



Economic Growth and Governance Initiative

Quarterly Report

Period Covered: October-December 2009

Prepared for:
USAID/Afghanistan
Office of Economic Growth

Contract Number:
EEM-I-00-07-00005-00

Prepared by:





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Acronyms

ABA	Afghanistan Bankers' Association
ACBR	Afghanistan Central Business Registry
ACCI	Afghan Chamber of Commerce and Industry
ACSP	Afghanistan Credit Support Program
ADB	Asian Development Bank
ADIC	Afghan Deposit Insurance Corporation
ADP	Alternative Development Program
AGO	Attorney General's Office
AIB	Afghanistan International Bank
AIHRC	Afghanistan Independent Human Rights Commission
AIMS	Afghanistan Information Management Services
AISA	Afghanistan Investment Support Agency
AML/CFT	Anti Money Laundering & Combating the Financing of Terrorism
ANDS	Afghanistan National Development Strategy
ARIES	Agriculture Rural Investment and Enterprise Strengthening
ASEAN	Association of South East Asian Nations
ASMED	Afghanistan Small and Medium Enterprise Development Project
ATRA	Telecom Regulatory Authority of Afghanistan
BDS	Business Development Services
BIS	Bank of International Settlements
CADR	Commercial Alternative Dispute Resolution
CAF	Framework for Conflict Affected Countries
CBS	Core Banking System
CDP	Capacity Development Program, USAID
CEAP	Chief Economic Advisor to the President
CERP	Commanders Emergency Response Program
CMO	Contract Management Office
CMRS	Central Monitoring and Reporting System
CO	Contracting Officer
COP	Chief-of-Party
CSO	Central Statistics Office
CTO	Cognizant Technical Officer
DAB	Da Afghanistan Bank
DABS	Deh Afghanistan Breshna Sherkat
DCOP	Deputy Chief-of-Party
DFID	UK Department for International Development
DFR	Donor Financial Reviews
DHS	Department of Homeland Security
EGGI	Economic Growth & Governance Initiative
EGPSS	Economic Governance and Private Sector Strengthening Program
FAD	Fiscal Affairs Department
FAU	Fiscal Analysis Unit
FMFB	First Microfinance Bank
FPU	Fiscal Policy Unit
FSD	Financial Supervision Department
GCC	Government Coordinating Council

GDP	Gross Domestic Product
GIAAC	General and Independent Administration against Corruption and Bribery
GIRoA	Government of the Islamic Republic of Afghanistan
HIPC	Highly Indebted Poor Countries' Initiative
HR	Human Resources
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
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
ISP	Internet Service Providers
IT	Information Technology
JCMB	Joint Coordinating and Monitoring Board
LBMA	London Bullion Market Association
LLDAs	Lottery-Linked Deposit Accounts
LT	Long Term
LTO	Large Taxpayers Office
M&E	Monitoring and Evaluation
MAIL	Ministry of Agriculture, Irrigation and Livestock
MAU	Macroeconomic Analysis Unit
MEW	Ministry of Energy and Water
MFF	Multi-tranche Financing Facility
MFI	Microfinance Institution
MISFA	Microfinance Investment Support Facility for Afghanistan
MOCI	Ministry of Commerce and Industry
MOCIT	Ministry of Communication and Information Technology
MOE	Ministry of Education
MOEc	Ministry of Economy
MOF	Ministry of Finance
MoHE	Ministry of Higher Education
MoI	Ministry of Interior
MOJ	Ministry of Justice
MoLSAMD	Ministry of Labor, Social Affairs, Martyrs and the Disabled
MOM	Ministry of Mines
MOT	Ministry of Transportation
MOTCA	Ministry of Finance Revenue Department and the Ministry of Transport and Civil Aviation
MoUD	Ministry of Urban Development
MRRD	Ministry of Rural Rehabilitation and Development
MSME	Micro, Small and Medium Enterprises

MTEF	Medium-term Expenditure Framework
NBFI	Non-Bank Financial Institution
NEC	National Economic Commission
NGO	Non-Governmental Organization
NICA	National Insurance Company of Afghanistan
NSC	National Statistics Council
NSDP	National Skills Development Program
OSS	One Stop Shop
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 Monitoring Plan
PPP	Public Private Partnership
PPSCD	Policy for Private Sector Growth and Development
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
RAMP	Rebuilding Agricultural Markets Program
RFTOP	Request for Task Order Proposal
RMO	Regional Management Office
ROI	Return on Investment
SDRs	Special Drawing Rights
SEAP	Senior Economic Advisor to the President
SIGTAS	Standard Integrated Government Tax Administration System
SME	Small & Medium Size Enterprises
SROI	Social Return on Investment
SSBC	Smart Service Business Center
ST	Short Term
TA	Technical assistance
TAFa	Trade Accession Facilitation for Afghanistan
TAPR	Technical Assistance for Policy Reform II
TIN	Taxpayer Identification Number
TIN	Tax Identification Number
TOT	Training of Trainers
UCC	Uniform Commercial Codes
UCLA	University of California, Los Angeles
UNDP	United National Development Program
US\$	United States dollar
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions
WTO	World Trade Organization

EGGI Overview

The goal of the Economic Growth & Governance Initiative (EGGI) is to increase Afghanistan's ability to develop and implement sound economic and regulatory policies that provide the foundation for private sector growth within a market economy. Through a one year (plus up to a four one year options) technical assistance program, EGGI will strengthen the institutional capacity of relevant entities of the Government of the Islamic Republic of Afghanistan (GIROA), ultimately to encourage investment and business development, create jobs, and foster the economic growth needed to reduce poverty. Areas for technical assistance will include but not limited to:

- Macroeconomic Policy – both monetary policy with the central bank and fiscal reform with the Ministry of Finance
- Parliamentary and other stakeholder engagement on economic matters
- Assistance with economic policy making at the highest levels of government, as well as support for economic reform strategies in specific regions
- Support for ANDS implementation and monitoring
- Financial sector supervision and Central Bank strengthening
- Regulatory reform to encourage business development and investment
- Commercial law and business process reform to address relevant obstacles outlined in the World Bank's Doing Business Indicators

Overall management and supervision of EGGI is under Deloitte Consulting, LLP.

Highlights during the Quarter

- On October 1, 2009, over 60 guests from Governmental, Non-governmental Entities and Private Sector representatives celebrated the grand opening of the second provincial office of Afghanistan Central Business Registry (ACBR) in the city of Mazar-e-Sharif, Balkh province. In this ceremony, the Governor of Balkh province welcomed guests, saying that this office has made the registration faster and easier for businesses in Balkh, Samangan, Saripul, Jawzjan and Faryab provinces.

The Minister of Commerce and Industry stated that MOCI is working as a policy maker, regulator and facilitator and development of ACBR is clearly one of the areas where that Ministry demonstrated their commitment and have produced positive and significant results. The Coordinating Director for Development and Economic Affairs in US embassy- Ambassador E. Anthony Wayne mentioned that ACBR will reduce the registration time from twenty days to just 1 to 2 days and replace the registration fee of 2.5% of initial capital that was charged by the Commercial Court in Mazar-e-Sharif with a flat fee of 500 Afghanis. The Deputy Chairman of Afghanistan Chambers of Commerce and Industry (ACCI) as a representative of Private Sector said that we are pleased to see that cooperation between government and Private Sector has resulted in the elimination of excessive and unnecessary impediments to business activity.

The Afghanistan Investment Support Agency (AISA) welcomed the opening of this office and for the first time since establishment of their office in Balkh was able to complete the registration of investors in their province. With funding from USAID, ACBR is implemented by MOCI with collaboration and technical support from USAID/Deloitte. The business registration process in the city of Mazar-e-Sharif involves the registration of businesses,

publishing business information in the Official Gazette, paying one fee to DAB, and getting a referral letter to any licensing agency for a low flat fee of 500 Afs in a short period of time. This will certainly help and encourage businesses to enter the formal economy and the computerized system enables the office to conduct business analysis.

- On October 03, 2009 USAID/EGGI Bank Supervision Advisor met with Governor of Da Afghanistan Bank (DAB) discussed the establishment of the Afghanistan Clearinghouse, the role of DAB and the possible organization structures. H.E Governor Fitrat would prefer to have the Clearinghouse located at the Afghanistan Bankers Association (ABA) or one of the commercial bank premises. Settlement of the Clearinghouse transactions would be through the settlement accounts at the DAB at the end of the clearing day. In separate meetings with commercial banks Azizi Bank, Kabul Bank, and Bank Mili Creation of the Clearinghouse has been discussed in greater detail. The commercial banks are very supportive to the creation of Clearinghouse.

Hence, [guidelines](#) of DAB's Clearing House have been developed and these guidelines will be used as discussion points with the ABA prior to developing the more detailed policy. The guideline sets forth the general organizational structure of the Clearing House, the tentative schedule for clearing, the roles and responsibilities for all participants, and general procedures for the processing of checks. This is the first instructional document to familiarize the Afghan bankers with the concept of the Clearing House.

- The Governor of DAB is the designated official representative of Afghanistan to the International Monetary Fund (IMF) and represents the country in the International Monetary and Financial Committee (IMFC) meeting as well as in the joint-meetings held with the Development Committee of the World Bank Group. EGGI's Senior Macroeconomic Advisor attended the Annual Meetings as part of the DAB delegation to provide technical support including briefing notes and macroeconomic analysis and serves as a focal point for follow-up with the IMF on return to Kabul.

This year's Annual Meetings brought together nearly 13,000 people, including central bankers, ministers of finance and development and private sector executives and academics. Among the topics dealt with in this year's meeting was possible measures for a smooth escape from the global financial crisis and its implications for low income, vulnerable countries like Afghanistan, loan facilities for low-income countries, strategies for the eradication of poverty and modalities to increase the effectiveness of aid. The IMFC meeting was chaired by Mr. Boutros Ghali, Minister of Finance and Economy of Egypt, of major concern for the DAB delegation was possible simplifications and boosting loan programs for poor countries. The IMFC discussed several facilities that are now available for low-income countries like Afghanistan: Special Drawing Rights (SDRs), Poverty Reduction and Growth Trust, Policy Support Instrument, Interest Forgiveness, and Policy Seminars.

- H.E Minister Shahrani congratulated the EGGI advisors on their recent opening ceremony of the ACBR in Mazar in meeting in Washington DC. The Minister is looking forward to a similar success story of the ACBR opening in Herat anticipated in November, followed by Kandahar (end 2009), Kunduz (early 2010) and Khost (early 2010). Upgrading the information technology was highlighted as key area of support to the ACBR by the Minister in the meeting.
- USAID/EGGI commenced operations for the Western Region with a two-day counterpart engagement series taking place October 31 and November 1. The delegation included USAID Deputy Director for the Office of Economic Growth, a USAID Program Management

Specialist (Economic Growth Office), the EGGI Chief of Party, and the EGGI Component Lead for Sub-National Implementation, and the EGGI Western Region Program manager. Also in attendance were the USAID Development Advisor for Regional Command/West and the US Department of State representative in Herat province. The delegation met with several EGGI counterparts including:

- Provincial Governor
- Commander, Provincial Reconstruction Team, Herat
- Western Region Director, DAB
- Director, Economy Directorate and Provincial Development Committee (PDC) Secretariat
- Director, Licensing Directorate of Commerce and Industry
- Revenue Director, Herat Mustofiat (Finance Directorate)
- Regional Manager, AISA
- Chief Executive, ACCI Herat Regional Office

The meetings yielded a valuable set of activities to pursue, including EGGI support for provincial level economic policy/ANDS implementation, introduction of core central bank functions into the DAB Regional Management Office, establishment of automated ACBR, strengthening of public treasury management, budget development execution, and improvement of the business operating environment. Counterparts expressed appreciation for USAID’s substantive effort in Afghanistan’s development and remarked positively about EGGI core focus areas. The EGGI Western Region Program Manager is now resident in Herat and coordinating implementation of the initiatives discussed with EGGI-Kabul based advisors, other donor program implementers, and Herat based counterparts. Following consultations with USAID on proposed support areas, EGGI will also open regional programs in Mazar, Jalalabad, Kunduz, and Kandahar.

- In a special session, the Afghanistan Banks Association (ABA) met to discuss the formation of the Afghanistan Clearinghouse. Assisted by an EGGI advisor, 17 bankers from the ABA, made the following decisions:
 - Creation of the Afghanistan Clearinghouse.
 - Ownership of the Clearinghouse by DAB.
 - Location of the Clearinghouse at DAB.

The ABA also formed a working group of senior bank officials to work with DAB and the EGGI advisor to develop the rules, operating procedures, and regulations for the Clearinghouse.

The Afghanistan Clearinghouse is expected to significantly speed up the crediting of check deposits to customers’ accounts. The establishment of the Clearinghouse is anticipated to significantly contribute to the overall development of the payment system and the expansion of the banking sector. Specifically, the confidence level of individuals and small businesses in using checking accounts is expected to be increased, thus leading to a higher level of credit provided throughout the economy.

- USAID/EGGI advisor served as a discussion lead at the ABA Roundtable Seminar on “Banking Sector Challenges.” The seminar was organized in cooperation with the USAID Funded Afghanistan Small and Medium Enterprise Development program, ASMED.

Participants of the roundtable included six bankers, one regulator, and one representative from USAID and EGGI. The working group was tasked with identifying legal and regulatory barriers to the expansion of credit, particularly to SMEs. The following barriers were identified:

- Lack of appropriate customer due diligence, including absent, fraudulent, or out-of-date individual and business identifying documents; lack of a credit bureau and collateral registry; and lack of a blacklist for bad checks;
- Poor enforcement, including lack of a statute that criminalizes fraud or white-collar crime, lack of a mechanism to sell repossessed property, and inability to transfer property properly;
- Limited outreach to the community and innovation, including fear of criticism from regulators, lack of consumer and SME owner knowledge (especially in rural areas) on what a bank must do to lend safely, and lack of enthusiasm among SME owners for having a deposit account, which is the first step towards a borrowing relationship.

To address the challenges, the roundtable members proposed remedies to these situations, including a monthly meeting of banks' credit managers to share information, greater use of the Financial Dispute Resolution Commission, a "basket" of experimental loans that would not be subject to the usual degree of regulatory scrutiny, and greater outreach by the ABA, DAB, NGOs, and the Ministry of Education to educate the population on sound banking practices and the benefits of depositing in and borrowing from banks. The discussion revealed that there was much more to be done in expanding access to finance than simply expanding the number of banking channels or relaxing regulatory requirements.

- DAB has managed to resolve some of the serious matters that led to audit qualifications raised by its external auditors in the 1387 financial statements. The resolution was necessary in order for the Bank's financial statements to comply with the requirements of International Financial Reporting Standards (IFRS), as required by the DAB Law, as well as the IMF Safeguards Assessment Standards. Earlier, in July 2009, the Bank's Supreme Council reviewed the audited financial statements and its related audit report. Consequently, the Supreme Council instructed the Bank's management to take some more time and resolve at least some of the more serious matters with a view to improving the quality of these reports.

Among the most significant matters was the valuation of Gold Reserve held at the Federal Reserve Bank of New York. The most accepted method is the valuation using market rates established by the London Bullion Market Association (LBMA). However, because the gold does not meet generally accepted standards as set by the LBMA, the LBMA rates were not acceptable to the auditors. Rather than incurring a huge amount of cost to standardize the gold, the Bank, with the assistance of an EGGI advisor, has managed to resolve the matter by adopting a discount approach to the valuation, as advised by the Bank of International Settlements (BIS) of Switzerland. A few more qualifications have also been resolved, and the financial statements will be presented again to the Bank's Supreme Council for its approval and an onward submission to the Afghanistan Parliament and for official publication, as required by the DAB Law.

- USAID/EGGI representatives attended a presentation on Standard Integrated Government Tax Administration System (SIGTAS) by Adam Smith International (ASI). SIGTAS is a web based oracle system that will replace the access based system for issuing Tax Identification

Number (TIN). Afghanistan will be the twentieth country to have implemented this system. SIGTAS system is being considered to be linked to the ACBR system.

- USAID/EGGI Program management and EGGI ACBR representative met with the IFC to discuss the IFC project (supported by Harakat/DFID) on Licensing Reforms with MOCI. The aim of the meeting was to understand the ACBR processes involved in obtaining a traders license and the best practices used for business licensing reforms.
- H.E Minister of Energy and Water, Mohammed Ismail Khan was debriefed about the EGGI project. H.E Mohammad Ismail Khan explicitly requested assistance on EGGI advisors for planning, procurement and advisory services in helping the Ministry of Energy and Water (MEW) better understand its roles and responsibilities in light of the Regulator and Deh Afghanistan Breshna Sherkat (DABS) commercialization. An EGGI implementation plan was presented to USAID and to the Interim Regulatory and Regulatory Nucleus for consideration.
- Accompanied by IMF staff, the World Bank led a mission to determine if Government of Islamic Republic of Afghansitan (GIROA) has implemented the required reforms to complete the multilateral debt relief process called Highly Indebted Poor Countries' Initiative (HIPC). The government has made substantial efforts to implement this wide-ranging reform program with the goal of achieving HIPC completion point in January 2010. It is expected that the HIPC mission will recommend to the World Bank Board that GIROA has successfully implemented the necessary reforms with the exception of one area (Mining Sector) which will require a waiver. In the case of a waiver, the government must continue to implement the reforms which are likely to become part of future World Bank or IMF conditionality programs.

EGGI Economic Advisor to the Minister organized the HIPC mission's meetings and interactions with the relevant GIROA Ministries and Institutions (e.g., Ministry of Finance, Ministry of Mines, IARCSC, CAO, and MOLSA) and participated in all the mission meetings. USAID/EGGI Senior and Economic Advisors to the Minster worked closely with Minister and relevant MOF and other GIROA officials to make substantial progress on several outstanding reforms.

- During the HIPC mission, the accompanying IMF mission concluded its work for the Poverty Reduction Growth Facility Program (PRGF) 6th Review, which will go to the IMF Board for approval in January 2010. The 6th Review mission largely took place via videoconferences in September with agreement on some additional reforms and a revised revenue target. The October mission to Kabul served to conclude those discussions and enable the IMF staff to meet with GIROA officials and donors. During the October mission, it was agreed that the PRGF would be extended until June 2010 (from the March 2010 expiration) to allow more time for discussions on a possible future program. The 6th Review documents will need to be signed in late November or early December 2009 once the election results are clarified. EGGI advisors worked closely with the IMF mission on the details of the 6th Review and as always, are working to ensure IMF program reforms are implemented.
- On November 18, 2009, the EGGI West Regional Manager participated in the Private Sector Development Sub-Committee (PSD-SC) of the Herat Provincial Development Committee (PDC). Twenty participants, composed of business representatives, the Herat Industrial Union, the PRT CIV-MIL Specialist, and the USAID Development Coordinator for RC/West, discussed ideas for strengthening the effectiveness of the PSD-SC and ways in which donor programs can support the group. Historically, the PSD-SC has not been very active, suffers from a lack of GIROA support, and has no funding to advance key initiatives for private sector

development, as delineated in Pillar III of the Afghanistan National Development Strategy (ANDS). EGGI identified the PSD-SC as an appropriate “Afghan Structure” to take the lead role in advocating for and actively advancing business environment reforms. The PSD-SC is a recognized body within the Herat PDC and holds established relationships with businesses, trade unions, NGOs, and women groups. Meeting participants highlighted main challenges preventing greater business activity, Afghan production capacity, and private capital investments, all of which are consistent with the views expressed in the EGGI counterpart engagement meetings and at the Herat Business Roundtable held on November 15, 2009. The EGGI advisor emphasized the necessity for the PSD-SC to focus on solutions and collective action to bring about meaningful change. Next steps include drafting a Terms of Reference for the PSD-SC, formalization of the SC members, and securing a modest level of funding and technical support to advance the work of the PSD-SC. EGGI will present a PSD-SC Concept Note of support to USAID for its consideration.

- Ministry of Finance and other GIROA entity officials (e.g., High Office of Oversight) participated in a video-conference with the World Bank in Washington DC, on November 23, 2009. The purpose of this call was to assess progress on the ARTF incentives program reforms. The Minister’s advisor provided evidence for several key reforms. The World Bank was pleased with progress to date, and MOF is now working to provide the remaining evidence.
- A team of senior US Embassy, USAID and EGGI representatives accompanied by ACBR advisors met H.E. Minister Waheedullah Shahrani on Friday November 20, 2009. The aim of the meeting was to introduce the members of EGGI team. The agenda under discussion was the review of Industrial Park Strategy, recruiting Special Advisor to the Minister, proposed next steps to reform Afghanistan Central Business Registry (ACBR), role of state owned enterprises within the Ministry, Status of new Trade Accession Facilitation for Afghanistan (TAFA), activities of Work Plan and Minister’s current priorities. On November 22, 2009, EGGI senior management team, ACBR Legal Advisor, and ACBR Advisor met with Minister Shahrani to discuss the EGGI activity plan for Ministry of Commerce and Industries. Potential areas of support include: prioritizing and implementation of the Legal and Regulatory Laws for reforms; development of a Law on Sole Proprietorship and creation of Intellectual Property Right Authority; building capacity of MOCI, Commercial Courts and Attorneys; and creation of a Code of Commerce that will contain all commercial laws into one book without any contradictory articles.
- On November 22, 2009, EGGI advisor provided an overview of the meetings held with the National Insurance Company, Insurance Corporation of Afghanistan, and the Insurance Department to the Minister of Finance, US Ambassador Wayne, USAID Mission Director, USAID team, and EGGI staff. The overview focused on the need to: develop a market-oriented (best practices) legal and regulatory framework; develop the human capital and capacity of the insurance department; standardize financial reporting in the industry; strengthen supervisory core processes both on- site and off-site. The Minister was advised that the “Key to success” in strengthening the Insurance Department included the following steps: hire 2 senior staff by Minister for stability and expertise; design a physical plan for new location to meets needs of new department (public meeting room, operational areas, training room) with required IT equipment and workstations; pass law based on international standards which will insure fair treatment to all of the industry participants; develop insurance knowledge through education at the university level; Government backing of insurance

products such as life insurance for military and police, worker’s compensation for civil servants and property insurance for Government buildings.

- On November 24, 2009 USAID/EGGI Legal and Regulatory Advisor met with Dr. Jalil Shams in his capacity as the DABS CEO and Minister of Economy. He reiterated support for EGGI using MOE training center facility for the regulatory training, highlighting its independence as an important step in its function. He also informed the likely steps he will be taking in the organization of DABS in order to facilitate the licensing requirements of the law. EGGI shared with him a copy of the law and the draft license for NEPS. He also indicated that he has named an individual from the MOE to review the draft law and that he personally will be reading the law and draft license for comment. Dr. Shams also informed EGGI that he had recently signed an Agreement with AISA for the building of a transmission line for the industrial park in Jalalabad and that a private party will be taking over the operations and maintenance of the project.
- On November 22, 2009, EGGI participated with National Economic Commission (NEC) on reviewing the financial leasing law. Due to lack of quorum and inability to understand specific articles, it was decided that a workshop would be held with the NEC on the law when all members reconvene after Eid. The NEC also requested information on donor financial reviews (DFR), which was compiled by EGGI. The DFR contains a summary of all donor pledges, commitments, disbursement, and budget information in Afghanistan. The DFR helps NEC to have a general picture of the Aid delivery to Afghanistan and will be used to emphasize the attention of the donors to coordinate their activities with the government to achieve the ANDS goals and have more effective results of the Assistance.
- USAID/EGGI advisor completed an assessment of non-tax revenue mobilization for GIROA. The report identified 47 government agencies that collected and deposited non-tax revenues, but six of them account for 95.6% of collections. These “Big Six” are the Ministry of Mines (30.5%), the Ministry of Finance (29.2%), the Ministry of Transport and Aviation (19.3%), the Ministry of Foreign Affairs (6.5%), the Ministry of Communications and Information Technology (MCIT) (5.1%), and the Ministry of Interior (5.0%). The report also concluded that corruption combined with weak and inefficient public financial management systems were primarily responsible for poor non-tax revenue performance. The report was positively received by the Deputy Finance Minister.
- USAID/EGGI worked with the Ministry of Finance Revenue Department and the Ministry of Transport and Civil Aviation (MOTCA) to finalize the Memorandum of Understanding (MOU) that will clarify the roles and responsibilities of both ministries with regards to revenue collection. EGGI advisors were instrumental in supporting MOF officials draft and obtain the approval of the MOU from both Ministers. Approval of this document was a required action under the Afghanistan Reconstruction Trust Fund (ARTF) incentive program.
- On November 15, 2009, MOCI launched its new ACBR in the province of Herat. The ceremony attracted senior officials from the USG and GIROA, including the US Assistant Ambassador, USAID Mission Director, Minister of Commerce and Industry, Herat Governor, Chairman of the NEC/Parliament Member, and the AISA Regional



Investment Manager in Herat. The ACBR, which streamlines and accelerates the process required to register a company, has already commenced operations earlier this year in Kabul, Mazar and Jalalabad. During the reporting period, 3,809 businesses have registered through the ACBR. As of December 31, 2009, the total number of businesses registered is 14,946.

