

PROGRAM DOCUMENT

May 2016



MIDDLE EAST REGIONAL TECHNICAL ASSISTANCE CENTER (METAC)





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(METAC)**

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List of Acronyms and Abbreviations

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BCBS	Basel Committee on Banking Supervision
BCCL	Banking Control Commission of Lebanon
<i>BPM5</i>	<i>Balance of Payments Manual, fifth edition</i>
<i>BPM6</i>	<i>Balance of Payments Manual, sixth edition</i>
CBE	Central Bank of Egypt
CBI	Central Bank of Iraq
CBJ	Central Bank of Jordan
CBOS	Central Bank of Sudan
CBY	Central Bank of Yemen
CC	Center Coordinator
CD	Capacity Development
CDIS	Coordinated Direct Investment Survey
CEF	Center for Economics and Finance, IMF
CIASA	Credit Information and Scoring Agency
CMA	Capital Monetary Authority
COA	Chart of Accounts
CPI	Consumer Price Index
CPIS	Coordinated Portfolio Investment Survey
CRS	Credit Registry System
CY	Calendar Year
DAB	Da Afghanistan Bank
DFID	Department for International Development, the United Kingdom
ECA	Egyptian Customs Authority
ECB	European Central Bank
EDDI2	Enhanced Data Dissemination Initiative Phase II
EDS	External Debt Statistics
<i>2013 EDS</i>	<i>2013 External Debt Statistics Guide: Guide for Compilers and Users Guide</i>
EWS	Early Warning System
ESS	External Sector Statistics
EU	European Union
FAD	Fiscal Affairs Department, IMF
FDI	Foreign Direct Investment
FMIS	Financial Management Information System
FY	Fiscal Year
GCC	Gulf Cooperation Council
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information System
GFS	Government Financial Statistics
GFSM	Government Financial Statistics Manual
HQ	Headquarters

ICAAP	Internal Capital Adequacy Assessment Process
ICD	Institute for Capacity Development, IMF
IFS	International Financial Statistics
IFSB	Islamic Financial Services Board
IIP	International Investment Position
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISTD	Income and Sales Tax Department, Jordan
LTU	Large Taxpayers' Unit
MCD	Middle East and Central Asia Department, IMF
MCM	Monetary and Capital Markets, IMF
METAC	Middle East Regional Technical Assistance Center
MOF	Ministry of Finance
MOFNE	Ministry of Finance and National Economy
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NA	National Accounts
NBFIs	Non-Bank Financial Institutions
PCBS	Private Credit Bureaus
PFM	Public Financial Management
PMA	Palestine Monetary Authority
PPI	Producer Price Index
QNA	Quarterly National Accounts
RBM	Results-Based Management
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
SC	Steering Committee
SDDS	Special Data Dissemination Standard
SFA	Selected Fund Activities
SNA	<i>System for National Accounts</i>
SREP	Supervisory Review and Evaluation Process
SUTs	Supply and Use Tables
TA	Technical Assistance
TSA	Treasury Single Account
USAID	United States Agency for International Development
VAT	Value-Added Tax
WB	World Bank
WG	Working Group

Executive Summary

This document proposes to continue and expand the operations of the Middle East Regional Technical Assistance Center (METAC) for another five years, Phase IV, (May 2016-April 2021). It is intended to initiate a consultation process with METAC beneficiary countries and donors on how METAC together with other technical assistance (TA) providers would best assist METAC countries in further developing their capacity in macroeconomic management. The estimated cost of operating METAC for the next five years is about US\$33.0 million to be borne by the recipient countries, donors, and the International Monetary Fund (IMF).

METAC's strategy is based on consultations with country authorities, the experience acquired by METAC with beneficiary countries over the past several years and member countries' requests. This strategy provides an overall direction for METAC's work, and will be updated regularly and applied flexibly to reflect new developments and emerging needs. METAC's work will remain integrated into IMF headquarters (HQ) TA and IMF policy and surveillance to ensure that METAC TA remains relevant and focused on the IMF's core expertise.

The anticipated risks during Phase IV are similar to the risks METAC faced during the last three years of Phase III, mainly weak security situation in number of METAC countries which impacted the Center's ability to deliver TA to those countries. To mitigate this risk, for countries with serious security problems, until the situation improves, the plan is that TA delivery will be held offsite.

METAC's membership is expanding. In addition to the ten members—Afghanistan, Egypt, Jordan, Lebanon, Libya, Iraq, Sudan, Syria, West Bank and Gaza, and Yemen—that were served by METAC during Phase III (May 2010-April 2015)¹, four new countries will join METAC during Phase IV. Algeria, Djibouti, Morocco, and Tunisia have accepted to join METAC.

During Phase III, METAC provided TA in the areas of banking supervision, public financial management (PFM), revenue administration, macroeconomic statistics, and debt management and money markets development. The last area was discontinued in October 2012, mainly due to relatively low demand and METAC's tight financial condition at that time. Overall, significant progress was achieved in the areas covered by METAC across membership.

A recent independent external evaluation concluded that METAC was successful in delivering results and contributing to building capacity in its member countries. Evaluators recognized the very difficult circumstances in which METAC was operating as a result of the political and security situation in the region. While many of the factors determining the Center's performance are beyond its control, METAC's success was to a large extent attributed to its well-organized operation and effective management. Evaluators also noted important improvements in METAC operations following the previous evaluation,

¹ METAC Phase III was extended until April 2016.

including the introduction of results-based management (RBM), the development of a Field Manual for METAC operations, the extension of the Steering Committee (SC) representation to all beneficiary countries, an improved IMF TA dissemination policy, and the increasing use of the METAC's website as a means for sharing information.

The macroeconomic situation in the countries covered by METAC has become more challenging due to conflict and structural impediments as well as a weakening external environment. METAC has the experience and expertise to help member countries in implementing reform measures needed to achieve higher and more inclusive economic growth.

In addition to responding to the external evaluation recommendations, the program for Phase IV will focus on the following priorities:

- **For METAC countries, fiscal reform and consolidation continue to be a priority.** The three main priorities in the fiscal sector are to enhance basic PFM, mobilize revenue, and both tax and custom administrations reform. Enhancing PFM is critical to improve the effectiveness and transparency of public spending. Revenue mobilization is critical to provide governments with enough resources to invest in employment enhancing projects and public infrastructure as well as to eventually reduce aid dependency. Strengthening of tax and customs administrations is needed for the creation of fair and equitable revenue environments.
- **Financial sector development and strengthening banking supervision, to different degrees, are needed in most METAC countries.** METAC will continue to assist member countries in strengthening their financial systems and provide TA in other related banking area, such as building supervisors' capacity in Islamic banking and developing and improving credit registry systems (CRS). METAC will assist in countries' efforts at full implementation of Basel II, and in moving supervision from a compliance-based to a risk-based approach.
- **Most METAC countries would benefit from improving their monetary operations and developing efficient money markets.** TA requests from member countries in this area will be met by short-term experts and will be backstopped by HQ departments.
- **Several of the TA priorities during Phase IV will require member countries to reform their legal systems.** TA and training will be provided to ensure that the reforms implemented in the different macroeconomic sectors are legally robust and fit in with the countries' broader legal context.
- **Strengthening macroeconomic statistics is essential for macroeconomic analysis and policy making.** Building statistical capacity in the region to produce quality, sound, and timely statistics remains a top priority for many member countries. During Phase IV, METAC will cover the following areas: (i) national accounts (NA); (ii) price indices; and (iii) balance of payments statistics.

- **METAC will continue to organize, in collaboration with METAC countries' national agencies, workshops of common interest for the region in banking supervision, revenue administration, PFM, and macroeconomic statistics.** Coordination with the IMF's Center for Economics and Finance (CEF) in Kuwait will be strengthened to ensure that training activities provided by both Centers complement each other. These events will also involve non-METAC Arab countries to enhance knowledge sharing and provide a wider regional context.

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I. METAC'S ACHIEVEMENTS SO FAR

A. What Does METAC Do?

1. **The IMF's Regional Technical Assistance Centers (RTACs) are a collaborative effort among the IMF, the recipient countries, and bilateral and multilateral donors.** The Centers' strategic goal is to strengthen the recipient countries' institutional capacity to design and implement sound macroeconomic and financial policies. The RTACs are an important way of delivering effective, efficient and responsive IMF TA.
2. **METAC was launched by the IMF in October 2004 to serve the Middle East Region.** METAC's main mandate is to provide capacity-building assistance, facilitate the reform process in member countries, and support the region's integration in the world economy. Through METAC, the IMF has been able to substantially increase its TA to beneficiary countries. Since its establishment, METAC members have been Afghanistan, Egypt, Iraq, Jordan, Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and Yemen.
3. **Four new countries have been invited to join METAC starting with Phase IV (May 2016-April 2021).** Algeria, Djibouti, Morocco and Tunisia have accepted to join METAC. At the May 2014 Steering Committee (SC) meeting, SC members expressed support for inviting Algeria, Morocco, and Tunisia to join METAC. The interdepartmental working group (WG) established at the IMF to consider strategic issues relating to METAC's Phase IV recommended that Djibouti should also be invited. The WG considered that the language constraints to TA delivery can generally be overcome.² Joining METAC will increase significantly the TA and training these countries will receive and they will have access to METAC resident advisors who can travel to member countries on short notice to provide hands-on assistance with TA implementation.
4. **Including the four countries has considerable attraction for METAC,** as it will provide for greater balance of emerging market and oil countries with a range of challenging and possibly more "upstream" issues, whereas the existing membership includes mainly fragile states. The four countries do not currently face serious security issues, so that they would provide additional stability to METAC's activities.
5. **METAC is managed by a center coordinator (CC) and guided by a SC.** The SC consists of representatives from recipient countries, donors, and the IMF. The SC facilitates the design, implementation, and monitoring of TA programs in METAC countries. The CC oversees the day-to-day operations of the Center and helps in setting the strategy for the Center including the preparation of the work plan in close collaboration with recipient countries.
6. **With METAC, the IMF combines strategic TA advice from its HQ with regional expertise and on-the-ground capacity-building.** Broad TA needs and work plans are identified by the country authorities, the IMF's Middle East and Central Asia Department

² In Algeria, Morocco, and Tunisia, both French and Arabic are official languages; therefore METAC workshops would not require French interpretation services. In Djibouti, only French is spoken.

(MCD), and TA departments at IMF HQ. All TA is integrated into the core lending and surveillance operations of the IMF, as well as coordinated with that of other providers and is backstopped by the IMF HQ, ensuring quality and consistency of policy advice.

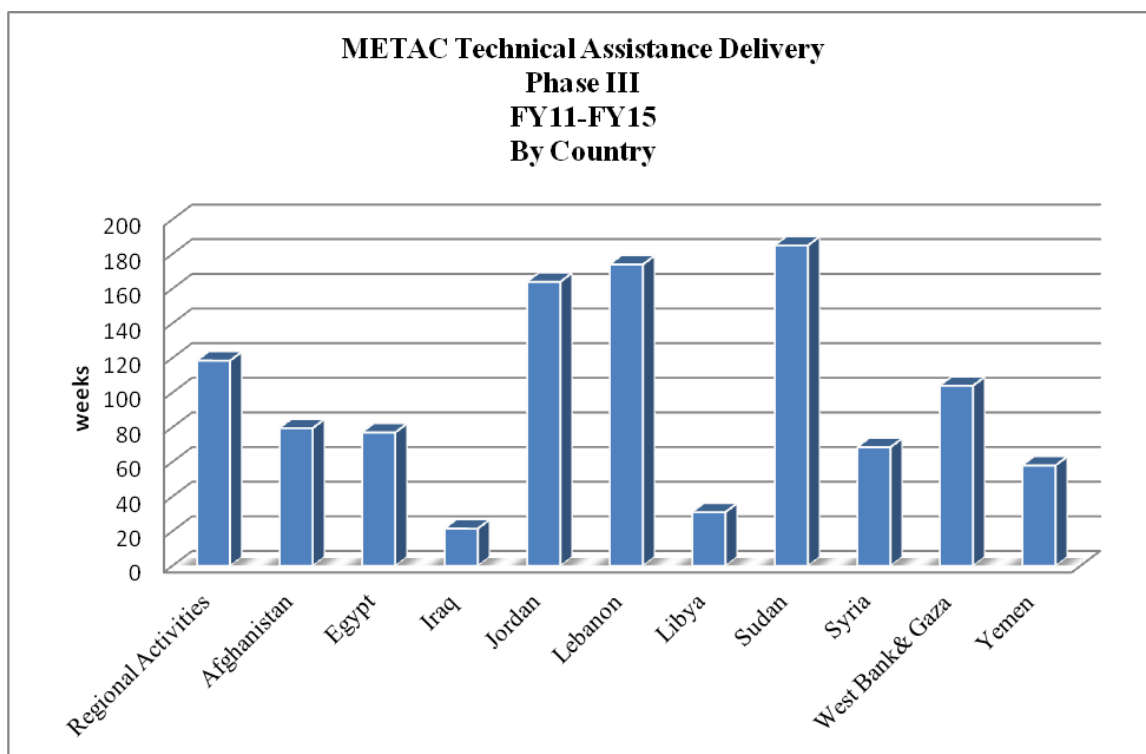
7. **METAC TA is delivered by resident advisors supported by short-term experts.** Resident advisors develop close relations with country authorities and familiarity with national and regional TA needs. The skill mix of the advisors reflects the needs and priorities of the beneficiary countries. In addition, METAC deploys short-term experts to deliver targeted TA to complement the work of resident advisors. METAC also provides seminars and workshops at the national and regional levels.

8. **The cost of running METAC is absorbed by donors, which contributed generously to the past funding cycles, recipient countries, and contributions from the IMF.** Lebanon, the host country, contributes generously to METAC.

B. METAC TA Delivery—Phase III FY11-FY15³

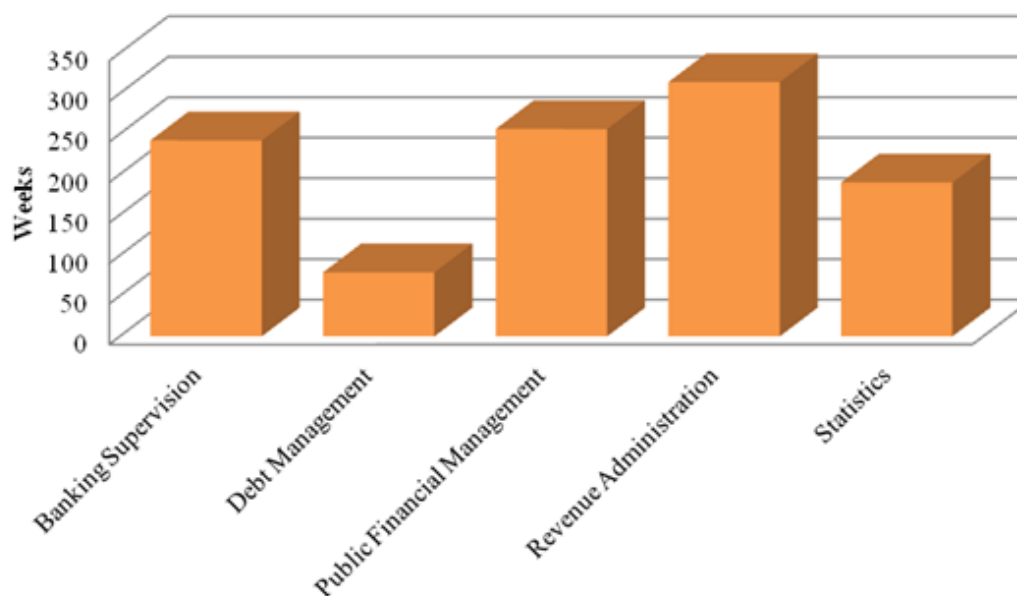
9. **During Phase III, METAC delivered around 1080 person weeks of TA to all member countries.** TA delivery was affected by the turmoil in some of METAC countries. In FY11, all ten METAC countries received TA, in FY12, Syria, Yemen and Libya did not receive any TA due to difficult security situations and during FY13-FY15, some offsite missions were introduced.

10. **During Phase III, Sudan, Lebanon and Jordan received the most of METAC resources,** accounting for 48 percent of total delivery (Sudan 17 percent, Lebanon 16 percent and Jordan 15 percent). Regional workshops accounted for 11 percent of total delivery. The demand for revenue administration and PFM was the highest during Phase III (revenue administration at 29 percent, and PFM at 24 percent) followed by banking supervision at 22 percent.

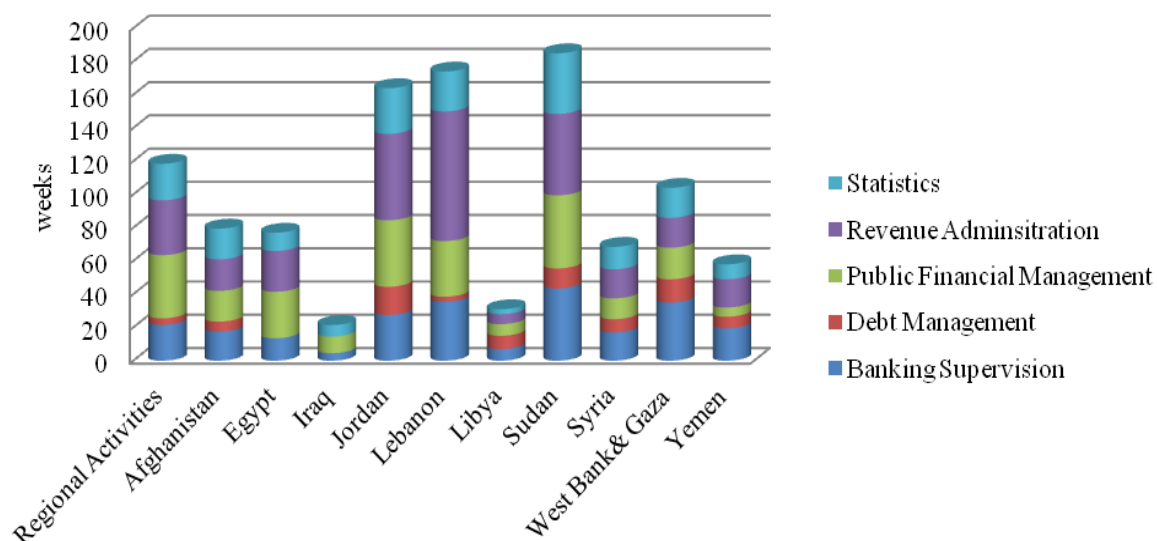


³ METAC Phase III was extended until April 30, 2016. This chapter refers to TA delivery during FY11-FY15 only.

