

Afghanistan

Technical Assistance in Fiscal Year 2021

Public Financial Management (June 22-July 30; November 25-December 14)

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

METAC supported the Ministry of Finance to strengthen its fiscal risk function. The absence of proper mitigation measures for key risks, currently leads to an excessive use of the contingency budget and cash buffers. To improve fiscal risk disclosure, the Ministry should add a quantitative element to its fiscal risk analysis (and disclose it in its annual Fiscal Strategy Paper), particularly in relation to the largest state-owned enterprises—where there is an urgent need to improve quality and timeliness of financial information availability. Fiscal risks related to public-private partnerships will increase in coming years, as 20 additional projects are in the pipeline for negotiation and execution. The Ministry should also disclose contingent liabilities to enhance awareness among parliamentarians on medium-term fiscal implications.

Revenue Administration (August 5-19; January 25-February 8; February 7-March 7)

METAC supported the Afghanistan Customs Department (ACD) with their implementation of compliance risk management. The TA consisted in developing risk criteria, defining effective relationships between the Risk Management Unit and other ACD structures, developing Key Performance Indicators, and communicating more effectively and more broadly risk management principles and objectives to ACD staff.

METAC assessed the preparations made by the Afghanistan Customs Department (ACD) for the introduction of VAT, planned for December 2021. It gathered information on ACD's activities, organization, and workload, and discussed the VAT Law and its consequences on customs work. It also identified some of the areas where action is needed and urged ACD to adopt a systematic approach to identify others.

Another activity assisted the Afghanistan Revenue Department (ARD) in identifying issues and risks with VAT implementation and advised on mitigation actions. It evaluated the composition of the ARD VAT implementation plan and assessed its progress and achievability against the deadline of December 2021. Advice was also provided on gaps identified in the design of specific VAT business functions, and included a list of prioritized actions for the implementation of VAT.

Statistics (October 11-November 19)

METAC assisted the National Statistics and Information Authority (NSIA) to develop quarterly national accounts (QNA). Training was provided to 14 staff on concepts and methods of compiling QNA. Existing sub-annual statistics were assessed by measuring their benchmark-to-indicator ratios and correlations with the annual estimates. The NSIA will continue to investigate issues discovered in order to increase the coverage and quality of quarterly indicators.

