

PROGRAM DOCUMENT

December 2009



MIDDLE EAST REGIONAL TECHNICAL ASSISTANCE CENTER (METAC)





**MIDDLE EAST REGIONAL TECHNICAL ASSISTANCE CENTER
(METAC)**

“METAC is a shining example of how technical assistance can be effective in bringing about tangible and important developments...”

Dr. J. Al-Wazir
Governor of the Palestine Monetary Authority

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EXECUTIVE SUMMARY

This document lays out METAC's technical assistance strategy and country specific activities for Phase III, covering the next five years (2010-2015). It is intended to initiate a consultation process with donors and METAC beneficiary countries on how METAC together with other Technical Assistance 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 million to be borne by donors, the recipient countries, and the IMF. METAC's strategy is based on consultations with country authorities, the experience acquired by METAC with beneficiary countries over the past few years, and member countries' requests. This strategy provides an overall direction of METAC's work, and will be updated regularly and applied flexibly to reflect new developments and new emerging needs. METAC's work will remain integrated into IMF HQ TA and IMF policy and surveillance to ensure that METAC TA remains relevant and focused on the IMF core expertise.

METAC will serve Afghanistan, Egypt, Jordan, Lebanon, Libya, Iraq, Sudan, Syria, West Bank and Gaza, and Yemen in areas that are in the core expertise of the IMF. Over the past three years, METAC provided TA in the areas of banking supervision, public financial management, revenue administration, central bank accounting, and macroeconomic statistics. Significant progress was achieved in these areas and across membership. For Phase III, central bank accounting will be replaced by debt management.

A recent independent external evaluation found that METAC has been delivering TA services that are generally effective and highly appreciated by beneficiary countries. The strengths of METAC are a firm rooting in the IMF's well established procedures and quality control, a strong regional base, and a network of experts able to work effectively in the region including in Arabic. In addition, the evaluation found that METAC is responsive to country needs, and its activities are strongly integrated with and complementary to IMF priorities. METAC is a principal supplier of TA in the region in many of its technical areas. Its regional presence and link to the quality control and supervision activities of the IMF provides it with a comparative advantage.

The program for Phase III will respond to the external evaluation recommendations and will focus on the following priorities.

- **METAC will adopt a results-focused management system to track the implementation of its TA projects and activities.** Monitoring TA implementation against pre-determined objectives ensures timely delivery and improves effectiveness. It also provides consistency, coherence, and predictability in the planning and execution of METAC's TA, and enhances the accountability of TA to country authorities, donors, and other TA providers.

- **METAC will focus more on regional activities** including through (i) holding more regional workshops of common interest for the region and identifying ways in which countries would move closer to best international practices; (ii) organizing regional meetings in different fields (i.e., banking supervision, revenue administration, to discuss common problems and share experiences); and (iii) promoting the creation of regional associations to enhance knowledge sharing. Regional networking events will also involve countries from the GCC and North Africa to enhance knowledge transfer and provide a wider regional context.
- **In view of the global financial crisis, work in the area of banking supervision will intensify.** METAC will continue to assist member countries in improving and strengthening their financial systems and provide TA in other related banking issues such as developing credit registry systems. METAC will work toward the full implementation of Basel II, and will focus on developing good risk management frameworks and conservative prudential regulations regarding banks' investment in financial instruments.
- **As part of its focus on regional issues, METAC will promote regional cooperation on different supervisory and regulatory issues.** During Phase III, METAC plans to organize regional meetings of bank supervisors to exchange information and synchronize to the extent possible banking supervision practices.
- **For many METAC countries improving revenue administration and public financial management remains a top priority.** Enhancing PFM is critical to improve the effectiveness of public spending and facilitate budgetary support from donors (the latter typically avoid involving host governments on their spending projects). Similarly, revenue mobilization is critical to providing the government with enough resources to invest on employment enhancing projects and public infrastructure as well as to eventually reduce aid dependency especially for those countries that do not have any fiscal space.
- **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. Over the next five years, METAC will cover the following areas: (i) balance of payments statistics; (ii) price indices; (iii) national accounts; and (iv) government finance statistics.
- **Improving public debt management and developing public debt markets are important for METAC members.** The new resident advisor on debt management will initially assess the state of debt management in METAC countries and will then come up with a workplan to enhance debt management frameworks and enhance the effective coordination between debt management and monetary policy.

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LIST OF ACRONYMS

| | |
|---------|---|
| AITRS | Arab Institute for Training and Research in Statistics |
| AMF | Arab Monetary Fund |
| AML/CFT | Anti-Money Laundering/Combating the Financing of Terrorism |
| ASYCUDA | A customs automated system |
| BCBS | Basel Committee on Banking Supervision |
| BCC | Banking Control Commission (Lebanon) |
| BOP | Balance of Payments |
| BOSS | Bank of South Sudan |
| BPM5 | Balance of payments Manual, fifth edition |
| BPM6 | Balance of payments Manual, sixth edition |
| BSD | Banking Supervision Department (West Bank and Gaza) |
| CAMELS | International Bank Rating System |
| CAPMAS | Central Agency for Public Mobilization and Statistics (Egypt) |
| CAS | Central Administration of Statistics (Lebanon) |
| CBI | Central Bank of Iraq |
| CBJ | Central Bank of Jordan |
| CBL | Central Bank of Libya |
| CBS | Central Bank of Syria |
| CBY | Central Bank of Yemen |
| CDR | Council for Development and Reconstruction (Lebanon) |
| CFO | Central Finance Offices |
| CIDA | Canada International Development Agency |
| CMU | Cash Management Unit |
| COA | Chart of Accounts |
| COFOG | UN-supported Classification of Functions of Government which include ten main functions at the highest level of the budget classification |
| COICOP | Classification of Individual Consumption According to Purpose |
| CPI | Consumer Price Index |
| CRS | Credit Registry System |
| DAB | Da Afghanistan Bank |
| DFID | Department for International Development (The United Kingdom) |
| DOS | Department of Statistics (Jordan) |
| EC | European Commission |
| ECB | European Central Bank |
| EFMIS | Emergency Financial Management Reform System Program |
| EIB | European Investment Bank |
| ESCWA | Economic and Social Commission for Western Asia (UN) |
| ETA | Egyptian Tax Authority |
| FAD | Fiscal Affairs Department (IMF) |
| FDI | Foreign Direct Investment |

| | |
|-------|--|
| FED | Federal Reserve Bank |
| FSAP | Financial Sector Assessment Program |
| FSVP | Financial Services Volunteer Corps |
| FX | Foreign Exchange |
| FY | Financial Year |
| GDDS | General Data Dissemination System |
| GDP | Gross Domestic Product |
| GFMIS | Government Financial Management Information System |
| GFS | Government Financial Statistics |
| GFSM | Government Financial Statistics Manual |
| GST | Goods and Services Tax |
| HQ | Headquarters |
| HS | Harmonized System (tax administration) |
| IANDS | Interim Afghanistan National Development Strategy |
| IAS | International Accounting Standards |
| IBAN | International Bank Account Numbering |
| IEO | Independent Evaluation Office |
| IFC | International Finance Corporation |
| IFMIS | Integrated Financial Management Information System |
| IFRS | International Financial Reporting Standards |
| IFS | International Financial Statistics |
| IFSB | Islamic Financial Services Board |
| IIP | International Investment Position |
| IMF | International Monetary Fund |
| IT | Information Technology |
| ITD | Income Tax Department (Egypt) |
| LTO | Large Taxpayer Office |
| MCD | Middle East and Central Asia Department (IMF) |
| METAC | Middle East Regional Technical Assistance Center |
| MOF | Ministry of Finance |
| MTEF | Medium-term Expenditure Framework |
| MTFF | Medium-term Fiscal Framework |
| MTO | Medium Taxpayer Office |
| NA | National Accounts |
| NRVA | National Risk and Vulnerability Assessment |
| OECD | Organization for Economic Co-operation and Development |
| OTM | Office of Technical Assistance Management (IMF) |
| PBB | Performance Based Budgeting |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PMA | Palestine Monetary Authority |
| PPI | Producer Price Index |

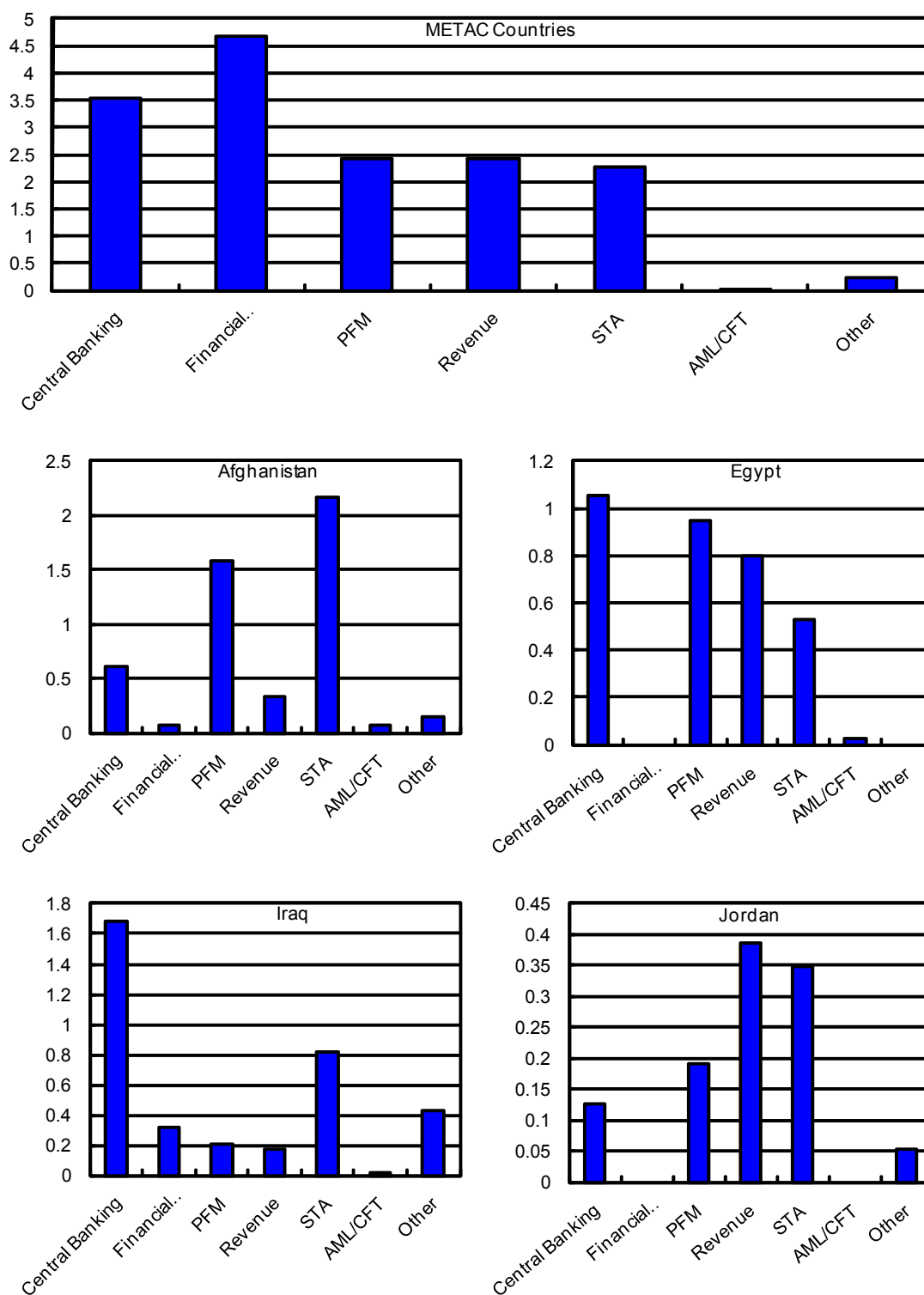
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| PRGF | Poverty Reduction and Growth Facility |
| RAP | Resource Allocation Plan |
| ROB | Results-Oriented-Budget |
| ROSC | Reports on Standards and Codes |
| RSN | Regional Strategy Note |
| RTAC | Regional Technical Assistance Center |
| SC | Steering Committee |
| SDDS | Special Data Dissemination Standard |
| SFA | Selected Fund Activities |
| SNA | System for National Accounts |
| STD | Sales Tax Department (Egypt) |
| TA | Technical Assistance |
| TAIMS | Technical Assistance Information Management System |
| TSA | Treasury Single Account |
| UNDP | United Nations Development Program |
| USAID | United States Agency for International Development |
| VAT | Value-Added Tax |
| WB | World Bank |
| WCO | World Customs Organization |

I. METAC'S ACHIEVEMENTS SO FAR

A. What Does METAC Do?

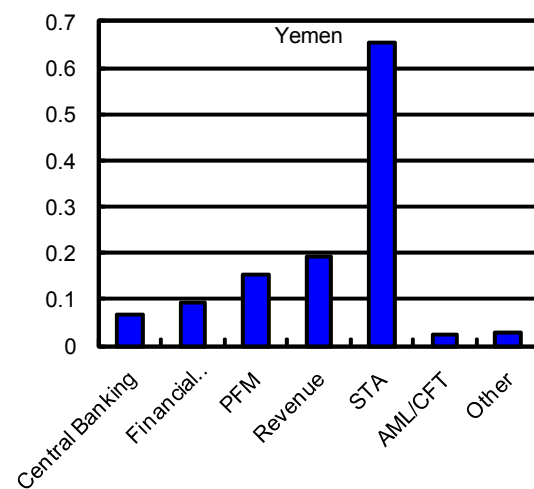
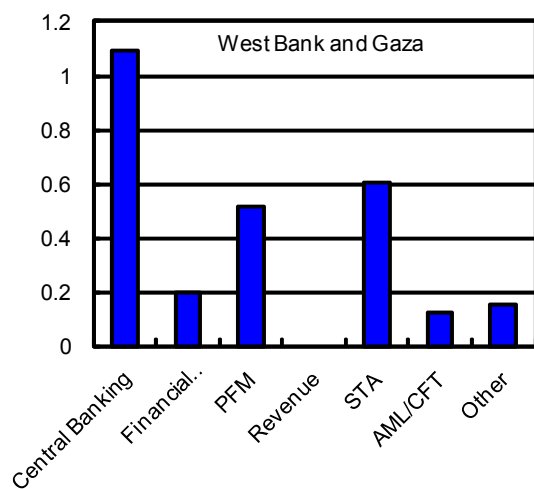
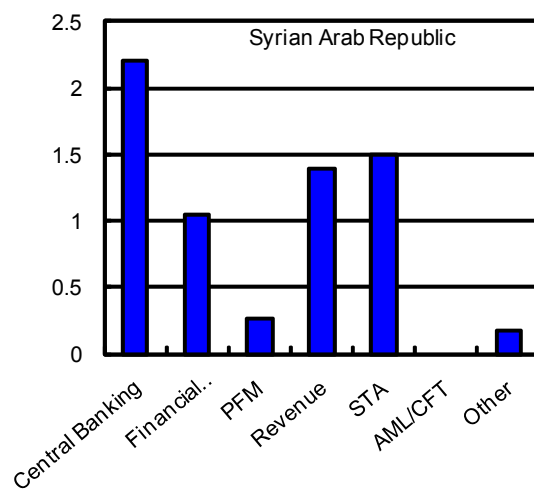
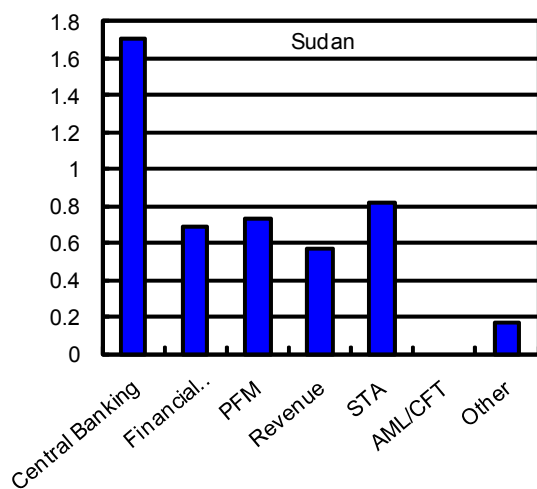
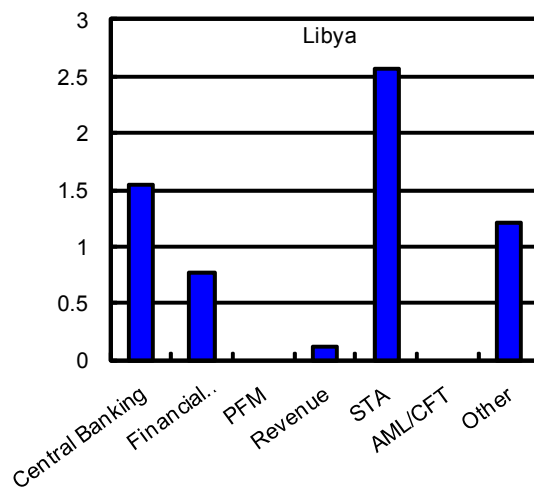
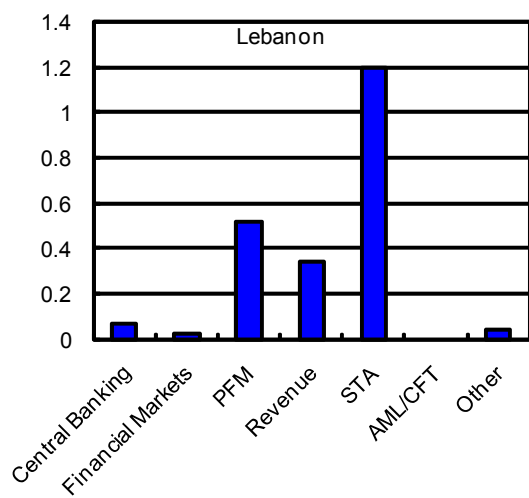
1. **The International Monetary Fund (IMF)'s Regional Technical Assistance Centers (RTACs) are a collaborative effort between the IMF, the recipient countries, and bilateral and multilateral donors.** The Centers' strategic goal is to strengthen the recipient countries' institutional capacity to design and implement sound macroeconomic and financial policies. Supported by the experts and services of IMF Headquarters (HQ), the RTACs are becoming an increasingly important way of delivering effective, efficient and responsive IMF Technical Assistance (TA).
2. **The Middle East Regional Assistance Center (METAC) was launched by the IMF in October 2004 to serve the Middle Eastern Region.** METAC serves Afghanistan, Egypt, Iraq, Jordan, Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and Yemen. Its 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.
3. **METAC is managed by the center coordinator and guided by a Steering Committee (SC).** The SC consists of representatives from donors, recipient countries and the IMF. The SC facilitates the design, implementation, and monitoring of TA programs in METAC recipient countries. The center coordinator oversees the day-to-day operations of the Center and helps in setting the strategy for the Center including the preparation of the workplan in close collaboration with recipient countries.
4. **With METAC, the IMF combines strategic TA advice from its HQ with regional expertise and on-the-ground capacity building.** Broad TA needs and workplans are identified by the SC, the Middle East and Central Asia Department (MCD), TA Departments at IMF HQ, and the country authorities. All TA is integrated into the core lending and surveillance operations of the IMF, as well as coordinated with that of other providers.
5. **The cost of running METAC is defrayed by donors, which contributed generously to the past funding cycle, recipient countries, and contributions from the IMF.** In complementing the Center's resource pool, the host country Lebanon also provides generous cash and in-kind contributions.
6. **METAC TA is delivered by resident advisors supported by short-term experts.** Through their travel throughout the region, 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.