- EGGI advisors have identified several areas to complement ASI's current (and planned) operations on Tax Administration reform. The DFID funded ASI tax project does not have available resources to implement these reforms in the provinces. It has been agreed in principle that EGGI will work on these issues alongside ASI's strategic direction in Kabul to the provinces. The identified reform activities include:
 - Recruiting and training Mustofiat staff in the provinces (initially in Mazar, Herat, Jalalabad, and Kunduz).
 - Outreach to taxpayers on the use of self assessment forms.
 - Implementation of the laws that affect the types of revenue collected in the provinces.
- USAID/EGGI consulted the CEOs and senior management teams of the two largest insurance companies in Afghanistan, i.e. Insurance Corporation of Afghanistan (ICA) and National Insurance Company of Afghanistan (NICA) on the strategic issues relating to reforms in the insurance sector. The discussions also covered options on optimal corporate structures, ideas for new products, issues with the present Insurance law, and the weak regulatory environment, which is allowing unfair foreign competition. Both CEOs gave a comprehensive overview of the various regulatory challenges facing their respective companies and welcomed the prospect of USAID assistance in helping GIROA reform the industry. Provided feedback and advice to the Financial Supervision Department (FSD) management on "lottery-linked deposit accounts" (LLDAs) in anticipation of its presentation and discussion with the DAB Supreme Council. The FSD management was cautioned that if the Supreme Council decides to disallow LLDAs, then the DAB should require the banks participating in this activity to develop a well-planned and organized exit strategy from this market. It is reported that at least one bank's deposit base is comprised of 25% of LLDAs. A quick and sudden exit out of these deposits could significantly weaken the bank's financial position and undermine the public's confidence in the banking system.
- The Supreme Council of the DAB has approved the audited Financial Statements of the Bank for the year ending 1387 (March 20, 2009). The statements were audited by KPMG Afghanistan, an international accounting firm. The DAB's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as provided by the DAB Law and are in compliance with the requirements of IMF's Safeguards Assessment Standards. These audited financial statements have officially been published to the DAB website and will be submitted to the Afghanistan Parliament as per the requirements of DAB Law.
- EGGI held a meeting with Kabul University's Dean of the Engineering Faculty, Mr. Najib Sabori and Dr. J. Garth Thompson of Kansas State University to 1) obtain information on how to work with the Kabul University and Kansas State University program to recruit individuals for the interim regulator; 2) identify areas where trainings could be conducted using the Kabul University/Kansas State University curriculum to meet the needs of the regulator; and 3) determine areas of cooperation with respect to trainings needs. Dr. Thompson and Mr. Sabori offered full support through the existing training program (funded by the World Bank). Consensus was also reached on the recruitment of individuals from the KU/KSU program for the interim regulatory training needs.

- USAID/EGGI arranged for a distinguished banker and educator, USAID/EGGI Islamic Finance Advisor, to provide ten days of consultation and strategizing with the senior management and staff of the DAB on the development of Islamic banking and finance in Afghanistan. EGGI Islamic Finance Advisor, a former CEO of the Islamic Banking and Finance Institute Malaysia (IBFIM) and one of the founders of Bank Islam Malaysia Berhad, produced an action plan with goals and timetables for DAB to establish its regulatory structure create a National Shari’ah Advisory Council, and a national, multi-stakeholder coordination committee. To follow up on EGGI Islamic Finance Advisor’s work, the head of the Islamic Banking Section of DAB’s FSD presented these findings to senior management of DAB at a roundtable, where there was discussion of concrete next steps. It is expected that Islamic banking and finance will constitute the bulk of future growth in the formal financial sector, bringing into the sector thousands of small businesses and individuals who do not wish to deal with conventional banks.
- The USAID/EGGI advisor trained four Financial Supervision Department (FSD) off-site supervision analysts, in preparation for the detailed quarterly financial analyses on individual banks. The analyses focusing on July - September period, covers capital adequacy, asset quality, profitability, liquidity, sensitivity to market risk, and make extensive use of peer group comparisons to highlight areas of particular strength or weakness at each bank. Elements of “stress testing” are also included, such as the sensitivity of net interest income to potential changes in market interest rates, and the sensitivity of equity to changes in foreign exchange rates. The off-site analyses are used by the FSD caseload managers in planning and scoping on-site examinations, and by senior management of DAB in forming a quick opinion about the condition and performance of each bank.
- USAID/EGGI Monetary Policy team hosted economic roundtable and first university student lecture the mission delegates comprising of DAB Deputy Director of the Monetary Policy Department and EGGI Senior Macroeconomist Advisor and the Inflation Specialist, hosted an Economics Roundtable and the first University Student Lecture. Both events centered on the role of the central bank in economic affairs and specific approaches DAB utilizes in the conduct of monetary and macroeconomic policy. The student lecture, held on December 2, 2009 and attended by 25 students (15 male / 10 female) from Herat University, included a presentation on Careers in Banking and Finance and a tour of the DAB West Regional Office.
- On December 1, 2009, a DAB Monetary Policy Team commenced a three-day mission to Herat Province to establish the monetary policy and market operations functions within the DAB West Regional Office, marking a strong step toward DAB Regionalization. The Mission, led by the DAB Deputy Director of the Monetary Policy Department and supported by the EGGI Senior Macroeconomist Advisor and the Inflation Specialist, delivered training to 14 DAB Western Regional staff members (9 male / 5 female) centered on the role of monetary policy and macroeconomic analysis in creating a stable macroeconomic environment for economic growth. Aimed at building a more disaggregated, localized data and information collection function to better inform monetary policy decisions, this activity also targets production of a DAB West Regional Economic Bulletin (“the Beige Book”). The first issue of the Beige Book is scheduled for June 20, 2010. EGGI has helped the central bank craft an achievable plan to make substantive progress toward establishing core central bank functions in each of DAB’s six Regional Offices. The Herat Mission represents a solid step forward toward this objective.

- USAID/EGGI Deputy Chief of Party and Component 3 lead accompanied MOCI staff and members of the ACBR team to meet with the CEO of Afghan Telecom on December 1, 2009. The purpose of the meeting was to evaluate the availability and suitability of high-speed broadband Internet connections to support GIROA activities within the scope of EGGI, such as to connect the ACBR office in Kabul with sub national offices in Jalalabad, Mazar-e-Sharif, Herat and Kandahar. Afghan Telecom has recently deployed the latest technology (Optical Fiberoptic Cable) in some parts of Afghanistan. The Afghan Telecom CEO and Director of Engineering committed to further technical meetings with MOCI officials to define the requirements, and prepare technical and price offerings. The Afghan Telecom officials were confident to be able to deliver proposed solution(s) by February 2010. In addition, arrangements were made to get a demonstration of the Afghan Telecom videoconferencing facility, which may be used to deliver distance learning from Kabul (or offshore) to more than 34 specially-configured offices in each provincial capital.
- USAID/EGGI Legal Advisors met with senior advisors to the Minister of Commerce & Industries and have reached agreement on the work priorities for supporting the development of commercial laws (including regulations) and the legislative agenda that will be officially delivered to the Ministry of Justice (MOJ) by the end of December 2009. The next edition of the EGGI “Legislative Matrix” will reflect this information. In a related activity, EGGI Legal Advisor accompanied by ACBR Advisor met the Advisor to the Minister for legal matters on December 4, 2009. The agenda under discussion was the publication of some part of the business registry information in the Official Gazette. Various solution to publish Official Gazette according to law was discussed and final decision will be made after consultations with relevant authorities. The publication issue is still pending since there is no legal base to publish this information in Official Gazette.
- USAID/EGGI Legal Advisors met with Director of Economic and Commercial Laws at the MOJ on December 5, 2009. The primary purpose was to gain clarification with respect to the treatment and legal status of Afghan firms who had registered with the commercial courts in the past but failed to re-register with the ACBR pursuant to law. The Taqnin will provide legal guidance as soon as possible. The Taqnin also embraced the establishment of a Training Center for commercial & economic law. The Taqnin embraced the idea and noted that it would increase the knowledge of the relevant Supreme Court Judges, practicing attorneys, Commercial Court Officials and university students. A preference for an independent center with all modern resources, including library with well equipped IT services was stated.
- USAID/EGGI Legal Advisors met with the Head of the Commercial Court Abdul Wahab Sadid and former Judge of Supreme Court Mir Nasiruddin Kaleem Zewari on December 9, 2009. Part of agenda of the meeting was to discuss the view regarding the establishment of a training center for commercial and economic laws. They were in favor of an independent center that is registered with Ministry of Justice and able to expand it for trainings in provinces.
- USAID/EGGI Legal Advisor, ACBR Advisor, and ACBR Reporting Analyst met the Head of the Central Statistic Office (CSO) on December 5, 2009. Director of CSO Azizullah Faqiri was briefed on the range of reports on registered business provided by ACBR to concern authorities. The Director appreciated ACBR valuable efforts in providing business statistics to various governmental entities, and requested further discussions to develop a template for future data exchange.

- USAID/EGGI Northern Regional Office Announces Project Launch in a series of counterpart engagement meetings which took place on December 8 and 9, 2009 in Mazar-e-Sharif, USAID announced the launch of its EGGI project activities in the Northern Region of Afghanistan. Participants included the ACCI, the AISA, the Balkh Economy Directorate, the Balkh Mustofiat, the MOCI's Balkh Licensing Agency, and the Northern Regional Manager of DAB. During the meetings, USAID and EGGI project staff provided an overview of the EGGI project, including a discussion of the project's strategic objective of improving the capacity of provincial governments to implement economic reforms. Meeting participants shared their concerns regarding economic growth inhibitors in the region, many of which were related to issues hampering private sector growth. Several common themes emerged, many of which point to the need for economic reforms in support of economic growth through private sector development. Key themes include: Trade Policy Reform, Customs Reform, Tax Reform, Business Licensing, Commercial Banking, Credit Access, Development Planning and Execution. The meetings served as an initial introduction of USAID's EGGI Project and staff. The information obtained during these meetings will be utilized to refine EGGI project planning in the Northern Region of Afghanistan and to define immediate next steps. USAID and the EGGI program will conduct a more comprehensive launch program in January.
- USAID/EGGI ACBR Advisor on a four day visit to establish ACBR office in Kandahar met the Governor of province on December 13, 2009. He welcomed the opening of ACBR in the province that will make easy the registration of businesses. He suggested inviting Minister of Commerce, Minister of Justice on the occasion of Grand opening. This will be the fourth provincial office planned to be inaugurated till the end of January 2010. USAID/EGG ACBR advisors also met with the Director of Commercial Court in Kandahar province, who has been responsible for registering businesses for the province. The Director of Commercial Court was informed, once ACBR is operational, the registration process will be taken over by the ACBR. EGGI ACBR Advisor also met the Operational Manager of AISA in Kandahar province on December 13, 2009. The AISA office considered the establishment of ACBR a vital success in expediting the process of registering businesses. AISA noted that it presently takes 2-3 weeks to process investment licenses, including registration and issuance of Taxpayer Identification Number (TIN).
- As a follow-on to meetings held with the AISA in Mazar-e-Sharif in early December, USAID/EGGI Industrial Park Advisor, visited Mazar-e-Sharif on December 14, 2009 to gather information for his forthcoming recommendations to the Minister of Commerce and Industries regarding the establishment of a new Industrial Park (IP) institution in Afghanistan under the auspices of the MOCI. Meetings were held between EGGI advisors and AISA, the management of the MOCI industrial parks in Mazar, and representatives from the private sector who decided not to invest in any of the regional industrial parks. Visits to the AISA and MOCI supported industrial parks were also made with a view to assessing the status of the level of investment and activity within them. Details of USAID/EGGI Industrial Park Advisor's recommendations are forthcoming in mid-January, 2010.
- USAID/EGGI advisors met with the Director General, Monetary Policy Unit, DAB on December 10, 2009. He has agreed that EGGI advisors can transfer their macroeconomic forecasting model to the Fiscal Policy Unit in the MOF. MOF has no capacity to undertake this analysis and currently relies on the IMF for information on the direction of economic growth. The transfer of this model and capacity building in its use will enable the MOF to have a more independent assessment of the direction of the economy and strengthen the formulation of more realistic fiscal policies.

- Tax and Customs USAID/EGGI advisors helped support the MOF prepare an action plan to improve the efficiency and effectiveness of the tax and customs department, by enhancing their responsibility for human and financial resources and increasing the efficiency of their organizational structure.
- USAID/EGGI economic advisor became resident full time in the Fiscal Policy Unit, MOF from December 12, 2009. He will support the transfer of the macroeconomic model to the FPU, undertake necessary training and help build the analytical content of FPU fiscal reporting.
- Short term USAID/EGGI advisor has been deployed (December 3, 2009) to continue analytical work on non-tax revenue mobilization. He will undertake research and analysis to examine the current state of play and avenues for growth in non-tax revenues from passports/visas, vehicle registration/tolls and will also examine the prospects for raising an excise tax on fuels. An initial report will be ready by December 21, 2009.
- USAID/EGGI advisors met with the IMF Fiscal Affairs Department (FAD) missions on tax/customs administration (December 5-6, 2009) and program budgeting (December 13, 2009). On tax administration, EGGI advisors have agreed with the IMF and the DFID funded ASI tax administration project that a tax administration advisor will be deployed (in early 2010) to assist the rollout of the Large and Medium Taxpayers Office (L/MTO) in the revenue priority provinces of Herat and Jalalabad. It has also been agreed that EGGI will deploy a long term tax policy advisor (in the Fiscal Policy Unit) to support the development of a more coherent approach to tax policy formulation in the Ministry of Finance.
- USAID/EGGI advisor provided routine training to build capacity of Insurance Affairs Department staff of the MOF. The training addresses the principles noted in the International Association of Insurance Supervisors (IAIS) and additional training has been initiated using the text books from the American Institute of Chartered Property & Casualty Underwriters. EGGI advisor also met with David Shaw, Director of Student Affairs, American University to discuss importance of including insurance in the curriculum and availability of EGGI to provide some training or guidance on appropriate textbooks on insurance. In addition to the training, EGGI advisor examined insurance laws from a number of countries to develop insurance laws for Afghanistan in compliance with IAIS. EGGI advisor also met with senior MOF officials to investigate the timeline for placing the new insurance law on the agenda of MOJ. The advisor also met with the Deputy Minister of Administration for approval to develop a new website for the Insurance Department.
- USAID/EGGI advisor presented a two-day seminar on financial analysis techniques to examiners from DAB, focusing on common size balance sheets, annualized income statement, ratio analysis trend and peer group comparisons. The goal of the seminar was to strengthen the supervisor's analyses of commercial bank's financial statement and their ability to identify emerging trends within an individual bank and the banking system in general, the seminar was jointly taught with an EGGI Financial Supervision Local Advisor who has been working with the examiners for the last two years. He reviewed exercises with the class, taught how to analyze an income statement and made presentations on Letters of Credit and Foreign Exchange Revaluations. With EGGI assistance, DAB intends to deepen on-site examinations of banks in 2010, focusing on long-term profitability as a key indicator of financial sector resilience, managerial competence, and potential to grow and serve new markets.
- To strengthen consumer confidence in the Nascent Banking Sector, Afghanistan Deposit Insurance Corporation (ADIC) is beginning its work by accessing its seed capital and

collecting premiums from banking organizations. USAID/EGGI Advisor is assisting ADIC in determining its optimal structure of premiums, setting target ratios of reserves to insured deposits, and soliciting input from stakeholders. Although legislation formally establishing the ADIC has not yet passed Parliament, the deposit insurer, with the support of DAB intends to be ready to handle any possible bank resolution matter from day one. Increased confidence in the banking sector will lead to increased inflows of funds, providing fresh resources for productive lending.

- During the last two weeks, DAB assisted by EGGI expatriate and national advisors, completed its testing of a module within the Core Banking System (CBS) to account for foreign currency transactions. The system will automatically determine and account for the gains or losses from foreign currency transactions, realized as well as unrealized, arising from the translation of the same to its equivalent in Afghani as required by IFRS and the DAB Law. The module has been developed by Virmati, the CBS software provider, following requirements specified by EGGI advisors has a tremendous step forward that avoids the previous practice of manually calculating figures that form a significant percentage of amounts included in the Statement of Profit and Loss. At the same time, DAB's external auditors began the interim audit for 1388, which will significantly speed up the preparation of year-end financial statements following the close of the current fiscal year in March 2010. The combined impact of both EGGI-led initiatives will be greater confidence by the state in the central bank's accounts, and greater confidence by DAB's management to push ahead with reforms and development, utilizing its own as well as donors' resources.
- MOCI officially handed over extra four rooms office space that was previously approved by the Minister Waheedullah Shahrani. Painting and renovation has already started. The rooms will be utilized for ACBR Director office and Archive Department. This is important since there was no space for archiving ACBR files and adjusting ACBR employees that were staffed at different location of the building. ACBR office now has two floors in the same building.
- USAID/EGGI Local Advisors at MOCI are in a process for establishing Legal Training Program. For this purpose ideas were exchanged among several GIROA entities to do the analysis and assessment to establish legal training program. EGGI team will convene a task force for identifying the curriculum and time table for implementing this training program.
- On December 16, 2009, the EGGI West Region Office organized a visit to the Herat Industrial Park (IP) for the USAID/EGGI Industrial Parks Development Advisor. The one-day trip focused on inspecting the Park facilities, types and level of production activity, and challenges and opportunities for further development. Over 20 production companies (owners and/or managers), led by the Herat Industrial Union President and hosted at the office of Super-Cola (one of Herat's largest producers), conveyed their views on operations at the IP and overall production activity in Herat. Observations articulated were consistent with views expressed in earlier EGGI-hosted business roundtable events: there is tremendous potential to increase Herat's industrial output but issues of insecurity, weak governance, limited access to finance, and poor infrastructure prevents Herat industries from reaching their potential. Following the briefing, participants visited 10 production companies, where it was observed that no other park in the country has reached the level of development and output as the Herat IP. The findings of this visit and to other production sites will inform the analysis and recommendations report to be drafted by the EGGI IP Advisor, aimed at identifying ways GIROA (primarily MOCI) can support Afghan production output and where EGGI interventions might best be applied.

- The second meeting of a revitalized Private Sector Development Sub-Committee (PSD-SC) took place on December 20, 2009, wherein members reviewed the draft Terms of Reference (ToR) governing the SC's functions and activities. Following suggested revisions, the group endorsed the document and will present it, along with a six-month work-plan, to the Provincial Development Committee (PDC) at the body's next monthly meeting (end of month of Jedi 1388). The ToR is consistent with PDC Guidelines issued by the Ministry of Economy and endorsed by the Independent Directorate for Local Governance (IDLG) in early 2008, with explicit reference to advancing Afghanistan National Development Strategy (ANDS) Pillar 3 objectives – Economic and Social Development. The SC members further agreed on a set of priority actions to achieve in the first 3-months of Solar Year 1389, to include: 1) facilities improvements to Herat Industrial Park, 2) tax outreach and awareness for businesses, 3) securing funding for or direct provision of business development services (including assistance with access to finance), and 4) production of an economic impact brief under differing tax rates and customs tariffs. The EGGI West Region Office has supported revitalization of the PSD-SC as a primary Afghan counterpart to advance Component 3 (business enabling environment) objectives.
- The primary distinction between the IP managed directly by AISA and those managed by MOCI pertains to the comparative presence or absence of improvements on the properties. The AISA IP, which is located on the outskirts of Mazar on an improved road (the Mazar-Kabul highway), offers improved roads within the park, access to electrical power generated on-site, access to water for industrial use and perimeter security provided by a guard service. The MOCI managed parks in Mazar offer only unimproved land. Improvements, where needed, are obtained by the individual investors themselves with no support from MOCI. The costs associated with the improved infrastructure at the AISA IP are allegedly higher than many local businessmen are willing to bear. According to them, it is cheaper for them to purchase land privately and make the improvements required for operating their businesses than to invest in AISA property. That said, according to AISA, 19 investors have decided to locate their business in the AISA IP, and four of these have begun building structures to house their businesses.
- USAID/EGGI Advisors met in Kabul with the MCIT Director General, Mr. Muhammad Aimal Marjan, to discuss the current status of GIROA ICT initiatives in the Northern Region, and to request that he facilitate introductions to MCIT personnel in Mazar. Mr. Marjan stated that current GIROA ICT initiatives in the region are “soft,” and that they involve primarily training initiatives. One training program at Balkh University, which was initially supported by UNDP and the Cisco Academy, is now supported entirely under the auspices of MCIT and continues to provide training in network technology. Another effort, currently supported by UNDP, provides ICT training in the use of basic office productivity applications (internet browsing, email use, word processing and spreadsheets). Mr. Marjan did not have any detailed information regarding the extent of ICT penetration within GIROA agencies in Mazar, but agreed to provide contact information and an introduction to MCIT personnel in Mazar who could provide this information. Next steps will be to meet with these individuals, assess, with their assistance, the extent of ICT penetration within GIROA agencies in Mazar, determine the gap between current capabilities and needs, and develop a plan for addressing those needs.
- On December 15, 2009, USAID/EGGI Local Gender Mainstreaming Coordinator held a meeting with the Ministry of Women's Affairs Policy and Technical Deputy Minister Prof. Sayeda Mozghan Mostafawee. USAID/EGGI Local Gender Mainstreaming Coordinator briefed the Deputy Minister on the EGGI Internship Program, explaining that internships are

valuable tools for fresh graduates to gain work experience in order to be prepared for full time employment. EGGI is pleased to continue its internship program commenced under Afghanistan Economic Growth and Private Sector Strengthening (AEG&PSS) to provide opportunities for students. Ministry of Women's affairs welcomed the initiative and agreed to provide opportunity for 20 university students as initial step and will try to provide the entry level jobs to successful interns once they complete their program at the Ministry. The EGGI Internship program will extend to Regional Offices and represents a high-impact activity that addresses youth, University Engagement, gender mainstreaming, and job-creation.

- USAID/EGGI Gender Mainstreaming Coordinator has re-launched a Basic English Language Training course for the EGGI support staff. The purpose of this training is to enable support staff to communicate in English. The course will be conducted regularly for three days a week, for four women and six men.

Component 1: National and Regional Economic Policy

Fiscal Policy and Administration

Achievements

- The USAID/EGGI Economic Advisor to the Minister attended World Bank- International Monetary Fund (IMF) annual meetings in Istanbul to participate in a range of meetings with the IMF, WB, and the Finance Minister. Minister's advisors also conducted bilateral staff-level meetings to follow-up on issues raised during Bank-Fund and other matters. The meetings were constructive as they provided an opportunity to convey some important messages (e.g., IMF program remains critical and Government of the Islamic Republic of Afghanistan (GIROA) is successfully implementing reform programs, reforms and donors resources should be more demand driven).
- The World Bank led a mission to determine if GIROA has implemented the required reforms to complete the multilateral debt relief process called Highly Indebted Poor Countries' Initiative (HIPC). USAID/EGGI Senior and Economic Advisors to the Minister worked closely with Minister and relevant Ministry of Finance (MOF) and GIROA officials to make substantial progress on several outstanding reforms, and will continue to do so. USAID/EGGI Economic Advisor organized the mission's meetings with the relevant GIROA ministries and institutions (e.g., MOF, Ministry of Mines, IARCSC, CAO, and MOLSA) and actively participated in all the mission meetings. It is expected that the HIPC mission will recommend to the World Bank Board that GIROA has successfully implemented the necessary reforms with the exception of one area (mining sector) which will require a waiver.
- An IMF mission concluded its work for the Poverty Reduction and Growth Facility (PRGF) 6th Review, which will go to the IMF Board for approval in January 2010. Minister's advisors worked closely with the mission on the details of the 6th Review and as always, are working to ensure IMF program reforms are implemented. The 6th Review mission largely took place via videoconferences in September with agreement on some additional reforms and a revised revenue target. The October mission to Kabul served to conclude those discussions and enable the IMF staff to meet with GIROA officials and donors. It was agreed that the PRGF would be extended until June 2010 (from the March 2010 expiration) to allow more time for discussions on a possible future program.
- Deputy Minister of Finance, Director General of Revenue, Adam Smith International (ASI), and Revenue Department staff members attended the Revenue Database presentation by the

EGGI. The newly designed revenue database provides inputs for the AFMIS used by MOF Treasury Department for revenue reporting. DM Mr. Sabit requested to implement the database in Provincial Mustofiat as soon as possible.

- An initial assessment of EGGI support to the Fiscal Policy Unit (FPU) of the MOF was undertaken in late November. Senior MOF and IMF officials agreed that EGGI will focus on building macroeconomic forecasting and analytical capacity in the unit.
- On November 22, 2009, the Minister of Finance and his senior management team met with a USG delegation, led by Ambassador Wayne and USAID Mission Director, to discuss the scope of the USAID/EGGI program. In general, the Minister reacted positively to the proposed activities. On the issue of royalties from mines, the Minister requested EGGI assistance to review current collections and options on how this could be improved. On privatization, the Minister was briefed on plans to provide support for the privatization of Afghan Telecom. MOF has developed a privatization policy that will soon go to the Cabinet for approval. It was agreed that EGGI will work closely with MOF in the implementation of the policy (once approved) within the context of Afghan Telecom.
- Minister's advisors helped bring an IMF Fiscal Affairs Department short-term TA mission on tax administration to Kabul. This mission, which was in Kabul in early December, was in response to Minister's request that the IMF send a TA mission to provide an assessment and guidance related to tax administration and possible future tax policy reforms. The IMF was only able to send a team to work on the administration side, but may be able to send a team on the policy side in the future. The mission will produce some suggested reforms for MOF to consider. They will also review the report produced by MOF's revenue and customs efficiency and effectiveness task force.
- Minister's senior advisor worked with an IMF PRGF program staff mission in mid-December. The staff mission's main objective was to assess the status of the 1389 budget and expenditure levels.
- Demonstrated successfully the newly designed and developed revenue database in the five major provinces of:
 - Nangarhar Province Mustofiat
 - Balkh Province Mustofiat
 - Kandahar Province Mustofiat
 - Herat Province Mustofiat
 - Nimroz Province Mustofiat

Set up two desktop computers in each major province in total ten desktop computers for the five major provinces connected to the Internet.

