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## **Afghanistan Economic Growth & Private Sector Strengthening (EGPSS) Project**

September 26, 2005 to September 30, 2009

Office of Economic Growth

Locations: Kabul and Selected Provinces

Contract # GEG-00-04-00004-00, Task Order 02

Emerging Markets  
Deloitte Consulting LLP

**Completion Report | FINAL**

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4. Overseas Strategic Consulting, Ltd. (OSC)
5. US Protection & Investigation (USPI - Security)

## List of Most Commonly Used Abbreviations & Acronyms

(The complete list of Acronyms is attached as an Appendix, Section 6.8)

Abbreviation	Definition
ACBR	Afghanistan Central Business Registry
ACCI	Afghan Chamber of Commerce and Industry
ACD	Afghanistan Customs Department
AISA	Afghanistan Investment Support Agency
ANDS	Afghanistan National Development Strategy
ARTF	Afghanistan Reconstruction Trust Facility
ATRA	Afghanistan Telecom Regulatory Authority
CEAP	Chief Economic Advisor to the President (aka SEAP)
CSO	Central Statistical Office
DAB	Da Afghanistan Bank (central bank)
GIROA	Government of the Islamic Republic of Afghanistan
HIPC	Heavily Indebted Poor Country
ICT	Information & Communication Technology
MCIT	Ministry of Communications & Information Technology
MEW	Ministry of Energy & Water
MOE	Ministry of Economy
MOF	Ministry of Finance
NEC	National Economic Commission (of the Parliament)
PRGP	Poverty Reduction & Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
SEAP	Senior Economic Advisor to the President (aka CEAP)

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## 1.0 Introduction

### 1.1 Project Overview

Since its inception in September 2005, the overarching mission of the United States Agency for International Development (USAID)-funded Afghanistan Economic Growth & Private Sector Strengthening (EGPSS) project was to assist the Islamic Republic of Afghanistan in structuring and implementing a legislative, fiscal, regulatory, and institutional framework, within which reform and policy can be formulated to foster a transparent and investment-friendly economy. The technical assistance was designed to not only assist the Government of the Islamic Republic of Afghanistan (GIROA) in creating an enabling policy and regulatory environment for trade, investment, and other regimes that strengthen the private sector, but also build the institutional capacity of the Afghan government. Building on the success of the 2003 Afghanistan Economic Governance (AEG) project, EGPSS made significant progress in providing broad-based technical assistance to the GIROA in several sectors, with teams in place in the following Ministries and GIROA institutions:

- Ministry of Finance, Customs, Minister's Office
- Ministry of Commerce and Industry
- Da Afghanistan Bank
- Ministry of Communication and Information Technology
- Afghanistan Telecom Regulatory Authority (ATRA)
- Ministry of Economy
- Office of the President / Senior Economic Advisor to the President
- Ministry of Energy and Water
- Parliament – National Economic Commission (NEC)
- Various Institutions for Cross-Cutting Initiatives

For four years (September 26, 2005 – September 30, 2009), Deloitte Consulting LLP (previously BearingPoint) was the prime contractor; assuming the contract effective May 9, 2009. From September 26, 2005 to May 8, 2009, BearingPoint was the prime contractor of the EGPSS contract.

All of the specific objectives identified in the original SOW were achieved plus several that were added during execution of the project. The project's success was a function of productive collaboration among USAID Afghanistan; Deloitte international and local staff; numerous Ministries and GIROA institutional counterparts (as listed above); and the US and International partners/subcontractors.

### 1.2 Executive Summary

Afghanistan is a country that has seen over 25 years of conflict and war, leaving it completely devastated. The loss of human life and physical infrastructure stagnated growth and economic progress. Following the fall of the Taliban Regime in 2001, Afghanistan began an enormous political, economic, and social transformation. The EGPSS project played an effective role in working with the people and developing the infrastructure of Afghanistan to build the private sector and contribute to economic growth. The first section of the report provides an overview of key economic indicators that sketch a picture of private sector strengthening over the course of the project. By portraying a broad picture of the economic conditions over the course of the EGPSS project, we are able to assess the ability of GIROA to promote an environment conducive for private sector strengthening. One can see the project's success and benefits to Afghanistan by subsequently linking progress to the technical assistance provided by Deloitte Consulting LLP.

We now discuss the Real, Fiscal, External, and Monetary Sectors of the Afghan economy from September 26, 2005 – September 30, 2009.

## Real Sector

The most common measure of a healthy real sector is economic growth. Real GDP grew over the course of the project. Afghanistan's growth rate was near or above 10 percent per annum between 2003 and 2008 and fell to roughly 3 percent in 2009. This slowdown is attributed in part to the global economic contraction, but also to the vulnerability of the Afghan economy to the extensive droughts experienced during this period. These figures are very strong for a developing economy and are extraordinary compared to most post-conflict economic environments. Economies tend to grow very fast during a period of reconstruction with the injection of international aid money and economic activity resuming and this was certainly the case with Afghanistan.

The composition of GDP during this period was as follows. Over the course of the EGPSS project, the service and industry sectors grew to comprise a bigger share of the economic pie. That is to say, the growth in GDP was largely fueled by the services and industry sectors. These sectors grew from 34.3 and 22.8 percent of GDP in 2004 to 40.7 and 25.4 percent in 2009 respectively. The growth in services was largely driven by international aid spending in telecommunications, aviation, entertainment venues, and other sub-sectors in which there was a high demand from the international community. Further, the growth in some of these areas saw the increase in private sector contribution to overall GDP grow from 0 percent in 2001 to 10-15 percent by 2009. While agriculture's accompanying share of GDP decreased from 40.7 to 30.6 percent, it remains the largest source of employment in the country.

Another sign of a healthy real sector is a high level of investment. Afghanistan's economy, like many small open economies, is highly reliant on good conditions in the international market. This is easily seen in the levels of public and private investment as a share of nominal GDP during the EGPSS project. The early years of the project were characterized by an influx of investment, both foreign and domestic into the economy, which was also a stable and growing period for the international market. Investment as a share of GDP rose from 35.15 percent in 2003 to 40.08 percent in 2004 to 46.2 percent in 2005. Of note, the early years were also the peak of international donor funding to Afghanistan. The latter years correspond with what some economists view as the start of the global economic crisis, yielding a sharp decline in investment. The decline started in 2006 with investment as a percentage of nominal GDP falling to 44.57 and continuing with a downward trend to 32.35 percent in 2009.

## Fiscal Sector

The fiscal sector is stable for a post-conflict economy but there is room for improvement. The budget balance, including grants, remained positive at around 1 percent of GDP during the program. However, when grants are removed from the equation, the budget balance turns negative. This is partially mitigated with a higher intake of revenue. Revenue collection increased from 12.5 percent of GDP in 2005 to 13.5 percent in 2009<sup>1</sup>. This growth in revenue was driven by real GDP growth, an expanded tax base, and improved efficiency in revenue collection.

On the expenditure side, spending as a percentage of GDP increased as well. Government expenditure in 2005 was 11.3 percent of GDP and increased to 12.3 percent in 2009. The higher spending is explained by Afghanistan's targeted investment strategy through Afghan National Development Strategy (ANDS). The Afghan Government identified strategic public investments in (1) developing infrastructure, particularly electricity, roads, and water; (2) building institutional and human capacity; (3) protecting the rights of the poor, with a particular focus on social protection for the most vulnerable; and (4) creating an enabling environment for public sector investment.

## External Sector

The current account, even with official transfer payments as a substantial contributor, shows signs of a growing private sector. Net exports remain negative, but both exports and imports increased between 2005 and 2009. Imports outpaced exports, reinforcing the perception of Afghanistan's economy as one dominated by the inflow of goods and services. Significant strides have been made to expand export capacity, but much work is still left to be done. The nominal value of exports increased during the course

<sup>1</sup> The figures presented here do not include core budget development spending and externally financed development expenditures.

of the project from \$384 million in 2005 to \$545 million in 2008. This is an indication of a move towards a stronger private sector with expanded output capacity and better linkages to international markets. Similarly, the nominal value of imports increased from \$2,471 million in 2005 to \$3,020 million in 2008. This is a positive sign for the private sector as it clearly indicates that the demand for goods and services is increasing. Aside from a more developed private sector, the increase in trade is also explained by a reduction of tariffs. During the course of EGPSS, Afghanistan joined the South Asian Free Trade Agreement Area and took significant strides toward WTO accession. In addition, Afghanistan initiated a range of bilateral trade agreements which have and will continue to create a range of trade opportunities.

Also, Afghanistan's total external debt has drastically decreased. Total debt as a percentage of GDP decreased from 155 percent at the outset of the project to roughly 8 percent in 2009. This is largely due to international debt relief efforts such as HIPC (The Enhanced Heavily Indebted Poor Countries) and MDRI (The Multilateral Debt Relief Initiative). For example, MDRI provided for almost 100 percent relief on eligible debt from the IMF, World Bank and the International Development Association (IDA). These programs reduce the strain on public finances as fewer resources were reported to be spent paying back creditors.

Through all of these successes and moves in the right direction, Afghanistan still finds itself at the bottom of the World Bank Trading Across Borders Doing Business Indicator. The time and resource cost of importing and exporting remains tremendously burdensome, and is only getting worse. Future trade policy efforts should aim to reduce this burden.

### Monetary Sector

Afghanistan runs a managed float exchange rate regime which yields a range more or less constant to all major currencies on the Kabul free market. For example, the Afghan currency on average traded at 48.65 AFA to 1 USD in 2005, 50.08 AFA to 1 USD in 2007, and 51.20 AFA to 1 USD in 2009. This is good for the private sector as a stable and appropriately valued exchange rate can support economic growth, job creation, and the overall development of the economy. The stable exchange rate also supported expanded trade. Ultimately, this exchange rate regime is a reflection of a stable macroeconomic environment which provides a necessary but not sufficient condition for economic growth.

The rate of inflation, measured as the annual percent change in consumer prices compared with the previous year's consumer prices, varied significantly during the course of the project. It ranged from 14.9 percent in 2005, 4.8 percent in 2007, and 3.2 percent in 2009 (Note that Afghanistan did enter a period of deflation in 2010). Many economists' view this as a necessary consequence of expanding real output during the period of reconstruction.

### Overall Picture of Afghanistan during EGPSS Project

The previous section provided an overall view of the economy over the course of the EGPSS project. The picture that emerges is one of a fairly stable macroeconomic environment. While there are many signs of a growing private sector, the initial success should not distract from the fragile state that remains. The current account highlights that the Afghan economy is still largely reliant on the international aid community. The efforts of EGPSS are case in point. The project made key contributions over the 5 year period (see below). But, these efforts can be quickly eroded. The continuing efforts of international donors should keep this mind as they build upon the successes of past projects and seek to correct their failures for the future. With this in mind, the following sections discuss the specific contributions of the EGPSS project from September 26, 2005 to September 30, 2009 (Section 3 goes into greater component detail).

#### 1.2.1 Economic Growth

In terms of promoting economic growth, the EGPSS project engaged in a number of activities that supported efforts to stabilize the overall macroeconomic environment. The first major theme for these activities was capacity building. Many of these efforts assisted in keeping a stable and internationally competitive monetary sector. Staff assisted the Ministry of Finance (MoF) with formulating policy and conducting analyses to meet the demands of critical debt issues. These efforts helped with IMF and World Bank negotiations, resulting in an \$11.2 billion agreement in bilateral debt relief. Twenty-five

Economists from the MOF and the Da Afghanistan Bank received training in preparation of directing a highly volatile economy prone to exogenous shocks. Along the same lines, staff prepared lectures on Cost Benefit Analysis for participants from the Office of the SEAP, Central Bank, Ministry of Economy, Ministry of Commerce and Industry, Ministry of Finance, and other interested government offices and private research institutes. Other examples of courses taught include: Benefit Cost Ratio (BCR), Internal Rate of Return (IRR), Return on Investment (ROI), Present Value (PV), Net Present Value (NPV), and Payback Periods and Opportunity Cost.

Staff also assisted the Afghanistan Customs Department with the creation of more efficient customs revenue systems. Seven-hundred and fifty customs officials were trained and many new regulations were put in place. These individuals, in turn, were able to train staff and spread their knowledge and learning to other customs officials. As well, by creating a more efficient customs department with safer borders, items were accounted for when brought into Afghanistan and private investment and businesses felt safer in starting work in Afghanistan. These efforts increased customs revenue by 62.3 percent in three years. Also, staff assisted in the development of a five year customs strategic plan that served as a roadmap for customs reform in the areas of legitimate trade and business relations, legislation, organizational management, enforcement, automation and revenue collection. The changes were made based on staff capabilities and were bolstered with training and tools to develop an investigation procedure to allow the Department to conduct their own investigations due to growing customs law and procedure violations. These efforts contributed to both the improved current account and fiscal sector position of the Afghani economy.

The second major theme of activities was the provision of technical assistance. Staff provided the Da Afghanistan Bank (DAB) with a range of strategic services. Staff conducted an overall assessment of and provided supervision for DAB. The policies put in place resulted in a reserve portfolio of \$3 billion to invest in twenty top-tier financial institution and government securities world-wide. These investments subsequently accrued over \$78 million in interest. Other strategic services included training on risk analysis, introducing tracking bank examinations, and enhancing the Central Bank's ability to monitor the growing private sector within a new regulatory framework.

Further technical activities targeted the formulation of sound monetary policy. EGPSS staff provided a SWOT analysis that laid the foundation for the DAB 5 year strategic plan and improved the balance of payments system by instituting the International Transaction Reporting System (ITRS). The ITRS provided better accounting of the DAB financial position and created the first notion of Balance Sheet, Income Statement, and Notes to Financial Statements. Moreover, the staff helped design appropriate monetary and exchange policies using models to generate forecasts useful for policy making and drafted the revised foreign exchange auctions regulation to correct irregularities in foreign exchange auction and strengthen price discovery process. As before, these efforts provided the skills and knowledge necessary to stabilize the overall macroeconomic environment and make it conducive to economic growth.

The third theme was coordination and outreach support. For example, EGPSS staff worked on efforts to coordinate information between the National Economic Commission and the Governor of DAB regarding bank balance sheets, activities of private banks, economic security of private banks and DAB oversight, and the provision of loans and credits to businesspersons with small and medium enterprises. The staff also worked with the Afghan President on coordinating and subsequently taking the lead role in drafting the final Afghanistan National Development Strategy. EGPSS worked with members throughout the GIROA, line ministries, donors, and other relevant stakeholders for input and buy-in on all seventeen sector strategies of the ANDS. The ANDS was to provide the future outlook for Afghanistan and its focuses to help sustain positive economic growth.

Other examples of activities included the redesign of the DAB website. This coincided with an outreach effort that encouraged the use of local currency, distributed information on commercial law initiatives, and provided information available lending options. This has provided for stability in the Afghan currency, and made known the new benefits the DAB and commercial banks have to offer. This coincides with current banking principles regarding lending, savings, and investment. Lastly, EGPSS staff also helped organize the meetings of inter-ministerial working groups to discuss Generalized System of Preferences (GSP)—a

program designed to promote economic growth in the developing world by providing preferential duty-free entry for more than 5,000 products from one-hundred forty-three beneficiary countries/territories.

At fruition, the combination of activities in capacity building, technical assistance, and coordination and outreach support provided a holistic approach that supported efforts to stabilize the overall macroeconomic environment. In turn, a more stable and macroeconomic environment was a necessary, but not sufficient condition for economic growth. This leads into the following section, which includes the growth and promotion of the private sector. The policy changes and development of many GIROA sectors made possible the introduction and strengthening of the private sector. Consistent economic growth occurs with the private sector leading the way, as illustrated below.

## 1.2.2 Private Sector Strengthening

Deloitte's goal throughout the EGPSS project was to help establish a sound GIROA that enabled the private sector to succeed and lead the economic growth efforts. During the project, some of Deloitte's biggest accomplishments in helping the GIROA involved bringing private investment to the country through private sector development. The increase in investment was supported by creating a sounder Afghanistan Central Business Registry (ACBR) that enticed micro, small, and medium sized businesses to become part of the formal economy in Afghanistan and increased the ease of establishing a new business.

The ACBR was in place when the EGPSS project began, but needed a major overhaul. Deloitte's role was to help create a business friendly establishment that allowed for a "one-stop shop" for registering a business, as well as promoting the ACBR throughout the twenty-four provinces in Afghanistan. By the end of the project, more than 12,500 businesses had registered, and ACBR reduced the length of time it took to register a business from a few days to just two hours. As well, the ACBR allowed for a universal registration process for domestic and foreign companies across country. These tasks led to a more attractive business environment for local and foreign investors.

Another focus in promoting private sector strengthening and making the ACBR attractive to investors involved the effective technical assistance by Deloitte, and the GIROA and Parliament. The ACBR needed the policies and laws in place for businesses to feel comfortable to register and work in Afghanistan. To start, Deloitte helped create the trade and tariff policy framework, making Afghanistan one of the lowest tariff markets in the region (and easier for businesses to import and export products). Furthermore, Deloitte helped draft the commercial laws that made it more favorable for businesses to work in Afghanistan. These laws included the Law on Mortgage on Immovable Property in Banking Transactions, the Law for Secured Transaction on movable Property in Banking Transactions, and the Afghan Deposit Insurance Law, to name a few (discussed further in Section 3). Not only did they create an established and business friendly environment, but the commercial laws provided meaningful and enhanced access to finance and credit for micro, small, and medium sized enterprises. The Four Laws Conference held by the GIROA, with the assistance of EGPSS, publicized the enactment of four key commercial laws (corporations law, partnership law, arbitration law, and mediation law) attracting major government officials and influential private sector reps, which was part of an aggressive campaign to promote and publicize the ACBR and its increased functionality.

Additionally, the EGPSS project focused on working with the DAB to create a sound central bank to establish commercial banking and help the private banks grow. Their growth throughout Afghanistan would allow for better regulation, more access to financing, and increased revenue for the GIROA. Deloitte advisors working directly with the DAB assisted in drafting accounting policies, established the legal and regulatory framework for the banking system, and helped in the development of capital. As well, Deloitte was influential in drafting bank supervision guidelines for commercial loan underwriting and monitoring. The core banking system created more automated inter-branch transfers, consolidated financial reporting, and real time reporting for monetary policy and liquidity forecasting. By the end of the project in 2009, the financial sector had grown to 18 commercial banks (more than three-hundred twenty branches in all thirty-four provinces), with bank assets rising from \$262 million in 2004 to \$3 billion in 2009. Assisting in this was DAB's issuance of \$300 million of capital notes to help banks manage liquidity and earn interest. To cap this off, Deloitte assisted the DAB in public outreach and awareness, which was

designed to encourage the use of local currency, provide information on commercial law initiatives, present information about lending, and many other initiatives to educate the Afghanistan people and foreign investors.

One of the main focuses during the EGPSS project was the telecom sector. As stated in the Afghanistan National Development Plan, this sector was a major focus as a means for promoting economic growth. Deloitte staff worked closely with the Ministry of Communication and Information Technology (MCIT) to bring foreign direct investment through competitive licensing for Global Systems for Mobile Communications (GSM), Afghan Telecom (AfTel), Local Fixed Services Provider (LFSP), and Internet Service Providers (ISP). By the end of the EGPSS project, investment had reached approximately \$1.4 billion, earning about \$500 million in gross revenues, paying more than \$100 million in taxes to the Afghan treasury, and created more than 80,000 sustainable (high-paying) jobs. Deloitte's assistance in setting up the new AfTel billing system (100 percent transparency, eliminates fraud, accommodates post-paid and pre-paid billing, ensure timely payments) allowed for revenues to be generated and accounted for. Also, Deloitte helped provide specialized ICT training and contributed course materials to train and educate employees on the telecom law, regulations, and management.

Advisors worked directly with Parliament to create a modern telecom law. The law established an independent telecom regulator (Afghanistan Telecom Regulatory Authority – ATRA) making the sector structure and legal-regulatory framework fully WTO compliant. ATRA issued four GSM licenses to providers in Afghanistan, four LFSP Licenses in provinces, one landline and Code Division Multiple Access (CDMA) digital phone license to Afghan Telecom, two satellite services licenses, and 23 ISP's. As well, ATRA had created a Telecom Development Fund (TDF) to accelerate access to telecom services in rural and underserved areas of Afghanistan, which had collected over \$30 million and dispersed US\$2.5 million to provide access to more than 25,000 new subscribers in 20 rural districts nationwide. EGPSS facilitated this development of the competitive market by managing international competitive tenders for the mobile licenses and by providing ongoing legal and regulatory support to ATRA, the independent regulator.

Much of the work Deloitte assisted with had a ripple effect on other parts of the private sectors. In addition to the establishment of a successful telecom regulator, an energy regulatory body was established in September 2008 by Presidential decree, constituting a crucial step toward encouraging investment in electricity generation, transmission, and distribution. Minister of Energy & Water, Ismail Khan, translated the success achieved in the telecom sector to the electricity sector by adopting a policy to permit private investment in the full range of power services, including generation, transmission, and distribution. As well, the Afghan Postal Commission—a unit of the MCIT—issued the seventh license to a private company, Advanced Expeditionary Services (AES), for the provision of ground parcel post and high-speed international courier services to the top six urban areas of Afghanistan.

Deloitte's assistance and training during the duration of the EGPSS project impacted the private sector and provided for the economic growth. The success of the private sector has had a profound effect on the economy, in terms of business creation, foreign investment, job creation, training, increased interest and tax revenue, and sound infrastructure. With the tasks completed by the EGPSS project, it is easy to see the link between the private sector and economic growth. This leads into the following section on cross-cutting themes and the impact made by Deloitte, which can be used across multiple Ministries, institutions, and enterprises within the IROA to promote economic growth.

### 1.2.3 Cross-Cutting Themes

The cross-cutting component of the EGPSS project included activities that could be adopted by any ministry or government institution throughout the GIROA. During the life of the project, cross-cutting activities were limited to the Anti-Corruption Program, Human Resources and Administrative Reform, and Public Outreach and Communications. All programs contribute to sound policy making and allow for the IROA and its citizens to thrive.

Anti-corruption was an important task for the EGPSS project. For the GIROA to succeed, it was and will be important for corruption to be eliminated in the ministries, GIROA, and private businesses. One of the

first steps taken by Deloitte involved education and training at the MOF. The Anti-Corruption Program (ACP) reached over 1,200 employees of the MOF, both within the Ministry itself and in outlying offices within Kabul. Participants included MOF clerks and tax collectors at the Kabul Mustufiat who signed a Code of Conduct. Trainings included the exact definition of corruption, how to spot it, what to do when approached for bribes, and steps in limiting corruption. Deloitte assisted the UNDP in drafting a Memorandum of Understanding for the creation of an Ethics Unit. Once established, an anti-corruption hotline was created and a poster designed, approved and printed to post around the ministries. The “golden number” telephone for the anti-corruption unit was established to solicit information on fraud, waste, and abuse which resulted in several cases being presented to the internal auditor for investigation.

Human Resources and Administrative Reform was another task organized under the cross-cutting goals of the project. Activities were primarily conducted at the Ministry of Finance and Ministry of Commerce and Industry. The work intended to further improve the overall HR capacity of the organizations. Tasks were as follows:

- (i) Assess the staff capabilities assigned to work on HRM improvements;
- (ii) Identify key deficiencies that undermine the development of HR effectiveness in improving the service delivery; and
- (iii) Identify common themes for harmonization.

The success in training staff and implementing new policies translated to other ministries and organizations regarding models for HR reform and effectiveness.

The Deloitte Public Outreach and Communications team enabled the GIROA to demonstrate to its people and international audience that better economic governance has improved the quality of life in Afghanistan. Whether it is sound policy making, creation of more business opportunities, laws benefiting Afghanistan and its people, and many other opportunities, public outreach and communications has played a tremendous part in getting the word to the public. It has helped attract people to the work being done and has brought private investors to Afghanistan, all contributing to the GIROA and allowing it to grow. However, there is much work to be done and continued for success and growth to succeed in Afghanistan.

## 2.0 Implementation Methodology

Deloitte's Framework for Conflict-Affected Countries is derived from the extensive experience not only in Afghanistan, but in Iraq, Kosovo, Sudan and throughout the countries that previously formed Yugoslavia. The framework identifies five key phases for economic governance development in a conflict-affected country:

- Emergency Assistance (Phase 1)
- Early Institutions (Phase 2)
- Capacity Building (Phase 3)
- Sustainability (Phase 4)
- Strategic Withdrawal (Phase 5)

### 2.1 Emergency Assistance (Phase 1)

In Afghanistan, this phase represents the first few years after the fall of the Taliban when USAID and international donors began to bring stability to basic government operations, including restructuring the central bank and establishing a functioning treasury system..

Under the EGPSS contract, the GIROA had largely graduated from this phase. The only notable exception was in the Customs work stream, where CCNs were still asked by the ACD to continue to perform some of the core government functions. However, a migration plan was accepted by the ACD in February 2009 and implemented fully, whereby all such were successfully transferred to the ACD by September 2009.

### 2.2 Early Institutions (Phase 2)

The Taliban operated as an Islamic Emirate and had dismantled many of Afghanistan's long-standing political, economic, and governance institutions. During the period from 2002-2005, Deloitte helped re-establish several of the most basic economic and commercial institutions including the central bank and the customs offices.

Under the EGPSS project, Deloitte assisted GIROA with statutory authority for additional institutions, including the independent telecom regulator and the central business registry.

### 2.3 Capacity Building (Phase 3)

The Taliban regime was harsh, repressive, and regressive with respect to all education except for the strict adherence to their interpretation of the Holy Koran. Further, millions of Afghans escaped this brutality to live as displaced persons in surrounding countries and a small fraction were able to gain legitimate asylum in foreign countries where they established entirely new lives with little communication with their homeland. In any event, the post-war period was characterized by a severe shortage of human capital and essentially no formal (or informal) institutions to provide an adequate educational basis for stepping back into a modern society.

Once the institutions were formally established, EGPSS provided a wide range of training to build the capacity of GIROA officials to discharge their duties. To maximize the impact, a variety of delivery mechanisms were employed:

- Mentoring
- Meetings (formal and informal)
- Workshops
- Conferences
- Video Recorded Lectures
- Practicum

## 2.4 Sustainability (Phase 4)

The ultimate goal is of course for the Afghan people to maintain and manage their own institutions. The litmus test for this is the collection of adequate fiscal resources to cover these costs (along with successful budget execution).

During the period of performance, GIROA had not yet reached this stage, in the estimation of most informed observers.

## 2.5 Strategic Withdrawal (Phase 5)

When Afghans not only implement the reforms prescribed by donors and advisors, but actually take ownership and drive the reform process, the stage will have been set for a gradual reduction in technical support.

## 3.0 Accomplishments and Limitations

### Beacons of Economic Growth

Deloitte adopted the phrase “Beacons of Economic Growth” to illustrate the vision of the impact of work in Afghanistan. “Beacons” mean the fundamental economic and commercial infrastructure to attract, strengthen, and expand private sector activities that will ultimately make sustained economic growth viable (and gradually wean the government off its reliance on the external donor assistance). Basically, the objective is to place as many “beacons” in as many communities throughout Afghanistan as possible. Technical advisors have provided leadership in developing the policies, laws, regulations, and procedures that have created entire industries, and have then worked aggressively to drive these initiatives to concrete implementations.

Two of the most visible examples are banking and telecom. During this reporting period, more banks have been licensed, creating additional pressure for product differentiation and accelerating the expansion of more bank branches in more communities. Likewise, additional telecom licenses and new spectrum policies have created economic incentives that resulted in telecom access in over 3,000 communities, with ever-lower retail prices and broader product offerings. Three maps to illustrate the full geographic scope and reach of our work are included in the Appendix, Section 5.7.

The “Beacons of Economic Growth” proved as a useful method for instituting and providing growth for the future in Afghanistan. Work was done on a large scale and was transferred throughout the IROA and to its people. By teaching and providing assistance on a large scale, it then cascaded down to the general population and to those in the provinces throughout Afghanistan. This method has been deemed very positive and beneficial for Afghanistan, and it is believed it will be continued on future projects within Afghanistan, and projects in other post-war and conflict countries.

