



# ISLAMIC REPUBLIC OF AFGHANISTAN

## TECHNICAL ASSISTANCE REPORT—EXTERNAL SECTOR STATISTICS MISSION

February 2020

This paper on the Islamic Republic of Afghanistan was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on December 2019.

Copies of this report are available to the public from

International Monetary Fund • Publication Services  
PO Box 92780 • Washington, D.C. 20090  
Telephone: (202) 623-7430 • Fax: (202) 623-7201  
E-mail: [publications@imf.org](mailto:publications@imf.org) Web: <http://www.imf.org>  
Price: \$18.00 per printed copy

**International Monetary Fund**  
**Washington, D.C.**



# TECHNICAL ASSISTANCE REPORT

## ISLAMIC REPUBLIC OF AFGHANISTAN External Sector Statistics Mission

DECEMBER 2019

PREPARED BY

*Renato Pérez*



**METAC**

### MEMBERS

Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, Yemen

### PARTNERS

Germany, Netherlands, Switzerland, European Commission, France

## DISCLAIMER

---

*The contents of this report constitute technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of Afghanistan (the “TA recipient”) in response to their request for technical assistance. This report (in whole or in part) or summaries thereof may be disclosed by the IMF to IMF Executive Directors and members of their staff, as well as to other agencies or instrumentalities of the TA recipient, and upon their request, to World Bank staff, and other technical assistance providers and donors with legitimate interest, including members of the Steering Committee of METAC, unless the TA recipient specifically objects to such disclosure (see [Operational Guidelines for the Dissemination of Technical Assistance Information](#)). Publication or Disclosure of this report (in whole or in part) or summaries thereof to parties outside the IMF other than agencies or instrumentalities of the TA recipient, World Bank staff, other technical assistance providers and donors with legitimate interest, including members of the Steering Committee of METAC, shall require the explicit consent of the TA recipient and the IMF’s Statistics Department.*

## MEMBERS

---



Afghanistan



Algeria



Djibouti



Egypt



Iraq



Jordan



Lebanon



Libya



Morocco



Sudan



Syria



Tunisia



West Bank  
and Gaza



Yemen

## PARTNERS

---



Germany



Netherlands



Switzerland



European  
Commission



France

# CONTENTS

Glossary	4
<b>SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS</b>	<b>5</b>
<b>DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS</b>	<b>7</b>
A. Action Plan	7
<b>STRENGTHENING THE DATA COLLECTION SYSTEM</b>	<b>9</b>
A. International Transactions Reporting System (ITRS)	9
B. Direct Investment for Nonfinancial Corporations	12
C. Direct Investment for the Banking Sector (ODC)	13
D. Personal Transfers and Grants	15
E. Unrecorded Exports	17
<b>OTHER ISSUES</b>	<b>17</b>
A. Reserve Assets	17
B. Technical Assistance and Capacity Development	18
<b>TABLES</b>	
1. Priority Recommendations	6
2. Direct Investment Transactions and Positions: IIP Statement – Hypothetical Banking Sector	14
3. Balance of Payments Direct Investment Transactions – Hypothetical Summary Table of the Banking Sector	14
<b>APPENDICES</b>	
I. Officials Met During the Mission	20
II. Progress in Action Plan of the March 2018 Mission	21
III. Report on Financial Transactions with Nonresidents	28
IV. Examples of ITRS “Neutral” Transactions	29
V. Capital Account and Financial Account: ITRS Codes	31
VI. Suggested Action Plan for ITRS Enhancement in Afghanistan	34

## Glossary

<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual, sixth edition</i>
CD	Customs Department
DAB	Da Afghanistan Bank
D4D	Data for Decision Fund
FDI	Foreign Direct Investment
ESS	External Sector Statistics
FSD	DAB's Financial Supervision Department
IIP	International Investment Position
IMF	International Monetary Fund
IRFCL	International Reserves and Foreign Currency Liquidity Template
IT	Information Technology
ITRS	International Transactions Reporting System
MFS	Monetary and Financial Statistics
MOF	Ministry of Finances
MPD	DAB's Monetary Policy Department
MSPs	Money Service Providers
NSIA	National Statistics and Information Authority
ODC	Other Depository Corporations
TA	Technical Assistance
STA	IMF's Statistics Department

## SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

**1. A technical assistance (TA) mission on external sector statistics (ESS) was conducted in Amman, Jordan, during March 31–April 10, 2019, for the Da Afghanistan Bank (DAB).<sup>1</sup>**

The mission took place at the request of the DAB and with strong support of the IMF's Middle East and Central Asia Department. This mission is part of the Middle East Regional Technical Assistance Center (METAC) work program. The mission objectives were to assist the DAB in improving the quality of the balance of payments and international investment position (IIP) statistics. The mission took stock of recent improvements in the ESS compilation practices and commended the DAB's Monetary Policy Department (MPD) for achieving most of the 2018 TA recommendations. The list of officials met by the mission is shown in Appendix I.

**2. Despite the progress achieved, major shortcomings remain to be addressed to enhance the policy relevance of ESS data.** Afghanistan's balance of payments and IIP have considerable gaps in the coverage of the current and financial accounts. The major data gaps are related to unrecorded personal remittances, military aid, and illegal exports. Consequently, the level of errors and omissions is significantly high and persistent. The mission focused on (i) reviewing and suggesting improvements to the International Transactions Reporting System (ITRS); (ii) examining the recording of the foreign direct investment (FDI) of the other depository corporations (ODC) in the balance of payments and IIP; (iii) assessing the data quality and methodological treatment of personal remittances and general government transfers; and (iv) evaluating the possibility of estimating opium exports.<sup>2</sup>

**3. The highest priority should be given to the improvement of personal transfers (remittances) coverage and the estimation of unrecorded personal transfers.** Remittances through autonomous Money Service Providers (MSPs) and informal channels are not captured; although, there seems to be a large remittance channel. Thus, the mission recommended to initiate—at the earliest convenience—the estimation of remittances that are not captured and urged that this be a permanent task in the DAB's work plan. The mission welcomed the identification of grants received by the government—including recorded "on-budget" and "off-budget"—between current and capital transfers, but the offsetting entries (mostly related to services) are pending.

**4. DAB should update the ITRS to improve the source data for balance of payments compilation.** The mission considers that the ITRS data should be the main data source for the compilation of many of the ESS components. The MPD has implemented an ITRS that only collects ODC data, excluding the central bank from its coverage. The current ITRS—labor-intensive—is based on spread sheets (not associated with any data base), with limited data

<sup>1</sup> The current security environment in Afghanistan precludes Fund staff travel to Kabul, Afghanistan.

<sup>2</sup> Estimation and recording of military aid were not discussed during this TA.

validations. This may be one of the causes of unrecording and misclassifications. The mission detected important discrepancies between the output data of the ITRS and the administrative sourced data. The updated ITRS proposed by the mission is a self-balancing system for the central bank and ODC. The ITRS revamping is a medium-term project will require an assignation of resources and should be supported by the DAB's senior management.