**METAC Technical Assistance Delivery
Phase III
FY 11-FY 15
By Area**



**METAC Technical Assistance Delivery
Phase III
FY11-FY15
by Country and Area**



C. Results in METAC Recipient Countries

11. **METAC's high quality TA and training have resulted in important achievements across its membership.** These achievements are well recognized by METAC members who are assuming a high degree of ownership evidenced, among other ways, by their voluntary financial contributions to METAC. They also value the sustained follow-up from METAC on assistance, flexibility, and responsiveness to emerging needs. The 2014 mid-term evaluation of METAC's Phase III concluded that METAC was successful in delivering results and contributing to building capacity in its member countries.

12. **METAC's activities during Phase III focused on the delivery of TA and training (regional and in-country) in the areas of banking supervision, PFM, revenue administration, macroeconomic statistics, and during March 2010-October 2012, on debt management and money market development.** These activities reflected the priorities set by member countries in consultation with the relevant departments at the IMF.

Banking Supervision

13. **Achievements in improving banking supervision in METAC countries include:** (i) strengthening risk-based supervision of non-bank financial institutions (NBFIs) in **Lebanon** through the development of an inspection manual and hands-on training; (ii) assisting the Palestine Monetary Authority (**PMA**) in moving banking supervision practices from compliance based-supervision to a more risk-oriented process and developing an inspection manual that focuses on forward looking process to identify risk; (iii) assisting the authorities in **Jordan** in improving consolidated supervision by developing a supervisory college framework to be conducted by the Central Bank of Jordan (CBJ) with the "Arab Bank", the largest bank in the country; (iv) assisting the Central Bank of **Egypt** (CBE) in drafting regulations related to "internal capital adequacy assessment process" (ICAAP) and liquidity risk measurement and management to ensure they are in line with the requirements of Basel Committee on Banking Supervision (BCBS) and international best practices; (v) enhancing banking supervision in **Yemen** for conventional and Islamic banks, and developing regulations on stress testing and risk management; (vi) assisting in upgrading the credit registry system (CRS) in **Sudan** and (vii) helping the **PMA** develop a CRS that meets best international practices.

Public Financial Management

14. **METAC has played a critical role in strengthening PFM reforms which has resulted in progress in several member countries.** Progress has been achieved in: (i) improving the budget preparation processes in **Jordan**; (ii) modernizing budget system laws in **Iraq** and **Jordan**; (iii) moving to a treasury single account (TSA) in **Egypt** and **Sudan**; (iv) improving cash flow forecasting in **Afghanistan** and **Lebanon**; (v) linking budget releases to a commitment control process in **Jordan**; (vi) ensuring there is a modern and effective chart of accounts (COA) that allocates transactions consistent with international standards in **Egypt**, **Iraq** and **Sudan**; and (vii) gradually eliminating manual processes, by using a Financial Management Information System (FMIS) in **Egypt**. Having these basics in place gives confidence that financial statements, especially when moving to adopt

International Public Sector Accounting Standards (IPSAS) compliance correctly represent the financial performance and position of the government.

15. **Close coordination with the IMF HQ TA activities has resulted in a more effective support in the implementation of PFM structural benchmarks incorporated in the IMF lending or staff-monitored programs.** This was the case in **Jordan** where METAC assisted in estimating the stock of payment arrears and provided recommendations to improve the commitment control system to prevent arrears, and in **Sudan** where METAC provided training to build a medium-term macro-fiscal framework (MTFF).

Revenue Administration

16. **In the area of revenue administration, METAC has been instrumental in supporting organizational, strategic and operational reform programs throughout its member countries.** This support has been provided both to tax administrations, and increasingly to customs administrations.

17. **Organizational reforms have included functional integration and the introduction of taxpayer segmentation.** Continued support has been given to the consolidation of integrated Head Office structures (in **Egypt** and **Jordan**); and to the introduction of segment-based structures to provide focused services to Large, Medium and Small Taxpayers (in **Egypt, Jordan, Lebanon** and **West Bank and Gaza**).

18. **Strategically, tax administrations have been supported in making greater use of revenue risk analysis to develop appropriate compliance management approaches.** This has included the introduction of improved approaches to audit case selection (in **Jordan, Lebanon, Sudan** and **West Bank and Gaza**) and the introduction of sectoral risk analysis (in **Jordan** and **Lebanon**).

19. **Operational reform programs have been supported in a number of ways.** The introduction of improved audit practices has been supported (in **Jordan** and **Sudan**); while process improvements and preparations for enhanced automation have been supported throughout the region.

20. **Assistance has also been given to the effective introduction of new taxes where required.** Extensive support has been provided in preparing for the introduction of value-added tax (VAT) in Egypt; and support has also been provided in this area to **Afghanistan**.

21. **Strategic and operational assistance has also been provided to customs administrations.** This has been undertaken in **Afghanistan, Egypt, Jordan** and **Lebanon**.

Macroeconomic Statistics

22. **In the area of external sector statistics (ESS), METAC's assistance focused on improving the coverage, accuracy, reliability and timeliness of balance of payments statistics; and on implementing the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual (BPM6)*.** In addition, METAC assisted countries

in compiling and disseminating the international investment position (IIP), and external debt statistics (EDS). The quality, timeliness and periodicity of ESS have improved for most member countries. **West Bank and Gaza**, **Afghanistan**, and **Sudan** have launched compilation of the IIP; **West Bank and Gaza** disseminated quarterly EDS and participated in the Coordinated Direct Investment Survey (CDIS); and **Iraq** compiled and reported quarterly balance of payments statistics based on the *BPM6* methodology.

23. **In the area of real sector statistics, METAC provided TA to member countries to implement the 2008 System of National Accounts (2008 SNA), rebasing their GDP estimates, and disseminating quarterly GDP by economic activity at current and constant prices.** TA has also been provided to improve, update, and revise the concepts and methods used to compile consumer and producer price indexes (PPIs). In addition, TA supported the development of trade price indices. As a result of METAC's assistance, **Afghanistan** compiled and updated the consumer price index (CPI); and **Sudan** compiled the PPI.

24. **METAC also provided TA and training in the areas of external sector and real sector statistics**, and also provided assistance to countries to subscribe to the IMF's Special Data Dissemination Standard (SDDS).

Debt Management and Money Markets Development

25. **TA in the area of debt management and money markets development focused on assisting member countries in creating sound debt management practices and developing money markets to improve the effectiveness of monetary policy.** However, due mainly to relatively low demand and METAC's tight financial condition during the first three years (May 2010-April 2013) of Phase III, a decision was made to discontinue the work in this area in October 2012. Achievements in this sector include: (i) **West Bank and Gaza** fulfilled the basic prerequisites for the successful issuance of the government securities, including establishing suitable rules and procedures and building local capacity of staff; (ii) **Afghanistan** established a roadmap to move ahead expeditiously with the issuance of Islamic securities (Sukuk); and (iii) **Sudan** delivered a prioritized and sequenced action plan for the development of an interbank market.

METAC's Notable Achievements

Below are examples for results achieved in METAC countries, where METAC was engaged and contributed to these achievements.

Banking Supervision

- ✓ **Afghanistan:** New prudential regulations were drafted; enhancement of compliance supervision; and performance of a quick self-assessment with Basel Core Principles for effective banking supervision.
- ✓ **Libya:** Full implementation of inspection manuals by on-site examiners.
- ✓ **Iraq:** Enhancing regulatory framework by enactment of prudential regulation.
- ✓ **West Bank and Gaza:** Launch of credit registry and credit scoring systems.
- ✓ **Sudan:** Major progress achieved in the credit registry enhancement project and better tools adopted for monitoring liquidity risk at banks.
- ✓ **Jordan:** Establishment of a manual for licensing Private Credit Bureaus.
- ✓ **Lebanon:** The completion of a new risk-based supervision manual for examining non-bank financial institutions and developing a supervisory college framework.

Public Financial Management

- ✓ **Afghanistan:** Development of new processes and procedures to introduce, on a pilot basis, financial planning; establishment of a template for cash flow forecast submissions; and a template for presenting a three-month expenditure forecast.
- ✓ **Jordan:** Establishment of an expenditure analysis unit and building capacity of relevant staff by providing them with methodologies and techniques to control the growth in spending and ultimately improve the quality of existing expenditure policies, so as to increase their economic and social impact; and improvement of the commitment control system by limiting the budget appropriations to be released quarterly based on the treasury cash position.
- ✓ **Lebanon:** Improvement of budget classification and chart of accounts in line with the *Government Finance Statistics Manual 2001* and the classification of functions of government international standards.
- ✓ **Sudan:** Preparation of an action plan for presenting general government data in a consolidated manner to evaluate the total revenues and expenditures of Sudan,

starting from the fiscal year 2012 by eliminating positions and flows between different levels of government. A timeline was approved with the authorities to aggregate the final accounts of the states and consolidate them with the final accounts of the government, and disclose them six months after following each fiscal year, starting June 2014.

Revenue Administration

- ✓ **Afghanistan and Lebanon:** Introduction of risk management in customs operations.
- ✓ **Afghanistan, Sudan and West Bank and Gaza:** Partial automation of tax operations.
- ✓ **Egypt:** Review of customs modernization plan.
- ✓ **Egypt and Yemen:** Support for the introduction of value-added tax.
- ✓ **Jordan:** Strengthening integrated tax headquarters functions, and the management of tax debts.
- ✓ **Jordan, Lebanon and West Bank and Gaza:** Strengthening of large taxpayers' offices, risk management and refund fraud control.
- ✓ **Lebanon and West Bank and Gaza:** Introduction of sector specific risk assessment and compliance management.
- ✓ **Sudan:** Developing a unified Tax Procedures Code and audit manual, reviewing business processes, and cleaning and updating the taxpayer register.

Statistics

- ✓ **Afghanistan:** Setting up compilation program for international investment position, and developing, revising, and updating the consumer price index compilation.
- ✓ **Egypt:** Launching inward direct investment survey.
- ✓ **Iraq:** Compiling and disseminating quarterly balance of payments statistics and annual international investment position statistics, based on the balance of payments manual methodology.
- ✓ **Jordan:** Compiling and disseminating external debt statistics in line with the *2013 External Debt Statistics Guide: Guide for Compilers and Users* in compiling

input/output tables, and in rebasing the national accounts estimates to the 2010 base year.

- ✓ **Lebanon:** Launching the producer price index compilation.
- ✓ **Sudan:** Compiling and disseminating international investment position, in developing new weights for a new consumer price index, and in launching producer price index compilation.
- ✓ **West Bank and Gaza:** Compilation and dissemination of the international investment position and quarterly external debt statistics, participation in the Coordinated Direct Investment Survey, subscribing to the Special Data Dissemination Standard in developing GDP estimates, and improving consumer price index and producer price index compilation practices.
- ✓ **Lebanon, Libya, West Bank and Gaza, and Yemen:** Improving GDP estimates.

D. METAC's Evaluation⁴

26. **A Mid-Term Evaluation of Phase III (May 2010-April 2015) of METAC was completed in September 2014.** It concluded that METAC continued to be successful in delivering results and contributing to building capacity in its member countries. Evaluators recognized the difficult circumstances in which METAC was operating as a result of the political and security situation in the region. While many of the factors determining the Center's performance are beyond its control, METAC's success was to a large extent attributed to its well-organized operation and effective management. Therefore, the evaluators' recommendations focused to a substantial extent on the IMF's broader capacity development (CD) policies and procedures.

27. **Evaluators noted important improvements in METAC operations following the previous evaluation,** including the introduction of RBM, the development of a Field Manual for METAC operations, the extension of SC representation to all beneficiary countries, the introduction of a new costing model based on actual costs, an improved IMF TA dissemination policy, and the increasing use of the METAC website as a means for sharing information.

28. **The evaluation recommendations were grouped in eight areas, covering most aspects of the Center's activities:** (i) developing medium-term country strategies for overall Fund CD delivery based on systematic assessments of capacity gaps and needs; (ii) better integrating METAC (and IMF) CD programs with activities of other TA providers in the region; (iii) strengthening of TA/training coordination and synergies; (iv) developing a reinforced TA approach for engagement in fragile states; (v) strengthening the results-based orientation of METAC activities; (vi) developing an institutionalized Risk Management Framework for TA design and implementation monitoring; (vii) increasing the usability of the Center's website as a platform for knowledge and information sharing, as well as accountability and transparency of its operations; and (viii) developing a Fund-wide unified conceptual framework for the evaluation of RTACs.

29. **The implementation of these recommendations has already been underway in METAC's Phase III and will be further strengthened in Phase IV.** These include: integration of RBM framework into METAC's planning, delivery, progress tracking and reporting of TA projects and activities in each country; results orientation of TA delivery; continuing engagement with countries that are affected by security issues; implementation of a Risk Management Framework to pro-actively mitigate expected and unexpected risks (in particular, with regard to member countries with serious security problems); as well as using METAC's website as a platform for sharing knowledge and information.

30. **In addition, some actions to address the recommendations are being implemented by the Middle East and Central Asia Department (MCD) and the IMF TA departments and will complement METAC's efforts.** These include: enhancing the practice of a Regional Strategy Note (RSN); strengthening synergies between TA and training across TA-providing departments and between regional TA and training centers—

⁴ IMF's response to METAC Mid-Term Evaluation is presented in Appendix III.

including through the work of inter-departmental working groups—and standardization of practices and reporting that will contribute to developing a unified conceptual framework for the evaluation of RTACs.

31. **Besides the above-mentioned actions, the Program Document also contains new proposals that will help address several of the mid-term evaluation’s recommendations.** These include: (i) implementing guidelines and procedures for systematic in-country donor coordination of all capacity development activities; (ii) creating an outreach program as a coordination vehicle with donors and member countries; and (iii) developing a unified conceptual framework for evaluation of RTACs.

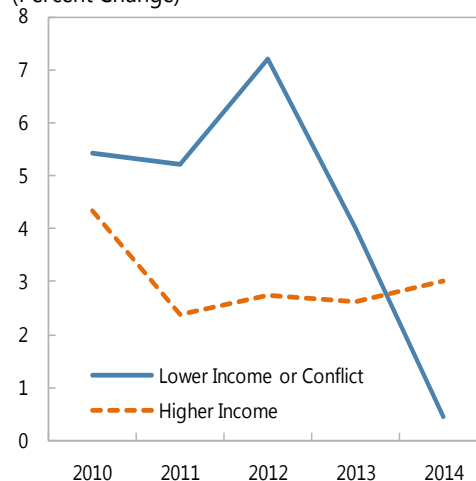
II. HOW METAC WILL HELP THE REGION ADDRESS ITS MACROECONOMIC AND FINANCIAL CHALLENGES

A. Recent Developments and Future Challenges

32. **The macroeconomic situation in the countries covered by METAC has become more challenging due to conflict, and continued reform efforts are needed to strengthen inclusive growth.** While political transitions in the region helping support sound policies, this positive development was overshadowed by regional conflicts, security tensions, structural impediments and until 2014, weak external environment. These factors led to a sharp decline in annual GDP growth in the lower income and conflict countries in recent years. In contrast, the higher income countries have enjoyed stable growth since 2011, albeit at relatively low levels. Indeed, at current levels, growth rates are significantly below levels needed to reduce high unemployment rates. Absent deep and sustained structural reforms, supported by sound macroeconomic policies, growth prospects for the medium-term are modest, particularly in lower income countries and countries suffering conflict. Weak economic activity and the recent decline in oil and commodity prices will help to contain inflation, but prices are under pressure from public wage increases, and in some cases accommodative monetary policies, including monetization of fiscal deficits. Ensuring low and stable inflation continues to be an important objective in all METAC member countries.

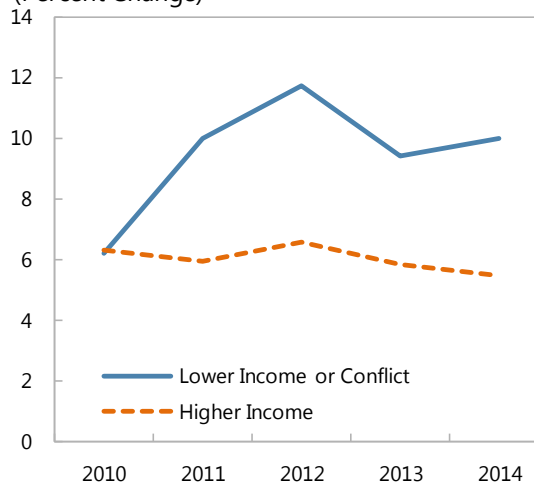
Real GDP Growth

(Percent Change)



Inflation

(Percent Change)



33. **External vulnerabilities have increased, with widening current account deficits, growing external debt, and substantial external financing needs.** With a drawn out Euro area recovery and many Gulf Cooperation Council (GCC) countries adapting to lower oil prices, exports from—as well as tourism revenues and remittances to—many METAC member countries are taking a hit. If sustained, the drop in commodity prices would weigh on countries that rely on these for export revenue, although lower oil prices would alleviate some of the balance of payments pressures on oil importers. Reducing external vulnerabilities will require a capacity to set adequate and well-coordinated fiscal and monetary policy, supported by more flexible exchange rates. The importance of addressing external vulnerabilities also highlights the need

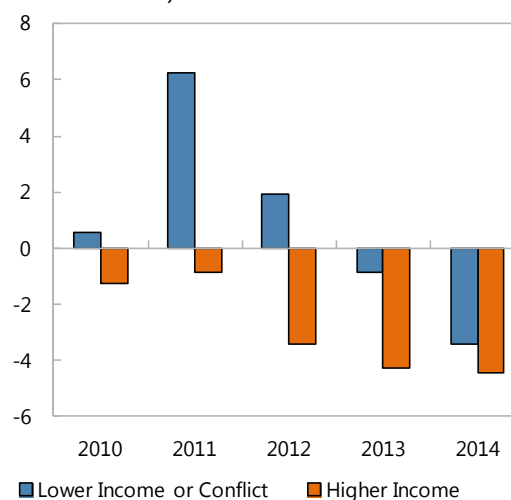
to strengthen macro economic statistics to ensure that reliable and timely data is available for analysis and decision-making.