TA Delivery to METAC countries, FY2007-2009*
(in person years)



Source IMF

*The IMF's fiscal year runs from May 1 through April 30



B. Results in METAC Recipient Countries

7. **Measuring the impact of TA over a short time span is inherently difficult.** The results of TA will take some time to materialize, are difficult to quantify, and are not easily attributable to specific TA inputs or variables. For example, TA in revenue administration is often expected to lead to an increase in budgetary revenue over time. However, it is not easy to isolate the impact of TA from other variables that have an impact on revenue.

8. **Nonetheless, with METAC's high quality TA and training, important achievements have been realized across its membership.** These achievements are well recognized by METAC members who are assuming a high degree of ownership evidenced, among other things, by their voluntary financial contributions to METAC. Generally, results depend on the scope of reform (specific or broad), country's commitment, other TA providers' inputs, and the integration of METAC TA activities with the IMF's overall TA program, and the duration of the assistance.

9. **METAC's current activities focus on the delivery of TA and training (regional and in-country) in the areas of banking supervision, public financial management (PFM), revenue administration, macroeconomic statistics, and central bank accounting and internal audit.** These activities reflect the priorities set by member countries and could change according to their evolving needs. For the next phase, the area of central bank accounting will be replaced by debt management and monetary instruments.

Public Financial Management

10. **An important factor in the success of TA in PFM by METAC area was its increased integration with IMF TA activities.** METAC's PFM advisor participated in most IMF PFM assessment missions for better synergy when it comes to identifying TA needs and designing a TA strategy. This was the case of Jordan, Sudan, and WEST BANK AND GAZA in 2009. This integration will be enhanced further during Phase III.

11. **METAC's most prominent achievements are mainly in the areas of Treasury Single Account (TSA) and cash management.** These include the successful implementation of a TSA (for a significant part of public funds) in Jordan since 2008; and the establishment of a cash management framework in Afghanistan (2006), Lebanon (2007), Sudan (2007), and West Bank and Gaza (2008). TSA and cash management are two core requirements for efficient PFM. TSA aims at consolidating all public funds into a single account at the central bank in order to manage liquidity efficiently, improve the liquidity position of the government at the central bank, and reduce the cost to the budget by reducing borrowing needs. Modern cash management procedures aim at making resources available on time and in the required amount in order to finance expenditures according to an optimum schedule and therefore avoid payment arrears. TA was provided mostly through short-term expert

visits and follow-up visits of METAC's PFM advisor. In February 2009, a study tour in Turkey was also organized by METAC for the cash management practitioners of Lebanon and West Bank and Gaza in order to learn. In October 2009, another study tour on cash management took place in Turkey for officials from Afghanistan, Egypt, Jordan, Sudan, Syria and Yemen.

12. METAC also provided TA in other areas of expertise, namely budget classification and chart of accounts using GFMS 2001 norm. This was mainly the case in Afghanistan and Sudan, and budget integration reform in Syria.

Banking supervision

13. Achievements in improving banking supervision in METAC countries include: (i) strengthening banking supervision in Libya based on the strategy developed by METAC in May 2005, and developing a new inspection manual in line with risk-based supervision and international best practices; (ii) developing a credit registry system in Sudan and West Bank and Gaza—the West Bank and Gaza credit registry is currently operating and is considered one of the best registries in the region; (iii) developing an on-site inspection manual for Jordan to provide guidance to field examiners and improve risk-focused supervision; and (iv) establishing a banking supervision framework in Syria, with emphasis on the implementation of Basel II standards, the development of prudential regulations, and the improvement in financial statements and on-site and off-site supervisory procedures. The following provides more detail on the first two examples.

14. METAC assisted the Central Bank of Libya (CBL) in establishing a banking supervision framework in line with international best practices, including through: (i) the development of a new set of financial statements in line with International Accounting Standards (IAS); (ii) the adoption of prudential regulations to enhance off-site supervision activity and better evaluate banks' performance; and (iii) the issuance of new circulars related to capital adequacy, internal control, internal audit, credit risk, liquidity, and foreign exchanges, among others. The supervisory reform continues with the preparation of a new inspection manual in line with risk-based supervision and in accordance with international best practices and CAMELS¹ approach.

15. METAC helped the Palestine Monetary Authority (PMA) in strengthening its banking supervision framework and in improving its Credit Registry System (CRS). The purpose of the CRS was to assist the PMA in monitoring the safety of the banking sector by providing commercial banks with information on borrowers, including their credit history,

¹ CAMELS is an international bank-rating system where bank supervisory authorities rate institutions according to six factors, are represented by the acronym "CAMELS:" C - Capital adequacy; A - Asset quality; M - Management quality; E - Earnings; L - Liquidity; and S - Sensitivity to Market Risk.

indebtedness, and character as evidenced by their paying habits. Prior to the upgrade of the credit registry, information was available on approximately 12,000 paid (settled) credits, but this information could not be retrieved or used. Since the upgrade, data on over 2,000 (out of the 12,000) can be accessed. Between May 2006 and May 2009, the number of borrowers registered in the database grew from 16,321 to 97,654. Banks now have additional information on 81,300 borrowers, and 20,901 guarantors (guarantor information was not captured in the original system). This expanded information set has empowered commercial banks to make more informed credit decisions, which should reduce credit default and thus safeguard the banking system.

Revenue administration

16. **METAC has played a critical role in strengthening revenue administration effectiveness, with encouraging results in several member countries.** Topics and countries where progress has been evident include: (i) tax administration reorganization to improve effectiveness, particularly with respect to strengthened HQ functions in Egypt, Jordan, Sudan, and Yemen (with work in progress in Syria); (ii) development and expansion of taxpayer segmentation concepts, initially through establishment of large taxpayer offices and steps to strengthen medium and small taxpayer administration in Egypt, Jordan, Syria, Sudan, and Yemen; (iii) strengthened concepts of self-assessment and risk management, including measures such as audit case selection techniques in Jordan, Lebanon, Sudan, Syria, and Yemen; and (iv) strengthened legislative frameworks, particularly streamlined and harmonized tax procedure codes, and improved (or new) Value Added Tax (VAT) and small business regimes in Egypt, Jordan, Lebanon, and Syria.

Macroeconomic Statistics

17. **METAC's TA in the area of macroeconomic statistics also led to tangible results in member countries.**

18. **Syria.** The Balance of Payments (BOP) and the International Investment Position (IIP) are now presented using the same exchange rate, external debt data compilation was brought in line with international practice. Trade credit data have been reclassified into loans and a new data collection format was designed for external debt.

19. **Jordan.** Comprehensive IIP data for 2004-2005 were compiled incorporating the results of the Department of Statistics' (DOS) Foreign Direct Investment (FDI) survey released in May 2007— and disseminated on the Central Bank of Jordan (CBJ) website. Also, the CBJ and the Ministry of Finance (MOF) agreed on the modalities for compiling and disseminating external debt statistics in line with the External Debt Guide,² and external debt

² The SDDS was established in 1996 to guide countries that have, or that might seek, access to international capital markets in the dissemination of economic and financial data to the public. This site

data in the Special Data Dissemination Standard (SDDS) prescribed format were posted on the CBJ website, along with methodological notes developed with the assistance of METAC. In coordination with Fund HQ, METAC also undertook missions to assist Jordan in compiling input-output tables.

20. **Lebanon.** At the request of the Lebanese authorities, METAC provided the Central Administration of Statistics (CAS) during 2006-08 with substantive assistance on the compilation and dissemination of a new monthly all-Lebanon Consumer Price Index (CPI) using new weights based on the 2004-05 households survey. Lebanon's new monthly CPI was launched on March 19, 2008 at a high-profile ceremony hosted by H.E. the Prime Minister of Lebanon, marking the successful completion of METAC's TA in this area.

21. **Egypt.** METAC provided TA to the Central Agency for Public Mobilization and Statistics (CAPMAS) in developing the Producer Price Index (PPI) and in revising the CPI. The updated CPI and the new PPI were released in late 2007 covering the period January–September 2007.

22. **Other results in the area of statistics to which METAC has contributed include** the participation of Afghanistan and Syria in the General Data Dissemination System (GDDS),³ the establishment of a regional working group in the area of remittances statistics, launching of a CPI for Sudan, the CPI/PPI work for Libya, the extension of the CPI for Afghanistan, and the improvement of GDP estimates for West Bank and Gaza.

Central Bank Accounting

23. **METAC assisted central banks in complying with the International Financial Reporting Standards (IFRS) through direct TA and regional seminars.** METAC prepared draft IFRS based accounting policies for all central banks in the METAC region except Jordan and Egypt. Two central banks (Yemen and Jordan) now prepare IFRS based annual accounts while others are moving in this direction. METAC assisted the central banks of Afghanistan, Iraq, Sudan, West Bank and Gaza and Yemen to develop IFRS compliant chart of accounts which can cater for the requirements of IFRS based financial and monetary reports and statistics. Compliance with IFRS would harmonize accounting standards adopted by the International Accounting Standards Board.

<http://dsbb.imf.org/Applications/web/dsbbhome/> provides information about economic and financial data disseminated by member countries that subscribe to the SDDS.

³ The GDDS was established in 1997 to guide countries in the provision to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic data. This site provides information on data produced and disseminated by member countries that participate in the GDDS.

24. **For internal audit, METAC's objective was to help central banks in moving existing compliance audit methodology towards risk based audit.** Afghanistan, Iraq, Libya, Sudan, Syria and West Bank and Gaza developed an Audit Charter with the help of METAC and the central banks of in Iraq, Libya and Syria re-organized their audit functions. PMA's internal audit program is now risk-based and the other central banks are moving in this direction.

25. **Other achievements in the area of central bank accounting include:** (i) upgrading central bank budgeting in Jordan with the introduction of the cost center concept; whereby expenditure is allocated to various departments and divisions; (ii) introducing proper reconciliation and accountability in the accounting systems and controls of the Da Afghanistan Bank (DAB); (iii) reforming the Accounting and Internal Audit functions of the CBL; (iv) implementing a revised chart of accounts in the Central Bank of Sudan; (vii) establishing a risk-based internal audit function in the PMA; (viii) developing the accounting manual in the Central Bank of Iraq (CBI) and training the accountants through workshops; and (ix) restructuring the accounting department in the Central Bank of Syria (CBS) and implementing self accounting in its twelve branches.

Macroeconomic Training

26. **Fund HQ training activities have been conducted in collaboration with METAC during 2005-2009, covering financial programming and various fiscal, external sector, and finance issues.** Officials from METAC member countries have regularly participated in Fund HQ courses.

METAC'S NOTABLE ACHIEVEMENTS

Capacity building is a joint effort of the many donors and TA providers, which are active in the region. Below are examples for results achieved in METAC countries, where METAC was engaged and contributed to these achievements.

Public Financial Management

- ✓ Sudan started implementing a consistent administrative and economic classification according to Government Financial Statistics Manual (GFSM) 2001. Then, METAC worked on functional classification referring to COFOG (UN norm for functional classification).
- ✓ A cash management unit was established at the MOFs of Lebanon and West Bank and Gaza.
- ✓ A TSA was established at the Bank of Sudan and the CBJ.
- ✓ West Bank and Gaza operationalized the computerized accounting system.
- ✓ Syria transferred the responsibilities for capital expenditures from the State Planning Commission to the MOF.

Banking Supervision

- ✓ Central banks in Syria and Libya have established a banking supervision framework in line with international best practices.
- ✓ Credit registry in West Bank and Gaza was implemented.
- ✓ A new risk-focused onsite inspection manual for banks was developed for the CBJ and the CBL in order to guide examiners on how to evaluate the adequacy of bank's capital and liquidity, the quality of its assets, earnings and management, and the sensitivity to market risk.

Revenue Administration

- ✓ Tax administrations were reorganized to improve effectiveness, particularly with respect to strengthened HQ operations in improving the design, planning and monitoring functions—Egypt, Jordan, Sudan, and Yemen.
- ✓ Development and expansion of taxpayer segmentation concepts, initially through the establishment of a large taxpayer office and subsequent steps in the establishment of medium and small taxpayer administration – Egypt, Jordan, Syria, Sudan, and Yemen.
- ✓ Strengthening the concepts of tax self-assessment and risk management, including supporting practical measures such as audit case selection techniques – Jordan, Lebanon, Sudan, Syria, and Yemen.
- ✓ Strengthened legislation frameworks, particularly streamlined and harmonized tax procedure codes, and improved or new VAT and small business regimes – In Lebanon the tax procedure code has been enacted and changes to the income tax law are pending to modernize the small business regimes in Egypt.

METAC'S NOTABLE ACHIEVEMENTS (CONTINUED)

Macroeconomic Statistics

- ✓ Lebanon launched a new All-Lebanon monthly CPI.
- ✓ Jordan started in June 2007 disseminating external debt statistics in line with the international statistical methodology.
- ✓ A revised CPI was launched in September 2008 during a press conference by the Central Bureau of Statistics in Sudan.
- ✓ METAC contributed to Syria's decision to participate in the GDDS, beginning in December 2007.

Central Bank Accounting

- ✓ Audit committees have been established in DAB and the PMA.
- ✓ Risk based internal audit was established in the PMA.
- ✓ Introducing self accounting in the twelve branches of the CBS.
- ✓ Lebanon and Syria started the implementation of the International Bank Account Numbering System (IBAN).

C. METAC's Evaluation

27. **An external evaluation in mid 2009 found that METAC overall performance is good, and that METAC has been delivering TA services that are generally effective and highly appreciated by the beneficiaries.** The evaluation also highlighted the positive role of METAC's governance structure and its ability to provide cost-effective and flexible TA. The strengths of METAC are a firm rooting in the IMF's well established procedures and quality control and management processes together with a strong regional base, and in developing network of experts able to work effectively in the region including in Arabic.

- METAC has played a useful role in defining country TA priorities and has contributed to the development of agreed priorities as set out through the Regional Strategy Note (RSN).
- Beneficiary organizations consider that the work of METAC is demand-driven and responsive to the needs of countries.
- Beneficiary organizations rated the quality of expertise and technical assistance highly, and the timeliness of response more positively than other TA providers.
- There was a strong consensus from the beneficiary countries that METAC's regional activities were very useful and that more focus should be placed on these activities.

- The participation of resident advisors in HQ missions and the reporting and backstopping relationship with functional departments has ensured a strong integration of METAC activities with IMF priorities as set out through the RSN. Respondents in beneficiary organizations generally regarded METAC activities as strongly complementary to other IMF activities.
- METAC has made significant progress in developing a network of local and regional experts.
- METAC is a unique or principal supplier of TA in the region in many of its technical areas. Its regional presence and link to the quality control and supervision activities of the IMF provides it with a comparative advantage.

28. **The evaluation team made a number of recommendations to further strengthen METAC's operations and, ultimately, effectiveness.** An action plan is set out below, which needs to be implemented by all METAC shareholders, including the SC and beneficiary organizations.

- **Recommendation 1.** The Phase III proposal should include a clear statement of METAC's objectives with defined performance indicators and an articulation of the linkages between METAC's activities and these objectives, and the key assumptions that these require. A more results-focused reporting system should be developed as part of this process which should include an assessment of the role that the Technical Assistance Information Management System (TAIMS) should play in monitoring and evaluation of performance.

Response: The program document for Phase III sets out verifiable indicators in each of the areas of METAC's activities. These objectives are linked directly to activities in each of the countries that METAC serves. A results-based reporting system will help in assessing performance and in measuring results. METAC's annual workplan will be linked to the objectives and METAC will report on them at each SC meeting. Following recent improvements, TAIMS will play a more important role in monitoring and evaluating performance.

- **Recommendation 2.** The preparation of the Phase III project should also address issues about improving the performance of METAC TA through more focus on support to implementation and to regional networking and information sharing and communication, including making an assessment of the costs and organizational requirements involved in strengthening this role.

Response: The Phase III program document's regional focus has been strengthened through regional networking, including through the establishment of regional organizations that would promote information sharing and problem solving. Regional workshops/seminars will continue to be held on issues that are common to the region and

METAC's website, which was revamped, will report on the main findings of these workshops. As for implementation, METAC will focus more on following up on its recommendations, although implementation remains ultimately in the hands of the beneficiary countries.

- **Recommendation 3.** Financial reporting should cover the total cost of METAC's TA delivery and include explicit performance indicators, rather than being restricted to reporting on the use of donor resources, as it is understood should be possible with the new Selected Fund Activities (SFA) reporting system.

Response: Costing of METAC activities will be changed from standard to actual costs, and financial reporting will become more detailed under the IMF's new financing instrument, the SFA.

- **Recommendation 4.** The increased focus on regional networking should be developed as part of the process of preparing and implementing information and training strategies, as should the more effective use of METAC's website for information sharing purposes. One route for increasing METAC's profile would be to hold events linked to SC meetings on issues of topical importance.

Response: Please see the response to recommendation 2 regarding the administrative changes on regional networking. On the substantive focus for regional networking METAC's website has been upgraded and will include relevant documents produced by the IMF and METAC as well as others which would be useful for regional information sharing and networking. Regarding events on issues of topical importance, this has been practiced by METAC but linking these events to the SC meetings would be meaningful only when there is a large overlap between participants of the event and SC members. Increasing METAC's profile could be enhanced by issuing a press release on the outcome of the meeting as done for the SC meeting in May 2009 and in holding press conferences to highlight the work of METAC and its contribution to the region. Moreover, regional networking will more actively involve countries from the GCC and North Africa to enhance knowledge transfer in a wider regional context.