- Established Revenue Statistics units in all above mentioned major provinces
- Trained Mustofiat Directorates and Customs Directorates revenue officers in using the new designed and developed revenue database and revenue collection reporting and reconciliation.
- Entered the Awaiz and Tariff receipts in newly designed and developed revenue database from start of the Qaws month of the solar year till Jadi of the current month 1388, in Major Provinces of Kandahar and Balkh Mustofiat the Awaiz and Tariff receipts have been entered from start of the year 1388 (Hamal – Jadi of the current Month) and the database currently generates other revenue forms needed by Provincial Mustofiat that are M29, M27, Journal and

many other forms automatically which normally take hours and sometimes days to prepare them manually.

- Held many discussion sessions with Da Afghanistan Bank (DAB) Branch in each of the major provinces and also AFMIS team regarding how the new database will help the MOF Treasury Department to utilize the revenue module of AFMIS and how the database will generate other revenue forms needed by Provincial Mustofiats that are M29, M27, Journal and many other forms automatically which normally take hours and sometimes days to prepare them manually.

Challenges & Solutions

- Minister's office and the Ministry have numerous activities underway, which continually present a challenge due to capacity constraints. The result is that the USAID/EGGI Economic Advisor to the Minister has assumed tasks that should be done by others in the Ministry. MOF has hired a media advisor to the Minister who was intended to take over all the press-related work, including organizing and preparing Minister for press conferences, but it is taking some time to hand over to him.
- There are 29 Mustofiats and more than 50 ministries and independent organizations left that the database to be installed and the employees to be trained. It takes awhile to install the database in all of the above provinces and central organizations. Once the database is installed and employees are trained the ministries and other organizations should not assign these trained employees to any other jobs.
- Security and the weather conditions especially Provinces where travel by road is impossible and the only transportation mean available is the PRT flights which most of the times is difficult to get any reservation and most of the times the flights are cancelled which will affect our database installation plan.

Next Steps/Planned Activities

- Continue to work with MOF officials on progress on IMF PRGF benchmarks and other multilateral reforms programs, and conduct interagency TCC every few weeks to press other government ministries and entities on PRGF progress.
- Installing the revenue database in rest of the Provincial Mustofiats, Ministries and independent organizations in Kabul. The database has been installed in major Provincial Mustofiats now we will move to cover the other provinces.
- Revenue Statistics Unit EGGI local advisors will travel to the rest of the Provinces to install the database, train Mustofiats employees in using the database and revenue collection reporting and reconciliation.
- Organizing training workshop in Khyber of Hall of Ministry of Finance on January 10 – 13, 2010 for the 44 Ministries and independent organizations revenue collection, reporting and reconciliation officers in newly designed and developed revenue database. From each Ministry and Organizations two revenue officers will be invited to participate in the workshop.

Ministry of Finance: Non-Tax Revenue

Achievements

- The review of the non-tax system has been initiated. Specifically, two reports on the structure and distribution of the non-tax revenues have been prepared and a third is underway.
- A proposal to restructure one of the non-tax items has been prepared and more will be completed.
- Ministry of Finance (MOF) and other GIROA entity officials (e.g., High Office of Oversight) participated in a video-conference with the World Bank in Washington DC, on November 23, 2009. The purpose of this call was to assess progress on the ARTF incentives program reforms. The Minister's advisor provided evidence for several key reforms. The World Bank was pleased with progress to date, and MOF is now working to provide the remaining evidence.
- USAID/EGGI worked with the MOF Revenue Department and the Ministry of Transport and Civil Aviation (MOTCA) to finalize the Memorandum of Understanding (MOU) that will clarify the roles and responsibilities of both ministries with regards to revenue collection. USAID/EGGI advisors were instrumental in supporting MOF officials draft and obtain the approval of the MOU from both Ministers. Approval of this document was a required action under ARTF incentive program.
- On November 10, 2009, the Minister co-chaired the ARTF quarterly donors meeting along with the WB country manager. The Minister gave an update on the status of GIROA audits of 1388 World Bank projects, and the Deputy Minister Mastoor presented the MOF views on the ARTF financing strategy, which includes views on sector allocations. USAID/EGGI Economic Advisors assisted the Minister in preparation for the event.
- EGGI also supported the development of a Reform Action Plan for Da Afghanistan Breshna Sherkat (DABS) – i.e. the state energy utility. This ARTF incentive program benchmark required DABS Board approval for a reform action plan to reduce technical and commercial losses. EGGI advisors worked with DABS and World Bank officials to ensure the plan was amended to address key reform issues and to ensure that the DABS Board signed the plan.
- On November 11, 2009, Minister of Finance and Asian Development Bank (ADB) Country Director held a signing ceremony and press conference for a \$92.8M grant to fund the Water Resources Development Investment Program. UK-DFID also participated in this event as they will co-finance the Helmand water master plan study. This funding is part of the larger ADB Multi-tranche Financing Facility (MFF) for \$303.3M over a 10-year period. USAID/EGGI economic advisor helped organize the event and briefed the Minister on the grant.
- USAID/EGGI advisor completed an assessment of non-tax revenue mobilization for GIROA. The report identified 47 government agencies that collected and deposited non-tax revenues, but six of them account for 95.6% of collections. These “Big Six” are the Ministry of Mines (30.5%), the Ministry of Finance (29.2%), the Ministry of Transport and Aviation (19.3%), the Ministry of Foreign Affairs (6.5%), the Ministry of Communications and Information Technology (5.1%), and the Ministry of Interior (5.0%). The report also concluded that corruption combined with weak and inefficient public financial management systems were primarily responsible for poor non-tax revenue performance. The report was positively received by the Deputy Finance Minister.
- On tax revenues, 11 local advisors were hired and trained in the use of the RRR database in November. These advisors have been in Jalalabad and Herat over December Training Mustofiat staff in the use of the database including how to generate input for AFMIS using the

database. The local advisors will also train Jalalabad Customs, Torkham Border Post and the DAB employees in how to prepare the necessary forms.

- On Non-Tax Revenues, a short term EGGI advisor was brought back to Kabul in the first three weeks of December to complete the initial assessment work on non-tax revenue mobilization in Afghanistan. He has engaged in extensive research, data gathering, and modeling/revenue estimating in the non-tax revenue areas of passports/visas and vehicle registration. He will also develop a simple model for determining the revenue impact of imposing a motor fuels excise duty. A report with policy recommendations on the way forward on these three non-tax revenue areas will be prepared and shared with the MOF by late December /early January.
- EGGI advisors met with the Director General, Monetary Policy Unit, DAB in December 2009. It was agreed that the DAB's macroeconomic forecasting model will be transferred (with immediate effect) to the Fiscal Policy Unit (FPU) at the MOF. The FPU currently relies on the IMF and DAB for information on the future trajectory of economic growth. A short term macroeconomic modeling advisor will be deployed in January to adapt the model to MOF specifications and develop a suite of training manuals that will be delivered to the FPU over the course of the first part of 2010.
- EGGI advisors have identified several areas to complement ASI's current (and planned) operations on Tax Administration reform. The DFID funded ASI tax project does not have available resources to implement these reforms in the provinces. It has been agreed in principle that EGGI will work on these issues alongside ASI's strategic direction in Kabul to the provinces. The identified reform activities include:
 - Recruiting and training Mustofiat staff in the provinces (initially in Mazar, Herat, Jalalabad, and Kunduz).
 - Outreach to taxpayers on the use of self assessment forms.
 - Implementation of the laws that affect the types of revenue collected in the provinces.
 - On policy support to the Minister of Finance, EGGI advisors assisted the preparation of an action plan to improve the efficiency and effectiveness of the tax and customs department with particular focus on the organizational structure and improvements in human and financial resource management. EGGI advisors also helped to facilitate IMF missions on Tax/Customs administration, programme budgeting and the 6th Staff reviews of the Poverty Reduction Programme in the first two weeks of December. The objective of the tax/customs administration mission was to identify the key reform priorities for next 3-5 years in the tax and customs administration areas. The IMF were broadly supportive of EGGI plans to base a long term tax administration advisor to help facilitate the rollout of the LTO to the priority provinces. They were also receptive to EGGI plans to base a tax policy specialist in the Fiscal Policy Unit, MOF.

Challenges & Solutions

- On the rollout of the RRR database, there is a risk that inadequate infrastructure (in particular poor power provision) and unstable security conditions in parts of the country could impede progress on implementation of the database. MOF has consistently failed, over the years, to allocate sufficient resources to improve the physical infrastructure in the Mustofiats. It is possible that USAID may need to obtain formal MOF commitment to the project (i.e. through the exchange of a memorandum of understanding).

- The lack of appropriately skilled personnel in the fiscal policy unit could impede EGGI's attempts to build macroeconomic forecasting capacity in the unit. The FPU has seen and continues to experience extremely high levels of staff turnover due to competition from the private sector and donor community for skilled Afghan economists (who are in short supply). This problem is common to many Afghan ministries and will require a GIROA wide response in terms of improving the suite of benefits available to Afghan civil servants. MOF will also need to ensure that civil servants in strategic units such as the FPU gain access to technical training and other wider benefits.

Next Steps/Planned Activities

- On tax revenues, EGGI local advisors will take forward the roll out of the revenue database to Herat, Mazar, Kunduz, Nimroz, Kandahar and Kabul over December 2009 to February 2010. These advisors will train and support Mustofiat officials in the use of the system. It is envisaged that the full rollout of the system across the 34 provinces in Afghanistan will be completed by October 2010.
- On non-tax revenues, the second follow up report will be shared with MOF, MOFA and MOI. EGGI will then consult with these stakeholders and USAID on the next steps in terms of possible operational support to help increase these non-tax revenues.
- On support to the FPU, a long term EGGI advisor is now based in the unit. He has transferred the macroeconomic model over from the DAB. A short term macroeconomic modelling advisor will be brought to Kabul in January to refine and adapt the model and to help develop training manuals in the use of the model. The long term advisor will also work with the head of the unit on solutions to the recruitment and retention problems that the unit currently faces.
- On the issue of mining royalties and tax policy in the mining sector, a short term EGGI advisor will be deployed in January 2010 to work with relevant staff in the Ministries of Finance and Mining to review the current tax/royalty administration and policy regime for the Afghan mining sector and develop recommendations for reform.

Economic and Policy Support to the Minister

Achievements

- Prepared and sent to USAID the Revenue Collection and Reconciliation workplan. Designed revenue database and working to develop the database.
- Designed revenue reporting forms.
- Held meetings with DM of Ministry of Finance for Revenue and Customs to discuss Revenue collection reporting and reconciliation procedures. Meetings were also held with DG Customs, DG Revenue and DG Treasury and ASI revenue advisors.

Challenges & Solutions

- Capacity constraints in the Minister's office continue to be problematic. The result is EGGI advisors are undertaking tasks that should be done by civil servants in the Ministry with negative implications for greater Afghanistan of these policy tasks. It is recommended that this issue be raised and discussed at the next project update meeting between the Minister, USAID and EGGI.

Next Steps/Planned Activities

- EGGI advisors will continue to work with the Minister and his senior management team to facilitate GIROA wide progress on IMF PRGF benchmarks and other multilateral reform programs, and conduct interagency technical co-ordination meetings every fortnight to press other government ministries and agencies to take forward action on the PRGF reform benchmarks.

Insurance Sector Reform

Achievements

- EGGI advisor has delivered daily two hour training sessions to the Ministry of Finance (MOF) Insurance Department (ID) staff during the month of December to assist in the general knowledge level of the ID staff specifically in the area of the International Association of Insurance Supervisors' Assessment questionnaire which member countries completed to establish a base line for regulatory improvement in their countries. Classes have begun using textbooks from the American Institute of Chartered Property and Casualty Underwriters in the area of property and casualty.
- On November 22, 2009, EGGI provided an overview of the meetings held with the National Insurance Company of Afghanistan (NICA), Insurance Corporation of Afghanistan (ICA), and the Insurance Department to the Minister of Finance, US Ambassador Wayne, USAID Mission Director, and USAID/EGGI team. The overview focused on the need to:
 - Develop a market-oriented (best practices) legal and regulatory framework.
 - Develop the human capital and capacity of the insurance department.
 - Standardize financial reporting in the industry.
 - Strengthen supervisory core processes both on- site and off-site.
 - The Minister was advised that the "Key to Success" in strengthening the Insurance Department included the following steps:
 - Find a new location to meets needs of new department (public meeting room, operational areas, and training room) with required IT equipment and workstations.
 - Pass law based on international standards that will ensure fair treatment.
 - Develop insurance knowledge through education at the university level.
 - Obtain government backing of insurance products such as life insurance for military and police, workers compensation for civil servants and property insurance for government buildings.
 - Hire two senior staff with expertise.
- Delivered training sessions to MOF Insurance Department (ID) staff to determine the technical knowledge level of ID staff in insurance matters and to establish the current structure of the department. General training has been delivered on reinsurance, rating agencies, the history of insurance, insurance terminology and the International Association of Insurance Supervisors (IAIS) Assessment guidelines on insurance principles.
- Consulted the CEOs and senior management teams of the two largest insurance companies in Afghanistan, i.e. ICA and NICA on the strategic issues relating to reforms in the insurance sector. The discussions also covered options on optimal corporate structures, ideas for new

products, issues with the present Insurance law, and the weak regulatory environment, which is allowing unfair foreign competition. Both CEOs was given a comprehensive overview of the various regulatory challenges facing their respective companies and welcomed the prospect of USAID assistance in helping GIROA to reform the industry.

- A meeting was held with David Shaw, Director of Student Affairs, American University to discuss the importance of including insurance in their curriculum and the availability of the EGGI advisor to assist them in training and providing guidance on appropriate textbooks.
- A meeting with Deputy Minister of Administration Abdul Samadi, EGGI webmaster and MOF Director of Information Technology, Zabiullah Barekzai to discuss EGGI developing a new website which would be linked to the MOF website. Approval was received from the Deputy Minister. The domain name for the website has been saved with the Ministry of Communication- www.insurance.gov.af. The headings and subheadings for the new website were created by reviewing several insurance departments' websites.
- A new organizational chart has been developed for the insurance department in order to move them towards meeting international standards in supervision in areas such as: form and rate review, financial and market conduct inspections, consumer complaints, fraud/anti-money laundering and communications.
- Continued research for drafting the new insurance law has taken place. A meeting with Dr. Najibullah at the MOF provided information on prior problems in the past to pass an insurance law. A request was made to place the insurance law on the Ministry of Justice agenda for 2010 and Dr. Najibullah also agreed to participate on the committee and recommend other individuals to review the law prior to going to the cabinet.
- USAID/EGGI Insurance Advisor and her team discussed the need to expand insurance education in the country to develop public awareness and also create a pool of potential employees for future insurance companies. Universities and business organizations will be targeted to accomplish this task.

Challenges & Solutions

- MOF Insurance Department personnel have limited qualifications and technical knowledge of insurance issues. Furthermore, the majority aren't formally qualified to be licensing and/or inspecting insurance companies. EGGI's approach to this problem is to provide continuous training through a combination of formal and informal techniques. Ongoing training including the use of formal insurance textbooks with workbooks will facilitate increasing their knowledge in property and casualty, risk management, claims and underwriting. The workbooks will allow individuals who are knowledgeable in English to self study and also participate in a class. Two learning groups will be created to ensure that the needs of individuals at different levels will be met.
- The new organizational plan will provide a framework for needs of the department including; areas of expertise which will have to be developed through training and hiring some key individuals. This will assist the Deputy Minister in future budget and staffing decisions.
- Three interns have started part-time to assist in the capacity building of the insurance department. Their English communication skills and interest in learning will motivate and challenge the present staff.

Next Steps/Planned Activities

- EGGI advisor will:
 - Deliver daily training on the courses from the American Insurance Institute of CPCU
 - Support the process of drafting a new insurance law
 - Liaison with academic institutions to explore the possibility of including insurance awareness in relevant university courses. This will help increase the pool of Afghans with the relevant knowledge and skills set.
 - Provide computers- laptop and desktop computers as needed
 - Recommend the support of the new organizational plan for the department by the MOF
 - Give staff an examination on the IAIS Assessment training given in December 2009.

Economic Advisory Support at Regional Level

Achievement

- A suitably qualified sub-national tax advisor was been identified and submitted for approval to USAID on December 6, 2009. Once approved, he will support the implementation of the Large Taxpayers Office (LTO) in Herat (in the first six months of 2010) and in Jalalabad (in the last six months of 2010).

Challenges & Solutions

- The ASI project has spearheaded several reforms on tax administration including the establishment and support to the Large Tax-Payers Office (LTO), the Medium Tax-Payers Office and design work for the Standard Integrated Government Tax Administration System (SIGTAS). However, these reform activities are restricted to the Kabul area and will need to be rolled out nationwide to the main revenue generating provinces in order to improve tax revenue mobilization in Afghanistan. The EGGI project, by providing a long term technical advisor to work alongside ASI, will be able to spearhead and support the rollout of these reform initiatives to the provinces.

Next Steps/Planned Activities

- EGGI will mobilize a long term technical advisor in January 2010 to work on several tax administration reform issues including a) the training of Mustofiat staff in best practice tax administration techniques (as developed by ASI), b) support taxpayer outreach programmes on the use of self assessment forms and c) support implementation of laws affecting revenue collected in the provinces. This advisor will operate on a rotating in the provinces of Herat and Jalalabad.

Afghanization

- EGGI advisors are providing regular formal and informal trainings, policy dialogues, and on-the-job trainings on insurance reform issues, revenue reconciliation, and policy options to improve non-tax revenue mobilization.
- Although EGGI advisors are delivering technical assistance to civil servants, the issue of recruitment and retention continues to hamper the sustainability of these efforts. For example, it has been difficult to recruit civil servants with the necessary skills and qualifications to

provide the wide range of policy advisory services required in the Minister of Finance’s office.

Afghan Leadership & Partnership

- The head of the monetary policy unit in the central bank (i.e. the DAB) has taken steps to harmonize GIROA’s assessment of the direction of the microeconomic by requesting the creation of a macroeconomic forecasting working group between relevant staff members of the DAB and Fiscal Policy Unit (FPU) in the Ministry of Finance. It is envisaged that this will help GIROA develop a more independent platform for assessing macroeconomic trends and move away from their current reliance on the IMF for this information.

Afghan Participation

- Component 1 advisors particularly in the insurance reform and revenue reconciliation streams continue to engage MOF civil servants (senior management and regular staff) in regular and daily participation in the capacity building process through formal/informal training, policy dialogue, support through “on the job” capacity building and solicitation of feedback on the effectiveness/relevance of technical assistance delivery.

Afghan Capacity Building

- EGGI Component 1 advisors are working to build the technical capacity of Afghan civil servants in MOF through the provision of training and capacity building on insurance reform issues, revenue reconciliation and policy options to improve non-tax revenue mobilisation.

Afghan Sustainability

- Although EGGI Component 1 advisors are delivering technical assistance and capacity building to civil servants in the areas above, the issue of recruitment and retention continues to hamper the sustainability of these efforts. For example, it has been difficult to recruit civil servants with the necessary skills and qualifications to provide the wide range of policy advisory services required in the Minister of Finance’s office. This has also been observed in the Fiscal Policy Unit and the Insurance Department (MOF) where low supply of Afghans with the right skills set and salary competition by the private and donor sector is making it difficult to recruit and retain qualified Afghans in the unit.

Component 1: In Country Advisors

- Freddy Bob-Jones – Component 1 Team Lead
- Shah Mehrabi – Senior Economic Advisor
- Gretchen Biery – Economic Advisor
- Gail Burns – Insurance Advisor
- Abdul Latif – Revenue Data Reconciliation Advisor
- Jim Wooster – Short term advisor on non-tax revenues

Component 2: Financial Sector and Central Bank Operations

Monetary Policy

Achievements

- The USAID/EGGI Senior Monetary Policy Advisor participated in technical negotiations by video-conference and telephone with staff of the International Monetary Fund (IMF) from Washington DC and in-person meetings with the IMF mission when they visited Kabul for the 6th Review of the economic program supported by the Poverty Reduction and Growth Facility (PRGF). Two key documents--the Letter of Intent (LOI) and Supplementary Memorandum of Economic and Financial Policies (SMEFP)--were reviewed for accuracy and consistency with monetary and financial data. The IMF mission concluded that currency in circulation was kept within program limits, which along with a prudent monetary policy resulted in a decline in headline inflation from a peak of 43 percent in May 2008 to minus 15 percent in September 2009. Nonfood inflation slid from 12 percent in November 2008 to minus 0.8 percent in September 2009. The macroeconomic framework for 2010/11 was also discussed with the IMF, including quantitative performance criteria for reserve money and net international reserves. Financial sector issues and the medium-term outlook for economic growth was the subject of lengthy discussions with a focus on identifying down-side risks to the outlook. DAB counterparts in the Monetary Policy Department were involved in all aspects of the technical review and negotiations including simulations and data analysis.
- The USAID/EGGI Senior Monetary Policy Advisor concluded statistical work required for the launch of the 2009 Financial Exclusion and Access to Credit Survey. This is a follow-up survey to a comprehensive demand-side survey of consumers, financial products usage, attitudes and behaviors first conducted in 2007. A statistically robust, multi-stage cluster sampling technique was used to randomly select households and respondents. A geographically (Kabul City) representative sample of 500 households was identified and the survey instrument finalized and a one-day training course for interviewers prepared. DAB counterparts in the department were trained on the statistical methods involved and programming code has been provided to them.
- The USAID/EGGI Senior Monetary Policy Advisor attended the Annual Meetings of the World Bank Group and International Monetary Fund in Istanbul, Turkey as part of the DAB delegation, to provide technical support including briefing notes and macroeconomic analysis, and also in his role as focal point for follow-up with the IMF on issues related to the PRGF and Highly Indebted Poor Country (HIPC) arrangements. Among the issues dealt with in this year's meeting were possible measures for a smooth escape from the global financial crisis and its implications for low income, vulnerable countries like Afghanistan, loan facilities for low-income countries; strategies for the eradication of poverty; and modalities to increase the effectiveness of aid.

The additional achievements under monetary policy include:

- The EGGI National Inflation Advisor completed the monthly analytical inflation reports (September 2009) for both Kabul and national CPIs.
- The EGGI National Inflation Advisor produced inflation projection for the remaining months of the year 1388,
- The EGGI National Inflation Advisor produced a presentation entitled “Macroeconomic Overview and Medium Term Outlook” for the monthly Technical Coordination Committee (TCC) meeting under the IMF/PRGF program.

- The EGGI National Inflation Advisor continued to produce the weekly reports of DAB, for the DAB Governor.
- EGGI Senior Monetary Policy Advisor assisted DAB in interviewing over 100 candidates for the position of survey enumerators for the 2009 Financial Exclusion and Access to Credit Survey 2009. The candidates were drawn from Kateb University in Kabul City. The top 50 candidates (28 male and 22 female) were selected to conduct interviews for this comprehensive demand-side survey of consumers, financial products usage, attitudes and behaviors.
- Conducted a training course in survey methods, interview techniques and protocols to further build the capacity of the enumerators.
- Prepared course materials on Macroeconomics, Monetary Policy and Financial Programming for the Western Region sub-national activities.
- Guided the DAB Deputy Director in the preparation of a lecture at the DAB Western office in Herat. The Deputy Director delivered the presentation “Medium Term Macroeconomic Outlook” at the Western office.
- Completed the proposal for the Survey of Regional Economic Activity and presented it to the Director General of the Monetary Policy Department and other senior staff at DAB. The DG gave his approval for proceeding with the survey as proposed and assigned two staff from the department who will be responsible for conducting the survey and writing the report for the Kabul zone.
- Began providing assistance with the development of briefing templates. One, a new brief on Central Bank activities, was requested by the Governor while the others (FX and CPI) were identified as needs by advisor.
- Assisted with resolving issues arising during the Foreign Exchange auctions. There have been several problems ranging from late bid submissions to a boycott of the auction by Money Service Providers which the FX committee has sought advisor’s input.
- Completed successfully, DAB Monetary Policy Mission to the Western Zone (Herat) aimed at expansion of Monetary Policy activities at the zonal level. During the mission several PowerPoint presentations were delivered to the participants. In addition to other presentations a PowerPoint presentation “what is inflation and inflationary trends in Afghanistan”, was presented to the DAB regional staff which is found very interesting and constructive by the participants. In addition to the handouts a supporting complementary note on inflation was also distributed to the participants.
- Completed publication of the DAB Annual Economic and Statistical Bulletin for 1387 (2008-2009),
- Completed monthly analytical inflation report for the month of November 2009 using Kabul CPI,
- Produced first draft of the DAB quarterly bulletin for Q1-1388 (March 22, to June 21, 2009),

Challenges & Solutions

- Uncertain data quality from CSO. This office could benefit greatly from foreign assistance.

