
- As part of implementing program budgeting in early 2023, **Algeria** assessed its process reengineering needs and workflows, and started drafting a budget execution manual.

<sup>1</sup> BRS: banking regulation and supervision; CBO: central bank operations; PFM: public financial management; REV: revenue administration; RSS: real sector statistics; OTH: other, mainly outreach. AFG: Afghanistan; DZA: Algeria; DJI: Djibouti; EGY: Egypt; IRQ: Iraq; JOR: Jordan; LBN: Lebanon; LBY: Libya;

MAR: Morocco; SDN: Sudan; SYR: Syria; TUN: Tunisia; WBG: West Bank and Gaza; YEM: Yemen; MTA: regional activities.

With a CBO long-term expert hired in July, this new line of activities will effectively start in Q2-FY2022.

- **Tunisia** applied the IMF's SOE health check tool to three large public enterprises and designed an automated data collection system on SOEs.

The **Tunisian Institut National de la Statistique** published in mid-August its national accounts rebased to 2015 (from 1997). In addition to METAC, the European Union and France's INSEE provided CD to Tunisia to reach this important objective—two updates only were made in the past 50 years.

## Webinars

### Addressing Climate Risks in Prudential Regulation and Supervision (May 27, 2021)

Fifty-one participants from 12 METAC countries attended a webinar on climate change risks implications to banking regulation and supervision. Guest speakers included representatives from the Basel Committee's Task Force on Climate-Related Financial Risks, Bank Negara Malaysia, and Banco Central Do Brazil. They provided insights on international initiatives and country experiences related to various aspects of climate risks management, including organizational structures, adapting regulations to climate risks, and building databases for risk assessment. These experiences and the peer-to-peer discussions that took place during the webinar will be instrumental in motivating METAC countries to consider adapting their own supervisory systems to address climate and environmental risks in the financial sector. They are also very useful input for METAC to structure its future engagement with its members, to assist them in the transition to more sustainable economies.

### Regulation and Supervision of Institutions offering Islamic Financial Services (Jun 7-24, 2021)

Organized jointly with the CEF, this workshop provided 32 participants from 14 countries a forum to exchange views and share experiences on key elements of the regulation and supervision of institutions offering Islamic financial services (IIFS). Using a combination of lectures and case studies, participants enhanced their regulatory and supervisory capacity, by (i) developing their knowledge of

Islamic Financial Services Board standards (with a focus on standards 3, 10, 12, 15, 16, and 17) and IIFS products, (ii) improving their assessment of the inherent risks of IIFS and ensuring that they have systems and controls in place to comply with Shariah rules and principles, and (iii) efficiently assess their capital adequacy, liquidity risk management and corporate and Shariah governance to cover all risks and safeguard various stakeholders' interests, particularly those of the unrestricted investment accountholders.

### Post Crisis Revenue Generation for Tax Administrations (Jun 28-Jul 1, 2021)

Organized jointly with the CEF, the primary objective of this webinar was to provide guidance on how tax administrations can re-establish revenue collection as quickly as practicable following the COVID-19-related limitations on movements of individuals and businesses. The daily sessions were attended by about 50 participants from 14 countries across the METAC and Gulf Cooperation Council regions. Discussions were informed by the results of a questionnaire completed in advance by participating administrations. Six principles of a differentiated, multi-dimensional approach were recommended in planning recovery of revenue collections following the pandemic. The METAC team provided specific guidance on each area of focus and on compliance risk management techniques, including risk assessment criteria to guard against incorrect reporting of incomes. All participating Tax Administrations were encouraged to use the knowledge gained during the webinars to develop their own exit strategies from COVID-19, and METAC offered to provide further bilateral technical assistance.

### The Sequence of Accounts and the Recording of COVID-19 Related Initiatives (Jul 5-8, 2021)

METAC delivered this four-day course remotely, with the CEF. Its purpose is improving the capacity to compile the full sequence of accounts in the Middle East and North Africa region, reflecting international standards and best practices. It was attended by 26 participants from 13 countries, and covered the following topics: (i) overview of the sequence of accounts; (ii) current and capital accounts; (iii) financial and balance sheet

accounts; (iv) institutional arrangements, uses, and data sources; (v) recording COVID-19 related initiatives in the sequence of accounts.

## Technical Assistance and Training

### BANKING SUPERVISION

#### Egypt (Jun 7-Jul 26; Jun 6-Aug 1; Jul 11-Aug 20)

These three related activities had as an objective bringing in line key elements of the Central Bank of Egypt's (CBE) regulations with the new Banking Law (No. 194) and the Basel Committee's international standards. The first activity was to review and update the Domestic Systemically Important Banks (D-SIB) regulations. The capacity development (CD) mission interacted through the Webex platform with a dedicated cross-departmental working group, to provide training on the 12 Basel Committee principles that constitute the D-SIB framework. These principles can be broadly categorized into two groups: the first group focuses mainly on the assessment methodology for D-SIBs, while the second focuses on higher loss absorbency for D-SIBs. The mission addressed the technical questions raised by the CBE to enable the members of the working group to customize the framework to the specific characteristics of the Egyptian banking sector. Approving and enforcing a D-SIB framework contributes to mitigate the impact that the distress or failure of banks will have on the domestic economy.