- **Recommendation 5.** To support this increased focus on information and training (and under the assumption that its level of activities will increase), METAC should consider strengthening its capacity for training coordination and management. This could be done in one of the following ways: (a) Short-term hiring of a Training Coordination consultant to establish best practice training administration systems and processes and train the current Administrators on their use; (b) A new permanent Training Coordinator recruitment, probably on a part-time basis, the candidate possessing existing levels of required skills and experience, or (c) training and development of one or both Administrators in Training Coordination.

Response: This recommendation needs further discussion. While strengthening the administration of training might be useful, the implementation of this recommendation would be expensive and may be too ambitious given the current training agenda. If donors were willing to provide funds in addition to the budget proposed in this document, action on this recommendation could be reassessed.

- **Recommendation 6.** The initiative to develop an Office Procedures Manual should be built on by strengthening process management throughout METAC's operations to ensure consistency and provide a stronger basis for performance measurement. This should be driven by the development of a broader set of performance measures as part of the results framework.

Response: A broader set of performance has been developed and included in METAC's program document for Phase III.

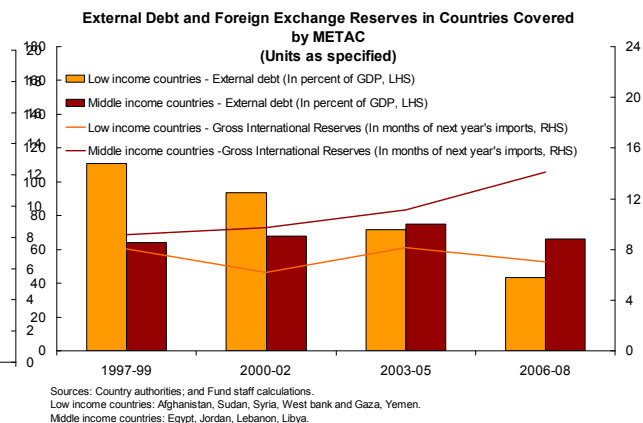
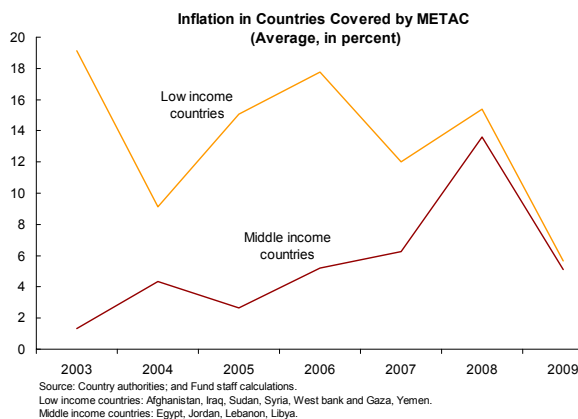
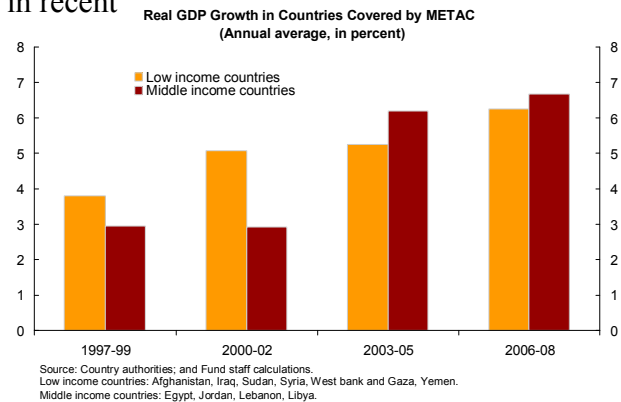
- **Recommendation 7.** The SC needs to play a more effective role in representing all beneficiary organizations. There are a number of ways this could be done that could be considered including the appointment of an alternate SC member representing other organizations, or the development of a set of subcommittees or networks of beneficiary organizations in each technical area to inform decision making. It is also desirable for proposed Work Plans and Minutes to be distributed to designated authority and counterparts in each beneficiary organization ahead of and following SC meetings. It is probably feasible to continue having a single annual SC meeting but this will need to be supplemented by better communication through the website and where necessary other forms of communication such as telephone conferencing and ad hoc meetings if there are major decisions to be made.

Response: This is being addressed. The next SC will discuss the appointment of an alternate SC member from the next most important organization that METAC is dealing with in beneficiary countries. METAC will continue to encourage the SC members of beneficiary countries to strengthen their discussion with beneficiary agencies in each technical area in their country. The proposed work plans and minutes are already being distributed before and after the SC meetings to the SC members who are the focal contact points in their respective countries, who are responsible to distribute them to all counterparts in each beneficiary organizations. Communicating with the SC members is being done but will be enhanced in the future.

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

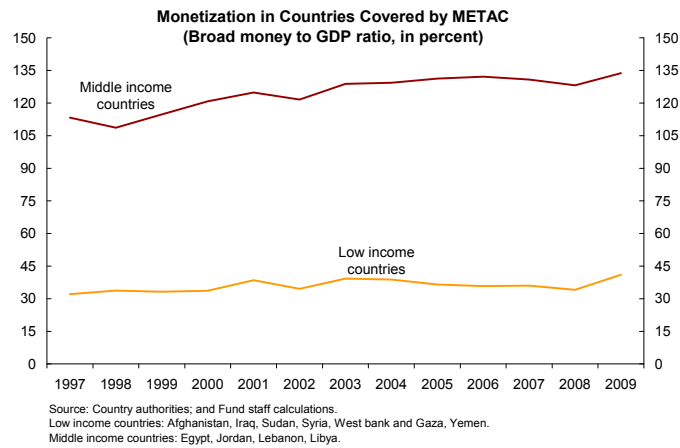
A. Was progress made in recent years?

29. **The economic performance of the countries covered by METAC has improved in recent years.** Annual Gross Domestic Product (GDP) growth averaged 3-4 percent in the late 1990s and early 2000s, rose to 6-7 percent in recent years. In addition, and with the exception of persistently high inflation in Iraq and the effect of the spike in international food prices in 2008, inflation has been kept at single-digit levels in middle-income countries and lowered towards single-digit levels in low-income countries. External positions have also improved, with declining debt ratios in most countries and comfortable levels of foreign exchange reserves.

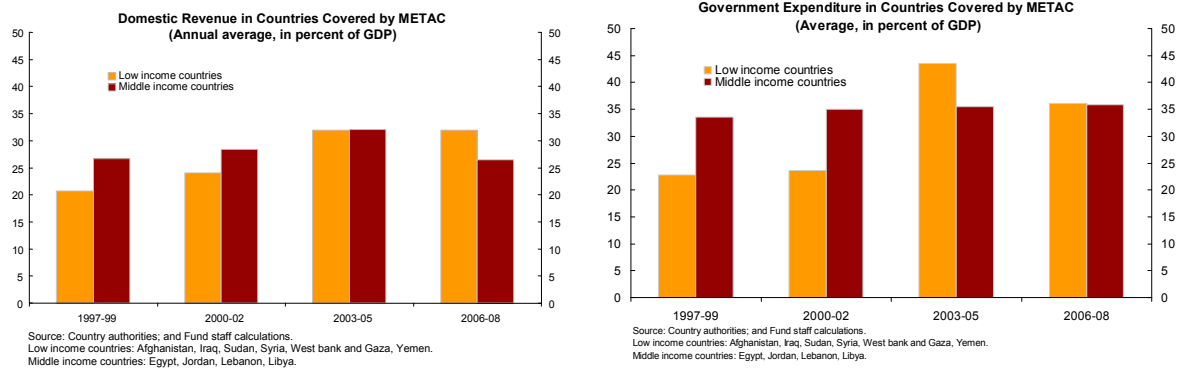


30. **The global financial crisis led to a slowdown in capital flows to these countries, but the effects were contained by their limited integration with the world economy.** The crisis generated some pressure on financial sectors and the external and fiscal positions of a number of METAC countries. Countries with more significant ties to international markets (e.g. Egypt) showed symptoms of financial contagion (e.g. stock market declines, lower deposit inflows, and higher rollover risk) although the effects were not dramatic; while countries less integrated with the world economy (e.g. Afghanistan) experienced minimal difficulties. Still, economic activity is expected to slowdown in 2009-10 to about 3-5 percent.

31. **The region has made substantial progress on monetary policy and financial development.** Progress has been made to develop domestic money markets and improve central bank operations. As a result, the overall degree of monetization has shown an increasing trend, primarily in middle-income countries. These efforts were supported by TA from the IMF through HQ and METAC, and TA on central banking has been and will remain important in the period ahead.



32. **Progress was also made on fiscal management.** On the revenue side, the ratio of domestic revenue-to-GDP has risen during the past decade and, assuming further improvements in tax and customs administration, could rise even more in coming years. Recent advances in tax administration, especially through the creation of medium and large taxpayers' offices, explain the improvement in revenue performance. On the expenditure side, budgetary processes have also improved, but higher levels of public spending in recent years and the need to increase social and infrastructure spending call for further efforts to improve PFM in these countries.



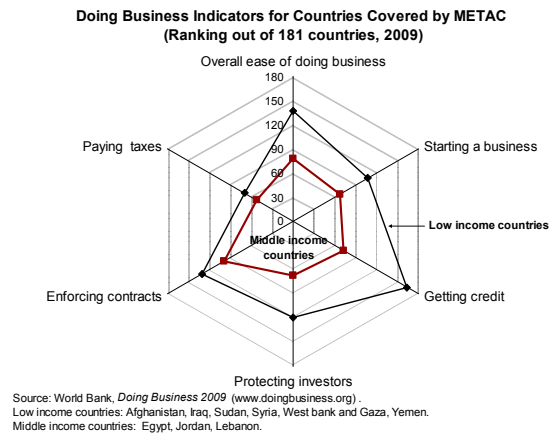
33. **Notwithstanding the progress made so far, the recent global crisis highlighted the need for additional reforms.** Some countries relied on monetary tools (e.g. liquidity provision in Lebanon, deposit guarantees and liquidity provision in Jordan) while others resorted to fiscal stimulus (e.g. increased spending in Egypt and Syria). In the process, countries were once again reminded about the need to (i) make the financial system more resilient by improving banking supervision and regulatory and resolution frameworks; (ii) strengthen fiscal positions by improving tax collection and containing non-priority spending; and (iii) improve the efficiency of public spending through sound PFM. For

instance, some countries did not have enough room to stimulate their economies through higher spending because of high deficits and debt levels (Lebanon, Sudan) while others (Syria) were in a much better position to do so.

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

34. **METAC countries must achieve sustained high economic growth to make a dent in unemployment.** 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, and better economic data.

35. **METAC's assistance will be tailored to country-specific needs.** Some METAC countries suffer from recent or ongoing conflict. Particularly these and low-income countries will require substantial TA in coming years to preserve economic stability, develop their financial systems, and achieve sustained growth and poverty reduction. At the same time, emerging market economies would benefit from targeted assistance to strengthen institutions and policy making in areas with vulnerabilities highlighted by the recent crisis.



METAC Low income and conflict-affected countries (Afghanistan, Iraq, Sudan, Syria, West Bank and Gaza, and Yemen)

36. **The two main priorities in the fiscal sector are to enhance basic PFM and mobilize revenue.** This will involve a strengthening of treasury functions, governance, and tax and customs administration—all areas in which METAC is heavily engaged. For PFM, cash management, budget classification, reporting, and monitoring remain a priority in several countries to free resources for infrastructure investment and poverty reduction (Table 1). Enhancing PFM is critical to improve the effectiveness of public spending and to facilitate budgetary support from donors (the latter typically avoid involving host governments on their spending projects). Similarly, revenue mobilization is critical to provide the government with enough resources to invest on employment enhancing projects and public infrastructure as well as to eventually reduce aid dependency.

37. **TA on monetary policy and the financial sector will remain important to facilitate the development of the financial sector and contribute to sustainable growth.**

Improving monetary operations, developing money markets, and modernizing the central bank are a priority in almost all low-income countries, while banking restructuring and resolution and banking regulation and supervision are also important in some countries (e.g. Afghanistan, Iraq, Syria). Lastly, improving economic policy will require addressing shortcomings in basic economic statistics. The medium-term priority areas for low-income countries are summarized in Table 1 below.

Table 1: TA Priorities in Low Income and Conflict-Affected Countries (METAC)

| Country | Fiscal | Monetary and Financial Markets | Statistics | Legal |
|----------------|--|--|--|---|
| Afghanistan | Revenue administration Treasury support and cash management Budget reporting and accounting of arrears Budget classification and accounts for the general government | Banking supervision Development of market for government securities Monetary policy instruments Bank restructuring and privatization Central bank accounting | Monetary Balance of payments Prices Fiscal (budget reporting) National accounts | Foreign exchange restrictions in relation to the Fund's Article VIII status. Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT): follow up on implementation |
| Iraq | Functional classification of the budget Budget execution: moving towards a single treasury system Strengthening reporting and introducing financial management information system (IFMIS) Review of policy or administration options to broaden the tax base and increase non-oil | Develop treasury bill market Strengthen foreign reserve management by improving internal control and reporting systems Strengthen banking supervision, especially on- and off-site supervision capacity Improve the payments system | Monetary: improving data for other depository and financial corporations Balance of payments data, especially compilation of international reserves | AML/CFT: follow up on implementation Banking legislation |

| Country | Fiscal | Monetary and Financial Markets | Statistics | Legal |
|--------------------|---|---|--|--|
| | revenues Oil revenue management | | | |
| Sudan | Single treasury account Budget classification and reporting Domestic revenue administration Oil revenue management Elimination of oil subsidy | Financial Sector Assessment Program (FSAP) update, especially on banking regulations, resolution, the payments system, and insurance Bank restructuring Monetary instruments Liquidity forecasting | Prices and national accounts GFSM 2001 Monetary data Balance of payments | None |
| Syria | Budget classification and reporting Single treasury account VAT implementation and tax administration | Monetary policy instruments and government securities market Liquidity forecasting Banking regulation and supervision Accounting Credit registry State banks' restructuring Payments system | National accounts and activity Prices Balance of payments IIP and external debt | Foreign exchange restrictions in relation to Article VIII status Tax code |
| West Bank and Gaza | Treasury functions, expenditure management (control) and recording Cash management Revenue administration | Accounting Banking supervision Foreign reserves management Central bank organization Bank | National accounts Balance of payments | Central bank legislation Commercial bank legislation AML/CFT |

| Country | Fiscal | Monetary and Financial Markets | Statistics | Legal |
|---------|---|--|--|---|
| | | restructuring Payments system Dollarization and possible new currency | | |
| Yemen | Expenditure management and single treasury account: expand project for automated commitment control to all Ministries Computerized financial management system Implementation of general sales tax and income tax reform, strengthening medium and large taxpayers' offices; internal reorganization Review of tax policy regime | Banking supervision: strengthening on- and off-site supervision, stress testing, and corrective action framework Developing market for Islamic securities Developing a functional credit registry at the central bank (available to commercial banks) Payments' system: effecting government payments through commercial banks (rather than through the central bank) | National accounts: transition to new set of accounts, improve quality and timeliness, focus on set for policy makers Consumer prices: revised basket, producers price index GFSM 2001: complete budget accounting Balance of payments: accuracy and reporting | Banking legislation (money changers law): revise law, expand scope of coverage and type of transactions for reporting to the central bank AML/CFT follow up on redrafted framework |

METAC middle-income countries (Egypt, Jordan, Lebanon, and Libya)

38. **As a safeguard against future global economic turbulence, these countries also need to build fiscal space and boost revenues and improve the efficiency of public spending.** Strengthening 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.

39. **On 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 prudential indicators and risk management. These countries will also continue to require assistance to develop domestic capital markets and, for Egypt, implement inflation targeting (Table 2).

40. **Further assistance to strengthen the quality of macroeconomic data will also be required.** While the data problems and the volume of TA needed in these countries are less acute than in low-income countries, the quality and timeliness of their economic data needs to be improved. Even for a country like Egypt that participates in the IMF's SDDS⁴ further improvement in their economic statistics is warranted. For instance, and as noted in Table 2 below, all countries need technical assistance on Government Finance Statistics (GFS) and three countries need assistance on BOP statistics.

⁴ In order to subscribe, the country should provide to the public a set of comprehensive, timely, accessible, and reliable economic and financial statistics. As an SDDS member, Egypt has made substantial progress in data compilation, although there is scope for improvement in certain areas such as foreign direct investment.

Table 2: TA Priorities in Middle-Income Countries (METAC)

| Country | Fiscal | Monetary and Financial Markets | Statistics | Legal |
|----------------|--|--|---|--------------|
| Egypt | VAT Modernization Tax administration: consolidate the strengthening of the Tax Authority through completion of the Goods and Services Tax (GST) and income tax integration and expansion of taxpayer segmentation principles PFM: integrating Financial Management Information System and improving fiscal reporting Medium-term fiscal framework | Inflation targeting Foreign exchange and domestic debt markets | Government Finance Statistics to meet SDDS requirements and balance of payments, including FDI survey | AML/CFT |
| Jordan | Single treasury account: extend coverage to accounts in banks and roll out Government Financial Management Information System (GFMIS) Budget classification and reporting according to GFSM2001, data consistency, financing data by instrument and residency, reconciliation between fiscal and central bank financing data Revenue administration: collection efficiency, specially on income taxes Public investment program Reviewing the tax regime | Capital market development: depth, liquidity and efficiency Debt management: debt management strategy and borrowing plan, internal organization of debt department, primary auction mechanism, design of internal risk monitoring framework | Government Finance Statistics to meet SDDS requirements SDDS subscription with emphasis on GFS Input/Output tables | None |
| Lebanon | Tax policy Revenue administration PFM (cash management, treasury single account, budget | Short-term monetary instruments Banking | National accounts Balance of payments | None |

| Country | Fiscal | Monetary and Financial Markets | Statistics | Legal |
|---------|---|---|---|-------|
| | classification, and chart of accounts) Quasi-fiscal operations of public enterprises and central bank | supervision Bank resolution | Government Finance Statistics to meet SDDS requirements | |
| Libya | Hydrocarbon revenue management Budget classification and unification Expenditure management and control Reform of the subsidy system Restructuring of tax collection agencies, self-assessment and risk-based controls, introduction of VAT | Modernization of the central bank (including reorganization and development of a strategic plan and legal framework) Reserve management Accounting Banking supervision | Monetary Government Finance Statistics to meet SDDS requirements Balance of payments Prices and National accounts | None |

III. METAC'S AGENDA FOR PHASE III

41. **METAC's work programs over the next five years are being developed jointly with recipient countries, donors and other TA providers.** METAC's work would be integrated into IMF HQ TA and IMF policy and surveillance work through an internal prioritization process to ensure that METAC TA remains relevant and focused on the IMF core expertise.⁵

42. **METAC will continue to provide training, including through regional workshops that address issues relevant to the wider region.** Collaboration with IMF HQ will continue to provide courses that focus on macroeconomic issues and policy and on issues that fit well into METAC's TA agenda. Courses would include basic Financial Programming and specialized courses in finance, monetary policy and others. 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 problems in the region. METAC will also strive to widen the scope of its regional workshops to involve non-member countries from GCC countries and North Africa to allow wider peer discussion and knowledge exchange.