34. **Fiscal consolidation continues to be a key challenge among METAC member countries.** Public debt and deficit levels have grown in the aftermath of the global financial crisis and the Arab Spring, and are a source of vulnerability in many countries, hurting confidence and raising risk premiums. While there is scope to further cut fuel subsidies given the recent sharp drop in oil prices, to streamline public administrations, and to strengthen tax collection by widening the tax base, the more challenging economic outlook should be taken into account. Indeed, protecting poor and vulnerable segments of the population by better targeting social safety nets and strengthening the progressivity of the tax system will be important. Fiscal strategies should also ensure that preconditions for sustainable growth are put in place by not losing sight of the need to modernize education and upgrade public infrastructure.

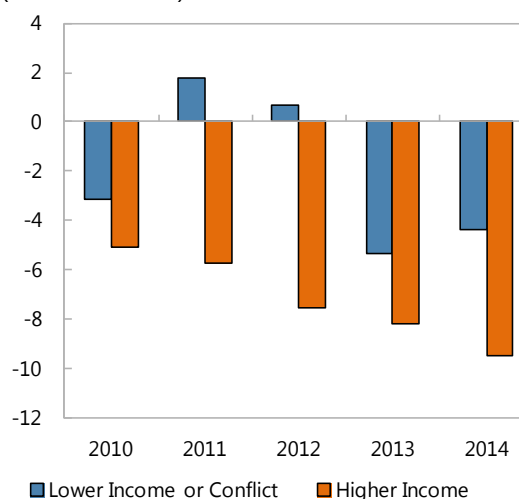
35. **Several METAC members are facing the need to adapt their monetary policy frameworks.** With declining inflationary pressures (from the drop in oil prices) there is an opportunity to introduce greater exchange rate flexibility to safeguard competitiveness against the backdrop of appreciating US\$. Shifting the focus of monetary policy away from exchange rate management requires stronger monetary transmission mechanisms through expansion of interbank markets and active liquidity management, and the adoption of alternative monetary anchors.

36. **A challenging economic outlook highlights the need to maintain financial stability.** While bank capital and liquidity is strong in many countries, high levels of non-performing loans and extensive government ownership of banks are issues of concern in some

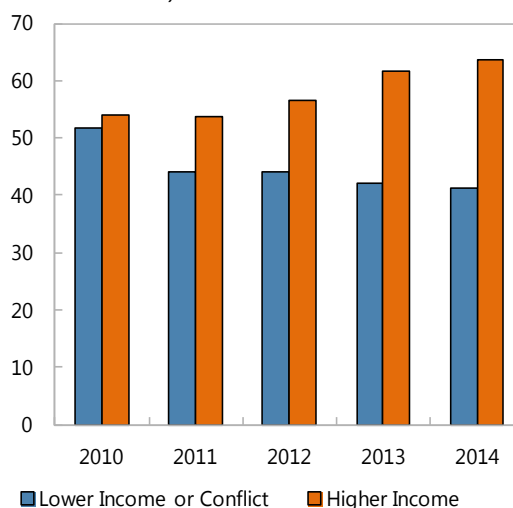
Current Account Balance
(Percent of GDP)



Fiscal Balance
(Percent of GDP)



Public Debt
(Percent of GDP)



METAC members. Further developing banking supervision, continuing the progress toward implementing Basel principles, and strengthening legal and regulatory frameworks will be important to ensure that the financial sector that can support economic recovery while controlling banking sector risks. Countries should also continue to develop, liberalize and diversify financial markets to ensure well-functioning financial intermediation.

B. What is the Agenda for the Next Few Years?

37. **METAC countries must achieve higher growth rates to create jobs, improve living standards, and increase inclusiveness.** This will require deep structural reforms—especially in education, the institutional and business environment, and labor market efficiency, supported by continued stabilization efforts. Continued fiscal consolidation is needed to put public debt on a sustainable path and increase buffers for dealing with adverse shocks. This will require maintaining economic and financial stability, fostering financial development, and reducing vulnerabilities while deepening integration with the world economy. Further improvements in the business environment are key, as are stronger banking supervision, a more transparent and effective system of revenue collection and public spending, stronger fiscal institutions, and better economic data.

38. **METAC's Phase IV work program is aligned with the Financing for Development (FFD) Agenda,** including by focusing on strengthening domestic resource mobilization (DMR); fostering financial inclusion and stability; enhancing support for fragile states; and helping member countries make steady progress toward the Sustainable Development Goals (SDGs).

39. **METAC's assistance will be tailored to country-specific needs. Since 2011, some countries have established new constitutions, and several have held elections. However, some METAC countries suffer from ongoing conflict, and private investment is deterred by regional, sociopolitical, and security uncertainties. Conflicts in Syria, Iraq, and Gaza weigh on confidence in Lebanon and Jordan, where large inflows of refugees strain already limited resources. These uncertainties are compounded by structural and institutional weaknesses, credit risks stemming from high nonperforming loans, high public debt, and largely unresolved structural problems. Sectoral TA priorities for this region include PFM, revenue administration, NA and price statistics, banking supervision and monetary operations. Several of the TA priorities (bank supervision and resolution frameworks, as well as PFM and taxation) will require that member countries reform their legal systems.**

METAC's low- income and/or conflict-affected countries: (Afghanistan, Djibouti, Iraq, Sudan, Syria, West Bank and Gaza, and Yemen)

40. **The three main priorities in the fiscal sector are to enhance basic PFM, mobilize revenue, and strengthen revenue administration. Enhancing PFM is critical to improve the effectiveness of public spending and to facilitate budgetary support from donors (who typically avoid involving host governments in their spending projects). For PFM, cash management, budget classification, reporting, and monitoring remain a priority in several countries to free resources for infrastructure investment and poverty reduction. The latter two priorities involve a strengthening of treasury functions,**

governance, and tax and customs administration—all areas in which METAC is heavily engaged. Similarly, enhancing revenue mobilization and administration are critical to provide governments with enough resources to invest on employment enhancing projects and public infrastructure as well as to eventually reduce aid dependency.

41. **TA on monetary policy operations, and financial sector development and supervision are important to facilitate financial sector deepening and stability and contribute to sustainable growth.** Improving monetary operations, including developing money markets and building capacity for reserve management is a priority in almost all low-income countries. Lastly, improving economic policy will require addressing shortcomings in basic economic statistics. The medium-term priority areas for low-income countries are summarized in the table below.

42. **In response to the Fund’s Fragile States Initiative METAC will aim to increase CD activities in fragile states** in line with the Fund commitment to the FfD agenda. Over the medium term, support will be scaled up under a broader IMF HQ Capacity Building Framework for Fragile States.

METAC middle-income countries: (Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, and Tunisia)

43. **As a safeguard for economic and financial stability, these countries also need to build fiscal space and boost revenues and improve the efficiency of public spending. Strengthening the fiscal framework, reducing fiscal imbalances by better revenue administration, enhancing tax policy, and improving the efficiency and targeting of public expenditures will also be critical in the period ahead, and METAC can provide the needed breadth of TA. While the above needs are similar to those of low-income countries, the actual TA normally consists of second generation type of reforms or of further work on areas that, despite years of reform, still require improvement.**

44. **In the financial sector, it will be important to strengthen banking systems.** This includes strengthened banking supervision and resolution frameworks, putting in place a regulatory environment that fosters improvements in macro prudential policy framework, and tools to maintain financial stability.

45. **Further assistance to strengthen the quality of macroeconomic data will also be required. While data problems and the volume of TA needed in these countries are less acute than in METAC low-income countries, some countries (Lebanon and Libya) would require comprehensive assistance to improve all facets of economic statistics.**

TA Priorities In METAC Countries

General sectoral priorities for METAC for this phase include: Public Financial Management (PFM); Revenue Administration; National Accounts (NA) and Price Statistics; Banking Supervision (including Islamic banking); and Monetary Operations (including money market development, liquidity management, foreign exchange market management and liberalization).

Country	Summary of Medium-Term Priorities
Afghanistan	Priorities include revenue policy and administration, PFM, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), and banking supervision. There is also a strong need in improving NA statistics, namely introduction of a quarterly GDP series, and balance of payments and price statistics.
Algeria	Priorities include financial sector development, monetary policy improvement, and supporting financial stability. There is also a need for assistance on expenditure management, as well as raising non-oil revenue and natural resources management. There is also a need to improve core statistical data.
Djibouti	Priorities will be to reform the tax exemption system, develop banking supervision and regulation, and improve NA.
Egypt	Priorities over the medium-term are to strengthen the fiscal framework—including by broadening the tax base and eliminating excessive subsidies; to enhance public finance management; to improve the quality and transparency of data—including by improving national accounts statistics and publishing more data on financial soundness of banks; to further develop the monetary policy framework; and to strengthen banking sector supervision.
Iraq	Iraq is a post conflict country with severe capacity constraints and very large TA needs. Priorities are in PFM, resource management, statistics, banking supervision, reserve management, and AML/CFT.
Jordan	The key challenges are to reduce fiscal and external imbalances while fostering inclusive growth. Support on PFM, revenue administration, and tax policy is essential. Further assistance is needed to improve capacity to monitor and assess financial risks; cross-border supervision; implementing Basel III; and revising the GDP data series.
Lebanon	Fiscal consolidation remains critical in Lebanon, to achieve debt sustainability and anchor confidence. Key priorities are to reduce fiscal imbalances through a combination of policy and management measures. Long-standing weaknesses in data also need to continue to be addressed, along with measures to strengthen banking supervision to safeguard financial stability.
Libya	Critical priority areas include: strengthening PFM subsidy reform; AML/CFT, banking laws and regulations; central bank modernization, and; compilation of NA statistics and the IIP.
Morocco	Priorities are widening the tax base, improving the efficiency of spending, continuing reform of the subsidy system, and increasing the flexibility of the exchange rate while moving to inflation targeting as anchor for monetary policy.
Sudan	Priorities include tax policy, revenue administration, and PFM; financial sector development and banking reform; AML/CFT; and improvement in external and basic macroeconomic statistics.
Tunisia	Priorities include supporting the authorities' inclusive growth and unemployment reduction strategy, with a special emphasis on enhancing the financial sector contribution to economic growth and reducing fiscal risks.
West Bank and Gaza	Priorities are PFM, revenue administration, and banking supervision. There is also a need for an intermittent review and assistance to enhance the statistical capacity especially in GFSM 2001, external sector, and NA expenditures side accounting. Training is needed in support of accounting and economic and fiscal forecasting skills of staff at the Macro-fiscal Unit at the Ministry of Finance.
Yemen	Priorities are in revenue administration, PFM, banking supervision and financial infrastructure development and monetary operations. There is a general need for better statistics.

III. METAC' AGENDA FOR PHASE IV

46. **METAC's work programs over the next five years (May 1, 2016-April 30, 2021) are being developed jointly with recipient countries, donors and other TA providers.** METAC's work will be integrated into the IMF HQ TA and the IMF policy and surveillance work through an internal prioritization process to ensure that METAC TA remains relevant and focused on the IMF core expertise.

47. **METAC will continue to provide training, including through regional workshops that address issues relevant to the wider region.** Collaboration with the IMF HQ will continue to provide workshops that support the TA delivered by METAC. METAC will organize in collaboration with national agencies (i.e., central banks, ministries of finance) and training institutes' seminars and forums that would address common challenges in the region. METAC will continue to involve non-members from GCC countries in its regional workshops to allow wider peer discussions and knowledge exchange.

48. **Coordination with the CEF in Kuwait will be strengthened to ensure that training activities provided by both Centers complement each other.** METAC workshops will continue to be linked to the TA it provides to member countries and focus on hands-on implementation of TA recommendations. METAC workshops that are relevant to all Arab League countries will be held at the CEF.

A. METAC and other IMF TA

49. **The capacity development work of METAC is closely coordinated with donors and all other IMF TA.** The RTAC model combines strategic technical advice from the IMF HQ with local expertise and hands-on capacity development and implementation support through RTACs. METAC's activities are closely integrated and coordinated with the IMF's surveillance and program work, and other TA delivered by the IMF. Some METAC training is closely coordinated and supplemented by the curriculum of CEF in Kuwait. The Center's advisors participate in PFM donor groups and routinely debrief relevant donors on their work.

50. **The MCD identifies TA needs and priorities across TA sectors in each METAC country, in close consultation with the member country and the IMF TA departments** (Figure 1). The MCD annual RSNs set out a medium-term TA agenda for the region and for each country and incorporate the work of METAC and other delivery vehicles. To best meet country needs, specific delivery modes are chosen depending on the complexity of the task and country implementation capacity. Diagnostic HQ-led missions, often including RTAC staff, generate multi-year blueprints for reform projects. Implementation is often devolved to the RTAC, given the resident advisors' deep country knowledge and relationship with member countries.

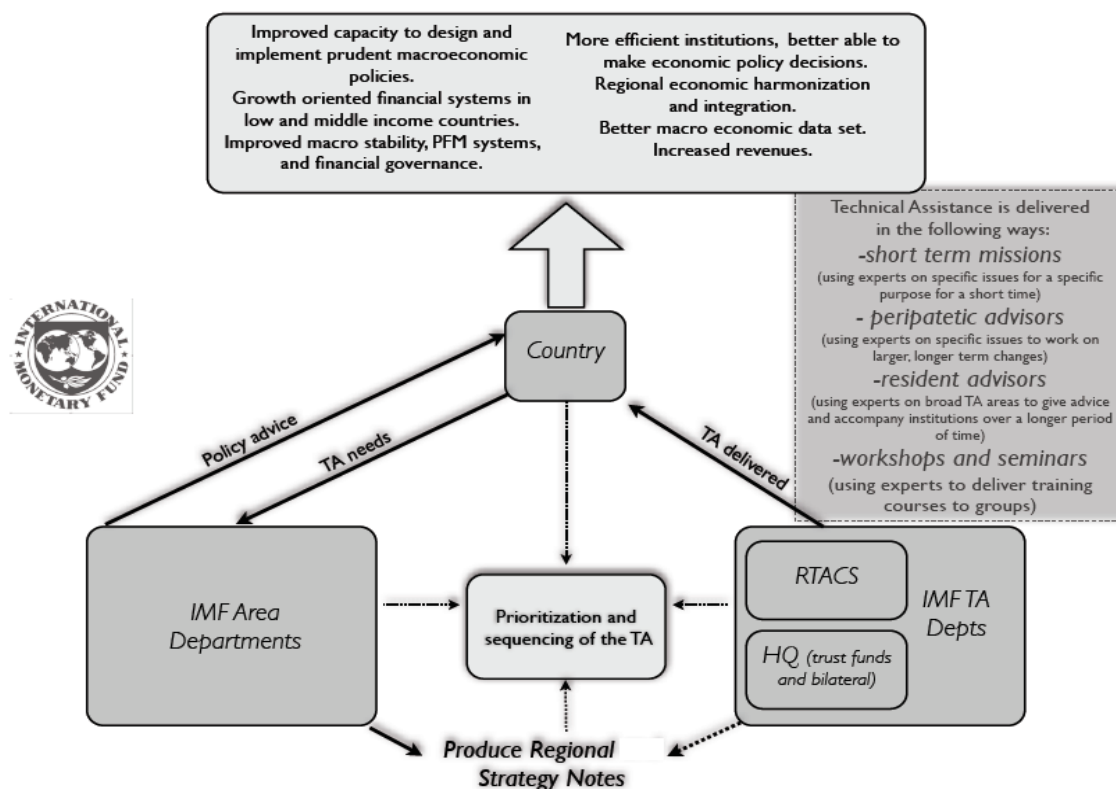


Figure 1: The Fund's TA Planning Process.

51. **Frequent contact and missions of RTAC resident advisors in the region provide step-by-step assistance in implementing reforms.** Missions from both HQ and RTACs rely on a vetted roster of external short-term experts to complement the existing skills set. In countries where capacity is particularly weak, long-term resident advisors provide guidance to the country's authorities on a day-to-day basis.

B. Measuring How METAC Achieves its Objectives

52. **METAC uses a RBM to plan, monitor and evaluate TA.** The overall strategic log frame consists of strategic regional objectives, regional program objectives of each functional area, and general assumptions and risks. The strategic objective of METAC is to improve institutional and human capacity for effective macroeconomic policy.

53. **In Phase IV, the program will focus mainly on four areas with specific objectives:** (i) banking supervision; (ii) PFM; (iii) revenue administration; and (iv) macroeconomic statistics. In addition, in coordination with the IMF's Monetary and Capital Markets (MCM), METAC will accommodate TA requests from member countries in the area of monetary operations and financial sector developments. These missions will be conducted by short-term experts with peripatetic assignments and backstopping by HQ departments.

54. **For each topic area, METAC specifies a set of outcomes and each outcome will be measured against a few verifiable indicators along with the inputs and outputs that will be required to reach the outcomes.** In addition to the strategic and topical log

frames, annual work plans describe the activities for each country for a given year and link these activities to the medium-term outcomes. The annual work plan specifies in details the inputs required in terms of missions and the time allocated for each activity whether by resident advisors or short-term experts. The annual work plans set milestones for each project or activity which would give an indication on progress throughout a project and provide signals as to when certain actions should be taken.