The second activity covered stress testing regulations, which have been updated recently to reflect the fact that stress testing is a critical element of a bank risk management framework, and included objectives, governance, policies, processes, methodology, resources and documentation that guide stress testing activities in the broader context of banks' risk management framework and facilitate the use, implementation and oversight of stress testing frameworks. Approving and enforcing a comprehensive stress testing framework contributes to strengthening banks' risk management framework, integrating the forward-looking risk view, and strengthening a key element of the CBE risk-based supervision approach.

The third activity covered regulations of specialized banks licensing and supervision (namely micro and small enterprise banks and payment banks, two types of institutions relevant for improving financial inclusion). The CD mission provided training on the relevant Basel Committee core principles, discussed existing best practice and reviewed and provided suggestions to the draft regulation. Approving the specialized banks regulation will contribute to supporting the establishment of two types of banks that will have a significant contribution to financial inclusion, while being subject to a supervisory regime aligned with the specific risk profile of those banks.

#### Iraq (Jun 6-Jul 23)

METAC continued assisting the Central Bank of Iraq (CBI) strengthening its regulatory framework, in particular to finalize its draft comprehensive risk management regulation, considering the comments received from Iraqi banks during the banking sector consultation process. Once implemented and enforced the comprehensive risk management regulation will improve the adequacy and effectiveness of the risk management framework of Iraqi banks and constitute a key building block of CBI risk-based supervision framework.

#### Morocco (Jun 25–Jul 27)

METAC assisted Bank Al-Maghrib, Banking Supervision Department (BSD), in developing the architecture of its Pillar 2 supervisory review process (SRP) and to prepare for performing a first SRP assessment of a limited number of banks (as a test) in the second half of 2021. The Pillar 2 supervisory review process is an integral part of the Basel Framework, and is intended to ensure that banks not only have adequate capital to support all the significant risks in their business, but also develop and use better risk management techniques in monitoring and managing these risks. Under the Basel Framework, a bank's management bears responsibility for ensuring that the bank has adequate capital to support its risks beyond the minimum requirements. In addition, under Pillar 2, supervisors evaluate how well banks assess their capital needs relative to their risks and take measures, where appropriate. By using the newly developed SRP, BSD will strengthen its supervisory evaluation of banks

and be able to generate a more active dialogue between banks and supervisors in order to take prompt and decisive action when needed, to reduce risk, address deficiencies or restore capital.

## **PUBLIC FINANCIAL MANAGEMENT**

### **Afghanistan (May 26-Jul 2)**

METAC assisted the Ministry of Finance in assessing fiscal risks of state-owned enterprises (SOEs). Ten officials were trained on the use of the IMF's "SOE health check tool", which was applied to two large SOEs: the electricity company Da Afghanistan Breshna Sherkat and Afghanistan Telecom. Gradually disclosing fiscal risks is an important step towards more fiscal transparency given a large number of SOEs are not profitable; addressing shortcomings will contribute to a more efficient resource use and management of contingent liabilities.

### **Algeria (Jul 5-16)**

METAC assisted the Ministry of Finance (MoF) in process reengineering, workflows and responsibilities of stakeholders, to prepare the full roll-out of program-based budgeting (planned for early 2023), and in drafting sections of the related manual on budget execution (this is part of the medium-term CD project agreed with the authorities). The roadmap initially drafted in November 2020 has been updated to include the latest developments and ensure a smooth and secured transition phase toward the full implementation of program-based budgeting.

### **Lebanon (Jun 14-17)**

With the Institut des Finances Basil Fuleihan, METAC organized a webinar on assessing and managing fiscal risks from public-private partnerships (PPPs). This webinar was part of an ongoing medium-term CD project to develop the MoF's role as gatekeeper for identifying, quantifying, and capturing fiscal risks. It defined a workflow within the MoF regarding the roles and responsibilities for reviewing, vetting and approving PPPs, and developed a roadmap for the short and medium term. It also looked at the coordination mechanisms between the MoF and the Higher Council for Privatization and Partnerships.