In illustrating this vision, the EGPSS project was broken down into the following components. This presented the best method in accomplishing the goals of the project. Provided below is a detailed list of the components that made up the EGPSS project. Included in each component are the objectives and accomplishments/highlights that will have lasting effects on Afghanistan to come.

- Fiscal Reform
- Banking Reform
- Trade Policy
- Parliament
- Privatization
- Economic Policy and Coordination
- Enabling Environment to Promote Private Sector Development

### 3.1 Fiscal Reform

#### Objective

The objective of this component was to foster fiscal reforms by empowering GIROA to develop the fiscal infrastructure necessary for a market economy. The Ministry of Finance (MOF) is one of the most important institutions in the rebuilding of Afghanistan’s economy as it plays the key role in fiscal management, economic development planning, resource allocation and donor coordination. EGPSS provided intensive technical assistance to the MOF by:

- Providing executive-level support to the Minister of Finance.
- Advising the Deputy Minister of Finance for Customs and Revenue and the Afghanistan Customs Department with customs reform and modernization initiatives.

- Supporting the MOF with public awareness campaigns to increase taxpayer compliance and launching an anti-corruption unit.

#### Key Performance Indicators

The following outlines a few of the key Fiscal Reform Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Provided strategic and policy guidance to the Ministry of Finance to achieve PRGF core quantitative performance and structural criteria.
- Trained custom staff in new customs law and procedures, data capture and analysis, and tariff valuation.
- New databases designed, developed, and implemented to improve information management.

#### Main Impact

- Ministry of Finance negotiations resulted in agreements of \$11.2B in foreign bilateral debt relief.
- More than seven-hundred fifty Customs officials trained on Regulations and Appeals, which was then passed on to their counterparts for training on a large scale.
- Customs revenue increased 62.6% over three years, from \$237.9M in 1384 to \$387M in 1387.
- Afghan Customs Department (ACD) published its first Statistical Year Book.
- ACD launched the first official website – universal access to regulations & duties; provided a way for individuals to see what was instituted and put in place.
- Amendments to Procurement Law Approved by Cabinet.

#### **Executive Office of the Minister of Finance**

A professional, fully staffed and trained Ministerial Secretariat, capable of supporting ongoing executive operations, is essential for the GIROA to implement the economic reform program as outlined in the Afghanistan Compact. In order to advance economic growth and bring about reform that complies with international best practices, EGPSS has worked with MOF officials to develop the requisite capacity to formulate sound policy and analyses to meet the demands of critical, debt reducing economic issues.

#### Project Highlights

- Facilitated a series of constructive meetings with Ministry officials and the International Monetary Fund (IMF) to analyze progress and prepare for the each monthly Review of the Poverty Reduction Growth Facility (PRGF).
- Prepared briefings for the Minister and helped him draft his speech for the IMF-World Bank (WB) Annual Meetings in Washington, DC, where he also held several important bilateral meetings with USG officials. EGPSS provided assistance to the Minister by accompanying him to Washington.
- Assisted the MOF in its negotiations with the IMF and WB regarding economic reform programs. Worked with MOF officials to develop a set of proposals, which were submitted to the WB. The MOF has been working with the WB to develop the necessary reforms (prior actions and triggers) associated with a budget support program, Programmatic Support for Institution Building (PSIB).
- Provided legal advice across the MOF (e.g. Negotiations with the Government of India on EXIM Bank facilities).
- Analyzed the procurement of services to support the Aynak Copper Mine Ancillary Agreement.

#### **Customs Reform and Modernization**

The ability to easily move goods and people through the customs clearance process is a key factor in enabling private sector trade and investment, and a revitalized system, capable of supporting border security, collecting government revenues, and providing a modern streamlined trade administration, is essential to Afghanistan's future economic stability.

The objective of the Customs Reform and Modernization component is to develop a customs system that emulates international standards through new policies and operations. It is also in place to institute practical revenue-generating mechanisms to lead Afghanistan toward a self-sustaining nation and encourage a licit trade and commerce regime.

EGPSS has worked closely with the MOF's Afghanistan Customs Department (ACD) to create efficient revenue collection systems, and the program's reform efforts have contributed to significant increases in customs revenues over the last four years.

The scale of the ACD implementation program has been significant and required a coordinated effort to address many challenges. To achieve program goals, EGPSS provided substantial trainings to ACD officials to enable them to, in turn, deliver on-the-job training to other customs staff. In addition to staff trainings, changes to the organizational structure were implemented based on assessments of staff capabilities. As a result of USAID's assistance, the ACD has become the hub where staff receives the critical customs training and tools to deliver sustainable results.

#### Project Highlights - Office of the Deputy Minister of Finance for Customs and Revenue

- Coordinated and finalized the technical handover of the completed customs facility at Torkham in Nangarhar Province from the European Commission's construction contractor to the ACD. It included import/export facilities, a warehouse, parking, accommodations and a scanning facility. Building a modern customs facility on the Afghanistan/Pakistan border is a critical element for instituting international best practices in Afghanistan. The Torkham border crossing is an important stop on the Central Asian trade route connecting the port of Karachi in Pakistan with the Central Asian Republics, and the potential scale of revenue generation from the facility is promising.
- Developed an investigation procedure to allow ACD to conduct investigations due to a growing number of customs law and procedure violations. After EGPSS consulted with the Legislation, Exemption, Tariff and Valuation, and Enforcement Departments, it designed the procedures, which were later approved by DG Customs and endorsed by Deputy Minister of Finance.
- In February 2008, Senior Customs Advisor prepared a presentation for the DM Customs and Revenue for the seminar "Private Sector Participation and Investment in Physical Infrastructure" for the Central Asia Regional Economic Cooperation held at the ADB Institute in Tokyo during March 2008.
- Drafted and received approval of the Customs Communication Plan. The goal of plan is to enhance transparency and facilitate trade through building better communications with the trading community as well as the general public.
- Submitted a briefing paper to the DG Customs, in coordination with advisors from the MOCI, on the revenue impacts from joining the South Asian Free Trade Area (SAFTA). The paper demonstrated minimal revenue impact within the first several years.
- EGPSS assisted in the development of the second Five-Year Customs Strategic Plan, which was endorsed by the Minister of Finance in November 2007. The plan provides a roadmap for customs reform in Afghanistan. It covers the functional needs, particularly in the facilitation of legitimate trade and business relations, legislation, organizational management, enforcement, automation and revenue collection.
- On 16 March 2008, the Minister of Finance presented the Five-Year Strategic Plan to the donor community in Kabul. Notably, representatives from various GIROA Ministries, USAID, World Bank, Asia Development Bank, European Commission as well as the embassies of Italy, Germany, US, Canada, Japan and the UK attended. The meeting gave the MOF the opportunity to explain the targets of the ambitious plan and identify the challenges and needs for technical and infrastructure assistance. This was also an opportunity for the international community to ask questions and offer support to the customs reform implementation.

### Project Highlights - Appeals and Litigation Unit & Reformed Customs Code

- Completed drafting the amendment to the Customs Law after three months of intense reviews and consultations. These amendments were approved by Customs authorities, and the final draft was submitted to the Office of the President at the request of the Ministry of Justice. The amendments were intended to clarify situations at the borders that the existing Customs Law had been unable to address. The Director General of Customs and several other stakeholders were involved in amending the legislation on a daily basis.
- Trained officers from Nangarhar, Herat, Kandahar, Paktika, Paktiya, Khost, Farah, Balkh, Kunduz, Kunar and Nimroz provinces on the reformed customs legislation and surpassed the target of training seven-hundred officers by Q4 2008. The impact of these trainings is clearly demonstrated by the fact that customs appeals have reduced significantly over the past two years. The training sessions continue to have an impact on furthering the development of customs reform. EGPSS trained more than seven-hundred ACD officers, which represents approximately 80% of customs employees that deal directly with traders. During these trainings, EGPSS applied real-life case studies to hone the practical skills of customs officers and assist them in conducting their day-to-day work. For example, more time was spent training officers on certificates of origin, which are crucial documents that help officers determine the value of imports. The certificate of origin had always been misrepresented. According to the WCO, this document must accompany every import/export decision. However, due to the lack of proper business procedures in Afghanistan and its neighboring countries, the certificates of origin has caused tension between customs officials and the business community. EGPSS spent considerable time training these officers on how to use customs legislation to deal with these types of issues.
- Completed the Internal Transit Procedure (TI) Form and garnered the endorsement of the DG Customs. The TI form plays an integral role in the movement of goods within Afghanistan. TI is the guideline for goods moving from the border of entry to the final destination within the country. TI helps ACD track the duration of Holding, Movement, Warehousing, and to determine whether a breach of movement of goods has been made. For example, the TI procedure will help ACD track a good coming from Torkham (point of entry) to Kabul Customs (final destination).
- Finalized the draft of the International Transit Procedure (External Transit, T-II procedure) in cooperation with the Ministry of Commerce and Industry at the United Nations Conference on Trade and Development. The International Transit procedure fills an important legislation gap in the promotion of transit through Afghanistan. One of the development strategies for Afghanistan is to promote the country as a “land bridge” connecting Central Asian countries with the ports in the Gulf States and South Asia.
- The International Transit Procedure is a cornerstone regulation as it is expected to be an important source of revenue for GIROA.
- Provided ongoing support to the Appeals and Litigation Unit to successfully resolve appeals and litigation cases throughout the fiscal year. Most of these cases were about penalties related to smuggling and the misrepresentation of customs documentation.
- Resolved two cases involving the Tribal Transportation Union (TTU) during the months of August and September 2008. The TTU, which has greatly affected and delayed customs work at certain borders, is a system used to carry the ISAF and USG goods to a particular area of destination. There were disputes between ISAF, customs personnel, and the trader community on who should pay delay penalties as stated by the Customs Law. In previous cases, ISAF has paid



EGPSS Advisor, Justine Mbabazi receives a token of appreciation from Jalalabad Customs for her successful training sessions in February 2008.

penalties, but the USG has appealed the case to the President's Office for an exemption on delay penalties. The exemption was rejected on this occasion, and the case was referred back to DG Customs office where EGPSS was asked to provide assistance. The case was handled by Appeals and Litigation, but the outcome remains confidential. However, both parties were in agreement on the arrangement.

#### Project Highlights - Tariff and Valuation Unit

- As a result of the weekly Customs Reform Committee meetings and in accordance with the Five-Year Customs Strategic Plan, the ACD agreed to split the current Tariff Directorate into three new units: Tariff Research Unit, Tariff Classification Unit, and the Valuation and Administration Unit. During summer 2008, EGPSS assisted the ACD with drafting the new statements of work for these units.
- The introduction of the Harmonized Commodity Description and Coding Systems was a major step forward for the ACD. Not only did it help the GIROA produce critical trade statistics, but it also aligned the GIROA's classification practices with the WCO and international standards.
- Conducted training sessions on the Harmonized Commodity Description and Coding System and Customs Valuation of goods to 67 customs officials. The trainees attended four hours of training a day during an 18-day span in May 2008. The Harmonized Commodity Description and Coding System (HS) is an instrument developed by the WCO that defines a classification code and description for a given commodity. The HS is the standard used around the world, and the WCO Members and Contracting Parties to the HS Convention use the HS as the basis for their customs tariffs and international trade statistics. It is also used in areas of trade policy, rules of origin, monitoring of controlled goods, internal taxation, transport tariffs, quota controls, and economic studies and analyses. The purpose of the training was to enable customs officers to accurately calculate the amount of customs duties paid, reduce the number of disputes, shorten customs clearance times, reduce processing costs, and simplify the analysis of trade data. The source materials translated into Dari were from the WCO Harmonized System training module, the WTO Agreement on Customs Valuation of Goods, and the International Commercial Terms published by the International Chamber of Commerce (ICC).

#### Project Highlights - Customs Data Unit

- Prepared instructions to Provincial Customs Directors on the collection of customs data. EGPSS highlighted problems with the collection of data, provided solutions, and after the instructions were implemented, the quality of data and reports improved significantly. The EGPSS team trained 50 ACD employees on customs declarations, data entry and trade statistics, and provided on-the-job training to the Post Clearance Audit team.
- Coordinated the installation and training of the Eurotrace Editor, the customs data entry software, for the Farah, Paktya, Khost, Kunduz and Nimroz Customs houses. ACD officers were trained to complete the customs declaration forms and calculate customs charges properly. The supervisors were also trained in Tariff Classification and Valuation methods.
- Completed the beta version of the Exemption Database. The HQ Exemption Department has been unable to provide any statistics on exemptions, and the database was an effective tool in controlling customs exempted duty. It has been tested and employees have been trained.

The screenshot shows the Afghanistan Customs Department website. The main content area is titled "Per Product" and displays a table of trade statistics. The table has two columns: "Description" and "Details". The "Details" column contains links to download data for various product categories.

Description	Details
Product Import 1384	دانلود
Product Import 1385	دانلود
Product Import Chart 1384-1385	دانلود
Product Import Chart in Dari 1384-1385	دانلود
Product Export 1384	دانلود
Product Export 1385	دانلود
Product Export Chart 1384-1385	دانلود
Product Export Chart in Dari 1384-1385	دانلود
Product Import 1386	دانلود
Product Import Chart 1386	دانلود

Customs Data Unit deliverables are posted at the ACD website under the Trade Statistics link: <http://www.customs.gov.af/Trade-Statistics/default.asp>.

- Submitted provincial data entry records containing errors to the Post Clearance Tariff and Coordination Departments at HQ for follow-up. The Province Customs houses and the DG Customs were notified of the problem, and EGPSS assisted in the reconciliation of revenue data collected from Province Customs houses against data provided by Mustufiat to Revenue Department of the MOF. Overall, the data entry error rate continues to decline.
- Prepared trade statistics reports to be published on the Customs website.

## 3.2 Banking Reform

### Objective

The Banking Reform efforts are centered on Afghanistan's Central Bank, also known as the Da Afghanistan Bank (DAB). Reinvigorating the Afghan macro-economy and its financial sector necessitates a functional and effective Central Bank. EGPSS has provided technical assistance to DAB to adopt international standards in the areas of:

- Bank Supervision (including Risk Management)
- Monetary Policy
- Accounting Standards, Payments and Operational Capacity
- Market Operations
- Legislative Drafting
- Public Outreach and Communications

### Key Performance Indicators

The following outlines a few of the key Banking Reform Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Conducted on-site investigations and implemented core principles for Effective Supervision.
- Trained staff on off-site surveillance; implemented CBS support modules.
- New laws and regulations, and accounting policies and procedures developed.

### Main Impact

- Financial sector has grown to 18 commercial banks with more than three-hundred branches in all thirty-four provinces, with bank assets rising from \$262 million in 2004 to \$3 billion in 2009.
- Assisted in developing and instituting DAB monetary policy has resulted in a reserve/portfolio of \$3B invested in over twenty top-tier financial institutions and government securities world-wide.
- Enactment of the Law on Immovable Property in Banking Transactions "the Mortgage Law": The Mortgage Law was passed by the Parliament and signed by the President on June 8, 2009 (Decree # 57).
- Enactment of Secured Transactions Law for Movable Property "the Movables Law": The Movables Law was passed by the Parliament and signed by the President on May 31, 2009 (Decree # 50).
- Forty-one DAB Branches have been automated and are currently in operation.

### Banking Supervision

The banking system is well-established and must grow incrementally under the guidance of the DAB's Supervision Department. This requires the drafting of regulations, the training and tasking of on-site examiners, the refinement of off-site reporting and analysis, and the continuous development initiatives to create a responsive and capable Supervision Department. The objectives have been expanded to cover the supervision over foreign exchange dealers, money service providers, credit unions, and depository micro-finance institutions, as well as the adoption of risk-based techniques and Basel II concepts.

EGPSS will enable the DAB to monitor the growing financial sector in Afghanistan by improving its supervisory capacity within a regulatory framework that complies with international best practices.

### Project Highlights

- Conducted examinations of two large commercial banks simultaneously, which was a first for the DAB Supervision staff.
- Developed, introduced, and trained the supervision staff on a risk analysis form that will allow the caseload managers to better evaluate and plan approaches to their institutions.
- Produced a Basel II Roadmap Document containing the timeline and essential requirements towards implementing Basel II in Afghanistan. Basel II is an international standard for capital guidelines, ensuring that a bank manages enough reserves and reduces its risk. Compliance with Basel II brings more credibility to the Afghan financial system and meets international best practices.
- Assisted three examination teams with conducting full scope examinations of every bank in the solar year (March to March). The full scope examination schedule for fifteen commercial banks for 1386 (2007) was completed. An examination form was introduced to track bank examinations. These full scope examinations are apart from the 'targeted examinations' that are prompted by regulatory reporting, market news, and other indicators.
- Drafted bank supervision guidelines for commercial loan underwriting and monitoring.
- Delivered training on Consumer Lending that further complemented existing computer-based training courses.
- Completed the summary report of the Core Principles of Effective Banking Supervision Self-Assessment, and the findings were presented to the DAB and the IMF.
- Assisted the Non-Banking Supervision Unit to complete its inspection of one-hundred one Money Service Providers (MSPs) and Foreign Exchange dealers in Kabul's Shahzada Market in May 2008. The inspection went according to schedule and included examination of licenses, transactions, reporting and records keeping. Numerous on-the-spot training sessions took place as each dealer was individually examined. As a result of the inspections, seven MSPs have been identified for re-inspection.
- Assisted the IMF in the commencement of its Quarterly Reviews for the Poverty Reduction and Growth Facility (PRGF) and Heavily Indebted Poor Countries (HIPC) Initiative, which are requirements for debt reduction. Furthermore, the EGPSS Bank Supervision Advisor assisted with the associated Safety and Soundness Inspection.
- Commenced an independent review on systemic risk and compliance in accordance with international standards; regulations were drafted to address these gaps.
- Conducted in-depth review of the Anti-Money Laundering (AML) Bank Examinations procedures and presented enhancements to the DAB.
- Assisted the DAB Supervision Department in conducting IT Examinations. This was part of the Safety and Soundness Inspection that had never been looked at previously at the DAB.

### **Monetary Policy**

Managing the financial heart of the Afghan economy requires detailed information and an increasingly deep understanding of macroeconomic factors. The DAB Monetary Policy Department has worked toward becoming the hub for economic data collection and forecasting for policy design and implementation.

The DAB lacked sound monetary policy, which is critical for maintaining a stable, robust economy. Reinvigorating the Afghan macro-economy and its financial sector requires a functional and effective Monetary Policy Department.

Afghanistan is a small open economy, which is subject to global economic shocks. Designing appropriate monetary and exchange rate policies in response to these shocks require good data and well-founded macroeconomic models that can generate forecasts useful for policy making. If Afghanistan intends to join the global market, it is required that data be compliant with the standards set by the IMF. The DAB

has recently achieved the first level of compliance with the IMF's General Data Dissemination Standard and has addressed the next level of data development. These are crucial for Afghanistan meeting the PRGF, HIPC initiative, and the Paris Club agreements.

### Project Highlights

- Conducted an in-depth Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis of the Monetary Policy Department, which laid the foundation for DAB's five-year strategic plan.
- Conducted an investigation of the International Transaction Reporting System (ITRS) to improve DAB Balance of Payments data. ITRS tracks Afghanistan foreign exchange transactions conducted through commercial banks for the private sector, and DAB for its own account and for all GIROA Ministries. The investigation involved multiple data review sessions with DAB staff in both the Monetary Policy Department and in the Payments Department that resulted in the preparation of a report on findings, conclusions and recommendations.
- Prepared a monetary policy strategy for transitioning to indirect instruments to maintain price stability. The DAB needed to shift from targets based on currency in circulation to broader monetary aggregates. Spurring growth in Afghanistan's banking and financial sector required this transition, and the DAB needed to respond with modern indirect instruments and a graduation to a more sophisticated level of analysis. To address this, the DAB expanded its menu of monetary policy instruments to include Open Market Operations (OMO), Reserve Requirement Ratio (RRR), and central bank lending facilities.
- Prepared a draft of the revised foreign exchange auction regulations to correct irregularities in the foreign exchange auction and strengthen the price discovery process.
- Conducted the twice-weekly foreign exchange auction and capital notes auctions. The DAB has auctioned close to \$900M to help control currency in circulation and maintain low inflation.
- Delivered a series of training courses to twenty-five DAB and MOF economists on Macroeconomics for Central Banks to provide them with greater technical skills to manage the Afghan economy. The courses follow the Introduction to Financial Programming series delivered in the previous fiscal year. The macroeconomics course targeted a wider group within the DAB and was taught in twenty sessions of two hours over a ten-week period.
- DAB monetary policy has resulted in a reserve/portfolio of \$3B invested in over 20 top-tier financial institutions and government securities worldwide.
- Produced a Growth Diagnostic Analysis (GDA) for Afghanistan to identify the major constraints binding growth and the appropriate policies to support high growth. The GDA showed that growth had been reignited since 2002 but has been highly volatile because of weather-driven shocks to Agricultural output. However, structural transformations have taken place with the share of Services and Industry increasing. However, domestic savings are low, real interest rates are negative, and the financial sector is shallow with large swathes of the population excluded from the financial services. A key policy prescription has been to deepen financial intermediation and enhance returns to private investment.
- Prepared technical briefing paper on the key inflation issues for Cabinet Members and Members of Parliament. EGPSS also prepared briefing papers on balance of payments and macroeconomic conditions in preparation for the Governor's participation at the Annual IMF/World Bank Meetings in April 2008. The information enabled the Governor to review and negotiate conditions and performance criteria under the PRGF.
- Prepared for the IMF, Article IV consultation and Third Review of the PRGF arrangement by reviewing the monetary program, monetary survey and macroeconomic conditions.
- Reviewed the Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) that was submitted to the IMF Executive Board. The LOI and the MEFP describe the macroeconomic situation and whether GIROA is in compliance with quantitative performance criteria and benchmarks (e.g. inflation rate). These documents are important because they are presented to the Executive Board of the IMF, which will decide whether or not to release the PRGF loan of \$119M to Afghanistan.

- Supported DAB's negotiations with the IMF on targets for Reserve Money and Currency in circulation for the PRGF Monetary Program for SY 1387.
- A 235 household survey of consumer finances and savings was prepared to better understand savings behavior in Afghanistan. The survey elicited responses on attitudes to interest, which is forbidden under Sharia law, relative attractiveness of savings vehicles, access to banks, financial literacy and demographic variables.
- Secured adjustment to the interest rates on the required reserves of commercial banks. EGPSS assistance led to the dismissal of proposals to lower the rate of interest paid on required reserves. Reserves are a tax burden on the banking system when the interest paid on reserve requirements is lower than market rate or when real interest rates are negative. With the 28-day capital note earning about 15 percent on average and inflation averaging 20 percent, the real rate of interest was at -5 percent.
- Conducted liquidity stress tests to determine the robustness of the forecasts and the conduct of monetary policy. It was determined that there was a need to strengthen the liquidity forecasting framework, which is now being implemented.
- Produced an analytical research note on the remuneration of required reserves and the Fourth Quarter Bulletin of Economics and Statistics, and also produced and presented the medium-term inflation outlook to the Supreme Council.



DAB tellers dispersing salaries to government employees.

### Accounting Standards, Payments and Operational Capacity

The resurrection of the DAB after years of war revealed an enormous challenge to reconstructing official transactions and accounting records from that period. Although the IMF assisted the GIROA in 2002 in this effort, the statement of accounts and the true financial position of the DAB were not finalized. Furthermore, this was predicated upon the accounting and banking infrastructure being brought up to international standards. This ongoing challenge was addressed by the concerted application of technical assistance. According to the law, the DAB is required to be compliant with the International Financial Reporting Standards (IFRS). The banking and accounting package ("Core Banking System") installs all the usual controls along with a modern and IFRS-compliant Chart of Accounts and reporting structure. The processes and procedures that surround the system and the individual services and products ensure not only that the controls are in place but also that the accounting entries in the life cycle are compliant. There will be an ongoing reconstruction effort in the DAB to review all the old registers and documents as well as to address outstanding reconciliation issues, but the framework is now in place to receive a more accurate accounting of the Bank's position. In addition, the staff, particularly in the accounting area, has been trained in the system but also needs to understand the compliance requirements of the IFRS. EGPSS conducted extensive training in the subject as it relates to the services of the DAB.

### Project Highlights

- For the first time in its history, the DAB produced a set of accounts in accordance with the requirements of International Financial Reporting Standards (IFRS). This included the Balance Sheet, Income Statement, Statement of recognized Income and Expense, Cash Flow Statement and Notes to the Financial Statements. With the assistance of EGPSS, the audited Financial Statements of the Central Bank were approved by the Bank's Supreme Council (the equivalent to the Board of Directors) and submitted to the Parliament.

- Prepared the restated 1385 (March 2006-07) Financial Statements in order to comply with the requirements of IFRS reporting. The 1385 Financial Statements needed to be restated in many areas of reporting for comparative purposes.
- The audit work took a period of three months to complete and was conducted by KPMG Afghanistan (external auditors) and involved the examinations of all balances appearing in the books of accounts of the Central Bank with the main objective of expressing an audit opinion on whether the Financial Statements prepared by the Bank showed a true and fair view of the financial position appearing on the Bank's Balance Sheet as well as the Profit/Loss for the year ending March 19, 2008.
- While the 1385 Financial Statements produced a disclaimer of audit opinion, there were tremendous improvements in the record keeping and in the subsequent preparation of Financial Statements for the year ending March 2008. Due to these efforts, the auditors were able to verify and be satisfied with a significant part of the figures and balances appearing in the books of accounts and have therefore issued a qualified opinion. This means that there are still some areas where improvements are needed for the auditors to issue a completely clean report of findings (i.e. a true and fair view of the financial position as well as the Profit/Loss).
- Drafted accounting policies covering:
  - Presentation of Financial Statements
  - Accounting for Foreign Currencies Transactions
  - Accounting for Government Grants
  - Accounting for Property, Plant and Equipment
  - Reconciliations and Resolutions
  - Accounting for Intangible Assets
  - Revenue Recognition Principles
  - Accounting for Changes in Policies and Estimates and Correction of Errors
  - Accounting for Investments Properties
  - Accounting for Non-Current Assets Held for Sale and Discontinues Operations

#### Project Highlights - Market Operations

- Established legal and regulatory requirements for the secondary market in capital notes. This officially meets a significant IMF benchmark for Afghanistan. The secondary market for capital notes enables DAB to not only sell but also to purchase capital notes from banks (in a repurchase agreement). This is a key building block in the development of capital markets. It improves the conduct of monetary policy and encourages inter-bank lending.
- Furnished recommendations to Senior Bank Management within the Market Operations Department on staffing and training, departmental reorganization, cash projection and control, and the creation of a risk control section (middle office) within the department.
- Prudently managed \$3B in reserves earning about \$78 million in interest, which is comparable to returns earned by Central Banks in the region.
- Issued \$300 million worth of capital notes to help banks manage their liquidity and earn interest. This is the safest security in Afghanistan and promotes the development of the financial market.

#### Success Story - Market Operations

With the successful implementation of the Core Banking System (CBS), DAB has met a critical IMF benchmark under the Poverty Reduction and Growth Facility (PRGF) program. As of September 2008, the CBS system was operational at DAB's Head Office and fifteen of twenty-two Regional Hub Branches, marking a substantial step in improving DAB's account management and financial reporting functions.

The DAB staff at the Head Office and Regional Hub Branches has demonstrated sustained ability to manage CBS operations on their own, processing all transactions through the CBS system and generating daily trial balance and profit and loss statements accessible from Head Office. EGPSS conducted on-site visits to the branches to review CBS operations and found staff very receptive to the new system and growing more confident in its use.

The CBS is an integrated system wherein all CBS branches are linked to the Head Office in Kabul. This will permit more automated inter-branch transfers, branch specific and consolidated financial reporting, and “real-time” reporting for monetary policy and liquidity forecasting purposes. EGPSS provided assistance with installation and training and completed numerous consultations with the DAB to ensure that the CBS was generating account statements, transaction vouchers, and customized reports to meet their needs.



AEG&PSS CBS trainer Parwiz Pazman explains CBS transaction processing steps to DAB Shirbirghan staff.