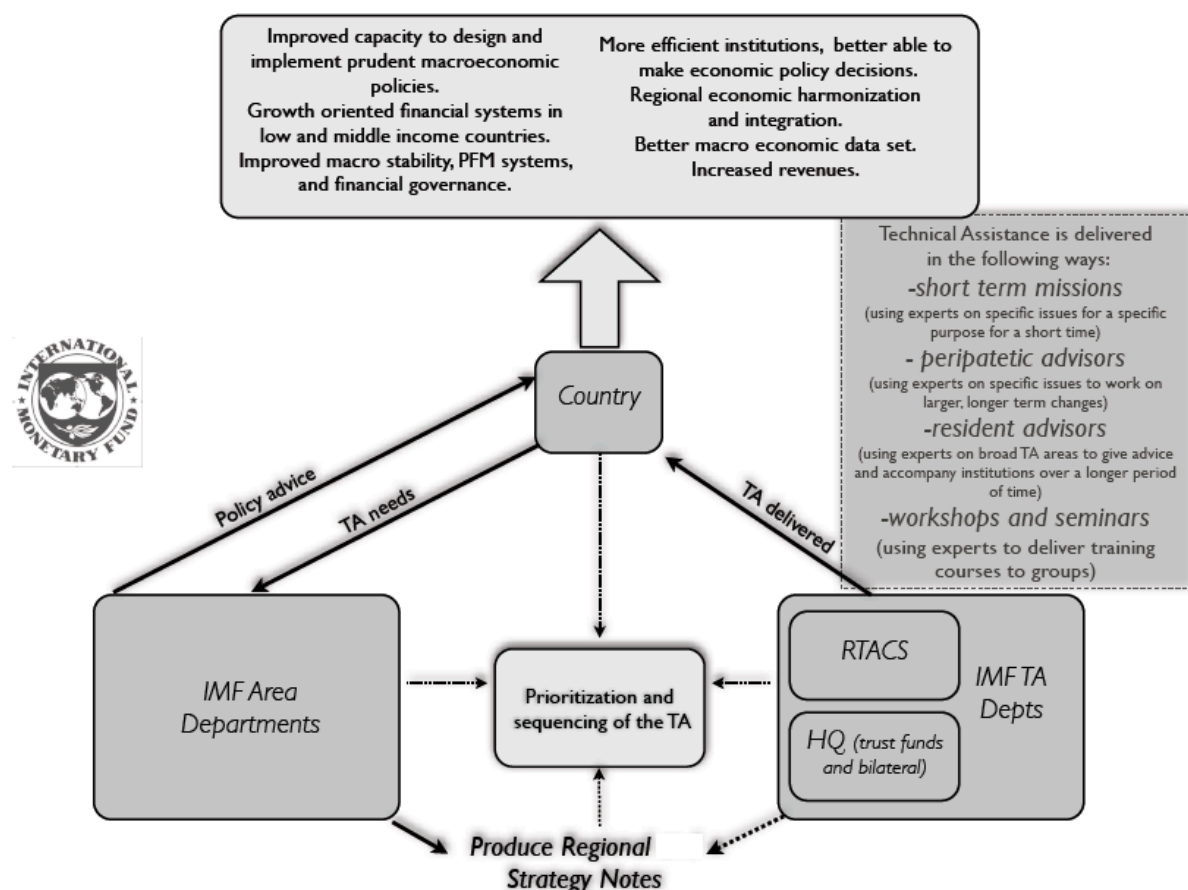
A. METAC and other IMF TA

43. **All IMF TA, regardless of financing source and delivery mode, is integrated with each other and with the IMF's broader lending and surveillance activities.** In consultation with country authorities, the IMF's MCD Department prepares a RSN which integrates METAC countries' reform agendas with the IMF's lending and surveillance activities, drawing on the technical expertise of TA departments. The RSN, which is shared with recipient countries and donors, sets out a joint medium-term TA vision for the region, providing the basis for coordination of all IMF TA activities, and identifying priorities, sequencing and delivery mode. This internal prioritization process ensures that IMF TA remains highly relevant and focused on the IMF core expertise, while taking into account regional characteristics.

44. **The IMF's ability to provide continued capacity building in the medium term increasingly depends on additional external financing.** IMF-financed TA is aimed at building the capacity needed to implement appropriate macroeconomic policies, including under IMF programs, and—subject to resource availability—medium-term capacity building. In this respect, the IMF undertakes diagnostic assessments of weaknesses and formulates

⁵ The Regional Strategy Note (RSN) for the MCD Department reflects the result of this prioritization and sets out a medium-term TA agenda for all countries covered by the department. The RSN includes the work of METAC.

plans to address them. To respond to high and rising demand for IMF TA, particularly in the aftermath of the global financial crisis, additional external financing is needed to supplement the IMF's own resources. Such external finance leverages the IMF's expertise and experience for medium-term capacity building. Depending on donors' priorities, external financing is channeled into a topical and a regional trust fund.



45. **Complementing the proven model of the RTACs, topical trust funds provide global geographical coverage and specialized topical scope, drawing on a centralized pool of experts at IMF HQ or from the IMF's international expert roster.** The topical trust funds create synergies with the work of the IMF's regional centers, which focus on hands-on implementation of such advice. The RSN ensures that all TA activities are integrated and coordinated, providing a continuum of coverage throughout the process from diagnostics to day-to-day implementation on the ground. Open lines of communication, including via TA departments' backstopping of RTACs and external experts, ensure consistency, cross-fertilization, and operational relevance.

46. **To best meet countries' needs, specific delivery modes are chosen depending on the complexity of the task and countries' implementation capacity.** Typically, diagnostic missions are led by HQ and are often the starting point for TA delivery. These missions

generate reform agendas with implementation devolved to the modality (such as the RTACs) that best meets the needs of the country. RTACs' activities draw on a deep knowledge of the region and countries, including cross-cutting and regional integration issues, and are closer to their clients. 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. For follow-up on special issues or where RTACs are not available, peripatetic advisors conduct regular follow-up missions over a longer period of time. In countries where capacity is particularly weak, long-term resident advisors provide guidance to the country's authorities on a day-to-day basis.

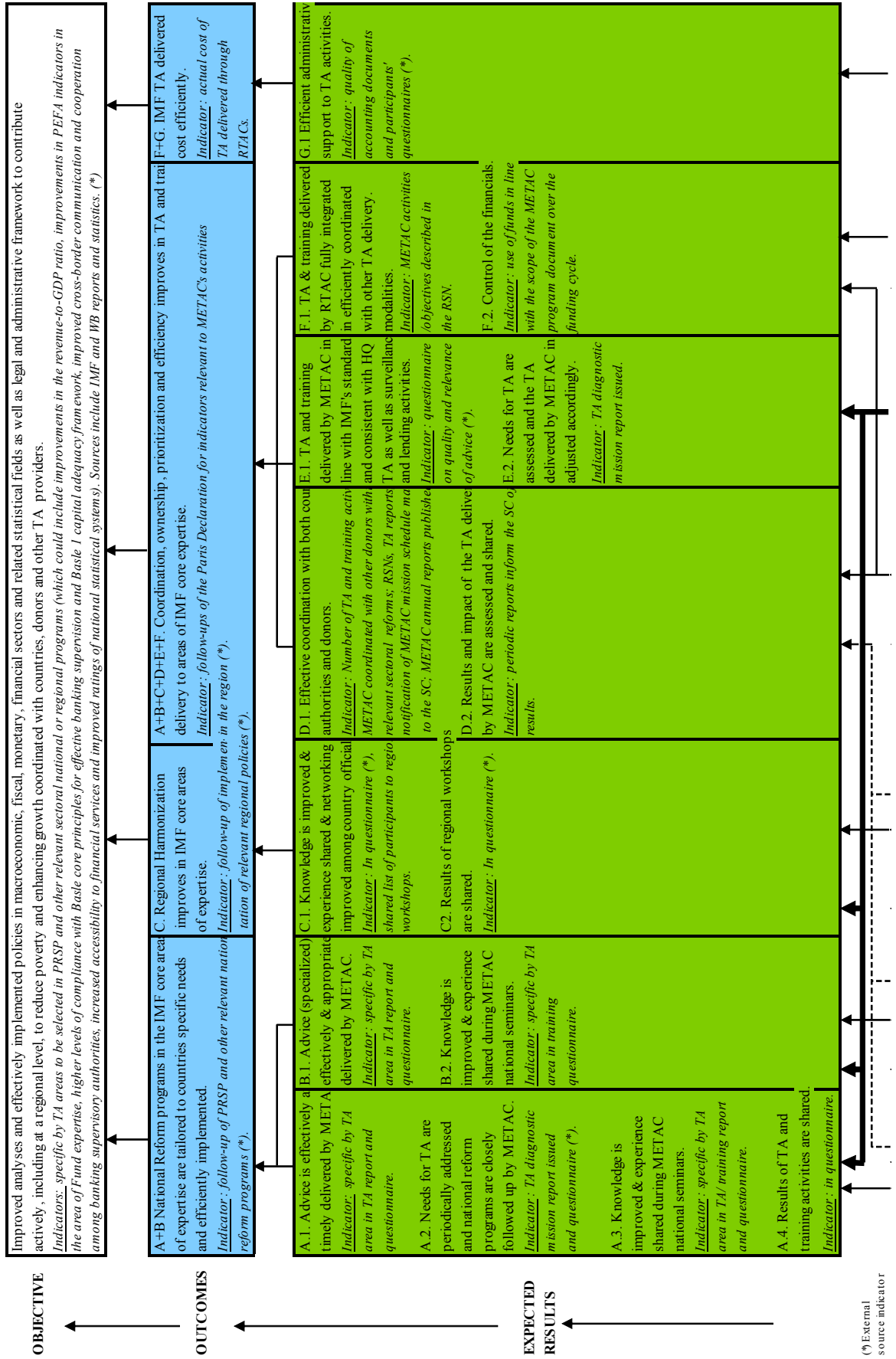
B. Measuring How METAC Achieves Its Objectives

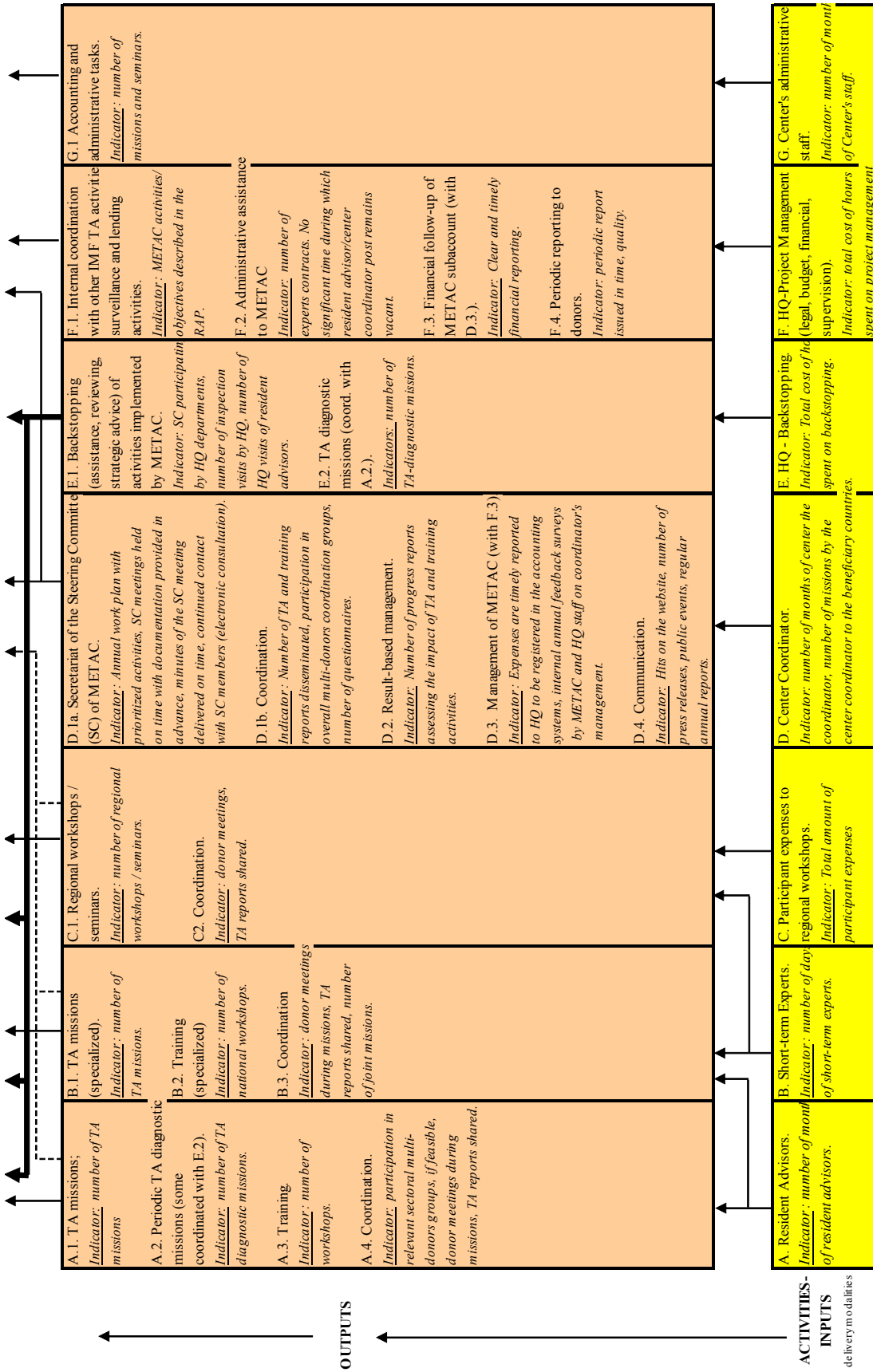
47. **Results-focused management is the main tool used to assess the achievements of METAC.** A robust framework of the METAC results, presented in a clear and logical manner at the beginning of the program period, improves the measurement of the objectives and results. The IMF and METAC's results-focused management is implemented through the Technical Assistance Information Management System (TAIMS). The results-focused framework is being coordinated with other TA providers, and indicators linked to the extent possible to those of other donors to facilitate coordination (for instance, PFM is linked to the PEFA framework). In light of the experience of other international organizations and governments that have adopted similar frameworks, METAC and the IMF recognize that identifying good indicators is a dynamic and iterative process, and that the objectives and indicators may be refined as the program is implemented. The SC of METAC will be one of the fora for these discussions.

48. **The annual report to the SC is an opportunity to measure and monitor progress toward the results.** METAC will produce a detailed report on the work completed in the year, focus on how far the capacity development has gone toward achieving the overall objectives.

49. **To complement the results-focused framework, at the completion of each project, METAC will use short questionnaires to assess the success and relevance of the TA provided.** The questionnaire will be designed to gauge whether the TA has been effective in facilitating outcomes and to understand potential obstacles to the implementation of the TA advice. Responses will also provide information as to whether the TA directly responded to the needs of the authorities. This process will assist in ensuring that METAC remains demand driven, and assist in the decisions requiring the prioritizing the TA. The questionnaire will be kept short to avoid it becoming an administrative burden. Consolidated responses will be presented to the SC.

How Does METAC Deliver Results and How Does it Get Traction?





C. Integration and Synergies with Other TA Providers and Visibility of METAC

50. **METAC provides a robust platform for implementing the March 2005 Paris Declaration which calls for efforts to harmonize, align and manage aid for results.** TA activities would be coordinated, through the SC and METAC staff expertise in the region, with those of other TA providers and are all 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 TA work or donor assistance.

51. **METAC will 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 Commission (EC), and bilateral agencies, including United States Agency for International Development (USAID) and the United Kingdom Department for International Development (DFiD).

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

- disseminate the MCD RSNs,⁶ including the IMF's Resource Allocation Plan (RAP), which details all TA missions and assignments planned during a fiscal year, including those planned for METAC;
- circulate HQ TA reports prepared by RTAC experts 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 new dissemination policy). This will provide METAC recipient countries, donors, and other TA providers with the information they need to better coordinate with IMF and METAC TA; and
- provide donor briefings, including through the IMF's Resident Representative Offices. Information on METAC missions will be posted on METAC's website, which will include contacts with other donors. If possible, METAC missions will also provide donor briefings in the field.

⁶ According to the IMF's new dissemination policy, which has been adopted in FY2010 <http://www.imf.org/external/np/pp/eng/2008/040308b.pdf>.

D. Agenda—Public Financial Management⁷

Coordination with other TA providers

53. **METAC coordinates closely with other TA providers in the PFM area. METAC focuses on its areas of expertise (TSA, cash management, and budget classification).** The areas where a possible overlap is most probable are in budget and treasury reforms. METAC, in discussions with Fund HQ, coordinates the provision of TA with other providers to avoid duplication of efforts. For example, currently METAC coordinates with the WB and the EC in Lebanon, the EC in Syria, DFID in Afghanistan and West Bank and Gaza, and with the USAID, the EC and the WB in Jordan.

Phase III--Topics

54. **During Phase III, METAC will focus its assistance on consolidating reforms launched during Phase II, mainly in treasury and budget areas, and will engage in new areas, such as fiscal decentralization and institutional reform.**

Treasury banking arrangements and cash management

55. **These reforms will focus on:** (i) consolidating public funds into a TSA; (ii) upgrading cash planning tools and budget execution in connection with a commitment control system (challenges remain in clarifying Budget and Treasury' roles and in upgrading debt management procedures (domestic T-bonds, improving debt reporting)); and (iii) assisting MOFs with the development of a Treasury Department regrouping execution, and reporting and accounting functions at central and local levels.