### **Morocco (Jun 21-24)**

METAC launched a medium-term CD project to assist the Central Inspectorate (Inspection Générale des Finances) to adopt and implement an internal control framework, in the context of the recently voted Organic Budget Law. It discussed with the authorities the scope of the project, the tools to use, and designed a roadmap including include the role of METAC. It also facilitated a seminar to present to the authorities the Committee of Sponsoring Organizations of the Treadway Commission framework (COSO)—is an internationally recognized set of good practices regarding risk management and internal control—and recent experiences on internal control from comparable countries.

### **Sudan (July 6-16)**

This activity was organized and delivered in collaboration with partners from the European Commission and the World Bank's Global Governance Practice, and with the active support of the Ministry of Finance and Economic Planning to initiate the elaboration of a public financial management (PFM) roadmap. Based on the findings of the recent PEFA report, the roadmap will identify critical institutional reforms and results in a multi-year approach. Participants from the ministry discussed the main challenges and efforts required so that budget planning and execution, and fiscal transparency are enhanced, and resource management improved.

### **Tunisia (May 18-28)**

METAC assisted MoF's staff in assessing the financial performance and risks of SOEs. It trained them in the use of the IMF's SOE health check tool, with application to three large SOEs. METAC also helped the authorities to design a tool to automate financial data collection from SOEs and made suggestions to amend the report on SOEs—annexed to the budget law—with the objective to improve fiscal transparency. A workshop facilitated by the METAC team gathered over 40 participants; it presented the results of the SOE health check tool in the form of synthetic flash cards—a MoF staff presented the Ministry's own IT system (M@SSAR) to centralize financial data from SOEs.

## **Yemen (Jul 5-23)**

METAC assisted the MoF in cash management, to help rebuild capacity in key PFM functions—central to this project is re-instating a cash management unit. Twelve MoF officials discussed and analyzed how cashflow forecasts can be structured and help inform fiscal policy decisions, including the level of budget deficit and government debt. The cash management unit will also take on the critical task of setting spending ceilings in support of budget execution.

## **REVENUE ADMINISTRATION**

### **Iraq (Jul 26-Aug 4)**

METAC advised the Large Taxpayer Department (LTD) at the General Commission for Taxes on audit and verification. This included presentations provided to the LTD on risk assessment and case selection, international risks in large taxpayers, planning audit programs, and oversight and governance. A form of self-assessment is only applied to taxpayers in two of the six sectors covered by the LTD. The MoF has not yet approved the comprehensive adoption of self-assessment, nor the increased staffing needed to implement it. METAC developed a list of priority recommendations to be implemented, including putting in place a compliance risk register and a process for capturing data on risks of misreporting identified during the review of tax returns and financial statements. It also recommended that LTD develop a structured process for planning audit programs and creating headroom by removing cases that do not meet the criteria for inclusion in its caseload. The successful implementation of these recommendations depends on allocation of additional resources to the LTD.

### **Jordan (Jun 13-24)**

METAC continued its support to Jordan to advance the development of an independent and effective tax dispute resolution process, in the Income and Sales Tax Department (ISTD). Several initiatives are now in place to help prevent avoidable disputes. CD activities conducted developed an implementation plan to establish Key Performance Indicators (KPIs) which will allow a comprehensive analysis of dispute performance and drivers. An approach to enable automated data collection to support

reporting against KPIs was also established. Assignment of permanent ISTD resources to a dedicated functional area responsible for dispute analysis is critical to sustain progress and support ongoing dispute monitoring, analysis, and evaluation.

### **Tunisia (May 17-26)**

METAC assisted the Tunisian Customs Authority on the implementation of an internal audit unit. The unit has been implemented through only an internal note and lacks human and financial resources. METAC advised on how to strengthen the structure and work of the unit and assisted the customs authority in the development of a comprehensive action plan in this regard.

### **Yemen (May 23-Jun 1)**

METAC assisted the Yemeni General Taxation Department (GTD) in identifying issues and risks with the processes and systems for registering taxpayers and advised on mitigation actions. The absence of an electronic, integrated tax administration system severely impacts the GTD's ability to identify unregistered taxpayers and maintain timely and reliable taxpayer information. Advice was provided on the identification and use of new third-party data sources. The CD also noted that the high level of operational tasks being undertaken by headquarters staff is impacting their ability to focus on the development of strategic policies and frameworks. METAC also proposed a list of prioritized actions for implementation by GTD.

## **STATISTICS**

### **Iraq (Jun 13-24)**

METAC provided technical assistance to the Central Statistics Organization of Iraq to progress towards the compilation of supply and use tables for reference year 2018. The supply-use classification framework was refined, and the source data was organized to facilitate compilation. Initial estimates for several industries and final use categories were generated and a roadmap was developed to compile supply and use tables by the second quarter of 2022.

## Jordan (May 23-Jun 3)

As part of the project to assist the Department of Statistics of Jordan develop a compilation system for annual national accounts, this activity followed up on the work done in March 2021 and provided technical assistance to develop a processing system to estimate annual GDP in current and constant prices using a supply-use framework. The work will contribute to the revision of GDP based on the most recent annual primary statistics.