**5. The direct investment data have major limitations in their coverage and classification.** To enhance practical experience in FDI data collection for nonfinancial direct investment enterprises, it was agreed to run a pilot survey for about 10 to 15 major FDI enterprises of different economic sectors. It is expected that the pilot survey will provide useful insights and facilitate running a full-fledged survey in Kabul. The mission welcomed the compilation of ODC FDI for the fourth quarter of 2018, based on a survey. To streamline the compilation, MPD will compile ODC FDI database on audited financial statements data.

**6. The inclusion of the opium economy will have significant impact in the national and international accounts.** The National Statistics and Information Authority (NSIA)—with the support of international organizations—is finalizing the incorporation of the illicit drugs production (opium) in the GDP calculation for 2016–18. The NSIA will provide to MPD the estimated illegal exports and imports data associated with narcotics. MPD should incorporate these data into the balance of payments and with the support of relevant DAB's departments should prepare a model with the offsetting entries (including recorded and unrecorded imports, cash in vault, and others).

**7. To support progress in the above work areas, the mission recommended a detailed one-year action plan with the following priority recommendations carrying particular weight to make headway in improving ESS:**

**Table 1. Priority Recommendations**

Target Date	Priority Recommendation	Responsible Institutions
January 2020	<i>Update the current ITRS coding and instructions for aligning to BPM6 and streamlining/customizing to Afghan-specific transactions (remittances, other services, and others).</i>	MPD
January 2020	<i>Conduct the direct investment pilot survey.</i>	MPD
January 2020	<i>In coordination with the DAB's relevant departments to prepare a work plan for estimating on regular basis the remittances not captured by administrative data or ITRS.</i>	MPD

# DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

## A. Action Plan

8. **The below action plan includes steps to accomplish milestones.** The plan is for technical compilers. Actions are prioritized (high, medium, low) and priority recommendations identified. The status of the action plan recommendations of the 2017 and 2018 TA missions are shown in the Appendix II.

Priority	Action/Milestone	Target Completion Date
<b>Outcome: Source data are adequate for the compilation of these macroeconomic statistics.</b>		
<b>H</b>	Strengthen the validation of the current ITRS.	October 2019 and onwards
<b>H Priority action</b>	Update the current ITRS coding and instructions for aligning to BPM6 and streamlining/customizing to Afghan-specific transactions (remittances, other services, and others).	January 2020
<b>H</b>	Agreed with the DAB's senior management on the need of updating the ITRS in line the mission recommendations.	November 2019
<b>M</b>	Draft the initial technical requirements for enhancing the ITRS—including ODC and central bank, which should comprise resources needed, requested indicators, validation rules, submission requirements (format, periodicity, timeliness), and others.	December 2019
<b>H</b>	Define the enterprises to be included in the direct investment pilot survey—approximately 10 to 15 enterprises. The selected enterprises should be of the following industries: communications, hotels, postal services, agriculture, mining, and construction.	October 2019
<b>H Priority action</b>	Conduct the direct investment pilot survey.	January 2020
<b>H</b>	Base on the pilot results of the FDI survey, evaluate the way forward for running a full-fledged survey in Kabul.	March 2020
<b>H</b>	Compile direct investment data of the banking sector for 2015–17, sourced by the audited financial statements (reconciliation of equity), as discussed during the mission.	November 2019
<b>H</b>	Compile FDI data of the ODC for 2018 Q1, Q2, Q3 and onwards, sourced by the updated FDI survey for ODC.	November 2019 and onwards
<b>H</b>	Keep expanding the coverage of the remittances survey for capturing MTOs and licensed hawalas remittances data.	On a regular basis



Priority	Action/Milestone	Target Completion Date
<b>H Priority action</b>	MPD in coordination with the relevant DAB's department(s)—and support of the DAB's senior management—to prepare a work plan for estimating remittances not captured by the ITRS. The work plan to incorporate: (i) responsible unit of the project and (ii) periodicity of the remittances estimations.	<b>January 2020</b>
<b>H</b>	The MPD and other relevant DAB's department(s) to investigate and collect available secondary data (national and international sources) to be used for complementing the remittances estimation	<b>November 2019</b>
<b>H</b>	Request to the NSIA adding a remittances section in the households survey for obtaining relevant data.	<b>February 2020 and onwards</b>
<b>H</b>	The NSIA to be incorporated into the remittances project as a data source provider.	<b>March 2020</b>
<b>H</b>	The DAB to estimate on regular bases the remittances not captured by administrative data or ITRS.	<b>September 2020 and onwards</b>
<b>H</b>	Implement the current and capital transfers offsetting—such as grants in cash, technical assistance, and development projects—based on the Ministry of Finance information and following the model proposed in the 2018 TA mission.	<b>March 2020</b>
<b>H</b>	Base on the NSIA estimations included in the GDP calculation for 2016 to 2018, the NSIA to provide to MPD estimated data of:  total of illegal exports of narcotics and  total of imports not recorded in customs related to the illegal production of narcotics.	<b>December 2019</b>
<b>H</b>	Include in the balance of payments statistics, the estimated data of illegal exports and imports related to narcotic production (opium) for 2016–18 and prepare the correspondent estimated offsetting entries.	<b>January 2020</b>
<b><i>Outcome: Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs.</i></b>		
<b>H</b>	The DAB's Accounting Department to provide reserves assets data to the MPD: <ul style="list-style-type: none"> <li>• On accrual basis or market value—depending on the financial instrument.</li> <li>• With the needed sectoral breakdown according to the reserve format (central bank, ODC, other financial corporations).</li> </ul>	<b>November 2019 and onwards</b>
<b>H</b>	Use available data on reserves to complete the asset section of the template on IRFCL.	<b>November 2019</b>
<b>H</b>	Review the data consistency between ESS and MFS on the reserve assets.	<b>November 2019</b>

Priority	Action/Milestone	Target Completion Date
<b>H</b>	Develop a draft estimation of predetermine short-term net drains on foreign currency assets (nominal value) for the following categories: (i) up to one, month, (ii) more than one month and up to three months, and (iii) more than three months and up to one year.	<b>March 2020</b>
<b>Outcome: Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.</b>		
<b>M</b>	The DAB's management to nominate staff for training courses at the IMF HQ, regional training centers, and other international organizations.	<b>Ongoing</b>
<b>M</b>	The MPD to always have staff trained in different duties associated with the ESS compilation; to manage eventual staff turnover and not jeopardize the needed improvement in the ESS.	<b>Permanent</b>
<b>H</b>	Organize staff visits to partner countries for exchange of experience in compiling ESS (subject to funding availability). One of the priority topics of such visits would be the operation of the ITRS.	<b>Once a year</b>
<b>Outcome: Data access to the public has improved through better formatting/framework presentations and/or assistance to users.</b>		
<b>H</b>	Direction of Trade (DOT) data should be permanently reconciled with balance of payments statistics prepared by the MPD.	<b>Ongoing basis</b>

## STRENGTHENING THE DATA COLLECTION SYSTEM

### A. International Transactions Reporting System (ITRS)

9. **The current ITRS provides data sourced from commercial banks and are used for compiling many of the of the balance of payments and IIP components.** The focus should be on strengthening the ITRS data validation procedures. It is critical to reinforce the internal procedures, including the requirement of supporting documents from the banks for statistical outliers, and intensifying work with the reporting staff of the banks. The mission considers that the current ITRS coding should be simplified and customized to Afghan-specific transactions. In order to do not duplicate the data requirements to ODC, MPD should make a stocktaking of data collected by the Financial Transactions and Reports Analysis Center of Afghanistan.<sup>3</sup>

10. **DAB should update the ITRS oriented to improve significantly the balance of payments compilation practices.** The current ITRS—reported on quarterly basis—is labor-intensive, based on spreadsheets (not a database), and with minor validations at bank level.