This is a remarkable improvement that addresses previous weaknesses observed in DAB finance and accounting operations. Full CBS implementation strongly positions the DAB to provide improved account management and payment services to DAB clients, most importantly the MOF.

#### Project Highlights – Legislative Drafting

- EGPSS drafted the following laws to support the development of the financial sector:
  - Draft Secured Transaction Laws for Immovable Property (Mortgage Law)
  - Draft Secured Transaction Laws for Movable Property
  - Financial Services Tribunal
  - Negotiable Instruments
- EGPSS then worked with relevant officials at the MOJ Taqin and Parliament to move towards enactment.
- The adoption of the Secured Transaction Laws is critical to the expansion of business and consumer credit and will provide a significant impact to the economic development in Afghanistan.
- The Financial Disputes Resolution Commission (FDRC) began discussions with their efforts to draft the procedural code that will guide Commission operations. On May, 31 2008, the working group agreed on a collaborative five-step process for developing the first draft of the code by:
  - Reviewing relevant underlying laws (e.g. Decree Law of Banking in Afghanistan, the Decree Law of DAB);
  - Identifying procedural issues not resolved by the laws;
  - Agreeing on resolution of those issues;
  - Drafting proposed language; and
  - Reviewing the proposed language for accuracy.
- Using this process, the group identified and, on a preliminary basis, resolved one-hundred seventy-six legal issues and addressed fifty of the issues with draft procedural language. In June 2008, EGPSS helped the working group complete the second phase of this effort by drafting proposed language for each of the points discussed. The FDRC acts as the administrative body to handle financial sector disputes quickly, rather than relying on the lengthy legal process caused by a weak judicial system. It has been the first attempt to implement independent administrative oversight of a regulatory authority within the Afghan government and, as such, represents significant potential to enhance transparency.

Key Achievement: – Legislative Drafting

- The full Council of Ministers of the Cabinet approved the Secured Transactions Laws, and the President's Office sent the laws to the Ministry of Parliamentary Affairs to be placed on the legislative agenda of the Wolesi Jirga (Lower House of Parliament). The IMF benchmark for submission to Parliament has now been met.
- EGPSS assisted in the drafting of both the Secured Transaction Law on Immoveables (Mortgage) and the Secured Transaction Law on Moveables. The Ministry of Parliamentary Affairs completed its review of the two laws, which were received by the Secretariat of the Lower House on 21 April 2008.



DAB Governor, Abdul Qadeer Fitrat introducing himself to government and business leaders.

**DAB Legislative Drafting**

In Afghanistan, a lack of access to credit through banks leaves private sector firms highly dependent on internal family funds and retained earnings for financing, constraining growth. Empirical research has demonstrated that a country's legal environment directly impacts the private sector's access to external funding. At the outset of the project, the legal framework in Afghanistan was not sufficient to support expansion of modern banking services, and questions about the capacity of the court system to handle complex banking-related disputes added uncertainty to the environment, potentially undermining the willingness of investors to commit resources to the market. With the support of USAID/BearingPoint EGPSS, DAB outlined an ambitious plan to support legal reforms that would deepen the capacity for financial intermediation in Afghanistan.

Project Highlights

- Helped DAB to draft the Law on Mortgage of Immovable Property in Banking Transactions (the "Mortgage Law"), and offered extensive support to DAB in advocating for the processing of the law throughout Afghanistan's complex and lengthy legislative drafting procedures. EGPSS support included technical advice and advocacy before multiple layers of review in the Ministry of Justice's legislative drafting department (Taqqin), the Council of Ministers, and the Ministry of Parliamentary Affairs. Support from the project helped to ensure that the draft law was delivered to the Secretariat of the lower house of Parliament (Wolesi Jirga) in late April 2008. Submission of the draft law to Parliament fulfilled one of Afghanistan's "policy action" targets under the International Monetary Fund Poverty Reduction Growth Facility (PRGF).
- Provided similar support to DAB with respect to drafting, advocating for, and processing the Law for Secured Transactions on Movable Property in Banking Transactions (the "Secured Transactions Law"), which was ultimately delivered to the Wolesi Jirga on the same day as the Mortgage Law, thereby fulfilling another of Afghanistan's "policy action" targets under the PRGF.
- Produced, in partnership with DAB and other project components, a series of public workshops, discussions and events to build support for the Mortgage Law and the Secured Transactions Law amongst the public, private sector businesses, and key parliamentarians. A key highlight of this public outreach was the two-day "Five Laws Conference" in August 2008 (co-hosted with the Ministry of Commerce and also covering Laws on Agency, Trademark, and Patents supported by that Ministry). The event yielded positive press coverage for the laws in a variety of television, newspaper and radio media outlets.
- Supported DAB in advocating for passage of the Mortgage and Secured Transactions Laws, attending numerous meetings with members of the Wolesi Jirga's Economic Commission to explain provisions of the laws and outline their potential for positive impact on Afghanistan's economy. After considerable discussions, both laws were approved by the Wolesi Jirga and, later, the upper house of parliament (Meshrano Jirga). President Karzai signed the Secured Transactions bill into law on May, 31 2009, and signed the Mortgage bill into law on June 8, 2009. The laws have now been published in the Official Gazette no. 990. In the World Bank's 2010

Doing Business Survey, Afghanistan's rank moved from 162 out of 183 countries surveyed to 160. Passage of the secured transactions laws was one of three key developments that contributed to the increased ranking (other key factors included improvements in land registration and business registry procedures).

- The adoption of secured transaction laws will be critical to the expansion of business and consumer credit and provide a significant impact to the economic development in Afghanistan.
- Ensured that Afghanistan fulfilled a third PRGF "policy action" target by providing technical support for the drafting, processing, and enactment of the Law of Negotiable Instruments. EGPSS worked with DAB to ensure that the process included broad public consultation and input. For example, EGPSS helped DAB work with the Afghan International Chamber of Commerce to facilitate a public workshop on the law in January 2007. The project continued supporting the draft law throughout 2007 and 2008, ensuring that its legislative review was calendared and processed in a timely fashion by Taqin's Department of Commercial Laws, and supporting DAB as it advocated for the draft law before meetings of the Council of Ministers, securing COM support on January 5, 2009. President Karzai signed the draft as a Decree Law pursuant to Article 79 of the Constitution on January 11, 2009. The enacted law was published in the Official Gazette no. 971. Thereafter, EGPSS has continued to support DAB as it advocates for the decree law during the subsequent parliamentary review.
- Worked with DAB's Office of Legal Counsel to draft a proposed Afghan Deposit Insurance Law that is designed to add another pillar to the safety and stability of the Afghan banking system, and helped the Office of Legal Counsel advocate for processing of the law before Taqin, the Council of Ministers and other relevant authorities. In April 2009, the project helped DAB secure Council of Ministers' approval for the draft law, which was fashioned as an annex to the Decree Law of Banking in Afghanistan, which is currently awaiting parliamentary review. The draft annex law was submitted to parliament in October 2009, after the formal end of the project period.
- Ensured that DAB fulfilled requirements of the Da Afghanistan Bank Law and the Law of Banking in Afghanistan by establishing a Financial Disputes Resolution Commission (FDRC) to provide independent review of complex licensing, enforcement and regulatory proceedings in a manner that is designed to enhance investor confidence that disputes with regulating authorities will be resolved fairly, expeditiously, and with technical expertise. framework is in place. (Note that while the creation of the FDRC was provided for in the banking laws, the commission itself also offers services to the regulator and regulated communities of the telecommunications sector.) With support of an EGPSS advisor, a working group of commissioners came together to address and resolve hundreds of legal and procedural issues and draft a procedural code that will govern proceedings before the FDRC. The FDRC was officially inaugurated after the project period closed, in October 2009.
- Helped DAB to ensure that the regulated financial industry was apprised of key legislative developments outside the banking sector. For example, an EGPSS advisor reviewed a skeletal draft of the Information Communication Technology (ICT) Law, which complements the Telecommunications Law, with fifteen Afghan bankers. A working group was formed to comment on the draft ICT Law. Wide-scale use of m-commerce and related banking services will become realistic targets when a legal framework is in place.
- Offered drafting and advocacy support to DAB as it worked with International Finance Corporation-sponsored advisors to encourage passage of the draft Financial Lease law. In particular, USAID/BearingPoint team members attended multiple meetings with members of Taqin to facilitate their review of the draft law, ultimately securing the approval of Taqin, the full Ministry of Justice, the evaluation committee of the Council of Ministers, and the Full Council of Ministers for the draft law, ensuring that it was delivered to the Economic Commission of the Wolesi Jirga in May 2009. Once passed, the law is expected to provide meaningfully enhanced access to finance for micro-, small- and medium-sized enterprises.
- Offered drafting and translation support to DAB as it worked with International Monetary Fund-sponsored advisors to draft an Islamic Banking Law, a process that is still ongoing. Islamic banking has potential to reduce financial exclusion of communities that are reluctant to engage with conventional banks owing to religious concerns. By potentially attracting deposits that are



boosts entrepreneurialism and competitive markets, and creates a better environment for economic governance.

The objective of the Trade Reform component is to ensure that the Ministry of Commerce and Industry effectively supports the nascent private sector and improves its trade position with updated policies and sound implementation. Consequently, EGPSS has been supporting the following series of key reform initiatives:

- International and Regional Trade Pacts
- Commercial Law Reform
- Establishing a Central Business Registry
- Organizational Restructuring
- Public Outreach and Communications

At fruition, the EGPSS trade policy reform efforts had a meaningful impact; but much work remains. For instance, Afghanistan still finds itself at the bottom of the World Bank Trading Across Borders Doing Business Indicator. The time and resource cost of importing and exporting remains tremendously burdensome, and is only getting worse. Future trade policy efforts should aim to reduce this burden.

#### Key Performance Indicators

The following outlines a few of the key Trade Policy Reform Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Milestones reached for WTO and SAFTA accession.
- Trained staff in trade and investment best practices.
- Reduce the burden of trading across borders.

#### Main Impact

- Afghanistan Central Business Registry (ACBR) offices established in Kabul and Jalalabad – they are automated, connected via the Internet and a one-stop-shop that reduced the registration time from days to two hours. These were the foundations for future investment in Afghanistan.
- More than 12,500 businesses were registered by September 30, 2009.
- The first Trade and Tariff Policy Framework for Afghanistan was approved by the cabinet and President Karzai, making Afghanistan one of the lowest tariff markets in the region. The framework had the intended effect of attracting trade, but sufficient contact with international businesses was still lacking..
- Afghanistan joined the South Asian Free Trade Agreement (SAFTA), giving it access to a reduction in tariffs of all member countries to a 0-5 percent rate and other benefits.

#### **Ministry of Commerce and Industry**

The Ministry of Commerce and Industry (MOCI) plays a key role in defining what is needed for the private sector to flourish and for trade to thrive efficiently in the Afghan economy. When EGPSS first started working in this sector, there was no long-term view of helping the private sector move towards its historical role as the trading hub of Central Asia. Afghanistan did not have a coherent trade policy or a policy-making body. Decisions were ad hoc and made by different bodies in government, which led to less transparency and, in most cases, conflicting outcomes.

With porous borders, over 80 percent of trade is informal and one third is illicit.

As a preliminary step, EGPSS advisors needed to teach courses on economics, international trade and law, communications, negotiation skills and the WTO. EGPSS also drafted the trade and tariff policy framework for Afghanistan in line with the Afghanistan National Development Strategy. The policy framework recommends a low tariff regime to increase exports, bilateral and regional trading arrangements, and the WTO accession. These are critical for Afghanistan to access larger markets and

be part of the world trading community. The policies were created to initiate the framework for Afghanistan to begin international trade. Associated trainings and information sessions were offered to educate and develop the government officials who would oversee trade and business creation. Even towards the end of the project, this framework had yet to produce large results for the nation.

### Project Highlights

- Delivered a five-week training program for twenty-four officials from over a dozen government departments and agencies during November and December 2007. EGPSS provided the training with guest lectures provided by the United Nations Convention on Trade and Development (UNCTAD). In addition, an inter-ministerial Trade/WTO Working Group was created where monthly workshops were held on related topics to trade.
- Assisted the MOCI with organizing a meeting of the inter-ministerial working group on 01 May 2008 to discuss Generalized System of Preferences (GSP). The Economic Officer at the US Embassy gave a briefing on the GSP, with the aim of increasing the total amount of Afghan goods going to the US, principally by ensuring that importers of eligible Afghan products claimed a GSP exemption and imported goods duty-free. The GSP is a program designed to promote economic growth in the developing world by providing preferential duty-free entry for more than 5,000 products from one-hundred forty-three designated beneficiary countries and territories.
- Delivered a briefing on the Memorandum of the Foreign Trade Regime (MFTR) to the Economic Committee of the Council of Ministers, which resulted in its endorsement for the MOCI to take all the necessary steps to proceed with the WTO accession for Afghanistan. In order to begin the accession process to the WTO, Afghanistan became an observer to the WTO. In addition, the GIROA needed to provide documentation to the WTO on the present trade regime through the MFTR. EGPSS, in collaboration with other donors, helped the MOCI update and the first draft of the MFTR.
- Prepared a series of helpful briefings and analyses for the MOCI in its preparation for the country accession to the South Asian Free Trade Area (SAFTA) in Sri Lanka in August 2008.
- Afghanistan joined the South Asian Free Trade Area in August 2008, giving it access to a larger international market with reduced tariff rates between 0-5 percent.
- Unbundled the structure of the MOCI Administration into separate directorates: finance, operations, HR and IT to ensure better efficiencies. MOCI had also been developing plans to fully integrate the Industry Division into the Ministry of Commerce. EGPSS completed the design of the division and the integration of duplicative functions from the old Industry Division into the existing Ministry. EGPSS also designed a revised structure combining Industry and Private Sector under one Deputy Minister.
- Amended the MOCI Priority Reform and Restructuring (PRR) application, which describes the mission of the agency and goals for restructuring its organization. In addition to new organization charts, it contained a description of every department and functional area of the ministry, including a description of all positions and the salary structure. EGPSS submitted the 300-page PRR amendment along with a draft Civil Service submission letter to the Ministry on 01 June 2008. The recommendation, which reforms the Industry Division into four directorates, was also approved by the Administration Deputy Minister.
- After the submission of the PRR amendment in June 2008, the Civil Service Commission released a new format of the PRR application. As such, the application was returned, and the MOCI was asked to resubmit an updated application to comply with the new requirements. EGPSS worked on the modifications – some of the changes include a classification system of position grade levels and the formatting of job descriptions (for four-hundred twenty-nine positions).

### **Afghanistan Central Business Registry**

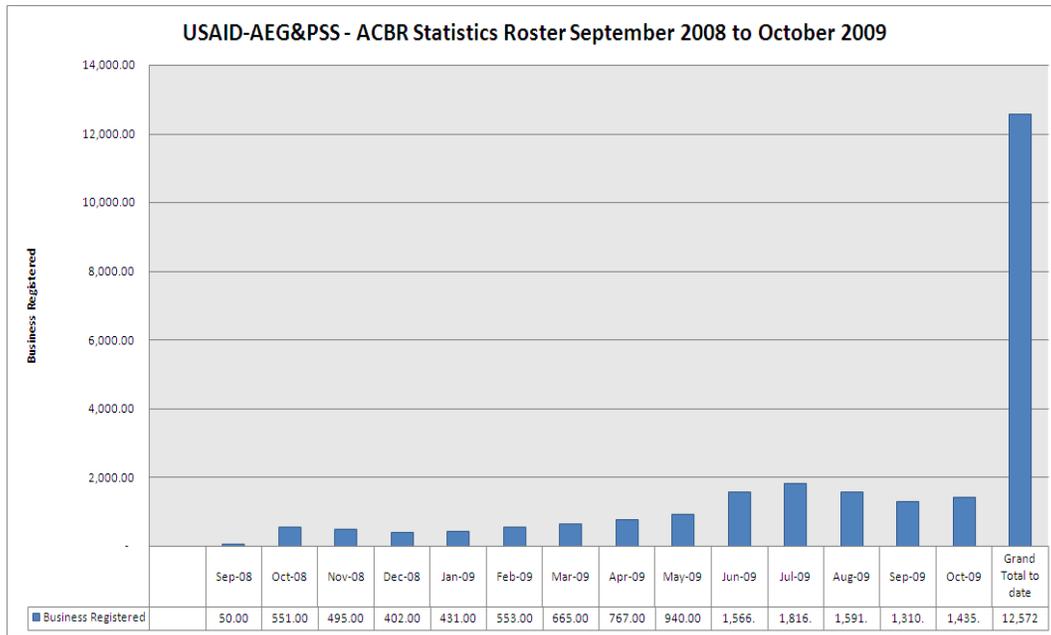
The Afghanistan Central Business Registry (ACBR) provides a universal registration process for domestic and foreign companies across the country. It allows businesses to register without having to go to multiple

locations, and the new computerized registry brings Afghanistan’s registration practices comparable to international standards.

In the past, registration was an expensive, time consuming ordeal. It was a multi-step process, which involved five agencies in five locations, each requiring multiple signatures and payments. Licensing services, such as Afghanistan Investment Support Agency (AISA), can still handle registration; however, many businesses are not qualified to use AISA. The one-stop Central Business Registry combines registration steps previously performed by the MOCI, Commercial Courts, MOF, DAB, and the MOJ, and it is a registration option for all foreign and domestic businesses. The ACBR creates the framework for businesses to register in Afghanistan, but the true task was actually enticing businesses to enter Afghanistan or do business with the country.

**Project Highlights**

- The first ACBR office was opened in Kabul in September 2008 and the second opened in September 2009.
- In the first year of operations, over 12,000 enterprises were registered (see chart below).



- Leading up to the opening of the ACBR, EGPSS assisted the MOCI with the following:
  - Completed assessment of registration and licensing operations at the Commercial Courts, MOF, MOJ Publication Office (Gazette), DAB branches, and Trader Licensing;
  - Developed the implementation plan for the establishment of the ACBR – this included the development of regulations, registration workflow, organizational structure and job descriptions;
  - Coordinated a study tour to Singapore to educate MOCI officials on registration best practices;
  - Received the keys to the ACBR building; and
  - Assisted MOCI with IT planning, acquisition, installation, database design, transition agreements with previous agencies, and facilities refurbishment.



Model: One-Stop Business Registry Center in Jordan.



Reality Today in Kabul: The business registration application is passed along each desk at the ACBR.

### Success Story

With funding from USAID, the Afghanistan Central Business Registry (ACBR) was established with technical support from EGPSS. ACBR is a one-stop-shop where businesses can register in a couple of hours rather than several days. The new computerized registry brings Afghanistan registration practices comparable to international standards. The simple process involves obtaining a TIN, publishing business information in the Official Gazette, and getting a referral letter to any licensing agency for a low flat fee. The ACBR enables businesses to formally enter the Afghan economy. Furthermore, with the computerized system, generating reports in order to conduct analyses of businesses has become an easy task. The opening of the ACBR is considered one of the landmark events at MOCI in recent history.



Minister Farhang and USAID Deputy Mission Director Charles Drilling at the ACBR ribbon cutting ceremony on 27 September 2008.

### **MOCI Public Outreach and Communication**

To promote awareness of the commercial laws and regulations affecting the private sector, EGPSS developed various training and strategic communication activities. The project also worked with the MOCI to encourage company registration compliance with the Afghanistan Central Business Registry.

### Project Highlights

- Hailed as a model for public/private collaboration, the Four Laws Conference publicized the enactment of four key commercial laws attracting major government officials and influential private sector representatives. The conference, coordinated by the MOCI on October 20 2007 – October 21, 2007, was designed to discuss the Corporation, Partnership, Arbitration, and Mediation laws in response to the Afghanistan Compact and to solicit comments for potential amendments in Parliament.
- Trained the Legal Directorate of the MOCI on the four commercial laws. The EGPSS Public Outreach Team then began its first training sessions on the four commercial laws to the private sector. They trained eight business associations, including four women's associations on the fundamentals of the laws. A colorful brochure was designed, drafted and printed in three languages as a training and information tool.
- Delivered workshops in Herat, Mazar and Jalalabad during the summer of 2008 focusing on commercial areas of interest to the private sector, how new trade agreements will lower tariffs for Afghan goods and make them more competitive abroad, as well as how new laws will improve the business environment. Presentations also covered the need for international trade

agreements such as the South Asia Free Trade Area and the Afghanistan-Indian Free Trade Agreement to implement new export-oriented trade policies and the value of commercial laws to the private sector environment. Traders were quite interested in the specifics of SAFTA and how it would affect them.

- Over one-hundred guests celebrated the opening of the Afghanistan Central Business Registry at the MOCI. In an open-air ceremony, the Minister welcomed guests, saying that the ACBR would make registration easier for Afghan businesses. Bahauddin Baha, a Supreme Court Justice said that after a long hiatus, it was time for the MOCI to reassume its role as the principal place for business registration. Daoud Hashemi, a member of the Parliament's Economic Commission addressed the importance of the registry and the need to promote the development of the private sector.
- Implemented an aggressive campaign to publicize the ACBR. Posters and brochures in three languages were designed and printed. Informational materials on the ACBR were sent to 400 NGOs, as well as to all embassies and consulates in Afghanistan. The opening ceremony also attracted television, radio and print media.
- Pictured to the right, the MOCI and USAID speak at the Four Laws Conference in October 2007. Dr. Mir Muhammad Amin Farhang, Minister of Commerce and Industry, said of the ACBR and new laws surrounding the establishment of new businesses; "These laws make it easier to establish businesses and to resolve disputes. They will strengthen our private sector and make Afghanistan more attractive to foreign investors. Commercial laws build the foundation for a thriving private sector. The private sector is our engine of growth."
- As a follow-on to the success of the Four Laws Conference, EGPSS organized a conference to promote five additional laws (including two financial sector laws):
  - Trademark
    - Patent
    - Agency
    - Law for Mortgage on Immovable Property for Banking Transactions (Mortgage Law)
    - Law for Secured Transactions on Movable Property in Banking Transactions (Secured Transactions Law)
- The goal was to inform the private sector, Parliament, and other key stakeholders about the commercial laws and seek their views and support. The conference was held at the Kabul Intercontinental Hotel on August 6, 2008 – August 7, 2008 on behalf of the MOCI and the DAB, and it attracted over five-hundred business people, government officials, Members of Parliament, and donors. It was a very successful forum, enabling these stakeholders to exchange ideas and begin public consultations on the five laws. The completed work spread the word to the outside world that Afghanistan was ready to conduct business. With time, Afghanistan should succeed in trading with the outside world, having the proper framework instituted by the EGPSS project.



## 3.4 Parliament

### Objective

The Parliament was elected in December 2005 following the second round of national elections. It consisted of the Wolesi Jirga (Lower House) and the Meshrano Jirga (Upper House), and each house was composed of standing committees tasked with specific issues, including international affairs, legislation, finance, budget, economics, public accounts and banking affairs.

EGPSS worked primarily with the National Economic Commission (NEC), which reviews economic-related legislation as well as GIROA's economic strategies and policies, including private sector development, commercial laws, banking, ANDS and the government's response to global financial matters.

### Key Performance Indicators

The following outlines a few of the key Parliamentary Reform Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Trained various staff and departments on economic policy analysis.
- Provided input on the development of new economic laws.

### Main Impact

- The following laws were promulgated with EGPSS assistance between October 2005 and September 2009:
  1. Telecom (December 2005)
  2. Customs (and amendments)
  3. Corporations
  4. Partnership
  5. Arbitration
  6. Mediation
  7. Mortgage
  8. Secured Transactions
  9. Negotiable Instruments
  10. Organizing Land Affairs (Commercial Lease of Agricultural Land)

### Parliament

Until early 2007, the Parliament was not particularly active in legislative drafting because much of 2006 was devoted to establishing its own institutional structures and recruiting and conducting trainings of its own staff. The first substantive Parliamentary activity affecting EGPSS commenced in April 2007, when the Parliamentary Committee on Telecom launched an inquiry into the Telecom Law. EGPSS provided a series of trainings to Parliamentarians on the law. The Members were generally highly receptive to the training and asked for additional in-depth programs on the broader economic issues as they were being asked to review other critical legislation.

EGPSS has been embedded at the National Economic Commission to provide legislative support and technical assistance on key commercial legislation and economic related issues.

### Project Highlights

- Prepared written answers, statistics and supporting documentation in response to numerous legal questions that the MCIT received since the beginning of FY 2008. The Parliamentary committee on Telecom commenced its review of the Telecom Law of 2005 (Official Gazette 878), and it indicated the intention to conduct similar reviews of all major legislation that was promulgated by the President during the Transition Regime from 2002-2005.
- Assisted MCIT in conducting a series of briefings to educate the Parliamentary Members on the issues surrounding network interconnection, the economic benefits of competition, licensing and supervising private investment.
- Delivered the first training workshop (in Dari) on May 13, 2008 on the key commercial legislation for members of the Lower House of Parliament. The trainings covered the following commercial laws:
  - Corporations
  - Partnership

- Commercial Mediation and Arbitration
  - Trademarks
  - Secured Transactions (Immoveable and Moveable Property)
  - Contracts
  - Agency
  - Negotiable Instruments
- The trainings began with a presentation on the Corporations Law. The presentation defined corporations, limited liability corporations, partnerships and self proprietors and their impacts of doing business in Afghanistan. The Members of Parliament asked questions and engaged constructively.
  - Coordinated with the Wolesi Jirga to review and modify the commercial laws. The individuals tasked with the responsibility to review laws were inexperienced recent graduates of Kabul University with no legal experience. EGPSS, in coordination with the World Bank, other relevant government officials, and the private sector, worked closely with the Lower House to modify the laws. The recommendations led to key changes to the corporations and partnership laws to the benefit of the business community and investors.
  - Drafted a Commercial Law Matrix that included a detailed status report on economic legislation worked on by EGPSS. EGPSS coordinated its work with the USAID/Rule of Law Program, SUNY, CIPE, and the Legislative Department of the Ministry of Justice (Taqnin). As a result, the head of the Taqnin Department designated a government liaison to monitor and update, on a monthly basis, the legislative status of commercial laws and laws reviewed in Parliament to ensure coordination of information.
  - Coordinated information between the National Economic Commission and the Governor of DAB regarding bank balance sheets for the last several years, activities of private banks, economic security of private banks and DAB oversight, provision of loans and credits to businesspersons with small and medium enterprises, and Afghanistan's currency and inflation. The DAB Governor continues to share information with the National Economic Commission, and the coordination is very important because it increases the knowledge of the commission members in regards to the role of DAB, inflation, and loan/credit matters.

### 3.5 Privatization

#### Objective

Given the importance of rapid and reliable communications to a modern economy, the rehabilitation of the country's telecommunications infrastructure was a high priority. The Ministry of Communications and Information Technology (MCIT) adopted the Telecom and Internet Policy in July 2003, which made the commitment to accelerate the development of the sector by fostering private sector participation and removing the GIROA from the provision of telecom services to the public.

EGPSS provided technical assistance to MCIT that resulted in the establishment of Afghan Telecom in 2005 and the transfer of its telephone operations and assets to this new shell corporation during 2006. This made it possible to offer 80% of Afghan Telecom to private investors. EGPSS worked directly with the Ministry to line up investors and facilitate the eventual sale.

Overall, the goal of these activities was to enable a competitive environment and multiple competitors in a once government controlled and monopolized market.