55. **The engagement of METAC in member countries and the degree to which outcomes are expected to be achieved vary according to needs and the ability of each country to implement reforms.** TA needs in countries that have experienced uprisings and in fragile states will be substantial once the security and political situation stabilizes. TA in these countries will be directed mainly to building institutions capable of conducting macroeconomic policy to achieve sustained growth while protecting social sectors and reducing poverty.

56. **Reaching the objectives of METAC rests on some assumptions and is subject to a high degree of risks in view of the fundamental transformation that is taking place in the region.** For METAC to reach its strategic objectives it is assumed that political and security stability will improve in the region in the period ahead and that there is commitment from the country authorities to the assistance provided by the Center.

57. **METAC will need to secure the required resources to carry out its mandate, otherwise activities would need to be curtailed** and the expected increase in demand for TA from countries in the post-conflict era will not be satisfied. In addition, the work plans of METAC are based on the assumption that certain donors' TA will be provided and will complement the work provided by METAC in a satisfactory manner.⁵

58. **For countries with serious security problems, the expectations are that TA delivery will be provided offsite.** Given the security situation and political turmoil in several of METAC countries, the TA program for Phase IV will be implemented flexibly and changes will be introduced in the work plan when needed to take into account scaled down TA delivery or no delivery to countries affected by conflicts and readiness to respond to emerging needs of member countries.

⁵ METAC coordination with other TA providers is discussed in sections C-G below.

C. Integration and Synergies with Other TA Providers

59. **METAC TA activities are coordinated with those of other TA providers and integrated with the member countries' reform programs and development strategies.** Such coordination is essential to ensure the effectiveness of TA and donor assistance and is all the more important because IMF TA is mainly upstream, building the economic policy and legislative frameworks. Other TA providers often rely on this work to ensure the effectiveness of their own TA work or donor assistance.

60. **METAC will continue to strengthen coordination with other TA providers particularly in its core areas of expertise.** TA is being provided to the region by multilateral institutions like the World Bank (WB), the European Union (EU), and bilateral agencies, including the United States Agency for International Development (USAID) and Department for International Development, the United Kingdom (DFID).

61. **To help ensure complementarities and synergies with other TA, METAC coordinator will be the focal point for this liaison with bilateral and multilateral agencies in the field.** In particular, the coordinator will ensure that:

- METAC TA missions and assignments planned during the fiscal year are posted on the Center's website;
- TA reports prepared by RTAC experts are circulated to the SC and, upon request, other relevant stakeholders if the TA recipient consents (consent by the TA recipient would be given on a no-objection basis according to the IMF's dissemination policy). This will provide METAC recipient countries, donors, and other TA providers with the information needed to better coordinate with METAC TA.
- Donors are briefed, including through the IMF's Resident Representative Offices. Information on METAC missions will be posted on METAC's website. METAC missions will also provide donor briefings in the field.

IV. METAC LOG FRAME FOR PHASE IV (FY2017-2021)

METAC's RBM framework consists of a strategic log frame for the Center and four topical log frames, one for each TA area covering Phase IV. These log frames are based on a detailed assessment of the needs of member countries.

The existing framework will continue to be refined and reflected in the yearly log frames, prepared for the SC report, by benefiting from development at the IMF HQ of the new system to reach full integration in the Fund-wide RBM frame work during the first two years of the new phase.

For all four areas covered in the Center, the Inputs and Outputs are similar as well as the Assumptions and Risks.

Inputs

- Resident advisors
- Short-term experts
- HQ-based diagnostic missions and backstopping

Outputs

- TA reports
- Draft laws, regulations, and manuals
- Workshops, seminars
- Hands-on training

Assumptions/Risks

- Continued commitment to reform by country authorities.
- Complementary TA from HQ and other donors.
- Political/security conditions in member countries allow for TA delivery and reform implementation.
- HQ's TA, backstopping and guidance available in particular on diagnostic assessments and institutional framework.

METAC Strategic Log Frame for Phase IV (FY2017-2021)

Improve institutional and human capacity for effective macroeconomic policy that aims to achieve a higher and sustainable growth in the region and respond to the needs of the population while preserving macroeconomic stability.

1. Achieve a more risk-oriented banking supervisory and a regulatory framework that enhances financial stability; and support long-term capacity building to efficiently supervise, monitor and assess the soundness of conventional and Islamic banks and reduce financial sector vulnerabilities.
2. Establish an integrated budget planning and management process that effectively links policies to public resource allocation, and further develop treasury systems, including government banking arrangements, commitment controls and financial management information systems.
3. Achieve real improvements in revenue performance through enhancing strategic focus and optimizing the allocation and development of resources and systems, and increase taxpayer compliance through enhanced transparency and governance procedures.
4. Bring member countries closer to compliance with international standards for the compilation of external statistics, NA and price statistics.

1. Restoration of political and security stability in a number of METAC countries that would allow delivery of TA in a timely manner.
2. Sufficient ownership of reform measures by the country authorities and commitment to provide resources to carry out their duties and implement reform measures.
3. Mobilization of sufficient financing for METAC.
4. Complementary TA by HQ and other TA providers is available.

1. Banking Supervision⁶

Outcomes	Indicators for end-of FY21	AFG	Algeria	Djibouti	Egypt	Iraq	Jordan	Lebanon	Libya	Morocco	Sudan	Tunisia	Syria	WBG	Yemen
1. Enhancement of risk-based supervisory and enforcement frameworks in both onsite and offsite supervision functions.	1.1 Risk-based onsite and off-site inspection and enforcement manuals are developed and implemented and are well integrated within the overall supervisory framework, and more cooperation between on-site and off-site functions.														
	1.2 Reports have been modified to require more relevant data for risk assessment, and automated reporting system and database are in place that generate adequate and reliable data.														
	1.3 Supervisors are adequately trained and able to implement risk-based supervision, develop inspection reports of individual banks that focus on key risks and provide appropriate recommendations.														
2. Further alignment of the regulatory framework with Basel principles and standards, in particular Basel II and III frameworks and with those of the Islamic Financial Services Board (IFSB), wherever is applicable.	2.1 Basel requirements have been incorporated in the legislative and regulatory framework.														
	2.2 Issuance of new regulations and application of new supervisory tools and techniques that are in further compliance with Basel II accord and Basel III reforms.														
	2.3 New supervisory regulations and guidelines are issued for Islamic banking activities in line with the IFSB requirements.														
3. Implementation of International Financial Reporting Standards (IFRS), and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) for Islamic banks.	3.1 Banks financial statements and supervisory reports comply with the requirements of the IFRS and with AAOIFI standards for Islamic banks.														
	3.2 Issued guidelines and regulations are compliant with international accounting standards.														
4. Enhancement of the function of public credit registries and Private Credit Bureaus (PCBs) to be in line with international best practices.	4.1 The public credit registries will be fully operational with expanded financial and demographic database along with an effective software and comprehensive reporting.														
	4.2. Increased access to credit and reduction in the level of payment delinquencies and default rates.														
5. Banking supervisors in the region have a better understanding of the latest practices and standards on banking supervision and develop their supervisory skills and capabilities accordingly.	5.1 Offsite and onsite supervisors apply the developed risk-based frameworks effectively and show a thorough knowledge of the new regulations and apply them effectively throughout their work.														
	5.2 Weak and problem banks are identified early and prompt corrective action plans are rigorously taken.														

⁶ The white cells indicate that METAC is not working on the specific indicator listed, however if needs arise the change will be reflected in the annual log frames.

2. Macroeconomic Statistics

[illegible]

3. Public Financial Management

[illegible]

4. Revenue Administration

[illegible]

V. METAC AGENDA FOR PHASE IV

A. Agenda – Public Financial Management⁷

Coordination with other TA providers

62. **Under the Phase IV Program, METAC will continue to closely coordinate its activities with development partners providing TA in the area of PFM.** In Egypt, METAC will continue to engage with the WB, the EU, the USAID, and the US Treasury. In Lebanon, the strong relationship that has been built with the WB-funded Fiscal Reform Project and the EU-Twinning project will be maintained. High priority will remain on close coordination and information sharing in West Bank and Gaza with the WB and DFID, in Sudan with the WB, and the Turkish Treasury, in Jordan with the WB and the USAID, and in Yemen with the WB, the EU and Germany.

Phase IV - Topics

63. **During Phase IV, METAC will focus its assistance on consolidating reforms launched during Phase III, mainly in macro-fiscal, budget preparation, and budget execution areas, including FMIS.**

64. **There are similar PFM challenges facing countries across the region, although TA needs differ and reflect the different stages of development.** METAC will build on what has been achieved thus far seeking to enhance PFM capacity and systems, and institutionalize good PFM practices.

65. **Activities will contribute to outcomes envisaged in national PFM reform programs, with careful attention to topics where METAC has comparative advantage.** Work will be undertaken to meet the following broad objectives:

- Modernize PFM legal and regulatory frameworks, by both revising existing legislation and promoting compliance.
- Strengthen macro-fiscal forecasting and budget practices, including increasing credibility of budgets and improving allocation decisions through tighter links between the annual budget and strategic priorities; setting the annual budget in the context of robust medium-term frameworks; programs focused on outputs and outcomes; and improving public investment decision-making and management.
- Strengthen budget execution, treasury and cash management; introducing measures to prevent the accumulation of payment arrears, developing capacity for managing aggregate cash balances, cash forecasting and cash management practices.
- Strengthen the internal control environment and financial management systems; ensuring that PFM systems operate in secure control environments, and maximize the benefits and management of risks from investments in computerized PFM systems (e.g., FMIS).

⁷ For the country specific TA on each of the TA areas, please see Appendix I.

Phase IV - Regional Issues

66. **METAC will continue to enhance PFM knowledge sharing through regional workshops used to foster peer learning and specific in-country training.** The focus will be on: (i) establishing commitment control systems; (ii) improving consistency of budget classification and COA with Government Financial Statistics Manual (GFSM 2014); (iii) modernizing budget approach by moving from bottom-up to top-down budgeting and by adopting a multi-year fiscal and budget strategy (Medium-Term Frameworks; Fiscal, Budget, and Expenditure); (iv) developing FMIS; and (v) introducing program based budgeting.

B. Agenda – Banking Supervision

Coordination with other TA Providers

67. **METAC will continue enhancing coordination with other TA providers to ensure synergy and avoid any overlap in the TA provided wherever possible.** It will continue coordinating with the WB in Sudan, Lebanon, and West Bank and Gaza; with the Asian Development Bank in Afghanistan; and with the European Central Bank (ECB) in Egypt.

Phase IV - Topics

68. **METAC's TA in banking supervision area will continue to assist member countries in improving and strengthening their financial systems and maintaining public trust and confidence in the banking sector.** METAC members have made considerable efforts to strengthen their supervisory and regulatory frameworks as well as to build their banks examiners capacity. METAC's provision of TA in the banking supervision area will focus on: (i) moving from compliance-based approach to risk-based approach; (ii) implementing banking supervision best practices; (iii) further strengthening banks' examiner capacity; (iv) issuing new key prudential regulations in line with international standards setting such as BCBS and the Islamic Financial Services Board (IFSB); and (v) continue providing TA in other related banking issues such as enhancing credit registry and credit scoring functionalities, assisting in developing supervisory colleges framework to enhance consolidated and cross-border supervision, and further enhancing the implementation of international accounting standards in conventional and Islamic banks.

69. **METAC will focus on building supervisors capacity in Islamic banking and provide the needed TA and training in this area.** Many of METAC countries have requested assistance in Islamic banking issues, in particular, Afghanistan, Sudan, Yemen; and Libya which has transformed to a full fledged Islamic banking system.

70. **Many countries in the region have expressed their interest in implementing Basel II and Basel III in their jurisdictions, and some of them started this implementation.** METAC will continue assisting its members in the migration process from Basel I to Basel II, and Basel III to enhance financial system stability by improving banks' capital to adequately and properly address banks' risks profile.

Phase IV - Regional Issues

71. **METAC will continue to work on promoting cooperation and experience sharing among the countries in the region.** During Phase IV, METAC will organize regional workshops either independently or jointly with the CEF in Kuwait, where supervisors of the MENA region meet and share their experiences and practices in banking supervision. Workshops will tackle issues such as consolidated supervision, Basel III implementation, Islamic banking, risk-based supervision, and other related topics.

C. Agenda – Revenue Administration

Coordination with other TA providers

72. **Under the Phase IV Program, METAC will continue to work in close coordination with other TA providers in the area of revenue administration.** In Jordan, the strong relationship that has been built with the USAID-funded Fiscal Reform Program will be maintained; and in Egypt, METAC will continue to engage with the EU on the introduction of VAT. The working relationship that has been built with the DFID-funded revenue program in Afghanistan will also continue; and a cooperative arrangement under which Germany provides funding for the logistics costs of Afghan Revenue Department and Customs officials to travel to METAC TA events if needed will be utilized. In the West Bank and Gaza, METAC will support the Ministry of Finance (MoF) in coordinating the activities and interventions from the various development partners supporting the efforts of the Palestinian Authority to improve revenue collections.

Phase IV – Topics

73. **METAC will continue to build on the modernization principles and initiatives supported in Phase III,** taking account of international best practices and the specific issues and challenges faced in its individual member countries. In general terms the Phase IV revenue administration program will seek to support:

- Improved revenue collection, through the even-handed and transparent administration of the relevant laws in line with the principles of good governance.
- The creation of fair and equitable revenue environments that provide a level playing field for businesses, and are attractive to both domestic and international investors.
- Enhanced levels of service to taxpayers that minimize inconvenience and disruption to business, and facilitate high levels of voluntary compliance.

In order to achieve this, METAC missions will focus on:

- Strengthening organizational structures based on functional integration, taxpayer segmentation and industrial specialization.
- Measuring and benchmarking administrative performance as a basis for strategic decision making, organizational development and resource deployment.
- Enhancing understanding of revenue and compliance risk and taxpayer behavior.
- Using technology both to enhance service levels and reduce personal interaction between taxpayers and revenue administrators.
- Increasing cooperation between tax and customs administrations, to manage risk and to provide enhanced service levels.
- Encouraging and facilitating regional and international interaction, to mitigate both revenue and security risks.

These principles will be applied equally to supporting tax and customs administrations.

Phase IV - Regional Issues

Organization of Workshops

74. **The organization of regional workshops on issues of common interest to the revenue administration authorities of member countries has been one of METAC's key regional initiatives, and will continue to be so.** These workshops will continue to provide a platform for the exchange of experiences, and the presentation of international developments and best practices by IMF experts.

75. A key development under Phase IV will be an increased emphasis on customs issues in these regional workshops, which have historically focused on tax administration.

Promote Regional Cooperation in Tax Administration

76. **In many parts of the world, regional tax administration associations have been established to promote cooperation and coordination between their members.** Examples of such associations include the Inter-American Center of Tax Administrations; the Intra-European Organization of Tax Administrations; the African Tax Administration Forum the Pacific Islands Tax Administrators Association; and the Commonwealth Association of Tax Administrators. Examples of such cooperation include sharing experiences and regional best practices, establishing regional approaches to capacity building, and operational coordination and the exchange of information to combat tax evasion and aggressive tax avoidance.

77. **At present no such regional association has been established in the Middle East.** However the same fiscal threats and challenges that have led to the establishment of such associations elsewhere exist throughout the region, in both METAC and non-METAC countries. Consequently, the benefits of establishing an enhanced level of regional interaction are seen as having significant potential benefit to the economies of the Middle East.

78. **Experience from elsewhere indicates that the driving force for successful and sustainable regional associations comes from within.** It is not therefore METAC's objective to create and manage such a regional organization, but to facilitate, encourage and support the establishment of such an association through workshops, training and such other forms of TA as may be required.

D. Agenda – Macroeconomic Statistics⁸

Coordination with other TA Providers

79. **METAC coordinates closely with other TA providers.** These include the Arab Institute for Training and Research in Statistics in the area of NA and data quality, and with the UN Economic and Social Commission for Western Asia in the area of NA and services and foreign direct investment (FDI), as part of ESS.

Phase IV - Topics

80. **METAC will continue to build capacity for good quality economic and financial statistics to support policy and program development, and monitoring and evaluation at the national and regional level.** Based on the latest international standards and best practices, METAC will assist member countries in improving the coverage, accuracy, reliability, frequency, and timeliness of NA, prices, and ESS. Providing advice on strengthening the national statistical infrastructure and systems, as well as improving the underlying source data for these statistics, will also be an important aspect of METAC TA.

81. **TA will primarily focus on real sector statistics (NA and price statistics) during Phase IV, with supplementary TA in ESS.** Provided by long-term advisors and short-term experts, key areas of support on the NA will include assistance to further implement *2008 SNA* recommendations and compile quarterly GDP by expenditure at current and constant prices. In the prices areas, METAC will support member countries on updating and revising the CPI, PPI and trade indices, as well as implementing methodological improvements. METAC will also support work on improving balance of payments, IIP and EDS using short-terms experts or staff.

National Accounts

82. **The main objectives will include improving the accuracy of the annual GDP by production and expenditure approaches at current and constant prices** and developing compilation systems for QNA; and assisting countries with moving toward implementation of the *2008 SNA* recommendations. Although METAC has provided TA to improve NA compilation systems, significant weaknesses persist. TA will be provided to support the implementation of sustainable improvements to the concepts and methods used to compile the NA of member countries.

Price Statistics

83. **The main objective will be to improve and develop price indices.** TA activities will support improving, updating and revising CPIs. In addition, METAC will assist with developing PPIs and import-export price indexes in those countries with sufficient capacity in order to develop more comprehensive measures of inflation and to improve price deflation for the constant price GDP estimates.

84. **In terms of regional goals, the implementation of international standards and best practices will contribute to enhancing the comparability of CPIs throughout the**

⁸ For METAC countries statistical data collection and publications please refer to Appendix II.

region and promote the compilation of more accurate and reliable price data. To this end, METAC will continue to encourage countries to adopt best practices related to index compilation methods, including the adoption of the *Classification of Individual Consumption by Purpose*.

