

**FOR
INFORMATION**

EBS/16/30
Supplement 1

April 14, 2016

To: Members of the Executive Board

From: The Secretary

Subject: **Islamic Republic of Afghanistan—Second Review of the Staff-Monitored Program—Informational Annex**

Board Action:	Executive Directors' information
Publication:	Yes, after Thursday, April 21, 2016
Questions:	Mr. Duenwald, MCD (ext. 37184) Mr. Tchaidze, MCD (ext. 36603) Mr. Talishli, MCD (ext. 37835)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	Asian Development Bank, Islamic Development Bank



ISLAMIC REPUBLIC OF AFGHANISTAN

SECOND REVIEW OF THE STAFF-MONITORED PROGRAM— INFORMATIONAL ANNEX

April 13, 2016

Prepared By

The Middle East and Central Asia Department
(In collaboration with other departments, the World Bank,
and the Asian Development Bank)

CONTENTS

RELATIONS WITH THE FUND	2
RELATIONS WITH THE WORLD BANK	8
IMPLEMENTATION OF THE JOINT MANAGEMENT ACTION PLAN ON BANK-FUND COLLABORATION	10
RELATIONS WITH THE ASIAN DEVELOPMENT BANK	12
ISLAMIC REPUBLIC OF AFGHANISTAN: STATISTICAL ISSUES	15

RELATIONS WITH THE FUND

(As of March 31, 2016)

Membership Status: Joined July 14, 1955; Article XIV.

General Resources Account

	SDR Million	Percent Quota
Quota	323.80	100.00
Fund holdings of currency (Exchange Rate)	323.61	99.94
Reserve Tranche Position	0.19	0.06

SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	155.31	100.00
Holdings	84.14	54.18

Outstanding Purchases and Loans

	SDR Million	Percent Quota
ECF Arrangements	54.89	16.95

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Nov. 14, 2011	Nov. 13, 2014	85.00	24.00
ECF ¹	Jun 26, 2006	Sep 25, 2010	81.00	75.35
Stand-By	July 16, 1975	July 15, 1976	8.50	8.50

¹ Formerly PRGF.

Projected Payments to Fund¹

(SDR million; based on existing use of resources and present holdings of SDRs)

	2016	2017	Forthcoming 2018	2019	2020
Principal	8.67	15.02	11.58	7.06	5.37
Charges/Interest	0.03	0.04	0.04	0.08	0.06
Total	8.69	15.06	11.62	7.14	5.43

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

Enhanced Framework	
I. Commitment of HIPC assistance	
Decision point date	Jul 2007
Assistance committed by all creditors (US\$ million, NPV) ^{1/}	582.40
Of which: IMF assistance (US\$ million)	--
(SDR equivalent in millions)	--
Completion point date	Jan 2010
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	--
Interim assistance	--
Completion point balance	--
Additional disbursement of interest income ^{2/}	--
Total disbursements	--
^{1/} Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.	
^{2/} Under the enhanced framework, and additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.	

Implementation of MDRI Assistance: Not Applicable**Implementation of PCDR:** Not Applicable

Nonfinancial Relations

Exchange Arrangement

Afghanistan is an Article XIV member country. Afghanistan maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions. The authorities confirmed their interest to move to Article VIII status. The *de jure* exchange rate regime is classified as managed floating, although the authorities have been implementing a *de facto* float system with no predetermined path for the exchange rate. On March 22, 2016, the average of the buying and selling exchange rates in cash transactions on the Kabul money exchange market was 68.36 Afghanis per U.S. dollar.

To conduct monetary policy, the authorities have used foreign exchange auctions since May 2002 and capital note auctions since September 2004. The foreign exchange auctions were initially open only to licensed money changers, but since June 2005, they are also open to commercial banks. The capital note auctions are open to commercial banks. Auctions are linked to the overall monetary program and are held on a regular basis.

Article IV Consultation

The last Article IV consultation with Afghanistan was discussed by the Executive Board on November 18, 2015. Article IV consultations with Afghanistan are held in accordance with Decision No. 14747–(10/96) on consultation cycles adopted on September 28, 2010, as amended.