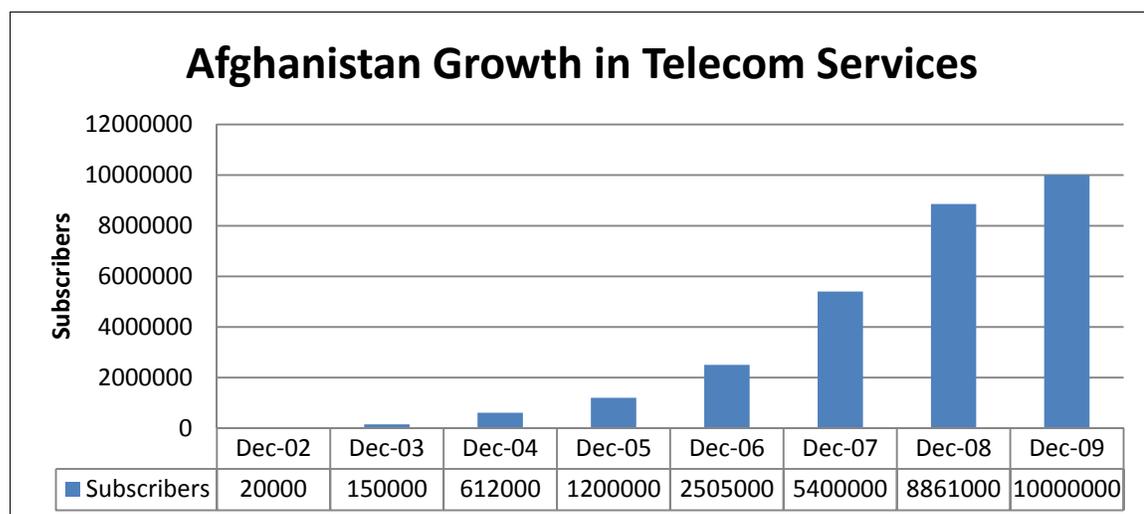
#### Key Performance Indicators

The following outlines the key Privatization Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Prepared Telecom Industry for privatization process.

### Main Impact

- A modern Telecom Law was promulgated that established an independent telecom regulator (Afghanistan Telecom Regulatory Authority – ATRA) making the sector structure and legal-regulatory framework fully WTO compliant.
- ATRA issued four Global Systems for Mobile Communications (GSM), four Local Fixed Services Provider (LFSP) Licenses in provinces, one landline and Code Division Multiple Access (CDMA) Digital Phone license to Afghan Telecom, two Satellite Services Licenses, and twenty-three Internet Service Providers (ISP) that contributed \$517.6 million to the national treasury (as of September 2009).
- Foreign direct investment through competitive licensing of GSM, Afghan Telecom, LFSP and ISP has reached approximately \$1.4 billion as of September 2009. The licensees together earned about \$500 million in gross revenues, paid more than \$100 million in taxes to the Afghan treasury, and created more than 80,000 sustainable, high-paying jobs.
- ATRA has created a Telecom Development Fund (TDF) to accelerate access to telecom services in rural and underserved areas of Afghanistan. The TDF has collected over \$30 million and dispersed US\$2.5 million to provide access to more than 25,000 new subscribers in twenty rural districts nationwide.
- ATRA facilitated the construction of two mobile towers in Chamkani, on the border with Pakistan in RC-E. Chamkani sits along a major trade corridor with a population of 200,000 but was unable to attract commercial mobile service providers until MCIT & ATRA intervened at the request of the PRT.
- The number of mobile subscribers in Afghanistan grew from one million at year end 2005 to almost 10 million at the close of 2009.



Source: Afghanistan Telecom Regulatory Authority (ATRA).

### **Privatization**

At the request of the Minister of Communications and Information Technology (MCIT), EGPSS provided daily support to the corporate leadership of Afghan Telecom, with a view towards installing the appropriate management orientation and financial controls. MCIT also owns a 20% stake in the second largest mobile licensee, Afghan Wireless Communications Company (AWCC), which was established during the Taliban regime.

The goal was to help Afghan Telecom take the initial steps towards commercial viability in a highly competitive market and have the ICT systems in place to produce reliable information for prospective foreign investors.

To give an insight into the poor condition of Afghan Telecom's management controls, it was discovered that no bank reconciliation had ever been conducted. In fact, there were no means to determine whether bills were being issued to subscribers, that the bills were valid, whether a particular subscriber ever paid, or what was done in cases where no payments were received. In addition, a vast amount of equipment had been ordered in the past, but never deployed, and in cases where infrastructure had been installed, no attempt had been made to sell service to the public.

#### Project Highlights

- Provided technical assistance to the entire C-level management team of Afghan Telecom: CEO, COO, CFO, and CIO. EGPSS trained the team to assume these roles and full responsibilities were handed over by April 2008. EGPSS also assisted in standing up the Afghan Telecom Regulatory Authority (ATRA). EGPSS technical assistance resulted in the promulgation of the Telecom Law.
- Assisted ATRA to issue four national mobile phone licenses that contributed a total of \$517.6 million to the national treasury as of June 2008.
- Number of mobile phone users increased from 21,000 in 2001 to a remarkable 10 million in 2009, with a 91% increase from the previous year. While EGPSS did not directly increase sales of mobile subscriptions, the project's privatization initiatives laid the groundwork to enable growth in the telecom sector.
- Finalized the Internet Related Services Contract for the provision of internet, video-conferencing and other Provincial Governor's Communication Network (PGCN), related services.
- On December 9, 2007, the MCIT announced a contract awarded to RANA Technologies to provide the technology packages to 1,000 additional communities by 2010. Each location enabled connectivity including digital wireless phones, broadband internet, and fax services. The initiative was called Village Communications Network (VCN) and was a centerpiece of MCIT's strategic plan to achieve 80% penetration of ICT access to the population.
- EGPSS developed the technical specifications and supervised the training to accelerate the deployment according to an aggressive nationwide schedule. EGPSS also implemented the deployment scheme and worked closely with other USAID partners (ASMED and ARIES) to prepare special financing (leasing) agreements in order to further accelerate roll-out on a fully commercial basis.
- Foreign direct investment into the telecom sector reached approximately \$1.4 million by September 2009. The four private telecom service providers together earned over \$500 million in gross revenues, paid more than \$100 million in taxes to the Afghan treasury and created close to 80,000 jobs.
- The MCIT inaugurated a new videoconferencing service for the Parliament, making use of existing network facilities in more than one-hundred locations nationwide. The launch ceremony demonstrated to the Members how they could use technology to remain in constant contact with staff, constituents, and other government officials, regardless of physical location. The Members marveled at how this would make their duties easier and more effective. Besides video, the network connectivity can be used for fax, data and voice calls.
- The Council of Ministers recognized MCIT for excellence in budget execution. In December 2007, the MOF revealed that the MCIT spent 48% of its allotted budget during the first six months of the government fiscal year, qualifying for the number one ranking among all government institutions in terms of budget execution. The majority of this money was spent in numerous infrastructure projects being deployed by Afghan Telecom, with considerable technical assistance provided by EGPSS.
- In October 2007, President Clinton asked President Karzai to paint a picture of achievements over the past five years. President Karzai focused on telecom and noted that in less than four years, the usage of mobile phones reached millions of citizens in Afghanistan and those who invested in these ventures made profitable returns.
- On 26 February 2008, Afghan Telecom signed four new contracts totaling around \$10 million, to procure additional network infrastructure equipment (based on the CDMA standard in 800 MHz).

The contracts were for towers, shelters, diesel generators and microwave systems. The equipment was purchased to expand the network in Jalalabad, Kunduz, Khost, Daikundi, Punjshir, Parwan, Herat, Kandahar, Balkh, Badakhshan, Helmand, Juzjan, Ghazni, Paktya and Faryab. EGPSS provided assistance to Afghan Telecom in planning the network expansion.

- The Minister decided that the MCIT would no longer be involved in taking the lead in selling the GIROA's 20% stake in AWCC and has empowered the 80% private stakeholder to take the lead. EGPSS prepared the entire bid package, financial statements, and market business case scenarios; and ran the tender process, including announcements in the Wall Street Journal and Financial Times of London.

### Before and After

Up until December 2007, Afghan Telecom did not have a way to generate accurate and timely bills to its customers. The use of rudimentary software created many problems, including lack of transparency and accuracy and massive fraud as a result of manual tampering. Anyone could tap into the system and change billing information and permanent logs were not kept, which made audits impossible. There was no real way of verifying the accuracy of bills, and Afghan Telecom lost hundreds of thousands of dollars. To this day, that money has gone uncollected.

EGPSS was instructed by the Minister of Communications and Information Technology to bring Afghan Telecom closer to a commercial footing, and the billing system emerged as one of the first priorities. The advisors analyzed the requirements, developed an international competitive tender, and supervised the deployment of a billing system and the training of Afghan staff. The benefits of the new Afghan Telecom billing system are the following:

- Ensures 100% transparency, eliminating fraud
- Billing is instantaneous on a real time 24/7 basis
- Accommodates both post-paid and pre-paid customers
- Integrates with the entire business life cycle, from initial customer order for a new line to daily usage to shut-down for lack of timely payment
- Makes it possible to market additional features (at different prices) and rapidly adjust pricing across the range of service
- Generates reports in multiple formats (regional usage comparisons, month-to-month management comparisons, etc)

The benefits were realized immediately after implementation. Afghan Telecom is now able to generate bills in thirty-four provinces without worrying about the security of the system or internal tampering with the data. Furthermore, the billing team has built enough capacity to support the billing system and achieve its goals without EGPSS assistance.

- Two potential investors interested in the acquisition of the government-owned Afghan Telecom sent due diligence teams to Afghanistan to conduct assessments of the enabling environment (including laws, regulations and taxes). EGPSS provided extensive assistance with statistics, source documents, and facilitated meetings with the relevant government officials.
- This task was complete after the bidding process for the 80% stake of GIROA-owned Afghan Telecom was concluded. On June 21, 2008, ETTIKIE, a UK/Russian telecom company, was the winning bidder of Afghan Telecom for \$212 million. The Cabinet rejected the bid for unrenowned reasons.

## 3.6 Economic Policy and Coordination

### Objective

EGPSS has worked closely with the Senior/Chief Economic Advisor to the President (SEAP/CEAP) and the Minister of Economy on a daily basis in the development of key economic issues impacting Afghanistan and the resolution of issues arising among ministries regarding economic policy.

### Key Performance Indicators

The following outlines a few of the key Economic Policy and Coordination Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Provided substantive economic papers that enabled more productive discussion within Cabinets and Ministries.
- Offered technical support for economic policy conferences and economic policy issues.

### Main Impact

- Completion of the Afghanistan National Development Strategy (ANDS) for presentation to the International Donor Community at the June 2008 Paris Conference yielded commitments of \$22 billion in aid over the next five years.
- The JCMB had become a useful forum for economic policy development and decision-making, including the creation of Standing Committees for ANDS and PSD.

### **Senior/Chief Economic Advisor to the President**

The SEAP played a critical role in advising the President on key economic issues and providing the necessary information so that the President could make sound policy decisions. The SEAP, at the request of the President, sought assistance from EGPSS with the preparation of new policies, economic feasibility studies, forecasts and impact analyses. Some of the primary areas of support focused on the following areas:

- Preparation of sector strategies to form the basis for the Afghanistan National Development Strategy.
- Policy analysis to support the review of the implementation of the Afghanistan Compact.
- Analytic support for economic policy related international conferences and inter-ministerial committee meetings.

EGPSS also provided assistance to establish the National Program Support Office (NaPSO), which was charged to monitor projects most critical to the economic development of Afghanistan, identify implementation obstacles, and prepare briefings to the President on the progress of the projects. Assistance to the SEAP also contributed directly to the Afghan Compact's principles of human rights, counter-narcotics and strengthened state institutions.

### Project Highlights

- In July 2007, EGPSS was asked to take over responsibilities from UNDP on the development of sector strategies and the finalization of the Afghanistan National Development Strategy (ANDS). The ANDS represents Afghanistan's Poverty Reduction Strategy Paper (PRSP), which is the document required by the IMF and World Bank in order to be qualified for debt relief under their Heavily Indebted Poor Countries (HIPC) program. The HIPC program is an initiative of the IMF and World Bank that offers debt relief for developing countries with serious levels of poverty.
- The SEAP gave EGPSS the lead responsibility in drafting the final Afghanistan National Development Strategy, taking extensive GIROA and donor comments into consideration.
- From September 2007 through April 2008, this component was fully focused on the completion of the ANDS. EGPSS worked with members throughout the GIROA, line ministries, donors, and other relevant stakeholders for input and buy-in on all seventeen sector strategies of the ANDS. The seventeen sector strategies included the following:
  - Agriculture and Rural Development
  - Information and Communication Technology
  - Education
  - Energy
  - Health

- Justice and the Rule of Law
  - Governance
  - Media and Culture
  - Mines and Natural Resources
  - Private Sector Development
  - Refugees, Returnees, and IDPs
  - Religious Affairs
  - Social Protection
  - Transport
  - Water Resource Management
  - Urban Development
  - Macroeconomic Framework
- Reviewed and commented on ANDS chapters for Implementation and Monitoring, Aid Effectiveness, Social and Economic Development Strategies, and Constraints and Challenges. EGPSS also drafted material for the Development Vision chapter of the ANDS.
  - On April 21, 2008 President Karzai signed and submitted the ANDS to the Boards of the World Bank and IMF, which served as the basis for the Paris Donor Conference in June.
  - Completion of the ANDS for presentation to the International Donor Community at the June 2008 Paris Conference yielded commitments of \$22 billion in aid over five years.
  - After the Paris Conference, the role of the ANDS Secretariat ended, and GIROA's focus shifted from strategy to implementation. EGPSS assisted in developing the terms of reference, the structure and procedures of the new Government Coordinating Committee (GCC), which eventually replaced the ANDS Oversight Committee.
  - Prepared a paper for the SEAP to take to the President, which identified ten private sector initiatives and ten public sector projects that the President viewed as key actions in the development of Afghanistan.
  - In September 2008, Senior Minister Arsala was appointed to be the new Co-Chair of the Joint Coordination and Monitoring Board (JCMB), the forum that provides overall strategic coordination for development projects in Afghanistan. EGPSS gave him intensive communications training. He learned basic communications techniques on how to target an audience, craft a message, and choose the best means to deliver a message. EGPSS also helped him prepare for his first JCMB meeting.
  - Addressed high-level concerns about unemployment in Afghanistan with a paper outlining possible determinants of unemployment and the implications for policy.
  - Completed a paper on the links between literacy, numeracy and labor market outcomes in utilizing international data as well as Afghan data collected from an Altai Consulting study.
  - Drafted paper on the Cost of the War and Conflict for Afghanistan – 1979 to 2005. The paper supported the SEAP's contention that the loss of economic, institutional and social capital sets Afghanistan apart from most other 'post-conflict' countries.
  - Prepared lectures on Cost Benefit Analysis for participants from the Office of the SEAP, Central Bank, Ministry of Economy, Ministry of Commerce and Industry, Ministry of Finance and other interested government offices and private research institutes. EGPSS also provided a presentation on Private Sector Based Growth in Afghanistan on 3 July 2008 at the invitation of the World Bank Kabul Office.
  - Assisted with the preparation of Afghanistan's Millennium Development Goal's (MDG) Report for 2008 with other donors. The process included data collection, data validation, analysis, drafting, consultations, approval and submission. The MDG Report was presented by President Karzai for the United Nations Assembly.

### National Program Support Office (NaPSO)

- At USAID's request, EGPSS took over technical assistance activities at the NaPSO, the program office that was created to monitor the most important economic development projects in Afghanistan. EGPSS worked primarily to strengthen the management team at NaPSO.
- Finalized the first draft of ANDS project profiles and created a database application to centrally store and access project information. The database is a menu-driven application that provides requested reports on projects in Afghanistan. EGPSS taught training courses in:
  - Benefit Cost Ratio (BCR)
  - Internal Rate of Return (IRR)
  - Return on Investment (ROI)
  - Present Value (PV)
  - Net Present Value (NPV)
  - Payback Periods and Opportunity Cost
- Completed an assessment of management information systems for NaPSO that included a study of monitoring and data handling in the ministries. The assessment found that many ministries do not collect data based on requested outputs and often lose data as a result of not having a proper data management process.
- NaPSO initiated the first site visit to the Mahipar and Sarobi Hydro Power Stations to assess and report on status of the rehabilitation efforts.
- Conducted an evaluation of the Transmission Line Projects, the line from Surkhan in Uzbekistan to Hairatan on the Afghan border, the line from Hairatan to Chimtala north of Kabul and the line from Chimtala to Kabul North West.

### **Ministry of Economy**

The Ministry of Economy (MOE) was formed out of the former Ministry of Planning and the Ministry of Reconstruction. Under the initial Minister, it was largely dysfunctional, and GIROA decided it should be substantially restructured in order to contribute to the government's capacity to develop, evaluate and monitor the implementation of economic policies and programs.

### Project Highlights

- Drafted proposals on unemployment policies, on behalf of the Minister of Economy at the request of Economic Council, to provide policy options – short, medium, and long-term solutions to relieve the unemployment problem in the country. These options included measures to grow the economy, improve the free flow of labor, and to better match the skills of the labor supplied with the skills being demanded in the workplace.
- Drafted a background paper on the use of multi-sector regulators around the world as an input into the pending establishment of a multi-sector regulator under the MOE Umbrella. The model was chosen because of the advantages it offers small countries that lack sufficient human resources to staff several regulatory agencies.
- Conducted an economic analysis of multi-sector regulation in the Afghan context to provide the Minister of Economy with several probable outcomes and alternatives to multi-sector regulation so that the Ministry, in setting up such a regulator, could avoid or mitigate the negative impacts.
- Completed a study and ten summary reports of the budget process in different countries including (Brazil, Canada, Chile, Croatia, Denmark, Finland, Georgia, Hungary, Philippines and Sweden) to provide the Ministry with options for monitoring and evaluating mechanisms for the implementation phase of the ANDS.
- Along with SEAP advisors, assisted in the rewriting of the ANDS after donors, and the IMF/WB in particular, indicated that the PRSP debt relief would be in jeopardy if the ANDS was submitted in its original form. The rewrite not only opened the door for the PRSP debt relief,

but also provided the blueprint for Afghan economic reconstruction going forward, laying the foundation for poverty reduction and increases in living standards.

- Provided ongoing technical support and comments on a variety of economic policy issues, including inter alia, the revenue impacts of SAFTA, the proposal to establish a “fair trade office” to control prices, and the proposal by President Karzai to establish a new agriculture and rural development task force.
- Prepared two papers for the Minister of Economy on the consequences and possible mitigating strategies for high wheat prices in Afghanistan.
- Provided analysis and options for mechanisms to implement the ANDS. The particular focus was to establish sector based inter-ministerial committees, accountable to the GCC and the President, for effective implementation of sector strategies.

### 3.7 Enabling Environment – Promote Private Sector Development

#### Objective

EGPSS has been active in developing the enabling environment to accelerate private sector development. Broadly speaking, the enabling environment consists of the following pieces, which are typically adopted in sequence:

- Policies
- Laws and Decrees (the statutory framework)
- Implementing Institutions
- Rules, Regulations and Procedures (the normative acts)

EGPSS has worked closely with its counterparts in the various line ministries to draft laws, coordinate public consultations, and brief the Cabinet and the Legislative Department of the Ministry of Justice (Taqnin). In addition to drafting laws, EGPSS has worked on establishing regulatory institutions. The fact that hundreds of millions have already been invested into the telecom sector since 2003 demonstrates that private investors have a higher level of confidence in the legal and regulatory regime. EGPSS has also provided support to establish an energy regulator tasked to accelerate private sector investment via a transparent licensing regime.

#### Key Performance Indicators

The following outlines a few of the key Enabling Environment Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Trained key staff on regulatory concepts in the Telecom and Energy sectors.
- Established new ACBR operational offices
- Transferred business registration and business data to ACBR.

#### Main Impact

- Achieved significant improvement in the ranking in the World Bank’s Doing Business Indicators from 181 to 160 for contract enforcement. This has showed steady progress and movement in the right direction, which has translated to increased businesses wanting to do work in Afghanistan.
- Minister of Energy & Water Ismail Khan translated the success achieved in the telecom to the electricity sector by adopting a policy to permit private investment in the full range of power services, including generation, transmission and distribution.
- President Karzai signed Decree to established an interim regulator for power (Energy Regulatory Nucleus) that commenced drafting a new sector law that form an independent regulator to issue licenses for the provision of power to the public.
- MEW began crafting the organizational chart (Tashkiel) and budget for approval by the Civil Service Commission and the MOF to launch the power regulator.

## Ministry of Communications and Information Technology (MCIT)

### Project Highlights

- Conducted numerous focus groups with high school and Kabul university students on how to increase the use of the two-hundred forty US-built DCNs across Afghanistan. They uniformly stressed the importance of involving the local mullahs and community elders. Three EGPSS local staff were trained in conducting focus groups throughout the country. In addition, EGPSS provided one-hundred eight DCN briefings in a dozen districts throughout Afghanistan. EGPSS also visited NGOs and government offices in the provinces of Kapisa, Parwan and Baghlan to promote the use of the DCN. Interlocutors spoke of the need for faster internet in the DCNs as well as internet classes for children.
- Reviewed a skeletal draft of the Information Communication Technology Law, which complements the Telecom Law, with fifteen Afghan bankers. A working group was formed to comment on the draft ICT Law. Wide-scale use of m-commerce and related banking services will become realistic targets when a legal framework is in place.
- Worked with a commercial attorney based in Singapore to prepare amendments to the Telecom Law (promulgated in 2005). The amendments were needed to address emerging issues of cyber-crime and mobile commerce. An inter-ministerial working group was established by EGPSS, which included counterparts from the DAB, the MOF, MOI and the MOJ. Members of Parliament were also briefed on the amendments.
- On January 10, 2008, the Afghan Postal Commission, a unit of the MCIT, issued the seventh license to a private company, AES, for the provision of ground parcel post and high-speed international courier services. AES (Advanced Expeditionary Services) provides deliveries to the top six urban areas of Afghanistan. EGPSS worked to create a competitive field for postal services in Afghanistan and identified training and specialized legal-regulatory support to accelerate the development of postal services.
- In a related effort, EGPSS assisted the existing licensees (such as DHL, FedEx and TNT) to normalize the license fees, taking into account the new tax structures imposed by the MOF, including treatment of Business Receipt Taxes.
- On March 1, 2008, MCIT Minister Sangin signed a Memorandum of Understanding with Minister of Higher Education Dr. Azam Dadfar on behalf of the Kabul University Faculty of Science and Engineering in order to promote specialized ICT training. EGPSS contributed course materials on the Telecom Law, regulation and management for the trainings.

### Key Achievement

On August 25, 2008, two District Communication Network (DCN) facilities opened at Dih Salah and Puli Hisar in Baghlan province. The facilities were built by a private Afghan construction company with funding from USAID.

EGPSS played a key role in facilitating the rapid deployment of telecommunications equipment needed to bring the DCN facilities operational. EGPSS also enabled the Baghlan Communications Department to leverage the grossly underutilized Telecom Development Fund (TDF) to pay for the DCN equipment.

The DCN facilities, which include twenty telephones and four computers with internet connectivity, now provide communication services to the public in the sparsely populated districts of Puli Hisar and Dih Salah.

The District Governor of Dih Salah, Abdul Hanan and the District Governor of Puli Hisar, Haji Rajab Khan were joined by the Governor of Baghlan and Minister Sangin at their respective ribbon-cutting ceremonies. The opening of the DCN facilities serves as model of how effective the close coordination



Opening ceremony on the steps of the new DCN facility in Dih Salah.

between donors, the private sector, Central Government and provincial and district governments can provide much needed services to underserved communities in Afghanistan.

## MCIT Public Outreach and Communications

### Project Highlights

- Launched a groundbreaking nationwide public awareness campaign to increase usage of the District Communications Network (DCN). The purpose of this campaign was to increase utilization of the existing DCN locations as well as gauge the requirements for additional locations by speaking with local government officials, NGOs and donor partners. The Independent Election Commission (IEC) responded very favorably to the capabilities of the DCNs and is in the process of incorporating DCN into its plan for the voter registration and election results for the 2009 national elections.
- On March 20, 2008, the public announcement of the international tender for the privatization of Afghan Telecom was made in an advertisement published in the Financial Times (FT). The call for Expressions of Interest appeared in the FT again on 27 March 2008 and 03 April 2008. Minister Sangin also conducted a press conference, aimed primarily at national media outlets on March 23, 2008. EGPSS provided technical assistance on media messaging and facilitated meetings among interested parties on the Telecom Development Fund disbursements.
- On April 8, 2008, the Minister of Communications and Information Technology conducted a series of interviews with the major international media outlets, including Al Jazeera, Associated Press, Financial Times and the British Broadcasting Corporation. The media's primary interest was the GIROA's response to the ten mobile tower facilities that were attacked, damaged or destroyed in three southern provinces. The Minister delivered the message that the GIROA will not give in to the insurgents' demands of shutting off transmitters.
- On May 14, 2008, the Minister highlighted the achievements during the solar year 1386 (ended March 2008) in a press conference attended by the diplomatic community in Kabul. The Minister stated that Afghanistan is already ahead of many countries in the region in terms of phone service coverage and user penetration. EGPSS assisted the Ministry by producing a brochure and a presentation for the conference. The event was broadcasted by all national television stations and attracted embassy officials from sixteen embassies and communications specialists from the International Security Assistance Force.
- Prepared a 26-minute documentary to attract potential foreign investors to Afghanistan. Filming was done in New Delhi during the Investor Sidebar event that was funded by USAID and attracted eighteen senior executives from among several of India's FORTUNE 100 firms – including India's largest bank and largest independent power producer. The film features remarks from the Minister of Commerce and Industry and also observations from prospective investors. However, the core of the film is about the telecom success story, as told by Roshan's General Counsel, who attributes the reliable and transparent legal-regulatory framework as the main ingredient that facilitated investments made by Roshan so far.

## Afghanistan Telecommunications Regulatory Authority (ATRA)

### Project Highlights

- The work of the ATRA has focused on monitoring, enforcement and dispute resolution. The goal was to send more local staff out into the field to conduct monitoring in the area of illegal spectrum usage, quality of service measurements and project management. ATRA also refurbished two facilities with modern equipment to offer specialized technical trainings.
- EGPSS facilitated the development of the competitive market by managing international competitive tenders for the mobile licenses and by providing ongoing legal and regulatory support to ATRA, the independent regulator.
- Etisalat, the fourth largest nationwide mobile service provider in Afghanistan, announced that all of its on-net calls within Afghanistan will cost just one Afghani per minute effective January 3, 2008. This is an example of how competition benefits the Afghan consumer. Last quarter, Etisalat had already announced per-second billing to match the offering from Areeba-MTN.

- In the ceremony at the Serena Hotel, Minister Sangin praised the Etisalat move and stated that this will help many more Afghans have access to ICT services.

## Ministry of Energy and Water (MEW)

### Project Highlights

- On September 28, 2008, President Karzai signed a decree to establish a power regulatory body tasked with promoting private investment by granting licenses to private sector investors in the energy sector, including generation, transmission, distribution and other energy services. The decree also calls for establishing a regulatory authority for the sector and tasked the MEW to draft the regulations, organizational structure, operational procedures, and terms of reference for a regulatory body within the sector. It also required the development of rules and regulations for the issuance and renewal of licenses.
- In addition to the establishment of a successful telecom regulator, an energy regulatory body was established in September 2008 by Presidential decree, constituting a crucial step toward encouraging investment in electricity generation, transmission and distribution.

## 3.8 Cross-Cutting Themes

### Objective

The cross-cutting component included activities that could be adopted by any ministry or government institution throughout the GIROA. During the life of the project, the cross-cutting activities were limited to Human Resources and Administrative Reform and the Anti-Corruption Program; Public Outreach and Communications served as the overall method to translate and educate the Afghan people regarding the two themes. The following provides the objective of Public Outreach and Communications, followed by a description of the Human Resources and Administrative Reform, and the Anti-Corruption Program.

The objective of the Public Outreach and Communications team was to enable the GIROA to demonstrate to its people and international audience that better economic governance is improving the quality of life in Afghanistan, while highlighting the successes of the cross-cutting programs under the EGPSS project. As discussed in earlier sections of this report, the EGPSS project provided technical assistance in designing and implementing tailored outreach campaigns to reach numerous audiences, including the GIROA institutions, Parliament, citizens of Afghanistan, and prospective foreign investors.

### Key Performance Indicators

The following outlines a few of the key Cross Cutting Themes Performance Indicators. Section 6.3 provides a more detailed outline of all the indicators used during EGPSS.

- Trained key Ministry of Finance staff on a range of HR issues
- Updated Establishment List.
- Developed database that houses Ministry of Finance HQ personnel data.

