

# Afghanistan

## Technical Assistance in Fiscal Year 2019

### **Banking Supervision** (September 16-20, 2018, January 21-24, 2019):

METAC held a training event for a team of Da-Afghanistan Bank (DAB) on corporate governance, in Jordan. The training covered topics such as corporate governance principles, internal control and internal audit functions' frameworks issued by BCBS, and the guidance on strengthening governance framework issued by the Financial Stability Board including walk-throughs of related key policy guidance, reports, and assessment tools. The training provided an opportunity to discuss with the DAB team the difficulties that supervisors encounter while inspecting banks, and the possible measures that could be implemented for a sound bank corporate governance framework.

METAC assisted the DAB in enhancing the capacity of their supervisors in assessing weak banks, including their contingency and recovery plans. A hands-on training was organized, focusing on sharing lessons learned from the experience of other countries and best practices. This CD activity is expected to increase the knowledge, skills and expertise of banking supervisors, and hence reduce the risks that weak banks pose to the financial system.

### **Public Financial Management** (November 12-16, 2018, December 3-7, 2018):

METAC organized a five-day workshop aiming at augmenting the capacity of the Afghan MoF to identify and analyze key fiscal costs and risks, using the new version of the PPP PFRAM. The workshop included (i) presentations of good practices in assessing fiscal costs of PPPs, (ii) discussions of specific fiscal risks related to PPPs, and (iii) hands-on training on the PFRAM. The mission helped the Afghan delegation selecting key data from two PPP contracts and assess their fiscal implications with the PFRAM.

METAC designed and delivered a one-week training workshop aiming at strengthening cash management capacities. It focused on cash planning and forecasting techniques and how the forecasts can be used in support of financial decisions. In addition, linkages between the budget execution control framework and cash management were discussed. The Afghan delegation presented the main reports prepared by their Cash Management Unit, leading to discussions on the ways to improve their relevance for decision-making and their convergence with international good practices. Building on the findings of this workshop, METAC will consider further support, including a hands-on and in-depth review of tools and data used for the preparation of daily and monthly cash plans.

### **Revenue Administration** (September 2-6, 2018, January 20-24, 2019):

METAC continued its assistance to Afghanistan Revenue Department (ARD) on developing and implementing a Single Large Taxpayer Office (SLTO). It developed an action plan for the implementation of a fully functioning SLTO, which includes adoption of criteria for the selection of large taxpayers, changes to the organizational structure, and enhancement to project implementation and governance. In addition, a comprehensive risk management and compliance improvement strategy was presented to the authorities.

METAC assisted the SLTO of the ARD in establishing a VAT refund system. The objective is to refund legitimate claims and implement safeguards to prevent payment of fraudulent claims. This activity is part of an ongoing project to strengthen core tax administration functions, in particular VAT refund claim payments, and audit and verification. Specifically, METAC advised the ARD on: (i) identifying risks associated with implementing a VAT refund system and related project governance, (ii) broader issues associated with better refund management practices, such as internal controls to prevent fraud and the importance of third-party data. A detailed project plan to implement effectively the VAT refund system was developed and discussed with ARD officials.

**Statistics** (December 2018, March 31-April 10, 2019, April 21-25, 2019):

METAC's statistics advisor participated in a World Bank workshop with the National Statistics and Information Authority of Afghanistan. He presented METAC's TA work and recommendations for Afghanistan on the supply-and-use-based approach to compiling revised national accounts estimates, arguing that the theoretical soundness of the methodology used if Afghanistan was acceptable, subject to the data constraints. He also made several suggestions to improve the methodology and better align it with the 2008 SNA.

METAC assisted the DAB in improving the quality of the BoP and IIP statistic by filling data gaps. It also delivered several lectures and hands-on training to DAB officials to enhance their knowledge in this area.

METAC provided training to the National Statistics and Information Authority on concepts and methods for building PPI: determining scope and coverage; identifying data sources; and producing a roadmap to guide staff in completing this project.