## Analytical Corner

The IMF recently launched an online course on the technical and institutional aspects of revenue forecasting and tax policy analysis. This course provides an overview of the quantitative methods that are required to forecast and evaluate the revenue implications of major tax policy changes and emphasizes the necessity of establishing a strong institutional framework to support the revenue forecasting process. The course builds on both conceptual and practical approaches and employs hands-on exercises with real fiscal data to support learning. Additional information can be found [here](#).

## New Staff



METAC welcomed in July **Mr. Michel Stubbe**, the new advisor in monetary and foreign exchange operations. From 2006 to 2019, Michel led two divisions in the Directorate General Market Operations of the European Central Bank

(ECB) in Frankfurt am Main. He is one of the founding members of staff of the ECB in 1998, and its predecessor, the European Monetary Institute in 1994. Michel's core fields of expertise cover the definition and analysis of monetary and non-monetary policy instruments, and their impact on the balance sheet of the monetary authorities and on the behaviour of financial market participants. This includes the selection of counterparties, risk management (especially eligibility of collateral for monetary

policy operations), post-trade, banking and custody services between central banks, and assessment of financial innovation and regulatory reform from a central banking viewpoint, including from a cross-currency perspective. Michel has collaborated regularly with IMF staff during his career at the ECB, including as short-term expert on technical assistance projects, and as co-author of publications on monetary operations issues. Michel holds a PhD in economics from the Université Pierre Mendès France of Grenoble.

## Technical Assistance Reports

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](http://www.imfmetac.org)

<b>Public Financial Management</b>
<b>Afghanistan:</b> Strengthening the Fiscal Risk Function – April 2021
<b>Algérie :</b> Poursuite de la mise en œuvre de la budgétisation par programme – Mai 2021
<b>Iraq:</b> Strengthening the Management of Guarantees Guidance Notes – May 2021
<b>Maroc :</b> Surveillance des entreprises publiques – Avril 2021
<b>Revenue Administration</b>
<b>Afghanistan:</b> Preparing for Value-added Tax in the Customs Department – March 2021
<b>Afghanistan:</b> Review of Value-added Tax Implementation – April 2021
<b>Egypt:</b> Improving Disputed Debt Performance – April 2021
<b>Iraq:</b> Customs Valuation, Rules of Origin and Tariff Classification of Goods – April 2021
<b>Jordan:</b> Progressing the Implementation of an Independent and Effective Tax Dispute Resolution Process – April 2021
<b>Jordan:</b> Development of Compliance Improvement Plans – April 2021
<b>Jordan:</b> Finalization of Compliance Improvement Plans for Large Taxpayers and Free Professionals– May 2021
<b>Sudan:</b> Implementation of Compliance Management for Excise Duties – April 2021
<b>Tunisie :</b> Renforcement de l'Unité d'Audit Interne – Juin 2021
<b>Statistics</b>
<b>Jordan:</b> National Account Statistics – May 2021
<b>Sudan:</b> Price Statistics – June 2021
<b>West Bank and Gaza:</b> National Accounts Statistics – April 2021

## 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>

### Activities Planned During August-October

Country	Topic and Lead METAC Advisor	Month/Day
<b>Public Financial Management – Mr. Jonas Frank</b>		
IRQ	Strengthening expenditure control	09/8-09/24
MTA	METAC-CEF regional course on medium-term budget planning	09/01-09/10
SDN	Building a MTFF – follow-up on macro-fiscal planning	10/27-11/05
YEM	Training on cash forecasting	10/20-10/30
<b>Public Financial Management – Mr. Benoit Wiest</b>		
DZA	Fiscal risk management of PPPs	10/04-10/08
EGY	Support to PEFA self-assessment	08/30-09/02
LBY	Development of core PFM functions	09/27-10/01
MAR	Development of the internal control framework	10/11-10/22
TUN	Development of the institutional framework to improve surveillance of SOEs	09/06-09/17
<b>Revenue Administration – Ms. Fadia Sakr</b>		
DZA	Development of strategies to improve on-time payment ratio	10/26-11/07
JOR	Assessing readiness of and assisting the ISTD with implementation of the tax policy/legal changes for closing tax revenue loopholes	10/05-10/20
SDN	Improving compliance in the large taxpayer offices	08/22-09/08
<b>Statistics – Mr. Issam Alsammak</b>		
EGY	Compilation of supply and use tables	08/01-08/05
LBN	Development of CPI and PPI	10/04-10/15
JOR	Compilation of annual national accounts	10/03-10/14
SDN	Quarterly indicator of economic growth	09/12-09/23
WBG	Institutional sector accounts	08/22-09/02



## 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

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