### Main Impact

- The Anti-corruption education program reached over 1,200 employees of the MOF, both within the Ministry itself and in outlying offices within Kabul. A “golden number” telephone for the Anti-corruption unit was established to solicit information on fraud, waste and abuse which resulted in several cases being presented to the internal auditor for investigation. Despite the efforts conducted by the EGPSS project, corruption still exists within the MOF and other ministries. In order for Afghanistan to succeed as a nation, they must continue to grow and work off the infrastructure instituted by the EGPSS project. This still remains a major hurdle in Afghanistan today.
- Facilitated a public-private partnership between American University of Afghanistan and various GIROA institutions that expanded the number of participants and sponsors in the professional internship program. This program created learning opportunities for women and provided hands-on experience in professional working environments. From January to August 2009 a total of

thirteen females were trained and acquired skills in the fields of Marketing, Administration, Office Management, and Finance. By September 2009, one intern was hired by the sponsoring institution in a full time position.

### Human Resources and Administrative Reform

Human Resources and Administrative Reform activities were primarily conducted at the Ministry of Finance and Ministry of Commerce and Industry. The work was intended to further improve the overall HR capacity of the organization. The main activities were to:

- (i) Assess the staff capabilities assigned to work on HRM improvements;
- (ii) Identify key deficiencies that undermine the development of HR effectiveness in improving the service delivery; and
- (iii) Identify common themes for harmonization.

#### Project Highlights

- Assisted the MOF Administration Directorate to revise performance goals in accordance with changes to the program structure and budget ceiling. EGPSS drafted the strategic plan for the Administration Directorate for 2008 - 2009 and identified likely activities under the program budgeting project. Sub-programs and costs for activities were developed in accordance with the program budgeting project plan. EGPSS worked with key program budgeting personnel to identify unit costs and apply these to activities to arrive at a budget for 1387. EGPSS also spent time mentoring staff members assigned as the focal points in the strategic planning and program budgeting projects.
- As a consequence of program budgeting, the tashkeel required updating. EGPSS provided a template for identifying, numbering and displaying reporting relationships for every position approved by the Civil Service Commission (CSC). The Minister approved the template and has requested the tashkeel for the whole MOF. The tashkeel would enable the reconciliation with Payroll to identify excess staff and vacancies.
- Assisted the MOCI Industry Division in defining its strategy, had it reviewed by donors and Ministry staff, and approved it as the basis for the Priority Reform and Restructuring (PRR) amendment. This was a critical step required for the appropriate definition of the division's organization. The newly revised division organization chart was approved and includes the Private Sector Development Directorate, the Industry Affairs Directorate, and the Industrial Parks Directorate. Additional details can be found under the MOCI section of this report.

### Anti-Corruption Program

At the request of the Minister of Finance, EGPSS and the MOF Communications Director took the lead on creating the Ministry's Anti-Corruption Program (ACP). The program addressed the concerns of the public regarding the growing corruption within the MOF. After meeting with various stakeholders, it was determined that no mechanism was in place to manage complaints, and each office within the MOF was addressing corruption complaints as they saw fit, often with the DG, DM or Minister making all decisions regarding the allegation with no procedures or policies to follow.

Upon meeting with the head of Human Resources Policy at the Civil Service Commission, he indicated that the Labor and Civil Service laws give ministries the right to establish internal, anti-corruption offices. The CSC emphasized that all employees of the GIROA should be considered the same before the law and that no individual receives special privileges. The Anti-Corruption Law and the GIROA Code of Conduct was the basis for all ACP activities. EGPSS discontinued the activity at the end of the second quarter FY 2008, and the United Nations Development Fund (UNDP) assumed the lead role.

#### Project Highlights

- Conducted meetings with two of the Deputy Ministers and the Minister of Finance to obtain final approval for ACP procedures. Material on ACP was developed for the website including a

complaint form and a frequently asked questions section on the Ministry's Anti-Corruption Program.

- Assisted UNDP in drafting a Memorandum of Understanding for the creation of an Ethics Unit for the Minister's approval.
- An anti-corruption hotline was created and a poster was designed, approved and printed. Ministry email addresses were also created for to email any corruption complaints (acp@mof.gov.af and complaints@mof.gov.af). Conducted training to MOF staff responsible for manning the anti-corruption hotline. The staff ran through various scenarios and reviewed interviewing techniques and procedures for documenting all complaints.
- Assisted the MOF Anti-Corruption Working Group in its bi-weekly meetings. All donors' partners working on anti-corruption issues attended the meetings, including the World Bank, DFID, UNDP, and USAID.

## 4.0 Challenges and Lessons Learned

Working in a post-war and conflict nation is never an easy task. Many issues and impediments pose problems in providing assistance and proper training to the counterpart. As a result of the five year EGPSS project within Afghanistan, Deloitte has compiled a comprehensive list of challenges and lessons learned that can be implemented moving forward in today's world. There were many challenges that posed problems in the delivery of technical assistance, and many lessons learnt. The following are challenges that have presented themselves during the EGPSS project:

1. GIROA Reform
2. Capacity
3. Coordination
4. Shifting Priorities
5. Security

### GIROA Reform

Within the GIROA itself, there have been many issues with receptiveness to reform. First, there is the issue of providing the right incentives to stakeholders to make the transition—especially if they benefit from the current regime. Without a reason to leave the status quo, they will not do so. The second issue relates to aligning the de facto and de jure environments. Simply changing the legal text and expecting the informal rules to adapt is a losing strategy. The rules codified into law must take into consideration the cultural and social context in which it operates. The third is the length of time it takes for reforms to take hold. Academic research and real world experience are evidence for the transient nature of most reform efforts.

The lesson learnt here is that any reform effort must be preceded by a deep understanding of the institutional context and stakeholder buy-in is fundamental to the success of any reform effort. Practitioners must understand why things are the way they are, figure out what incentives drive the current state of affairs, and recognize that changing behavior in a desired direction takes a very long-time.

### Capacity

The lack of competent staff within ministries caused a range of problems in the implementation of the EGPSS project. This posed a very urgent and overriding challenge. Along these lines, the GIROA was unable to pay market and competitive salaries. Thus, the best talent was not always attracted to the government and its Departments.

The lesson learned is that a more educated population is a long-run investment with limited pay-offs in the short-run. In the long-run, the government must target investment in the education to increase the human capital available in the future. Developing the youth and providing an opportunity for continued development will eventually translate into more talented resources for the government and other institutions to draw from.

More immediately however, GIROA can offer more competitive salaries to attract top talent. The top talent does not have a strong incentive to work in GIROA. Higher salaries could realistically divert the supply of competent labor in the direction of GIROA.

### Coordination

The coordination efforts amongst the GIROA departments posed a big challenge for the EGPSS project. The lack of available data and data sharing among the institutions limited coordination in the efforts to complete tasks. Further, there was a lack of coordination amongst the USG civilian, military, and other donor efforts and approaches to the GIROA institutions. Add to this, the GIROA on occasion used donor competition and divergent views as a means to go off on its own and stray away from the end goal. The

confluence of different objectives within these institutions and different responses in technical assistance being provided reduced the effectiveness of program support and interventions at the Ministries.

The lesson learned here is that the USG and donor efforts must be coordinated and communicated on a daily basis. Each US and foreign aid organization within Afghanistan should relay their message and work collectively to meet the end goal. The donor population should also work with Parliament to make sure the policies being instituted are moving the country in the right direction. Without this, there is too much ambiguity and not enough work gets done.

### Shifting Leadership and Priorities

Shifting priorities in the Afghan leadership posed challenges for the EGPSS project. Elections and change in leadership throughout the duration of the project shifted Ministerial priorities on occasion that have, and can, cause challenges. In addition to shifting priorities with the GIROA, there were present shifts in priorities amongst the USG. Progress was often thwarted with shifting priorities as it required staff to start over from square one.

The lesson learned here is that enforcing time consistent goals are hard. It is always easier to change direction after the fact. However, this approach to development is suboptimal. The USG and donor organizations should require strong coordination and counterpart buy-in on goals that have been set. This will reduce the problem of changing direction half-way through a project.

### Security

Security posed a huge challenge for the GIROA and its rebuilding efforts. With the security environment changing every day, it was often difficult to know if counterpart interaction can occur on a daily basis; unexpected events served as huge impediments. The uncertain security situation plagues the regions outside of Kabul. This creates problems in spreading the assistance and knowledge to the neighboring provinces, most notably those in the south and east.

Security remains the biggest challenge to private sector development in Afghanistan. Business requires a stable, safe, and open environment to flourish. Without these conditions in place, few if any business will deem the risk worthwhile in starting a new venture.

The lessons learned from this challenge are quite difficult to tackle. Although one understands the security situation, it is quite difficult to counter and takes lots of coordination from the GIROA and its people. This includes better trained police and army personnel, as well as properly educating its citizens. For Afghanistan to further advance, the security situation must improve and people must feel comfortable doing business in this country.

## 5.0 Conclusion

For four years, Deloitte Consulting LLP was the prime contractor of the USAID-funded EGPSS project, and continued to make significant strides towards achieving a licit, thriving and self-sustaining economy. The project assisted the Islamic Republic of Afghanistan in structuring and implementing a legislative, fiscal, regulatory, and institutional framework, within which reform and policy can be formulated to foster a transparent and investment-friendly economy. The project engaged a multitude of Departments with the aim of promoting economic growth and strengthening the private sector.

This report provided an overview of what EGPSS staff did in these areas and the impact on the economic environment. The report provided an overview of key economic indicators that sketch a picture of private sector strengthening. By portraying a broad picture of the economic conditions over the course of the EGPSS project we assessed the ability of GIROA to promote an environment conducive for private sector strengthening. We subsequently linked the technical assistance provided by Deloitte Consulting LLP to gauge the project's success. There were many successes in an environment with very real challenges. The picture that emerges is one of a stable macroeconomic environment conducive to private sector led growth.

While there are many signs of a growing private sector, the initial success should not distract from the fragile state that remains. This project is part and parcel of a much larger effort to rebuild Afghanistan. Failure in any of the broader efforts will most definitely impact the successes of EGPSS. In addition, project specific problems remain. The level of technical skills, continuing security concerns, shifting policy priorities, and the sustainability of reform efforts continue to prove arduous. When these challenges are effectively addressed, Afghanistan will reach its true economic potential.

## 6.2 Contract Administration

### Contract Modifications

During its performance period, the EGPSS project implemented 16 contract modifications. Table 1 below lists the contract modifications, purpose and date of execution.

No.	Effective Date	Purpose
<b>2005</b>		
1	26 September 2005	Modify annual work plan and reporting cycles.
<b>2006</b>		
2	16 March 2006	To increase the total obligated amount by \$3,100,000 from \$8,000,000 to \$11,100,000.
3	11 May 2006	To increase the total obligated amount by \$5,178,381 from \$11,100,000 to \$16,278,381.
4	22 June 2006	To increase the total obligated amount by \$5,000,000 from \$16,278,381 to \$21,278,381.
5	19 July 2006	To increase the total sub-obligation amount by \$7,000,000 from \$21,278,381 to \$28,278,381.
6	16 Oct 2006	To increase the total sub-obligation amount by \$5,000,000 from \$28,278,381 to \$33,278,381.
<b>2007</b>		
7	15 July 2007	To increase the total sub-obligation amount by \$4,000,000 from \$33,278,381 to \$37,278,381.
8	29 Aug 2007	To increase the total sub-obligation amount by \$2,000,000 from \$37,278,381 to \$39,278,381.
9	1 Oct 2007	To increase the total sub-obligation amount and fully contract by \$6,330,767 from \$39,278,381 to \$45,609,148.
10	31 Dec 2007	To increase the ceiling of the contract by \$24,836,634 from \$45,609,148 to \$70,445,782. Increase the sub-obligation amount from \$45,609,148 by \$15,915,000 to \$61,524,148.
<b>2008</b>		
11	28 Jan 2008	To increase the sub-obligation by \$2,000,000 from \$61,524,148 to \$63,524,148.
12	28 April 2008	To increase sub-obligation amount of BearingPoint contract No. GEG-I-00-04-0004-00, Task Order No. 02 by \$4,140,509 from \$63,524,148 to \$67,664,657.
13	21 August 2008	Estimated completion date extended from September 2008 to 28 February 2009
14	31 Dec 2008	To increase the ceiling of the contract by \$3,500,000 from \$70,445,782 to \$73,945,782. Increase the sub-obligation amount by \$3,000,000 from \$70,445,782 to \$73,945,782. Extend the contract by one month from February 28, 2009 to March 31, 2009.
<b>2009</b>		
15	22 March 2009	Increase the ceiling of the Task Order by \$4,519,540 from \$73,945,782 to \$78,465,322. Increase the sub-obligation amount by \$1,805,366 from \$73,445,782 to \$75,251,148. Extend the contract by three months from 31 March 2009 to 30 June 2009.
16	1 July 2009	Increase the ceiling by \$914,300 from \$78,486,322 to \$79,379,622. Increase the sub-obligation by \$4,128,474 from \$75,251,148 to \$79,379,622 and fully fund the contract. Extend the contract for three months from June 30, 2009 to September 30, 2009.

### Technical Resources

The EGPSS project was a Level-of-Effort (LOE) based project. During the period of performance, the EGPSS project utilized the services of over 100 expat technical advisors. The EGPSS project team was comprised of four (4) categories of project personnel:

- Institutional Contractors
- Independent Contractors
- International Deloitte Members
- National Project Staff Members

The institutional contractors used for technical assistance on the EGPSS project who were all included in the BearingPoint (now Deloitte) proposal were:

- Louis Berger Group
- OSC
- Development and Training Services (DTS)

EGPSS was supported by security contractors:

- US Protection & Investigation (USPI) – initial contractor in proposal
- Global Strategies Group – replacement contractor through 30 September 2009

In addition to the above sub-contractors, the following Afghan firms were engaged to assist in completing the publication of certain EGPSS project deliverables and conferences:

- Center for Afghanistan Studies
- WISE

### Mandatory Reporting & Deliverables

Deloitte re-launched the project portal in early 2008 with significant feature enhancements that have made it an indispensable tool to allow USAID to see the progress of our work on a weekly (essentially instantaneous) basis. At its core, the portal is the repository for all of our contractually-obligated reports, work plans and deliverables. It also contains draft deliverables, reference materials and briefing materials to help USAID gain an in-depth understanding of the work of each of our advisors. The portal is password-protected and will be archived electronically at the close of the project.

Screen shots from the actual Project Portal in the Appendix, Section 5.4, illustrate the scope and depth of the content, including all key deliverables and the contractually required materials from the Task Order:

- Discuss the following from the Task Order
- Implementation Strategy
- Project Plans & Work Plans
- Inventory & Turnover Plans
- Quarterly Project & Financial Reports
- Integration & Collaboration Plans
- Monitoring & Evaluation Plans
- Closeout Plan

## 6.3 Performance Management Plan & Indicators

### Key Indicators

#### Strategic Objective (SO)

SO 5: A Thriving Licit Economy Led by the Private Sector				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09) <sup>2</sup>	Frequency
Foreign Direct Investment as a percentage of GDP.	2.36%	2.88%	2.50% <sup>3</sup>	Annually
Private Sector as a percentage of GDP.	58%	57%	56.8% <sup>4</sup>	Annually

#### Intermediate Results (IR)

SO 5: A Thriving Licit Economy Led by the Private Sector				
IR 5.2: Increased Incomes Through Economic Growth				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Customs revenues and taxes as a percentage of government budget.	33%	49%	56.2% <sup>5</sup>	Annually
Cell phone subscribers per 1000 people. <sup>6</sup>	39	145	296	Quarterly
Total revenues collected by service operators (USD millions). <sup>7</sup>	90	360	110 <sup>8</sup>	Quarterly
Sub IR 5.2.1: Economic Policy & Governance Improved				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Number of milestones achieved for ANDS/PRSP. <sup>i</sup>	0	4	4	Quarterly
Number of Sector Strategies approved by the Inter-Ministerial Oversight Committee. <sup>ii</sup>	0	24	24	Quarterly
Sub IR 5.2.2: Financial Sector Contribution to Economic Growth				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Amount of loan capital made available to the private sector from banks (USD millions).	10	600	1,005	Quarterly
Percentage of IMF target met for currency in circulation. <sup>9</sup>	13.8%	22%	100%	Annually

<sup>2</sup> USG fiscal year. cumulative, unless otherwise noted.

<sup>3</sup> IMF and DAB sources. Afghanistan GDP is \$11.2 billion in 1387 (2008-09).

<sup>4</sup> IMF and DAB sources. The variables are a percent of an estimated GDP that excludes opium.

<sup>5</sup> Percentage of operating budget.

<sup>6</sup> Based on a population of 31,056,997 (June 2006 estimate).

<sup>7</sup> Based on the audited accounts of the four GSM licensees, plus approximate revenues of Afghan Telecom and 15 internet service providers.

<sup>8</sup> For the quarter ending March 2009.

<sup>9</sup> DAB has achieved IMF PRGF targets for currency in circulation every quarter.

Sub IR 5.2.3: Participation in Global Trade & Competitiveness Increased				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Milestones reached for WTO accession. <sup>iii</sup>	0	7	5	Quarterly
Milestones reached for SAFTA accession & implementation. <sup>iv</sup>	0	4	3	Quarterly
Value of exports (USD millions). <sup>10</sup>	1,795	2,125	2,145	Quarterly

### USAID Operational Plan Indicators

Program Area 7: Economic Opportunity				
Program Element 7.2: Policy Environment for Micro and Small Enterprises				
Component: Ministry of Commerce & Industries (MoCI)				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Number of improvements in laws and regulations affecting the operations of micro-enterprises as a result of USG assistance.	4	10	10	Quarterly
Program Area 2: Trade and Investment				
Number of signatures necessary to comply with all procedures required to export goods.	8	4	Not Available	Quarterly
Number of consultative processes with private sector.	2	8	5	Quarterly
Number of events held that provides training for improving the trade and investment environment.	2	8	15	Quarterly
Number of participants in trade and investment environment trainings.	64	200	200	Quarterly

### Task and Activity Performance Indicators

IR 5.2: Increased Incomes Through Economic Growth				
Component: Fiscal Reform				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Strategic and policy guidance to MoF <sup>11</sup> to achieve PRGF core quantitative performance criteria. <sup>v</sup>	0%	100%	90% <sup>12</sup>	Annual

<sup>10</sup> IMF and DAB sources.

<sup>11</sup> IRoA has to maintain a positive track record on IMF PRGF, for which MoF has the responsibility within the Government.

<sup>12</sup> IROA wasn't able to meet quantitative indicators for two program reviews for which waivers were granted.

Strategic and policy guidance to MoF to meet PRGF structural conditions. <sup>vi</sup>	0%	100%	90% <sup>13</sup>	Annual
Policy guidance and technical assistance to MoF achieve the reforms <sup>14</sup> required by the WB budget support program.	0%	100%	95%	Annual
Number of customs <sup>vii</sup> procedures identified and revised in conformity with WCO – Kyoto Convention.	0	9	6	Quarterly
Number of personnel trained in law and customs procedures.	0	730	756	Quarterly
Number of personnel trained in data capture and analysis.	0	250	261	Quarterly
Number of personnel trained in tariff and valuation.	0	280	287	Quarterly
Number of personnel trained in enforcement.	0	380	382	Quarterly
Percentage of implementation of data entry and Eurotrace editor in all customs houses.	0%	100%	100%	Quarterly
Number of functional databases designed, developed and implemented for management information.	0	3	3	Quarterly

<b>Component: Banking Reform</b>				
<b>Performance Indicator</b>	<b>Baseline Q1 (FY06)</b>	<b>Target Q4 (FY08)</b>	<b>Actual Q2 (FY09)</b>	<b>Frequency</b>
Number of Core Principles for Effective Supervision implemented. <sup>viii</sup>	50	150	158	Quarterly
Number of on-site examinations (general and targeted) undertaken. <sup>ix</sup>	2	17	17	Annually
Number of analysts trained in off-site surveillance. <sup>x</sup>	35	40	46	Quarterly
Women	15	17	7	Quarterly
Men	20	23	39	Quarterly
Number of financial sector supervisors trained.	35	40	46	Quarterly
Women	15	17	7	Quarterly
Men	20	23	39	Quarterly
Number of CBS implemented in branches and in Head Office. <sup>xi</sup>	0	20	21	Quarterly
Number of CBS support modules implemented. <sup>xii</sup>	0	3	2	Quarterly
Number of DAB branches rationalized. <sup>xiii</sup>	81	70	66	Quarterly

<sup>13</sup> Waivers were also granted for two reforms not met on time for reviews.

<sup>14</sup> Achieve reforms in 7 core reform areas required by budget support program.

Number of financial sector laws/regulations drafted.	4 <sup>xiv</sup>	3 <sup>xv</sup>	3	Annually
Number of accounting policies and procedures developed.	0	25	25	Quarterly

Component: Trade Policy				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Number of milestones reached in concluding a trade & tariff policy for Afghanistan. <sup>xvi</sup>	0	3	3	Quarterly
Number of training events held to improve the trade and investment environment. <sup>xvii</sup>	0	3	15	Quarterly
Number of participants in trade and investment environment trainings.	0	200	200	Quarterly

Component: Parliament				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Number of delivered trainings on Economic Issues or Laws.	0	10	10 <sup>xviii</sup>	Quarterly
Number of Parliamentarians trained on reviewing economic laws.	0	12	12	Quarterly

Component: Privatization				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Prepare Afghan Telecom for privatization.	0	100%	100%	Annually

Component: Economic Policy & Coordination				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Number of substantive economic policy papers for government policy makers to enable more productive engagement within Cabinet. <sup>xx</sup>	0	27	41	Quarterly
Technical support for economic policy conferences and training on economic policy issues. <sup>xxi</sup>	0	3	3	Annually

Component: Enabling Environment – Promote Private Sector Development				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Number of individuals trained on regulatory concepts: Telecom.	0	70	70	Quarterly
Number of individuals trained on regulatory concepts: Energy.	0	20	20	Quarterly
Number of ACBR operational offices.	0	2	2	Quarterly
Number of business registrations after the start up of ACBR.	0	6,000	6,000	Quarterly
Number of businesses transferred to ACBR archive database.	0	8,000	8,000	Quarterly
Number of ACBR staff trained.	0	32	32	Quarterly
Number of workshops held to increase public awareness. <sup>xxii</sup>	0	10	10	Quarterly

Component: Cross Cutting Themes				
Performance Indicator	Baseline Q1 (FY06)	Target Q4 (FY08)	Actual Q2 (FY09)	Frequency
Number of units of HR training provided to MoF staff.	0	169	169	Quarterly
Percentage of procedures available in addressing HR activities.	0	30%	30%	Quarterly
Update Establishment List. <sup>xix</sup>	0	100%	100%	Quarterly
Develop Organizational Structure.	0	100%	100%	Quarterly
Database available that houses MoF HQ personnel data.	0	100%	100%	Quarterly

## Endnotes

- <sup>i</sup> ANDS/PRSP Milestones:
1. Draft Prepared for stakeholder review.
  2. Approval by Inter-ministerial Oversight Committee.
  3. Approval by full Cabinet.
  4. Approval by boards of World Bank/IMF.

- <sup>ii</sup> Sector Strategies:
- Transport & Civil Aviation
  - Education
  - Health & Nutrition
  - Justice & Rule of Law
  - Governance, Public Admin Reform
  - Religious Affairs
  - Energy
  - Water Resource Management
  - Info & Communication Tech
  - Urban Development
  - Agriculture & Rural Development
  - Social Protection & Human. Aid
  - Refugees, Returnees & Internally Displaced People
  - Macroeconomic Framework
  - Private Sector Development
  - Gender Equity
  - Counter Narcotics
  - Anti Corruption
  - Regional Cooperation

- Mines & Natural Resources
  - Capacity Building
  - Security
  - Environment
  - Culture & Media
- iii WTO Milestones:
1. Create Inter-Ministerial Working Group (completed).
  2. Training of WTO Planning Group (completed).
  3. Draft MoFTR (completed).
  4. Submit MoFTR (completed).
  5. Work on questions received from the WTO in regards to MFTR (completed).
  6. Acceptance of MFTR by WTO.
  7. Create WTO accession plan.
- iv SAFTA Milestones:
1. Accessing to SAFTA (completed).
  2. Prepare SAFTA reports (completed).
  3. Plan for implementing SAFTA (completed).
  4. Implementation of SAFTA.
- v MoF Criteria:
1. Achieve annual revenue target (51 billion Afs for 1388/2009-10).
  2. Maintain ceiling on operating budget, excluding grants (33 billion Afs for 1388/2009-10).
- vi PRGF Structural Conditions:  
Achieve 4 benchmarks for the sixth Review of the PRGF (fall/winter 2009).
- vii Procedures:
1. Exemption control procedure : done by appeals team and approved.
  2. Guidelines for T1 form internal transit done by joint cooperation of appeals and ASYCUDA dept., and approved.
  3. International transit procedure done by appeals, and approved.
  4. Guideline for T2 international transit done by appeals and approved.
  5. Internal transit procedure drafted by appeals dept and still under review of appeals team.
  6. Guideline and design form for transferring duty paid goods done by appeals and approved by the ACD directors committee. The guideline approved by DG and waiting for final approval of DM and his office.
  7. Temporary importation procedure done by appeals dept and approved.
  8. Guideline for implementation of article 79 of customs is in the drafting stage.
  9. Exemptions – drafted awaiting comment and approval from ACD and MOF.
- viii Compliance with each of the 25 principles is scored from 1 to 7, where 1 is non-compliant with no efforts underway, and 7 is fully compliant. Accordingly, the highest possible aggregate score is 175. Increases in the aggregate score show increases in overall level of compliance. Accordingly, baseline, target, and actual have been redefined from previous versions.
- ix For years prior to 1388, DAB was on a cycle of examining all licensed banking organizations once a year. Beginning in 1388, banks will be examined twice a year. The number of targeted examinations depends on the appearance of problems throughout the year and cannot be forecasted.
- x These data represent the total number of people trained, not total attendance at training sessions (the same individual could attend multiple times).
- xi For Q2 FY 2009, target number of locations is 25. EGPSS is on track to meet this target. DAB has selected 46 branches to remain in operation and all 46 are target CBS branches. EGPSS will provide support through 31 July 2009, if contracted is extended, with a total target of 28 branches.
- xii CBS Support Modules include: i-treasury (implemented by target date), Fixed Asset Management Systems (implemented by target date but not fully operational), and Payroll Module (implemented after target date on June 13, 2009).
- xiii DAB Branch rationalization centers on transferring out non-central government accounts where commercial banks exit and closing/consolidating in-active, non-essential branches. From a baseline of 81 branches, 15 were closed as of June 2009. DAB Executive Board took decision to close/consolidate an additional 20 branches, with a target completion date of 20 September 2009. 46 DAB branches are scheduled to remain in operation and are target locations for core modernization and automation goals.
- xiv Laws in Effect at Q1 06:
1. DAB law.
  2. Banking law.
  3. Law on combating the financing of terrorism.
  4. Law on anti-money laundering and proceeds of crime.
- xv Benchmark Laws:
1. Law on negotiable instruments.