Safeguards Assessment

An updated safeguards assessment of Da Afghanistan Bank (DAB) was finalized in December 2011. It found that DAB had strengthened some elements of its safeguards framework since the previous assessment (2008), but an effective internal audit mechanism had not been established. The assessment made recommendations to address the risks emerging from the Kabul Bank fraud, including related to central bank autonomy and recapitalization. Since that time, some of the 2011 safeguards recommendations have been implemented, albeit with delay. Amending the law has been difficult, however, and the recommendation concerning the DAB's legal structure remains outstanding. DAB has continued to publish on its website DAB's financial statements audited by an international audit firm.

Technical Assistance, 2011–16

Department	Dates	Purpose
FAD	January 2–12, 2011 January 22–February 4, 2011 April 1–13, 2011 September 15–22, 2011 January 14–18, 2012 January 14–25, 2012 January 14–28, 2012 April 4–14, 2012 April 6–14, 2012 April 4–14, 2012 April 13–May 1, 2013 April 29–May 6, 2013 April 29–May 8, 2013 September 26–October 4, 2013 April 15–21, 2015	PFM Assessment Customs Administration Customs Administration Program Budgeting Reform Visit to Support SIGTAS Preparations VAT Introduction Customs Administration Follow-up mission (different TA topics) Follow-up mission to review PFM Roadmap Advancing Public Financial Management Reforms Customs Administration Public Financial Management Reform[1] Follow-up mission PFM Reform of the Fiscal Regimes for the Extractive Industries Tax Policy for Extractive industries
LEG	September 21–26, 2013 February 5–6, 2014 April 28–May 2, 2014 November 10–14, 2014 February 9–13, 2015 September 6–10, 2015	Diagnostic Review of AML/CFT regime Awareness raising workshop for Parliamentarians (Dubai) AML/CFT training for DAB and FinTRACA officials TA on AML/CFT issues AML/CFT training for DAB and FinTRACA officials AML/CFT training for DAB and FinTRACA officials
MCD	August 29, 2011–August 2013	Resident monetary policy and banking advisor
MCM	July 3–5, 2012 August 27–29, 2012 November 11–13, 2012 February 11–13, 2013 May 11–19, 2013 September 7–22, 2013 December 7–11, 2013 March 1–March 20, 2015 September 8–21, 2015 December 4–18, 2015 February 22 to April 1, 2016	Sukuk TA mission Follow-up TA on Sukuk Sukuk TA mission Sukuk Issuance Strengthening the Central Bank's Operations Strengthening the Central Bank's Operations: Update on Monetary Policy Implementation Strengthening the Central Bank's Operations Problem bank management Problem bank management Problem bank management Problem Bank management

METAC ¹	<p>January 2–11, 2011 January 10–14, 2011 April 7–12, 2012 May 22–26, 2011 October, 2011 December 10–19, 2011 January 14–18, 2012 February 11–14, 2012 April 7–12, 2012 April 15–26, 2012 June 16–27, 2012 June 24–27, 2012 September 17–20, 2012 November 3–12, 2012 November 4–14, 2012 January 15–22, 2013 February 16–20, 2013 March 30–April 8, 2013 November 2–20, 2013 January 5–16, 2014 November 3–7, 2014 September 8–12, 2014 February 2–25, 2015 September 7–11, 2015</p>	<p>Financial Planning, Budget Classification Tax Information Systems (workshop) Developing Regulations Sukuk Workshop and TA in Dubai General banking supervision issues Consumer price statistics Follow-up on tax administration reforms Sukuk TA Mission Developing regulations Consumer price statistics Enhancing the enforcement framework at DAB Balance of Payments and International Investment Position Statistics Study mission to Lebanon on VAT implementation Review of off-site function Cash Management / Financial Plans Follow-up on Enforcement Framework Balance of Payments and International Investment Position Statistics Action Plan for Strengthening Banking Supervision Customs Administration External Sector Statistics External Sector Statistics VAT implementation / study tour in Beirut Tax and Customs administration External Sector Statistics</p>
STA	<p>October 24–November 3, 2011 February 6–17, 2012 April 29–May 12, 2012 January 25–February 5, 2014 February 8–12, 2016</p>	<p>Monetary and financial statistics National accounts statistics National accounts statistics Price Statistics Price Statistics</p>
<p>¹ Afghanistan is a participant in the Middle East Technical Assistance Center.</p>		