Next Steps/Planned Activities

- Develop a list of survey participants in Kabul.
- Prepare lesson plans for training on survey methods.
- Prepare course outline for training on statistics and econometrics.
- Complete Central Bank Activity and FX brief templates.
- Publication of DAB quarterly bulletin for Q1-1388,
- Completion first draft of quarterly bulletin for Q2-1388,
- Preparation of a framework on computing Real Effective Exchange Rate for Afghanistan,
- Producing DAB weekly reports to DAB senior management,

Financial Sector & Risk Management

Achievements

- On October 03, 2009 USAID/EGGI Bank Supervision Advisor met with Governor of Da Afghanistan Bank (DAB) discussed the establishment of the Afghanistan Clearinghouse, the role of DAB and the possible organization structures. H.E Governor Fitrat would prefer to have the Clearinghouse located at the Afghanistan Bankers Association (ABA) or one of the commercial bank premises. Settlement of the Clearinghouse transactions would be through the settlement accounts at the DAB at the end of the clearing day. In separate meetings with commercial banks Azizi Bank, Kabul Bank, and Bank Mili Creation of the Clearinghouse has been discussed in greater detail. The commercial banks are very supportive to the creation of Clearinghouse.

Hence, [guidelines](#) of Da Afghanistan Banks Clearing House have been developed and these guidelines will be used as discussion points with the ABA prior to developing the more detailed policy. The guideline sets forth the general organizational structure of the Clearing House, the tentative schedule for clearing, the roles and responsibilities for all participants, and general procedures for the processing of checks. This is the first instructional document to familiarize the Afghan bankers with the concept of the Clearing House.

- Assisted DAB Financial Supervision Department (FSD) in developing a standardized definition of Small and Medium Enterprises (SME) Loan and Microcredit, to be used in statistical data collection. These data will give DAB and other policymakers a clear picture of the extent and geographical patterns of such lending, and shape future policy initiatives.
- Researched and provided recommendations to DAB Governor and FSD on the appropriate supervisory treatment of “Lottery-Linked Deposit Accounts” (LLDAs). DAB’s supervisory stance toward LLDAs is currently evolving as a decision between banning them entirely and permitting them with risk management safeguards.
- Provided FSD with a methodology for checking rumors of unsafe issuances of letters of credit and letters of guarantee by commercial banks. The FSD conducted targeted examinations of the most active banks and no problems were found.
- Began training new off-site analysts in small-group sessions in the proper use of peer group analysis, as preparation for the new quarterly analysis format. Peer group analysis is essential in spotting abnormalities at banks.
- Assisted DAB in preparing a Supervisory Circular imposing on banks the requirement to conduct background checks on proposed bank administrators from outside of Afghanistan, as

part of the nominating process. Good corporate governance requires assurances that administrators are fit and proper individuals, which is difficult for DAB to determine in the case of foreign nominees.

- Translated the Bakhtar bank’s risk management report, First Micro Finance’s risk management reports and the Millie Bank full scope examinations reports from Dari to English language.
- Reviewed and commented on three commercial banks’ Report of Examinations. The goal is to ensure the examiners are identifying the key issues and emerging problems within the banks and communicating these findings, along with recommendations for corrective action, to the bank and DAB management.
- Participated with DAB senior staff in a series of interviews to approve various senior managers, including Chief Compliance Officer, COO, CFO, Internal Auditor and Supervisor Board Members, at numerous commercial banks operating in Afghanistan. To ensure that proper corporate governance is maintained at the commercial banks, the DAB senior officials conduct rigorous interviews to ensure that the candidates can fulfill their responsibilities. Approximately 40-60 percent of the interviewees were rejected, and the banks are seeking more suitable candidates.
- Provided feedback and advice to the FSD management on LLDAs in anticipation of its presentation and discussion with the DAB Supreme Council. The FSD management was cautioned that if the Supreme Council decides to disallow LLDAs, then the DAB should require the banks participating in this activity to develop a well-planned and organized exit strategy from this market. It is reported that at least one bank’s deposit base is comprised of 25% of LLDAs. A quick and sudden exit out of these deposits could significantly weaken the bank’s financial position and undermine the public’s confidence in the banking system.
- Trained FSD off-site analysts in preparing written quarterly financial analyses of banks in a new format. Prepared sample financial analysis of an actual bank that analysts could use as a model, and corrected their written analyses, providing individual and group coaching.
- Assisted DAB FSD in revising draft Money Service Providers regulation to extend regulatory oversight to e-money institutions, for possible Supreme Council approval. Assisted in the preparation of a “preamble” outlining major comments received on draft regulations, and whether comments were accepted by DAB.
- Assisted DAB FSD in making minor revisions to draft regulations implementing laws on negotiable instruments, mortgage, mortgage finance companies, and secured transactions on movable property, in response to public comments and for possible Supreme Council approval.
- Assisted FSD off-site Section Head in revising data on individual banks and the system as a whole, in preparation for placement on DAB website.
- The USAID/EGGI advisor trained the four FSD off-site supervision analysts, all of whom are new, in the preparation of detailed quarterly financial analyses on individual banks. The analyses, covering the July through September period, cover capital adequacy, asset quality, profitability, liquidity, and sensitivity to market risk, and make extensive use of peer group comparisons to highlight areas of particular strength or weakness at each bank. Elements of “stress testing” are also included, such as the sensitivity of net interest income to potential changes in market interest rates, and the sensitivity of equity to changes in foreign exchange rates. The off-site analyses are used by the FSD caseload managers in planning and scoping

on-site examinations, and by senior management of DAB in forming a quick opinion about the condition and performance of each bank.

- USAID/EGGI arranged for a distinguished banker and educator, USAID/EGGI Islamic Finance Advisor, to provide ten days of consultation and strategizing with the senior management and staff of Da Afghanistan Bank (DAB, the central bank) on the development of Islamic banking and finance in Afghanistan. EGGI Islamic Finance Advisor, a former CEO of the Islamic Banking and Finance Institute Malaysia (IBFIM) and one of the founders of Bank Islam Malaysia Berhad, produced an action plan with goals and timetables for DAB to establish its regulatory structure create a National Shari’ah Advisory Council, and a national, multi-stakeholder coordination committee. To follow up on EGGI Islamic Finance Advisor’s work, the head of the Islamic Banking Section of DAB’s FSD presented these findings to senior management of DAB at a roundtable, where there was discussion of concrete next steps. It is expected that Islamic banking and finance will constitute the bulk of future growth in the formal financial sector, bringing into the sector thousands of small businesses and individuals who do not wish to deal with conventional banks.
- The USAID/EGGI advisor prepared a summary memorandum of what the FSD can and cannot reasonably do to alleviate concerns caused by the activities of “related persons” (affiliates) of banks, such as sister companies.
- The EGGI advisor prepared guidelines the FSD can use in obtaining financial information on major shareholders of banks, in order to judge them as a source of strength or weakness for the banks they own.
- Upon request of DAB and the Afghan Deposit Insurance Corporation (ADIC), the EGGI advisor prepared a suggested text for a circular to commercial banks on collecting the first deposit insurance premium.
- Upon request of ADIC, the EGGI advisor prepared a spreadsheet for estimating insured deposits and the revenue from the deposit insurance premium, under various assumptions about the assessment base and the percentages to be applied.
- Upon request, the EGGI advisor prepared guidelines the FSD can use in approving or denying a “change in control” application (the application by a shareholder to increase his/her/its holding in a bank above certain percentage thresholds).
- Upon request, the EGGI advisor completed a two-day seminar entitled *Bank Financial Analysis Techniques* for 19 staff (18 male, 1 female) from the On-Site Supervision Department that was co-taught with CCN working on the project. After reviewing several Reports of Examination, it was revealed that the examiners’ earnings analyses were weak and needed improvement. The seminar focused on common sized balance sheets, annualized income statement ratio analysis and trend and peer group comparisons. The goal of the seminar was to strengthen the examiners’ earnings analysis and assist them in identifying emerging trends and recommend corrective actions to bank management. This was the first phase in the profitability initiative that DAB has undertaken, with the aim of prompting corrective action at banks with weak profitability.
- The EGGI advisor concluded a series of short-term seminars on analyzing a bank’s financial statements for the FSD’s Licensing Department. Topics taught included creating common size balance sheets and income statements. The goal of the seminars is to expand and improve the Licensing Department’s analysis of pro forma financial statements submitted with new bank applications.

- The EGGI advisor reviewed and commented on one commercial bank's Report of Examinations. The goal is to ensure the examiners are identifying the key issues and emerging problems within the banks and communicating these findings, along with recommendations for corrective action, to bank and DAB management.
- To experience the examination function as it operates, the EGGI advisor attended the Examination Exit Meeting for two Afghan commercial banks. The results of the latest examination, along with recommendations for improvements, were presented at the meetings. Financial Supervision senior staff and commercial bank executive management attended the meetings. Bank management agreed to the examination recommendations.
- The EGGI advisors participated with DAB senior staff in a series of interviews to approve various senior managers, including Risk Management Officer, CFO and Internal Audit Committee member at numerous commercial banks operating in Afghanistan. To ensure that proper corporate governance is maintained at the commercial banks, the DAB senior staff conducts rigorous interviews with the proposed candidates to satisfy themselves that the candidates can fulfill their responsibilities. Approximately 40% to 60% of the interviewees were rejected and the banks instructed to identify and propose more suitable candidates.
- Assistant to the Advisor, provided information about Hyperinflations and revaluation of assets requested by the participants during the Bank financial analysis technique training conducted for licensing department.
- Assistant to the Advisor completed the translation of Maiwand Bank and Habib Bank's full scope examination reports.

Challenges & Solutions

- Nothing to report.

Next Steps/Planned Activities

- Continue to offer technical assistance to ADIC, including assistance with drafting regulation, making necessary changes to draft Law (if possible), determining premium structure, and obtaining data on insured deposits.
- Work with DAB General Counsel's Office and FSD to update 2005 package of proposed amendments to DAB Law and Banking Law, taking into account existence of ADIC as receiver and liquidator.
- Assist FSD Licensing Section in conducting meetings leading to licensing of WOCCU's Islamic Investment Finance Cooperatives as Depository Microfinance Institutions (DMFIs).
- Assist DAB General Counsel's Office and FSD in reviewing DMFI regulation for possible amendment, and propose desirable amendments.
- Develop course in Asset-Liability Management, focusing on interest-rate risk and funds management.
- Deliver course to FSD staff if enough are present during the month (on-site examinations are expected to take up most staff time in January).
- Collecting information regarding cross currency functions, Letter of credit and Bank's guarantees required for the examiners.

Result C: Core Banking System & Accounting

Achievements

- Resolved the audit qualification regarding the valuation of the gold reserve for DAB as instructed by the Supreme Council. Recommended and agreed with the Accounting and Finance Department as well as the external auditors on the adjustments to be made to the 1387 financial statements for the above effect, including the prior year adjustments of the same.
- Tested and fine tuned the software system for accounting for foreign currency transactions as prepared by Virmati Software & Telecommunications Ltd (the suppliers of the “Core Banking System”), approximately 80% of the system is tested and fine tuned.
- Provided technical assistance to the Accounting Department in providing the necessary information and clarification to the IMF regarding the financial statement figures as compared to the monetary policy reports.
- DAB, assisted by USAID/EGGI Local and International Advisors, completed its testing of a module within the Core Banking System (CBS) to account for foreign currency transactions. The system will automatically determine and account for the gains or losses from foreign currency transactions, realized as well as unrealized, arising from the translation of the same to its equivalent in Afghanis as required by International Financial Reporting Standards (IFRS) and the DAB Law. The module has been developed by Virmati, the CBS software provider, following requirements specified by EGGI advisors.
- This is a tremendous step forward that avoids the previous practice of manually calculating figures that form a significant percentage of amounts included in the Statement of Profit and Loss. At the same time, DAB’s external auditors began the interim audit for 1388, which will significantly speed up the preparation of year-end financial statements following the close of the current fiscal year in March 2010. The combined impact of both EGGI-led initiatives will be greater confidence by the state in the central bank’s accounts, and greater confidence by DAB’s management to push ahead with reforms and development, utilizing its own as well as donors’ resources.
- Participated with DAB senior staff in a series of interviews to approve various senior managers, including Chief Compliance Officer, COO, CFO, Internal Auditor and Supervisor Board Members, at numerous commercial banks operating in Afghanistan. To ensure that proper corporate governance is maintained at the commercial banks, the DAB senior officials conduct rigorous interviews to ensure that the candidates can fulfil their responsibilities. Some of the interviewees were rejected, and the banks are seeking more suitable candidates.
- Started to conduct training the Fixed Assets section staff on the approved policy for Property, Plant and equipment, as part of the launching of Fixed Assets Management module. More working examples on the implementation of the policy are provided
- Continued working on 1387 audit qualifications and other issues raised by KPMG in the audit report in preparation for 1388 audit.
- Participated in a meeting with external auditors, KPMG, as part of the preliminary arrangement for the upcoming interim audit, planned to start early January, 2010. Other members who attended the planning session meeting were the DAB CFO, KPMG Country Manager and his Engagement team members.

- Provided more guidance to the section working on reconciling the long outstanding inter-branch balances and recommend the required actions.
- Core Banking System is implemented in DAB Saripul and Islam-Qala.
- Testing of FX-Module is completed.

Challenges & Solutions

- Lack of qualified personnel in the Accounting and Finance department. Majority of the staff do possess lower than accounting technician qualifications. Formal and on-site training is necessary to upgrade the old and newly employed staff to the at least semi-professional accounting level.

EGGI is providing on the job, practical implementation training for specific areas of work. However, long-term as well as short-term general accounting trainings are necessary to upgrade the staff from the existing technician-level accountants to semi-professional as well as professional level. On the other hand efforts should be made to fill in the vacant senior as well as semi-senior positions.

Next Steps/Planned Activities

- Continue working on audit qualifications and other issues raised by KPMG in the audit report in preparation for 1388 financial statements and audit;
- Assist in conducting a comprehensive exercise on Fixed Assets analysis, launch the Fixed Assets Management module and integrate the module in the CBS General Ledger;
- Assist in the rationalization of financial reports e.g. regrouping & mapping and Chart of Accounts and improving the Balance Sheet, Income Statement and Cash Flow formats in the CBS system and improving the Trial Balance in to include all the accounts in one data base
- Provide more assistance in updating the ongoing inter-branch reconciliation process and recommend the required actions on the results thereof.
- Train the accounting staff on analysing the month-end accounting figures/balance and conducting tests on their accuracy.
- Train the appropriate staff regarding the approved accounting policies and oversee the implementation of the same with more working examples on each policy.
- Assist in the preparation and submission of 1388 financial statements in accordance with the provisions of the IFRS and the requirements of the DAB Law.
- Assist in the year-end audit as conducted by the KPMG external auditors
- Implementation of CBS in DAB branches
- Implementation of the FX-Module in the live environment
- Working on the budget module

Result E: Donor Coordination with Word Bank

Achievements

- At the Governor's request, an EGGI advisor participated in interviews to select the Director of the Afghanistan Institute of Banking and Finance (AIBF). The AIBF will be established by DAB, the Microfinance Investment Support Facility for Afghanistan (MISFA), and the

Afghanistan Banks Association (ABA), with funding provided through DAB by the World Bank.

Operations and Management

Achievements

- Attended the Afghanistan Banking Summit and made a presentation to the US military regarding the status of the payment system in Afghanistan. The focus was on the need, to pay Afghan police and military via direct deposit in commercial banks, credit unions, or via mobile commerce. The military had previously been unaware of the efforts to license the credit unions and that they are ready and able to provide direct deposit services. Drafted guidelines for the DAB Clearing House for checks. Dedicated an IT resource to the payments project to begin to look at the deficiencies in the current payment system between DAB and MOF. These issues need to be resolved before beginning work on the elimination of checks.
- **Systems and Technology:** Conducted an assessment meeting with 14 of the 17 commercial banks on their usage of checks and the operations of the informal clearing system. Prepared a concept paper for the Afghanistan Banks Association on the formation of the Afghanistan Clearinghouse. Developed a listing of system upgrades required for the Afghanistan Clearing and Settlement System – These upgrade are necessary to improve the operations and performance of the ACSS system. Modified the Citibank World Link contract for sending funds to Afghanistan Companies via the Citibank and DAB. Met with 1st Deputy Governor, Legal, Payments and Market Operations.
- The Supreme Council of the Da Afghanistan Bank has approved the audited Financial Statements of the Bank for the year ending 1387 (March 20, 2009). The statements were audited by KPMG Afghanistan, an international accounting firm. The DAB's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as provided by the DAB Law and are in compliance with the requirements of IMF's Safeguards Assessment Standards. These audited financial statements have officially been published to the DAB website and will be submitted to the Afghanistan Parliament as per the requirements of DAB Law.
- There have been recent communications between DAB and Afghan Telecom to purchase internet services (as a backup link) for all our DAB branches in the provinces, as well as the city branches in Kabul. After the pending contract is signed in the next few days, DAB will be able to move forward with the merger process of all the databases to a single server.

Challenges & Solutions

- Nothing to report.

Next Steps/Planned Activities

- EGGI future activities include:
 - Work on rationalization of accounting reports.
 - Develop training plan for the DAB accounting department staff.
 - Resolve audit qualifications.
 - Assist in preparing and submission of 1388 financial report in accordance with IFRS.

- Conduct comprehensive exercise in fixed asset area of the accounting department in order to categorize the different categories of the fixed assets.
- Help the branch accounting department in reconciliation of inter-branch accounts.
- Work on FX realized and Unrealized Gain and loss calculation.
- Work on a new plan for CBS implementation in the remaining DAB provincial capital branches.

Afghanization

- An in-depth seminar on financial analysis, using the reports and tools recently created for the FSD, is being developed for the FSD staff. The seminar will include analysis of a bank's capital, asset quality, earnings and liquidity. The seminar will be offered numerous times to ensure full coverage of the FSD staff. In addition, CCNs will be increasingly used to teach components of seminar.
- Preliminary discussions will be held with the Governor and FSD General Director, concerning the delegation of a limited range of supervisory responsibilities to the DAB provincial offices. Such responsibilities could include the licensing of foreign exchange dealers and money service providers, and the verification by provincial staff of administrative information on commercial bank branches located in those provinces.
- EGGI Component 2 Team Lead and Islamic Finance Advisor met with Governor Abdul Q. Fitrat to further his agenda for the introduction of Islamic financial products. Specific guidance was provided to Governor Fitrat on the structure and composition of the DAB Shari'ah Board. This group of experts will assist the Governor with leading the banking community on the analysis and approval of Islamic banking products.
- Islamic Finance advisor also consulted the DAB Islamic Finance Division Head to gain views on the structure and plan for introduction of Islamic Finance in Afghanistan. This is in the DAB Five Year Strategy Plan and will be led by the DAB Islamic Finance Division.
- Provided feedback and advice to FSD management on "lottery-linked deposit accounts" (LLDAs) in anticipation of its presentation and discussion with the DAB Supreme Council. This was led by the FSD management and presented to the DAB Supreme Council's November 2009 meeting. All research, analysis and board presentations were prepared by the DAB counterparts.
- Began conducting short-term seminars on analyzing a bank's financial statements for the FSD's Licensing Department. Topics taught included creating common size balance sheets and income statements. The goal of the seminars is to expand and improve the Licensing Department's analysis of pro forma financial statements submitted with new bank applications. This is a new focus of the DAB technical assistance and is necessary to build the central bank's licensing capabilities.
- EGGI FSD advisors continue to conduct financial analysis training in the off-site analysis unit. The unit carries out the function of off-site analysis with advisor guidance being provided to further deepen the offsite reports. This unit continues to run more independently, requesting the advisor's assistance on an ad hoc basis.
- Assistant to the advisor analyzed Millie Bank's 2008 and 2009 closing profit/loss statements for finalizing the Earnings Report.

- Assistant to the advisor completed translation of Punjab National Bank of India and Afghan United Bank's Full Scope Examination Report.

Legislative Affairs

Achievements:

- From November 10-12, 2009, EGGI's Afghan legal assistant attended in several working sessions with National Economic Commission (NEC) of Lower House of Parliament on the Financial Leasing Law. The legal assistant played an active role by introducing the law to the head and members of the NEC and discussed the importance of this law and its role in economic growth. The sessions will be continued and the bill will be forwarded to the plenary session after it is approved by the 17 members of the NEC. A solid legal basis for leasing opens up access to finance, particularly for Small and Medium Enterprises (SMEs), and leasing can easily be made fully Shari'ah compliant, providing an attractive option to entrepreneurs who do not wish to borrow conventionally.
- The EGGI Afghan legal assistant revised the Dari and English version of Financial Leasing Law based on amendment incorporated during the working session with NEC. The assistant also consulted with the IFC legal advisor on new changes brought up into the financial leasing law.
- The Secured Transaction and Mortgage Laws were published in Official Gazette No. 990 by the Ministry of Justice. Regulation on Mortgage Finance Company, Regulation on Mortgage Law, Regulation on Secured Transaction, and Regulation on Money Service Providers were approved by the Supreme Council with slight changes. Publication in the Official Gazette is forthcoming for these regulations.
- ADIC (Afghan Deposit Insurance Corporation) Law reached to National Economic Commission (NEC) of Lower House.
- Assisted DAB General Council on legal issues (corresponding with commercial banks, Ministry of Justice and Parliament)
- Conduct research on Islamic Banking principals and worldwide slump in economy.

Challenges and Solutions:

- Since the Parliament were busy with president elections and approval process for candidate for the Ministries, approval procedures for DAB sponsored commercial laws were postponed to next parliament forum. It requires establishment of relation with new parliament members and educating them on commercial laws.
- None existence of Expat legal Advisor decelerate the process of public outreach on new commercial laws. The project would need to approve Expat Legal advisor to assist DAB on legal issues and public awareness on commercial laws.

Next Steps/Planned Activities:

- Assist DAB General Council on conducting a workshop and seminars on newly approved laws (Mortgage and Secured Transaction laws) as part of public outreach process.

- Attend on working sessions with Parliament on Financial Leasing law, Negotiable Instrument Law, Afghan Deposit Insurance Law (Appendix to the Banking Law), Banking Law, DAB law and Islamic Banking Laws.
- Assist DAB General Council on drafting regulations and approval procedures for DAB sponsored laws (i.e. Submission of Islamic Banking law to MOJ, Working sessions with Council of Ministers and Parliament committees)

Afghan Leadership & Partnership

- Twin' of Statistics Advisor will take a leadership role in the implementation of the Survey of Regional Economic Activity.

Component 2: In Country Advisors

- Jay Doeden – Component 2 Team Lead
- Glenn Tasky – Financial Supervision Advisor
- Noble Franson – Financial Supervision Advisor
- Jonathan Corning, Monetary Policy, Statistics Advisor
- Dr. Patrick Asea, Monetary Policy, Special Advisor to the Governor
- W. Kenneth Pfeifer – Operations & Management (Payments), Payment Systems Advisor
- John Sloyka – Operations & Management (Payments), Payments Systems Advisor
- Ally Juma Said – Accounting and Financial Reporting Advisor

Component 3: Business Enabling Environment

Commercial Law

Achievements:

- Commitment obtained from NEC to concentrate on Law on Private Investment, Law on NGOs, and Law on Financial Leasing. Research continuing for NEC related issues.
- EGGI Legal Advisors met with senior advisors to the Minister of Commerce & Industries (MOCI) and have reached agreement on the work priorities for supporting the development of commercial laws (including regulations) and the legislative agenda that will be officially delivered to the Ministry of Justice (MOJ) by the end of December 2009. The next edition of the EGGI “Legislative Matrix” will reflect this information.
- Commercial Court Endorses Specialized Training program for Commercial & Economic Laws: EGGI Legal Advisors met with the Head of the Commercial Court Abdul Wahad Sadid and former Judge of Supreme Court Mir Nasiruddin Kaleem Zewari on December 9, 2009. Part of agenda of the meeting was to discuss the view regarding the establishment of training programs for commercial and economic laws. They were in favor of even expanding those programs in provinces.

Challenges and Solutions:

- Registration and publication requirements for businesses in corporation and partnership laws require unsafe travel and potentially dangerous newspaper publication of personal financial

information, raising public safety concerns, discouraging compliance with legal requirements, hampering business and promoting contempt for law. The solution may involve authorizing receipt of required information at more remote locations; abridging publication requirements by regulation to the greatest extent possible until law can be amended.

- Corporation and partnership laws of 2007 generally do little to improve previous law, while creating new uncertainties. Absent further legislative amendment in the near term, it will be necessary to clarify and rationalize the laws insofar as possible in the implementing regulations, drafting of which should be informed by stakeholder/public discussions of practical needs

Next Steps/Planned Activities:

- Completion of analysis of partnership law currently underway; consulting with Afghan legal associate to assure analysis faithful to Dari as well as English wording
- Detailed analysis of possible regulatory or unavoidable legislative solutions for problems in Corporation Law
- Expansion of Afghan legal staff
- Exploration of remote relay, such as via Village Communications Network, for addressing registration safety problems.

Afghanistan Central Business Registry

Achievements:

- On October 1, 2009, over 60 guests from Governmental, Non-governmental Entities and Private Sector representatives celebrated the grand opening of the second provincial office of Afghanistan Central Business Registry (ACBR) in the city of Mazar-e-Sharif, Balkh province. In this ceremony, the Governor of Balkh province welcomed guests, saying that this office has made the registration faster and easier for businesses in Balkh, Samangan, Saripul, Jawzjan and Faryab provinces.

The Minister of Commerce and Industry stated that MOCI is working as a policy maker, regulator and facilitator and development of ACBR is clearly one of the areas where that Ministry demonstrated their commitment and have produced positive and significant results. The Coordinating Director for Development and Economic Affairs in US embassy- Ambassador E. Anthony Wayne mentioned that ACBR will reduce the registration time from twenty days to just 1 to 2 days and replace the registration fee of 2.5% of initial capital that was charged by the Commercial Court in Mazar-e-Sharif with a flat fee of 500 Afghani. The Deputy Chairman of Afghanistan Chambers of Commerce and Industry (ACCI) as a representative of Private Sector said that we are pleased to see that cooperation between government and Private Sector has resulted in the elimination of excessive and unnecessary impediments to business activity.