<sup>3</sup> The Financial Transactions and Reports Analysis Center of Afghanistan is the Financial Intelligence Unit.

The mission considers that the current ITRS may be source of significant under coverage and misclassifications for the balance of payments compilation, including the exclusion of the DAB in its coverage.

**11. The properly revamped ITRS is to serve as the main source of information for balance of payments compilation.** Afghanistan faces major limitations on the source data quality for compiling ESS and further ITRS enhancements would be a pragmatic approach. Enhancements to the ITRS should include: (i) revised ITRS design with expanded coverage—including the central bank—and (ii) significant changes in data processing at all stages, from data entry and data transmission to data validation and processing of source data and of intermediate outcome.

**12. The mission emphasized that ITRS enhancement project can only be implemented with strong support of the DAB's top management.** The ability of the MPD team to check data at the level of individual bank reports should be an intrinsic part of sufficiently trained staff, and Information Technology (IT) resources should be available.

**13. The ITRS enhancement should have two main objectives: improved quality of the data and reduced costs for the banks.** Therefore, design of the enhanced ITRS is to be based on the following fundamental principles: (i) the use of standardized coding system—aligned to the needs of Afghanistan—transactions, and positions; (ii) the data are to be derived from the core banking and linked directly to the bank's operational day; (iii) data are to be collected and monitored centrally; (iv) the system is to be IT-backed and flexible enough to accommodate specific requirements of the respondents; and (v) applied IT and hardware that are compatible with a variety of IT platforms in the banks.

### **Prerequisites for ITRS Enhancement**

**14. The effectiveness of further ITRS improvements is subject to** (i) strong top level managerial support in the DAB and well prioritized planning process; (ii) strong cooperation with reporting banks, including banks' involvement in designing the reporting procedure starting from the initial implementation stage; (iii) sufficient IT and staff resources devoted to ITRS in the DAB and in banks; (iv) the level of IT development, (v) the quality of the design of report forms and procedures for the collection of information; and (vi) training of respondents.

**15. Cooperation with the reporting banks during development of the enhanced ITRS is an imperative for success.** Enough time should be given for the banks (ODCs) to make the necessary changes to their internal recording and for MPD to provide methodological support to link the ITRS reporting to banks' operational day. It should be an elaborated promotion process of the enhanced ITRS to the banks' management, and training of the technical staff involved in the ITRS reporting.

## ITRS Reporting Procedure

**16. The report form is to be submitted on direct correspondent accounts with nonresident banks and on the current accounts of nonresident clients.** The report form is filled separately for each correspondent account with nonresident banks. The report form includes the following details: name of the bank, account number, reporting period, currency of the account, transacting domestic entity (bank, nonfinancial corporation, other financial institution, individual, government), code of transaction, country of transactions, and value of transaction (credit or debit).

**17. It is preferable that the system converted into a closed system, on which banks are required to report all movements on each correspondent account together with the beginning and end of period positions.** Appendix III provides an example of report form. Such design gives the basis necessary for data verification, the harmonization of data on transactions and positions, and validation with monetary and financial statistics (MFS). It should be understood though, that not all the movements on correspondent accounts will give rise to a balance of payments transaction. Therefore, a special code is to be assigned for the aggregated data on non-balance of payments—also denominated neutral transactions—and relevant written instructions with explanation of various neutral transactions are to be given to the banks. Appendix IV provides practical examples of neutral transactions.

**18. Banks are to provide monthly aggregated data in a single electronic form.** The form is to be accompanied with detailed instructions for respondents. In addition to existing transactions covered by current ITRS. Appendix V contains suggested codes for capital and financial account transactions.

## ITRS Revamping

**19. The Action Plan should have the following main components:** (i) modifications in the ITRS design; (ii) development of the report forms with the explanatory notes; (iii) report forms' field testing; (iv) development of the IT for all ITRS constituencies; (v) ITRS pilot testing for banks; (vi) ITRS implementation for banks; (vii) development of the ITRS initial data verification and validation procedures; (viii) elaboration of the ITRS intermediate data verification and validation procedures; and (ix) the ITRS consulting and training. The suggested general action plan for ITRS enhancement is given in Appendix VI.

**20. The outcome of the joint DAB-banks ITRS working group should be the following:** (i) update the ITRS report form—according to the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* and customizing to Afghanistan's specific needs—and draft explanatory note, (ii) ensure the consistency between the balance of payments reporting requirements and banking accounting practices, (iii) electronic data transmission and validation, (iv) effective list of the transactions codes, and (v) modalities of the ITRS consulting and training.

**21. The major milestone is the development of relevant software and network reporting protocols for the banks.** The enhanced ITRS IT should have segments: (i) initial data input, verification, and transmission to MPD; (ii) source data processing and validation; (iii) source data aggregation, conversion in one unit of account, validation of intermediate results for the reporting period; and (iv) intermediate data processing, time-series analysis, incorporation into the main balance of payments compilation. The ITRS IT support should be of a long-term nature to ensure sustainability.

**22. There is a need to develop data verification procedures, which should be performed** (i) when data are received from banks and entered into the MPD database; (ii) after worksheets are prepared; and (iii) when the aggregated ITRS data are prepared. The data validation procedure for initial banks data should include on-site banks inspections.

***Recommended Actions:***

- Strengthen the validation of the current ITRS
- Update the current ITRS coding and instructions for aligning to BPM6 and for streamlining/customizing to Afghan-specific transactions (remittances, other services, and others).
- Draft the initial technical requirements for enhancing the ITRS—including ODC and central bank, which should comprise resources needed, requested indicators, validation rules, submission requirements (format, periodicity, timeliness, and others).