Resident Representatives

Mr. de Schaetzen; August 2002–June 2005

Mr. Charap; June 2005–June 2008

Mr. Abdallah; June 2008–January 2014

RELATIONS WITH THE WORLD BANK

(As of March 2016)

1. The World Bank Group's program in Afghanistan is governed by the joint Interim Strategy Note (ISN) for FY 2012–FY 2014, which focuses on three themes: (i) building the legitimacy and capacity of institutions; (ii) equitable service delivery; and (iii) inclusive growth and jobs. The process for preparing the next country strategy—the Country Partnership Framework for Afghanistan—has been launched, and work on the Systematic Country Diagnostics (SCD) has been completed.
2. Since 2002, the International Development Association (IDA) has committed a total of US\$3.6 billion in grants (86 percent) and credits (14 percent) in Afghanistan. Thirty seven development and emergency-reconstruction projects and four budget-support operations have been committed as of end-August 2015. In addition, the Afghanistan Reconstruction Trust Fund (ARTF) has generated US\$8.94 billion from 34 donors, and committed US\$3.93 billion for the government's recurrent costs and US\$4.15 billion for government investment programs. At end of August 2015, the active IDA portfolio was worth US\$725.98 million and the active ARTF investment portfolio was worth US\$2.8 billion.
3. The Bank also administers the ARTF—the World Bank Group's largest single-country multi-donor trust fund. The ARTF provides grant support to Afghanistan based on a three-year rolling financing strategy. Together, the IDA and the ARTF provide close to US\$1 billion per year in grant resources (about US\$150 million from IDA and about US\$800–US\$900 million from the ARTF). The ARTF is a key vehicle for providing the Government with predictable and transparent on-budget financing and provides a platform for policy dialogue between Government and donors.
4. In FY 2016, the World Bank Board approved the Trans-Hindukush Road Connectivity Project in the amount of \$250 million, as well as additional financing for an existing project—the Second Customs Reform and Trade Facilitation Project—in the amount of US\$21.5 million. Under the ARTF, three new projects were approved including \$83 million for Naghlu Hydropower Rehabilitation Project, \$6 million for DABS TA, and \$50 million for Higher Education Development Project. Additional financing for existing projects included \$41 million for the Second Public Financial Management Project and \$45 million for the On-farm Water Management Project. As of March 27, 2016, in FY2016 (July 1, 2015–March 27, 2016), US\$368 million was disbursed under the Recurrent Cost Window.
5. The World Bank continues to engage in rigorous analytical work and places large emphasis on policy dialogue. These non-lending activities have been supportive of the Bank's lending program and have played a crucial role in informing government of its strategic choices and advancing dialogue between the Government of Afghanistan and its international development partners. In the last fiscal year, the ARTF Steering Committee endorsed the Research and Analysis Program (RAP) which aims to support the government's policy reform agenda and decision-making. The program provides an opportunity to introduce innovative ways of working with the government,

universities and local research institutions to introduce analysis and generate knowledge. As part of the RAP, the Bank is currently engaged in a series of analytical work to enhance understanding of Afghanistan's growth and fragility challenges and to inform development response by Government and international development partners. The initial results of this work will be presented at the 2016 Ministerial Conference on Afghanistan in Brussels.

6. IFC's committed Investment portfolio in Afghanistan has more than doubled between FY08 and FY14—from around US\$58 million to about US\$135 million in FY14. Currently, IFC's portfolio stands at about \$54 million and includes one investment in the telecommunication sector (Roshan), one investment in the hotel sector (TPS), and two operations in financial markets (First Microfinance Bank, Afghanistan International Bank—trade facility). IFC's investments have had a transformational impact (in terms of access to finance and outreach), particularly in the microfinance and telecommunication sectors. IFC's Advisory Services program has been supporting the Investment program in the areas of access to finance, Small and Medium Enterprises (SMEs) capacity development, horticulture/agribusiness, and investment climate. IFC will continue to seek new investment opportunities and engage with local players in order to support the development of Afghanistan's private sector, particularly in the areas of infrastructure, finance and microfinance, manufacturing, agribusiness, and services.