85. **In order to enhance the accuracy and reliability of price indexes, METAC TA will address a number of outstanding methodological issues.** Known methodological weaknesses include, but are not limited to: (i) outdated CPI weights; (ii) infrequent weight updates; (iii) inadequate treatment of missing prices, including seasonal items; and (iv) the treatment of quality change. Under Phase IV, METAC will put more emphasis on the development of PPIs.

External Sector Statistics

86. **The main objective will be to assist METAC countries in improving the quality of ESS and ensure transfer to the latest standard of the BPM6.** Most METAC countries compile balance of payments statistics broadly following the *Balance of Payments Manual*, fifth edition (*BPM5*). Only Iraq reports data according to *BPM6* reporting format. Jordan and West Bank and Gaza compile and disseminate quarterly IIP. Afghanistan, Egypt, Iraq, and Sudan compile and disseminate annual IIP.

87. **Since the commencement of METAC TA in 2005, most METAC countries have achieved noticeable improvement in ESS.** However, more work needs to be done. Current data compilation procedures are still error prone, as inadequacies in financial, staff, and computer resources dedicated to balance of payments compilation hamper the quality of data. Besides, data sources outside the central banks and the rest of the banking systems remain poor and sometimes unavailable. Data collection is still not comprehensive and most shortages in the coverage and classification of the balance of payments statistics reflect gaps in data sources.

88. **Major weaknesses in data sources in most METAC countries are in services, income transactions, transfers, capital, and financial account transactions, specifically FDI related transactions.** METAC will focus on developing data sources in those areas and on improving the IIP and external debt data further.

Phase IV - Regional Issues

89. **METAC will support the implementation of regional initiatives, introduce common standards, harmonize methods, disseminate best practices, and work with standard-setting organizations and support institutions.** METAC aims to work, discuss, and establish with member countries harmonized and regionalized statistical methodologies, classifications, data dissemination practices, and legal and institutional frameworks for producing sound macroeconomic and financial statistics. These objectives will be achieved by TA and by regional workshops where members can share experience, act as peer group reviewers, and promote networking.

90. **There are important differences across METAC countries in terms of the quality of data collection and macroeconomic data compilation methodologies.** SDDS, with its criteria for the development of a national summary data webpage, an advanced release calendar, and the dissemination of data for 18 major macroeconomic data categories, remains a challenge for METAC countries. Egypt, Jordan and West Bank and Gaza are SDDS

subscribers. While the other countries are still in the process of meeting their commitments to improvements within the General Data Dissemination System (GDDS), data compilation and

dissemination challenges remain significant for all METAC GDDS countries. A reported weakness on the quality of GDDS participation is that most country pages are not updated on a regular basis to properly benchmark and monitor the implementation of existing statistical development plans. Current published data can also reveal inconsistencies and methodological shortcomings that need to be addressed and provide an important basis for comparison, both nationally and internationally.

E. Resource Needs

91. **METAC's budget for the next five years, excluding IMF contribution, is estimated at about US\$28 million.** This compares to about US\$13 million⁹ of actual spending during Phase III. During the first two years of Phase III, METAC's budget was under pressure and cost cutting measures had to be implemented, including discontinuing the work in the debt management and money market development area. However, the weak security situation in several of METAC countries since 2012 limited METAC engagement in these countries. As a result, on annual basis, there has been under spending in the Center's budget since FY13. This and the fact that two new donors (Germany and USAID) contributed US\$3.7 million since FY13 will result in a surplus of about US\$6.1¹⁰ million in METAC's budget at the end of Phase III.

92. **In line with the SC's endorsement of May 5, 2014, METAC's Phase III was extended by one year until April 2016.** Adding budgeted \$3.4 million for FY16, it brings total expected spending during Phase III to \$16.4 million. Contributions received thus far are \$18.2 million, and it is expected that before the end of this funding cycle another \$0.7 million will be disbursed, bringing the total disbursed to \$18.9 million. With total expected spending of \$16.4 million, the expected carryover at the end of this current cycle is about \$2.5 million. This amount will be rolled over to the next phase, pending donor approval.

93. **To provide assurance and stability for the Center's operations, financing for Phase IV would need to be secured in advance for the entire five-year period.** The budget would be shared by the IMF, the host country, recipient countries and donors. The proposed budget envisages:

Proposed Budget

- Five resident advisors will cover four topics: PFM (two advisors), revenue administration, banking supervision, and national accounts and price statistics. TA in the areas of monetary operations and financial sector development; and ESS will be covered by short-term experts through peripatetic missions and backstopped by HQ departments.
- Short-term expert visits will complement the work of the resident advisors. The IMF will continue to seek regional expertise where possible.
- Regional workshops will continue to provide hands-on training and a platform for sharing knowledge and exchanging experiences. Training will focus on those areas identified in need of improvements in TA reports.
- Backstopping from HQ will ensure quality and consistency of METAC's advice with IMF and international best practice.
- A mid-year evaluation.

⁹ This figure includes the first five years of Phase III till April 2015.

¹⁰ Surplus estimated as of April 2015.



METAC Phase IV Program Document Budget
May 2016 - April 2021
(In U.S. millions)

Project/Activity	Budget
Public Financial Management	7.8
Resident Advisors	3.7
Short-term Experts	1.6
TA Seminars	1.2
Backstopping	0.4
Other ¹	0.9
Revenue Administration	4.9
Resident Advisors	1.9
Short-term Experts	1.6
TA Seminars	0.6
Backstopping	0.2
Other ¹	0.6
Banking Supervision	5.7
Resident Advisors	1.9
Short-term Experts	2.2
TA Seminars	0.6
Backstopping	0.2
Other ¹	0.8
Macroeconomic Statistics	5.1
Resident Advisors	1.9
Short-term Experts	1.6
TA Seminars	0.6
Backstopping	0.2
Other ¹	0.8
Legal	0.5
Short-term Experts	0.5
Backstopping	0.0
Administration	2.1
Center Coordinator Regional Travel	0.1
Local Staff	0.5
Lease - Utilities	1.4
Other ²	0.1
Governance	0.3
Trust Fund Management	1.8
IMF Contribution	5.0
Total	33.1

Source: IMF, Institute for Capacity Development, Global Partnerships Division.

¹Includes activities related to security, translation, project management, and governance.

²Includes project management for IMF's Finance, and Middle East and Central Asia (MCD) Departments.

94. **Besides its financial contribution, the IMF provides and finances internally institutional support to ensure focus and targeting, quality and consistency in the delivery of assistance.** The combined responsibilities of the Committee on capacity-building, the MCD and the TA departments constitute an institutional support framework for TA project delivery in the field. All projects, whether internally or externally financed, whether delivered by HQ or by the RTACs, are supported equally by this framework.

95. METAC's host country, Lebanon, contributed generously to the Center during the past three funding cycles, and is expected to maintain its contribution for Phase IV.

VI. METAC FINANCIAL SUSTAINABILITY

96. **During Phase III, donor interest in supporting METAC, including donors within the region (e.g. GCC), was relatively limited compared with other RTACs, due to differing regional and strategic priorities and traditional donors' focus on low-income countries.** However, the expansion of METAC membership to include Algeria, Djibouti, Morocco, and Tunisia; and expanded coverage of TA issues, and renewed geopolitical interest in the region is likely to raise donor interest in METAC.

97. **During Phase III, original pledges were received from the EU, France, Kuwait, Oman, and METAC beneficiary countries (Egypt, Jordan, Libya, Syria, Sudan, and Yemen) together with the IMF and the host country Lebanon contributions for the Center's operating cost, brought the total to about US\$21 million.** In 2013, two new donors – Germany and USAID joined, and in 2014 Jordan made an additional contribution, all of these resulting in extra US\$3.9 million. These additional resources, combined with METAC's under-spending due to security constraints across the region, allowed an extension of Phase III through April 2016 to enable use of remaining resources.

98. **An expanded METAC would include all Deauville Partnership countries and the entire EU's Southern Neighborhood,** likely raising donor interest in METAC both from existing and potential donors (established donors not yet contributing to METAC as well as emerging donors, such as BRICS). Getting GCC countries more engaged would also be important.

99. **Member countries (including new members) are expected to continue contributing significantly to METAC's Phase IV budget.** However, this support has been uneven across the Center's membership. Some member countries give substantial financial support to METAC, while others have not yet contributed. For Phase IV, a (voluntary) minimum contribution for all members will be proposed, with the expectation that members with higher financial capacity should continue to make higher contributions.

100. **Financial sustainability considerations have been incorporated into the strategy.** Continued high financial needs under Phase IV and budgetary pressures in traditional donor countries raise issues of financial sustainability. A threefold approach is taken to risk mitigation: (i) establishing long-term strategic partnerships with key donors; (ii) some diversification of the donor base; and (iii) continued substantial (voluntary) member country contributions. Member contributions are essential to demonstrate country ownership of the Center and for continued donor support. The IMF's contribution is expected to be US\$5 million.

VII. METAC GOVERNANCE, OPERATIONS, AND FINANCIAL MANAGEMENT

A. Governance

101. **METAC is guided by a SC of representatives from recipient countries, donors, and the IMF.** The SC provides strategic guidance and helps set METAC's priorities, including through endorsing work plans, and is a vehicle for feedback on TA quality. METAC's SC meets annually and is chaired by the minister of finance of the host country Lebanon. An external evaluation of the work of METAC will be carried out by a team of independent experts around three years into the program phase, assessing the relevance, effectiveness, efficiency, sustainability, and impact of METAC activities.

102. **The Center comprises a coordinator, resident advisors and support staff.** The CC is responsible for day-to-day management of METAC and its operations, with strategic guidance from the SC and general oversight from the IMF. METAC staff is composed of specialist resident advisors in each of the TA areas and office support personnel. A pool of short-term experts is drawn upon for specific assignments, with regional expertise sought where possible. Strong quality control is exercised by the IMF. It selects and hires METAC resident advisors, providing them with the technical support to ensure quality and consistency in their advice and activities. The IMF HQ TA departments review and authorize the reports produced by resident advisors. Short-term experts for peripatetic and/or specific assignments are recruited through the IMF HQ from its roster of qualified experts and are backstopped by the resident advisors and the IMF HQ.

B. Operations

Work Plan

103. **METAC's annual work plan is developed in consultation with member countries and within the context of the IMF's TA prioritization processes, managed through the RSN for the MCD department and the Resource Allocation Plan.** This process takes into account each beneficiary country's macroeconomic reform strategy. The IMF's country teams, in close coordination with the IMF HQ, and the METAC resident advisors continuous dialogue with member countries provide a basis for the identification of key capacity-building needs and TA priorities and the formulation of detailed country TA programs. This ensures that the activities of both are fully integrated with each other, as well as with country reform agendas. The development of the annual work plan is also coordinated with the IMF's budget cycle and resource allocation processes to ensure timely and predictable delivery of TA.

104. **METAC's work plan consists of member countries' TA programs (which may form part of broader regional projects), in-country training, and regional workshops and seminars.** The METAC coordinator seeks strategic guidance from SC members on the work plan including by asking them to send their requests for TA needs, prior to seeking their formal endorsement. At each SC meeting, the METAC coordinator delivers a monitoring report on the progress of the activities outlined in the work plan and lays out, in consultation with the chairman, some issues that the SC should discuss.

Center Coordinator

105. **The CC is a staff member of the MCD.** The CC is selected by the MCD in consultation with other TA departments and the IMF's Institute for Capacity Development (ICD). He/she reports to the MCD and works to ensure that the work of the Center is consistent

with the overall strategy of the MCD and the IMF. The CC maintains constant contact with the SC members in the Center's beneficiary countries and with the MCD and all relevant TA departments to identify broad strategic priorities and emerging issues and needs for the Center.

Staff

106. **METAC staff comprises a number of resident advisors in each of the relevant TA areas, office support personnel, and a pool of short-term experts for specific assignments.** TA departments, in consultation with the CC, are responsible for selecting and hiring METAC resident advisors through external international advertisements, and providing them with the substantive support and backstopping required to ensure quality and consistency in their advice and activities. Short-term experts for peripatetic assignments are recruited through IMF HQ, based on a roster of qualified experts, and are backstopped (see also section on quality control) by the resident advisors.

Accountability

107. **METAC is designed and operated to ensure that the IMF TA is delivered in a manner that is responsive and accountable to the recipient countries.** METAC must also meet and maintain the high-quality standards that are expected of the IMF TA. The IMF's recently revised dissemination policy¹¹ on sharing TA reports will further improve accountability and facilitate coordination. Under the new policy, TA reports may be shared with the SC members with consent of the TA recipient on a no-objection basis, and on the understanding that such information shall be kept confidential. Sharing of TA reports with the non-SC donors will be determined on a case-by-case basis based on whether the donor in question has a legitimate interest in the TA report in question, for example through its engagement in related activities in the recipient country. To enhance coordination, the SC members will also receive information which flags the need for any complementary TA.

108. **It is a core objective of METAC that the activities of the Center reflect the ownership and commitment of its members.** This helps to ensure the continued effectiveness and sustainability of the TA delivered.

109. **As outlined throughout this document, the inputs of beneficiary countries are sought at various stages of the work planning and operations of METAC:** during surveillance ("Article IV Consultations") programs and diagnostic TA missions that inform the TA planning process by the MCD and TA departments in their preparation of TA strategies, and through the input and oversight of METAC's SC.

110. **The METAC's SC provides an additional forum for accountability.** Member countries can provide immediate feedback and recommendations on TA delivery and value. All SC members receive the information that allows them to guide METAC's work.

Evaluation

111. **It is proposed that within a maximum of three years of operation of each phase, an independent external evaluation of the work of METAC be carried out by a team of independent experts.** The evaluation will assess METAC's effectiveness and sustainability of

¹¹ See <http://www.imf.org/external/np/pp/eng/2013/061013.pdf>

its TA, bearing in mind the long-term nature of capacity-building. The evaluation will formulate recommendations for improvement, which will inform discussions on METAC's future operations. It will also assess recommendations from previous mid-term evaluations.

Quality Control

112. **Maintaining the quality of the TA advice and activities delivered by METAC is the responsibility of the IMF HQ and METAC staff.** TA departments screen and appoint METAC's resident advisors in consultation with the CC from a pool of vetted experts. The IMF HQ supports METAC by backstopping its staff and operations. Combining the recommendations of previous surveillance and TA missions with the needs of the country, the TA departments discuss with the resident advisors the objectives and outcomes of each mission with a view to ensuring a proper sequencing of TA and improving its effectiveness in building capacity in beneficiary countries. Throughout the mission of short-term experts and the presence of the resident advisors, the TA departments provide supervision and support. In addition, short-term experts are backstopped by resident advisors. This is a dynamic and fluid process that can take a number of forms.

113. **TA departments review and authorize the TA reports produced by the resident advisors and short-term experts.** Further, TA and area departments work with country authorities to ensure follow-up on the recommendations of TA missions mainly through METAC. At all stages of TA, backstopping ensures the consistency and quality across countries.

114. **The CC provides an additional layer of quality control of the TA in his management of the day-to-day operations of METAC, and given his close relationship with the country authorities.** The coordinator monitors the progress of beneficiary countries in implementing reforms that are supported by METAC.

Visibility for METAC and Donors

115. **METAC will intensify its outreach efforts, enhancing the Center's public profile and donor visibility.** As part of the 2015 RTAC Handbook, the ICD has developed recommended outreach practices for RTACs to foster communication with donors, member countries, other TA providers and other stakeholders. More specifically, under Phase IV, the Center's outreach will aim to expand beyond development partners and member countries to include civil society. Existing tools which include annual reports, newsletters, website, press releases, conferences, as well as donor debriefings, will be supplemented by other vehicles such as social media. Donors will be systematically recognized in the Center's outreach, with acknowledgement in publications and continued efforts to seek their involvement in the Center's activities.

116. **The Center's outreach program in Phase IV will aim to create a platform to improve the coordination and effectiveness of TA, highlighting the progress made by the authorities and the support from donors and the IMF.** To this end, the CC and/or resident advisors will: (i) participate, whenever possible, in regional workshops/seminars organized by other institutions related to capacity development; (ii) keep country teams at the IMF HQ informed of progress under the work plan; and (iii) establish an agile system for transmitting information and briefing donors on the Center's latest developments and issues.

117. **METAC will hold face-to-face meetings to expand its outreach activities.** Specifically, general donor briefing will be organized at least once a year. The Center's resident advisors and short-term experts will continue to hold general briefings at the end of TA missions

with donors in the field to explore synergies and improve coordination. However, a sharing of draft TA documents with interested donors will require the recipient country's ex-ante irrevocable consent, in line with the IMF's TA dissemination policy. The Center will inform country teams and resident representatives, including during the CC advisors' visits to HQ, of planned TA missions and courses organized by the Center, in order to increase coordination.

118. **METAC has developed a password protected part of its website under which the Center's TA reports are posted and shared with SC members who signed confidentiality agreements in line with the IMF's TA dissemination policy.**

C. Financial Management

119. **Contributions from donors and recipient countries will be made into a multi-donor METAC Subaccount under the IMF's Framework Administered Account for Selected Fund Activities (the "SFA Instrument").**¹² This Subaccount will be used to receive and disburse financial contributions for the Center's activities; all resources contributed to the Subaccount will be for the sole use of METAC.

120. **The anticipated risks during Phase IV are similar to the risks METAC faced during the last two years of Phase III, mainly weak security situations in number of METAC countries which impacted the Center's ability to deliver TA to those countries.** To limit this impact during Phase IV, for countries with serious security issues, TA missions will be held in external locations. Offsite TA can significantly strengthen engagement with country authorities and provide the basis for progress during difficult times and faster jump start when the security situation improves. One obstacle that METAC has faced during Phase III when there was a need to hold missions offsite is the willingness/ability of governments to cover the travel cost of their officials participating in these missions.¹³ To overcome these obstacles, it is recommended that the cost of travel of officials participating in offsite missions be covered from the METAC budget during phase IV.