The Afghanistan Investment Support Agency (AISA) welcomed the opening of this office and for the first time since establishment of their office in Balkh was able to complete the registration of investors in their province. With funding from USAID, ACBR is implemented by MOCI with collaboration and technical support from USAID/Deloitte. The business registration process in the city of Mazar-e-Sharif involves the registration of businesses, publishing business information in the Official Gazette, paying one fee to DAB, and getting a

referral letter to any licensing agency for a low flat fee of 500 Afs in a short period of time. This will certainly help and encourage businesses to enter the formal economy and the computerized system enables the office to conduct business analysis.

- On November 15, 2009, the Ministry of Commerce and Industry launched its new ACBR in the province of Herat. The ceremony attracted senior officials from the USG and GIROA, including the US Assistant Ambassador, USAID Mission Director, Minister of Commerce and Industry, Herat Governor, Chairman of the National Economic Commission/Parliament Member, and the AISA Regional Investment Manager in Herat. The ACBR, which streamlines and accelerates the process required to register a company, has already commenced operations earlier this year in Kabul, Mazar and Jalalabad. During the reporting period, 1,096 businesses have registered through the ACBR. As of November 30, 2009, the total number of businesses registered is 13,668
- ACBR team had a meeting with the Head of General Legislative Institute at Ministry of Justice on November 10, 2009 to discuss the legal basis for publishing registered businesses in the Official Gazette. This is important to clarify since Kabul businesses are published in Official Gazette and businesses located in the provinces are published in local newspapers.
- With funding from USAID, ACBR is implemented by MOCI with collaboration and technical support from Deloitte Consulting. The business registration process in the city of Mazar-e-Sharif involves the registration of businesses, publishing business information in the Official Gazette, paying one fee to DAB and getting a referral letter to any licensing agency for a low flat fee of 500 Afs, all steps in a short period of time.
- Following successful inauguration of ACBR offices in Jalalabad and Mazar-e Sharif, a team of EGGI advisors visited Herat Province to determine the feasibility of establishing the third ACBR Office in this city, and to review the current registration process, check the IT availability, contact governmental and non governmental entities involved, raise their awareness and solicit their participation and cooperation in order to establish ACBR office as a one stop-shop.
- EGGI Deputy Chief of Party and Component 3 lead accompanied MOCI staff and members of the ACBR team to meet with the CEO of Afghan Telecom on December 1, 2009. The purpose of the meeting was to evaluate the availability and suitability of high-speed broadband Internet connections to support GIROA activities within the scope of EGGI, such as to connect the ACBR office in Kabul with sub national offices in Jalalabad, Mazar-e-Sharif, Herat and Kandahar. The Afghan Telecom officials were confident to be able to deliver proposed solution(s) by February 2010. In addition, arrangements were made to get a demonstration of the Afghan Telecom videoconferencing facility, which may be used to deliver distance learning from Kabul (or offshore) to more than 34 specially-configured offices in each provincial capital.
- Ministry of Commerce and Industry officially handed over four room office space that was previously approved by Minister Waheedullah Shahrani. The rooms will be utilized for ACBR Director and Archive Department. This allows ACBR to have space to have archive and employee space. ACBR office is now comprised of two floors in the same building.
- ACBR Advisors obtained office space for ACBR Kandahar office at Mustofiat during their visit to Kandahar from December 12-16, 2009. This building provides easy access, free of rent and reliable space for ACBR. The office space is comprised of three rooms that need renovation for which companies have provided estimates. A protocol regarding the office is

signed by Mustofi of Kandahar Province that is Approved/Signed by Deputy Minister of MOCI and Deputy Minister of MOF.

- In a related activity, EGGI Legal Advisor accompanied by ACBR Advisor met the Advisor to the Minister for legal matters on December 4, 2009. The agenda under discussion was the publication of some part of the business registry information in the Official Gazette. Various solution to publish Official Gazette according to law was discussed and final decision will be made after consultations with relevant authorities. The publication issue is still pending since there is no legal base to publish this information in Official Gazette.
- USAID/EGGI Legal Advisor, ACBR Advisor, and ACBR Reporting Analyst met the Head of the Central Statistic Office (CSO) on December 5, 2009. Director of CSO Azizullah Faqiri was briefed on the range of reports on registered business provided by ACBR to concern authorities. The Director appreciated ACBR valuable efforts in providing business statistics to various governmental entities, and requested further discussions to develop a template for future data exchange.
- USAID/EGGI ACBR Advisor on a four day visit to establish ACBR office in Kandahar met the Governor of province on December 13, 2009. He welcomed the opening of ACBR in the province that will make easy the registration of businesses. He suggested inviting Minister of Commerce, Minister of Justice on the occasion of Grand opening. This will be the fourth provincial office planned to be inaugurated till the end of January 2010.
- EGGI/ACBR advisors also met with the Director of Commercial Court in Kandahar province, who has been responsible for registering businesses for the province. The Director of Commercial Court was informed, once ACBR is operational, the registration process will be taken over by the ACBR. EGGI/ACBR Advisor also met the Operational Manager of Afghanistan Investment Support Agency (AISA) in Kandahar province on December 13, 2009. The AISA office considered the establishment of ACBR a vital success in expediting the process of registering businesses. AISA noted that it presently takes 2-3 weeks to process investment licenses, including registration and issuance of Taxpayer Identification Number (TIN).

Challenges and Solutions:

- Security reasons in cities such as Kandahar which further strict the technology service delivery
- ACBR office is in the process of expansion to major provinces. After successful operations in Nangarhar, Balkh, Herat, next will be Kandahar, Khost and Kunduz provinces. The challenge is to get a reliable internet connection for the web application of ACBR. In meeting with the Director of the Afghan Telecom who briefed the team about the fiber optic project and conveyed that in near future all locations covered by ACBR will have fast and reliable Internet connections with much lower price.
- ACBR publication issue is still pending since there is no legal base to publish this information in Official Gazette. Various Solution to publish Official Gazette according to law was discussed in meeting with Advisor to Minister (Azim Hussaini) and final decision will be made after consultations with inline authorities.
- Not receiving the timely information or action by some of the government counterparts creates problem for ACBR to proceed according to their plans.

Next Steps/Planned Activities:

- Continue the efforts to open ACBR office in the city of Kandahar.
- The Minister of Commerce wants Kunduz as the next ACBR office to open.

National Economic Commission

Achievements:

- On December 13, 2009, EGGI had a meeting with SEAL – UNDP for better coordination to avoid over-lapping and duplication. EGGI team achieved some useful information in this regard.
- EGGI had a meeting with Assistant of Budget and Finance Commission of Lower House for Approval of Mid Year Budget.
- Research was conducted on Economic Crisis for Chair person of National Economic Commission (NEC), document was submitted to NEC.
- Meeting with Head of NEC on team's previous job and submitting of the research's results on each line ministries.
- On November 22, 2009, EGGI participated with NEC on reviewing the financial leasing law. Due to lack of quorum and inability to understand specific articles, it was decided that a workshop would be held with the NEC on the law when all members reconvene after Eid. The NEC also requested information on donor financial reviews (DFR), which was compiled by EGGI. The DFR contains a summary of all donor pledges, commitments, disbursement, and budget information in Afghanistan. The DFR helps NEC to have a general picture of the Aid delivery to Afghanistan and will be used to emphasize the attention of the donors to coordinate their activities with the government to achieve the Afghanistan National Development Strategy (ANDS) goals and have more effective results of the Assistance.
- On Tuesday December 8, 2009, a working session started in the NEC of the Lower House of Parliament on Reviewing of the Letter from Ariana Airline, which explained the conflict of flights between Kam Air and Ariana airlines. EGGI played an active role by explaining the letter to the head and members of the NEC, and scheduled a meeting with both companies to come up with a positive solution.
- EGGI compiled a research on the DFR and explained it to the chair person and members of NEC.
- Compiled additional information regarding donor involvement in economic growth related projects in MRRD both in central and provincial levels; Land lease/Record project analytical research has been submitted to NEC, State owned enterprises, investment barriers assessment.

Challenges and Solutions:

- Not having enough employees in NEC structure to assist the chairman. Subsequently EGGI/NEC team does what those missing employees need to do. They assist chairman for the research in various areas while they could help the NEC staff and build their capacity too if there were more employees.
- Lack of capacity of NEC members. On November 22, 2009 EGGI participated with NEC on reviewing the financial leasing law. Due to lack of quorum and inability to understand

specific articles, it was decided that a workshop would be held with the NEC on the law when all members reconvene after Eid holidays.

Next Steps/Planned Activities:

- Prepare the full list of the stakeholders involved with Parliament and scheduling meeting with them.
- Prepare template for the team's statistical findings and uploading it to EGGI Portal.
- Meet each line ministry (MRRD, MAIL, MOCI and MOEC, NGOs) on their programs and plans for year 2010 in consensus with ANDS, giving reports to NEC.
- Complete road-map and work plan for NEC and Budget Committee and submit to USAID
- Conduct workshop on Financial Leasing Law.

Legal Framework

Achievements

- Held a working session with the NEC to assess the Donor Financial Reviews (DFR), which was compiled by EGGI. The DFR contains a summary of all donor pledges, commitments, disbursement, and budget information in Afghanistan. The DFR helps NEC have an understanding of the aid delivery to Afghanistan and will be used to emphasize donor coordination to achieve the ANDS goals and have more effective results of the assistance.
- A team of senior US Embassy, USAID and EGGI representatives accompanied by ACBR advisors met with MOCI Minister Waheedullah Shahrani on Friday November 20, 2009. The aim of the meeting was to review the EGGI scope. The activities discussed included:
 - Review of Industrial Park Strategy
 - Recruiting Special Advisor to the Minister
 - Proposed next steps to reform ACBR
 - Role of state owned enterprises within the Ministry
 - Status of new Trade Accession Facilitation for Afghanistan (TAFA)
 - Activities of work plan and Minister's current priorities
- On November 22, 2009, EGGI met with Minister Shahrani to discuss the legislative activities for the Ministry of Commerce and Industries. Potential areas of support include:
 - Prioritizing and implementation of the Legal and Regulatory Laws for reforms
 - Development of a Law on Sole Proprietorship and creation of Intellectual Property Right Authority
 - Building capacity of MOCI, Commercial Courts and Attorneys
 - Creation of a Code of Commerce that will contain all commercial laws into one book without any contradictory articles
- During November, the NEC has been holding meetings with various GIROA authorities discussing (1) extortion money, and (2) illegal and unfair tax schemes. The NEC will review Laws on NGOs and Law on Private Investment for its next working month. EGGI has been preparing presentations, at the request of the NEC in the following topics:

- Rural development and micro-financing
- Private investment, privatization and export promotion
- Production for expanding markets, alternative livelihood and strategic and cold storages
- NGO activities in the area of economic growth

Challenges and Solutions:

- Lack of progress in NEC activities due to elections and lack of participating from many MP's is a key challenge. NEC chairman has ensured that after elections the commitment will be reinstated.
- Registration and publication requirements for businesses under the Corporation and Partnership Laws may discourage compliance. People may be required to travel to unsafe locations and the publication of business information may cause safety concerns. The solution may involve authorizing receipt of required information at more remote locations; abridging publication requirements by regulation to the greatest extent possible until the law can be amended.

Next Steps/Planned Activities:

- N/A

Ministry of Energy and Water

Achievements

- USAID/EGGI Legal and Regulatory Advisors held a meeting with Kabul University's Dean of the Engineering Faculty, Mr. Najib Sabori and Dr. J. Garth Thompson of Kansas State University. The purpose of the meeting was to obtain information on how to work with the Kabul University and Kansas State University program to recruit individuals for the interim regulator; Identify areas where trainings could be conducted using the Kabul University/Kansas State University curriculum, professors and programs to meet the needs of the regulator; and determine areas of cooperation for the future with respect to the regulator and its trainings needs. Dr. Thompson and Mr. Sabori offered full support through the existing program at Kabul University through Kansas State (funded by the World Bank) to meet the training needs of the Ministry of Energy and Water. Consensus was also reached to receive future assistance to recruit individuals from the Kabul University/Kansas State University program for the interim regulatory training needs.
- H.E Minister of Energy and Water, Mohammed Ismail Khan was debriefed about the EGGI project. H.E Mohammad Ismail Khan explicitly requested assistance on EGGI advisors for planning, procurement and advisory services in helping the Ministry of Energy and Water (MEW) better understand its roles and responsibilities in light of the Regulator and Deh Afghanistan Breshna Sherkat (DABS) commercialization. An EGGI implementation plan was presented to USAID and to the Interim Regulatory and Regulatory Nucleus for consideration.
- EGGI held two workshops on the Draft Electricity Law at the MEW attended by the Interim Regulatory Board representatives, DABS, PA Consulting, GTZ (who is providing advisory services to Planning Unit of MEW) and Advanced Engineering Associates International (AEAI). The meeting was chaired by the Deputy Minister for Energy. Topics discussed at the workshop were:

- Authority granted to the MEW by Presidential Decree with respect to the issuing of licenses.
- Specific questions on licensing and what licensing entails for MEW with respect to DABS and MCC (Chinese firm).
- DABS organizational structure with respect to identification of separate generation and distribution centres.
- Examples of specific license terms.
- Issuance of a transmission license for NEPS.
- Issues related to licenses with specific license provisions.
- Scope of work for Kabul Electricity Distribution (KED).
- Licensing based on provincial distribution system territory.
- Substantive conditions of the licenses to be included in the Electricity Law.
- On November 24, 2009 USAID/EGGI Legal and Regulatory Advisor met with Dr. Jalil Shams in his capacity as the DABS CEO and Minister of Economy. He reiterated support for EGGI using MOE training center facility for the regulatory training, highlighting its independence as an important step in its function. He also informed the likely steps he will be taking in the organization of DABS in order to facilitate the licensing requirements of the law. EGGI shared with him a copy of the law and the draft license for NEPS. He also indicated that he has named an individual from the MOE to review the draft law and that he personally will be reading the law and draft license for comment. Dr. Shams also informed EGGI that he had recently signed an Agreement with AISA for the building of a transmission line for the industrial park in Jalalabad and that a private party will be taking over the operations and maintenance of the project.

Challenges/Solutions:

Nothing to report.

Next Steps/Planned Activities

- EGGI MEW advisors will travel to Herat in February and Mazar-e-Sharif in March to:
 - Inform the MEW subnational staff and other GIROA parties about the reforms, including the draft law, the regulator nucleus and the forthcoming licensing
 - Inform the Governor, the PDC, ACCI, AISA and other interested parties about these reform activities
 - Conduct a public consultation on the draft energy law
 - Meet with potential investors in the energy sector

Regulatory Reform

Achievements:

- Drafted implementation strategy which was presented to USAID and shared with MEW.
- The EGGI advisors met with Dr. Shams, CEO of DABS and shared with him an outline for the strategy for regulation. Both Counterparts were in agreements with the products.

Challenges and Solutions:

- Once a week meetings are not enough to finish the law in time. It is recommended to meet with a select people from Regulatory Nucleus and Interim Board on a daily basis after three pm to complete the law.
- Numbers of Interim Board members are insufficient. Increase in number of board members by introducing more names to Minister for approval is recommended.
- Engagement of stakeholders in the process requires more attention. To address this issue, the MEW has sent letter to stakeholders and requested them to send representatives

Next Steps/Planned Activities:

- N/A

Result F: Industrial Parks

- Assessment of the Industrial Parks: EGGI's Industrial Parks Adviser carried out an assessment of the industrial parks program in light of the proposed creation of the Afghanistan Industrial Parks Development Agency. The objective of the assessment is to identify gaps in the existing and proposed industrial park development frameworks, particularly in terms of the alignment of the program with market demand, both by potential tenant companies and potential private sector Public Private Partnership (PPP) partners. In support of the assessment, a series of meetings with MOCI, Afghanistan Investment Support Agency (AISA), ACCI (Afghan Chamber of Commerce and industry), Harakat, Afghanistan Small Medium Enterprise Development (ASMED), and private investors in the Bagrami industrial park were held.

Next Steps/Planned Activities:

- The industrial park advisor Markus Mueller will return to Kabul in January 2010 to continue his research on industrial parks and to deliver a deep and insightful roadmap for industrial parks to MOCI.

Result G: Coordination Meetings

- USAID/EGGI team met with Afghanistan Parliamentary Assistance project (APAP) team to coordinate their activities and work plan for parliament. The participants were EGGI acting chief of party, EGGI parliament team member and APAP chief of party, APAP legislative specialist and their budgeting team on Dec30th, 2009. APAP presented 2 informational presentations on their activities. First one was by their technical advisor on APAP organization development at parliament. The second presentation was a detail overview of APAP assistance to budget development within the parliament. Accordingly, EGGI team made comments and offered information on their activities in Parliament. Overall the meeting was a good exchange of information.

Next Steps/Planned Activities:

- EGGI will follow up with other meeting in a few weeks to exchange further information and suggestions and will reach a conclusion on how to best avoid the duplication in parliament.

Result H: Coordination Meetings

- USAID/EGGI team met with Richard Nash who is the World Bank financial and private sector development officer. The discussion was on the EGGI activities to improve the business environment. The participants discussed the best approaches for USAID and World Bank to take to enhance the World Bank indicators and to avoid duplications. As a result of this meeting EGGI work plan was approved since there is no duplication and EGGI will make two specialised bankruptcy advisors will arrive in January to device the bankruptcy specific work plan and activities.

Next Steps/Planned Activities:

- EGGI will have more meetings with World Bank to discuss further on the business indicators and other enabling the business environment issues.

Afghan Leadership & Partnership

- EGGI office is in the process of recruiting more CCNs of the project, the plan is that they get more involved with the work and soon lead most of the project activities
- Trough various meetings with the international advisors the concept of working closely had been emphasized and we are making sure that our advisors are merely doing the advisory work.

Afghan Participation

- During the workshops that EGGI holds, discussions actively being held and Afghan colleagues and Ministry members are being encouraged to express their opinions and suggestions for improving the systems and tackling the issues.

Afghan Capacity Building

- The team leaders in each area of activity have already hired or are in the process of hiring so called “twins” who are CCNs who will shadow them in all their activities. After a while these individuals will have good hold of the issues within the leaders’ area of responsibility. This is a good practice to involve Afghans with high potentials into the technical work in various economic growth areas. It will lead to building their capacity further to be the future leaders and project managers for Afghanistan.
- The EGGI/NEC team work very closely with the research member of the head of NEC and help him learn the best methods for research.

Component 3: In Country Advisors

- Oliver Dziggel, Component 3 Team Lead (Off Site Approved)
- Malalai Wassil, Commercial Law & Regulatory Reform, Legal & Regulatory Advisor
- Paul Ballonoff, Regulatory Reform, Energy Advisor
- Kevin Fogarty, Commercial Law Advisor
- Marks Mueller, Industrial Parks Advisor
- Monique Courchesne, Business Registration & Licensing, ACBR Sub Component Leader

- Malalai Mehrabi, Business Registration & Licensing, ACBR Implementation Leader

Component 4: Sub-National Implementation & Cross Cutting Issues

EGGI Sub-National Implementation Plan

Achievements:

- Through active consultations with Government of the Islamic Republic of Afghanistan (GIROA) central government ministries and EGGI component advisors, reached consensus on priority initiatives to advance at provincial level. Priority initiatives will focus on activities directly related to EGGI component activities with Central ministries and Civ-Mil cooperation. EGGI Sub national Component team, presented the Sub-National Implementation plan to USAID COTR and received approval for proceeding with establishment of Western Region (Herat), as well as initiation of full staffing efforts for remaining four regions (North-Mazar, Northeast-Kunduz, East-Jalalabad, South-Kandahar).
- On November 15, 2009, the USAID/EGGI West Regional Office organized a Business Roundtable Event that provided an open forum for Herati businessmen, women, and trade association representatives to express its key business priorities and concerns with senior officials of the GIROA and USG. The roundtable covered a wide range of issues, including a tariff regime to better support Afghan producers; subsidy programs for key industries; management of inflation to protect producers and consumers; support to agricultural sector especially for Saffron cultivation activities; security; and anti-corruption.
- The Business Roundtable was moderated by the Acting Herat University Chancellor, Professor Mir Osman Bariz Hossaini, and the head table panelists included Assistant Ambassador Anthony Wayne, USAID Mission Director William Frej, Herat Governor Ahmad Yosuf Noristani, Minister of Commerce and Industry Wahidullah Shahrani, and the Chairman of the National Economic Commission Mr. Haji Aziz Ahmad Nadem.
- Ambassador Wayne emphasized that strong private-public sector dialogue is necessary to achieve improvements and pledged USG support to strengthen the policy, legal and regulatory environment for business activity and improved government service delivery to the private sector. As part of the USG Afghan First policy issued on October 29, 2009, Ambassador Wayne also committed that every effort will be made to ensure American forces, diplomats, officials and civilian contractors living in Afghanistan will purchase Afghan goods moving forward.
- The Business Roundtable concluded with all parties agreeing that this event marks the beginning of a stronger partnership between government, donors, and private sector and that ongoing dialogue is necessary in order to meet the needs of the private sector.
- On November 18, 2009, the EGGI West Regional Manager participated in the Private Sector Development Sub-Committee (PSD-SC) of the Herat Provincial Development Committee (PDC). Twenty participants, composed of business representatives, the Herat Industrial Union, the PRT CIV-MIL Specialist, and the USAID Development Coordinator for RC/West, discussed ideas for strengthening the effectiveness of the PSD-SC and ways in which donor programs can support the group. Historically, the PSD-SC has not been very active, suffers from a lack of GIROA support, and has no funding to advance key initiatives for private sector development, as delineated in Pillar III of the Afghanistan National Development Strategy (ANDS). EGGI identified the PSD-SC as an appropriate “Afghan Structure” to take

the lead role in advocating for and actively advancing business environment reforms. The PSD-SC is a recognized body within the Herat PDC and holds established relationships with businesses, trade unions, NGOs, and women groups. Meeting participants highlighted main challenges preventing greater business activity, Afghan production capacity, and private capital investments, all of which are consistent with the views expressed in the EGGI counterpart engagement meetings and at the Herat Business Roundtable held on November 15, 2009. The EGGI advisor emphasized the necessity for the PSD-SC to focus on solutions and collective action to bring about meaningful change. Next steps include drafting a Terms of Reference for the PSD-SC, formalization of the SC members, and securing a modest level of funding and technical support to advance the work of the PSD-SC. EGGI will present a PSD-SC Concept Note of support to USAID for its consideration.

Challenges and Solutions:

- Provincial level government agencies and directorates suffer from insufficient budget allocations, poor working facilities, and limited responsiveness from the Center. EGGI advisor engagement at the Center can help improve operational and budget support for Central ministry directorates and agencies; EGGI is also being cautious about agreeing to operational budget and staff augmentation support that pressures counterparts to take appropriate actions.

Next Steps/Planned Activities:

- N/A

Western Region

Achievements:

- The EGGI Western Regional Manager completed a 6-day mission to Herat Province in preparation for establishing regional based activities. In addition to project set-up tasks, the advisor and national staff member held fact-finding meetings with both government and non-government entities, seeking to understand the challenges faced in Herat and western region provinces and identify potential areas of EGGI support aligned with component objectives. Discussions were held with the Afghanistan Electricity Company (under the Directorate of Energy and Water), the Directorates of Water and Sanitation, the Chancellor of Herat University (under Directorate of Higher Education), and the Afghanistan Chamber of Commerce and Industries (ACCI, which has wide-spread ties to private sector trade unions).
- Issues raised confirmed much of what EGGI component objectives are crafted to address: there is little awareness of and implementation support for economic initiatives emanating from the center, that private sector development is hindered by inefficient and inconsistent government support services, and that reliable (and affordable) electricity supply and modern transportation infrastructure remain major obstacles to reaching higher Afghan production capacity and industry competitiveness. With respect to the Heart University, EGGI will consider a partnership package that offers EGGI-sponsored internships (practical work-experience), joint execution of a University Lecture Series focused on core EGGI themes (awareness and youth engagement), and mobilization of University resources as part of a broad-based effort to increase awareness, education, and advocacy on enacted and pending legislation in the commercial and financial sectors (“the benchmark laws”).

- The meeting with ACCI also yielded substantive ideas for improving the business operating environment, with the ACCI representative emphasizing that private businesses under membership stand ready to collaborate with government to achieve sustainable job creation, stable economic growth, and competitive Afghan industries. The findings are being used to further refine the EGGI action plan for sub-national operations, which envisions a core set of activities and targeted counterpart assistance relevant to Afghanistan's major economic provincial centers.
- EGGI commenced operations for the Western Region with a two-day counterpart engagement series taking place October 31 2009 and November 1, 2009. The delegation included USAID Deputy Director for the Office of Economic Growth, a USAID Program Management Specialist (Economic Growth Office), the EGGI Chief of Party, and the EGGI Component Lead for Sub-National Implementation, and the EGGI Western Region Program manager. Also in attendance were the USAID Development Advisor for Regional Command/West and the US Department of State representative in Herat province. The delegation met with several EGGI counterparts including:
 - Provincial Governor
 - Commander, Provincial Reconstruction Team, Herat
 - Western Region Director, Da Afghanistan Bank
 - Director, Economy Directorate and Provincial Development Committee (PDC) Secretariat
 - Director, Licensing Directorate of Commerce and Industry
 - Revenue Director, Herat Mustofiat (Finance Directorate)
 - Regional Manager, AISA
 - Chief Executive, ACCI Herat Regional Office

The meetings yielded a valuable set of activities to pursue, including EGGI support for provincial level economic policy/ANDS implementation, introduction of core central bank functions into the DAB Regional Management Office, establishment of automated Afghanistan Central Business Registry, strengthening of public treasury management, budget development execution, and improvement of the business operating environment.