7. The Multilateral Investment Guarantee Agency (MIGA) has US\$154 million of gross exposure in Afghanistan, supporting telecoms and agribusiness projects. In 2013 MIGA launched its Conflict Affected and Fragile Economies Facility, which is supporting the agency's exposure in Afghanistan. MIGA is currently supporting three projects in Afghanistan, of which one is a joint effort with IFC in the telecoms sector (supporting telecom operator MTN). The other two operations are MIGA-only dairy and cashmere production projects.

IMPLEMENTATION OF THE JOINT MANAGEMENT ACTION PLAN ON BANK-FUND COLLABORATION

(March 31, 2016)

1. Joint Management Action Plan (JMAP). The Afghanistan country teams of the World Bank (led by Mr. Saum, country director) and the IMF (led by Mr. Ross until November 2015, and Mr. Duenwald subsequently) held several consultations in 2015 and 2016. The teams regularly exchanged views on the recent economic developments and outlook, identified the macroeconomic priorities and challenges facing Afghanistan, and discussed ways to coordinate their respective work programs.
2. As noted, the Bank's work program is guided by the upcoming Country Partnership Strategy (CPS). The new CPS envisages that the Bank will continue to expand its support to expanding education and health services, energy, rural infrastructure, as well as institutions and processes associated with transparent economic and financial management. Regarding economic management, in 2015 and continuing into 2016, the Bank has supported the government with technical assistance in the areas of customs reforms, revenue administration, public financial management and economic statistics. The Bank will also continue to support the Government's efforts towards greater financial inclusion. Under the ARTF, the Incentive Program (IP) provides funds for achievements in revenue mobilization, strengthening PFM and revenue administration systems (including customs), improving tax policy, the investment climate, and land administration. Since January 2013, the IP has also supported the government's operation and maintenance expenditures. The IP provides a total financing envelope of US\$900 million for 2015–2017. The Bank may also initiate consultations with the government on a new Development Policy Grant during 2016.
3. The Fund's work program focused on close engagement through the Staff-Monitored Program (SMP) approved in May 2015 and completed in December 2015. It concentrated on the following areas: sustaining macroeconomic stability; advancing fiscal sustainability and strengthening efforts to mobilize domestic revenues; safeguarding the financial sector and improving banking supervision; strengthening economic governance and fight with corruption; improving absorption capacity and government effectiveness. The SMP included a set of quantitative targets, which were met, as well as structural benchmarks which were met, albeit some with delay. As part of the cooperation effort, the World Bank team participated in SMP missions as observer.
4. The Fund focuses its efforts on helping the authorities maintain economic stability, manage the economic transition, and advance important pieces of legislation, including the new banking law, the central bank law, and AML and CFT laws. The Fund has also provided advice on monetary policy, banking supervision, and customs reform. Technical assistance has been provided to the central bank on problem bank management and external sector statistics. The Fund is helping the authorities build on these achievements, including through strengthening economic governance,

advancing structural reforms, central bank capitalization framework, developing a fiscal regime for natural resources, revenue mobilization, further strengthening banking supervision, and improving macroeconomic statistics. The Fund will continue its close engagement with Afghanistan to ensure macroeconomic stability.

Table 1. Afghanistan: Bank and Fund Planned Activities in Areas of Joint Interest.			
	Products	Preparations/Mission Timing¹	Delivery¹
Fund	ECF program	2011–14	November 2011
	Staff Monitored Program (SMP, new agreement)	February 2015	May 2015
	Article IV Consultation and First Review under the SMP	September 2015	November 2015
	Second and last review under the SMP	February–March, 2016	April 2016
	Areas of Technical Assistance: Bank restructuring, financial sector supervision, revenue administration, customs and border management, tax policy, public financial management, foreign exchange regulation, AML/CFT, banking law, treasury securities, statistics (national accounts, prices, government finance, monetary, balance of payments, GDDS)		
Bank	Financial Sector Rapid Response Project, Supervision	November 2011–November 2016	October 2013
	ARTF IP Program (2015–2017), Preparation of MoU	April–August 2015	September 2015
	Study: Revenue Review	April 2015–May 2016	May 2015
	Economic Monitoring	Continuous	
	Study: Financial Sector Review	May 2016–May 2017	May 2017
	TA to Fiscal Policy Unit	January 2016–June 2018	continuous
	Debt Management Assistance	February 2016–June 2018	continuous
	Growth and Fragility Report	January 2016–December 2016	December 2016
	Sukuk Market and Pension Reform TA	May 2016–June 2018	
Fiscal Sustainability Analysis (long-term)	January 2016–September 2016	September 2016	
Joint	AML/CFT follow-up	Continuous	
	Dialogue on revenue mobilization	Continuous	
	Dialogue on macro-fiscal stability	Continuous	
	Strengthening of the banking sector	Continuous	
	Debt management	Continuous	