Accounting and Budget

56. **These reforms include:**

- modernizing budget classification and chart of accounts (COA) consistent with GFSM 2001⁸. Current weaknesses are a proper economic and functional expenditures classification, and incorporating actual expenditures into a COA;
- ensuring all accounting functions are within a framework of a double entry-system and developing a GFMIS;
- integrating capital with associated current expenditures in a sequenced way: (i) transfer of competences and staff⁹ for the capital budget to the MOF; (ii) reform of budget

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

⁸ Based on *cash-basis* pattern

procedures to fit with the integration's requirements; and (iii) adoption of sectoral approach for budget organization chart; and

- supporting program and performance budgeting¹⁰ in coordination with other TA providers. METAC's TA strategy aims to upgrade budget classification and the COA, move from bottom-up to top-down budgeting approach and toward a multi-year fiscal and budget strategy (Medium-Term Fiscal Framework (MTFF) and Medium-Term Expenditure Framework (MTEF)) and Performance Based Budgeting (PBB) approach (pilot ministries, roll-out) once basic requirements are in place.

Fiscal decentralization and institutional reform

57. **Although METAC has not been involved in decentralization issues METAC intends to provide TA in implementing local pilot projects and monitoring rolling out related to payment cycle, budget classification, CoA, GFMIS and financial regulations.** METAC, as a follow-up to IMF HQ TA, will undertake TA on institutional reform of the MOFs, including in Afghanistan and Sudan.

Phase III—Regional Objectives

58. **During Phase III, METAC will continue to enhance knowledge sharing through regional workshops and study tours.** The focus will be primarily on: (i) streamlining cash planning procedures in order to manage liquidity on a monthly and daily basis;¹¹ (ii) consolidating public funds including funds related to capital projects financed by donors into a TSA; (iii) setting up gradually a better connection between cash management and budget execution and establishing a commitment control system; and (iv) improving consistency of budget classification and CoA with GFSM 2001 to smooth out budget integration reforms and modernize budget approach (MTFF, MTEF) using GFMIS.

⁹ Usually at the Ministry of Planning.

¹⁰ PPB is also called Results-Oriented-Budget (ROB).

¹¹ A study tour was organized in 2009 in Turkey for that purpose and such experience is to be replicated overtime.

PFM-Possible verifiable indicators of success

- Improving the spreadsheet for cash forecasting including by moving from monthly to daily forecasting, and increasing the proportion of national staff in relation to international consultants (Afghanistan).
- Selecting a new GFMIS, and reducing the number of accounting units within the Central Finance Offices (CFO)'s network (the objective is to reduce the number of accounts from more than 40,000 to some 4,000) (Egypt).
- Integrating the amount of donors' funds into the TSA based on information provided by the central bank, and reducing payment arrears based on monthly accounting data (Jordan).
- Improving cash forecasting (spreadsheet) by moving from monthly to daily forecasting and related improvements in the forecasting of large expenditures and revenues of some entities in the budget (Lebanon, Sudan, and West Bank and Gaza).
- Increasing the amount of funds channeled through the TSA; and a budget execution more consistent with the initial budget (Lebanon and Sudan).
- Reorganizing gradually the budget department to ensure integration of current and capital expenditure. At the budget process level, implementing new procedures for preparing the budget (issuance of budget ceilings for all agencies combining both types of expenditures) and for executing it (fiscal reporting according to a sectoral or program approach) (Syria).
- Consolidating all donors funds and ensuring timeliness, coverage, and accuracy of fiscal reporting, notably issuing the final accounts to the Audit Office (West Bank and Gaza).

E. Agenda—Banking Supervision

Coordination with other TA providers

59. **METAC cooperated with TA providers mainly in five countries: Afghanistan, Iraq, Sudan, Syria and West Bank and Gaza.** The banking supervision advisor participated with the US Federal Reserve Bank (FED) in a few workshops for the CBI examiners held in Bahrain, Jordan and Turkey. METAC also collaborated with the Financial Services Volunteer Corps (FSVC) on Iraq, with the WB in Sudan, with the EC in Syria and with the USAID in Afghanistan, Sudan and West Bank and Gaza.

Phase III—Topics

60. **METAC's TA in the 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 member countries have made considerable efforts in building banks' examiners capacity and strengthening the legal and regulatory framework. Looking forward, METAC's activities will continue to: (i) enhance banking supervision procedures in accordance with international best practices; (ii) strengthen further banks' examiners capacity; (iii) strengthen the on-site and off-site examination process; (iv) issue new prudential regulations; and (v) implement IAS. METAC will also provide TA in other related banking issues such as developing credit registry systems.

61. **Although some countries implemented Basel II partially, METAC will work toward moving all member countries towards the full implementation of the three pillars of the framework.** For this reason, METAC will continue to assist its members in the migration process and accompany them until full implementation.

62. **Despite the fact that most member countries' banks are not exposed to complex financial products and thus were saved to a large extent from the impact of the financial crisis, METAC will focus on raising awareness regarding the holding of risky instruments, developing conservative prudential regulations regarding banks' investment in financial instruments and delivering training courses on developing capital markets, financial instruments, derivatives and structured products.**

63. **Many countries have approached METAC for TA in Islamic Banking.** This area is the core banking activity in the North of Sudan, very important in Afghanistan, Iraq and Yemen, and it is getting more prominence in other countries.

Phase III—Regional Issues

64. **One of the primary objectives of METAC is to promote regional cooperation on different supervisory and regulatory issues.** METAC's Phase III program in banking supervision will stress the importance of capital adequacy, IAS, risk focused supervision, cross-border banking supervision, and Basel II Core Principles for Effective Banking Supervision. To this end, METAC plans to organize regional meetings of bank supervisors to exchange information and synchronize to the extent possible banking supervision practices. Sharing information between countries' supervisors will help in the implementation of the Basel II Framework. This will set out practical examples of information that could be provided by banks' home and host supervisors especially in those countries with significant cross-border operations.

Banking Supervision-Possible Verifiable indicators of success

- **Higher level of compliance with IAS** through the development of new financial statements (Iraq and Libya).
- **Effective credit risk monitoring** through the development of a new credit registry system (Sudan, Syria, and Yemen).
- **Better enhancement of banks' safety and soundness** by improving the risk-sensitivity of regulatory capital requirements (most countries).
- **Strengthened On-site supervision** through the development of Risk Based inspection manual (Afghanistan, Iraq, Sudan, and West Bank and Gaza).
- **Strengthened Off-site supervision** through the development of call reports (Afghanistan, Libya, Sudan, West Bank and Gaza, and Yemen).
- **Adequate capital and solvency ratio including through improved risk measurement and management processes** through the implementation of Basel II capital accord (Jordan, Libya, Sudan, Syria, West Bank and Gaza, and Yemen).
- **Effective risk focused supervision** through the adoption of CAMELS approach (Afghanistan, Iraq, Jordan, and Yemen).
- **Appropriate regulatory framework** through the development of prudential regulations (Afghanistan, Syria, and Yemen).

F. Agenda—Revenue Administration

Coordination with other TA providers

65. **METAC has built close relationships with development partners providing TA in the area of revenue administration.** In Syria, METAC is collaborating with the EC on the implementation of large taxpayers office and on the introduction of the VAT. In Jordan, METAC is discussing with the USAID the implementation of taxpayers risk analysis, capacity building and improvement in business processes. In Egypt collaboration is taking place on the taxation and administration of small business, and in Yemen, METAC collaborates with the International Finance Corporation (IFC) and DFID on the implementation of new organizational structure, training and improvement of business services. In addition, METAC contributed to the identification of TA needs and the design of the TA projects by donors. METAC will continue to enhance and institutionalize coordination with other TA providers to ensure synergy in the provision of TA and to avoid duplication whenever possible. Most importantly, it is crucial for all parties to ensure

coordination at the design and conceptual stage of TA projects, so that donors can achieve the targeted results, and beneficiary countries derive maximum benefits from the TA.

Phase III—Topics

66. **For Phase III, METAC will continue to further develop the topics currently being addressed by strengthening outcomes in earlier adopter countries and encouraging consideration in those countries where the concepts have not yet been embraced as described in each country specific objectives.** The execution of METAC workplan will be cognizant of emerging developments, including any impacts from the global economic crisis on revenue collections and administration.

67. **METAC's main objective is to provide technical support for member countries to improve and enhance the modernization of tax administration in order to improve tax revenue collections while achieving efficiency and fairness.** Taking into consideration the progress and achievements to date, the specific regional objectives for the next phase are as follows:

- continued modernization of tax administration organizational structure with a focus on strengthening HQ' capacity and fine tuning taxpayer segmentation (large, medium and small);
- strengthened implementation of self-assessment concepts for income tax based on risk analysis and the development of taxpayer profiles;
- re-enforcement of taxpayer service approaches to ensure minimum contact between taxpayers and the tax administration; and
- development and implementation of performance measurement and reporting for tax operations for both HQ and field office networks.

New generation of reforms in modernizing the tax administration

68. **The first generation of reforms focused on the implementation of a unified function based tax administration, segmentation of taxpayers, and the introduction of taxpayers' service concept and self-assessment (these are basic foundations of a modern tax administration).** Taking into consideration progress achieved in modernizing tax administration in most beneficiary countries, METAC will identify a new generation of reforms based on re-defining a new mission and vision of the tax administration and on improving its effectiveness. This is to be achieved through a simple, fair, equitable taxation system which targets strengthening capacity building, focusing more on taxpayers' education and revamping of tax laws and procedures.

Strengthening the modernization of customs administration

69. As in tax administration, customs administration modernization in METAC countries has progressed considerably in basic reforms such as adopting the latest version of the customs automated system (ASYCUDA), introducing the Harmonized System (HS) and simplifying the tariff structure, and enacting new modern customs law and regulations. However, more efforts are required to complete the modernization of customs administration. Therefore, more focus should be provided to establish transparent and simple rules and procedures, to foster voluntary compliance by building a system of self-assessment supported by well-designed audit policies. This, however, requires addressing a range of issues, involving links with trade policy, organizational reform, the use of new technologies, the appropriate nature and extent of private sector involvement, and designing incentive systems to overcome governance issues.

Supporting and enhancing the use of E-Services in the tax operations

70. METAC will also support the design and development of electronic services which include basic tax functions such as e-registration, e-filing and e-payment. The e-services would: (i) enhance the delivery of services to taxpayers; (ii) improve fiscal compliance by allowing taxpayers to fulfill their fiscal obligations online; (iii) enable modern administration to become part of the new technology; (iv) decrease the flow of tax documents; (v) speed up data collection; and (vi) improve transparency.

Phase III—Regional Objectives

Establishment of Tax Administration Association for the Middle-East

71. Based on its experience in the Middle East region, METAC will promote the idea of establishing a Tax Administration Association for both METAC and non-METAC countries in the Middle East region similar to those established as an example for South-American countries (CIAT) and for East Europe (IOTA). Such organization would provide a forum to discuss practical tax administration issues, promote co-operation among tax administrations in the Middle East region, and provide support to their development according to their individual needs.

72. The vision of such an organization would be to become a leading organization for design, implementation and development of practical modern tax administration adapted to the local needs of the Middle East, and based on best international practice. More specifically, it would: (i) promote stronger co-operation among its members; (ii) support members with the implementation of their modernization programs; (iii) identify good practices and encourage their adoption; (iv) promote co-operation with other international and regional organizations (i.e. Arab Monetary Fund (AMF), Organization for

Economic Co-operation and Development (OECD), etc.); and (v) act as a body of consultation and assistance to its members.

Organization of workshops

73. **The organization of workshops on issues that are of common interest to all METAC's countries has been extremely valued by beneficiary countries.** The exchange of countries' experience and the discussion of alternative solutions based on lessons learned would lead to practical and pragmatic conclusions. METAC's objective is to continue the organization of these regional workshops and with the practice of inviting non-METAC countries (at their own expense) to these workshops, and to encourage the organization of study tours preferably within the region. These networking activities will be strengthened and expanded and involve in particular GCC countries to enhance knowledge transfer in a wider regional context.

Revenue Administration-Possible verifiable indicators of success

- Introducing the VAT (Syria).
- Enacting a Tax Procedure Code (Egypt, Syria, and Yemen).
- Implementing a full self-assessment system for tax administration covering all segments of taxpayers (Sudan, Syria, and Yemen).
- Setting up of medium taxpayers offices (Lebanon).
- Refining and implementing a special taxation regime for small taxpayers (Sudan, Syria, and Yemen).
- Implementing automated systems for integrated tax administration (Sudan, Syria, and Yemen).
- Enacting a modified Sales Tax (VAT) law with the support of METAC (Egypt).
- Setting up a modern unified tax administration with a function based HQ (Jordan, Lebanon, and Sudan).
- Improving taxpayers' compliance resulting in additional tax revenue collection (Jordan, Sudan, Syria, and Yemen).

G. Agenda—Macroeconomic Statistics

Coordination with other TA providers

74. **METAC coordinates closely with other TA providers.** These include the Arab Institute for Training and Research in Statistics (AITRS) in the area of national accounts (NA) and data quality, and with the UN Economic and Social Commission for Western Asia (ESCWA) in the area of NA and services and FDI, as part of external sector statistics.

Phase III—Topics

75. **METAC’s work will continue to be focused on providing training to statistics compilers, improving data collection, compilation and dissemination practices, and using documentation of internationally-accepted standards and methodologies.** METAC will put considerable effort into building capacity in the region to produce quality, sound, timely, and accessible statistics and metadata. METAC will assist where needed in the review of Statistical Master Plans and work with all countries to achieve consistency among macroeconomic variables. Over the next five years, METAC anticipates covering the following areas, not necessarily simultaneously:¹² (i) the external sector: BOP, especially in the implementation for the new manual, IIPs, external debt, and international reserves; (ii) the CPI and the PPI; (iii) national accounts; and (iv) government finance statistics. METAC will encourage those countries who are not a member yet, to participate in the GDDS, and review countries’ GDDS metadata. Furthermore, METAC will assist countries in subscribing to the SDDS.¹³ METAC will also provide logistical support for arranging delivery of IMF TA in monetary and financial statistics and government finance statistics.

External sector statistics

76. **METAC countries compile BOP statistics broadly following the Balance of Payments Manual, fifth edition (BPM5). Egypt, Jordan, Sudan, and Yemen compile and disseminate the IIP.** Syria has recently completed the dissemination of an IIP.

77. **METAC has provided TA in this area since early 2005, and noticeable progress has been noted in most countries.** However, current data compilation procedures are still

¹² To act effectively as the “module manager” for the METAC statistics program, the statistics advisor’s areas of expertise need to coincide with the topical areas in which TA is being delivered. Hence, at any given time during the five year duration of the forthcoming program, the topical scope of the METAC statistics work program will be limited to areas of the advisor’s expertise.

¹³ The SDDS was established in 1996 to guide countries that have, or that might seek, access to international capital markets in the dissemination of economic and financial data to the public. This site provides information about economic and financial data disseminated by member countries that subscribe to the SDDS.

error prone, as inadequacies in financial, staff, and computer resources dedicated to BOP compilation hamper the quality of data. Besides, data sources outside of the central bank and the rest of the banking system remain poor and sometimes unavailable. Data collection is still not comprehensive and most shortages in the coverage and classification of the BOP statistics reflect gaps in data sources.

78. **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. In addition, countries will have to be prepared by 2012 to move towards compiling external sector statistics according to the Balance of Payments Manual, sixth edition (BPM6).

Price statistics

79. **METAC has encountered several major problems in its work on the CPI, including:** (i) geographic coverage tends to be limited (urban only index, for example); (ii) outlet samples are not representative of where consumers actually make expenditures; (iii) inconsistent weights; and (iv) inconsistent time series.

80. **In terms of regional goals it would be important to enhance comparability of CPIs throughout the region and promote accuracy and reliability.** To this end, METAC will continue to stress the need to compile the indices using the Classification of Individual Consumption by Purpose (COICOP) and to encourage countries to adopt best practices related to index compilation methods.

81. **METAC will also help countries address a number of methodological issues in order to enhance the accuracy and reliability.** These include: (i) CPI weights and the frequency of re-weighting are consistently a problem--weights should be updated every five years, at a minimum; (ii) the treatment of missing prices and seasonal items are also a problem; and (iii) the treatment of quality change. In addition, more emphasis will be put on the development of PPI. Currently, only Egypt, Jordan, and West Bank and Gaza compile a PPI.

National Accounts

82. **The main objectives will be improving the accuracy of the annual GDP by production and expenditure approaches at current and constant prices and developing compilation systems for quarterly NA.** Since the countries have different level of implementation of the system of NA, it would be advisable to draft a work plan for implementation for each country.

Phase III—Regional Objectives

83. **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 is an SDDS subscriber and Jordan is very close to it. While the other countries are still in the process of meeting their commitments to improvements within the GDDS, data compilation and dissemination challenges remain significant for all METAC GDDS countries except for Jordan. 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.

84. **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.

85. **METAC's work will be concentrated on external sector statistics.** It will assist members in moving from BPM5 to BPM6, and in compiling IIP statistics, conduct FDI surveys, and improve the collection and compilation of external trade, services, and remittances statistics. Missions will focus on hands-on training approach, and regional seminars will be organized in the area of remittances, services, and FDI with the aim of further developing or establishing METAC working groups.

86. **METAC will assist in compiling an IIP for Lebanon, Libya, and West Bank and Gaza.** METAC will work on developing a PPI for all METAC members, except for those who have already compiled their PPIs (Egypt, Jordan, and West bank and Gaza).

| Macroeconomic Statistics-Possible verifiable indicators of success |
|---|
| <ul style="list-style-type: none"> • Production of an improved CPI (Afghanistan and Yemen). • Production of a PPI (Afghanistan, Lebanon, Libya, Sudan, Syria, and Yemen) and update (Syria, and West Bank and Gaza). • Production of IIP statistics (Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and |

Yemen).

- Conduct a FDI Survey for Egypt.
- Conduct a FDI survey for the banking sector and for the private sector (Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and Yemen).
- Improved accuracy of GDP for all countries.