2. Law on secured transactions on movable collateral (Movables Law).
3. Law on immovable collateral (Mortgage Law).

xvi Milestones:

1. Drafting trade and tariff policy framework paper in consultation with MoCI. (Complete).
2. Getting approval for the trade & tariff policy paper from the Minister. (Complete).
3. Incorporating comments from line ministries & the Minister obtaining approval from the Cabinet of Ministers. (Complete).

xvii Training Events:

1. Trade/WTO Training (one month course, 22 participants).
2. Trade/WTO working Group (31 participants).
3. Trade and SAFTA and four laws.
4. Trade and SAFTA and four laws (Hirat).
5. Trade/WTO Training (one month course, 25 participants).
6. Trade/WTO working Group (36 participants).
7. Trade and SAFTA and four commercial laws.
8. Trade/WTO working Group (32 participants).
9. Trade/WTO working Group (38 participants).
10. Trade/WTO working Group (32 participants).
11. SAFTA implementation (10 participants).
12. SAFTA implementation (16 participants).
13. SAFTA implementation (15 participants).
14. Trade in services (GATS agreement).
15. First meeting on South Asian Trade in Service Agreement.

xviii Workshops and Trainings:

1. Leasing law workshop
2. Secured transactions law
3. Mortgage law
4. Establishing a functioning office for the National Economic Commission
5. Privatization of state-owned enterprises
6. License forms
7. Legislation drafting
8. NGOs working in agriculture and rural development
9. Agriculture projects
10. NSP and rural enterprises

xix Due to program budgeting, establishment list has changed and brought to light the need to verify tashkeel with actual staff on strength, and payroll. This will take longer but will reconcile CSC approved tashkeel and existing staff numbers. (Percentage achieved).

xx Economic Policy Papers:

- |   |   |
|---|---|
| 1. Private Sector Development in Afghanistan              | 23. Paper for Reg. Econ Cooperation Conference      |
| 2. PSD Sector Strategy for ANDS                           | 24. Points for President on Econ Development        |
| 3. Current Global Crisis and Implications for Afghanistan | 25. Note on Government Land Policy                  |
| 4. Economic Governance Reforms                            | 26. Building and Effective WTO Accession Process    |
| 5. Modeling Tool for Assessing Policy                     | 27. NPSO White Paper for USAID and Govt.            |
| 6. Book of Repository Unit (Blue Book)                    | 28. Modifying NPSO to Meet Current Needs            |
| 7. Ten by Ten Proposal                                    | 29. Economic Policy Overview                        |
| 8. Building Support for Economic Policy Development       | 30. Strategic Oil Reserves                          |
| 9. Introduction to Cost Benefit Analysis                  | 31. Strategic Importance of Central Asia            |
| 10. Strategy for Natural Resource Development             | 32. Energy Sector Strategy Draft                    |
| 11. Wheat and Flour Prices in Afghanistan                 | 33. Education Sector Strategy Draft                 |
| 12. National Capacity Building Policy and Program         | 34. Land Lease Official Version                     |
| 13. Berlin Paper for JCMB                                 | 35. ANDS Annual Report 2009                         |
| 14. Labor and Employment policy options                   | 36. President's initiative for Agriculture          |
| 15. Employment Policy                                     | 37. ARTI Revolution                                 |
| 16. The Question of Protection                            | 38. Afghanistan from 2001 to today                  |
| 17. Role of MoE in Government                             | 39. Mineral and Hydrocarbon Strategy                |
| 18. Afghan OMB concept paper                              | 40. Energy Sector Strategy                          |
| 19. Institutional Design of Regulatory Body               | 41. Industrial Parks                                |
| 20. MIS Plan for NPSO                                     | 42. Pakistan Financial Crisis Impact on Afghanistan |
| 21. ANDS Implementation                                   | 43. Budget Execution (parts 1&2)                    |
| 22. Final Report on PSD Initiative for India              | 44. Recurrent Budgets                               |
|   | 45. Social Protection Sector Strategy               |

- xxi Conferences and training:
1. 2<sup>nd</sup> Regional Economic Cooperation Conference (New Delhi, Nov 2006).
  2. Enabling Environment for the Private Sector Conference (June 2007).
  3. Training course on social cost benefit analysis (Sept-Oct 2008).

- xxii Workshops:
1. ACBR focus group.
  2. ACBR workflow.
  3. ACBR forms and database.
  4. ACBR Awareness workshop (80 participants).
  5. ACBR Awareness workshop (10 participants).
  6. ACBR Awareness workshop (50 participants).
  7. ACBR Awareness workshop (28 participants).
  8. ACBR Awareness workshop (30 participants).
  9. ACBR Awareness workshop (27 participants).
  10. ACBR Awareness workshop (20 participants).

## 6.4 Screen Shots from Portal

**USAID AEGPSS Portal**

Welcome Waheed Faizi

**Project Deliverables**

- Component Deliverables
- Performance Reports
- Work Plan
- Statement of Work
- Exit Reports
- Sub-National Information

**Organizational Charts**

- AEGPSS
- Counterparts

**Project Information**

- Announcements
- Background Information
- Important Links
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- PMO Updates

**Portal Information**

- Site Map
- Change Password

**Popular Portal Links**

- Program Policies & Forms
- Program Templates
- Program Plans
- FAQ

**Welcome to the Team Portal !**

The USAID-funded Afghanistan Economic Governance and Private Sector Strengthening (AEG&PSS) Program assists the Government of Afghanistan to develop the necessary economic governance to meet the needs of the public while also establishing the enabling environment for the private sector to expand production, jobs and income. The three-year project (2005 - 2008), awarded to BearingPoint, is a follow-on project to the Afghanistan Economic Governance Program (AEGP) which supported the transitional Government of Afghanistan after 2002.

AEG&PSS Advisors work in several government organizations to provide technical assistance in a variety of areas, including policy development, organizational design, training, HR Management, operations, and cross-cutting issues. Each component exists as a project under the overall AEG&PSS umbrella to respond to the specific needs of beneficiary-driven government programs. On this Portal, we have included a breakdown of the components of the AEG&PSS Project as well as a Project Management component which contains contractual and administrative information.

All team members have read-only access across the Portal. Each Project's Team Lead and designated Advisors also have write access, which includes the ability to add, edit and delete documents, and the responsibility for maintaining the information on their site.

Component	Sub-Component
Fiscal Reform	<ul style="list-style-type: none"> <li>Ministry of Finance (MOF) - Customs Reform &amp; Modernization</li> <li>Office of the Minister of Finance</li> <li>State-Owned Banks</li> <li>Tax Awareness Campaign</li> </ul>
Banking Reform	<ul style="list-style-type: none"> <li>Da Afghanistan Bank (DAB)</li> </ul>

**Kabul, Afghanistan:**  
March 14, 2010 - 14:36

**Washington, DC:**  
March 14, 2010 - 06:06

**Home Page Links**

- USAID/Afghanistan
- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
- UK/DFID/Afghanistan
- Germany/GTZ/Afghanistan
- UNDP/Afghanistan
- U.S. Embassy Kabul
- Afghanistan Rule of Law Program (AROLP)/Laws
- Medical and Health Information on Afghanistan

**Latest Afghan News**

afghanistan kabul - Google News  
New UN Envoy to Afghanistan Takes  
01/01/0001

**USAID AEGPSS Portal > Deployment**

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**Deployment Information**

- Deployment Guides
- Afghanistan Holidays
- Afghanistan Overview
- Afghanistan Travel Policy
- Afghanistan Country Guides
- Allowance Policy
- Flight Schedule to Kabul
- Travel Insurance Coverage
- FAQ
- Resignation and Off-boarding Checklist
- Travel Forms

**Pre-Deployment Forms**

- Additional U.S. Passport Pages
- Afghanistan Visa Application
- Assignment Letter
- Bio Data Sheet
- Emergency Locator Sheet
- Medical Clearance Forms

**Welcome to the Program Deployment Site!**

The Deployment Site provides a step-by-step list of pre-deployment requirements that advisors must complete before deploying to Afghanistan, and guidance on what advisors can expect upon arrival. Prior to departure, it is imperative that advisors read the BearingPoint Deployment Guide, Parts A and B; Part A provides general BearingPoint policies, and Part B presents specific policies. The Deployment Guide is intended to assist advisors to set realistic expectations about working, living and succeeding in Afghanistan.

Advisors will be held accountable for observing BearingPoint, USAID and Program specific policies and procedures. The Home Office Deployment Coordinators Cassandra Vass and Yasaman Samiian are here to assist advisors in preparing for their assignment. If you have questions or concerns, please contact them directly.

**I will be proposed as a short-term advisor.**

**I will be proposed as a long-term advisor.**

**Deployment Team Contacts**

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**Mobilization Information:**

Upon arrival at the airport in Kabul, you will complete a form and pass through passport control. You will stop at one "station" while passing through passport control. When you enter the baggage claim area, the Kabul Travel Coordinator, who speaks English, will be holding a sign with your last name. He will assist you with your luggage and clearing customs. Depending upon your flight schedule, you will be brought to the project office the same day, or the following morning. You may be at the airport an additional hour.

**Kabul, Afghanistan:**  
March 14, 2010 - 14:38

**Washington, DC:**  
March 14, 2010 - 06:08

**Useful Websites**

- Medical and Health Information on Afghanistan
- Foreign Per Diem Rates
- U.S. State Department Allowances
- State Department Travel Warnings
- CIA World FactBook/Afghanistan
- International SOS
- BearingPoint's Corporate Risk Site
- Exchange Rates
- U.S. Embassy Registration
- USAID/Afghanistan
- Wikipedia/Afghanistan
- State Department Background Notes/Afghanistan
- U.K. Foreign & Commonwealth Office
- Embassy of Afghanistan Travel Information
- Ministry of Transport and Civil Aviation - Tourist Information

https://www.myteamportal.org/AEGPSS/Security/default.aspx

Home - Security

USAID AEGPSS Portal > Security

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**Security**

Home Deployment Security PMO Fiscal Reform Banking Reform Trade Policy Parliament Privatization Cross Cutting EPC Enabling Environment Site Map Site Action

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- Travel Advisory
- Situation Reports
- Security Manual
- Daily Report

**Program Deliverables**

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- Program Plans

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- Program Glossary
- Program Policies and Forms
- Program Templates
- Translated Documents

**Security Overview**

To add content, open the tool pane and then click **Rich Text Editor**.

**Security Contacts**

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BearingPoint Direct of Security,		01 702-244-4494
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RMSI Emergency Number,		93 (0) 798 444 888
Steve na, Global Security	flegforge.afghan@globalgroup.com	93 (0) 799-383-325
Wais Shores, Security Assistant	wais.shores@gmail.com	93 (0) 797-707-050



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March 14, 2010 - 14:40

**Washington, DC:**  
March 14, 2010 - 06:10

**Useful Websites**

There are currently no favorite links to display. To add a new link, click "Add new link" below.

Add new link

https://www.myteamportal.org/AEGPSS/PMO/default.aspx

Home - Project Management Office

USAID AEGPSS Portal > Project Management Office

Welcome Waheed Faizi

**Project Management Office**

Home Deployment Security PMO Fiscal Reform Banking Reform Trade Policy Parliament Privatization Cross Cutting EPC Enabling Environment Site Map Site Action

**Discussions**

**Financial Management**

- Field Accounting (USAID No Access)
- Field Facilities (USAID No Access)
- Inventory
- Project Financial Management (USAID No Access)
- USAID AEGPSS Approvals
- USAID Financial Management
- USAID EGGI Approval

**Resource Management**

- Approved ICAs
- Approved Subcontractors
- Emergency Locator
- Expatriate Mobilization Status
- Expatriate Personnel Files
- Exit Reports
- ICA Management (USAID No Access)
- Open Requisitions

**PMO Contacts**

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Patrick Bryski, Vice President and Managing Director	pbryski@deloitte.com	703.747.3246
Gareth Davies, Afghanistan Country Director	gdavies@deloitte.com	93 797-765-901 or 93 786-509-931
Lizann Prosser, Project Manager	eprosser@deloitte.com	703-747-5453
Imelda Humady, Logistics Coordinator	ihumady@deloitte.com	703-747-6244
Kay Lewis, Deployment Coordinator	kaylewis@deloitte.com	703-747-6582
Julianne Stilwell, Field Finance Officer	justilwell@deloitte.com	93 (0)796-606-029
Melanie Zampi, ICA Invoice Review	mzampi@deloitte.com	
Sharon Waissman, Staffing Coordinator	swaissman@deloitte.com	



**Kabul, Afghanistan:**  
March 14, 2010 - 14:42

**Washington, DC:**  
March 14, 2010 - 06:12

**Useful Links**

- USAID Administrative Directive System (ADS)
- USAID Visa Compliance System
- Trainet
- USAID/Afghanistan
- USAID Branding Policy
- Public Services Engagement Forms
- Public Services Work Paper Policy
- Global Per Diem Policy
- Business Practice Guide

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https://www.myteamportal.org/AEGPSS/FiscalReform/default.aspx

Home - Fiscal Reform

USAID AEGPSS Portal > Fiscal Reform

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**Fiscal Reform**

Home | Deployment | Security | PMO | **Fiscal Reform** | Banking Reform | Trade Policy | Parliament | Privatization | Cross Cutting | EPC | Enabling Environment | Site Map | Site Acti

**Documents**

**Component Deliverables**

- Customs Reform and Modernization
- Executive Office of the Minister of Finance
- State-Owned Banks
- Tax Awareness Campaign

**Component Information**

- Background Material
- Exit Reports
- Meeting Reports
- Presentations

Change Password

Recycle Bin

**Component Overview**

The Ministry of Finance (MOF) is one of the most important institutions in Afghanistan's drive to rebuild its economy, as the MOF plays the key role in fiscal management, economic development planning, resource mobilization and allocation, and coordination and harmonization of donor assistance. BearingPoint has been providing intensive technical support to the MOF from the very start of the USAID assistance in late 2002. Advisors are in place at the Executive Office of the Minister of Finance, the Afghanistan Customs Department and two state-owned banks.

The key objective of USAID/BearingPoint's work at the Executive Office of the Minister is to establish reform and development a professional, fully-staffed and trained Ministerial Secretariat capable of supporting ongoing executive operations. This is essential for the Government to be able to implement the economic reform program as outlined in the Afghanistan Compact.

BearingPoint has also been working to develop a modern customs system that emulates international standards and best practices through new policy, administrative and documentary reforms. The following reforms to the Ministry of Finance's Afghanistan Customs Department (ACD) will create conditions for better efficiency in revenue collection which will have an indirect positive impact on the budget of the Government of Afghanistan:

- New infrastructure facilities;
- Modern equipment;
- Capacity building;
- Automation of customs operations and data throughout Afghanistan

Lastly, at the request of the Minister of Finance, BearingPoint has also been working to reform the State-Owned Banks (SOBs) for privatization. The majority of the work has centered on Millie Bank and Pashtany Bank (the third SOB is Export Bank). A small team of USAID/BearingPoint advisor are working with the leadership of these banks to prevent further erosion of assets and will provide reliable oversight until a World Bank project kicks off in April 2008.

**Component Contacts**

New | Actions | Settings

First Name	Last Name	Position	Business Phone	E-mail Address



**Kabul, Afghanistan:**  
March 14, 2010 - 14:43

**Washington, DC:**  
March 14, 2010 - 06:13

**Useful Websites**

- USAID/Afghanistan
- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
- UK/DFID/Afghanistan
- Germany/GTZ/Afghanistan
- UNDP/Afghanistan
- Afghanistan Rule of Law Program (AROLP)/Laws
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- Learning Management System
- U.S. Embassy Kabul

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Home - Banking Reform

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**Banking Reform**

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**Component Deliverable**

- DAB

**Component Information**

- Background Material
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Recycle Bin

**Component Overview**

The USAID/BearingPoint banking reform efforts are centered on the Afghan Central Bank, also known as Da Afghanistan Bank (DAB) is one of the original USAID supported elements in the development of a functioning government entity for Afghanistan. The DAB is now progressing from the initial phase to a phase in which many of the critical functions of bank supervision, monetary policy and accounting/operations are being reformed.

Bank supervision challenges are being met by balancing the active encouragement of developing intermediation and financial services while prudently maintaining a stable market for both lending and deposit services.

Managing the financial heart of the Afghan economy requires detailed information and an increasingly deep understanding of macroeconomic factors. The DAB Monetary Policy Department is in the process of becoming the hub for economic data collection and forecasting for policy design and implementation.

Lastly, the resurrection of the DAB after years of war has revealed an enormous challenge to reconstructing official transactions and accounting records from that period. Although the IMF assisted the Islamic Republic of Afghanistan in 2002 in this effort, the statement of accounts and the true financial position of the DAB have not been finalized. The BE team is prepared to complete this analysis.

**Component Contacts**

New | Actions | Settings

First Name	Last Name	Position	Business Phone	E-mail Address
Curtis	Faulkner		0797 707 038	cufaulkner@deloitte.com
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**Team Announcements**

Title	Modified



**Kabul, Afghanistan:**  
March 14, 2010 - 14:45

**Washington, DC:**  
March 14, 2010 - 06:15

**Useful Websites**

- USAID/Afghanistan
- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
- UK/DFID/Afghanistan
- Germany/GTZ/Afghanistan
- UNDP/Afghanistan
- Afghanistan Rule of Law Program (AROLP)/Laws
- USAID Branding Policy
- TIMeX Login (VPN Access Needed)
- PERFORM Login (VPN Access Needed)
- Learning Management System
- U.S. Embassy Kabul
- Afghan Growth Finance (AGF), a leading financial institution and partner to SMEs in Afghanistan

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**Component Deliverable**

- MoCI

**Component Information**

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Recycle Bin

### Component Overview

Afghanistan has begun encouraging the private sector to develop within the country and to promote trade and investment to buttress these efforts. The Ministry of Commerce & Industries (MOCI) has a key role in defining what is needed for the private sector to flourish in the Afghan economy and for trade to develop efficiently. USAID has provided assistance to the MOCI since 2003. The objective has been to ensure the Ministry is effective in supporting the nascent private sector to develop and to assist the country to improve its trade position through updated trade policy and implementation.

Consequently, USAID has been supporting a series of key reform initiatives in the MOCI: organization reform/restructuring, communications support to assist the MOCI to achieve its objectives, a program of commercial law and regulatory reform, accession to the WTO, trade policy, and private sector policy input from the Ministry to the national development strategy.



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**Kabul, Afghanistan:**

**Washington, DC:**

### Useful Websites

- USAID/Afghanistan
- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
- UK/DFID/Afghanistan
- Germany/GTZ/Afghanistan
- UNDP/Afghanistan
- Afghanistan Rule of Law Program (ARC)
- USAID Branding Policy
- TIMEnX Login (VPN Access Needed)
- PERFORM Login (VPN Access Needed)
- CIPE, Kabul
- Afghan Women's Business Federation

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### Component Contacts

First Name	Last Name	Position	Business Phone	E-mail Address
Malalai	Mehrabi	Business Registry Advisor	0797 707 069	mmehrabi@deloitte.com
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### Program Announcements

Title	Modified
<b>Alert/Notice - Portal Server Down for Maintenance Every Friday in DC at 9:00pm to 9:15pm and in Kabul on Saturday at 6:30am to 6:45am</b>	20/11/2007 6:08 a.m.

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**Component Deliverable**

- Parliament

**Component Information**

- Background Material
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Recycle Bin

### Component Overview

The Parliament was installed in December 2005 following the second round of national elections. It consists of the Wolesi Jirga (lower house) and Meshrano Jirga (upper house) and around a dozen standing committees. In general, the primary ones relevant to the AEG&PSS project are the Economic Committees.

Until early 2007, the Parliament was not particularly active in legislative drafting, because much of 2006 was devoted to establishing its own institutional structures, recruiting its own staff and conducting training of Members and staff. The first substantive Parliamentary activity affecting AEG&PSS commenced in April 2007, when the Parliamentary Committee on Telecom launched an inquiry into the Telecom Law. USAID/BearingPoint advisors provided a series of trainings to Parliamentarians on the law. The Members were generally highly receptive to this form of training, and have asked for additional in-depth programs on the broader economic issues as they are being asked to review budget and other critical legislation.

It should be noted that BearingPoint's work at the Parliament will not overlap the work of other donor support which is primarily related to the building of democratic institutions. Rather, BearingPoint's advisor will be embedded at the Economic Committee and solicit questions that will be channeled to other BearingPoint advisors located at economic institutions.



**Management & Technology Consultants**

**Kabul, Afghanistan:**  
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### Useful Websites

- USAID/Afghanistan
- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
- UK/DFID/Afghanistan
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- UNDP/Afghanistan
- Afghanistan Rule of Law Program (AROLP)/Laws
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- Learning Management System
- U.S. Embassy Kabul
- Afghanistan Ministry of Justice

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### Component Contacts

First Name	Last Name	Position	Business Phone	E-mail Address
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### Program Announcements

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Home - Privatization

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**Privatization**

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**Component Deliverable**

- Afghan Telecom
- AWCC

**Component Information**

- Background Material
- Exit Reports
- Meeting Reports
- Presentations

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Recycle Bin

**Component Overview**

Afghan Telecom/Afghan Wireless Communications Company

The Ministry of Communications & Information Technology (MCIT) adopted the Telecom & Internet Policy in July 2003, which made the commitment to accelerate the development of the sector by fostering private sector participation and removing the IROA from the provision of telecom services to the public.

BearingPoint advisors provided technical assistance to MCIT that resulted in the incorporation of Afghan Telecom in 2005 and the transfer of its telephone operations and assets to this new shell corporation during 2006. This makes it possible to sell (all or part of) Afghan Telecom to private investors.

At the request of the Minister of MCIT, starting in January 2007, BearingPoint advisors have been providing daily technical support to the corporate leadership of Afghan Telecom (AT), with a view towards installing the appropriate management orientation and financial controls. The Goal of this support is to help Afghan Telecom take the initial steps towards commercial viability in a highly competitive market, as well as have the rudimentary ICT systems in place to produce reliable information in support of the due diligence from prospective foreign investors.

MCIT also owns a 20% stake in the second-largest mobile licensee, Afghan Wireless Communications Company (AWCC), which was established during the Taliban regime. During 2007, an investment advisor has been working directly with the Minister of MCIT to line up investors and facilitate the eventual sale.

**Component Contacts**

First Name	Last Name	Position	Business Phone	E-mail Address
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**Program Announcements**

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<b>Alert/Notice - Portal Server Down for Maintenance Every Friday in DC at 9:00pm to</b>	20/11/2007 6:08



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**Useful Websites**

- USAID/Afghanistan
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- Asian Development Bank/Afghanistan
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- Afghanistan Rule of Law Program (AROLP)/Laws
- USAID Branding Policy
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- PERFORM Login (VPN Access Needed)
- Learning Management System
- U.S. Embassy Kabul
- Afghan Telecom LLC - Corporate Website

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Home - Economic Policy & Coordination

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**Economic Policy & Coordination**

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**Documents**

**Component Deliverable**

- SEAP
- MoE
- NaPSO

**Component Information**

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Recycle Bin

**Component Overview**

The scope of work for the EG&PSS project includes the provision of a number of long term and short term advisors to the Senior Economic Advisor to the President (SEAP) to assist the Government in the following areas:

- The development of economic policies that will support the achievement of the goals of the Afghanistan Compact;
- The review and preparation of a number of sector strategies that form the basis for the Afghanistan National Development Strategy (ANDS);
- Establish the National Program Support Office (NaPSO) to monitor the implementation of high priority projects and programs;
- Provide policy analysis to support the review of the implementation of the Afghanistan Compact benchmarks by the Joint Coordinating and Monitoring Board (JCMB) and to support the work of technical working groups and Consultative Groups related to economic policy development;
- Provide analytic support for the SEAP in his role as chair of inter-ministerial committees (e.g., agricultural and rural development; development of coal resources for energy; capacity development, and private sector development); and
- Provide analytic support in preparation for economic policy related international conferences and meetings.

The primary role of these advisors is to support the SEAP on the analysis of key economic issues, the resolution of issues arising among ministries regarding economic policy and general guidance regarding economic matters. Anticipated tasks include but are not limited to research and the preparation of policy analyses, economic feasibility studies, forecasts and impact analyses.

USAID/BearingPoint advisors also assisted the Ministry of Economy in adopting a new mission statement, and also provided a new organizational plan to reflect this mission. To some extent, MOE now acts as the implementation arm of SEAP. Whereas SEAP generates broad macro-economic policies, the MOE is attempting to develop and facilitate achievable micro-economic policies and programs.

**Component Contacts**



**Kabul, Afghanistan:**  
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**Useful Websites**

- USAID/Afghanistan
- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
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### Improving the Enabling Environment to Promote Private Sector Development

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**Component Deliverable**

- ATRA
- MoICT
- MEW
- MSR

**Component Information**

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**Component Overview**

USAID/BearingPoint has been active in developing the enabling environment to accelerate private sector development since early 2003. Broadly speaking, the enabling environment consists of the following pieces, which are typically adopted in sequence:

- Policies
- Laws & Decrees (the statutory framework)
- Implementing Institutions
- Rules, Regulations & Procedures (the normative acts)

BearingPoint advisors have worked closely with their counterparts in the various line ministries to draft the laws, coordinate public consultations and brief the cabinet and the legislative department of the Ministry of Justice, called the Taqin.

In addition to drafting laws, USAID/BearingPoint Advisors have also been working on establishing regulatory institutions. The fact that over US\$800 million has already been invested into the telecom sector since 2003 means that these private investors have a high level of confidence in the legal-regulatory regime. But it is also clear that many critical tasks remain incomplete.

BearingPoint has and will continue to provide technical assistance to the Afghanistan Telecommunications Authority (ATRA). Advisors are also working to establish a multi-sector energy regulator that can be initially focused on accelerating private investment via a transparent licensing regime.

**Component Contacts**

First Name	Last Name	Position	Business Phone	E-mail Address
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**Program Announcements**

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**Washington, DC:**  
March 14, 2010 - 06:30

**Useful Websites**

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- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
- UK/DFID/Afghanistan
- Germany/GTZ/Afghanistan
- UNDP/Afghanistan
- Afghanistan Rule of Law Program (AROLP)/Laws
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### Cross-Cutting Themes

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**Component Deliverable**

- HR
- ACP

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- Program Plans

**Organizational Charts**

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- USAID

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- Portal Support and Change Request

**Component Overview**

USAID/BearingPoint cross-cutting activities are currently limited to Public Awareness & Communications (PAC) and Human Resources (HR) reform. The objective of the public awareness and communications team is to enable the Islamic Republic of Afghanistan (IROA) to demonstrate to its people and international audiences that better economic governance is improving the quality of life in Afghanistan. The PAC designs and implements outreach campaigns that are specifically tailored to reach the numerous audiences, including:

- The IROA institutions, including the Parliament
- The citizens of Afghanistan, plus prospective foreign investors
- USAID, the USG and the American taxpayer.

The other activity under Cross-Cutting is HR reform. Currently, HR reform activities are being conducted at Ministry of Finance (MoF). The work is intended to further improve the overall HR capacity of the Ministry and to begin to formalize and implement the recommendations made by the previous HR Advisor. This second phase will require long-term technical assistance to establish staff development and training functions adapted to MoF needs. Furthermore, a key part of this improvement will be to improve the Administrative support to Mustufiats which is essential to a decentralized MoF. There also may be a need to design and implement Administrative procedures within Mustufiats.