121. **The basis for the financial arrangements between donors and the IMF will be a letter of understanding establishing the purposes of the contributions related to this program document and subject to the terms and conditions of the Subaccount, as well as the SFA framework instrument.** The IMF manages the trust fund in accordance with its financial regulations and other applicable IMF practices and procedures.

122. **The IMF will provide donors with reports on the Subaccount's expenditures and commitments through a secure external gateway.** Separate reporting on the execution of METAC's budget will be provided at each SC meeting. Costs will be on an actual basis.¹⁴ The operations and transactions conducted through the Subaccount during the financial year of the IMF will be audited as part of the IMF's Framework Administered Account and the report of the External Audit Firm is posted on the IMF's external website as part of the IMF's Annual Report. METAC is also subject to audits by the IMF's internal audit office.

123. **METAC is an IMF office.** It complies with IMF procurement practices.

¹² See <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>

¹³ METAC has experience in holding TA missions in third countries and to a large extent this type of mission has been effective. In the recent case of Afghanistan, Germany agreed to cover the cost of travel of Afghan officials on case by case basis. For most other countries, METAC experience indicates that it is cumbersome for officials to obtain clearance to fund offsite missions and in certain cases governments were unwilling to do so.

¹⁴ See <http://www.imf.org/external/np/pp/eng/2008/040308a.pdf>

Staff cost will be charged at the midpoint of the standard cost of the grade of staff members plus the relevant benefit factor, contractual and long-term experts will be charged at the actual salary plus the relevant benefit factor; all other costs, including short-term experts, travel and seminars will be charged the actual costs.

Appendix I. Phase IV – Countries' Agenda

For those countries that METAC has not been involved in due to security issues, diagnostic missions will be needed to develop work plans once the situation stabilizes.

A. Public Financial Management

Afghanistan

Afghanistan faces significant fiscal challenges as the overall spending pressures remain high against a background of shrinking resource envelope. There has been progressive implementation of program budgeting since the reform started in 2006. Some ministries such as ministries of education and health have derived considerable benefits. However, the progress of reform has been uneven across ministries. The development budget execution rate is still low due to a number of factors and the authorities will face additional challenges as increasingly more donor-funded expenditures are transferred on budget. Apart from some procedural issues, insufficient delegation of authority for expenditure approval and capacity constraints in line agencies contribute to slow budget execution.

124. **During Phase IV, METAC will assist in:** (i) improving coordination between the budget and treasury departments in issuance of in-year allotments to ensure that they are fully backed by the available cash profile; (ii) establishing an electronic system of allotment request processing and issuance that could be interfaced/ integrated with the Afghanistan FMIS; (iii) eliminating the redundant procedures to reduce the number of instances a line ministry is required to seek the MoF approval during budget execution; and (iv) assisting in the preparation and implementation of a MTEF.

Algeria

125. **The 2012 IMF's Fiscal Affairs Department (FAD) report recommended an action plan centered around five areas:** (1) casting the budget within a medium-term framework and according to performance-based objectives; (2) more active cash management by the Treasury, within an asset-liability framework, and in coordination with the Bank of Algeria; (3) a more modern accounting system, to help improve costing and controls over spending commitments (particularly on investment) and to ensure that spending is made according to the prescribed purposes; (4) improved public finance statistics, to help better prepare the budget, formulate strategic choices, and inform the public; and (5) in parallel, implementation of an integrated information management system that would provide timely and reliable data and increase synergies between various departments.

126. **During Phase IV, METAC's priorities will be to:**

- Strengthen macro-fiscal forecasting and budget practices, including improving public investment decision-making and management.
- Improve spending prioritization and performance by developing budget officials' knowledge of the different categories of public expenditures and by introducing program and multiyear budgeting.

Djibouti

127. **Djibouti's TA needs in PFM area will be determined after an assessment mission which will be conducted by METAC in coordination with FAD.**

Egypt

128. **The 2012 IMF's Fiscal Affairs Department (FAD) report outlined a roadmap to address remaining weaknesses and further advance the PFM reform agenda.** The main recommendations of the 2012 FAD report are still valid, because their implementation stalled with the recent political developments. The main recommendations focused on the need to:

- Adapt a medium-term, strategically-oriented budget formulation process consistent with the macro framework and supported by a more analytical and transparent presentation of the budget.
- Improve budget execution process by extending the TSA to the entire budget as the centralized payments system is developed, developing cash flow planning and management; and reactivating the FMIS project.
- Strengthen financial compliance through a modernized internal control system and a strengthened accounting framework, along with more stringent reporting requirements, and better defined internal audit functions.
- Amend the legislative framework, through the adoption of a Budget System Law, in coordination with the new Constitution.
- Manage the reform agenda through the MoF leadership in close coordination with the development partners, and through extensive training, and a tailored communication strategy disseminated to all key players.

129. **During Phase IV, the three main METAC priorities will be:** (i) improving the budget execution process and more specifically assist the authorities with the implementation of the Government Financial Management Information System (GFMIS) and the extension of the TSA; (ii) adopting a medium-term, strategically-oriented budget formulation process; and (iii) assisting in implementing an indicative program budget covering all ministries and budget-sector agencies.

Iraq

130. **METAC provided TA to Iraq mostly to assess budget classification and COA, and the Iraqi FMIS.** Given the security conditions, METAC worked, jointly with the FAD and the MCD.

131. **There has been a lack of progress in PFM reform in Iraq in recent years, in part due to the fragile security and political situation.** The implementation of the Iraqi FMIS, and the plan to modernize its PFM law, are seen as a significant opportunity to increase the efficiency of PFM processes and gradually implement PFM reform.

132. **During Phase IV, METAC will concentrate on budget classification, accounting and fiscal reporting.** The efficiency of its TA will also vary depending on whether it could provide TA on its own while still closely following FAD's guidance, and to the extent of coordination with other TA providers.

Jordan

133. **Jordan's public finances have been negatively affected by a range of factors such as the global financial crisis, disruptions in gas flows from Egypt, and the influx of**

refugees. Despite these challenges, the government has managed to achieve good progress in PFM reforms.

134. **During Phase IV, METAC will continue providing TA to further improve the MTEF and results-oriented budgeting reforms.** METAC will closely follow up on the December 2014 FAD recommendations related to: (i) improving the budget preparation cycle; (ii) implementing a full commitment control register in the GFMIS; (iii) developing future GFMIS rollout strategy; and (iv) building the skills and capacity of the accounting department to adopt IPSAS and consider the adoption of accrual accounting.

Lebanon

135. **Following the Paris III conference that was held in Paris in January 2007, the Government of Lebanon committed to implement structural reforms in PFM.** The main objectives of these reforms are to:

- Improve the government's capacity to manage public finance.
- Promote accountability and transparency.
- Contain spending and improve its efficiency.
- Enhance the predictability of expenditures and revenues and hence indebtedness.
- Discipline the government to respect a ceiling imposed by available resources.

136. **Over the last couple of decades, progress has been made in improving the PFM systems – pace and concentration of reforms have picked up since the launch of a WB funded program in 2009 and an EU Twinning project in 2012;** however, the over-all progress has been particularly slow and much remains to be done. The lack of an approved budget since 2005, and issues facing the PFM arrangements are many and well documented in various reports by the WB and the IMF. These cut across all spheres of PFM cycle involving planning and budgeting, budget execution (treasury), accounting, reporting, internal controls, internal and external audit.

137. **During Phase IV, METAC will concentrate on:** (i) TSA coverage; (ii) reorganizing the public accounting directorate to avoid duplicate work and focus on more strategic functions such as defining accounting norms, internal control and internal audit; (iii) assisting in implementing a MTEF; and (iv) supporting the modernization of legal and regulatory frameworks by providing guidance on strengthening PFM legislation, and developing consistent financial regulations.

Libya

138. **Libya faces a number of challenges to establish a robust, efficient, and transparent PFM system and ensuring a sustainable use of its hydrocarbon resources.** The formulation of Libya's budget remains fragmented, mostly driven by a bottom-up, incremental approach largely disconnected from explicit policy or development strategy. Expenditure control remains weak and in practice is not enforced at the stage of expenditure commitment. The internal control system also suffers from significant overlap in functions and responsibilities of different institutions. The accounting system is manual and lacks an internationally accepted classification. A TSA structure is not yet established and excess cash balances lie idle at line ministry commercial bank accounts. In the absence of a cash forecasting function, the treasury

mechanically pre-funds allocations for budget chapters to various line ministries.

139. During Phase IV, METAC will resume TA on treasury reforms (assistance in establishing a TSA and in modernizing cash management practices), and will provide TA and training to help implementing the strategy and roadmap recommended by the July 2014 FAD mission.

Morocco

140. **METAC will provide TA in consolidating public finance statistics beyond the central government and will follow up on earlier FAD recommendations related to improving the budget execution process, including macro-fiscal forecasting, treasury reforms, establishing a Treasury Single Account (TSA), and modernizing cash management practices.** METAC will support the decentralization initiative underway and assist in improving resource allocation and budget implementation capacity at the regional level, particularly as regards to minimizing fiscal risks through project selection and prioritization, budgetary control mechanisms, and closer coordination between central and regional governments.

During Phase IV, METAC's priorities will be to:

- Modernize PFM legal and regulatory frameworks, by both revising existing legislation and promoting compliance.
- Strengthen macro-fiscal forecasting and budget practices, including linking the annual budget and strategic priorities; setting the annual budget in the context of robust medium-term frameworks; and improving public investment decision-making and management.
- Strengthen budget execution, treasury and cash management; introducing measures to prevent the accumulation of payment arrears, developing capacity for managing aggregate cash balances, cash forecasting and cash management practices.

Sudan

141. **Although Sudan benefited from a significant program of IMF FAD and METAC TA, the authorities faced a daunting challenge of adjusting to a permanent fiscal shock (sharp reduction in oil revenues) as a result of the secession of South Sudan and recognize the need for budget management reforms to effectively implement their planned fiscal consolidation strategy.** A 2012 FAD/METAC mission identified key issues and recommended priority measures in the areas of medium-term fiscal forecasting and analysis, budget planning and preparation, expenditure control, and fiscal accounting and reporting.

142. **During Phase IV, METAC will focus on** (i) pursuing TSA reform; (ii) completing budget classification implementation (functional classification); (iii) pursuing MTFF reform; and (iv) improving the quality of fiscal reporting – increasing accountability and transparency through improving the credibility and usefulness of annual financial statements and in-year reports, and the fuller disclosures of the fiscal risks facing the public sector.

Tunisia

143. **METAC will help Tunisia implement its plan to improve spending composition and reduce its fiscal deficit in the medium term, in order to meet substantial debt servicing needs and create the room for productive public investment.** The pension system is in need

of reform, as the current pay-as-you-go system is not sustainable. In parallel, the authorities have embarked on ambitious reform to modernize the budget process, improve financial reporting, and revamp tax policy and administration.

144. **During phase IV, METAC will assist Tunisia in:** (i) exploring option for a more viable pension system; (ii) helping constructing more broad and timely financial reports for the most important SOEs; (iii) consolidating the various government accounts, including proper treatment of flows from special accounts and the post office deposits; and (iv) improving budgetary process by suggesting the best way to transition towards full program budgeting.

West Bank and Gaza

145. **Since January 2012, there have been some advances in several areas of the PFM reform agenda in the areas of fiscal policy and investment planning coordination, delegation of accounting operations within the MoF and in the contribution of external audit.** However, difficulties in securing the revenue inflows anticipated in the budget – especially in the receipt of clearance revenues and donor commitments – have placed considerable pressure on budget management in recent months. As a result, the PFM system as a whole is under stress.

146. **During Phase IV, METAC will provide additional TA in the following areas:** (i) fiscal forecasting and fiscal strategy development; and (ii) training and support (in collaboration with the WB) to the MoF including the Macro Fiscal Unit on the implementation of IPSAS and the development of expenditure analysis.

Yemen

147. **The IMF FAD provided significant TA in the PFM area until 2010.** Other TA providers, the EU, Germany, the United Nations Development Program, DFID and the WB are currently providing training and assistance to Yemen.

148. **The IMF FAD jointly with METAC issued a report in November-December 2010 at the request of the authorities, to review the overall status of the PFM reforms and to provide technical advice in developing cash management and commitment controls.** Little progress has been made in implementing previous FAD recommendations.

149. **During Phase IV, METAC will continue to follow up on the 2010 TA program and work with the authorities toward the establishment of a treasury at the MoF.** METAC will not be involved in other areas unless urgent needs are identified by the IMF FAD or the authorities.

B. Banking Supervision

Afghanistan

150. **During Phase III, METAC assisted the Da Afghanistan Bank (DAB) in the development of a medium-term action plan for strengthening banking supervision in Afghanistan.** This plan which was approved by the DAB supreme council outlines the main objectives and milestones to be achieved in five years. In addition, METAC assisted in enhancing and upgrading the current enforcement framework to better supervising and monitoring weak banks and provided training on risk management.

151. **METAC will continue its support during Phase IV to improve the DAB supervisory and regulatory frameworks, in addition to provide assistance in capacity-building.** This assistance will focus on upgrading the current prudential regulations and developing other ones to address the stipulations of the new banking law and align these regulations to the recommendations of the BCBS and the IFSB for institutions offering Islamic financial services. METAC's assistance will entail providing training on different banking supervision issues, particularly on off-site supervision to efficiently analyze banking data, and how to deal with weak banks. METAC will assist the DAB in improving its banking supervision practices by emphasizing on risk-based supervision in on-site inspection and off-site supervision and implementing EWS.

Algeria

152. **While progress has been made in improving banking regulatory and supervisory framework, significant challenges remain.** New regulations on internal control, risk management, and liquidity introduced in 2011 strengthened the prudential framework. Other aspects of the regulatory and supervisory framework, however, remain underdeveloped, especially for corporate governance, consolidated supervision, and interest rate risk management. The authorities have been working on strengthening the regulatory framework, adopting new regulations on capital adequacy, large exposures, and loan provisioning and classification. In addition, the central bank is currently in the process of amending its regulations on corporate governance and consolidated supervision.

153. **During Phase IV, METAC will focus on:**

- Developing a medium-term action plan for strengthening banking supervision.
- Strengthening the regulations on related parties lending and exposures.
- Enhancing the prompt corrective framework by the central bank.
- Developing a framework for the work of external auditors in banks, including defining the minimum areas and issues to be examined by external auditors and a process for evaluating their work and taking corrective actions where needed.
- Enhancing credit risk monitoring by improving credit registry and credit scoring systems.

Djibouti

154. **The authorities have been taking measures to strengthen the regulatory framework and adopting new regulations in Islamic Banking.** MCM have been providing TA on Islamic banking supervision.

155. **During Phase IV, METAC could follow up on developing a medium-term action plan for strengthening conventional banking system supervision based on:**

- Improving the regulatory framework and revising regulations.
- Completing and updating new regulatory rules and guidelines of Basel prudential norms (liquidity risk, market risk, operational risk, etc.).
- Improving on-site supervisory practice and developing control tools and other supervisory assessment methods.
- Developing the capacity of supervisors.

Egypt

156. **The CBE completed a time-lined Banking Reform Program that started in 2004 and ended in December 2008.** Its purpose was to strengthen the banking sector and increase its robustness to face global and regional competition effectively and help achieve economic growth. This program entailed four main pillars: privatization and consolidation of the banking sector, addressing the issue of non-performing loans, financial and managerial restructuring of state owned banks, and upgrading the CBE banking supervision.

157. **In achieving the banking reform in Egypt a large external technical support was provided by a range of jurisdictions** (Germany, France, Italy, Greece, Bulgaria, Romania, and Czech Republic) under the umbrella of the ECB.

158. **Since the inception of METAC, Egypt did not request any TA in banking supervision from METAC due to the assistance it gets from the ECB.** However, during Phase III, METAC succeeded in reaching an agreement with the CBE to develop a TA program aimed at providing TA in implementing Pillar 2 of Basel II. The precise form of the assistance would be in developing a manual covering the supervisory review and evaluation process (SREP) which incorporate the internal ICAAP; and reviewing the Pillar 2 related regulations, which cover liquidity risk, concentration risk, interest rate in the banking book, scenario stress testing, and the Capital Planning Buffer. METAC reviewed and provided advice on draft regulations on ICAAP and liquidity risk measurement and management to ensure they are in line with the requirements of BCBS.

Iraq

159. **METAC's support in banking supervision during Phase IV will focus on assisting the Central Bank of Iraq (CBI) in implementing risk-based supervision and the development of inspection manual and call reports that reflect best practices in on-site inspection and off-site supervision.** METAC's assistance will include delivering training to develop the knowledge and skills of banks examiners and supervisors in their assessment of banks' risk management practices. The TA and capacity-building will be delivered in neighboring countries due to the security situation in Iraq. This assistance will help the CBI to smoothly move to Basel II implementation.

Jordan

160. **During Phase III, METAC assisted the CBJ in drafting a regulation and licensing guidelines for credit bureaus and delivered training on stress testing and EWS.**

161. **With MCM, METAC assisted the CBJ in enhancing its Basel II Pillar 2 project.** This project involved capacity-building to review the internal capital adequacy assessment process conducted by banks. In order to enhance risk-based supervision, METAC and MCM proposed an action plan for the implementation of Basel III in Jordan. METAC has also assisted the CBJ in developing a supervisory college framework to be conducted with “Arab Bank”, the largest bank in Jordan, and is currently assisting in designing, developing, and implementing EWS relevant to the Jordanian banking sector which helps in forecasting the performance of banks and identify any emerging problems. This project will continue during Phase IV. A framework for licensing and supervising PCBs is developed and effectively applied.

162. **TA to be provided during Phase IV to Jordan will include further assistance in implementing Basel II Pillar2, in collaboration with the MCM department;** continue the development and implementation of EWS, and delivering assistance in capacity-building on various banking supervision subjects and on stress testing.

Lebanon

163. **During Phase III, METAC assisted the Banking Control Commission of Lebanon (BCCL) in developing a risk-based framework and inspection manual for the supervision of NBFIs in addition to delivering extensive hands-on assistance through a pilot inspection of a financial institution.** METAC delivered training on stress testing and EWS in addition, it assisted the BCCL in developing a supervisory college framework to be implemented with some large banks in Lebanon.