H. Resource Needs

87. **METAC's budget for the next five years is estimated at US\$33 million.** To provide assurance and stability for the Center's operations, financing 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:

- 5 resident advisors with focus on revenue administration, public financial management, financial sectors issues, debt management and monetary operations, and statistical issues.
- Short-term expert visits, which would complement METAC's resident advisors' work. As is already practice, the Fund would seek to hire regional experts as much as possible, which would not only foster an environment of peer review, but would also be cost effective, maintaining METAC's character as a regional center.
- HQ-led diagnostic interventions, reflecting that these missions are a critical complement to METAC in designing strategic advice, which goes hand-in-hand with METAC assistance in implementing this advice. The diagnostic missions would include short-term experts.
- Training on macroeconomic and financial issues, including by involving GCC countries, and an expansion in study tours, which have proven a valuable tool for knowledge exchange.
- An increase in backstopping and project management. About half of these costs were not taken into account in METAC's budget in the previous cycles. The remaining increase is to ensure quality control and management of the higher volume of TA as described above, but will also assist in implementing the recommendations of the evaluation to step up the monitoring of the results-focused management, including questionnaires, and the implementation of the IMF's new dissemination policy.
- A mid-year evaluation.

Proposed METAC Phase III BudgetMay 1, 2010 to April 30, 2015

| | In U.S. Dollars |
|---|-------------------|
| <u>Office coordination and administration</u> | 7,689,210 |
| Staff | 4,112,197 |
| Lease * | 1,640,322 |
| Travel | 410,081 |
| Miscellaneous, including security, translation, communication | 1,526,610 |
| <u>TA and training (by activity)</u> | 23,277,007 |
| 5 Resident Advisors TA Delivery | 8,933,519 |
| Salaries | 7,850,080 |
| Travel Costs | 1,083,439 |
| Short-term Expert TA Delivery (37 months of delivery) | 5,917,668 |
| TA Seminars | 1,975,737 |
| Diagnostic Interventions | 3,365,067 |
| Backstopping and Project Management | 3,085,016 |
| <u>TA and training (by TA area)</u> | 23,277,007 |
| Revenue administration | 5,537,650 |
| Public financial management | 5,537,650 |
| Financial sector supervision | 4,042,701 |
| Monetary policy and operations | 4,042,701 |
| Macroeconomic and financial statistics | 4,116,306 |
| <u>Evaluation</u> | 300,000 |
| <u>Trust fund management¹</u> | 1,733,784 |
| Total | 33,000,000 |

* Estimate.

¹ Levied on activities funded by the multidonor subaccount (almost all of which is for direct TA and training). Most of the costs for office coordination and administration are covered by the host country Lebanon and the IMF.

Source: Office of Technical Assistance Management.

88. **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:

- The IMF's **Committee on Capacity Building** is responsible for organizing and strategically managing capacity building efforts. This top level committee consists of Fund management as well as senior staff from area and functional departments. It meets regularly to: (1) discuss broad strategy for reports on standards and codes (ROSCs), TA and external training programs in advance of the preparation of these programs; (2) approve the proposed programs following approval of the IMF's overall budget; (3) review the programs mid-way through the budget year; and (4) discuss relevant policy issues as needed (e.g. on evaluation, systems, approaches to delivery, etc.).
- **MCD** has a major role in institutional support with a prime responsibility for determining and prioritizing TA in a dialogue with country authorities. This role is exercised through preparing the RSN; monitoring and peer review; engaging in following up on TA recommendations.
- **The TA Departments, including OTM,** are responsible for many activities that support the eventual delivery of TA projects in the field, and serve to ensure TA is at the desired level of quality. These activities include the following:
 - developing policy- each TA Department develops policies. For instance, departments are involved in the development of international norms and standards or, as a department specific example, the Fiscal Affairs Department (FAD) has developed policies related to tax and tariff structure, tax and customs administration, and public financial management;
 - preparing technical notes- each TA Department prepares technical notes, field manuals, and other guidance for its staff and experts. These documents cover a broad range of topics within the respective specialty areas and often result in formal publication;¹⁴
 - conducting research - all TA Departments carry out research, often resulting in the publication of IMF papers or other documents which are generally available on the IMF web site;

¹⁴ There are a great many examples, including: *Changing Customs: Challenges and Strategies for the Reform of Customs Administration*, Editor Michael Keen, 2003; and *The Modern VAT*, Ebrill, Keen, Bodin and Summers, 2001.

- evaluating TA – staff regularly review Fund TA.¹⁵ In July 2002 the Executive Board established the TA Evaluation Program, in which three to four evaluations a year are presented to the Board,¹⁶ and TA departments explain how they apply lessons learned from these evaluations. In 2005 the Independent Evaluation Office (IEO) also evaluated TA, paying special attention to its relevance and effectiveness and how to enhance ownership.¹⁷ TA departments generally self-assess completed externally financed projects, and there are also independent evaluations of TA delivery through assessment visits to countries, particularly intense TA users, to distill policy lessons.¹⁸

89. **METAC's host country, Lebanon, will continue to provide support the Center's activities.** Lebanon contributed generously to the Center during the past two funding cycles, and is expected to maintain its contribution for phase III, including paying the salaries of some local staff. In addition, Lebanon agreed in principle to pay the rent for the new offices after METAC relocates due to security concerns.

I. METAC Sustainability

90. **Continued strong commitment of beneficiary countries will be critical for METAC's success.** It is expected that beneficiary countries continue to take full ownership of METAC's assistance and commit to the implementation of TA recommendations. The success of METAC depends as much on member countries' commitment as it does on the quality of TA provided. Member countries should also assist with administrative, logistical, and financial support for in-country training activities and other METAC's events.

91. **Given the long-term nature of building human and institutional capacity, it is expected that METAC's funding will be expanded beyond the third cycle.** METAC will continue to place strong emphasis on building up regional expertise and prepare for an eventual exit strategy. The issue of sustainability of METAC's operations would form part of the terms of reference of a mid-term external evaluation.

¹⁵ The last review was conducted in 2004, "Review of Technical Assistance" (<http://www.imf.org/external/np/ta/2004/eng/021704.htm>).

¹⁶ See <http://www.imf.org/external/np/pp/eng/2008/040408.pdf> on the most recent evaluations.

¹⁷ IEO Report (http://ieo-imf.org/eval/complete/eval_01312005.html).

¹⁸ Examples of past evaluations and studies include a review of TA on Large Taxpayer Units (2002), an evaluation of public expenditure management TA to Anglophone African countries (2004) (reported in <http://www.imf.org/external/np/ta/2004/eng/030104.htm>), and a study of the integration of tax and social security contributions (2004).

IV. METAC GOVERNANCE, OPERATIONS, AND FINANCIAL MANAGEMENT

A. Governance

92. **METAC is guided by the SC that consists of representatives from recipient countries, donors and the IMF.** The SC provides strategic guidance to the Center and assists in setting its priorities and provides input on the topics to be covered by the team of resident advisors, and endorses the Center's work plans. The center coordinator informs the SC on the selection and hiring of resident advisors.

93. **The SC meets once a year.** Additional meetings may be convened as necessary. The SC is chaired by the Minister of Finance of Lebanon as the host country. Observers to the SC can be permitted, from neighboring countries, interested donors, or other TA providers.

B. Operations

Work Plan

94. **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 RAP.** This process takes into account each beneficiary country's macroeconomic reform strategy. The IMF's country teams, in close coordination with 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.

95. **Given the limited resources available to the Center, a main prioritization criterion in determining the work plan is each beneficiary country's record in making effective use of TA previously received.** Peer review among the country representatives on the SC should, therefore, reinforce cooperation, accountability, and the effective use of resources.

96. **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

97. **METAC is headed and managed by a Coordinator.** The Coordinator is responsible for the day-to-day management of METAC and its operations, under the strategic guidance from the SC and general oversight from the IMF. In consultation with the SC, the MCD Department, TA Departments and OTM, the Coordinator formulates the METAC's work plan and monitors its implementation. The Coordinator also serves as secretary to the SC. The Coordinator is appointed and supervised by the IMF with OTM having an oversight role over the RTACs.

Staff

98. **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 center coordinator, are responsible for selecting and hiring METAC resident advisors through international advertisements, and providing them with the substantive support and backstopping required ensuring 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.

99. **While the Fund will continue to select METAC staff, the transparency of the recruitment process will be enhanced through regular reporting to the SC.** All forthcoming resident advisor vacancies at METAC will be reported to the SC. The center coordinator will also report to the SC regarding short-listed candidates and the person selected for the advertised position. In recruiting experts, due consideration will continue to be given to suitably-qualified candidates from the region. Support staff positions will be filled regionally, unless such staffs are seconded from the host country.

Accountability

100. **METAC is designed and operated to ensure that 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 IMF TA. The IMF's recently revised dissemination policy¹⁹ on TA reports will further improve accountability and facilitate coordination. Under the new policy, TA reports may be shared with 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 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, perhaps due to its engagement in related activities in the

¹⁹ See <http://www.imf.org/external/np/pp/eng/2009/040609.pdf>.

recipient country. To enhance coordination, the SC members will also receive information which flags the need for any complementary TA.

101. **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.

102. **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”) and diagnostic 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.

103. **METAC utilizes a results-focused management system to track the implementation of its TA projects and activities in each country.** The main instrument for implementing and monitoring the TA program is the Project Framework Summary. This monitoring of TA project implementation against pre-determined objectives and indicators ensures the delivery of timely and effective TA. The results-focused management serves to provide consistency, coherence, and predictability in the planning and execution of METAC’s TA. Monitoring reports further increase the accountability of TA to country authorities, donors, and other TA providers.

104. **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

105. **It is proposed that within a maximum of three years of operation, 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 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.

Quality Control

106. **Maintaining the quality of the TA advice and activities delivered by METAC is the responsibility of IMF HQ and METAC staff.** TA Departments screen and appoint METAC’s resident advisors in consultation with the center coordinator from a pool of vetted experts. 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 the 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 stay of the resident advisors, the TA departments provide supervision and support. This is a dynamic and fluid process that can take a number of forms.

107. **TA departments review and authorize the TA reports produced by the resident advisors.** 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.

108. **The center coordinator 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.

C. Visibility for METAC

METAC Publications and website

109. **METAC will continue to publish an annual report.** The report will detail the work undertaken by the Center, and report on the progress toward the planned objectives and outcomes.

110. **METAC will maintain its own website, providing regular updates on its operations.** The website will serve as part of the public face of the Center. The website highlights the contributions of donors and recipient countries and fosters coordination with other TA providers, including by providing contact information on specific issues and countries. The website also provides a snapshot of METAC, its creation, activities, achievements, and financing.

Visibility for donors

111. **The names or logos of all of the donors supporting METAC are displayed on reports and information produced by the Center as well as the letter head of official correspondence of the Center.**

112. **Where relevant and necessary, press releases may be issued to inform the public at large on METAC's work and accomplishments (e.g. at the end of selected seminars).** Donors and beneficiary countries will be invited to participate.

D. Financial Management

113. **Contributions from donors and recipient countries will be made into a multi-donor METAC Subaccount to be established under the IMF's Framework Administered Account for SFA.**²⁰ 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.

114. **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.

115. **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.²¹ 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.

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

²⁰ See <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>.

²¹ 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, contractuels 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 at actual cost.

APPENDIX 1. PHASE III – COUNTRIES’ AGENDA

A. Public Financial Management

Afghanistan

117. **METAC’s engagement in Afghanistan has encompassed a broad scope of PFM issues.** TA was focused on budget preparation and cash management in connection with budget execution. METAC TA program was mostly built on HQ TA after the introduction of a new Basic Budget Law. This TA built on the Interim Afghanistan National Development Strategy (IANDS), Compact after London Conference (February 2006), and recommendations in the context of the Fund’s Poverty Reduction and Growth Facility (PRGF).

118. **During Phase III, METAC intends to assist in integrating further cash management and budget execution.** Strategic challenges are: (i) managing the expected shortfall in donors’ funds by better tuning liquidity and cash projections of donors and ministries; (ii) using a budget classification based on the functional and program format of the budget (COFOG)²² for budget preparation; and (iii) transferring competences from international consultants to national Treasury staff. In addition, a significant TA program is to be developed for PFM Institutional reform in order to streamline work practices at MOF and ensure sustainability of PFM reforms. As for budget reform, since a resident advisor is to be installed in Kabul, METAC expects to follow up on his work as required in close coordination with IMF’S HQ.

Egypt

119. **Egypt has undertaken important PFM reforms since mid-2004.** IMF’S HQ conducted two missions (2004 & 2005) on budget classification and accounting reforms, and METAC started providing support with TSA implementation by end-2005. This TA resulted in the revision of the basic Accounting Law (June 2006), closure of bank accounts held by government agencies and transfer of cash balances to the central bank.

120. **During Phase III, METAC intends to continue with the TSA and accounting reforms, in close coordination with a resident advisor that HQ plans to install at the MOF.** The three main METAC priorities are: (i) improving the COA to ensure consistency with the cash based accounting of the GFS template and ensuring larger coverage and accurate fiscal reporting; (ii) evaluating the Information Technology (IT) initiatives launched

²² COFOG: UN-supported Classification of Functions of Government which include ten main functions at the highest level of the budget classification.

so far and supporting MOF in selecting a GFMIS capable of anchoring all functions; and (iii) reviewing the business process of the CFOs' network and their workflow with MOF and central bank for a better fit with TSA and GFMIS requirements.

121. METAC will also explore possibilities of TA on budget reform and fiscal decentralization in close coordination with IMF's HQ. In conjunction with other TA providers, METAC intends to follow up on IMF's HQ recommendations by concentrating its TA on operating pilot experiences of decentralization at the local level and rolling out them as needed.

Iraq

122. METAC provided TA to Iraq mostly to assess budget classification and COA, and budget cycle and fiscal reporting including GFMIS. Given the security conditions, METAC worked, jointly with IMF's HQ, in hosting countries (in Beirut or Amman), a delivery model, which might be less efficient than for other countries where hands-on assistance can be provided and monitored in the field.

123. During Phase III, METAC will concentrate its main activity on 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 HQ's guidance, and to the extent of coordination with other TA providers. If security conditions improve, providing assistance in the field will be more efficient.

Jordan

124. During Phase II, METAC TA focused on creating a TSA and resulted in significant progress (including closure of multiple bank accounts, transfer of cash balances to a TSA at the central bank, and merger of agency trust accounts). There is still a need to move three categories of funds to the TSA: funds held mostly at Governorate level, funds related to projects financed by donors, and funds of noncommercial institutions outside the government budget.

125. During Phase III, METAC should follow up on these TSA issues but will not undertake any additional work in this area given the results already met. However, guidance could be provided on some specific issues, such as how to integrate into the TSA the funds related to donors without jeopardizing their requirements on reporting. METAC strategic goals will be related to the expenditure cycle of expense (commitment control) as part of GFMIS infrastructure, and budget modernization (Results-Oriented-Budget ROB, MTEF). In such programs, METAC will coordinate closely with the other TA providers (WB, EC and USAID TA programs).

Lebanon

126. **IMF's HQ has maintained a high level of commitment to PFM reforms in Lebanon.** A 2006 HQ mission reviewed the progress in PFM and made recommendations regarding (i) budget management reform project aimed at improving the basic PFM infrastructure for preparing the budget and promoting a more results-oriented budgeting approach; (ii) treasury and control processes modernization; and (iii) a more unified and integrated external assistance management framework in coordination with the Council for Development and Reconstruction (CDR). Since then, TA was delivered through METAC in coordination with other TA providers, notably the WB and the EC.

127. **In close coordination with the TA providers, particularly with the WB newly launched program on Emergency Financial Management Reform system program (EFMIS), METAC will pursue its support to the MOF in three main areas:** (i) cash management and daily (instead of monthly) cash projections; (ii) linkage between cash and appropriations management; and (iii) TSA coverage.

Sudan

128. **Sudan benefited from significant IMF's HQ and METAC TA.** A 2005 METAC mission carried out a first TA needs assessment and identified needs in the areas of budget classification, cash management and TSA. Several TA missions were then carried out focusing on these two areas resulting among other things in the set up of a cash management department. However, challenges remain, including the lack of accuracy in cash forecasting which should become daily (instead of monthly) and the difficulty in making the TSA banking arrangements work given the technical weakness of the Central Bank IT system.

129. **During Phase III, METAC will focus on** (i) pursuing TSA reform and upgrading the Cash Management Unit's (CMU) role in cash management; (ii) completing budget classification implementation (economic classification GFSM 2001), streamlining organizational classification, aligning functional classification with COFOG (see above), and developing a COA in view of a new further IT system; and (iii) providing TA for institutional reform at the MOF.

Syria

130. **The main PFM TA strategy for Syria was defined by the April 2006 IMF's HQ–WB report.** Following up on this report, METAC focused on budget integration to deal with the fragmented budget process. Integrating capital and current expenditures was successfully launched with METAC's support in 2008, but the reform will take a few years to complete.

131. **During Phase III, METAC will continue to work on budget integration, which is crucial for Syria's PFM modernization.** The focus will be on two related issues: (i) budget

classification according to GFSM 2001 and COA, to better distinguish current and capital expenditures; and (ii) integration of both expenditures at the Governorate level since most current expenditures are budgeted at the local administration level of ministries (instead of line ministries), hampering the integration process. METAC will collaborate closely with the EC on their new TA program in the PFM area, and with the WB TA program, focusing on its areas of comparative advantage.

West Bank and Gaza

132. The first IMF's HQ– METAC full PFM assessment mission (March 2008) outlined the broad reform areas. A second IMF's HQ-METAC mission (March 2009) updated the previous report, focusing more specifically on budget reform. The mission resulted in a three-year TA strategy. Following the March 2008 mission, METAC provided frequent TA in accounting and cash management.

133. During Phase III, METAC's TA strategy will be focused on budget integration reform (preparation, donor aid coordination), PFM infrastructure (GFMIS and budget program classification), and cash management in order to upgrade cash projection forecasting to cover non-budgeted expenditures and shift from monthly to daily forecasting.

Yemen

134. Fund HQ provided significant TA in the PFM area until 2004. Other TA providers (United Nations Development Program (UNDP), DFID and the Netherlands), and the WB agreed on a PFM program with the authorities at end 2006. IMF's HQ jointly with METAC issued a report in October 2007 at the request of the authorities, to provide advice on the establishment of a treasury at the MOF. Shortcomings related notably to control commitment, accounting, reporting, cash and debt management were identified.