Counterparts expressed appreciation for USAID's substantive effort in Afghanistan's development and remarked positively about EGGI core focus areas. The EGGI Western Region Program Manager is now resident in Herat and coordinating implementation of the initiatives discussed with EGGI-Kabul based advisors, other donor program implementers, and Herat based counterparts. Following consultations with USAID on proposed support areas, EGGI will also open regional programs in Mazar, Jalalabad, Kunduz, and Kandahar.

- Primary activities over the period of performance centered on identification of potential EGGI partners to advance program objectives, to include GIROA directorates and agencies, NGOs active in Herat and Western Region, USAID and other donor programs complementary to EGGI activities, and PRTs/military entities engaged in development work. EGGI West Region also hosted a DAB Monetary Policy Team December 1-3, 2009 to commence DAB West Region staff training in the monetary policy and statistics function. The EGGI West Region team conducted 14 counterpart/EGGI partner meetings reaching a total of 129 individuals covering all core EGGI component areas. Key achievements of EGGI West Region include:
 - Organized training for 14 DAB West Region staff, conducted December 1-2, 2009 on Monetary Policy and Macroeconomics. Particular attention was devoted to central bank

functions under the Law on DAB, monetary policy analysis and instruments, currency in circulation management and targets under the IMF PRGF Program, and economic modeling and analysis. The training, delivered by the DAB Deputy Director for Statistics and supported by the EGGI Macroeconomic Advisor and EGGI Inflation Specialist, represents an important step toward full implementation of the Monetary Policy function in DAB regional offices.

- In addition to the DAB Monetary Policy Training, the DAB team also delivered a student lecture December 2, 2009 and hosted an EGGI Economics Roundtable December 3, 2009, both of which centered on the role of DAB in creating a sound macroeconomic environment for private sector-led economic growth. The student lecture included a discussion on careers in central banking and finance as well as a tour of the DAB West Region facilities. These events address key EGGI cross-cutting objectives aimed at youth engagement, knowledge and information exchange, and generating a stronger base of actors increasingly informed and engaged in economic growth and governance affairs. Participant data is provided in the Meeting Table.
- Drafted a Terms of Reference (TOR) for Herat Private Sector Development Sub-Committee (PSD-SC) of the Provincial Development Committee (PDC), currently chaired by AISA. The TOR document was presented at a PSD-SC members meeting on December 20, 2010 for review. A revised TOR, reflecting member inputs and identifying priority activities for the next six months, has been prepared and will be presented at the next PDC meeting (likely to take place end of January 2010). As previously reported, EGGI will provide secretariat and modest funding support for PSD-SC administration and task execution, which, as underscored in the TOR, centers business enabling environment objectives.
- Organized a one-day visit for the EGGI Industrial Parks Development advisor to the Herat Industrial Park (HIP) on December 16, 2009. Participants included 30 managers/owners of HIP production companies to discuss challenges and opportunities to increase productive capacity of HIP industries. Participants observed that there exists tremendous potential to increase output at HIP and owners are willing to make capital investments provided key enabling environment objectives are addressed. Improvement of enabling environment areas are being addressed by the PSD-SC (referenced above) and EGGI is supporting this work.
- The EGGI West Region advisor participated in two meetings with AISA, DFID/ASI national consultant, and the Herat Mustofi to plan for conducting Tax Awareness and Outreach activities targeting the Herat business community. A 3-day Tax Awareness Workshop has been scheduled for January 10-12, 2010 to respond to complaints that insufficient effort has been made to educate businesses of new tax laws/amendments, tax filing obligations, wage withholding requirements, and other tax-related matters. It is reported that many businesses are being assessed penalties for non-compliance of tax law for which they are unaware. This activity is a PSD-SC initiative lead by the Herat Mustofiat with some support by EGGI. DFID/ASI national staff is providing primary support for this activity.
- The EGGI NGO engagement coordinator (CCN) held three meetings with different NGOs active in Herat province, seeking to identify potential EGGI partners from the NGO community to advance component objectives. The EGGI engagement coordinator aims to hold 10 additional meetings with NGOs and provide recommendations on 3-5 appropriate NGOs with whom EGGI may partner.
- The EGGI West Region advisor conducted a meeting with a GTZ water engineer to discuss possible support for improving water services and canalization work at the Herat Industrial Park (HIP). The GTZ representative agreed to present a proposal to GTZ senior management

for funding and technical support to improve this aspect of the HIP – a key development objective outlined by HIP industrial companies.

- The EGGI West Region advisor conducted two meetings with the ACBR office now active in Herat province. The ACBR manager reported substantial business registrations since the opening on November 15, 2009, and positive feedback from businesses performing their registration duties. Key issues reported include extremely low salaries of ACBR staff (3,000 AFN monthly), no payment of salaries since inception of their work, and no transportation facilities or budget for staff to conduct business travel. The EGGI West Region advisor is providing this feedback to the EGGI Component 3 team for action.
- The EGGI West Region advisor conducted a meeting with Da Afghanistan Breshna Sherkat (DABS/electricity company) to prepare for a proposed visit by EGGI energy advisors 2nd or 3rd week of January. The advisor presented an overview of the EGGI program and electricity/energy reform activities underway in Kabul. The DABS representatives presented the challenges currently faced with respect to electricity supply and distribution, business administrative and operational issues, and lack of attention from Kabul Head Office to support resolution of issues identified.

Challenges and Solutions:

- Cooperating Country National staff candidates for the EGGI West Region office have been selected through open competition, to include a Deputy Program Manager, a Monitoring, Evaluation, and Reporting officer, and two Business Analysts. However, the on-boarding process is moving extremely slowly. The advisor is working with EGGI Kabul to accelerate completion of the on-boarding process and have the new staff members in place by January 15, 2010.
- As documented in previous reports, the ability of EGGI to advance objectives at the regional and provincial level demands attention from the center – GIROA ministries/agencies and EGGI component advisors based in counterpart ministries. More attention is required from all concerned actors in order to make meaningful progress. The advisor has emphasized these views and continues to coordinate closely with EGGI management and component team leads to ensure proper attention and resources are devoted to the sub-national effort.

Next Steps/Planned Activities:

- Follow-up on the DAB Monetary Policy and Macroeconomics training to ensure DAB and EGGI Component 2 advisors are coordinating to implement this function at DAB regional offices.
- Schedule a DAB financial sector supervision mission to commence implementation of this core central bank function at the DAB regional offices. The EGGI West Region advisor will prepare an action-plan for discussion and presentation with DAB management and EGGI Component 2 advisors, targeted for completion the second week of January.
- Provide support for the execution of the Tax Awareness and Outreach Workshop scheduled from January 10-12, 2010. EGGI has been asked to rent chairs for the Workshop (held at the Herat Mustofiat Conference Hall) and assist with general organization of the event.
- Participate in the PSD-SC meetings and supports the SC identify concrete, practical steps to make meaningful progress toward enabling environment improvements. January activities include: 1) Tax Awareness and Outreach, 2) economic impact analysis on differing tax rates

and customs tariff, 3) completion of needs assessment at the Herat Industrial Park, and 4) completion of the Private Sector Development inputs into the 1389 Provincial Development Plan.

- Complete meetings with NGOs and submit recommendations to EGGI Kabul. It is hoped that EGGI will be able to select 3-5 NGOs with whom to partner to advance component objectives.
- Complete first draft “operating environment” document (ASCOPE) of Herat Province.
- Schedule and facilitate a planned visit by EGGI Energy advisors with the aim of identifying energy services currently active, provide overview to concerned organizations of the draft electricity law and proposals for the establishment of an independent electricity regulator, and identify potential Afghan investors interested in developing and offering electricity services.

Eastern Region

Achievements:

- Since the opening of ACBR Jalalabad in July 2009, 290 businesses have registered at the one-stop shop serving the Eastern region of Afghanistan.
- USAID approved Ms. Marcia Ocomy to serve as the Eastern Region Regional Program Manager (RM-East). RM-East will arrive on December 1, 2009 to begin EGGI Eastern Region activities.
- USAID/EGGI Advisors rolled out a revenue reconciliation database system at the Jalalabad Mustofiat from December 6 – 11, 2009. Three EGGI staff members who are based in the Central Ministry of Finance trained 8 revenue staff in Jalalabad on the database system use including Jalalabad Mustofiat (4), Jalalabad Customs Office (1), Da Afghanistan Bank (2), and Torkham border staff (1). The one-day training session primarily covered how to use the revenue reconciliation system to generate reports on revenue collections. The revenue reconciliation database system is an interim solution pending the full rollout of the SIGTAS system in 2011. The EGGI program will implement the database and provide training in all 34 provinces.

Challenges and Solutions: Nothing to Report.

- EGGI program accommodations in Jalalabad have received a direct security threat, and therefore, activities will be suspended in Jalalabad until a new accommodation can be secured. EGGI Security and Operations teams are actively seeking alternative solutions for advisor accommodation. During the interim period, the RM-East will be re-tasked to research provincial budget and budget execution mechanisms in support of ANDS priorities. This research is intended to lead to a pilot program on provincial budget execution for the East region.

Next Steps/Planned Activities:

- N/A

Southern Region

Next Steps/Planned Activities



- EGGI ACBR Implementation advisor will travel to Kandahar in December to conduct an initial site survey in preparation for ACBR implementation in Kandahar.

Northern Region

Achievements:

- ACBR Mazar office was opened on October 1, 2009. H.E Minister Shahrani congratulated the EGGI advisors on their recent opening ceremony of the ACBR in Mazar in meeting in Washington DC. The Minister is looking forward to a similar success story of the ACBR opening in Herat anticipated in November, followed by Kandahar (end 2009), Kunduz (early 2010) and Khost (early 2010). Upgrading the information technology was highlighted as key area of support to the ACBR by the Minister in the meeting. During its first month of operations ACBR registered 71 businesses from the Northern Region provinces.
- The EGGI Northern Region Regional Manager (RM-North), Mr. Brian Graul, arrived in Afghanistan on November 17, 2009. RM-North travelled to Mazar in late November to prepare for full launch of EGGI program activities. RM-North conducted interviews for EGGI local professional staff for the Mazar office, selecting three for initial hiring, including the Deputy Regional Manager position.
- Organized a series of counterpart engagement meetings to announce the launch of the EGGI project in the Northern Region. Participants included the Afghan Chamber of Commerce and Industry (ACCI), the Afghanistan Investment Support Agency (AISA), the Balkh Economics Directorate, the Balkh Mustofiat, the Ministry of Commerce and Industry's Balkh Licensing Agency, and the Northern Regional Manager of Da Afghanistan Bank, USAID and EGGI advisors. During the meetings, USAID and EGGI staff provided an overview of the EGGI project, including a discussion of the project's strategic objective of improving the capacity of provincial governments to implement economic reforms. The information obtained during these meetings was used to refine EGGI project planning in the Northern Region and to define immediate next steps, as described below.
- Facilitated meetings between the AISA, the Ministry of Commerce and Industries' Industrial Parks Management team, representatives of the private sector and the EGGI industrial park development advisor. The meetings were held to gather information for the advisor's forthcoming recommendations to the Minister of Commerce and Industries (MOCI) regarding the establishment of a new industrial park institution in Afghanistan under the auspices of the MOCI. The visit included field trips to both the AISA and MOCI supported industrial parks to observe the level of investment and business activity within them. The advisor's recommendations are forthcoming in mid-January, 2010.
- Organized a meeting with the Ministry of Communication and Information Technology (MCIT) Director General of ICT and EGGI project advisors to inform him of the project launch in the Northern Region and to discuss the status of ICT initiatives there. According to the Director General, current activities consist largely of training in basic ICT skills such as the use of office productivity software (word processing, spreadsheets, email and internet use) and data networking. During the meeting, the EGGI advisors obtained permission to meet with local representatives of the MCIT. Next steps will be to meet with these representatives to assess the extent of ICT penetration within GIROA agencies in the region, determine the gap between current capabilities and needs, and, where appropriate, develop a plan for addressing those needs.

- Established a permanent office presence in Mazar-e-Sharif and began recruiting CCN staff for the Northern Region. Four candidates have been identified, the hiring process has been initiated and start dates during the month of January are anticipated.

Challenges and Solutions:

- CCN staffing is currently the most significant challenge. This will be addressed during the month of January 2010 as candidates who were identified in December 2009 begin work.

Next Steps/Planned Activities:

Following is the list of Next Steps identified during the course of counterpart meetings in December:

- *Industrial Park Development, AISA/MOCI*
 - Develop a tool for monitoring regional Industrial Park (IP) activity. Provide periodic (monthly or quarterly) reports on IP activity in the Northern Region.
 - With USAID's approval, provide a copy of the forthcoming EGGI report on Industrial Parks in Afghanistan to AISA and MOCI in Mazar. Markus Mueller, an EGGI advisor with expertise in Industrial Parks development, visited AISA and the Industrial Parks in Mazar on December 14th. His report is forthcoming in mid January.
- *Economy Directorate*
 - Engage the Economy Directorate through the Private Sector Development Subcommittee. An invitation to their next meeting on 6-January 2010 has been received.
 - Engage the Economy Directorate through the Balkh Provincial Development Council. If the PDC is receptive to the notion, embed an EGGI CCN staff member with the PDC to assist with determining the implementation status of the Balkh Provincial Development Plan.
- *Balkh Mustofiat*
 - Meet with the Private Sector Committee of the Mustofiat to gain an understanding of their role in private sector enablement.
 - Research and determine, to the extent possible, budget execution details for the Northern Region by province.
 - If approved by MOF, provide the Mustofiat with information regarding LTO/MTO reform.
- *MCIT representatives, Mazar-e-Sharif*
 - Engage with local representation of the Ministry of Communications and Information Technology re. District/ Village Communications Networks and possible pilot project in the ICT / e-government arena.
 - Assess ICT penetration in key GIROA agencies in Mazar-e-sharif.

North-Eastern Region: Activity has not yet commenced

Southern Region: Activity has not yet commenced

Donor Coordination, Stakeholder Engagement, PRT and Provincial Reach, Gender Mainstreaming

Achievements:

- EGGI advisors met with DFID-Funded Advisors (ASI) to discuss the SIGTAS program and potential for use of its Business Registration Module. ASI provided a demo of the system and general issues for consideration of shared-use were discussed. EGGI and ASI advisors will meet again in November to discuss in more detail issues of concern surrounding TIN and ACBR registration numbers. In addition, it was noted that EGGI may be able to assist the ASI/SIGTAS program with some of its provincial rollout efforts.
- EGGI advisors also Met with IFC to discuss the Harakat-funded Business Licensing Project, scheduled to commence in December 2009/January 2010 in conjunction with the MOCI. EGGI Advisors provided the IFC team with background information on USAID-funded registration and licensing reform work to date. The IFC described their proposed approach to licensing reform.
- EGGI Component 1 and 4 advisors met with DFID and ASI to discuss areas for potential cooperation on Tax and Budget reforms under MOF. Through sharing of work plans, USAID/EGGI has offered to support sub-national implementation of tax administration reform through a pilot program in Herat. Details of the pilot will be further considered over the course of the next month.
- EGGI Component 3 and 4 advisors met with MRRD's AREDP program representatives on November 12, 2009 to discuss areas for cooperation on sub national implementation as well as on enabling environment cooperation. AREDP is designed to promote community enterprise development and access to finance. AREDP program representatives were interested in cooperating with EGGI on enabling environment for private sector development (component 3) and sub national implementation (Component 4) activities. Areas for cooperation will be further developed over the coming months.
- USAID/EGGI Gender Mainstreaming Coordinator with collaboration from Kabul University introduced nine female university students from the Faculty of Economics for interviews with USAID/EGGI Insurance Advisor at the Ministry of Finance for participation in the EGGI Internship Program. The individuals meeting the necessary requirements of the three University Economy students are under process and they will be placed in the Insurance Department as interns and will participate in all aspects of the insurance training program. Key objectives of the training program is to train the young female university graduates in various insurance concepts such as claims, risk management, underwriting and expand their experiences in order to assist them in making a successful transition from the university to work. It is anticipated that the interns will become an asset to the insurance department and at the end of the program become fulltime employees or be placed within the insurance industry.
- Commenced working with EGGI ICT staff to create a Special Zone for Gender Mainstreaming activities in EGGI portal [www.eggi.af], providing guidance for all users especially for University and school graduates.
- A meeting was held on December 15, 2009 with the Policy and Technical Deputy Minister Prof. Sayeda Mozhgan Mostafawee of the Ministry of Women's Affairs. The EGGI Gender Mainstreaming Coordinator briefed the Deputy Minister on the EGGI Internship Program, explaining the significance of the program for the new graduates in securing full time

employment. Ministry of Women’s Affairs welcomed the initiative and agreed to provide opportunity for 20 university students as initial step and will try to provide the entry level jobs for some successful, productive interns upon completion of the internship period.

- The EGGI Gender Mainstreaming Coordinator re-launched Basic English Language Training course for EGGI supports staff, which started in July 2009 under the AEGPSS program. The purpose of this training is to enable these staff to communicate in English. The course will be conducted regularly for three days a week, currently for four women and six men.

Challenges and Solutions:

- Nothing to Report

Next Steps/Planned Activities:

- USAID/Deloitte Gender Mainstreaming Coordinator has proposed to develop a guiding brochure for the Internship Program, a tool to help Interns gain overall program goals, duration & types.

Information Technology & Communication Solution

Achievements:

- Structural elements of the external website have been developed.

Grants

Next Steps/Planned Activities:

- N/A

Afghanization

- EGGI Western Region has taken first steps to reinvigorate the Private Sector Development Subcommittee of the Provincial Development Committee (PSD-SC) as the Afghan body in the regions for promoting enabling environment reforms and public-private dialogue (see November highlight from Western region). EGGI will assist with developing terms of reference for the PSD-SC and will support implementation of select EGGI supported activities through the PSD-SC.

Challenges and Solutions:

- Nothing to Report

Next Steps/Planned Activities:

- N/A

Component 4: In Country Advisors

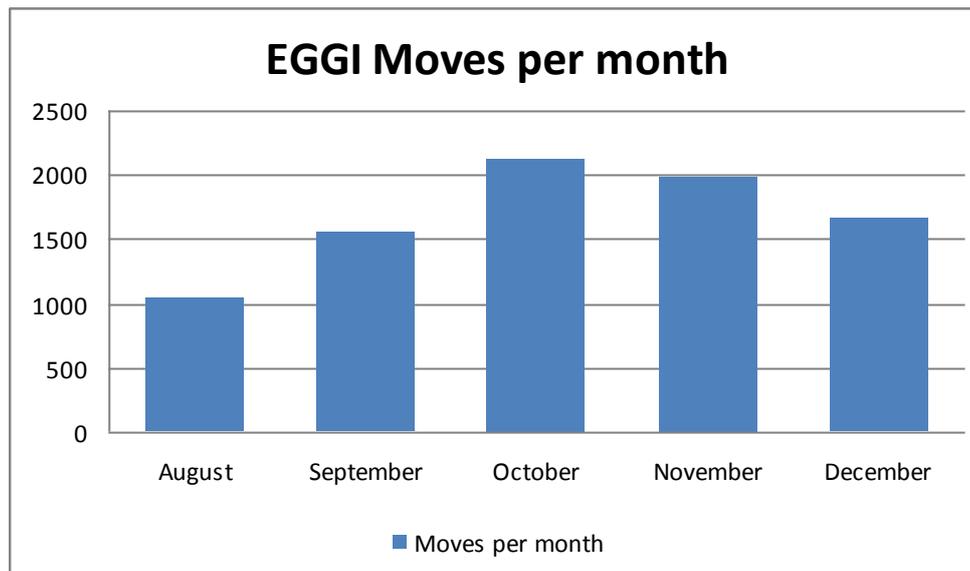
- Tracy Lane – EGGI Component 4 Team Lead (Returns on/about 5 January 2010)
- Patrick Weide – EGGI Regional Program Manager, RC/West

- Brian Graul – Regional Program Manager, RC/North
- Marcia Ocomy – Regional Program Manager, RC/East

EGGI Security Service

Activity Level

- Total number of advisors in country during the reporting period: 28
- Number of vehicle moves in November: 1993
- Number of vehicle moves in November: 1654



Venue Assessments

- 23 new venue surveys
- 25 venue survey reviews

Travel

- No of Arrivals from November 1, to December 31, 2009: 38
- No of Departures from November 1, to December 31, 2009: 47

Training for Global Security Group

- GSG-001 Orientation, mission overview: 2 trainees
- GSG-002 Threat overview: 2 trainees
- GSG-006 Incident reporting: 2 trainees
- GSG-017 Basic Surveillance Detection: 200 repetitions
- GSG-008 Basic Fire Fighting: 200 repetitions
- GSG-011 Guard Force Communications: 200 repetitions
- GSG-012 First Aid Stopping Bleeding: 200 repetitions
- GSG-025-MST Operations: 6 trainees
- GSG-030 Working with Bravo units: 2 trainees



- GSG-046-Emergency Casualty Transport: 2 trainers trained (QRF TLs to give class to all drivers, shooters, guards, supervisors during DEC)
- GSG-049 Incident Communications: 6 trainees
- ROE refresher brief: 10 trainees
- AK-47 Normal Safety Procedures: 4 trainers trained (Field Supervisors to give limited scope performance test to all shooters, guards, supervisors during DEC)

Training: Refresher

- Conducted GSG-022 Leadership Training for two new Supervisors.
- Conducted Refresher Training for all Personnel on the following classes:
 - GSG-009 IED Component Recognition
 - GSG-012 First Aid/Casualty Assessment
 - GSG-014 Operational Security
 - GSG-016 First Aid/Burn Treatment
- Field Supervisors Conducted AK-47 Normal Safety Procedures (NSP) Refresher Training with all Escorts, Supervisors, and Guards.
- Field Supervisors conducted Rules of Engagement (ROE) Refresher Training with all Escorts, Supervisors, and Guards.
- QRF TLs Conducted GSG-046 Emergency Casualty Transport class/practical with all Guards, Supervisors, Drivers, and Escorts.
- Conducted AK-47 Range Refresher Training with twelve Guards, Supervisors, and Escorts.
- Conducted NP22 Handgun Refresher Training with five Escorts.
- Conducted Room Clearing practical training (to include basic breaching and casualty evacuation) at KMTC Range 4A MOUT Facility with QRF Team 1&2.
- Scope performance test to all shooters/guards/supervisors during Dec.

Training: Drills

- OPS Room move to second site exercise: Duty Staff
- Recall Exercise x 4: 4 Staff

Training Preparation / Revision

- GSG-006-Incident Reporting Revised
- GSG-032-Fundamentals of Room Clearing Revised
- Shotgun Training QRF

Additional Training

- H1N1 awareness and prevention: 12 Deloitte House Managers
- Conducted Room Clearing practical training (to include basic breaching and casualty evacuation) at KMTC Range 4A MOUT Facility with QRF Team 1&2.

Vehicles

- On November 15, 2009, 11 soft skin vehicles were replaced with vehicles from a new supplier in order to improve the condition of the fleet and response when vehicles require servicing or repairs.