## **B. Direct Investment for Nonfinancial Corporations**

**23. Data on direct investment of nonfinancial corporations have limitations on coverage and classification.** The direct investment is compiled using the initial commitment (approvals) of the investors to invest in the licensed projects. The full commitment amount is currently registered under direct investment—equity in the balance of payments for the period when the commitment was made. The major limitations of this approach are:

- I. coverage—often not all of the committed amount is invested, or investment could exceed the committed one;
- II. timing—the committed amount is invested over the agreed investment period that, in most cases, could be a number of years; consequently, the committed amount should be registered in the balance of payments for the period when it was realized. If de facto investment by period is unknown, the committed amount should be equally split into the number of years/quarters of the implementation period; and
- III. classification—the committed investment could be financed through three types of funds that include: (a) funds invested as equity capital, (b) loans from the parent company or

from other affiliated entities, and (c) debt liabilities (loans, debt securities) to nonaffiliated creditors. These components should be classified in balance of payments respectively as equity, debt instruments, and debt securities (portfolio investment)/loans (other investment).

**24. The mission is aware that the security environment in Afghanistan affects the ability to run a full-fledged direct investment survey for nonfinancial corporations.**

Previous TAs have recommended conducting an enterprise survey, with responsibility shared between the MPD and the NSIA. However, budget and security constraints have affected the implementation of this recommendation. In this context, the mission discussed different initiatives to address the data gap in direct investment data.

**25. The mission recommended applying a pilot survey to the top 10–15 FDI enterprises in Kabul to evaluate the rate of response and reliability of this initiative.**

The selection of these top enterprises should include the main direct investment business operating in Kabul, and for this just one time, MPD staff will be responsible for conducting this pilot survey. The list of companies for the survey will be defined jointly by the Central Business Registry and Intellectual Property Department, the NSIA, and the current ITRS. The mission and MPD staff reviewed and agreed on the updated form to be used in the survey. The results of the proposed pilot survey will determine the feasibility of running a full-fledged survey for nonfinancial corporations in Kabul and/or evaluating alternative estimation methods of FDI.

***Recommended Actions:***

- Define the enterprises to be included in the direct investment pilot survey—approximately 10 to 15 enterprises. The selected enterprises should be of the following industries: communications, hotels, postal services, agriculture, mining, and construction.
- Conduct the direct investment pilot survey.
- Base on the pilot results of the FDI survey, evaluate the way forward for running a full-fledged survey in Kabul.

### **C. Direct Investment for the Banking Sector (ODC)**

**26. The MPD has compiled FDI of the banking sector—fourth quarter, 2018—using a survey form.** The mission welcomed the advance on the collection of FDI data; however, for optimizing the compilation process, the mission and MPD agreed that the direct investment data for the ODC will be the MPD’s responsibility, based on available information in the DAB’s Financial Supervision Department (FSD). For this purpose, the MPD to request access to audited statements at the FSD, following the internal confidentiality rules. Direct investment related transactions and positions sourced from banks financial statements available at the FSD should be consistent with those from the MFS, specifically on the liabilities side—Shares and other equity liabilities in the 2SR (code 512FODLQF\_FX\_XDC).

**27. The mission trained MPD staff on compiling financial data—from audited financial statements—and the use of an excel template for estimating the FDI.<sup>4</sup>** The data to be collected are sourced by (a) income statements, (b) statements of changes in equity, and (c) equity composition of the banks (to identify the share of foreign ownership). Table 2 shows the hypothetically compiled data of the banking sector in line with the IIP statement. Table 3 shows the data to be included in the balance of payments for the banking sector.

**Table 2. Direct Investment Transactions and Positions: IIP Statement – Hypothetical Banking Sector**  
(Thousands of USD)

	Beginning of period	Financial Account Transactions			Other Changes in financial assets and liabilities account			End of Period
		Total	Reinvestment of Earnings	Equity Other than Reinvestment of Earnings	Total	Other changes in volumen	Revaluations*	
2015	61,811	9,808	9,808	-	4,381	1,502	2,878	76,000
2016	76,000	9,488	9,488	-	-7002	-	(7,002)	78,486
2017	78,486	7,607	2,916	4,691	(8,753)	(2,303)	(6,450)	77,340

Source: hypothetical data—do not correspond to Afghanistan's banking sector.

**Table 3. Balance of Payments Direct Investment Transactions – Hypothetical Summary Table of the Banking Sector**  
(Thousands of USD)

<b>Current Account</b>			
<b>Primary Income</b>		<b>2015</b>	<b>2016</b>
<b>Direct investment income</b>		<b>11,047</b>	<b>12,040</b>
Dividends and withdrawals from income		1,238	2,552
Reinvested earnings		9,808	9,488
<b>Financial Account</b>		<b>2015</b>	<b>2016</b>
<b>Direct Investment</b>			
<b>Equity and investment fund shares</b>		<b>9,808</b>	<b>9,488</b>
Equity other than reinvestment of earnings		-	-
Reinvestment of earnings		9,808	9,488

Source: hypothetical data—do not correspond to Afghanistan's banking sector.

#### **Recommended Actions:**

- Request access to audited financial statements of the ODC, following the DAB's internal confidentiality rules.

<sup>4</sup>The mission provided to MPD staff a detailed file which derives banks direct investment transactions and positions from financial statements.

- Compile FDI data of the ODC for 2015–2107, sourced by the audited financial statements.
- Compile FDI data of the ODC for 2018 Q1, Q2, Q3, and onwards, sourced by the updated direct investment survey for banks.<sup>5</sup>

## D. Personal Transfers and Grants

**28. The coverage of personal transfers (remittances) in the balance of payments compilation is limited and still needs to be expanded.** The ITRS continue to be the data source for compiling personal transfers and only covers the remittances that go through the banking sector and MSPs attached to banks. Remittances that go through autonomous MSPs and informal channels—such as hawala—are not captured; although, it seems to be a large remittance channel. It was confirmed that the MTOs in Afghanistan do not have a centralized system from where the remittance data can be obtained.

**29. The survey conducted to the autonomous MSPs have had good traction; however, the collected data are not significant for ESS compilation.** The MPD considers that in the short/medium run, not significant improvements in the recording of remittances of autonomous MSOs and informal channels are expected.

**30. Highest priority should be given to the estimation of unrecorded personal transfers, which is recognized as one of the major inflows of Afghanistan, using indirect data sources.**<sup>6</sup> The estimation of unrecorded remittances—through indirect data sources—should be a permanent activity in the DAB's work plan and initiated at the earliest convenience.

**31. A well-designed households survey can be an important source of information for estimating remittances.** However, the mission was informed that the current households survey (conducted by the CSO) does not provide useful data for remittances estimation. MPD staff consider that adding a remittances section and fully implement the households survey—including data collection—may take a couple of years.

**32. The use of models to complement the remittances estimation seems to be the way forward.** The DAB should explore the available secondary data on migrant statistics such as migration of Afghans by destination, migration flows over the time, gender of the migration, migrants' income by country/region, seasonality of the migration (if it is applicable), household income sourced from migrants by region, and other relevant data. The mission shared a couple of public academic papers related to remittances received by Afghans households—prepared by the Afghan Economic Society—and international migration data sourced by the United Nations, World Bank Group, and Asian Development Bank. Anecdotal evidence suggests that the

<sup>5</sup> The 2018 Q4 data is already included in the balance of payments and IIP.