RELATIONS WITH THE ASIAN DEVELOPMENT BANK

(April 1, 2016)

1. Afghanistan is a founding member of the Asian Development Bank (ADB), established in 1966. Resuming its partnership with Afghanistan, after a hiatus from 1980 to 2001, ADB supports the country's National Development Strategies (NDS) and National Priority Programs (NPPs) as the agreed foundations of the partnership. ADB has demonstrated strong commitment to Afghanistan's development priorities in the London and Kabul conferences in January and July 2010, respectively, and then at the 2012 Chicago and Tokyo conferences, reaffirming its medium to long term partnership at the 2014 London conferences and subsequent meetings of senior officials in 2015.
2. Current ADB operations in Afghanistan are based on the Country Operations Business Plan (COBP) 2015–2017 and the Interim Country Partnership Strategy (CPS) 2014–2015. A new COBP will be prepared, which will be aligned with the Interim CPS (extended to cover 2016) and a new CPS that will be prepared for the period 2017–2020. The COBP is fully aligned with NPPs and the government's priorities in the infrastructure sector—the backbone of economic and social development—with ADB's investments contributing to Afghanistan's socio-economic development in the transformation period. The COBP continues ADB's focus on Afghanistan's energy, transport, and agriculture and natural resources sectors and will promote inclusive economic growth, regional integration, governance, and capacity development. The Interim CPS is also aligned with NPPs and the government's development strategy—Towards Self Reliance—a Strategic Vision Beyond 2025.
3. ADB is one of the largest donors to the government of Afghanistan. By end-December 2015, ADB's total assistance comprising grants, loans, and technical assistance (TA) reached US\$4.3 billion. Since 2007, ADB has provided all of its public sector assistance on a 100 percent grant basis. Grants make up around 74 percent of ADB's overall assistance to Afghanistan. In the July 2012 Tokyo Conference, ADB committed another US\$1.2 billion to support Afghanistan through 2016.
4. ADB supports co-financing of its projects to increase synergies by combining the strengths of development partners, governments, multilateral financing institutions, commercial organizations, and ADB itself. As of December 31, 2015, the cumulative direct value-added official co-financing amounted to US\$605.6 million for 24 investment projects and US\$23.7 million for 16 TA projects. ADB manages the Afghanistan Infrastructure Trust Fund (AITF)—a financing modality for development partners and private sector who are interested in pooling resources to finance infrastructure projects in Afghanistan. AITF allows development partners to meet the pledge of 50 percent on-budget and 80 percent alignment with NPPs as agreed in the 2010 Kabul Conference. As of 15 March 2016, the total amount received in AITF was US\$395.15 million, with total commitments of US\$526.90 million, including funds from Japan (Embassy of Japan, US\$127.5 million), United States (USAID, US\$113.0 million), United Kingdom (DFID, US\$119.6 million out of a total commitment of US\$251.4 million), and NATO Trust Fund (US\$35 million).