135. Overall, little has been achieved in this area. A Fund HQ report issued a comprehensive strategy and implementation plan for establishing a treasury and a solid GFMIS whereby treasury functions could be efficiently supported, and revising the legal and regulatory accounting framework. TA needs were identified but despite several attempts to revive the 2007 action plan, authorities have shown little commitment to the reform, except for commitment control with the support of DFID.

136. During Phase III, METAC will rely on Fund HQ monitoring of the treasury procedures' reform and may provide assistance based on substantial progress on the ground. METAC will not be involved in other areas unless urgent needs are identified by IMF HQ and the authorities.

B. Banking Supervision

Afghanistan

137. **During Phase II, METAC supported DAB in strengthening and building up its banking supervision capacity by responding to its demand for providing workshops, seminars, and training on bank's licensing, risk management, on-site inspection and off-site supervision.**

138. **During Phase III, METAC will work with DAB to develop prudential banking regulations, inspection manuals and supervisory call reports.** For that purpose, and in order to benefit from the training courses given to DAB examiners, it is time to move into risk-focused supervision by adopting an inspection manual that will apply the CAMELS approach. This new project should be accompanied by the development of new call reports and early warning systems that reflect the transition into risk based supervision and measuring banks' sensitivity to risk. And finally, Basel II implementation should be taken into consideration, at least in adopting the standardized approach under pillar I.

Iraq

139. **During Phase II, METAC participated in the joint Fund/US Federal Reserve banking supervision training program.** This program was financed by the Iraq sub-account. METAC also provided logistical support to seminars held in the region and TA in strengthening the examination process through the development of the CBI legal framework.

140. **METAC's Phase III should be a transition period into risk-based supervision; the adoption of a risk focused inspection manual should reflect the development of the new prudential regulations and call reports.** This reform represents a necessary condition for the implementation of Basel II that should take place in the coming years. Supervisors should ensure that banks have in place a comprehensive risk management process to identify, evaluate, monitor and control or mitigate all material risks and to assess overall capital adequacy in relation to risk profile. In addition, supervisors have to consider the efforts that may be required to achieve, and benefits to be gained from, compliance with the Pillar 2 and 3 requirements. This will depend on the nature of activities undertaken by banks and the extent to which risk-based supervision is presently carried out.

141. **The CBI has committed itself to complete a comprehensive set of prudential regulations for commercial banks.** For that reason, CBI approached METAC for assistance in developing new financial statements, supervisory call reports and prudential regulations in line with the requirements of Basel Committee on Banking Supervision and international best practices. The CBI is expected to continue the development of the legal framework and move towards implementation of Basel II.

142. **Despite the importance of the workshops and seminars that CBI examiners have attended in the past few years, it would be useful to provide other TA, particularly on-the-job training of banks examiners, when and if security conditions permit.** METAC could also provide further assistance in IAS and IFRS, Islamic Banking and on-site and off-site supervision.

Jordan

143. **The CBJ is undertaking considerable efforts to improve further banking supervision and upgrade its supervisory system and procedures in line with international best practices as well as to build the capacity of its banks' examiners and enhance their supervision skills.** The CBJ has recently benefited from METAC support in upgrading the inspection manual in line with the recommendations of Basel Committee on Banking Supervision, and in enhancing the risk-focused approach. Additional training will be provided to CBJ examiners on the implementation of the manual.

144. **For METAC's Phase III, the aim is to provide guidance to banks' examiners on how to evaluate the prudence of banks' practices, capital and liquidity adequacy, assets and earnings quality, and the adequacy of internal control systems.** METAC will assist the CBJ in the implementation of Basel II according to the requirements of Basel Committee on Banking Supervision. METAC will help the CBJ in the implementation of the three pillars (minimum capital requirements, supervisory review process and market discipline).

Lebanon

145. **METAC participated recently in developing the capacity of the Banking Control Commission (BCC) examiners by providing training courses on Corporate Governance, assessment of banks' strategy and business plans, and credit risk portfolio and loans impairments.** METAC has provided TA to the Lebanese authorities on the development of an early warning system based on prudential banking data.

146. **METAC's Phase III will focus on training BCC new recruits in basic banking supervision techniques, asset and liability management and credit analysis.** In addition, METAC will continue providing seminars and workshops for experienced bank examiners in many advanced areas such as stress testing techniques and consolidated supervision.

Libya

147. **In Phase II, METAC assisted the CBL with the implementation of a strategic plan to strengthen banking supervision and build up the capacity of banks' examiners.** The plan covers the development of financial statements and supervisory reports in accordance with the IAS and the IFRS. METAC also developed prudential regulations in line with the Basel Core Principles for Effective Banking Supervision.

148. **After adopting a new on-site risk based inspection manual according to CAMELS approach, and developing new regulations, during Phase III, METAC will review the financial statements and call reports.** This is an important step into the implementation of Basel II that should take place during the coming years. A road map should be prepared regarding the implementation of the three pillars of Basel II. METAC will proceed in developing the legal framework by assisting in the preparation of several prudential regulations regarding credit and assets concentration, credit risk management, and foreign exchange (FX) positions. The CBL is expected to make progress not only with risk focused supervision but also with the implementation of Basel II.

Sudan

149. **The Central Bank of Sudan has undertaken many steps to strengthen its banking supervision activity and reform its regulatory regime, covering both Islamic banking in the North and conventional banking in the South.** METAC has provided training on supervising Islamic and conventional banks aimed at strengthening observance of Basel Core Principles for Effective Banking Supervision. Training included courses on IAS, conventional banking operations, risk management, banks accounting and money exchange operations. METAC also assisted the Bank of Sudan with upgrading the credit registry system to make it more responsive to the needs of the banking sector and provide continuous up to date information about borrowers' exposures and situations, as their current credit registry system did not provide up-to-date and adequate information about financial institutions borrowers.

150. **During Phase III, and in order to complete the reform of the regulatory regime and strengthen banking supervision, special attention will be paid to the Bank of South Sudan (BOSS) as most TA was targeted to Islamic banking in Khartoum.** Therefore, the TA should cover, in addition to Islamic banking, conventional banking operations, including adopting the necessary regulations and building up the needed local capacity.

151. **METAC will also** (i) complete the process of reviewing existing returns to improve the quality of data and information obtained; (ii) develop a methodology to analyze data and make the best use of available information to draw better conclusions and prepare quality reports; (iii) strengthen off-site monitoring and the rating process to incorporate additional quantitative and qualitative dimensions of capital, asset quality, earnings and liquidity; (iv) strengthen the early warning system and on-site examination capacity to identify bank weaknesses in a timely manner; (v) review the inspection manual to incorporate the latest risk focused examination techniques and methodologies; (vi) upgrade onsite inspection skills and staffing; and (vii) strengthen supervisory review/ risk assessment practices in line with Islamic Financial Services Board (IFSB) standards and provide additional TA and training on risk assessments and risk management.

Syria

152. **During Phase II, METAC provided TA in developing prudential regulations, call reports and new financial statements.** METAC assisted in developing skills and building up the capacity of the banking supervision staff through training courses in accounting. METAC assisted in the full reform of the banking supervision and implementation of Basel II. This included developing circulars related to foreign exchange requirements, consolidated supervision, electronic banking, the bank's management responsibilities in assuring the bank's business continuity in line with the Basel Committee on Banking Supervision (BCBS's) paper in this subject, and the responsibilities of the bank's board of directors and senior management.

153. **During Phase III, the CBS is expected to complete the full transition to Risk Focused Examination and the full implementation of Basel II.** In addition, the CBS is expected to focus on several projects such as e-banking and Islamic banking, which is becoming increasingly important due to the penetration of Islamic banks into the Syrian market.

154. **METAC expects to see CBS make progress not only within the banking sector, but also with other non-banking financial institutions including brokerage firms and exchange houses.** For that purpose, METAC's assistance to CBS for the coming years will focus on financial instruments as there is tendency to issue some financial papers in the Syrian market, Pillar III (Market Discipline) implementation of Basel II capital accord, home-host supervision, stress testing techniques and early warning systems, local rating agencies, problem banks, internal audit and external audit, Islamic banking, corporate governance and developing the capabilities of examiners by providing practical training courses on several issues including internal control, asset and liability management, and off-balance sheet operations. Finally, updating the credit registry system in Syria is an important action to take in the coming years as requested by the Governor of CBS.

West Bank and Gaza

155. **METAC's assistance in the area of banking supervision to the PMA is part of comprehensive IMF support to the restructuring of the PMA.** METAC has developed a credit registry system that is currently operating in line with international best practices and is considered one of the best credit registries in the region.

156. **The PMA is making tremendous efforts to improve banking supervision and upgrade its supervisory system and procedures in line with international best practices.** In support of the PMA's decision to adopt Basel II, METAC helped the Banking Supervision Department (BSD) to design an action plan to promote a more forward looking approach to capital supervision and allow Palestinian banks to better identify, measure, monitor, and control their risks. The proposed action plan is supposed to be achieved by year 2013 when

the preparation of the regulatory framework necessary for moving from the standardized approach to more advanced systems will take place.

157. **METAC's assistance to PMA during Phase III will focus on** upgrading its on-site examination manual to comply with a risk based supervision approach; developing new call reports to comply with IFRS and Basel II requirements; updating the off-site supervision techniques and the early warning system; and enhancing the examiners' capabilities and skills in merger and liquidation issues.

Yemen

158. **METAC's support during Phase II to the Central Bank of Yemen (CBY) focused on strengthening its capacity to supervise financial institutions by reviewing and updating the inspection manual in line with CAMELS approach.** METAC assisted in (i) upgrading the CBY's credit registry system; (ii) training on the use of statistical data techniques to analyze prudential indicators; (iii) reorganizing the banking supervision department; and (iv) providing training in other areas of banking supervision.

159. **During Phase III, METAC expects to continue supporting CBY in its way to migration into risk focused supervision.** Work in this area will cover both on-site supervision through the development of the new inspection manual and off-site supervision through the adoption of new methodologies and production of the necessary call reports.

160. **CBY is supposed to complete the market risk amendment to Basel I (covering interest rate, foreign exchange risk, equity risk and commodity risk) which represents a necessary condition to start the shift to the Basel II framework.** For this reason, the Financial Year (FY) 2010 work plan includes a mission by a short-term expert to draft a road map towards implementation of Basel II. The CBY is expected to apply the simplified approach and standardized approach for Pillar I and start implementation of the Pillar II supervisory review process and the Pillar III market discipline.

161. **METAC will continue to work with the CBY to build-up the capacities of banks' examiners in several areas including banks' licensing, mergers and acquisitions, financial markets and new financial instruments.** Regarding the development of the credit registry system, METAC will review its TA based on progress on the ground since only minor progress has been made so far with major components not yet implemented, particularly those pertaining to the IT department.

C. Revenue Administration

Afghanistan

162. **Afghanistan has benefited from considerable TA from Fund HQ, which has recommended reforms to the tax policy framework, strengthening the Large Taxpayer**

Office (LTO), and launching restructuring of regional tax offices. Extensive in-country donor support is available (notably through DFID, Canada International Development Agency (CIDA) and USAID funding). A recent METAC advisor visit observed that satisfactory progress has been achieved in implementing the modernization program in both the tax and customs departments.

163. Taking into consideration the volume of TA from other providers, METAC's objective during Phase III is to continue follow-up visits to take stock of progress and when necessary to provide further advice and hands-on assistance to complement the TA provided by other donors. The focus will be on strengthening the headquarters structure and operations, improving large and medium size taxpayers' compliance, and strengthening the collaboration with the customs administration.

Egypt

164. Since 2005, the authorities have been implementing a tax administration modernization program using the roadmap provided by Fund HQ. The main objectives have been: (i) establishing a new Egyptian Tax Authority (ETA); (ii) merging the income tax department (ITD) and sales tax department (STD); (iii) developing a function based structure and segmented approach to field deliver; (iv) introducing self-assessment for income tax; and (v) simplifying the tax system (including VAT and small business taxation). Initial steps (notably the establishment of a LTO and the development of a strategy for small business taxation) have been achieved with Fund HQ and METAC support. The next steps are being implemented with support from USAID and their consultants, with continuing strategic advice from Fund HQ.

165. METAC will continue during Phase III to support the implementation of the remaining components of the tax administration modernization program. Taking into consideration the size of contribution of other TA providers (mainly USAID), METAC's involvement is likely to focus on four specific areas: (i) the implementation of the small business taxation regime; (ii) establishment of a unified and integrated function based HQ; (iii) preparation and enactment of a tax procedure code; and (iv) preparations for major changes to the sales tax law (GST) (the authorities have not yet confirmed the timing for these revisions).

Iraq

166. METAC has organized seminars for senior Iraqi tax officials in Lebanon covering different topics such as tax administration modernization, features of a modern VAT and administering oil taxation.

167. If security permits, a TA needs assessment mission visit to Baghdad by the revenue administration advisor could take place. The current METAC work plan provides

for a seminar on revenue administration issues as a preliminary step to assessing the status of the Iraqi tax administration, since the TA provided by USAID is almost completed. Accordingly and based on the seminar's finding, a short-term TA program can be prepared for the next period with focus on capacity building in the field of tax administration reform covering two basic issues: (i) the features of tax collection operations in a modern environment and (ii) tax administration reform design, development and governance. Nevertheless, the longer-term objective for phase III is to provide a full TA review from Fund HQ and METAC and the layout of a strategic plan to support the buildup of a modern efficient tax administration.

Jordan

168. **Jordan's reform program has been moving at a relatively steady pace since 2005 based on the strategy recommended by Fund HQ.** Following the integration of the income and sales tax departments and the establishment of a LTO, priority has been given recently to strengthening HQ capacity, completing organizational changes to strengthen medium taxpayer administration, and implementing self-assessment. METAC's peripatetic expert visits and direct assistance delivered by the resident advisor complemented the extensive in-country donor support available since 2006 (USAID).

169. **METAC's objective during Phase III is to provide support to continue the implementation of the reform program in collaboration with other providers of TA (mainly USAID).** The focus for METAC remains on the strengthening of HQ's functions and implementation of effective compliance and enforcement strategies based on risk analysis for large and medium size taxpayers. Furthermore, depending on the enactment of the new tax code, METAC would provide support in collaboration with the USAID to implement the new policies and procedures covering all taxpayers segments.

Lebanon

170. **Considerable improvements in revenue administration have been realized in recent years with a focus on tax office organization and streamlining of tax operations.** However, weaknesses remain, and progress during the last few years regarding the remaining reform components has been slow due to political and security developments. Nevertheless, Lebanon has a comprehensive and detailed plan to develop a modern tax administration, and has implemented most of the elements of a modern reform initiative except for two basic ones: the integration of the VAT and Income Tax departments; and the development of an adequate unified and function-based HQ organizational structure.

171. **During Phase III, and conditional on the enactment of the required institutional and legislative changes, METAC will provide support for the establishment of a unified function-based HQ, the integration of both income and sales tax administrations, and for strengthening self-assessment.** Furthermore, based on the progress achieved during

Phase III in the restructuring and automation of the tax operations, METAC would provide support to improve the efficiency and effectiveness of taxpayers' dealings with the different tax centers to improve transparency of tax administration and reduce the cost of taxpayer compliance.

Libya

172. **A 2005 Fund HQ revenue administration mission found that tax and customs administrations are weak and recommended a comprehensive modernization program.** However, the authorities have shown little interest in pursuing reform in the area of tax administration. A recent visit by the METAC revenue administration advisor has noted that progress in implementing reform is still not satisfactory. As for the customs department, it launched an aggressive modernization program in line with Fund HQ recommendation and in collaboration with the World Customs Organization (WCO).

173. **Subject to the authorities' request and commitment, METAC's objective during Phase III is to provide TA to implement the modernization program proposed by Fund HQ which includes:** (1) a phased restructuring of the tax department to implement a function-based organizational structure to replace the current tax-type structure; (2) establishing an LTO to more effectively administer the tax obligations of the largest taxpayers; (3) introducing self-assessment supported by modern business processes and IT systems, and legislative changes; (4) upgrading staff skills through recruitment and training; and (5) upgrading tax office buildings and equipment. However, in the meantime, METAC would contribute to the capacity building of the tax administration to develop and govern the reform and the resident revenue administration advisor will continue regular visits to follow-up and take stock of developments.

Sudan

174. **Good progress has been made in implementing revenue administration reforms and key results include:** (i) integration of tax administration under a function-based structure and implementation of a segmentation approach for the management of taxpayer operations (large and medium size taxpayers); and (ii) introduction of self assessment principles.

175. **During Phase III, METAC will continue to provide TA with focus on strengthening the HQ functions, strengthening compliance and enforcement and most importantly supporting the implementation of the integrated automated tax administration system which will provide solutions to major problems, such as proper issuance and administration of the taxpayer identification number, administration of third party information, and strengthening the reporting system, among others.** Most importantly, and subject to the authorities support, METAC would provide TA to improve harmonization of tax collection administration between the national and sub-national levels

which will result in a considerable decrease in the burden of taxpayers' compliance and in the costs of tax collection within an efficient and transparent environment.

Syria

176. Syria has begun implementing the tax administration reform strategy recommended by Fund HQ since 2005. Critical decisions have already been taken and considerable progress has been achieved with the support of METAC. A unified function-based tax administration has been established, an LTO in Damascus is operational in addition to preparations to establish Medium Taxpayer Offices (MTOs), re-engineering of business processes has been completed, introduction of self-assessment has started, preparation of a sound draft for both the VAT law and a tax procedure code is underway, and the authorities are reaching the final stages for the acquisition of a modern automated tax administration system. METAC has been coordinating its efforts with the TA provided by the EC project in the MOF.

177. METAC's objective is to continue to provide support to implement the tax administration modernization strategy according to the pace of reform undertaken by Syria. During Phase III, the support would focus on: capacity building in management especially the senior staff; strengthening HQ functions in planning, design and monitoring functions; designing business processes for tax operations; centralization of the large taxpayers' operations in Damascus; establishing medium size taxpayers offices in the main regions; implementing the VAT through the adoption of appropriate legislation, public awareness programs including taxpayer education on VAT administration and control; implementing the information technology program; and strengthening taxpayer compliance and tax operations performance measurement. The expected outcome at the end of Phase III is the establishment of a modern efficient tax administration, collecting taxes with fairness and transparency. Consequently, with the introduction of the VAT, tax revenue collection should increase considerably.