<sup>6</sup> Indirect data is also called secondary data.



remittances that are sent by hawalas and informal channels represent around 50 percent of the total remittances in Afghanistan.<sup>7</sup>

***Recommended Actions:***

- Keep expanding the survey coverage for capturing MTOs and licensed hawalas remittances data.
- The MPD in coordination with the relevant DAB’s department(s)—and with support of the DAB’s senior management—to prepare a work plan for estimating remittances not captured by the ITRS. The work plan to incorporate (i) responsible unit of the project and (ii) periodicity of the remittances estimations.
- The MPD and other relevant DAB’s department(s) to investigate and collect available secondary data (national and international sources) that can be used to complement the remittances estimation.
- The MPD to request to the NSIA adding a remittances section in the households survey for obtaining relevant data.
- The NSIA to be incorporated into the project as a data source provider.
- The DAB to estimate on regular bases the remittances not captured by administrative data or ITRS.

**33. The mission welcomed the identification of the grants received by the government—including the recorded “on budget” and “off budget”—between current and capital transfers.** However, the identification of offsetting entries is still pending, except for grants received in cash and of import of goods for the projects financed through grants. The method for estimating the counter entries for the general government grants—discussed in the 2018 TA—is presented in Annex II of the 2018 mission report.

***Recommended Action:***

- Implement the current and capital transfers offsetting—such as grants in cash, technical assistance, and development projects—based on the Ministry of Finance information and following the model proposed in the 2018 TA mission.

---

<sup>7</sup> See Barlas, A.W. (2018). An Assessment of External Remittance Contributions to Total Household Income: A Case Study of the Northern Provinces in Afghanistan. Afghan Economic Society.

## E. Unrecorded Exports

**34. The inclusion of the opium economy will have significant impact in national and external accounts.** The NSIA—with support of international organizations—is finalizing the incorporation of the illicit drugs production (opium) in the GDP calculation for 2016–2018.

**35. MPD will obtain from the NSIA the estimated data of illegal (i) exports of narcotics and (ii) imports associated with the narcotics production, to incorporate into the balance of payments.** Considering the amount of exported illegal drugs, their inclusion in balance of payments statistics should be done only when the estimation method is proven to be reliable. The mission was informed that MPD staff are participating—as needed—in this project, so there is adequate interagency coordination. When the estimation method is accepted by the concerned agencies, MPD should incorporate these data into the balance of payments and with the support of relevant DAB's departments should prepare a model with the offsetting entries of the narcotics exports—including imports, cash in vault and others. The offsetting entries may contribute to reduce the errors an omission in the balance of payments.

### **Recommended Actions:**

- Based on the NSIA estimations included in the GDP calculation for 2016–18, the NSIA to provide to MPD estimated data of total of illegal exports of narcotics and total of imports not recorded in customs, related to the illegal production of narcotics.
- Include in the balance of payments statistics, the estimated data of illegal exports and imports related to narcotic production (opium) for 2016–18 and prepare the offsetting entries of these data.

## OTHER ISSUES

### A. Reserve Assets

**36. Currently, the DAB's reserve assets are recorded at face value.** The mission explained that according to *BPM6*, market prices should be used in ESS for valuing transactions and positions.<sup>8</sup> Thus, the DAB's Accounting Department should provide to the MPD reserve assets data at market prices for the compilation of reserves assets. The reserves assets compiled for ESS purposes should be consistent with the MFS data.<sup>9</sup> Transactions are estimated as difference in positions at the end and at the beginning of the reported period and converted to USD by applying average exchange rate. As a result, the estimated transactions also include changes due to variation in exchange rate and price. According to *BPM6* methodology, only “pure transactions” should be registered in the balance of payments; and exchange rate and price changes should be registered in the integrated IIP, under reevaluation. For estimating pure

<sup>8</sup> See *BPM6*, paragraphs 7.69 to 7.73.

<sup>9</sup> Minor differences may arise due differences on different exchange rates used in MFS and ESS compilation.

transactions, as well as exchange rate and price changes, compilers should request from the reserve management unit of the DAB (or other unit in charge) the currency and instrument composition of reserve assets.

**37. The DAB will initiate the compilation of predetermined short-term net-drains on foreign currency.** The mission noted that reserve-related liabilities are narrowly defined in *BPM6* as foreign currency liabilities of the monetary authorities that can be considered as direct claims by nonresidents on the reserve assets of an economy.<sup>10</sup> The mission further clarified the differences in concepts of reserve related liabilities (current positions, original maturity) and the concept of net drains (determined based on residual maturity foreign currency inflows and outflows to be received or paid within the forthcoming 12 months).

**38. The DAB is considering reporting to the IMF's Statistics Department (STA) reserve assets data—on regular basis—using the International Reserves and Foreign Currency Liquidity template (IRFCL).**<sup>11</sup> The mission encouraged MPD staff to set up the compilation of the IRFCL that provides framework to consistently record foreign currency resources and net short-term outflow of these resources (scheduled and potential). In the next ESS TA, the mission will review the prepared source data for constructing the IRFCL, including the estimates of predetermined short-term net drains on foreign currency assets, to be submitted to STA.

**Recommended Actions:**

- The DAB's Accounting Department to provide reserves assets data to the MPD on accrual basis or market value—depending on the financial instrument and with the needed sectoral breakdown according to the reserve format (central bank, ODC, other financial corporations).
- Use available data on reserves to complete the asset section of the template on IRFCL.
- Review the data consistency between ESS and MFS on the reserve assets.
- Develop a draft estimation of predetermine short-term net drains on foreign currency assets (nominal value) for the following categories: (i) up to one, month, (ii) more than one month and up to three months, and (iii) more than three months and up to one year.

## B. Technical Assistance and Capacity Development

**39.** The mission discussed the training needs of MPD officials. The mission emphasized the importance of participation of officials in ESS courses offered by the IMF's Headquarters (Washington, D.C.) and IMF-Singapore Training Center. It was also stressed that it is of the

<sup>10</sup> See *BPM6*, paragraphs 6.115 and 6.116.

<sup>11</sup> MPD staff will benefit of a hands-on training on financial account compilation, which will cover the IRFCL compilation. The workshop will take place in Philippines during December 2019 and is financed by the Data for Decision Fund (D4D).

utmost importance that officials directly involved in the compilation of ESS be nominated for future training.

***Recommended Actions:***

- The DAB's to nominate staff for training courses at IMF's HQ, regional training centers, and other international organizations.
- The MPD to always have staff trained in different duties associated with the ESS compilation; to manage eventual staff turnover and not jeopardize the needed improvement in the ESS.
- Organize staff visits to partner countries for exchange of experience in compiling ESS (subject to funding availability). One of the priority topics of such visits would be the operation of the ITRS.

## Appendix I. Officials Met During the Mission

**The mission wishes to thank the officials of the MPD for their cooperation during its stay in Amman.** Their assistance contributed significantly to the achievement of the mission's objectives. The list of officials met by the mission is shown below.