Counterpart Meetings and Trainings

Appendix A: Meetings

Meetings

Component 1: National & Regional Economic Policy; Ministry of Finance

Date	Topic of Meeting	Objective	# Attended/Cadre
2-7/10/09	World Bank-IMF Annual Meetings	Participated with Minister in many meetings with IMF, World Bank, and officials from foreign delegations	50
7/10/09	Meeting with Deputy Secretary of Finance of Turkey	Discussed Technical Assistance and Capacity building at State Owned Bank	5
7/10/09	Meeting with Deputy Governor of the Central Bank of Turkey	Discussed Technical assistance for restructuring of state own Banks	5
10/10/09	Meeting with Afghan Businessman	Discussed "letter of credit" and commercial debt owed to Businessman by the Russian Federation	6
10,12/10/09	Meetings with MOF Director General for Budget	Discussed several budgetary issues and mechanisms, including ARTF	4
13/10/09	GIROA meeting led by Deputy Minister for Finance	Obtained updates on reforms required by ARTF incentives' program	30
13/10/09	ARTF Management Committee	Discussed current ARTF issues	10
13/10/09	Minister meeting w/Amb. Wayne	Discussed topical issues	5
14,27/10/09	MOF Task Force on Customs and Revenue Efficiency	Developing strategy to improve efficiency and effectiveness of ACD and	15



		ARD	
14/10/09	Meeting with the WB/ Custom Group	Discussed Governance and accountability action plan	12
14/10/09	Meeting with CEO of Bank-e- Millie	Discussed Islamic Banking	3
14/10/09	Meeting with China Railway Co	Discussed their compliance with work requirements	3
15/10/09	MOF meeting on ARTF	Discussed MOF views on ARTF financing strategy	10
15/10/09	Meeting with Minister of Lithuania	Discussed issues of security Governance and corruption	15
15/10/09	Special Procurement Meeting	Discussed Procurement issues	12
17/10/09	Minister meeting w/World Bank country manager	Discussed project negotiations	5
17/10/09	Meeting with Procurement Policy Unit	Discussed hydrocarbon regulations	6
18/10/09	Meeting on Arianna	Discussed Arianna's current situation	12
19/10/09	Working dinner with World Bank official visiting from DC	Discussed WB reform programs	2
19/10/09	Meeting with Revenue Department	Discussed Senior Provincial Program Coordinator Position	2
20,26/10/09	Working dinners w/World Bank and IMF	Discussed HIPC and IMF program reforms	40
21,25/10/09	Minister meetings w/World Bank and IMF	Discussed progress on HIPC reforms and IMF PRGF program status	15
21/10/09	GIROA Technical Coordination Committee (TCC)	Obtained updates from GIROA on IMF benchmarks and discussed the benchmarks w/IMF mission	50
21-26/10/09	Meetings with World Bank HIPC mission and relevant GIROA officials	Discussed status of HIPC triggers and gathered the required evidence	20
21/10/09	Meeting with DAB Governor	Discussed bank's supervision	2



24/10/09	Meeting with Minister of Mines and World Bank HIPC mission	Discussed the status of and way forward on the draft minerals regulation	15
24/10/09	Working dinner with World Bank country manager	Followed upon some issues from WB-IMF annual meeting	2
24/10/09	Meeting with Revenue Department	Discussed how to increase on, taxes, and implementation of new tax laws and policy.	3
25/10/09	Meeting w/MOF and World Bank to Bank budget support (DPG)	Obtained updates from MOF on status of DPG-related reforms	15
25/10/09	Meeting with HIPC mission and Minister's staff on EITI	Discussed how to implement the elements of EITI required for ARTF incentives program	3
25/10/09	Meeting with Procurement Policy Unit	Discussed Ministry of Defense Procurement of pharmaceutical products	4
26/10/09	Meeting with HIPC mission to discuss outstanding issues	Discussed what needs to be done by GIROA before the WB Board discussion in Jan.	2
26/10/09	Meeting w/WB mission to discuss ARTF reforms' status	Discussed the status of ARTF incentives program reforms and how to move them forward	3
27/10/09	Meeting w/MOF Treasury to discuss an audit issue	Discussed the process for completing audits of WB projects from 1387	2
27/10/09	Presentation by DFID consultant on sector-wide approaches (SWAps)	Presented the results of an assessment of certain sectors for their readiness for SWAps	30
27/10/09	Meeting at the Italian Embassy	Signing ceremony between Afghanistan and Italy on Microfinance Credit	20
28/10/09	Presentation by EGGI staff to USAID	Presented overview of works to USAID officials	30
28/10/09	Meeting w/COP and short-term advisor	Discussed non-tax revenue areas	4
28/10/09	Meeting with Siemens of Afghanistan	Discussed taxes owed to the Afghanistan	3



2009-11-04	Work lunch with UK DFID officials to discuss coordination activities	DFID, EGGI	5
2009-11-10	ARTF quarterly donors meeting with Minister and donors	ARTF donors, MOF, EGGI	30
2009-11-11	Press conference/signing ceremony for ADB water sector program	MOF, ADB, Press, EGGI	40
2009-11-11	Issues affecting doing business as a private insurance company in Afghanistan	Insurance Corporation of Afghanistan, EGGI	10
2009-11-11	Accomplishments and issues for the National Insurance Company	National Insurance Company of Afghanistan, EGGI	5
2009-11-14	Minister's meeting with US Treasury DAS Larry McDonald	MOF, UST, EGGI	5
2009-11-16	Negotiations with German Embassy officials on Afghan-German framework agreement	MOF, MOFA, EGGI	5
2009-11-21	GIROA Technical Coordination Committee (TCC)	MOF, DAB, MOCI, EGGI	30
2009-11-22	Minister meeting with USAID Mission Director and EGGI project officials/advisors	MOF, DOS, UST, USAID, EGGI	10
2009-11-22	Minister meeting with World Bank country manager	MOF, WB, EGGI	4
2009-11-23	Videoconference with World Bank and GIROA officials	MOF, WB, EGGI	10
2009-11-25	Meeting with ASI to discuss tax administration reform in the provinces	ASI, EGGI	3



2009-11-29	Meeting with US Treasury and USAID to discuss project activities	UST, USAID, EGGI	4
2009-11-29	Meeting with USAID, EGGI to discuss tax administration reform in the provinces	USAID, ASI, EGGI	5
	Meeting with IMF tax and customs administration mission	IMF, EGGI	5
	Meeting with the head of monetary policy, DAB on the macro econometric model	DAB, EGGI	4
	Meeting with the World Bank on sub-national financing	World Bank, EGGI	4
	Meeting with US Treasury on internal audit in the Ministry of Finance	US Treasury, EGGI	5
	Meeting with the head of the Fiscal Policy Unit on the macroeconomic model	MOF, EGGI	2
	Meeting with the IMF on Program Budgeting	IMF, USAID, EGGI	3
	Meeting with ASI to brief on the scope of the EGGI project and to identify areas for joint working	ASI, EGGI	4
	Meeting with the DG, Budget, MOF to brief on EGGI scope of work and to seek views on	MOF, EGGI	2



	possible gaps for support		
	Meeting to query the scope of APAP work in the Afghan parliament to identify areas where EGGI could contribute additional support.	APAP, EGGI	4
2009-12-01	Revenue and Customs efficiency and effectiveness working groups	Discussed recent working groups to prepare for upcoming IMF FAD tax mission	2
2009-12-02	IMF Fiscal Affairs Dept (FAD) tax mission	Discussed w/IMF the planned work of short-term FAD mission	6
2009-12-02	London Conference	Internal staff-level discussion on potential London Conference agenda	3
2009-12-03	Revenue and Customs efficiency and effectiveness working groups	Discussed recent working groups to prepare for upcoming IMF FAD tax mission	2

Meetings

Component 1: National & Regional Economic Policy; Non Tax System

Date	Topic of Meeting	Objective	Cadre
2009-10-24	Introduction of Dr. Wooster and Initial Discussion of Non-Tax Revenues	Introduction of Advisor & Initial Discussions.	Mr. Gul Maqsood Sabit, DM Customs and Revenues
2009-10-25	Ministry views on non-tax revenues and logistical issues	Obtain workspace and initial directions from Ministry	Dr. Ahmed Shah Zmanzai
2009-10-25	Background on Afghanistan Fiscal situation	Obtain data & information	Mr. Borja Gracia, IMF
2009-10-26	Non-Tax Revenue Data	Obtain Non-tax data from the AFMIS system	Mr. Naresh Duggal, ASI
2009-10-26	Non-Tax Revenue Data	Obtain data by Ministry for the non-tax revenue data	Mr. Prwhani, MOF/Customs Revenue



2009-10-27	Tax and Non-Tax Detailed Information and Background	Obtain information on historical background and state-of-play on the non-tax revenue situation	Mr. Stephen Crout, ASI
2009-10-31	Non-Tax Revenue and Statistical Collecting and Coding	Obtain information on the PFMS for Afghanistan and the collection and coding of this data.	Mr. Vishal Gandhi, World Bank PFMR Program
2009-11-01	Non-Tax Revenues and the Budget Process	Determine if, how, & to what extent Non-Tax Revenues are used in the process of budget development, monitoring & evaluation.	Mr. Ahmad Jalali
2009-11-04	Obtaining Data and Information from Line Ministries	Accelerate the process of information gathering.	Mr. Nassir, Acting DG, MOF/Revenues
2009-11-04	Obtaining Data and Information from Line Ministries	Accelerate the process of information gathering.	Mr. Gul Maqsood Sabit, DM Customs and Revenues

Meetings

Component 1: Ministry of Finance – Revenue Reconciliation

Date	Topic of Meeting	Objective	Cadre
2009-10	Revenue Collection and reconciliation work plan	To discuss revenue reconciliation steps and goals and how it helps the MOF to reconcile its revenue collection.	DM Revenue and Customs MOF
2009-10	Revenue Collection and reconciliation work plan	To discuss revenue reconciliation steps and goals and how it helps the MOF to reconcile its revenue collection.	DG Revenue
2009-10	Revenue Collection and reconciliation work plan	To discuss revenue reconciliation steps and goals and how it helps the MOF to reconcile its revenue collection.	DG Customs



2009-10	Revenue Collection and reconciliation work plan	To discuss revenue reconciliation steps and goals and how it helps the MOF to reconcile its revenue collection.	DG Treasury
2009-10	Revenue Collection and reconciliation work plan	To discuss revenue reconciliation steps and goals and how it helps the MOF to reconcile its revenue collection.	ASI advisors

Meeting
Component 2: Strengthen Financial Sector/Central Bank Ops

Date	Topic of Meeting	Objective	# Attended
2009-10-21	Technical Coordination Committee (TCC) meeting,	Provide updates on the recent macroeconomic developments as well as Benchmarks and Policy Actions related to DAB under IMF/PRGF program.	20
2009-10-07	Proposed IT advisor	To understand priorities of IT Department in preparation for Scope of Work	4
2009-10-07	Proposed Legal Advisor	To understand priorities of General Counsel's office in preparation for Scope of Work	3
2009-10-11	Proposed Capital Markets Advisor	To understand priorities of Market Operations Department in preparation for Scope of Work	3
2009-10-11	All Proposed Advisors	To understand priorities of Governor in supplying advisors across areas	3
2009-10-15	All Proposed Advisors	To discuss with Governor and USAID staffing of advisors	7
2009-10-18	Lottery-linked Deposit Accounts	To share information and analysis on appropriate regulatory stance toward LLDAs.	8
2009-10-20	Payments system	To brief Governor on progress on various payments issues, including automated clearinghouse and Memorandum	3



		of Understanding between DAB and Ministry of Finance about giving MOF access to their own accounts.	
2009-10-31	Capital markets	To provide information to USAID/World Ban consultant on groundwork for capital markets	4
2009-10-03	Afghanistan Clearinghouse	Met with Governor Fitrat to begin the process of forming the Clearinghouse	2
2009-10-05	Afghanistan Clearinghouse	Met with Azizi Bank – Formation of Clearinghouse and discussion of check clearing	4
2009-10-07	Afghanistan Clearinghouse	Kabul Bank – Formation of Clearinghouse and discussion of check clearing	2
2009-10-08	Afghanistan Clearinghouse	Met with Bank-e-Millie - Formation of Clearinghouse and discussion of check clearing	1
2009-10-10	Afghanistan Clearinghouse	FMFB - Formation of Clearinghouse and discussion of check clearing	2
2009-10-11	Afghanistan Clearinghouse	AIB - Formation of Clearinghouse and discussion of check clearing	2
2009-10-11	Afghanistan Clearinghouse	Arian Bank - Formation of Clearinghouse and discussion of check clearing	2
2009-10-11	Afghanistan Clearinghouse	Afghanistan Banks Association - Formation of Clearinghouse and discussion of check clearing	23
2009-10-12	Afghanistan Clearinghouse	Standard Chartered Bank - Formation of Clearinghouse and discussion of check clearing	1
2009-10-13	Afghanistan Clearinghouse	Ghazanfar Bank -Formation of Clearinghouse and discussion of check clearing	2
2009-10-14	Afghanistan Clearinghouse	Habib Ltd. Bank - Formation of Clearinghouse and discussion of check clearing	2

2009-10-15	Afghanistan Clearinghouse	Punjab National Bank - Formation of Clearinghouse and discussion of check clearing	1
2009-10-17	Afghanistan Clearinghouse	Maiwand Bank - Formation of Clearinghouse and discussion of check clearing	2
2009-10-18	Afghanistan Clearinghouse	Afghan United Bank - Formation of Clearinghouse and discussion of check clearing	2
2009-10-21	Afghanistan Clearinghouse	BRAC Afghanistan Bank - Formation of Clearinghouse and discussion of check clearing	2
2009-10-26	Citibank WorldLink	Discussion with 1st Deputy Governor Safi, Legal, payments and market operations on the transactions in the Citibank WorldLink contract	5
2009-10-26	Citibank WorldLink Contract	Finalization of the transaction flow and payments	5
2009-10-22	Progress of 1387 year-end audit requirements	To resolve some audit qualifications, finalize 1387 audit and plan for re-submission of the financial statements to the Bank's Supreme Council	CFO, Auditors
2009-10-19	Follow up the status for Mortgage and Secured Transaction laws	Meet (MOJ) Taqin members and follow up the status of DAB sponsored laws.	3
2009-10-21	Regulation on Secured Transaction Law	Meet Acting General Counsel to compare two sets of regulations provided by Deloitte and IFC.	3
2009-10-28	Mortgage Finance Company	Meet Acting General Counsel to review license requirements for Mortgage Finance companies.	3
2009-11-22	Future examiners trainings	DAB	10
2009-11-19	Meeting with DAB Governor to discuss department organizational issues	DAB	2



2009-11-08	Financial Leasing Law Consultation	DAB	3
2009-11-14	Financial Leasing Law and Regulation on Mortgage and Secured Transaction laws	DAB	2
2009-11-16	Oil and Hydrocarbon regulation (To get final version of Hydrocarbon regulation form head of Taqin)	Ministry of Justice (MOJ)	3
2009-12-13	To understand the priorities of the First Deputy Governor (in charge of Monetary Policy at DAB) in the new advisor's contribution to the area	DAB	1
2009-12-13	Meeting requested by Governor to task ADIC staff and FSD General Director with collecting first premiums from banks	DAB	4
2009-12-13	Meeting requested by Acting General Counsel to make minor, final changes to the MSP regulation amendments that will extend regulation to e-money institutions.	DAB	1
2009-12-17	Meeting requested by Acting General Director, FSD, to make final changes to circular to banks on premiums	DAB	2
2009-12-20	Meeting requested by Acting General Counsel to agree on final changes to draft MSP regulation	DAB	1



2009-12-21	Governor requested advisors' presence at monthly meeting to rebalance DAB's investment portfolio.	DAB	6
2009-12-23	Meeting requested by General Director, ADIC, to seek advice on how to brief the Governor on dealing with the banks in the initial stages of premium collection.	DAB	2
2009-12-26	Governor requested advisor's presence at meeting of new Corporate Activities Committee, to decide on branch applications, change in control, etc. transparently.	DAB	5
2009-12-29	Governor requested advisor's presence at interviews of 10 possible candidates for the Islamic Banking Department, of which 4 were selected in the initial round of hiring.	DAB	10
2009-12-29	Governor requested advisor's presence at meeting with the chairman of a major bank, where facts were presented to him leading DAB to approve only a small number of the branches he requested.	DAB	4
2009-12-1-10	Bank Financial Analysis Techniques	DAB	5
2009-12-14-16	Bank Financial Analysis Techniques	DAB	18



2009-12-19	Met with DAB Governor to seek approval for an exception to FA auction proceedings.	DAB	8
2009-12-21	Met with CSO President to introduce new advisor and strengthen cooperation between CSO and DAB.	CSO, DAB	10
2009-12-21	Monthly investment committee meeting with DAB Governor.	DAB	9
2009-12-23	Met with First Deputy Governor to report on CSO meeting and to convey the request for access to DAB internet in provinces.	DAB	3
2009-12-30	Presented Survey proposal to DG of Monetary Policy Department.	DAB	4
Various	Semi-weekly Foreign Exchange committee meetings.	DAB	7

Meetings
Component 3 - Improving the Business Enabling Environment: Commercial Law & Regulatory Reform

Date	Topic of Meeting	Objective	# Attended/Cadre
2009-10-08	Briefing to Minister Mohammed Ismael	Inform him about EGGI and next steps on regulatory body	2
2009-10-14	Ministry of Economy Training Center	Obtain space to train regulatory body	2
2009-10-19	Interim Board expansion	Increase interim board membership to include diverse members outside MEW	1
2009-10-19	Obtain Ministry of Economy Training	Get approval letter for use of Ministry of Economy training center	1



2009-12-30	Introducing the EGGI activities in energy sector and obtaining information about national Area Base Development Program (NABPD)/ERDA activities in Energy with communities	NABDP/Energy for Rural Development in Afghanistan (ERDA)	3
2009-12-21	Introducing the EGGI activities in Energy sector and gathering information on NSP energy projects with communities	Ministry of Rural Rehabilitation and Development (MRRD)/National Solidarity Program(NSP)	3
2009-12-01	Afghan Telecom – fiberoptic status	Afghan Telecom – CEO Rastman + staff	6
2009-12-07	ICT sector development priorities	MCIT Minister Sangin + staff	4
2009-12-13	Energy sector private investments	AISA CEO Delawari + staff	4
2009-12-13	Industrial parks strategy	AISA CEO Delawari + staff	4
2009-12-22	Telecom law progress at Parliament	MCIT Minister Sangin + staff	4
2009-12-24	ICT law at Parliament	MCIT Minister Sangin + staff	4
2009-12-13	Better Coordination & Avoiding Over lapping and duplication	SEAL/UNDP and NEC – NEC	4
2009-12-16	Updates on private investment – findings regarding land lease/ record program of MAIL – findings about facilitating environment for foreign/ local investors (law)	Private investment/ MAIL, NEC-EGGI	4
2009-12-19	Updates on donor financial review – asking for coordinating the joint conference for donors presentations.	Donor Assistance Coordination Unit/ MOF, NEC - EGGI	2



2009-12-19	Updates about State Owned enterprise,	State Owned enterprise Directorate/MOF, NEC EGGI	3
2009-12-22	Transit and Trade Agreements	Deloitte Team, Transit and Trade department, NEC EGGI	4
2009-12-10	Updates on SDO's Projects	Sanayee development Organization, NEC EGGI	2
2009-12-15	Updates on DACCAR Activities	DACAAR, NEC EGGI	3
2009-12-26	The process for International and National NGOs registration.	NGOs Directorate/MOEC, NEC EGGI	2
2009-12-16	Med Year Budget	Budget & Finance Commission, NEC EGGI	3

Meetings			
Component 3 - Improving the Business Enabling Environment: Business Registration & Licensing			
Date	Topic of Meeting	Objective	# Attended/Cadre
2009-10-07	Extension of ACBR to Herat	Discuss ACBR advisors trip to Herat and extension to Herat province	5
2009-10-08 2009-10-14	ACBR extension to Herat	To determine the feasibility of establishing ACBR in Herat, review the current registration process, check the IT availability, raise awareness and solicit governmental and non governmental entities cooperation in establishing a one-stop-shop in the Herat province.	40-45
2009-10-20	Publication of the business specification for registration purposes	Discuss the publication of information in the official gazette or in the newspaper in Herat Province	5
2009-10-22	ACBR Registration Procedures	Registration of Sole Proprietorship, Partnerships and Companies	5
2009-10-24	Setting up an account for ACBR	Set up an account for ACBR in DAB branch in Herat for businesses to pay their fees	4



2009-10-25	Presentation on SIGTAS	This application will be used instead of Tax Identification Number (TIN). Also this system may be linked with new modern ACBR IT application in future.	11
2009-10-26	International Finance Corporation (IFC) Meeting on Licensing Reforms	To understand the ACBR processes of getting a Traders license as IFC is starting licensing reforms at MOCI.	11
2009-10-29	ACBR Advisor's Introductory Meeting with ACBR Acting Advisor	The meeting was to brief the EGGI component of ACBR, expansion of ACBR to provinces	3
2009-10-29	Publishing of Registered Business in Official Gazette.	To discuss the legal base for publishing registered businesses in Official Gazette.	6

Meetings			
Component 4 - Improving the Business Enabling Environment: Commercial Law & Regulatory Reform			
Date	Topic of Meeting	Objective	Cadre
2009-10-20	Energy Sector in Herat Province	Receive briefing on status of energy sector in Heart Province; Identify challenges and areas for improvement.	1. Deputy Manager, Afghanistan Electricity Company 2. EGGI National Staff member
2009-10-21	Herat University, Introduction of EGGI	Introduce EGGI and explore ideas for EGGI University engagement: internships, lecture series, outreach/awareness on benchmark laws	1. Acting Chancellor 2. Dean, Faculty of Economics 3. Dean, Faculty of Law 4. Dean, Faculty of Agriculture
2009-10-22	Donor Coordination Meeting with LGCD/DAI Regional Program Manager	Explore areas for cooperation and information exchange between EGGI and LGCD, Western Region	1. Regional Program Manager, LGCD 2. Infrastructure Development Specialists, LGCD
2009-10-22	Herat Provincial Development Committee	Participate as observer in the monthly PDC meeting	40+ Participants, chaired by Governor

	(PDC)		Nooristani
2009-10-24	Role and Function of ACCI	Receive briefing on role and function of ACCI; Identify challenges and areas for improvement	1. Vice Chairman, ACCI 2. EGGI National Staff Member

Meetings			
Component 1: National & Regional Economic Policy			
Date	Topic of Meeting	Organizations	# Attended
2009-11-04	Work lunch with UK DFID officials to discuss coordination activities	DFID, EGGI	5
2009-11-10	ARTF quarterly donors meeting with Minister and donors	ARTF donors, MOF, EGGI	30
2009-11-11	Press conference/signing ceremony for ADB water sector program	MOF, ADB, Press, EGGI	40
2009-11-11	Issues affecting doing business as a private insurance company in Afghanistan	Insurance Corporation of Afghanistan, EGGI	10
2009-11-11	Accomplishments and issues for the National Insurance Company	National Insurance Company of Afghanistan, EGGI	5
2009-11-14	Minister's meeting with US Treasury DAS Larry McDonald	MOF, UST, EGGI	5
2009-11-16	Negotiations with German Embassy officials on Afghan-German framework agreement	MOF, MOFA, EGGI	5
2009-11-21	GIROA Technical Coordination Committee (TCC)	MOF, DAB, MOCI, EGGI	30
2009-11-22	Minister meeting with USAID Mission Director and EGGI project officials/advisors	MOF, DOS, UST, USAID, EGGI	10
2009-11-22	Minister meeting with World Bank country manager	MOF, WB, EGGI	4
2009-11-23	Videoconference with World Bank and GIROA officials	MOF, WB, EGGI	10
2009-11-	Meeting with ASI to discuss tax	ASI, EGGI	3

25	administration reform in the provinces		
2009-11-29	Meeting with US Treasury and USAID to discuss project activities	UST, USAID, EGGI	4
2009-11-29	Meeting with USAID, EGGI to discuss tax administration reform in the provinces	USAID, ASI, EGGI	5

Meetings			
Component 2: Strengthen Financial Sector & Central Bank Operations			
Date	Topic of Meeting	Organizations	# Attended
2009-11-22	Future examiners trainings	DAB	10
2009-11-19	Meeting with DAB Governor to discuss department organizational issues	DAB	2
2009-11-08	Financial Leasing Law Consultation	DAB	3
2009-11-14	Financial Leasing Law and Regulation on Mortgage and Secured Transaction laws	DAB	2
2009-11-16	Oil and Hydrocarbon regulation (To get final version of Hydrocarbon regulation form head of Taqin)	Ministry of Justice (MOJ)	3

Meetings			
Component 4: Sub-National Implementation and Cross-Cutting			
Date	Topic of Meeting	Organizations	# Attended
West Region: RC/West			
2009-12-02	Student Lecture, Monetary Policy and Careers in Banking/Finance	EGGI, DAB West Region staff and Herat University Students	36
2009-12-03	Roundtable Event: Monetary Policy and the Role of DAB in Economic Growth	EGGI, DAB West Region, 4 commercial banks, various GIROA directorates, ASMED, USAID, LGCD, UNAMA, UNDP, Herat Industrial Union, Central Statistics Office, and Herat Governor's	33

		Office	
2009-12-16	Herat Industrial Park Visit/Business Briefing	3 HIP business operators, AISA, Licensing Directorate/MOCI, Herat Industrial Union, EGGI IP advisor	30
2009-12-20	Private Sector Development Sub-Committee Meeting	EGGI, AISA (Chair), Economy Directorate, Herat Industrial Union, Mustofiat, ASI, UNAMA, and ASMED	8
2009-12-22	EGGI/ASI Areas of Cooperation: Tax Reform	ASI, EGGI	2
2009-12-23	Feedback on University Student Lecture	EGGI, Herat University/Law Faculty	2
2009-12-23	Feedback on University Student Lecture	EGGI, Herat University/Economics Faculty	2
2009-12-23	EGGI NGO Engagement: Chartered Institute of Management and Accounting (CIMA)	EGGI, CIMA	3
2009-12-26	EGGI Follow-up with DAB West Region Office/Monetary Policy Training	EGGI, DAB West Region Office	2
2009-12-28	Tax Awareness and Outreach Planning	EGGI, AISA, ASI	3
2009-12-29	EGGI NGO Engagement: Afghan Women Foundation (AWF)	EGGI, AWF	2
2009-12-30	Energy Sector Reform	EGGI, Da Afghanistan Breshna Sherkat	5
2009-12-30	EGGI NGO Engagement: Afghan Women Lawyer Foundation (AWLF)	EGGI, AWLF	2
2009-12-31	Tax Awareness and Outreach Planning	EGGI, Herat Mustofiat, ASI, and AISA	5
NORTHERN REGION: RC/North			
2009-12-01	Observe operations of the Afghanistan Central Business Registry, Mazar-e-sharif	ACBR, EGGI	5
2009-12-06	Courtesy call in advance of EGGI “mini” launches meetings.	ACCI Mazar-e-Sharif, EGGI	3
2009-12-	Courtesy call in advance of	AISA Mazar-e-Sharif, EGGI	3