West Bank and Gaza

178. Although West-Bank Gaza is considered to have some TA needs in revenue administration, METAC has not been involved in tax administration since a fund HQ diagnostic mission in 2003.

179. METAC has no planned specific TA provision for West Bank and Gaza since it is being served directly by HQ and other TA providers are very active. During Phase III, METAC would provide short-term peripatetic expert visits to support and follow up on the implementation on any new Fund HQ designed diagnostic mission's recommendations and complementing the TA provided by other donors available in the field.

Yemen

180. **Tax administration reform has benefited from substantial multi-donor support and TA (DFID, WB and IMF).** Good progress has been made, including the establishment of an LTO (integrating administration of sales and income taxes), introduction of self-assessment, business process improvement, information technology deployment, and capacity building. Plans are being finalized to implement a function-based HQ with a network of tax offices based on taxpayer segmentation. However, the introduction of the VAT has faced a number of obstacles.

181. **METAC's objective during Phase III is to support an acceleration of the remaining reform components with a focus on information technology and taxpayer services, which are slowing the implementation of the reform.** METAC will continue to provide support for the strengthening of the HQ functions and the implementation of self-assessment in addition to improving taxpayers' compliance. Furthermore, depending on commitment of the authorities, METAC would provide TA to implement a full GST administration in lieu of the interim arrangement currently implemented.

D. Macroeconomic Statistics*Afghanistan*

182. **METAC is providing assistance to Afghanistan in the area of prices.** NA and BOP statistics are conducted directly by Fund HQ.

183. **METAC will continue providing assistance to Afghanistan in the area of prices.** The work will focus on estimating new market basket weights using the 2007-2008 National Risk and Vulnerability Assessment (NRVA) information. If requested by IMF's HQ and the authorities, METAC will also be able to provide TA in the area of NA and BOP.

Egypt

184. **With METAC's assistance, Egypt released an updated CPI and a new PPI.**

185. **METAC's work will continue in the area of FDI statistics.** The aim is to conduct a successful FDI survey which should lead to improved FDI statistics for the BOP and IIP.

Iraq

186. **Iraq receives TA directly from IMF's HQ.** Incidental assistance has been provided in the area of prices and external debt.

187. **TA is provided by IMF's HQ.** METAC will continue providing TA in the areas of prices and external sector statistics if requested by IMF's HQ.

Jordan

188. **METAC assisted Jordan in introducing a survey program for FDI statistics and provided assistance in compiling external debt, the international reserves and foreign liquidity template which speeded up Jordan meeting the SDDS requirements.** Jordan began compiling and disseminating external debt statistics in line with the international statistical methodology. Jordan has received support in the area of Input/Output tables and Supply and Use tables.

189. **In the area of external sector, assistance will focus on improving collection and compilation methods for remittances, including identifying countries of origin, and transmission channels.**

Lebanon

190. **METAC provided assistance in the area of NA, Prices and BOP.** TA in prices resulted in the publication of a CPI. NA assistance is currently provided by IMF's HQ through a long-term expert stationed in Syria.

191. **For the next phase, METAC will continue providing assistance in the area of external sector statistics especially on:** (i) conducting comprehensive FDI surveys; (ii) improving collection and compilation methods for remittances, including identifying countries of origin, and transmission channels; and (iii) developing an IIP.

Libya

192. **METAC has provided TA in the area of NA and BOP.** Libya has benefited for two years from a long-term advisor in the area of NA.

193. **METAC will assist Libya in producing a revised CPI and for the first time a PPI.** METAC will also continue its assistance in improving the BOP, particularly FDI; conducting an FDI survey; improving collection and compilation methods for remittances including identifying countries of origin and transmission channels; and in developing an IIP.

Sudan

194. **In Sudan, METAC's assistance focused on:** (i) developing new weights for a new CPI; and (ii) making better use of survey data and advice in building a compilation software system for NA.

195. **METAC will continue its assistance in setting up a system of NA based on the 1993 System of National Accounts (SNA); improving remittances statistics including on compilation methods; and improving FDI estimates by conducting an FDI survey.**

Syria

196. **METAC has provided assistance in reviewing the NA methodology and all data sources.** Weaknesses were identified and solutions provided. On BOP statistics, assistance was provided in all components, in particular in the area of FDI, international reserves and external debt transactions.

197. **METAC will provide assistance in continuing improving the BOP (improving the ITRS, conducting an FDI survey, improving external debt statistics dissemination practices and developing an IIP).** For prices, METAC will provide assistance in compiling an updated PPI. Currently, the TA to Syria in NA is provided by IMF HQ.

West Bank and Gaza

198. **METAC provided assistance in reviewing the GDP data and improving estimates for FDI.**

199. **METAC will provide further assistance in NA, conducting an FDI survey and in compiling an IIP.**

Yemen

200. **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 BOP in particular improving estimates in the area of external trade, remittances and FDI.

201. **METAC will continue providing assistance in the area of prices (revised CPI and starting a PPI), NA (revised time series), and in the BOP (remittances and FDI estimates).**

APPENDIX 2. METAC COUNTRIES STATISTICAL DATA COLLECTION AND PUBLICATIONS

Table 1. METAC: Relative Strength of National Statistics Systems

| | Data Collection 1/ 2/ | Statistical Practice Rank 2/3/ | Real Sector Statistics | | | | Other Macro Data | | | |
|--------------------------------|-----------------------------|--------------------------------------|--|---|--|--|---|-----------------------------|---------------------------|----------------------------|
| | | | 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 BP M5 Repor | External Debt Repor | Subscription to SDDS |
| Afghanistan | 20 | 40 | Yes | No | No | No | Yes | No | Yes | No |
| Egypt | 100 | 70 | No | Yes | Yes | No | No | Yes | Yes | Yes |
| Iraq | 60 | 20 | Yes | No | No | No | No | No | No | No |
| Jordan | 60 | 70 | No | Yes | Yes | Yes | No | Yes | Yes | No |
| Lebanon | 40 | 40 | Yes | No | No | No | No | Yes | Yes | No |
| Libya | 20 | 30 | No | No | No | No | No | Yes | No | No |
| Sudan | 30 | 30 | No | No | No | No | No | Yes | Yes | No |
| Syria | 40 | 70 | Yes | Yes | Yes | No | Yes | Yes | No | No |
| Yemen | 50 | 50 | No | Yes | No | No | No | Yes | Yes | No |
| West Bank & Gaza* | | | | | | | | | | |
| Average of Number of Yes | 47 | 47 | 4 of 9 | 4 of 9 | 3 of 9 | 1 of 9 | 2 of 9 | 7 of 9 | 6 of 9 | 1 of 9 |

Source: World Bank Country Statistical Information Database

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 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 national accounts, consumer and producer price indices, government finance statistics, and external debt & balance of payments data, and countries participation in the IMF Special Data Dissemination Standard (SDDS).

* Statistical information on West Bank & Gaza is not available in the World Bank's Database and therefore excluded from the average.

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

| | National Accounts Data | | | CPI Data | | | GFS Data (Central Gvt) | | |
|----------------------|------------------------|-----------|-------------|--------------------------|-----------|-------------|------------------------|-----------|-------------|
| | Production | Reporting | Publication | Production | Reporting | Publication | Production | Reporting | Publication |
| Afghanistan | ... | ... | ... | M, Q, A | M, Q, A | M | ... | ... | ... |
| Egypt | A | A | M | M, Q, A | M, Q, A | M | Q, A | Q, A | M |
| Iraq | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Jordan | Q, A | Q, A | M | M, Q, A | M, Q, A | M | Q, A | Q, A | M |
| Lebanon | ... | ... | ... | ... | ... | ... | A | A | M |
| Libya | A | A | M | ... | ... | ... | ... | ... | ... |
| Sudan | A | A | M | M, Q, A | M, Q, A | M | ... | ... | ... |
| Syrian Arab Republic | A | A | M | M, Q, A | M, Q, A | M | ... | ... | ... |
| West Bank and Gaza | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Republic of Yemen | A | A | M | M, Q, A | M, Q, 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 |
| 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 |
| 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 |
| 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 |
| | BOP Data | | | External Debt Data (IIP) | | | | | |
| | Production | Reporting | Publication | Production | Reporting | Publication | | | |
| Afghanistan | ... | ... | ... | ... | ... | ... | | | |
| Egypt | A | A | M | A | A | M | | | |
| Iraq | A | A | M | ... | ... | ... | | | |
| Jordan | Q, A | Q, A | M | A | A | M | | | |
| Lebanon | Q, A | Q, A | M | ... | ... | ... | | | |
| Libya | A | A | M | ... | ... | ... | | | |
| Sudan | Q, A | Q, A | M | A | A | M | | | |
| Syrian Arab Republic | A | A | M | ... | ... | ... | | | |
| West Bank and Gaza | A | A | M | ... | ... | ... | | | |
| Republic of Yemen | Q, A | Q, A | M | A | A | M | | | |

Table 3: Countries International Financial Statistics (IFS) data

| | National Accounts | CPI | Central Bank | Banking Survey | Monetary Survey | GFS | BOP | IIP |
|----------------------|-------------------|--------|--------------|----------------|-----------------|--------|--------|------|
| | | | | | | | | |
| Afghanistan | n/a | Apr-09 | Apr-09 | Apr-09 | Mar-09 | n/a | n/a | n/a |
| Egypt | 2007 | May-09 | Apr-09 | Apr-09 | Apr-09 | 2009Q1 | 2007 | 2007 |
| Iraq | n/a | n/a | Feb-09 | Feb-09 | Feb-09 | n/a | 2006 | n/a |
| Jordan | 2007 | May-09 | Mar-09 | Mar-09 | Mar-09 | 2008Q2 | 2008Q4 | 2007 |
| Lebanon | n/a | n/a | Apr-09 | Apr-09 | Apr-09 | 2004 | 2008Q4 | n/a |
| Libya | 2005 | Apr-09 | Mar-09 | Mar-09 | Sep-08 | n/a | 2007 | n/a |
| Sudan | 2006 | May-09 | Mar-09 | Mar-09 | Mar-09 | n/a | 2008Q2 | 2007 |
| Syrian Arab Republic | 2007 | Sep-08 | Mar-09 | Mar-09 | Mar-09 | n/a | 2006 | n/a |
| West Bank and Gaza | n/a | May-09 | May-09 | May-09 | Apr-09 | n/a | 2005 | n/a |
| Yemen, Republic of | 2008 | Jul-08 | Apr-09 | Apr-09 | Apr-09 | n/a | 2007Q4 | 2006 |

Appendix 3. METAC Countries - List of major donors and other TA providers

| Country | Budget support | Revenue administration | PFM | Monetary and exchange rate policy | Banking supervision | Capital markets and debt | Statistics | Major donors (ranked by ODA disbursements) |
|-------------------------------|--|---|--|--|--|--|--|---|
| METAC member countries | | | | | | | | |
| Afghanistan | USA (USAID) UK (DFID) Germany Canada Japan | IMF (FAD) USAID: Bearing Point (tax administration) | World Bank: PFM reform, PEFA DFID and USAID: budget classification, MOF institutional reform ADB - Fiscal management and Public Administration Reform Program IMF (FAD) USAID: Bearing Point (resident advisors) | ADB - Private Sector and Financial Market Development Program USAID: Bearing Point (resident advisor) | USAID Bearing Point ADB (various financial issues) | IMF (MCM TA) | IMF/Japan sub-account USAID | US, Canada, EC, UK, Germany, Japan |
| Egypt | World Bank: through projects on mortgage finance & 2 financial sector development policy loans (DPLs) European Central Bank (ECB) project on 'best practice banking' | IMF (both revenue administration & income (VAT, property) tax reform) World Bank (reimbursable TA) | USAID: accounting reforms, GFMS EC: PEFA assessment IMF: budget classification & implementing Treasury single account; pensions World Bank: PER through Dutch funded trust account; health expenditure; pensions | Czech Republic: inflation targeting IMF: inflation targeting - (not active) | World Bank: through projects on mortgage finance & 2 financial sector development policy loans (DPLs) European Central Bank (ECB) project on 'best practice banking' | World Bank (reimbursable TA) | EU-MEDSTAT | US, EC, Germany, France, Japan World Bank EIB |
| Iraq | European Central Bank (ECB): project on 'best practice banking' | | USAID: accounting reform, GFMS World Bank: budget reform, fiscal decentralization, audit IMF TA/Iraq sub-account DFID (implementation of the strategic PFM matrix endorsed by the GoI through workshops, seminars and resident advisors) ESCWA (UN Economic and Social Commission for Western Asia) UNDP | US, Germany, Japan, France, Austria | European Central Bank (ECB) project on 'best practice banking' | | IMF/Iraq sub-account USAID ESCWA: UN Economic and Social Commission for Western Asia UNDP World Bank | US, Germany, Japan, France, Austria |
| Jordan | | Arab Monetary Fund / IMF: Debt market development; IMF / World Bank: Debt management | USAID: accounting reform, GFMS, budget classification World Bank: budget reform EC: PEFA, budget reform, external audit GTZ: budget reform IMF (various PFM issues) ESCWA (UN Economic and Social Commission for Western Asia) EU-MEDSTAT | | | Arab Monetary Fund / IMF: Debt market development; IMF / World Bank: Debt management | ESCWA (UN Economic and Social Commission for Western Asia) EU-MEDSTAT | US, EC, Germany, Spain |
| Lebanon | European Investment Bank (EIB): several issues in Banking Supervision, i.e., impairment of credit portfolio, bank's strategy and business plan EC: Early Warning System | IMF (technical assistance through METAC) EU France | UNDP: budget reform World Bank: budget reform, Emergency Financial management Reform (budget, accounting, audit) EC: PEFA, budget reform (Twinning AMF: Public finance reform (budget preparation, debt and expenditure management) for 2009 (planned) IMF (technical assistance through METAC balance of payments, consumer prices); INSEE (national accounts); EU-MEDSTAT | Arab Monetary Fund (Oil Facility), TA; US, France, EC, Spain ODA Bilateral: United Arab Emirates, France, United States, Saudi Arabia, Italy. Multilateral: World Bank, European Commission, European Investment Bank. | European Investment Bank (EIB): several issues - in Banking Supervision, i.e., impairment of credit portfolio, bank's strategy and business plan EC: Early Warning System | | IMF (balance of payments, consumer prices); INSEE (national accounts); EU-MEDSTAT | Arab Monetary Fund (Oil Facility), TA; US, France, EC, Spain - ODA Bilateral: United Arab Emirates, France, United States, Saudi Arabia, Italy. Multilateral: World Bank, European Commission, European Investment Bank. |

| Country | Budget support | Revenue administration | PFM | Monetary and exchange rate policy | Banking supervision | Capital markets and debt | Statistics | Major donors (ranked by ODA disbursements)* |
|-------------------------------|---|--|---|---|---|--|---|--|
| METAC member countries | | | | | | | | |
| Libya | IMF (technical assistance through resident advisor - extended) McKinsey & Co. (implementation of a strategy to strengthen the Libyan financial system) Arab Monetary Fund (AMF) : central bank training | | IMF/Libya Ras' sub-account World Bank | IMF - Central Bank Modernization project; CBL resident advisor US, Germany, EC | IMF (technical assistance through resident advisor - extended) McKinsey & Co. (implementation of a strategy to strengthen the Libyan financial system) Arab Monetary Fund (AMF) : central bank training | | IMF/Libya sub-account World Bank | US, Germany, EC |
| Sudan | IMF USAID World Bank (Islamic and conventional banking supervision reform) | | World Bank: budget reform IMF TA COMESA (Common Market for Eastern and Southern Africa) ESCWA (UN Economic and Social Commission for Western Asia) | US, EC, UK, Canada, Japan | IMF USAID World Bank (Islamic and conventional banking supervision reform) | | COMESA (Common Market for Eastern and Southern Africa) ESCWA (UN Economic and Social Commission for Western Asia) | US, EC, UK, Canada, Japan |
| Syria | IMF (technical assistance through resident advisor) EC (Accounting standards and conventional banking operations) European Investment Bank (EIB): training courses on several banking supervision issues as part of Basel II implementation | IMF (MCM TA) | IMF/Japan sub-account UNDP ESCWA (UN Economic and Social Commission for Western Asia) EU-MEDSTAT | Arab Monetary Fund (AMF) - Structural Adjustment Facility (SAF) in banking and financial sector France, Germany, Spain | IMF (technical assistance through resident advisor) EC (Accounting standards and conventional banking operations) European Investment Bank (EIB): training courses on several banking supervision issues as part of Basel II implementation | IMF (MCM TA) | IMF/Japan sub-account UNDP ESCWA (UN Economic and Social Commission for Western Asia) EU-MEDSTAT | EC, France, Germany, Spain |
| West Bank & Gaza | European Investment Bank (EIB): On-site Inspection manual, call reports as part of EWS and drafting a road map towards implementation of Basel II EC: Early Warning System and Credit Registry USAID: technical assistance on banking supervision | | World Bank: PFM reform EC: PFM reform IMF/Japan sub-account UNDP ESCWA (UN Economic and Social Commission for Western Asia) EU-MEDSTAT | EC, US, Spain, Germany, France, Japan | European Investment Bank (EIB): On-site Inspection manual, call reports as part of EWS and drafting a road map towards implementation of Basel II EC: Early Warning System and Credit Registry USAID: technical assistance on banking supervision | | IMF/Japan sub-account UNDP ESCWA (UN Economic and Social Commission for Western Asia) EU-MEDSTAT | EC, US, Spain, Germany, France, Japan |
| Yemen | IMF: peripatetic missions on bank supervision World Bank: Financial Sector Action Plan | IMF: TA on Islamic Finance Instruments Financial Services Volunteer Corps - FSVC: stock market development | World Bank: budget reform, audit, AFMIS program DFID: commitment's control Netherlands: budget reform IMF TA | IMF (payment systems) Germany, UK, US, EC, Japan, The Arab Fund for Economic and Social Development (AFESD), Saudi Arabia, Netherlands | IMF: peripatetic missions on bank supervision World Bank: Financial Sector Action Plan | IMF: TA on Islamic Finance Instruments Financial Services Volunteer Corps - FSVC: stock market development | IMF: national accounts, BOP, price statistics ESCWA (UN Economic and Social Commission for Western Asia): national accounts UNDP poverty and social spending analysis | Germany, UK, US, EC, Japan, The Arab Fund for Economic and Social Development (AFESD), Saudi Arabia, Netherlands |

* OECD Official Development Assistance statistics 2006/07 (net disbursements)