Name	Position
Mr. Ahmad Jawad Sadad	Deputy Director General, Monetary Policy Department
Mr. Mahboobullah Wafah	IIP Manager
Mr. Abdul Qadir Majid	Analysis and Reporting MIS Section Manager, Accounting and Finance General Directorate
Mr. Mohsen Nabizada	Balance of Payments Manager
Mr. Rokhaan Ahmad Nader	ITRS Manager

## Appendix II. Progress in Action Plan of the March 2018 Mission

Priority	Action/Milestone	Target Completion Date	Progress
<b>Outcome: Source data are adequate for the compilation of these macroeconomic statistics.</b>			
H	Review the ITRS codes and instructions for aligning to <i>BPM6</i> and for accommodating new codes emerging from economic events (remittances, MTOs, etc.)	January 2019	Pending
H	Conduct a training program for banks on providing guidelines for reporting and applying the updated ITRS codes	January 2019	Pending
H	Implement changes in the ITRS for enhancing the banks' reporting.	January 2019 (starting with the report for 2019) <b>Benchmark action</b>	Pending
M	Conduct an inventory revision of survey forms employed by the CSO and suggest changes, where relevant, allowing data collection for balance of payments purpose.	September 2018	Partially done. Forms have been submitted to CSO but still do not received the reports accordingly.
H	Request additional indicators from the MOF on debt liabilities (position and transactions) for supporting their registration in balance of payments/IIP according to <i>BPM6</i> .	September 2018	Done
H	Formalize the institutional arrangements through a Memorandum of Understanding between Customs Department (CD), CSO, and the DAB for sharing comprehensive quarterly trade and services data.	September 2018	MPD considers that there is no need to sign a Memorandum of Understanding.
H	Assure the availability (through the access to customs declarations database (CDDDB) or requesting reports from CD) of the CDDDB, with sufficient granularity for generating reports requested for balance of payments purposes (e.g., import of goods within the technical assistance/investment projects; import/export of goods by foreign embassies, military bases; import of cars by individuals, and other).	November 2018	Done

Priority	Action/Milestone	Target Completion Date	Progress
M	Explore with the MOF the available data on insurance companies for their use in ESS compilation.	October 2018	Done
M	Conduct quarterly tripartite meetings (DAB, SCO, and Customs) for discussing the arising issues related to trade in goods statistics	Regularly	Done
H	(i) Review the survey forms for domestic and foreign airlines and travel agencies to accommodate changes suggested during the mission; (ii) Launch the collection based on updated forms.	August 2018	Done
H	Launch the survey of hotels through the updated survey form.	August 2018	Done
M	Assess the possibility of introducing changes to the survey form on construction services conducted by the CSO, for identifying transactions with nonresidents.	September 2018	Partially done. Forms have been submitted to CSO but still do not received the reports accordingly.
H	(i) Update the survey form for telecommunication companies to allow collecting data on mobile money transfers; (ii) Launch the collection based on the updated form.	September 2018	Done
H	Launch a survey of money transfer operators (e.g., Money Gram, Western Union, etc.).	January 2019	Done
H	Request data from the FSD on foreign investment in resident banks for compiling direct investment in banking sector.	September 2018 <b>Benchmark action</b>	Done
H	Request data from the FSD on letters of credit and use them for compiling advances components.	September 2018 <b>Benchmark action</b>	Done The data have not been relevant for ESS purposes.
<b>Outcome: Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs.</b>			
H	Adjust import/export of goods for improving the coverage: (i) estimation of import of goods by individuals (smuggling trade);	November 2018	Partially Sales of fuel and other goods to foreign airlines are collected

Priority	Action/Milestone	Target Completion Date	Progress
	(ii) sale of fuel and other goods to foreign airlines.		(airlines quarterly survey). Smuggling trade not estimated yet.
<b>H</b>	In consultation with other government agencies and foreign institutions represented in Afghanistan (main donors), and international organizations, estimate the distribution of foreign military assistance between current and capital transfers, and corresponding offsetting entries in import of goods and/or services.	<b>November 2018</b>	Pending. No responses from international organizations.
<b>M</b>	Create a task force for estimating the impact of illegal drug production in Afghanistan and their export in national accounts statistics and ESS.	<b>Ongoing cooperation</b>	Ongoing
<b>H</b>	Recalculate the FOB value of imported goods from neighboring countries, excluding the freight and insurance from the service account.	<b>August 2018</b>	Done
<b>H</b>	Adjust data registered as insurance services for excluding/separating the transfer component.	<b>August 2018</b>	Done
<b>H</b>	Assess, based on information received from commercial banks, the adequacy of data reported in ITRS as imports of construction services and other business services (legal and consulting services) and adjust the balance of payments accordingly.	<b>November 2018</b>	Already reported by banks through ITRS and included in ESS.
<b>M</b>	Implement the adjustments to the estimation of remittances (compensation of employees and personal transfers) by employing new data sources (e.g., MSPs).	<b>June 2019</b>	Pending
<b>H</b>	Adjust data on government goods and services to include purchases by foreign embassies and military bases from domestic economy, considering the transactions through their accounts with domestic banks.	<b>January 2019 through the banks</b>	Purchase of goods and services from domestic economy by international organization are captured through the ITRS.
<b>H</b>	Implement the new treatment of current and capital transfers (grants in cash, technical assistance, and development projects,	<b>December 2018</b>	Partially. Identification of current and capital accounts is done. The



Priority	Action/Milestone	Target Completion Date	Progress
	including aid from the US) based on MOF information and following the model proposed by the mission, including estimation of offsetting entries.	<b>Benchmark action</b>	corresponding offsetting entries are pending
<b>H</b>	Review the data registered under direct investment for identifying equities, debt liabilities to affiliates, and debt liabilities to nonaffiliated creditors and for distributing the total project amount, considering the duration of the implementation. In case the MPD does not have access to the source data, estimations should be made. The historical estimations to be reviewed when the direct investment survey is implemented.	<b>December 2018</b>	Partially done
<b>M</b>	Start recording in currency and deposits of other sectors the estimated offsetting entries for inflow of foreign exchange cash from remittances and outflow of foreign exchange for purchase of goods (e.g., cars, shuttle trade).	<b>December 2018</b>	Pending.
<b>H</b>	Estimate the trade credit and advances, liabilities based on data on letters of credit available at the Banking Supervision Department.	<b>December 2018</b>	Done
<b>M</b>	Produce the first draft of gross external debt statistics for recording in the World Bank's QEDS (Table 1).	<b>May 2019</b>	Done
<b>Outcome: Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.</b>			
<b>M</b>	Nominate staff for training courses at IMF HQ, regional training centers, and other international organizations.	<b>Ongoing</b>	
<b>M</b>	MPD to always have staff trained in different duties associated with the ESS compilation; to manage eventual staff turnover and not jeopardize the needed improvement in the ESS.	<b>Permanent</b>	
<b>M</b>	Organize staff visits to partner countries for exchange of experience in compiling ESS (subject to funding availability).	<b>Once a year</b>	