06	EGGI “mini” launches meetings.		
2009-12-06	Courtesy call in advance of EGGI “mini” launches meetings.	Balkh Mustofiat, EGGI	3
2009-12-06	Courtesy call in advance of EGGI “mini” launches meetings.	Da Afghanistan Bank, EGGI	3
2009-12-06	Courtesy call in advance of EGGI “mini” launches meetings.	Economy Directorate, EGGI	3
2009-12-06	Courtesy call in advance of EGGI “mini” launches meetings.	Balkh Licensing Bureau, EGGI	3
2009-12-08	Introduce EGGI Project and Staff to ACCI President, Mazar-e-Sharif (EGGI “mini” launch)	Afghanistan Chamber of Commerce and Industry, Mazar-e-Sharif, USAID, EGGI	6
2009-12-08	Introduce EGGI Project and Staff to AISA Regional Manager, Mazar-e-Sharif (EGGI “mini” launch)	Afghanistan Investment Support Agency, Mazar-e-Sharif, USAID, EGGI	5
2009-12-08	Introduce EGGI Project and Staff to the Mustofiat of Balkh Province (EGGI “mini” launch)	Balkh Mustofiat, USAID, EGGI	5
2009-12-08	Introduce EGGI Project and Staff to the DAB Manager of the Northern Zone	Da Afghanistan Bank, USAID, EGGI	5
2009-12-09	Introduce EGGI Project and Staff to the President of the Director of the Economy Directorate, Mazar-e-Sharif (EGGI “mini” launch)	Economy Directorate, USAID, EGGI	5
2009-12-09	Introduce EGGI Project and Staff to MOCI’s Balkh Licensing Bureau (EGGI “mini” launch)	Balkh Licensing Bureau, USAID, EGGI	6
2009-12-14	Industrial Park Development in Mazar-e-Sharif. History and status of current IP’s.	AISA, MOCI Industrial Parks Management, Private Sector Representatives, EGGI	8

	Business drivers for investing in IP's.		
2009-12-14	E-Government and ICT initiatives in the Northern Region, MOCIT DG of ICT	MOCIT, EGGI	3

Appendix B: October 2009, Training

Trainings

Component 1: Ministry of Finance – Revenue Reconciliation

Date	Topic of Training	Objective	# Trained
October 2009	Revenue Reconciliation procedures.	Trainees to acquire knowledge of revenue reporting and reconciliation system and to realize the purpose and importance of reconciliation.	8
Whole of December 2009	Revenue collection reporting and reconciliations	EGGI local advisors delivering training in the use of the revenue reconciliation database in Jalalabad and Herat.	11
December 2009	General insurance topics: History of Insurance, reinsurance, rating agencies, IAIS Assessments, websites	Insurance Department, Ministry of Finance	Varies from 5-9. Each 2 hours session

Trainings

Component 2: Strengthen Financial Sector/Central Bank Ops

Date	Topic of Training	Objective	# Trained
19-22/10/09	Offsite supervision – peer group analysis	To train new offsite analysts in the use of peer group comparisons to identify outlier banks	4
24/10/09,25/10/09	Analysis of branch applications	To train licensing staff in analyzing the financial projections contained in branch applications	2
12/15, 12/16	Financial analysis for on-site examiners	DAB	19



22/12/09	Differences found between Dari/English versions of Comparative Balance sheet statement's format and items.	DAB	6
22/12/2009	Progress of 1387 year-end audit requirements	DAB	CFO, Auditors

Trainings
Component 3 - Improving the Business Enabling Environment

Date	Topic of Training	Objective	# Trained
12/10/09	Draft Electricity Law	Discuss Law	5
19/10/09	Draft Electricity Law	Discuss Law	4
26/10/09	Draft Electricity Law	Discuss Law and share implementation strategy	13

Training

Component 1: National & Regional Economic Policy

Date	Topic of Training	# Attended	Organizations
NOV 2009	Revenue Collection Reporting and Reconciliations	11	EGGI local advisors working in Revenue Statistics in Kabul
NOV 2009	Revenue Database	11	EGGI local advisors working in Revenue Statistics in Kabul
NOV 2009	General Insurance Topics: History of Insurance, Reinsurance, Rating Agencies, IAIS Assessments	5-9	MOF Insurance Department

Training

Component 2: Strengthen Financial Sector & Central Bank Operations

Date	Topic of Meeting	# Attended	Organizations
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02,19/11/09	Off-site supervision – Writing the Quarterly Analysis (to give hands-on training to off-site analysts in writing the quarterly analysis of individual banks, which is more complicated than the monthly analysis)	4	DAB
10/11/09	Financial Leasing Law	8	DAB
12/11/09	Financial Leasing Law	6	DAB
22/11/09	Financial Leasing Law	7	DAB

Training			
Component 4: Sub-National Implementation and Cross-Cutting			
Date	Topic of Training	# Attended	Organizations
West Region: RC/West			
1-2 Dec-2009	Monetary Policy and Macroeconomic Analysis	14	DAB West Region Office staff



Updated December 26, 2009

Economic Governance Growth Initiatives (EGGI) Project



Upcoming Events/News

National Economic Commission: This month, the NEC is mostly engaged in vote of confidence for Cabinet and attending the General Meeting of lower House in regular as well as the NEC has been holding meetings discussing a number of issues related to the national economy, including: (1) financial leasing, (2) complaints from private sector representatives in constituent provinces (specifically Herat Province), (3) trade barriers and ANDS benchmarks in relations to Donor- funded projects. Due to the elections and Hajj holidays, NEC turnout was low. The NEC will review laws on NGOs, law on Private Investment and Financial Leasing Law for its next working month. EGGI has been preparing presentations, at the request of the NEC in the following topics:

- A. Rural Enterprise Development, National Water supply & sanitation program.
- B. Trade Barriers and Private investment barriers
- C. Increasing production for expanding markets, alternative livelihood and strategic & cold Storages
- D. Donor Financial Review with information supplied by MOF

Parliament: while election matter and vote of confidence for Cabinet have been the main focus of Parliament these past few months, the following is a list of priority laws which has been put presented to Parliament. Members will redirect their focus to this list after elections.

- Electoral law
- Government Structure Law
- Counter Narcotics Law
- Law on Local Governance
- Law on Medals and Badges
- Law on Private Security Companies
- Higher Education Law
- Law on Rights and Privileges of the Relatives of Martyrs and missing
- Law on Rights and Privileges of the Disabled
- Organization and Jurisdiction of Courts Law
- Law on firearms, Ammunition and Explosives
- Extradition Law
- Independent Election Commission Structure Law
- Law on Regulation the Ethical Relations of the Three Powers State
- Law on Financial Leases
- Law on Supporting Competition
- Expropriation Law
- Cultivable Seeds Law
- Law on Chamber of Commerce and Industry
- Law on Transit
- Law on Personal Affairs of ANA Sergeants

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A. Laws Currently in the Pipeline					
No	Law	Contact	Benchmark Status	Legislative Status	In effect?
1.	<u>Mortgage Law</u>	DAB & NEC	According to International Monetary Fund (IMF) Policy Matrix, this law is a policy action and not a benchmark. Per the Afghanistan National Development Strategy (ANDS) and IMF agreement, the Government of Afghanistan has committed to submit law to the Parliament.	Law has been approved by both Upper House and Lower House. On June 8th, 2009, the law was signed by the President (Decree#57). MOJ has confirmed that publication has commenced in official Gazette.	Yes
2.	<u>Secured Transaction for Movable Property</u>	DAB & NEC		The law has been approved by both the Upper and Lower House and was sent to the MoPA for transmittal to the President's Office on May 12th, 2008 (Letter#214/145). The law was approved the president (Decree#50) on May 31st, 2009. MOJ has confirmed that publication has been completed in the official Gazette.	Yes
3.	<u>Law on Financial Leasing</u>	NEC/IFC/	This is not a "benchmark law" but part of an agreement between the IFC and DBA. It is an IMF policy action.	The law was approved by the Council of Ministers. On May 23th (Letter#987) MOJ Taqin sent the law to MoPA for transmittal to the Parliament. NEC started reviewing the law and has questions on substantive parts of the legislation which will be addressed in a formal workshop to be conducted when quorum has been reinstated in the NEC.	No
4.	<u>Law on Afghanistan Deposit Insurance Corporation</u>	DAB		Approved without changes on April 9 by Second Vice President Mr. Khalili and the Council of Ministers. The DAB Governor and Minister of Finance initiated talks May 18 to resolve one outstanding issue. The bill is now with the Parliament NEC on hold for review.	No

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B. Legislative Updates					
5.	<u>Law on Islamic Banking Afghanistan</u>	DAB		This 110 page law sent on April 9 for Dari translation. On June 1 th Dari translation reached DAB. It will be reviewed by General Council office prior to sending to MOJ Taqnin. The draft law is under review by the DAB Islamic Finance Advisor. Comments have also been received in DAB from the banking community. Not expected to be presented to Parliament until late January 2010.	No
6.	<u>Law on contracts</u>	MOCI	This law is included in the Afghanistan compact under "laws related to investment " which is further defined by ANDS, private Sector Development and Trade Sector, as a baseline "10 commercial laws " to be passed by end -1388 (See page 258 of ANDS).	After the law is reviewed by MOJ, it was submitted to Legal Committee of President's Office Chaired by Vice –president. The bill was sent back to MOJ for some technical clarification, the law will be sent to Council of Ministries for review.	
7.	<u>Law on Agency</u>			This law on Agency has been reviewed by MOJ and was submitted to legal Committee of President's Office. the bill is now with NEC on hold for review.	No
8.	<u>Law on Trademarks</u>	NEC & MOCI		Law signed by the president (Drcree#111) on 27/08/2009, After some necessary grammatical edits completed by NEC. The bill is now with MOJ waiting to be published in Official Gazette.	Yes
9.	<u>Law on copyright OG No. 956 on 26/08/2008</u>	Culture and Education Commission & Ministry of Culture and Information		Law signed by the President (Decree#58) on 21/07/2008 and sent to Parliament for review. On 28/07/2009 the National Assembly decided that the law will be transferred to the Culture and Education Commission for review and currently it is pending until after election. The law is in effect pending that review.	Yes

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10.	Law FROM THE AMERICAN PEOPLE on Culture and Education Commission <u>Protection of Patent Right Act OG No.956 on 26/08/2008</u>		Law signed by the President (Decree#64) on 21/07/2008, sent to the Parliament for review. On 28/07/2009 the National Assembly decided that the law will be transferred to the Cultural and Education Commission for review and currently it is pending until after election. The law is in effect.	Yes
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11.	<u>Law on standards</u>	MOCI		The law is with Executive Committee of MOJ under review it will be sent council of Ministers and then to Parliament for review.	
12.	<u>Law on Organizing Land Affairs</u>	NEC		This law includes leasing of agricultural, commercial lands and all types of publically and privately owned lands nationwide, leasing time limit and rules for who can lease out land, is specified in the body of this law. Article 69th of this law is approved by both houses of the Parliament by two third of the votes of its members on 31/08/2009, thus, it is exempted from Presidential approval. This finalizes the due process for this law and it is waiting MOJ publication, will be published in official Gazette.	Yes

C. Amendments in Legislative Pipeline

1.	<u>ICT Amendments to the Telecom Law</u>	Ministry of communication and Information Technology (MCIT)		MCIT has retained a prominent private law firm based in Singapore to draft new chapters to the Telecom Law of 2005 to address: <ul style="list-style-type: none"> 1. Electronic Commerce 2. Digital Signatures 3. ICT services (hosting, spam) 4. Cybercrime 5. Statutory Authority for ICT Council An outline of the draft amendments was circulated among key members of the Afghan Bankers Association (ABA); DAB's legal advisor and the ABA formed a working group in mid-Dec 2007. Second draft of law (including revisions based on public consultation) was sent to external stakeholders, postal operators and WB for final comments. This Law may be with MOJ ** awaiting confirmation.	
2.	<u>Customs Law</u>	MOF/ Justine Mbabazi		The law reached Lower House after revision from legislative committee in the MOJ. The bill is currently with Budget & Finance Committee for review.	No

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3.	<u>Law on Anti-Hoarding</u>	MOCI/Qaseem		Initial draft of the law was sent to MOJ from MOCI. MOJ has completed the review process and assessment for the law and currently it is pending to be sent to the council of Ministers.	No
4.	<u>Law on Anti-Monopoly</u>	MOCI/Qaseem		The Law was approved by joint meeting of Upper & Lower House and will be sent to president Office for approval.	No

D. Laws in Force (Promulgated Published in MOJ Official Gazette)

1.	<u>Telecommunication law</u>	MOCIT	No. 878 on 1384/12/04 (23/04/2006)		Yes
2.	<u>Law on Chambers of Commerce and Industries</u>	MoC			Yes
3.	<u>Law on Organizing Land Affairs</u>				
4.	<u>Law on Private Investment</u>	MOCI/AISA/GTZ Gawhari	No. 869 on 1384/09/30	MOCI has submitted amendments of the law to Taqin at the MOJ. EGGI will look at the proposed amendments.	Yes
5.	<u>Law on Partnership</u>	MOCI	No.913 on 1385/12/10		Yes
6.	<u>Law on Commercial Arbitration</u>	MOCI	No.913 on 1385/12/10		Yes
7.	<u>Law on Commercial Mediation</u>	MOCI	No. 913 on 1385/12/10		Yes
8.	<u>Labor Law</u>	MOCI	No.914 on 1385/12/10		Yes



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9.	<u>Law on Negotiable Instruments</u>		No.971 on 1387/11/5		Yes
E. Regulations					
1.	<u>Mortgage Law Regulation</u>	DAB/Deloitte	Latest version of the draft law gives DAB regulatory authority	Regulation for Mortgage and regulation for Mortgage Finance Institutions (MFIs) drafted. The second draft was created on June 2nd 2009 and it is waiting for Supreme Council's approval and subsequently it will be ready for enactment. Regulation was read at November 2009 Supreme Council meeting. Comments were provided by SC, adjustments will be required before issuance Expected by year- end 2009.	
2.	<u>Secured Transaction for Movable Property Regulation</u>	DAB/Deloitte	Latest version of the draft law gives DAB regulatory authority	Draft Regulations for Collateral Registry submitted to DAB Legal Department on October 10, 2009 which are being reviewed by central Bank Legal Counsel. Regulation was read at November 2009 Supreme Council meeting. Comments were provided by SC. Adjustments will be required before issuance. Expected by year- end 2009.	

Appendix D: October through December 2009, ACBR Statistic

Table & Figure: 1

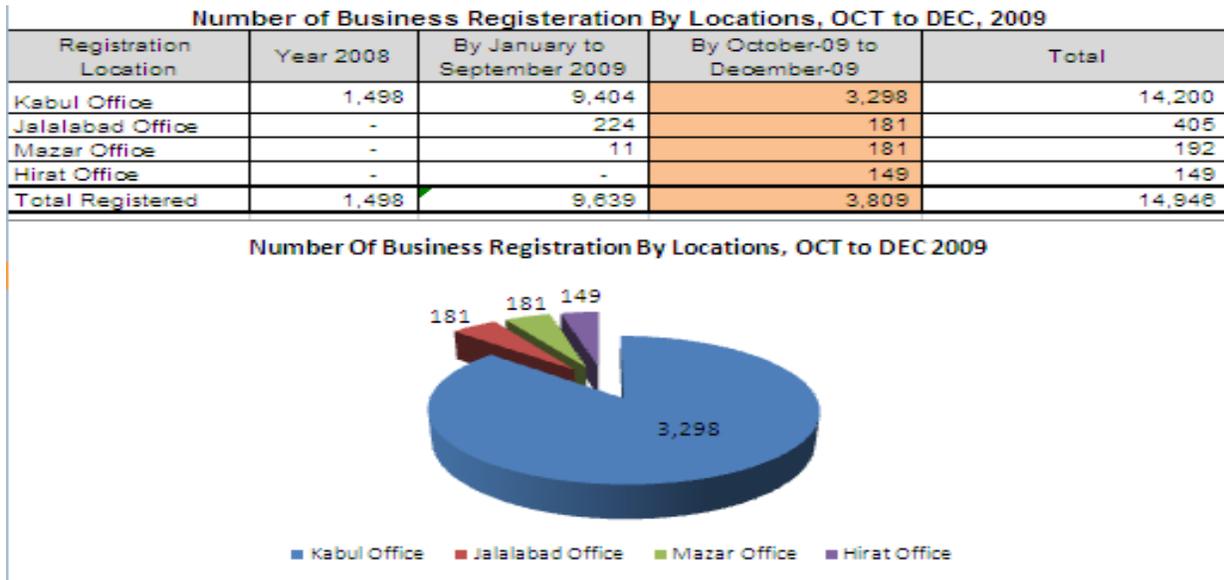


Table & Figure: 2

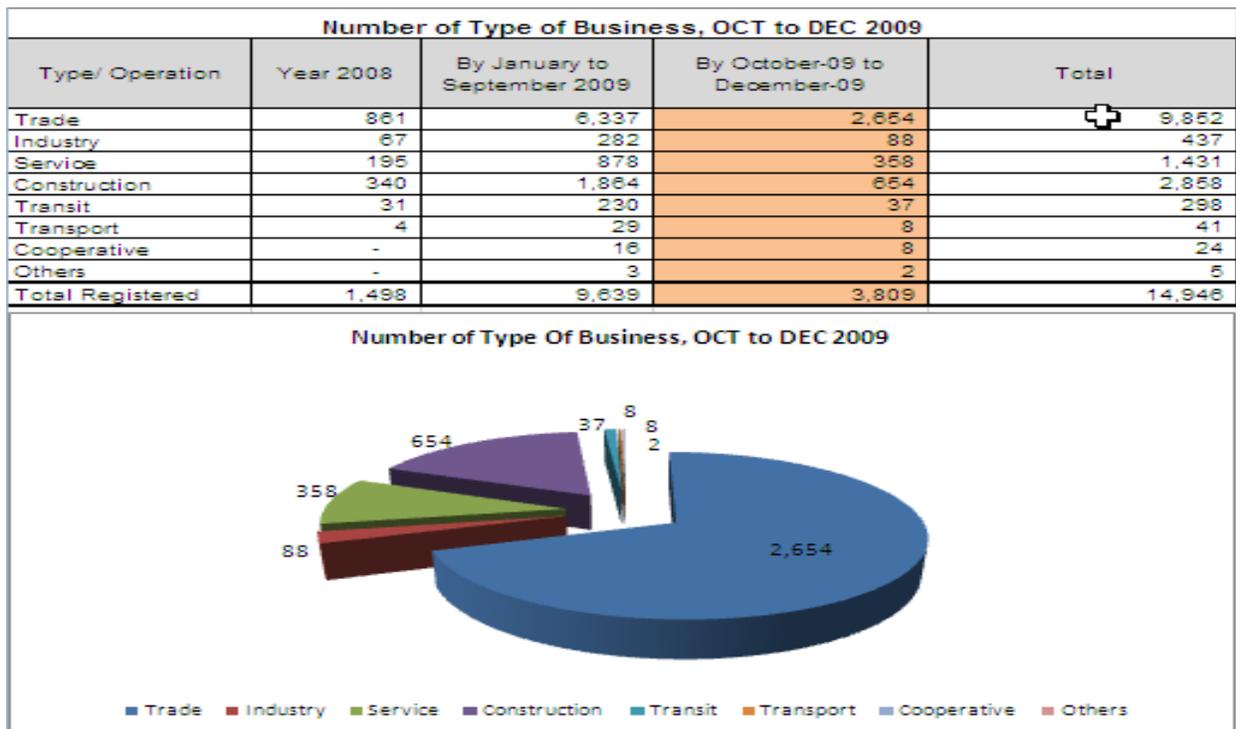


Table & Figure: 3

Number of Business Owned by Gender, OCT to DEC 2009

Gender of Entrepreneur	Year 2008	By January to September 2009	By October-09 to December-09	Total
Male	1,480	9,521	3,772	14,773
Female	18	118	37	173
Total Registered	1,498	9,639	3,809	14,946

Number of Business Owned by Gender, OCT to DEC 2009

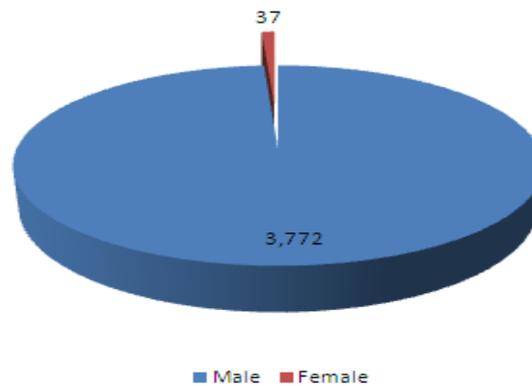


Table & Figure: 4

Number of Registered Business by Business Status, OCT to DEC 2009

Business Status	Year 2008	By January to September 2009	By October-09 to December-09	Total
Number of Businesses changing Activities	356	589	176	1121
Number of Business Cancellation/ Dissolution of legal entities	550	181	47	778
Number of Legal entities/ business Registered	592	8,869	3,586	13047
Total Registered	1,498	9,639	3,809	14,946

Number of Registered Business by Business Status, OCT to DEC 2009

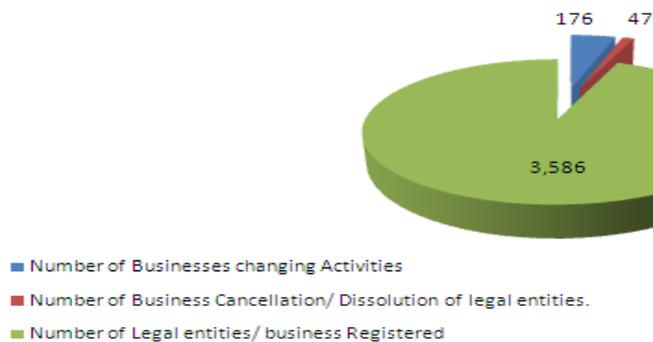


Table & Figure: 5

Number of Registered Business by Type of Business Ownership, OCT to DEC 2009				
Ownership	Year 2008	By January to September 2009	By October-09 to December-09	Total
Government Agent	0	2	0	2
Partnership	152	379	32	563
Corporation	32	134	107	273
Granted Company	0	0	1	1
Limited Liability	993	7,529	2,971	11,493
Non Government Agent	0	18	2	18
Sole Owner Enterprise	321	1,555	692	2,568
Internation Organization	0	5	3	8
Commercial Agent	0	19	1	20
Total Registered	1,498	9,639	3,809	14,946

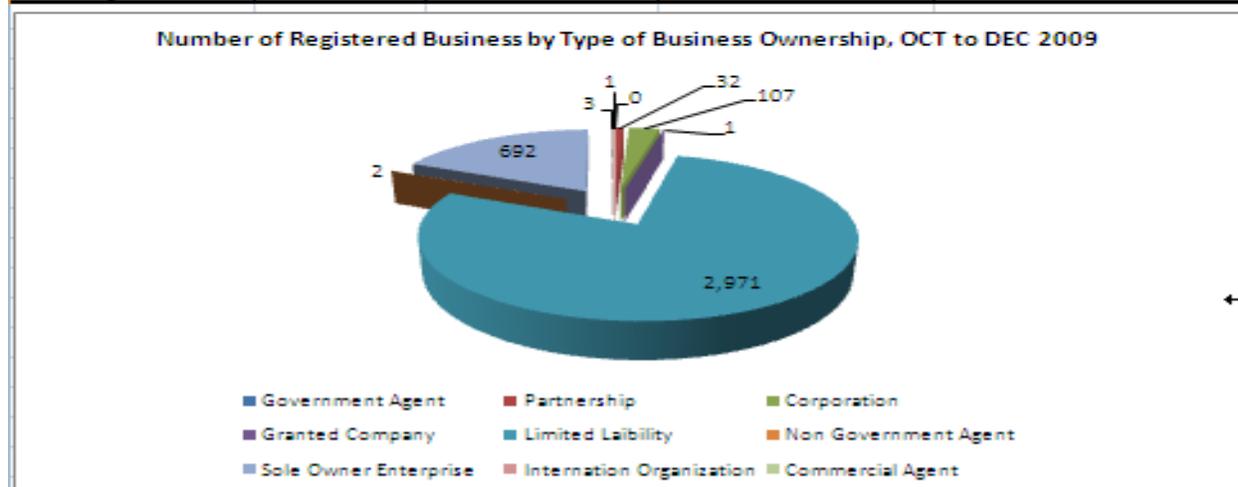


Table & Figure: 6

Number of Businesses by Province, OCT to DEC 2009

Location	Year 2008	By January to September 2009	By October-09 to December-09	Total
Kabul	1,350	8,696	3,103	13,149
Nangarhar	10	237	170	417
Laghman	0	31	7	38
Kunar	3	37	14	54
Noristan	0	10	-	10
Mazar	29	131	177	337
Baghlan	3	20	12	35
Samangan	0	3	2	5
Sar-e-pol	0	6	1	7
Jawzjan	7	10	1	18
Badakhshan	8	29	11	48
Badghis	0	9	3	12
Bamyan	2	14	2	18
Daikundi	0	4	-	4
Farah	1	9	3	13
Faryab	2	6	2	10
Ghazni	6	31	9	46
Ghor	2	10	2	14
Helmand	2	38	16	56
Hirat	10	23	153	186
Kandahar	15	51	16	82
Kapisa	2	16	2	20
Khost	10	41	27	78
Kunduz	4	21	9	34
Logar	1	18	6	25
Nimroz	0	4	-	4
Paktika	7	26	27	60
Paktiya	0	32	8	40
Panjsher	0	8	-	8
Parwan	19	40	15	74
Takhar	3	8	5	16
Urozgan	2	8	-	10
Wardak	0	7	3	10
Zabul	3	8	3	14
Total Registered	1,498	9,639	3,809	14,946