**Component Contacts**

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**Program Announcements**

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**Component Calendar**



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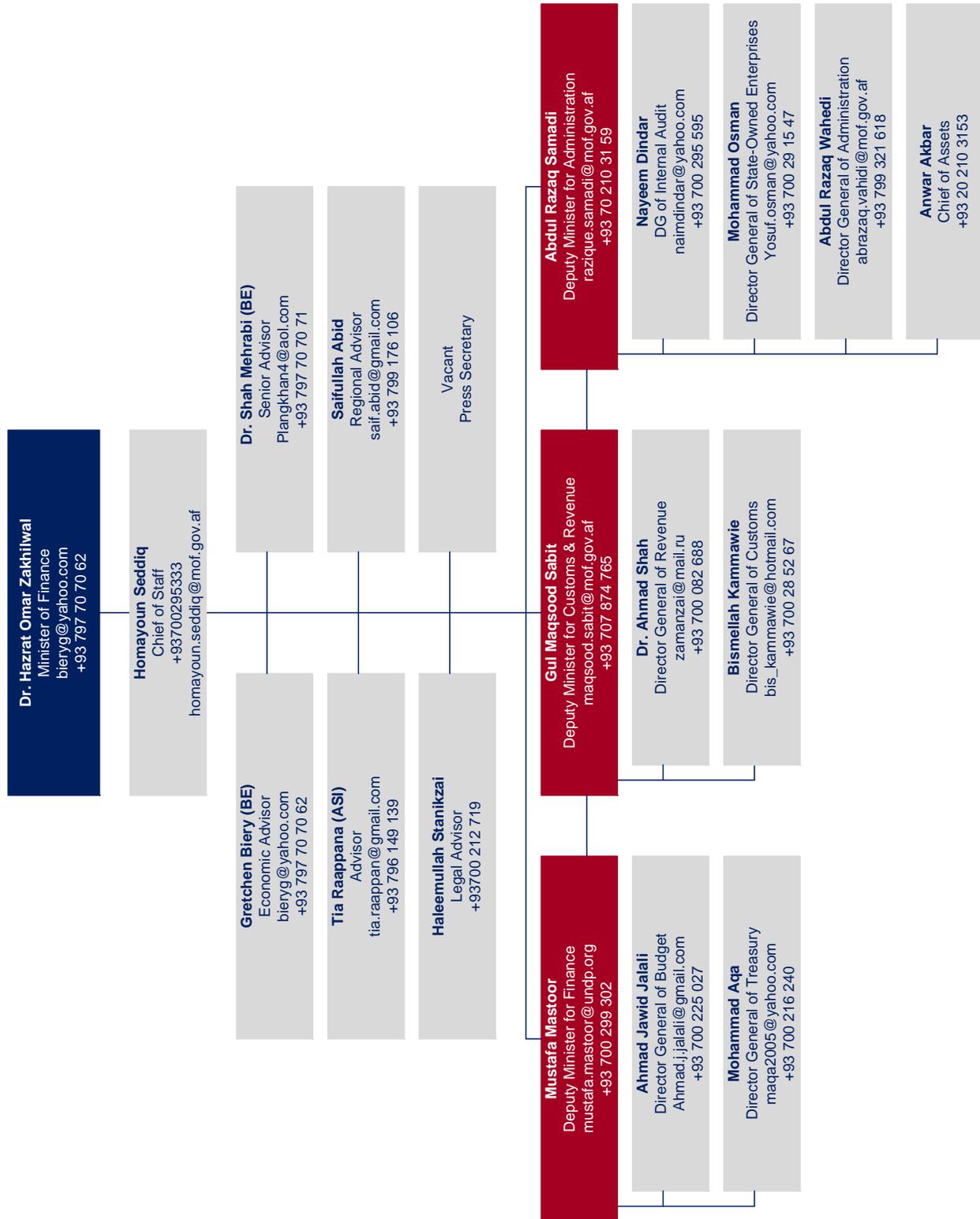
- USAID/Afghanistan
- World Bank Afghanistan
- IMF/Afghanistan
- Asian Development Bank/Afghanistan
- UK/DFID/Afghanistan
- Germany/GTZ/Afghanistan
- UNDP/Afghanistan
- Afghanistan Rule of Law Program (AROLP)/Laws
- USAID Branding Policy
- TIMEnX Login (VPN Access Needed)
- PERFORM Login (VPN Access Needed)
- Learning Management System
- U.S. Embassy Kabul
- Afghanistan Independent Civil Service Commission - Capacity Development
- Afghanistan Resources (Job Clearinghouse)

## 6.5 Inventory of Exit Reports

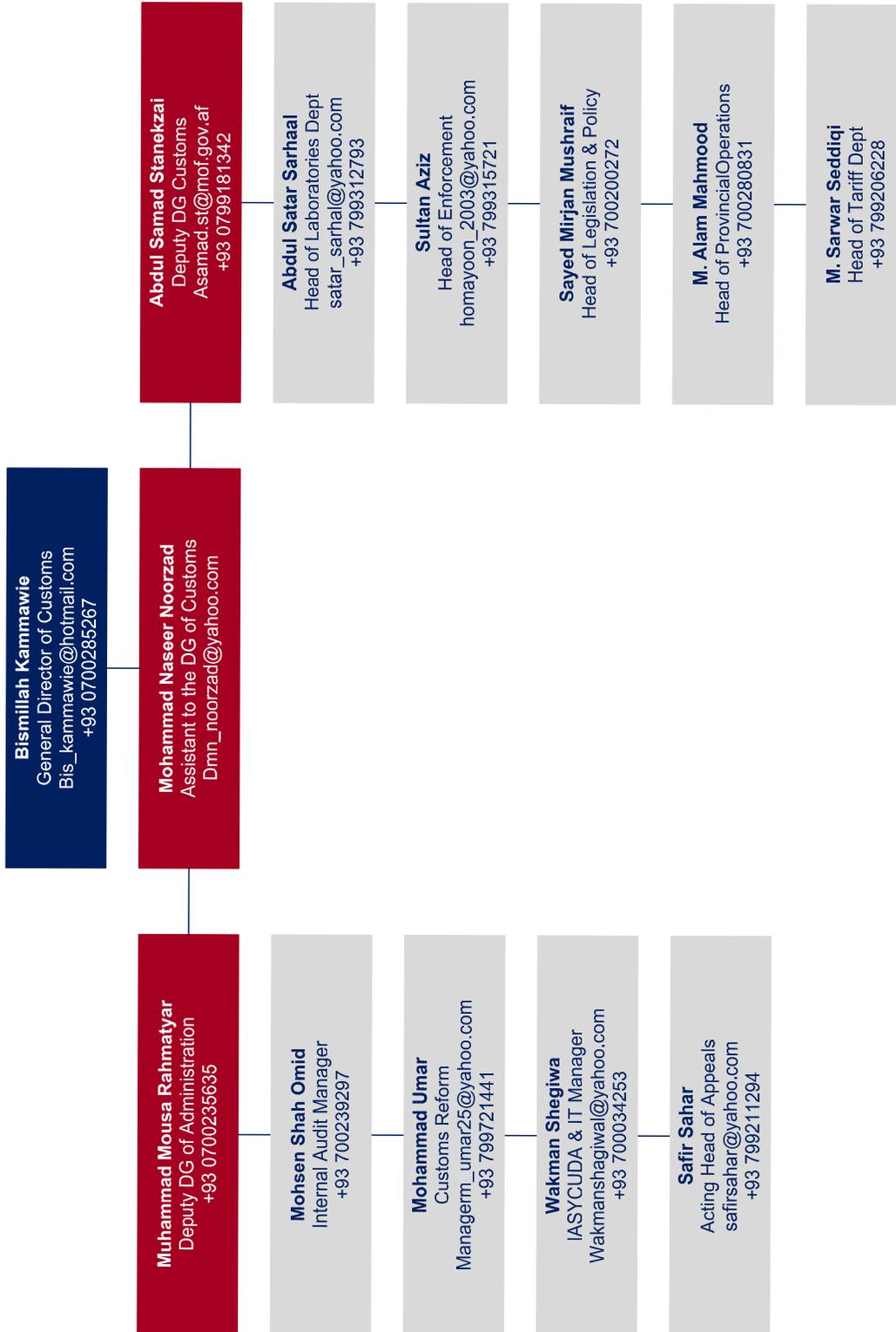
No.	Component	Date	Advisor
1	DAB	August 2009	Faulkner, Curtis
2	DAB	June 2009	Pfeifer, Ken
3	DAB	December 2007	O Brien, Kevin
4	DAB	August 2009	Weide, Patrick
5	DAB	June 2009	Sloyka, John
6	DAB	August 2009	Said, Ally Juma
7	DAB	June 2009	Callis, Daniel
8	DAB	August 2006	Hook, Andrew
9	DAB	December 2006	Singh, Indu
10	DAB	August 2008	Blanchette, Katie
11	DAB	December 2005	Boren, Larry
12	DAB	December 2007	Bunting, Davis
13	DAB	November 2008	Calhoun, Scott
14	DAB	July 2009	Callis, Daniel
15	DAB	July 2009	Richard, Claude
16	DAB	April 2006	Rahim, Haris
17	DAB	March 2007	Kosar, William
18	DAB	August 2008	Label, Allen
19	DAB	April 2007	Shapiro, Joel
20	DAB	August 2008	Virenum, Robert
21	ATRA/MCIT	December 2007	Cheko, Alan
22	ATRA/MCIT	March 2008	De Jong, Jacqueline
23	ATRA/MCIT	August 2008	Khuram, Farahuddin
24	ATRA/MCIT	July 2007	Kirilov, Christian
25	ATRA/MCIT	April 2008	Loda, Antonio
26	ATRA/MCIT	March 2010	Mays, Rodney
27	ATRA/MCIT	May 2007	Shelat, Raj
28	Fiscal Reform	Sep 2009	Stojonovic, Vesna
29	Fiscal Reform	Sep 2009	Regan, Jennifer
30	Fiscal Reform	October 2009	Latif, Abdul
31	Fiscal Reform	October 2009	Biery, Gretchen
32	Fiscal Reform	April 2007	Clay, Derek
33	Fiscal Reform	December 2007	Fatakanwa, Eugene
34	Fiscal Reform	June 2007	Folkertsma, Rommert
35	Fiscal Reform	December 2006	Henderson, Robert
36	Fiscal Reform	December 2006	Kristensen, Henrik
37	Fiscal Reform	December 2008	Holland, Per Arne
38	Fiscal Reform	April 2007	Stoddard, Mike
39	Fiscal Reform	July 2008	van Wichelen, Martial
40	MOCI	July 2007	Kobryn, Stephen
41	MOCI	September 2009	Jayanetti Sanath
42	MOCI	September 2009	Courchesne, Monique
43	MOCI	September 2009	O Brien, Kevin

## 6.6 Organizational Charts of Supported GIROA Institutions

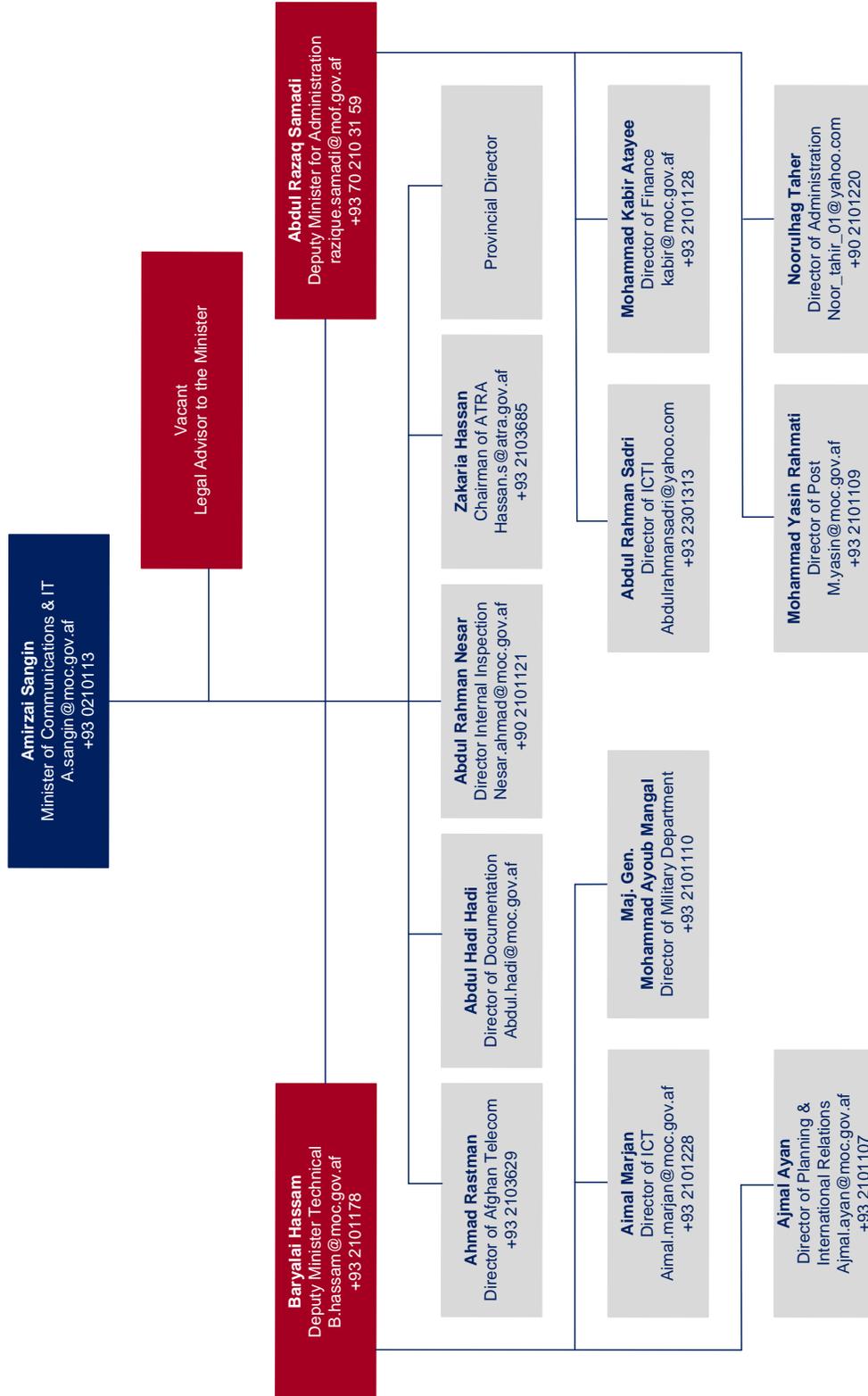
### Ministry of Finance



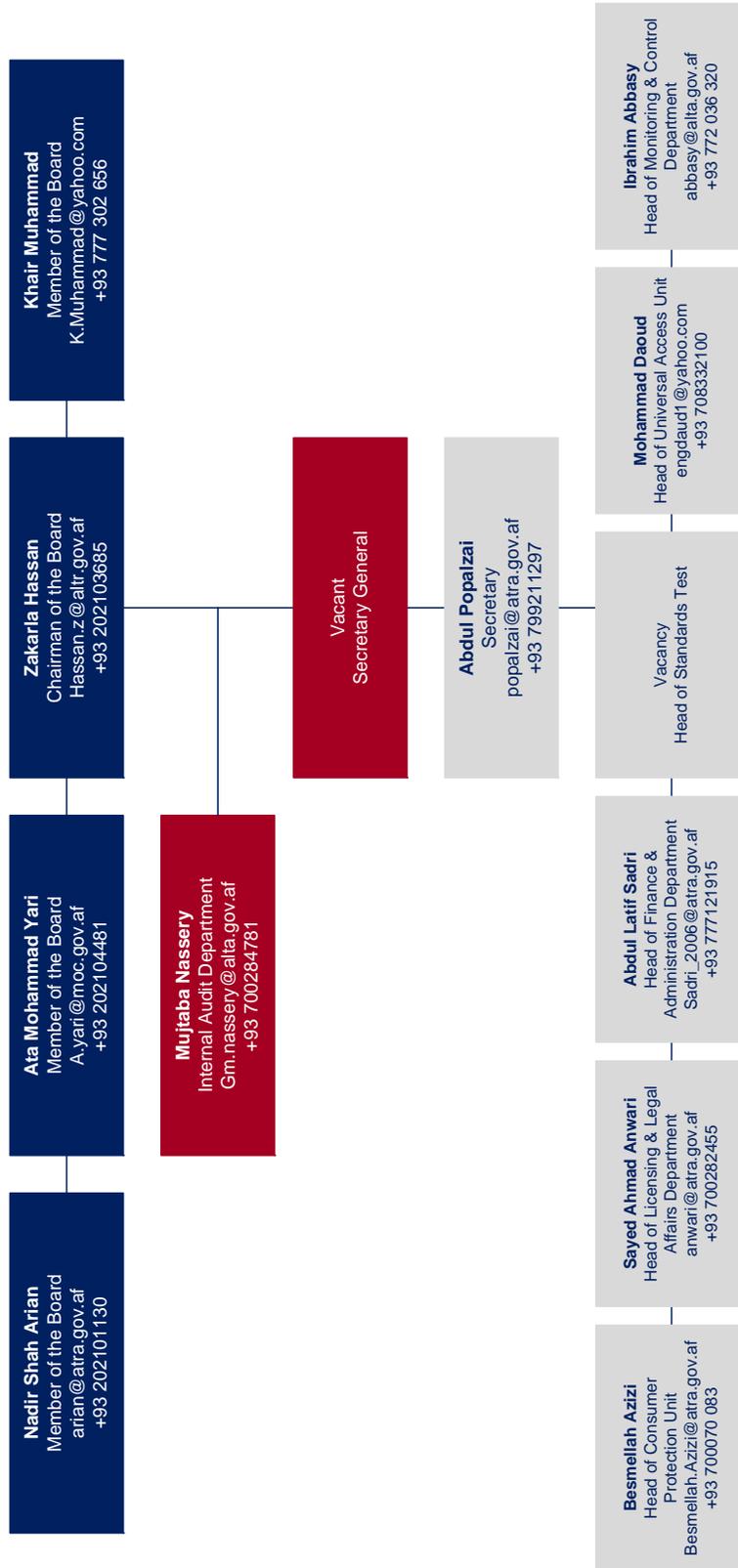
## Ministry of Finance: Afghanistan Customs Department (ACD)



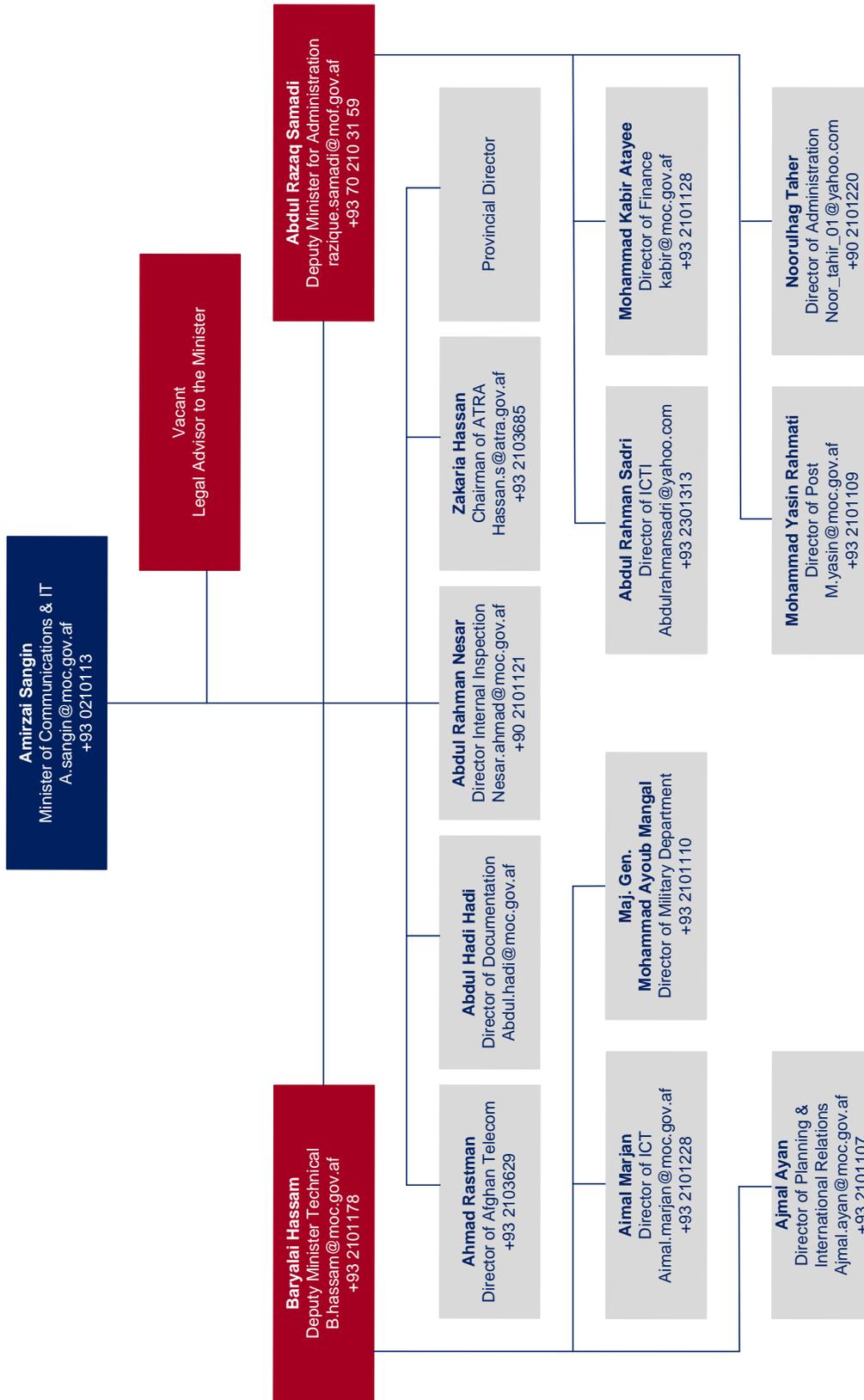
## Ministry of Communications and Information Technology (MCIT)



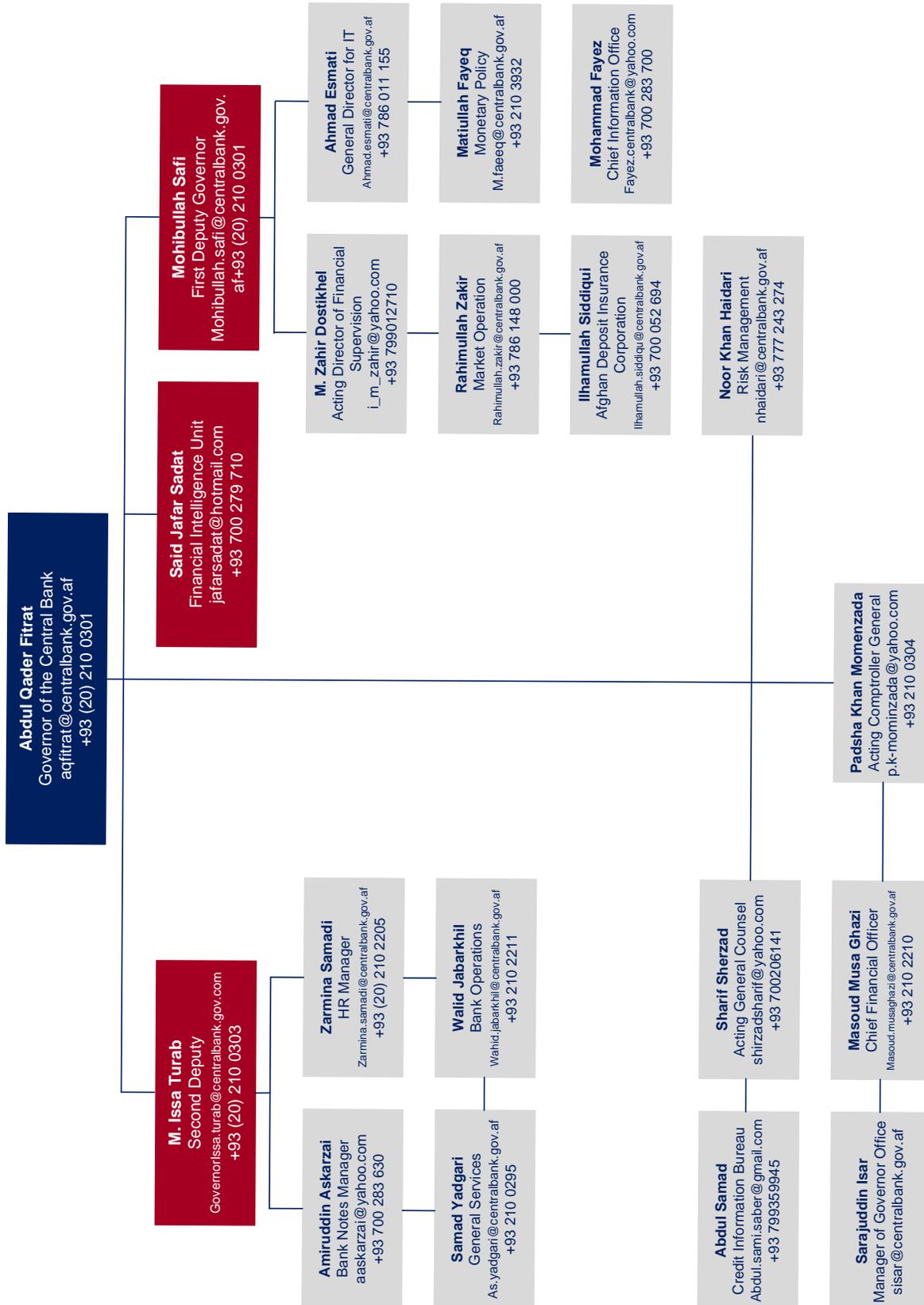
## Afghanistan Telecommunications Regulatory Authority (ATRA)



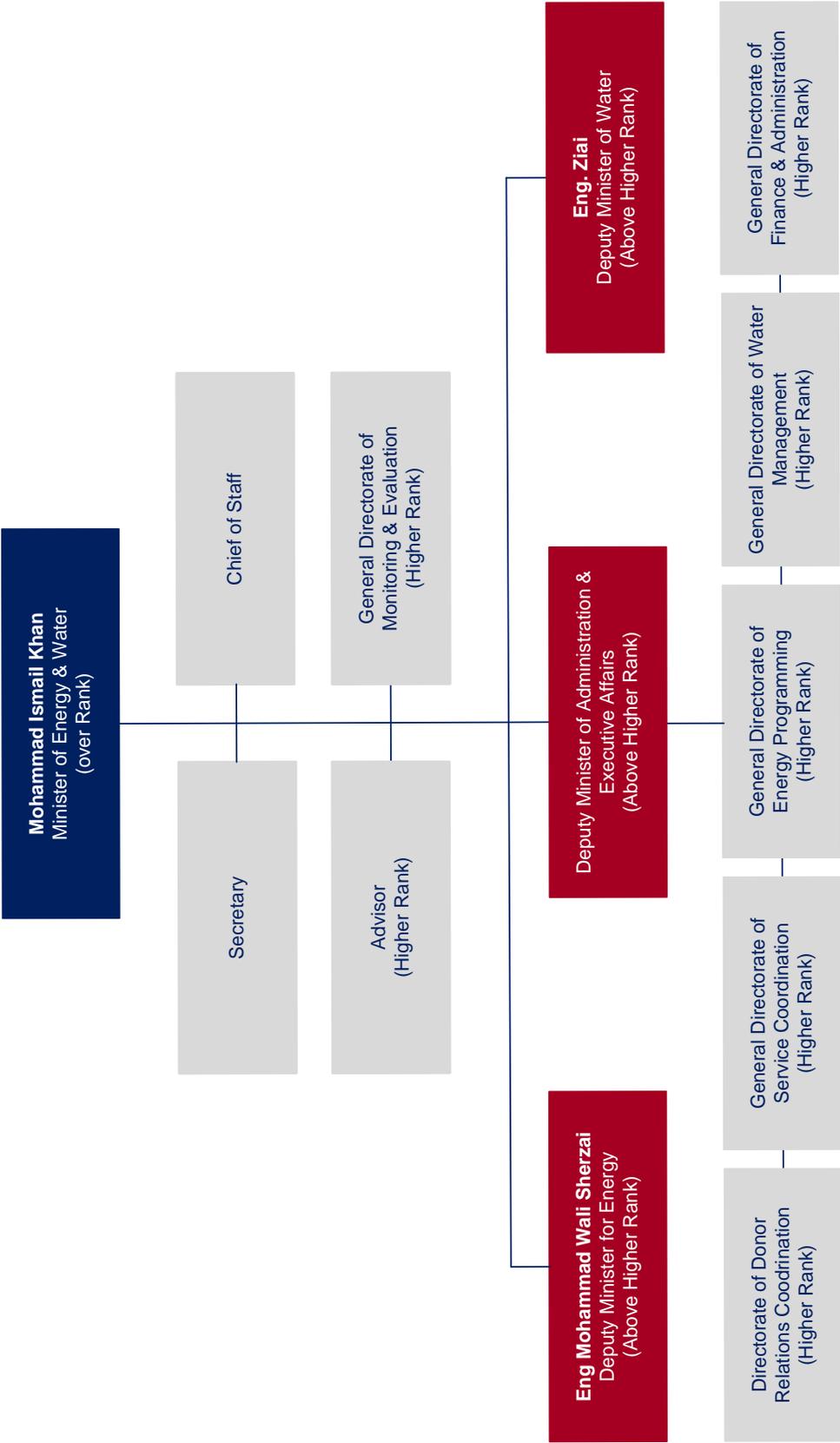
## Ministry of Commerce & Industries (MoCI)