Priority	Action/Milestone	Target Completion Date	Progress
<b>Outcome: Data access to the public has improved through better formatting/framework presentations and/or assistance to users.</b>			
<b>M</b>	CSO is encouraged to report DOT data to STA, as well as monthly trade statistics for public dissemination on IMF's publications. These data should be reconciled with the balance of payments statistics prepared by the MPD and the differences explained and recorded in case further improvements in the quality of data are needed.	<b>December 2018</b>	Done

### Progress in Action Plan of the March 2017 Mission

Priority	Outcomes Description	Verifiable Indicators	Completion Date	Progress
<b>H</b>	Include Bank for International Settlements (BIS) data for deposits abroad of the nonbank sector to improve coverage of currency and deposits of the nonbank sector in the balance of payments and the IIP.	BIS data for deposits abroad of the nonbank sector are included. Coverage of currency and deposits of the nonbank sector is improved.	<b>June 2017</b>	Done
<b>H</b>	Submit quarterly IIP data to STA in <i>BPM6</i> format. Benchmark.	IIP data are submitted to STA in time for the Balance of Payments Statistics Yearbook 2017.	<b>August 2017</b>	Done. Data quality need to be improved.
<b>H</b>	Incorporate data reported under Shares and other equity liabilities in the Standardized Report Form for Other Depository Corporations (2SR) as a proxy for direct investment equity liabilities of deposit-taking corporations to improve the estimate of direct investment liabilities.	Shares and other equity liabilities in the 2SR are included. Direct investment liabilities coverage improved.	<b>December 2017</b>	Done
<b>M</b>	Consult with monetary counterparts to discuss how	Transactions data for financial derivatives	<b>December 2017</b>	Done.

Priority	Outcomes Description	Verifiable Indicators	Completion Date	Progress
	to collect the transaction data for financial derivatives from other depository corporations to improve balance of payments data for financial derivatives.	are revised and balance of payments data quality improved.		Currently, financial derivatives are not relevant in Afghanistan.
<b>M</b>	Review classification of International Transactions Reporting System (ITRS) transactions recorded under education-related and health-related travel to improve the classification of services.	ITRS transactions are reviewed and classification of services improved.	<b>December 2017</b>	Done. Classifications needs to be improved.
<b>M</b>	Review classification of goods and services purchased from the host economy by embassies and military bases to improve classification of services.	Classification is reviewed and services data improved.	<b>December 2017</b>	Done
<b>H</b>	Continue to monitor the consistency between balance of payments and IIP data on a regular basis to ensure data quality.	Consistency between balance of payments and IIP data is monitored.	<b>Ongoing</b>	Ongoing
<b>H</b>	MPD to develop a project proposal for conducting the enterprise survey and share it with the CSO. Benchmark	Project proposal is prepared and shared with CSO to launch the survey process.	<b>September 2017</b>	Done
<b>H</b>	MPD and CSO establish the legal authority under which the survey will be conducted, develop the list of companies for the survey frame, determine coverage, and finalize the pilot survey form.	Legal authority for conducting the survey is established, the survey frame developed, and the pilot survey form finalized.	<b>November 2017</b>	Done
<b>H</b>	Develop Memorandum of Understanding with other key agencies involved.	Memorandum of understanding with other key agencies is signed.	<b>December 2017</b>	Delayed
<b>H</b>	Secure funding for the survey.	Funding for the survey is secured.	<b>March 2018</b>	Delayed
<b>H</b>	MPD and CSO to conduct a pilot survey with approximately 10 of the	Pilot survey is conducted, and results are assessed.	<b>December 2018</b>	Delayed

Priority	Outcomes Description	Verifiable Indicators	Completion Date	Progress
	largest foreign-owned companies.			
<b>H</b>	Conduct the full survey.	Full survey is conducted.	<b>April 2019</b>	Delayed
<b>H</b>	Include survey results in ESS.	Survey results are incorporated in ESS to improve quality of the data for the nonfinancial private sector.	<b>December 2019</b>	Delayed
<b>M</b>	Continue to compare Direction of Trade Statistics (DOTS) and CSO data for partner countries to improve trade data.	DOTS and CSO trade data are compared and trade data improved over time.	<b>Ongoing</b>	Done
<b>M</b>	Meet with CSO to discuss the methodology for calculating the estimate of informal trade for GDP by expenditure and discuss the feasibility of including this estimate in imports with the Interagency Committee.	Decision is made on feasibility of including an estimate for informal trade based on GDP by expenditure data to improve trade data.	<b>February 2018</b>	Done
<b>M</b>	Continue to monitor the reporting of Hawala brokers through money service providers (MSPs) to improve the coverage of the informal economy.	Reporting of Hawala brokers through MSPs is monitored to improve coverage of informal transactions.	<b>Ongoing</b>	Done

## Appendix III. Report on Financial Transactions with Nonresidents

(reporting bank)	(code)
CONTACT PHONE NUMBER	
(BANK-NONRESIDENT)	(country code)
	CURRENCY (Code) _____

opening position	Claims	Code	amount
		9111	
		Liabilities	9221

Transaction code	Country code	Transactor code	CR	DR	Explanation (optional)
1	2	3	4	5	6

Closing position	Claims	Code	amount
		9112	
		Liabilities	9222

## Appendix IV. Examples of ITRS “Neutral” Transactions

1.1	Funds transfers between the same Afghan bank’s correspondent’s accounts.	Afghan bank’s funds transferring from one of its correspondent account to another, opened in the same currency.
1.2.	Purchase (sale) and conversion of currency between residents (non-cash settlement).	Purchase (sale) of non-cash foreign exchange for national currency; Conversion of one foreign currency into another that carried out between two residents.
1.3.	Purchase (sale) of foreign currency in cash for cashless foreign currency between juridical persons-residents.	Transactions between residents (juridical persons); Withdrawal of funds in foreign currency from the nostro-account for purchase of foreign currency cash; Putting funds in foreign currency to the nostro account for sale of foreign currency cash.
1.4	Settlements between non-residents.	Funds transferring between vostro accounts of nonresident bank; Purchase (sale) and conversion of currency between non-residents. Settlements between non-residents with the current accounts in Afghani bank.
1.5	Foreign currency’s conversion between resident and nonresident.	Conversion of one foreign currency to another foreign currency, which is carried out between resident and nonresident.

### Bank’s Reporting:

*1. A resident bank sells EUR 100 to a bank abroad in exchange for USD. Assume EUR 1 equals USD 1,5 (see 1.5. above).*

The resident bank reports the following information.

In Report Form on the nonresident EUR account a debit entry will be reported for EUR 100 with the neutral code for transfers (the position on the nostro account in EUR will decrease because of the sale).

In the Report Form on the USD account the position will grow as a result of the purchase of this currency, so a credit entry has to be reported with the code for neutral transfers at the amount of USD 150.