164. **During Phase IV, METAC will continue its support to the BCCL by providing TA in upgrading the current BCCL inspection manual and align it with risk-based supervision approach, train banks’ examiners on its implementation, and continue assistance in the implementation of supervisory colleges and development of EWS.** The authorities requested METAC’s assistance in capacity-building in various banking supervision topics. METAC’s TA will expand to deliver assistance to the Capital Monetary Authority (CMA) in drafting procedural manual for the regulations issued by the CMA and to train its staff on the implementation of this manual.

Libya

165. **During Phase IV, and depending on the evolution of the security situation in Libya, METAC will provide TA and capacity-building in Islamic banking, as the banking system in Libya became a full-fledged Islamic.** METAC’s capacity-building will include training on risk management in Islamic banking; capital adequacy banks; Shari’ah supervision; lease financing; in addition to provide TA in supervision of Islamic investment funds, and regulation and supervision of Islamic banks.

Morocco

166. **The new draft central bank law which will be adopted in 2016 is being revised to incorporate recent FSAP recommendations.** This law will strengthen the central bank’s independence, help clarify its objectives, and enhance its supervisory and resolution powers. METAC will support the authorities ongoing efforts in improving the regulatory framework and addressing the supervisory capacity constraints, including providing training for bank supervisors, particularly on on-site supervision, Islamic banking, as well as on consolidated risk-based and cross-border supervision.

167. **METAC will also support the overhaul of Morocco’s bank resolution framework, particularly as regards streamlining functions and responsibilities across institutions, and defining the objectives of banking resolution.**

168. **During Phase IV, METAC will focus on:**

- Moving from compliance-based approach to risk-based approach; implementing banking supervision best practices; further strengthening banks’ examiner capacity through workshops and tailored training.
- Enhancing credit risk monitoring by developing and improving credit registry and credit scoring systems.
- Assisting in developing supervisory framework to enhance consolidated and cross-border supervision, and further enhancing the implementation of international accounting standards in conventional and Islamic banks.
- Building supervisors capacity in Islamic banking and provide the needed TA and training in this area.

Sudan

169. **During Phase III, METAC was very active in its TA delivery to the Central Bank of Sudan (CBOS).** It continued its assistance to the “Credit Information and Scoring Agency” (CIASA), owned by the CBOS and that by expanding and upgrading its credit registry, in addition to provide the CBOS with capacity building in Islamic banking supervision, risk management, risk-based supervision and off-site supervision.

170. **During Phase IV, METAC will continue providing TA to improve CIASA’s credit registry functionality and implement a credit scoring system.** METAC will provide assistance to the CBOS in stress testing, and strengthening consolidated banking supervision.

171. **The WB/First will provide TA to CIASA in collateral registry and in developing a draft set of laws and/or related regulations** that will be needed to create a secured lending system, including the regulations related to the creation of an electronic collateral registry system.

Tunisia

172. **The Tunisian authorities have stepped up banking supervision in the past three years, tightened regulatory requirements, and started sanctioning banks in breach of regulations.** The Central Bank of Tunisia has recently adopted a five-year development plan to gradually introduce risk-based and consolidated supervision and increase the number of intrusive on-site inspections.

173. **During Phase IV, METAC will assist the Tunisian authorities by providing expertise to operationalize risk-based and consolidated supervision and provide training to newly hired supervisors.**

West Bank and Gaza

174. **During Phase III, METAC entered with the PMA in an ongoing project to transform the supervisory framework into a more risk-oriented process through the**

development a new risk-based inspection manual and changing the current procedures accordingly. This work was carried out by the PMA with the help and assistance of peripatetic visits of METAC experts to guide and assist in the development of risk-based inspection manual. During the same phase, METAC provided assistance in improving the functioning of the PMA credit registry and credit scoring.

175. **In Phase IV, METAC will continue its assistance to the PMA in risk-based inspection through on-the job training on the implementation of the risk-based inspection manual,** as well as following up on the good functionality of PMA credit registry and credit scoring systems.

Yemen

176. **METAC's assistance to Yemen during Phase III was focused on assisting the Central Bank of Yemen (CBY) in developing a strategic five-year work plan to enhance banking supervision in Yemen on both conventional and Islamic banks, in addition to assist in developing regulatory and supervisory frameworks for Islamic banks.** These included the development of guidelines and regulations on stress testing, risk management and developing a set of financial statements and call reports for Islamic banks. In addition, and during this phase METAC provided assistance in upgrading the supervisory framework and provided capacity-building in on-site supervision.

177. **During Phase IV, METAC will continue its assistance to the CBY in the implementation of the components of the five-year work plan,** which includes developing prudential regulations for Islamic banks, provide training on the implementation of these regulations in addition to review and upgrade the current prudential regulations for conventional banks.

C. Revenue Administration

Afghanistan

178. **Support will be given to the Afghan Revenue Department to supplement TA being provided under DFID funding.** The emphasis is likely to be on increasing the registered tax payer base, and on achieving a sustainable reduction in the level of tax arrears. Continued support will also be provided to the Afghan Customs Department to build strategic capacity across a range of revenue and non-revenue functions.

Algeria

179. **Despite relatively robust economic growth, the Algerian economy's dependence on the hydrocarbon sector has led to serious vulnerabilities.** Stagnating production and falling oil prices have depressed export receipts while public spending has continued to rise, creating an increasing threat to fiscal stability. Closing the fiscal gap through broadening the tax base and strengthening tax administration therefore constitutes an important foundation of future economy sustainability.

180. **In recent years, changes have been made to improve the organization and management of the tax administration; overall tax compliance management; and VAT administration.** Specific reforms undertaken include (1) transferring non-tax functions from the tax department to the Treasury; (2) establishing a Large Taxpayer Directorate with a special unit to control the petroleum and gas sector; (3) implementing a Taxpayer Identification Number (TIN) system; and (4) establishing a new small business tax regime.

181. **The authorities wish to expedite a new information technology system, modernize filing and payment procedures, streamline the tax office network, and develop capacity to further improve compliance from the large and medium-size taxpayers.**

182. **During Phase IV, METAC missions will focus on:**

- Helping to improve tax compliance by the large and medium taxpayer segments.
- Implementing risk-based audit selection and integrated audit programs as part of an overall compliance management strategy at the General Directorate of Taxes.
- Improving the quality of services provided to taxpayers, including through modern and simplified registration, filing and payment procedures.

Djibouti

183. **Djibouti is currently enjoying strong economic growth.** However, an ambitious debt-financed public investment program has increased fiscal and external debt vulnerabilities. Expanding the tax base and improving efficiency and transparency in tax administration will be key to achieving fiscal stability and sustainability.

184. **Progress in tax administration reform has been modest but encouraging in recent years.** An FAD mission in 2013 provided recommendations on organization and management, compliance management, and VAT administration.

185. **During Phase IV, METAC missions will focus on:**

- Supporting the establishment of a unified and segment-based tax administration, commencing with the establishment of an integrated Large Taxpayer Office.
- Capacity building for staff to support the successful implementation of the new organization structure, and the successful implementation of modern tax administration practices (such as self-assessment).

Egypt

186. **In 2005, FAD provided a roadmap for the modernization of tax administration in Egypt.** A number of the initiatives recommended in this were implemented in the period up to 2011, at which point progress was interrupted by the political unrest in the country. Since early 2014, progress in tax reform has been resumed, with the main focus being on the introduction of a VAT, which is expected to be launched in mid-2015. FAD and METAC have provided extensive support for the introduction of the new tax, and will continue to provide TA in the pre- and post-implementation periods.

187. **Over the course of Phase IV, METAC will also support other aspects of the modernization agenda.** In particular, assistance will be provided to develop and introduce the new, simplified indirect tax regime for small businesses which fall below the VAT registration threshold; and support will also be given to manage the change process and achieve greater organizational integration between direct and indirect tax staff.

188. **The Egyptian Customs Authority (ECA) will also be engaged with a view to re-launching the modernization program, as recommended in the METAC report of May 2013.** This is a broad-ranging program which is likely to require substantial external assistance. METAC's aim will be to support the planning and management oversight of the program, and to assist the ECA in coordinating the inputs and support of other development partners.

Jordan

189. **The current framework for IMF and METAC support to the Income and Sales Tax Department (ISTD) in Jordan was set out in the FAD report of May 2012.** Support has principally focused on compliance management issues, and the mitigation of risks associated with the VAT refund fraud. Phase IV is likely to continue with this emphasis, and the need for assistance to consolidate the risk management functions in the ISTD HQ to increase accountability and provide a platform for resource development and deployment, has been identified. As in Phase III, METAC TA will complement the in-country donor support provided under the USAID fiscal reform program.

190. **Engagement has also commenced with Jordan Customs, and it is planned that support will continue in Phase IV.** This will include the development of specific strategic initiatives, the facilitation of further interaction with the ISTD, and the encouragement of an increased level of interaction with other customs authorities within the region.

Lebanon

191. **Lebanon has developed a sound operational capability in tax administration, which provides a solid platform for further enhancement.** However, the achievement of further, substantial improvement is likely to require a more strategic approach to be taken to taxpayer segmentation, risk management and resource deployment.

192. **During Phase IV, emphasis will be placed on supporting the revenue and VAT**

directorates to develop a rigorous approach to measuring and managing performance.

METAC will facilitate the establishment of performance measures across the full range of revenue compliance management, service delivery and support functions; and the use of these measures to guide strategic development.

193. **METAC will engage with Lebanon Customs to establish the TA that might be provided to support specific initiatives in its recently developed strategic plan.** This plan has been prepared as part of a twinning project with Italian Customs, and sets the framework for developments in the medium-term. METAC will work with Lebanon Customs to identify the most appropriate areas in which it can provide assistance.

Morocco

194. **Overall economic performance in Morocco has been robust in recent years. Fiscal and external imbalances have declined and reserve buffers have been increased.** The government is committed to the continued reduction of public debt and effective control of the fiscal deficit. This commitment will be underpinned by lowering subsidies, containing the public sector wage bill, and generating stronger tax revenues.

195. **Based on the recommendations of the National Tax Conference (April 2013), Morocco continues to overhaul its tax system with a view broadening the tax base and promoting greater equity and transparency.** METAC will support the authorities through:

- Supporting the development and introduction of an organizational structure based on functional integration, taxpayer segmentation, and industrial specialization.
- Supporting the development of a strategic, risk-based approach to overall compliance management.

Sudan

196. **The Sudan Taxation Chamber has made significant progress during Phase III, and METAC has supported developments in automation, and the preparation of a consolidated Tax Procedures Code and audit manual.** A major investment in a new, automated tax administration system has been committed, and within the Ministry of Finance and National Economy (MOFNE) task forces were appointed to look into VAT, customs and other revenue streams.

197. **METAC's future support to the Taxation Chamber and to the Customs Authority will be shaped by the priorities set out in the reports of the task forces.** These are currently under active discussion with the Ministry of Finance and the relevant authorities.

Tunisia

198. **The Tunisian economy has proved generally resilient throughout a period of protracted political transition, and a difficult international economic environment.** Security threats have adversely impacted receipts from tourism, which has to some extent offset the benefits of domestic political developments and lower international oil prices.

199. **The authorities have embarked on a far-reaching consensus building exercise over an ambitious revamping of tax administration.** The reform will result in the integration of all tax administration functions into a single entity. METAC will support the restructuring of the Large Taxpayers Office, which will act as a prototype for the wider reform.

West Bank and Gaza

200. METAC has provided support to the Large Taxpayers' Unit (LTU) during Phase III, and a number of opportunities for future TA have been determined. In Phase IV, the main emphasis will continue to be the development of the LTU, but additional efforts are likely to focus on compliance and risk management in general, and assisting with the coordination of support from a range of development partners.

D. Macroeconomic Statistics

Afghanistan

201. **METAC provided assistance to Afghanistan in the area of ESS, and price statistics. In the past, NA TA had been conducted directly by the IMF HQ.** For Phase IV, METAC will provide assistance to Afghanistan in the areas of NA, prices and ESS. The work will focus on improving the coverage and quality of: (i) the annual NA estimates, developing quarterly GDP data, improving high frequency (NA) indicators; (ii) CPI; and (iii) PPI. CPI compilation methods require further improvements to ensure that the index more fully reflects international best practices and standards. To date, no PPI is compiled and extensive assistance is needed to develop and disseminate the index. Afghanistan will participate in the fragile states module of the Enhanced Data Dissemination Initiative Phase II (EDDI2) funded by DFID. Under the EDDI2 project, TA activities will complement and enhance the METAC work program in the areas of NA and price statistics.

202. **In the area of ESS, the work will focus on:** (i) improving the current compilation practices for balance of payments statistics in particular better measurement of donors' grants; (ii) addressing inconsistencies between the balance of payments and IIP datasets; (iii) analyzing the large historical data revisions in the quarterly balance of payments data; and (iv) improving data on remittances and foreign aid.

Algeria

203. **Algeria's macroeconomic statistics are broadly adequate for surveillance purposes but nevertheless suffer from shortcomings.** National account data are published with a significant lag. Further efforts are needed to ensure the exhaustive coverage of all economic entities and their transactions¹⁵. The system of price and volume measures should be improved, both for production and final expenditure GDP components. Assistance would be needed in enhancing the source data and quarterly national accounts compilation system. The compilation of quarterly GDP by final expenditure categories will improve the accuracy and credibility of quarterly national accounts.

204. **Price data are generally satisfactory, as they are published on a monthly basis with a delay of less than one month.** Assistance is needed for regular updating of weighting system, outlets, and product items. The weights in the CPI basket have not been updated since 2000. Further development of price statistics, related to the introduction of producer price index and import and export price indexes, will improve substantially the volume estimates in national accounts and measuring growth rates.

205. **IIP statistics are not yet produced, and balance of payments statistics are compiled according to the BPM5 standard.** A 2014 STA mission assisted the Bank of Algeria in its efforts to develop IIP statistics and transition to BPM6. METAC will continue to assist the authorities in further developing of source data (introducing a regular BOP survey) and compiling ESS according to BPM6.

206. **During Phase IV, METAC missions will focus on:**

¹⁵ Also as a consequence of previously used Material Product System (MPS).

- Strengthening external sector statistics by compiling balance of payments statistics in accordance with BPM6 recommendations and disseminating IIP statistics.
- Improving price statistics by updating the weights in the CPI basket, and extending the system of price indexes with development of producer price indexes, and foreign trade indexes;
- Helping the National Statistics Office to enhance national accounts compilation system and produce quarterly GDP data by production and final expenditure components.

Djibouti

207. **Djibouti has been receiving TA on the CPI from the IMF's STA department and TA from the African Development Bank on national accounts.** For these two sectors, METAC will carry out an assessment of the TA needs and will develop work programs accordingly.

Egypt

208. **METAC assisted Egypt in launching the direct investment survey using companies' financial statement.** There is significant need to improve annual NA and assist with developing QNA estimates. Institutional issues need to be addressed regarding responsibility for the compilation of the NA. Ongoing support is needed to assist with updating both the CPI and the PPI and addressing compilation issues.

209. METAC's work will also continue in the area of FDI statistics. The aim is to conduct a successful FDI survey which should lead to improve FDI statistics for the balance of payments and IIP.

Iraq

210. **Iraq receives TA on NA and ESS directly from the IMF's HQ. METAC provided some TA for Iraq in the area of ESS.** Extensive TA and support is needed to improve and develop the annual NA compilation system. Serious source data issues require attention. Price statistics, including the CPI and the PPI, suffer from a number of methodological weaknesses and require extensive assistance to improve and update the indexes. Iraq will participate in the fragile states module of the DFID-funded EDDI2 project. TA activities conducted under this project will complement and enhance the METAC work program in the areas of NA and price statistics.

211. **In the area of ESS, the work will focus on improving the current compilation practices for balance of payments statistics and IIP statistics,** specifically addressing large errors and omissions, which presumably occur due to deficiencies in recording transactions pertaining to oil sector.

Jordan

212. **METAC will continue to assist Jordan in compiling and disseminating EDS** in line with the *2013 External Debt Statistics Guide: Guide for Compilers and Users (2013 EDS Guide)* and in transition to the *BPM6*. Regarding NA, Jordan has received support in the area of input/output tables and Supply and Use tables (SUTs) in addition to rebasing of NA. Further TA needs include improving and expanding the exhaustiveness of the NA estimates, developing SUTs, implementing the *2008 SNA*, and developing quarterly GDP by expenditure estimates. Source data issues will need to be addressed. In prices, there is need for assistance to improve and update both the CPI and PPI to ensure that the indexes more fully reflect international standards and best practices.

Lebanon

213. **METAC provided assistance in the area of NA, prices and ESS. TA in prices resulted in the publication of an improved and updated CPI.** For the next phase, there is significant need to assist with improving and expanding the exhaustiveness of the annual NA estimates. Extensive TA will be needed to assist with the development of a compilation system for the QNA. Source data issues will need to be addressed. For prices, TA is needed to develop and disseminate a PPI. Ongoing support is needed to address CPI compilation issues. METAC will also continue providing assistance in the area of ESS, the work will focus on: compiling ESS according to the *BPM6*; conducting comprehensive FDI surveys; improving collection and compilation methods for; and setting up IIP compilation.

Libya

214. **METAC has provided TA in the areas of real sector and ESS. Extensive TA needs exist with regard to NA and price statistics.** For the NA, assistance is needed to improve, develop, and expand the exhaustiveness of the annual estimates. Severe source data issues will need to be addressed. Once shortcomings with the annual accounts have been addressed, assistance will be needed to develop a compilation system to compile quarterly GDP estimates. On price statistics, all progress made prior to 2010 has been erased. Consequently, there is substantial need to address serious methodological issues with the CPI and to support the re-development of the PPI. Libya will participate in the fragile states module of the DFID-funded EDDI2 project. TA activities conducted under this project will complement and enhance the METAC'S work program in the areas of NA and price statistics. METAC will also continue its assistance in improving the ESS, particularly conducting an FDI survey; improving collection and compilation methods; and in developing an IIP.