5. ADB is the largest on-budget donor in the transport sector. As of December 31, 2015, ADB has provided US\$2.2 billion to construct or upgrade over 1,700 km of regional and national roads across Afghanistan. This includes US\$808 million for the Transport Network Development Investment Program, which has more than halved travel times on 570 km of regional and national roads. ADB has also helped rehabilitate four regional airports, increasing passenger volumes now more than double the pre-upgrade levels. ADB funded Afghanistan's first railway line between Mazar-e-Sharif and the border of Uzbekistan, which became fully operational in 2012. To date, about 10 million tons of goods have been transported. ADB supported the establishment of the Afghanistan Railway Authority to regulate and ensure the sustainability of the railway sector.
6. As the largest on-budget donor for Afghanistan's energy sector, ADB has helped deliver electricity to more than 5 million people. To date, ADB has provided nearly US\$1.2 billion to support energy infrastructure in Afghanistan. These projects include construction of 1460 km of power transmission lines, 16 substations, 143,000 new power distribution connections to electricity grid and system. The technical assistance projects provide policy and analytical support through the Inter-ministerial Commission (IEC), Renewable Energy, Gas Sector Development Master Plan, and Energy Sector Master Plans. ADB is also contributing to policy dialogue and donor coordination in the sector, including the financing of master plans for the power and gas subsectors. Key regional projects for Afghanistan are being supported under the Central Asia-South Asia Regional Electricity Markets including the Turkmenistan, Afghanistan, Pakistan, and India (TAPI) gas pipeline project as well as the Turkmenistan, Uzbekistan, Tajikistan, Afghanistan, and Pakistan (TUTAP) electricity project.
7. The natural resources sector is another government priority sector assisted by ADB. As of December 31, 2015, total investment reached US\$502 million to rehabilitate and establish new irrigation and agricultural infrastructure, and strengthen the institutional environment to facilitate economic growth and improve water resources management. Around 160,000 hectares of irrigated land have been rehabilitated and upgraded, with work continuing on an additional 260,000 hectares. The investments have led to a more efficient use of water resources, a rise in agricultural productivity, and improved farm livelihoods. Over the coming three years, ADB planned to provide about US\$400 million for improved water resources management and infrastructure construction that will lead to water use efficiency and better agriculture productivity.
8. ADB assistance has improved fiscal management through policy, institutional and capacity-building reforms covering expenditure and revenue management, civil service management, provincial administration, and transparency and accountability in the public sector.
9. ADB's private sector operations in Afghanistan began in 2004. As of December 31, 2015, cumulative approvals in six projects have amounted to US\$198.1 million. Total outstanding balances and undisbursed commitments to private sector projects amounted to US\$3.5 million. One of the major private sector projects is the lending to Roshan Cellular Telecommunications Project. ADB provided financial assistance in the form of direct loans totaling US\$70 million for Phases 1 and 2 of the project, as well as B loans and a political risk guarantee. In 2008, ADB approved a direct loan of US\$60 million to finance Roshan's Phase 3 expansion. In 2012, this project received an award for

Excellence in Fragile States Engagement from the U.S. Treasury. In the financial sector, ADB invested US\$2.6 million in Afghanistan International Bank (AIB), thus establishing the first private commercial bank in the post-Taliban regime. Awarded by The Banker Magazine of Financial Times Newspaper as the best bank in Afghanistan for four straight years (2012, 2013, 2014, and 2015), it is the largest and most profitable bank in Afghanistan with a balance sheet just short of US\$1 billion. In January 2016, ADB divested its last shares of AIB but had received US\$11.2 million from dividends and put options.

10. ADB is an active member of the Joint Coordination and Monitoring Board (JCMB) and the Afghanistan Reconstruction Trust Fund Management Committee. ADB plays an active part in other donor coordination activities, including the JCMB Social and Economic Development Standing Committee, the Ministry of Finance's High Level Committee on Aid Effectiveness, and the Inter-Ministerial Committee on Energy. ADB strongly supports all international policy dialogues on Afghanistan. Furthermore, it takes the lead in the infrastructure sector and regional cooperation-related policy dialogues. ADB is a member of the core donor group to ensure coordination and harmonization among donors and the government over policy reforms and development programs. ADB consults continuously with civil society and non-governmental organizations with regard to project design and implementation.

ISLAMIC REPUBLIC OF AFGHANISTAN: STATISTICAL ISSUES

(As of March 25, 2016)

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings, but is broadly adequate for surveillance. The key data shortcomings are in national accounts and in the external sector mainly due to organizational weaknesses and difficult security situation.

National Accounts: The compilation broadly follows the *System of National Accounts 1993 (1993 SNA)*. GDP is compiled by the production and expenditure approaches. Key expenditure aggregates (household consumption, gross fixed capital formation, imports and exports) are available, while changes in inventories are derived residually. Coverage of economic activities is limited due to data gaps which are severe for some provinces and some activities. Foreign trade data should be improved in terms of coverage, concepts, and timeliness. The 2002–2003 base year is more than 10 years old and needs to be updated.