Bank X nostro EUR

Bank X nostro USD

BP	CR	DR	EP		BP	CR	DR	EP
2000					1000			
		100		NC		150		
			900					1150

BP = position at the beginning of period

EP = position at the end of period

NC = transaction with neutral code

This transaction is neutral as the asset position of the resident bank vis-a-vis banks abroad remains the same, while the currency composition of foreign assets has been changed.

2. *Nonresident client A pays for goods to nonresident client B of the Afghani bank (see 1.4 above).*

For client A, a debit entry with the code for neutral transaction will be recorded; and the credit entry for client B will be recorded in his account with Afghani bank.

3. *Resident bank A pays USD 100 to resident bank B (see 1.2 above).*

Bank A reports a debit entry of USD 100 with the neutral code. Bank B has to report credit entry of USD 100 with the neutral code.

## Appendix V. Capital Account and Financial Account: ITRS Codes

#	Capital Account	Codes	Explanation of Codes	
1		2	3	4
1	Capital transfers	3433	3434	Non-compensated irrevocable payments of a one-time and irregular nature for both the donor and recipient (beneficiary), which are directly related to the acquisition or sale of fixed capital.
2	Acquisition / disposal of non-produced nonfinancial assets	3591	3592	The acquisition / realization of land and its subsoil assets. Buying (selling) industrial and intellectual property rights and other similar rights, inventions, industrial designs, trademarks, brands, patents, licenses, know-how, etc.
<b>Financial Account</b>				
<b>Direct Investment</b>				
<b>1</b>	<i>Direct investment abroad</i>			For credit: the return of direct investment (disinvestment) For debit: direct investment abroad
1.1	Equity	4121	4122	Resident purchase of shares of nonresident entity (other than preferred shares without voting rights) of 10 percent or more of the share capital, and the repurchase of such shares; Other capital contributions of direct investor that increase equity
1.2	Loans from direct investors	4161	4162	Transactions (disbursements and repayments of principal) with involving of credit resources that occur between direct investors and direct investment enterprises (except banking); subordinated debt received from direct investors; returnable financial assistance received from direct investors
2	<i>Direct investment in Afghanistan</i>			For credit: receiving direct investment For debit: return of equity (disinvestment)
2.1	Equity	4221	4222	Nonresident purchase of shares of resident legal entities (other than preferred shares without voting rights) of 10 percent or more of the share capital and repurchase of such



#	Capital Account	Codes	Explanation of Codes	
1		2	3	4
				shares; Other capital contributions that increase the equity capital.
2.2	Loans from direct investors	4261	4262	Transactions (disbursements and repayments of principal) with involving credit resources that occur between direct investors and direct investment enterprises (except banking); subordinated debt received from direct investors; returnable financial assistance received from direct investors
2	<b>Portfolio Investment</b>			
2.1	<i>Portfolio Investment assets</i>			Credit—sale of foreign security Debit—purchase of foreign security
2.1.1	Equity	4301	4302	Purchase/sale of foreign shares, participation certificates, equity securities, all types of investments in trusts and investment funds
2.1.2	Debt securities	4303	4304	Purchase/sale of foreign bonds, notes, and money-market instruments
2.2	<i>Portfolio Investment liabilities</i>			Credit—sale of domestic security to nonresident Debit—repurchase of domestic security from nonresident
2.2.1	Equity	4401	4402	Sale/repurchase of domestic shares, participation certificates, equity securities, all types of investments in trusts and investment funds
2.2.2.	Debt securities	4403	4404	Sale/repurchase of domestic bonds, notes, and money-market instruments
3	<b>Other Investment</b>			
3.1	<i>Other Investment Assets</i>			
3.1.1	Loans	4501	4502	Loans extended to nonresidents (disbursements/repayments)
3.1.2	Deposits, other	4503	4504	Deposits abroad
3.2	<i>Other Investment Liabilities</i>			

#	Capital Account	Codes	Explanation of Codes	
1		2	3	4
3.2.1	Loans	4601	4602	Loans received from abroad (disbursements/repayments)
3.2.2	Deposits, other	4603	4604	Deposits of non-bank nonresidents in the bank of Afghanistan

## Appendix VI. Suggested Action Plan for ITRS Enhancement in Afghanistan

Action	Output
1. Based on the principles outlined by the mission, develop description of the planned ITRS enhancement.	<p>The description should include the following sections:</p> <ul style="list-style-type: none"> <li>(i) legal framework,</li> <li>(ii) the scope of enhanced ITRS,</li> <li>(iii) the objective of ITRS,</li> <li>(iv) principles of the ITRS,</li> <li>(v) the performance of the ITRS,</li> <li>(vi) the confidentiality of information about individual respondents,</li> <li>(vii) data coverage,</li> <li>(viii) reporting forms,</li> <li>(ix) the classification of transactions,</li> <li>(x) description of using neutral codes for reporting (if decision for closed ITRS is made),</li> <li>(xi) methods of administration of the ITRS thresholds,</li> <li>(xii) reporting procedures,</li> <li>(xiii) accounting data quality checks,</li> <li>(xiv) the aggregation of results,</li> <li>(xv) the balance of payments output tables,</li> <li>(xvi) role of IT,</li> <li>(xvii) consultation and training.</li> </ul>
2. Ensure sound legal and institutional background for ITRS enhancement.	<p>The project forms and instructions, as well as modalities of ITRS enhancement work should be approved by the management.</p> <p>Define if the DAB regulation on ITRS implementation would reinforce the implementation.</p>
3. Set up a joint working group with commercial banks to collaborate with the commercial banks for the preparation of the implementation of the enhanced ITRS. The joint working group need to consider the consistency of reporting requirements for balance of payments, accounting practices in banks and operational day of the bank, consolidating data from the regional offices	<p>The following list of the issues is to be decided at the working group:</p> <ul style="list-style-type: none"> <li>(i) to discuss the draft report forms;</li> <li>(ii) the consistency between the balance of payments reporting requirements and banking accounting practices;</li> </ul>

Action	Output
of banks, methods of transmission and automated control of data.	(iii) consolidation of data from the banks' regional branches;  (iv) computerization of completing the reporting forms, electronic format, data transmission;  (v) application of thresholds;  (vi) the ITRS consulting and training.
4. Ensure the suitability of reporting forms for computer processing.	Design reference journals and automated quality control of the primary accounting information at an early stage of development.
5. Develop a program for processing, analysis and evaluation of primary ITRS data and intermediate results in the DAB.	
6. Undertake wide-ranging consultations with the management of commercial banks to gain their support.	
7. Develop communication procedure with the banks for verifying, e.g., unusual transactions and correcting data.	
8. Develop a format for monthly summary report on the quality of the reported data and suggested changes in the reporting forms, instructions, methods of testing and transfer of data dictated by the results of quality control.	
9. Establish a program of regular seminars for commercial banks to explain the purpose of collecting data and understanding the ITRS reporting requirements.	