Morocco

215. **METAC will assist Morocco in improving annual national accounts and developing quarterly estimates.** METAC will also help in improving both the CPI and PPI to ensure that the indexes more fully reflect international standards and best practices.

216. **METAC will focus its assistance in the external sector on improving:** (i) consistency between the balance of payments and IIP datasets; (ii) data on remittances and foreign aid. METAC'S work will also provide further support in the area of FDI statistics, with the aim to conduct a successful FDI survey which should lead to improve FDI statistics for the balance of payments and IIP. Finally, METAC will assist Morocco in compiling and disseminating EDS in line with the *2013 External Debt Statistics Guide: Guide for Compilers and Users (2013 EDS Guide)* and in transition to the *BPM6*.

217. **During Phase IV, METAC missions will focus on:**

- Improving the coverage, accuracy, reliability, frequency, and timeliness of NA: i) providing advice on strengthening the national statistical infrastructure and systems; ii) improving the underlying source data for these statistics; and iii) moving toward implementation of the 2008 SNA recommendations;
- Improving and developing price indices by i) improving frequency of weight updating; ii) revise treatment of missing prices; iii) developing PPIs and import-export price indexes in order to develop more comprehensive measures of inflation and to improve price deflator for the constant price GDP estimates.
- Improving compilation of IIP and balance of payment statistics by i) ensuring transfer to the latest standard of the BPM; and (ii) assessing the quality and coverage of data sources, particularly for services, income transactions, transfers, capital, and financial account transactions, specifically FDI related transactions.

Sudan

218. **In Sudan, METAC's assistance focused on: developing new weights for a new CPI; making better use of survey data and advice in building a compilation software system for NA; and improve the scope of the ESS.** There is substantial need to improve the NA compilation system. Assistance is needed to improve and expand the exhaustiveness of the NA estimates. In addition, support is needed to improve the timeliness of the estimates and to address institutional issues to enhance the collection of administrative data. Source data issues will need to be addressed and to develop quarterly GDP. For price statistics, there is need to improve the concepts and methods used to compile both the CPI and the PPI. Both indexes suffer from a number of methodological weaknesses that require attention. For ESS, METAC will continue its assistance in improving ESS compilation methods; and improving FDI estimates by resolving institutional issues and conducting an FDI survey; develop estimates of informal trade, capital and current transfers.

Tunisia

219. **The Tunisian authorities are working on a new Statistics Law that will strengthen the independence of the Statistic Council and the National Statistical Institute (NSI).** Work is ongoing on making national accounts and fiscal statistics more timely and accurate. In June 2015, an IMF STA mission assisted the NSI in developing of quarterly national accounts. In particular the mission assessed the available resources and established a program for GDP estimates by final expenditure components.

220. **An IMF STA mission in 2014 assisted the authorities in improving of country's ESS, including transition to the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6).** The mission identified areas of major importance: treatment of goods and service activities; direct investment and related issues, such as the concepts related to the recording of the transactions and positions, source data, treatment of revenue (reinvested earnings) and coverage of debt between affiliated enterprises; and international investment position (IIP) and related issues, including clarifications regarding data sources and methods, and actions to develop quarterly IIP statistics.

221. **During Phase IV, METAC missions will focus on:**

- Set up quarterly national accounts for GDP by final expenditure components.
- Review and enhance collection of leading indicators.
- Enhance GFS data and migration to GFSM2001.
- Transition to BPM6 in compiling external sector statistics.

West Bank and Gaza

222. **METAC provided assistance in reviewing the GDP, and prices indices. Also, METAC provided TA to improve the ESS.** Moreover, METAC assisted the authorities to subscribe to the IMF's SDDS. There is significant need to improve and expand NA compilation system. Source data and methodological issues will need to be addressed. For prices, assistance is needed to update and improve both the CPI and the PPI to address methodological shortcomings. West Bank and Gaza will participate in the fragile states module of the DFID-funded EDDI2 project. TA activities conducted under this project will complement and enhance the METAC work program in the areas of NA and price statistics. In the area of ESS, TA will focus on addressing inconsistencies between external sector datasets and further improving stocks data, including setting up the basis for participation in the CPIS.

Yemen

223. **METAC assisted the authorities in making changes to the calculation of the CPI index and in improving the accuracy and timeliness of GDP estimates.** METAC also provided assistance in improving the ESS in particular improving estimates in the area of external trade, remittances and FDI. There is significant need to assist in improving and expanding the exhaustiveness of the NA compilation system. In addition, outstanding methodological and source data issues need to be addressed. For price statistics, ongoing support is needed to improve and update the CPI and to assist with developing and disseminating a PPI. Yemen will participate in the fragile states module of the DFID-funded EDDI2 project. TA activities conducted under this project will complement and enhance the METAC's work program in the areas of NA and price statistics. METAC will also continue providing assistance in the area of ESS focusing on the IIP compilation; improving the scope and coverage of the oil and gas industry transactions; further developing International Transactions Reporting System, raising awareness of institutional issues that hamper the quality of ESS statistics, including coordination between agencies and improving timeliness of the balance of payments and IIP statistics.

Appendix II. METAC Countries Statistical Data Collection and Publications

Table 1. METAC: Relative Strength of National Statistics Systems

Real Sector Statistics							Other Macro Data			
	Data Collection 1/2/	Statistical Practice Rank 2/3/	National Accounts Base Year less than 10 Years Old	CPI Basket less than 10 Years Old	Industrial Production Index Available	Export/Import Price Indices Available	Consolidated Government Accounts Available	Use of <i>BPM</i> 5	External Debt Report	Subscribe to SDDS
Afghanistan	40	50	Yes	No	No	No	Yes	Yes	Yes	No
Algeria	30	50	No	No	Yes	Yes	No	Yes	Yes	No
Djibouti	20	40	No	No	No	No	No	Yes	Yes	No
Egypt	100	80	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Iraq	60	20	No	Yes	No	No	No	Yes	No	No
Jordan	70	80	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Lebanon	70	50	Yes	Yes	No	No	No	Yes	Yes	No
Libya	20	30	No	Yes	No	No	No	Yes	No	No
Morocco	70	80	No	Yes	Yes	No	Yes	Yes	Yes	Yes
Sudan	30	20	No	Yes	No	No	No	Yes	Yes	No
Syria	30	30	No	Yes	No	No	No	Yes	No	No
Tunisia	60	80	Yes	No	Yes	No	Yes	Yes	Yes	Yes
West Bank & Gaza	90	90	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Yemen	40	50	Yes	Yes	No	No	No	Yes	Yes	No
Average or Number of Yes	52	54	5 of 14	10 of 14	6 of 14	2 of 14	5 of 14	14 of 14	11 of 14	5 of 14

Source: World Bank Country Statistical Capacity Indicators.

1/ Refers to periodicity of source data collection (i.e. agriculture, population, and poverty censuses).

2/ Rank on a scale of 0 to 100. Average rating for all low and middle-income International Development Association/International Bank for Reconstruction and Development (IDA/IBRD) countries (with a population of over 1 million) is 62 for Data collection and 56 for Statistical Practice.

3/ Refers to compilation methodologies for NA, consumer and producer price indices, government finance statistics, external debt & balance of payments data, and countries participation in the IMF SDDS.

Table 2: METAC: Frequency of Data Production, Data Reporting to IMF Statistics Department and Data Publication in International Financial Statistics (IFS)

	National Accounts Data			CPI Data			GFS Data (Central Gvt)		
	Production	Reporting	Publication	Production	Reporting	Publication	Production	Reporting	Publication
Afghanistan	A	A	M	M, Q, A	M, Q, A	M	A	A	M
Algeria	A	A	M	M, Q, A	M, Q, A	M	A	A	M
Djibouti	A	A	M	M, Q, A	M, Q, A	M	...	...	...
Egypt	Q, A	Q, A	M	M, Q, A	M, Q, A	M	A	A	M
Iraq	Q, A	Q, A	M	M, Q, A	M, Q, A	M	...	...	...
Jordan	Q, A	Q, A	M	M, Q, A	M, Q, A	M	A	A	M
Lebanon	A	A	M	M, Q, A	M, Q, A	M	A	A	M
Libya	A	A	M	M, Q, A	M, Q, A	M	...	...	...
Morocco	Q, A	Q, A	M	M, Q, A	M, Q, A	M	A	A	M
Sudan	A	A	M	M, Q, A	M, Q, A	M	A	A	M
Syrian Arab Republic*	A	A	M	M, Q, A	M, Q, A	M	A	A	M
Tunisia	A	A	M	M, Q, A	M, Q, A	M	A	A	M
West Bank and Gaza	...	...	...	M, Q, A	M, Q, A	M	A	A	M
Republic of Yemen	A	A	M	M, Q, A	M, Q, A	M	A	A	M
	Central Bank Data			Banking Survey Data			Monetary Survey Data		
	Production	Reporting	Publication	Production	Reporting	Publication	Production	Reporting	Publication
Afghanistan	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Algeria	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Djibouti	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	...	...	...
Egypt	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Iraq	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Jordan	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Lebanon	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Libya	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Morocco	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Sudan	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Syrian Arab Republic*	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Tunisia	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
West Bank and Gaza	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M
Republic of Yemen	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M	M, Q, A	M, Q, A	M

*Statistical Information for the Syrian Arab Republic is not available beyond 2010 due to the Syrian Civil War.

Table 3: Countries International Financial Statistics (IFS) data

	National Accounts	CPI	Central Bank	Banking Survey	Monetary Survey	GFS	BOP	IIP
Afghanistan	2013	Jan-15	Aug-08	Aug-08	Oct-14	2012	2014Q1	2012
Algeria	2013	Dec-14	Jun-09	Jun-09	Dec-14	2005	2013	n/a
Djibouti	2009	Sep-14	Nov-14	Nov-14	n/a	n/a	2013	n/a
Egypt	2013	Jan-15	Jun-09	Jun-09	Dec-14	2012	2012Q4	2013
Iraq	2013	Nov-15	Feb-09	Feb-09	Jul-14	n/a	2012	2012 2013Q
Jordan	2013	Dec-14	Jun-14	Jun-14	Jan-15	2012	2013Q4	4
Lebanon	2013	Jan-15	Nov-14	Nov-14	Jan-15	1999	2013Q4	n/a
Libya	2009	May-14	Sep-14	Sep-14	Jan-15	n/a	2013	n/a 2014Q
Morocco	2013	Dec-14	Apr-10	Apr-10	Dec-14	1999	2013Q4	3
Sudan	2009	Jun-14	Aug-09	Aug-09	Oct-14	1999	2013Q4	2013
Syrian Arab Republic	2010	Oct-10	Jun-09	Jun-09	May-11	2009	2010	2010
Tunisia	2013	Dec-14	Dec-14	Dec-14	Jan-15	2012	2013	2013
West Bank and Gaza	n/a	Dec-14	Aug-09	Aug-09	Dec-14	2006	2013Q4	2013
Yemen, Republic of	2013	Jun-14	Jun-14	Jun-14	Dec-14	1999	2013Q4	n/a

Appendix III. Action Plan in Response to METAC Mid-Term Evaluation

No.	Recommendation	Action	Status of Implementation	Next steps, timing & responsibility
1.	The Fund should develop medium-term strategies for its overall CD assistance to individual recipient countries informed by a systematic assessment of capacity gaps and needs.	Agreed	<p>1.1 Implemented: through the current practice of the Regional Strategy Note (RSN), which includes an assessment of weaknesses by topics, their impact on surveillance work, and proposed Technical Assistance (TA) programs, addresses the CD of member countries.</p> <p>1.2 Continuous: METAC annual work programs are built on member countries' capacity needs.</p> <p>1.3 Implemented: During Phase III, METAC adopted a Results-Based Management (RBM) framework, comprising of an overall strategic log-frame derived from topical log-frames, to plan and track the progress of TA projects and activities in each country.</p>	<p>1.2 METAC, in coordination with MCD and member country institutions will continue to build its annual programs based on member countries CD needs.</p> <p>1.3 In Phase IV, METAC will further refine its RBM framework to better monitor and track results. (Starting May 2016)</p>

No.	Recommendation	Action	Status of Implementation	Next steps, timing & responsibility
2.	<p>METAC's assistance (as an integral part of the IMF's TA) should be better embedded in the overall TA package of development partners to support CD in the recipient countries.</p>	<p>Agreed</p>	<p>2.1 Implemented: In countries where the IMF has Resident Representative or local offices, METAC will continue to use these offices to ensure that country-specific TA programs are shared with the donor community. In countries where such offices do not exist, METAC has identified the major relevant TA providers and established individual contacts.</p> <p>2.1 METAC will continue to stress that the SC member for each country be the focal point representing the interest of the country. (Continuous)</p>	<p>2.1 METAC will strengthen its coordination with development partners to support CD in member countries. (Continuous)</p> <p>2.1 METAC will continue to encourage its members to explicitly recognize METAC and IMF CD in sectoral strategies and/or national development plan documents, and to take an active role in coordinating with development partners and TA providers. (Continuous)</p>

No.	Recommendation	Action	Status of Implementation	Next steps, timing & responsibility
			<p>2.2 Implemented: IMF's Institute for Capacity Development (ICD) prepared, as part of the RTAC Handbook, guidelines and procedures for improved donor coordination in RTACs, including the key role of the RTAC member countries in facilitating local donor coordination and avoiding duplication of TA efforts.</p> <p>2.3 Implemented: ICD in coordination with MCD and METAC produced a list of HQ contacts of donors, or their regional representations.</p>	<p>2.2 METAC will continue to use its outreach program as a coordination vehicle with donors and member countries and will foster communication channels with other TA providers. (Continuous)</p> <p>2.3 METAC will use this list for sharing of information and coordinating its activities in recipient countries. (Continuous)</p>

No.	Recommendation	Action	Status of Implementation	Next steps, timing & responsibility
3.	The Fund should continue to strengthen the coordination and synergies between TA and training provided through METAC and other Fund channels.	Agreed	<p>3.1 Implemented: TA and training are complementary products sharing similar goals. Synergies between TA and training have been best exploited through coordination between TA-providing departments and regional TA and training centers.</p> <p>3.2 Implemented: ICD has been actively working on integration of TA and training, including through the working group on the RSNs and training.</p> <p>3.3 METAC will continue delivering workshops linked to TA advice given to member countries, and designed to provide a platform for participants to share experiences. (Continuous)</p> <p>3.4 Implemented: The mode of training delivery is being improved with more emphasis placed on workshops and interactive activities and online training.</p> <p>3.4 Implemented: ICD has developed a set of on-line courses which are available to general public.</p>	<p>3.1 IMF area and functional departments and ICD will continue to establish training priorities for METAC member countries based on indicators of client demand, including updated surveys of directors of training in member countries and training alumni. (Continuous)</p> <p>3.4 METAC members will be encouraged to participate in these courses in addition to those provided directly by the Center. (Continuous)</p>

No.	Recommendation	Action	Status of Implementation	Next steps, timing & responsibility
4.	Reinforce METAC's TA approach for engagement in fragile states.	Agreed	4.1 Implemented: METAC has already taken steps to ensure continued engagement with countries affected by security issues, including delivery of TA in offsite mission locations, use of video-conferencing facilities where possible, and study tours for officials from security-constrained member countries.	4.1 METAC will continue to provide assistance tailored to country-specific needs. In particular, in the context of fragile states, substantial TA will be provided to regain countries' economic stability, develop their financial systems, and achieve sustained growth and poverty reduction. (Continuous) 4.1 In line with the new initiative at the IMF to support CD in fragile states, METAC will increase its involvement in these countries. (Continuous)
5.	The results-based orientation of the METAC assistance needs to be strengthened.	Agreed	5.1 Implemented: In the last year, the Fund has made considerable progress toward implementing a RBM system for all its TA and training activities, in particular: the RBM system is ready for operational use. In the coming months all new TA projects are expected to use the new system and its accompanying catalog of objectives and indicators. Change management initiatives are under way to ensure that those working on TA internalize a more results-oriented focus and are ready to use the new system.	5.1 METAC's existing results base framework will be refined, including by benefiting from developments at the IMF HQ level (e.g., by drawing on the harmonized structure of outcomes and indicators). During the first two years of Phase IV, METAC RBM will be fully integrated in the Fund-wide RBM framework.

No.	Recommendation	Action	Status of Implementation	Next steps, timing & responsibility
6.	METAC should consider institutionalizing a dedicated Risk Management Framework for the design of its assistance and monitoring implementation.	Agreed	6.1 METAC will broaden the use of its current risk management approach to allow it to take pro-active measures to mitigate expected and unexpected risks. (Continuous)	6.1 In consultation with stakeholders, METAC will continue to redeploy resources from countries with serious security problems to more stable members. (Continuous)
7.	METAC should increase the usability of its website as a platform for sharing knowledge and information, accountability and transparency of its operations.	Agreed	7.1 Implemented: METAC has a well functioning and informative website, including the password-protected and restricted area for sharing confidential information, including TA reports, with the members of the SC.	7.1 In January 2016 METAC started notifying stakeholders, when TA reports are uploaded on its website. (Continuous)

No.	Recommendation	Action	Status of Implementation	Next steps, timing & responsibility
8.	The Fund should consider developing a unified conceptual framework for the evaluation of RTACs.	Agreed	8.1 Ongoing: ICD's Strategy and Evaluation Division is developing a common evaluation framework that will include not only RTACs but all CD activities and will provide a common approach to evaluation, while allowing flexibility to adapt evaluations to reflect the wide range of capacity development (CD) activities. Use of a common approach is intended to provide cross-activity and cross-IMF comparability, permit aggregation and enable an overall assessment of performance. The evaluations and lessons learned can be used by the Committee on Capacity Building to help determine medium-term CD priorities. They will also help the Fund's CD strategy by feeding into the regular review of CD activities done every five years (the next one is scheduled to be completed by summer 2018), with the objective of improving future CD delivery.	