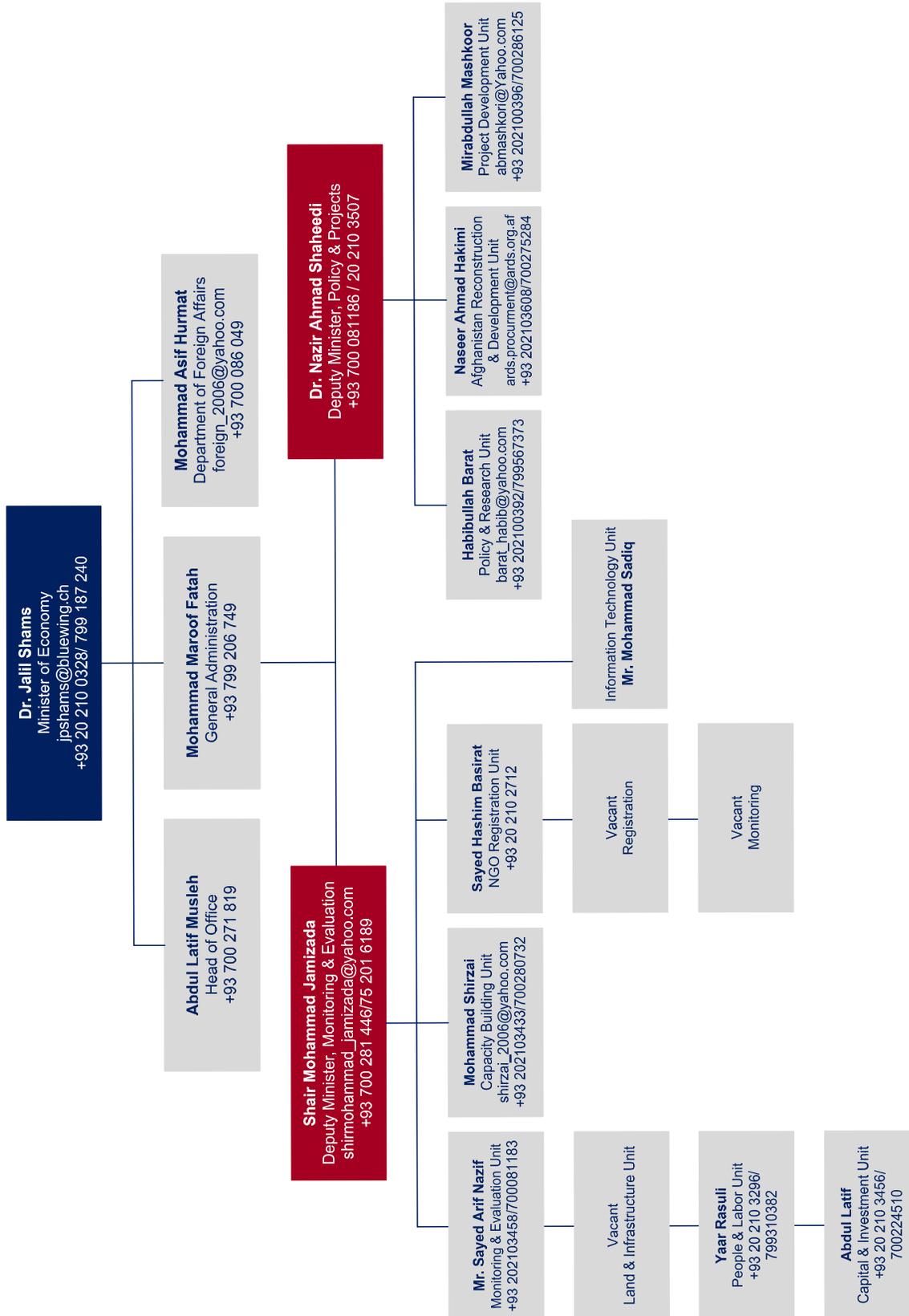
## Da Afghanistan Bank (Central Bank)



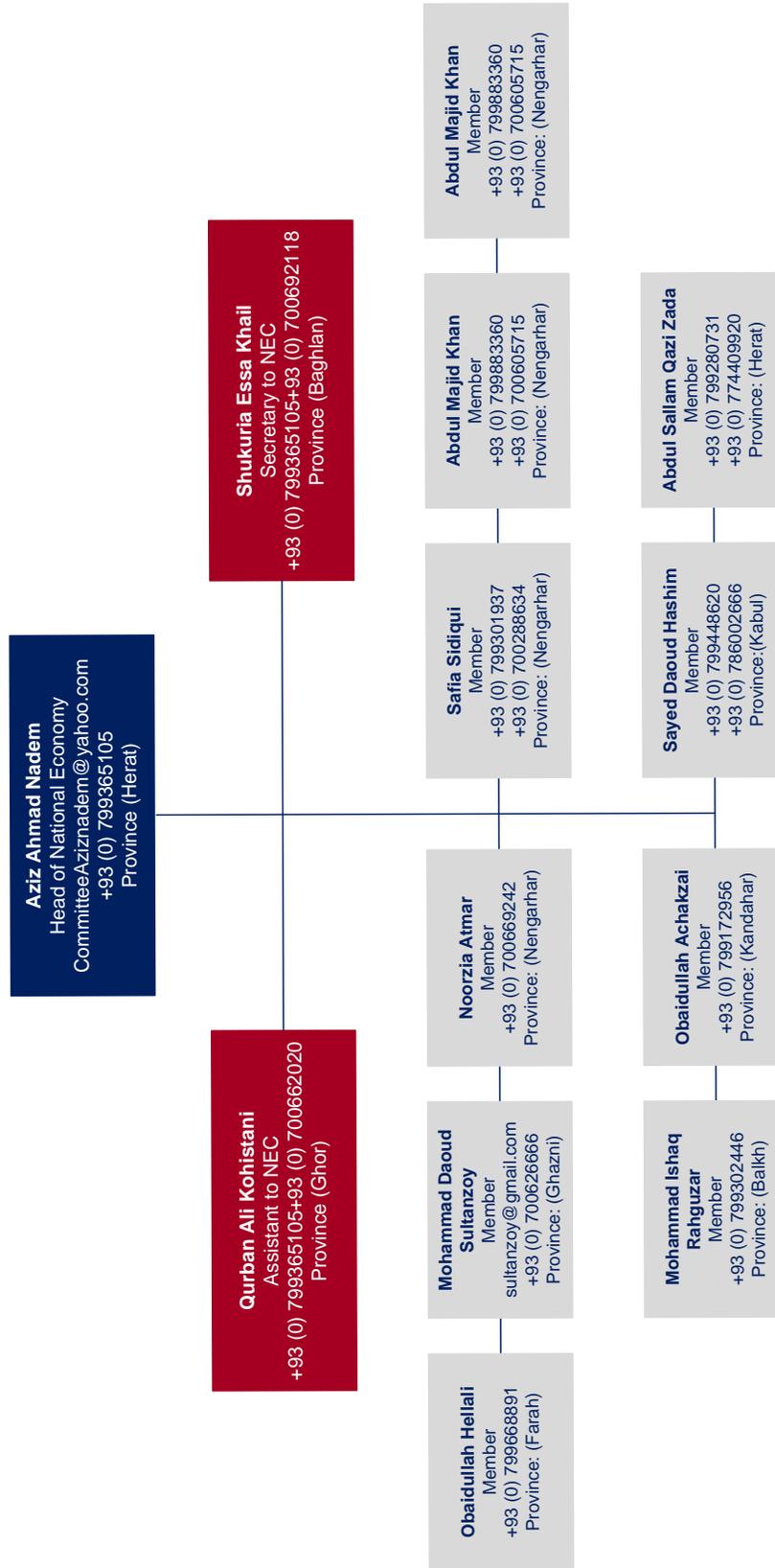
### Ministry of Energy and Water (MEW)



## Ministry of Economy

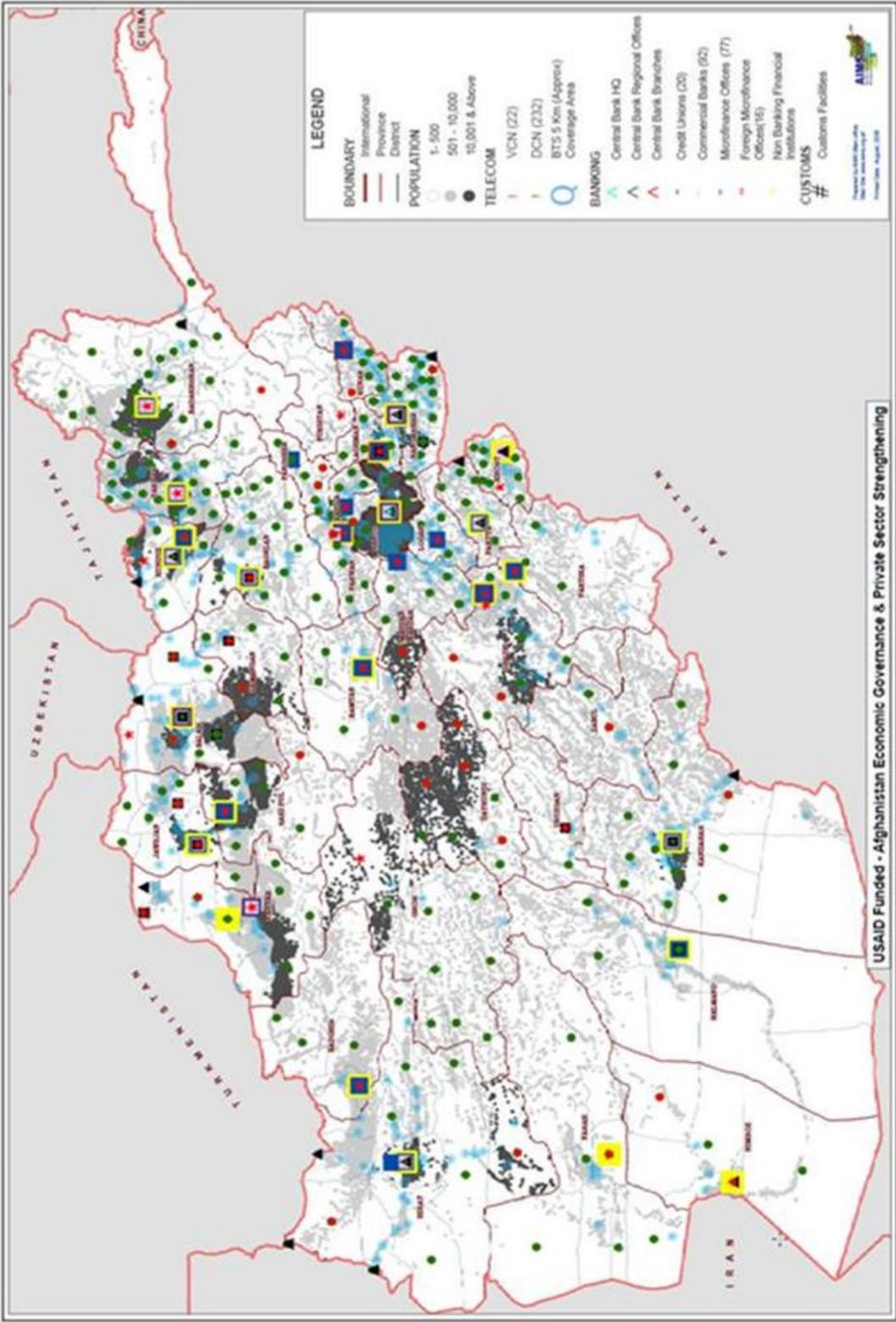


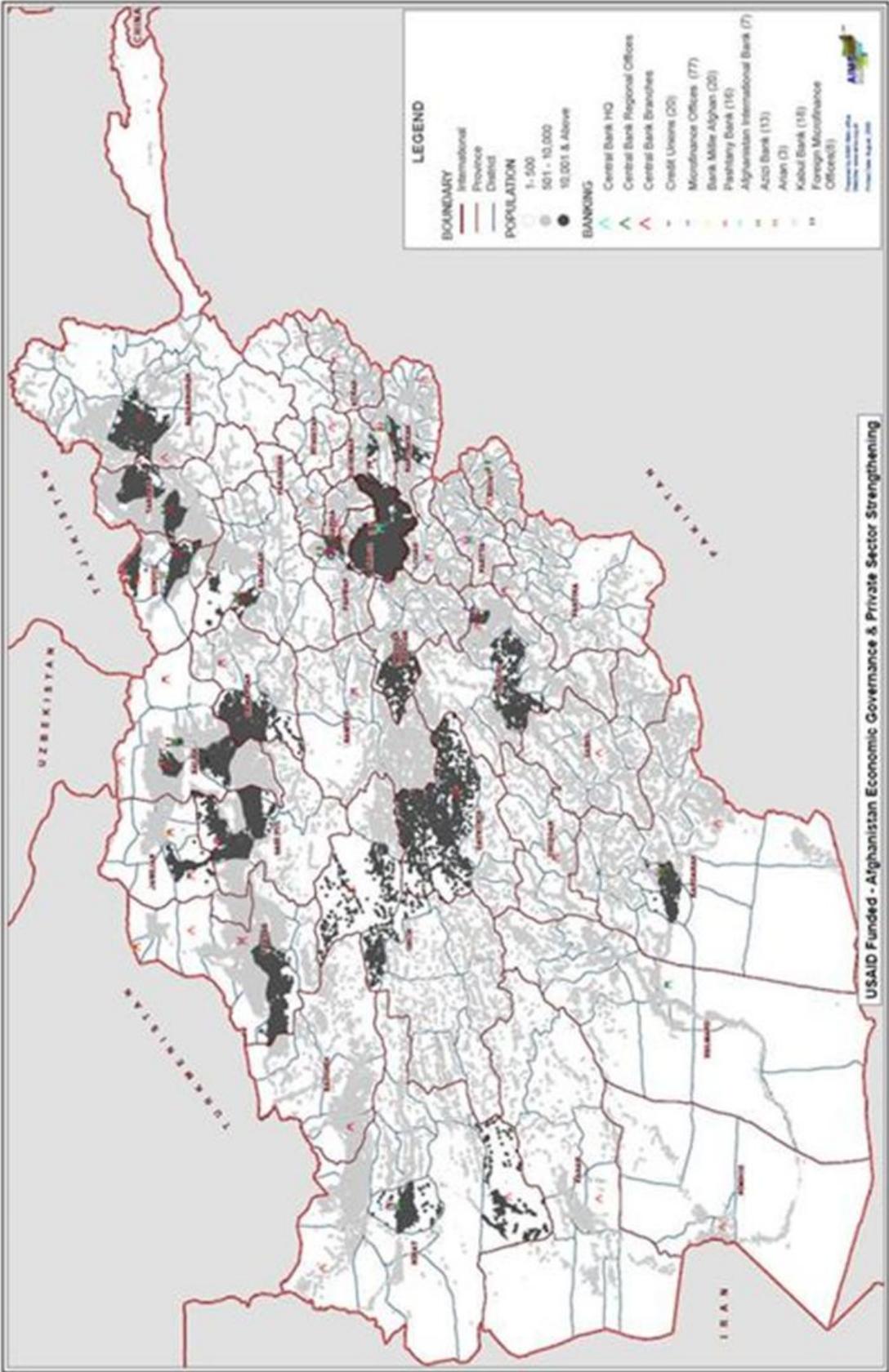
## National Economy Committee

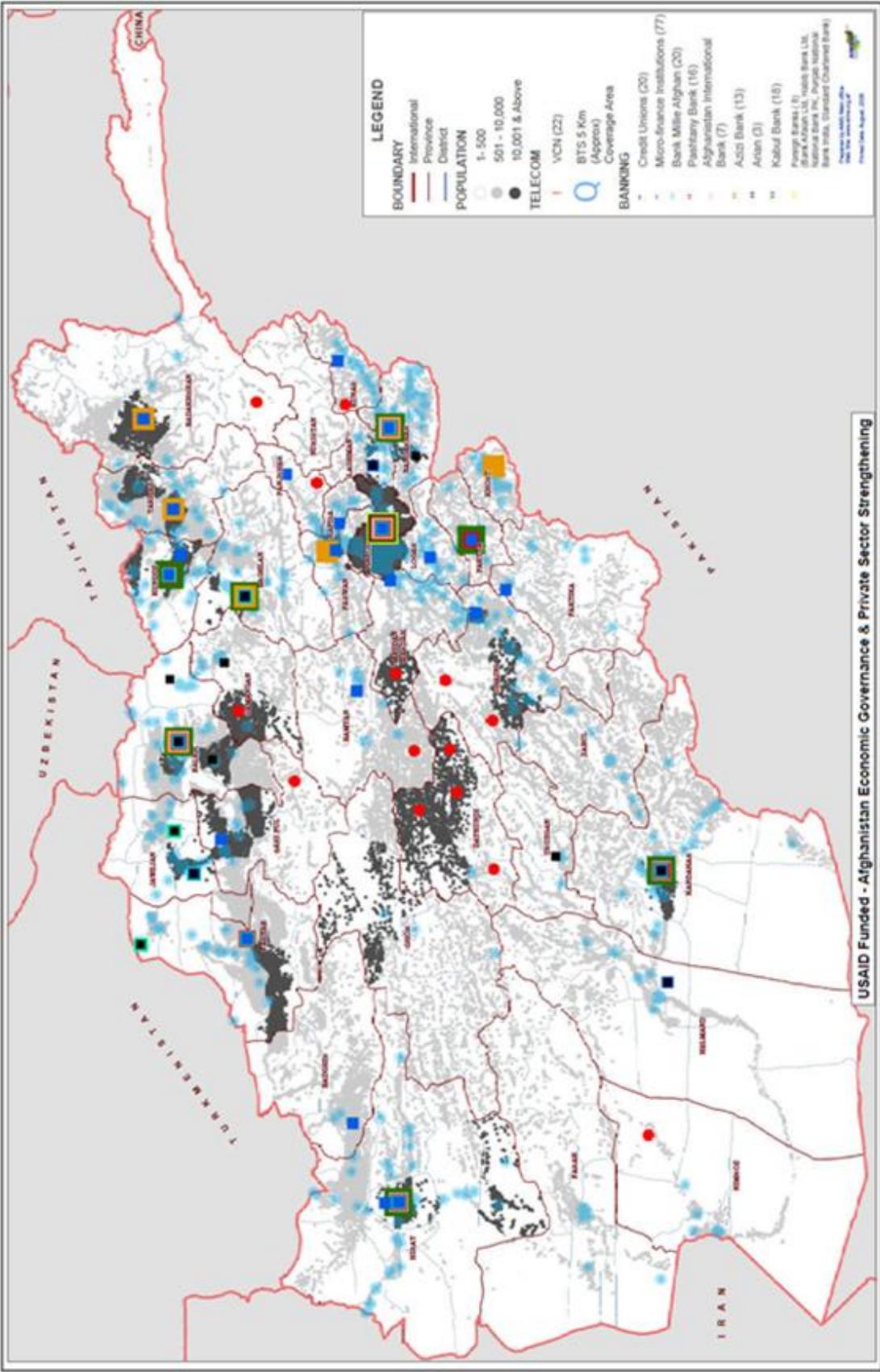


# 6.7 Beacons of Economic Growth Maps

Maps Showing Impact in Economic & Commercial Infrastructure







## 6.8 Full List of Abbreviations & Acronyms

Abbreviation	Definition
ABA	Afghanistan Bankers' Association
ACBR	Afghanistan Central Business Registry
ACCI	Afghan Chamber of Commerce and Industry
ACD	Afghanistan Customs Department
ACH	Afghanistan Clearing House
ACLA	Associate Commissioner for Legislative Affairs
ACSP	Afghanistan Credit Support Program
ACSS	Afghanistan Clearing and Settlement System
ADB	Asian Development Bank
ADIC	Afghan Deposit Insurance Corporation
ADP	Alternative Development Program
AEAI	Advance Engineering Associates International
AFMIS	Automated Financial Management Information System
AFS	Afghanis
AFSSP	Afghanistan Financial Sector Strengthening Program
AGO	Attorney General's Office
AIB	Afghanistan International Bank
AIBF	Afghanistan Institute of Banking and Finance
AIHRC	Afghanistan Independent Human Rights Commission
AIMS	Afghanistan Information Management Services
AISA	Afghanistan Investment Support Agency
AML/CFT	Anti-Money Laundering and Combating the Financing Terrorism
ANDS	Afghanistan National Development Strategy
APAP	Afghanistan Parliamentary Assistance Project
APTTA	Afghanistan Pakistan Trade and Transit Agreement
ARD	Agriculture and Rural Development
ARIES	Agriculture Rural Investment and Enterprise Strengthening
ARTF	Afghanistan Reconstruction Trust Fund
ASEAN	Association of South East Asian Nations
ASI	Adam Smith International
ASMED	Afghanistan Small and Medium Enterprises Development
ATM	Automatic Teller Machine
ATRA	Afghanistan Telecom Regulatory Authority
AUB	Afghan United Bank
BDS	Business Development Services
BIS	Bank of International Settlements
BRAC	Bangladesh Rural Advancement Committee
BRT	Back Room Technician
CADR	Commercial Alternative Dispute Resolution
CAO	Chief Administration Officer
CBS	Core Banking System
CCNS	Cooperating Country Nationals
CCO	Chief Compliance Officer
CDP	Capacity Development Program, USAID
CEAP	Chief Economic Advisor to the President
CEO	Chief Executive Officer
CERP	Commanders Emergency Response Program
CFSS	Correctional Facility Shift Supervisor
CIMIC	Center for Information Management, Integration, and Connectivity
CIO	Chief Information Officer
CMO	Contract Management Office
CMRS	Central Monitoring and Reporting System
CO	Contracting Officer
COO	Chief Operation Officer
COP	Chief-of-Party

CPI	Consumer Price Index
CSO	Central Statistics Office
CTO	Cognizant Technical Officer
DAB	Da Afghanistan Bank
DABS	Da Afghanistan Brishna Sherkat
DACAAR	Danish Committee for Aid to Afghan Refugees
DCOP	Deputy Chief-of-Party
DFR	Donor Financial Review
DG	Director General
DHS	Department of Homeland Security
DM	Deputy Minister
DMFI	Depositor Microfinance Institutions
DOJ	Department Of Justice
EFT	Electronic Fund Transfer
EGGI	Economic Growth & Governance Initiative
EGO	Economic Growth Office
EGPSS	Economic Growth Private Sector Strengthening
EMIS	Education Management Information System
EXBS	Execute By Sting Project
FAD	Fiscal Affairs Department
FAU	Fiscal Analysis Unit
FMFB	First Micro Finance Bank
FPU	Fiscal Policy Unit
FSD	Financial Supervision Department
FSSP	Financial Sector Strengthening Project
GCC	Government Coordinating Council
GDP	Gross Domestic Product
GIAAC	General and Independent Administration Against Corruption and Bribery
GIROA	Government of Islamic Republic of Afghanistan
GL	General Ledger
GOA	Government of Afghanistan
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HIP	Herat Industrial Park
HIPC	Highly Indebted Poor Countries' Initiative
HR	Human Resources
HRD	Human Resource Department
IAIS	International Association of Insurance Supervisors
IARCSC	Independent Administrative Reform and Civil Service Commission
IBFIM	Islamic Banking and Finance Institute Malaysia
ICA	Insurance Corporation of Afghanistan
ICT	Information and Communication Technology
ID	Insurance Department
IDEA-NEW	Incentives Driving Economic Alternatives for the North, East, and West
IDLG	Independent Directorate for Local Governance
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIFC	Islamic Investment and Finance Cooperatives
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INGO	International Non Governmental Organization
IP	Industrial Park
ISDM	Information Systems Design and Management
ISP	Internet Service Providers
IT	Information Technology
JCMB	Joint Coordination and Monitoring Board
KED	Kabul Electricity Distribution
LBMA	London Bullion Market Association
LGCD	Local Governance and Community Development
LLDAs	Lottery-Linked Deposit Accounts

LLP	Limited Liability Partnership
LMTO	Large and Medium Taxpayers Office
LoC	Letter of Credit
LOI	Letter of Intent
LT	Long Term
LTO	Large Taxpayer Office
M&E	Monitoring and Evaluation
MAIL	Ministry of Agriculture Irrigation and Livestock
MAU	Macroeconomic Analysis Unit
MCIT	Ministry of Communication and Information Technology
MDF	Main Distribution(al) Facility
MEW	Ministry of Energy and Water
MFF	Multi-tranche Financing Facility
MISFA	Microfinance Investment Support Facility for Afghanistan
MOCI	Ministry of Commerce and Industry
MOEd	Ministry of Education
MOE	Ministry of Economy
MOF	Ministry of Finance
MoHE	Ministry of Higher Education
Moi	Ministry of Interior
MOJ	Ministry of Justice
MoLSA	Ministry of Labor and Social Affairs
MoLSAMD	Ministry of Labor, Social Affairs, Martyrs and the Disabled
MOM	Ministry of Mines
MOT	Ministry of Tourism
MOTA	Ministry of Transport and Aviation
MOTCA	Ministry of Transport and Civil Aviation
MOU	Memorandum Of Understanding
MoUD	Ministry of Urban Development
MP	Member of Parliament
MPU	Monetary Policy Unit
MRRD	Ministry of Rural Rehabilitation and Development
MSME	Micro, Small and Medium Enterprises
MTBF	Mean Time Before Failure
MTEF	Medium-term Expenditure Framework
MTO	Medium Taxpayers' Office
MW	Minimum Wage
NBC	National Broadcasting Commission
NBFC	National Budget Finance Commission
NBFI	Non-Bank Financial Institution
NC	National Committee
NDC	New Deal For Communities
NEC	National Economic Commission
NGO	Non-Governmental Organization
NICA	National Insurance Company of Afghanistan
NSC	National Statistics Council
NSDP	National Skills Development Program
NSP	Normal Safety Procedures
NTR	Nothing To Report
OEG	Office of the Economic Growth
OFC	Optical Fiber Cable
OGC	Office Of Government Commerce
OSS	One Stop Shop
P&L	Profit and Loss
PAU	Policy Analysis Unit
PBO	National Assembly Budget Office
PCO	Project Control Organization
PDC	Provincial Development Committee
PDP	Provincial Development Plans

PG	Participant Guide
PMO	Project Management Office
PMP	Performance Management Plan
PPP	Public Private Partnership
PPSCD	Policy for Private Sector Growth and Development
PRGF	Poverty Reduction & Growth Facility
PRT	Provincial Reconstruction Team
PSCSEC	Private Sector & Civil Society Enabling Council
PSD	Private Sector Development
PSD-SC	Private Sector Development Sub-Committee
PSEC	Private Sector Enabling Committee
QRF	Quick Reaction Force
RAMP	Rebuilding Agricultural Markets Program
RCS	Reports Control System
RFTOP	Request For Task Order Proposal
RM	Regional Manager
RMD	Resource Management Division
RMO	Regional Management Office
ROE	Rate Of Exchange
ROI	Return on Investment
RRR	Revenue Reporting and Reconciliation
SC	Sub Committee
SCB	Standard Chartered Bank
SDRs	Special Drawing Rights
SEAL	Support for an Effective Afghan Legislature
SEAP	Senior Economic Advisor to the President
SIGTAS	Standard Integrated Government Tax Administration System
SME	Small and Medium Enterprises
SMEFP	Supplementary Memorandum of Economic and Financial Policies
SOES	Small Order Execution System
SROI	Social Return on Investment
SSBC	Smart Service Business Center
ST	Short Term
SUNY	State University Of New York
TA	Technical Assistance
TAFA	Trade Accession Facilitation for Afghanistan
TAPR	Technical Assistance for Policy Reform
TCC	Technical Coordinating Committee
TIN	Tax Information Number
TOR	Terms Of Reference
TOT	Training of Trainers
UCC	Uniform Commercial Codes
UCLA	University of California, Los Angeles
UK	United Kingdom
UK-DFID	United Kingdom Department for International Development
UNDP	United Nation Development Program
US	United State
US\$	United States dollar
USAID	United States Agency for International Development
VSAT	Very Small Aperture Transmission
WB	World Bank
WOCCU	World Council of Credit Unions
WTO	World Trade Organization