

Afghanistan

Technical Assistance in Fiscal Year 2017

Afghanistan is a fragile state undergoing a difficult political, security, and economic transition. The authorities' program supported under the IMF's Extended Credit Facility set out a structural reform agenda that focuses on institution building, fiscal and financial reforms, and measures to combat corruption. In this context, METAC's assistance to Afghanistan focused on strengthening Da Afghanistan Bank's (DAB) capacity to deal with weak banks, enhancing revenue collection and reducing leakages, and improving the compilation of national account, external, and price statistics. Seven off-site missions were organized in Amman and Dubai, of which one was joint with FAD:

Banking Regulation and Supervision (August 29-September 1, April 16-20)

To address the weaknesses and poor governance practices in the banking sector, METAC has been supporting the DAB efforts to enhance its regulatory and supervisory frameworks. In this context, METAC undertook two off-site training missions in Amman:

- The first mission trained a team of supervisors on how to deal with weak banks, to enhance their capacity to identify problem banks at an early stage and implement effective measures to manage them. The training focused on the difficulties DAB supervisors encounter while inspecting problematic banks, and the possible measures that could help manage such cases.
- The second mission focused on the techniques of stress testing as an important tool for assessing the resilience of individual banks to adverse economic and financial conditions in a forward-looking perspective. The mission aimed to enhance capacity of DAB supervisors in detecting banks' vulnerabilities under severe but plausible shocks, and accordingly, identifying weak banks at an early stage, and taking corrective actions.

Revenue Administration (February 20-24, April 23-27)

METAC organized two off-site missions, one joint with FAD in Dubai and one in Amman:

- The purpose of the first mission—organized jointly with FAD tax policy—was to develop options for short-term revenue mobilization both for tax and customs. Due to difficult operational circumstances, the first two days' meetings were held via Skype. The mission identified the establishment of a modern and well-functioning large taxpayers' office (LTO) as an important initiative that could increase tax revenue in both the short and long term. An LTO would help to secure tax revenues by achieving a sharp focus on the relatively few taxpayers who account for a large share of tax revenues. It was also agreed with the authorities that METAC would provide TA on the development of comprehensive 'multi-criteria' risk profiles to the Afghanistan Customs Department (ACD). An MCD mission started at the end of the coordinated tax administration/tax policy mission, building on its conclusions.
- Following the Memorandum of Economic and Financial Policies for 2016-2019, ACD has to implement multi-criteria risk profiles in all border crossing points and inland custom depots to

effectively identify and prioritize high-risk traders and shipments for physical examination and post-release verification. Accordingly, the second METAC mission reviewed the new national risk management policy, and advised on how to establish, test and implement multi-criteria risk profiles in all border crossing points and inland custom depots of Afghanistan.

Statistics (May 8-12, December 4-8, February 12-19)

As a part of its CD program to the Central Statistics Organization (CSO), METAC organized three off-site missions in Amman:

- The first mission provided TA on improving national accounts. It was organized jointly with the IMF's STA, within the project on Enhanced Data Dissemination Initiative (EDDI) Phase 2, funded by DfiD. The mission considered the recent developments in data sources (i.e., non-agricultural economic surveys and household income and expenditure surveys) as a good basis for introduction of a new benchmark year for national accounts, and provided recommendations for their integration. The mission also provided hands-on training on the volume estimates of GDP expenditure components, and designed standard compilation templates to be completed by the CSO staff, prior to the next mission.
- The second mission supported the CSO's efforts to improve price statistics. It assessed the last updates of the consumer price index (CPI) based on the 2011/12 living conditions survey and recommended enhancing the compilation system, including by: treating missing prices, improving the item sample, and collecting rent data. The mission also helped the staff in updating the description of sources and methods for compiling price statistics and assisted in revising the Enhanced General Data Dissemination System (e- GDDS) metadata for the Afghan CPI, to be posted on the IMF's Data Standards Bulletin Board (DSBB).
- The third mission assisted DAB in strengthening the quality of ESS. The mission welcomed improvements achieved since the last mission, including submitting revised balance of payments data in the Balance of Payments and International Investment Position Manual, sixth edition (BPM6) format to the IMF's STA, the preparation of International Investment Position (IIP) data in BPM6 format, the reconciliation of balance of payments and IIP data, and the comparison of partner country trade data. The mission assisted the authorities in addressing the data gaps in the IIP, which are related to direct investment assets, direct investment liabilities, other assets and liabilities of the private sector, and trade credits. To this end, it developed a detailed work plan for conducting an enterprise survey, finalized the survey form, and provided hands-on training on how to complete the survey form and train the enterprises that will take part in the survey.