Price Statistics: The CSO compiles and publishes monthly consumer price based on data collected from 10 cities/provinces and the capital city Kabul. Overcoming severe security and resource constraints, CSO has recently undertaken a major overhaul of the CPI, including (i) implementation of full, five-digit Classification of Individual Consumption by Purpose (COICOP); (ii) update of consumer basket weights using data from the 2011/2012 household survey (previous weights dated back to 1987); and (iii) expansion of coverage from six to ten cities/provinces (out of 34). While concepts and compilation practices attempt to follow good practices, there is a scope for additional improvement including further expanding coverage, upgrading the IT system and communication channels with remote provinces, strengthening quality control and field supervision of price collectors, as well as hiring and training more staff.

Government Finance Statistics: Fiscal data are compiled for the central and general government on cash basis based on the Government Finance Statistics Manual 2001 (GFSM 2001). The timeliness and quality of the central and general government core budget data have been improving, particularly after completion of the roll out and connectivity of the Afghanistan Financial Management Information System (AFMIS) to all central government line ministries and agencies in Kabul and all provincial offices. With IMF support, the Ministry of Finance is implementing GFSM 2001, with annual data for both above and below the line transactions being reported. The authorities are reporting monthly GFS data to the IMF for the central government core budget and the ministry is also working on expanding the coverage of monthly and quarterly GFS data to general government.

Monetary and Financial Statistics: Da Afghanistan Bank (DAB) reports the Standardized Report Forms (SRFs) 1SR for DAB, 2SR for the other depository corporations (ODCs), and 5SR for monetary aggregates for publication in the IMF's *International Financial Statistics (IFS)* on a monthly basis with a lag of two months. However, there are data reporting issues arising from the restructuring of the Kabul Bank.

Financial sector surveillance: Afghanistan reports 11 of the 12 core financial soundness indicators (FSIs) and 10 of the 13 encouraged FSIs for deposit takers, and 2 FSIs for real estate markets on a quarterly basis for posting on the IMF’s FSI website with one quarter lag.

External sector statistics: Balance of payments and international investment position (IIP) statistics have been compiled according to the fifth edition of the *Balance of Payments Manual*. Recently, the DAB has sent the data converted into the sixth edition of Balance of Payments and International Investment Position Manual format to the STA and now the data is under STA’s review. Several TA missions provided by METAC have assisted the DAB in improving international accounts compilation in the past years up to September 2015. Although net errors and omissions remain considerable, data coverage has improved and net errors and omissions have decreased. A direct investment survey is needed and consistently revised historical data should be compiled.

II. Data Standards and Quality

Afghanistan, which has been a GDDS participant since June 2006, is currently in its successor data dissemination initiative, e-GDDS.

No data ROSC has been done.

Appendix I. Afghanistan: Table of Common Indicators Required for Surveillance

(As of March 25, 2016)

	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷
Exchange Rates	October 2015	12/7/2015	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	December 2015	2/13/2016	M	M	M
Reserve/Base Money	December 2015	2/13/2016	M	M	M
Broad Money	December 2015	2/13/2016	M	M	M
Central Bank Balance Sheet	December 2015	2/13/2015	M	M	M
Consolidated Balance Sheet of the Banking System	December 2015	2/13/2016	M	M	M
Interest Rates ²	December 2015	2/13/2016	D	M	M
Consumer Price Index	December 2015	2/13/2016	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ –General Government ⁴	--	--	--	--	--
Revenue, Expenditure, Balance and Composition of Financing ³ –Central Government	July. 2015	08/03/15	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	2015Q2	08/02/2015	Q	Q	Q
External Current Account Balance	2015Q3	1/11/2016	Q	Q	Q
Exports and Imports of Goods and Services	2015Q1	08/02/15	Q	Q	Q
GDP/GNP	2014/15	06/15/15	A	A	A
Gross External Debt	2015Q1	02/17/2015	Q	Q	Q
International Investment Position ⁶	2015Q2	07/27/15	A	A	A

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).