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Economic Growth & Governance Initiative

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Table of Contents

Introduction	4
Overview of the Year 4 Workplan.....	5
Workstream 2: Tax Policy/ Non-Tax Revenue.....	6
Workstream 3: Program Budgeting	7
Workstream 4: Provincial Budgeting	9
Workstream 5: Tax Administration	10
Workstream 6: Revenue Reconciliation Database	12
Workstream 7: Women in Government	14
Project Activities by Regional Command.....	16
Regional Command West.....	16
Regional Command North.....	17
Regional Command East.....	17
Regional Command South.....	18
Regional Command Southwest.....	18
Workstream Transition Activities.....	19
Year 4 Lessons Learned	20
Acronym List	21
Appendices	
Year 4 Training Summary	
Year 4 Key Deliverables	



Introduction:

The overarching vision of the USAID Economic Growth and Governance Initiative (EGGI) project is to strengthen the capacity of the Government of the Islamic Republic of Afghanistan (GIRoA) to develop and sustain a market environment that supports responsible economic management and fiscal sustainability in the lead up to the 2014 transition. The project's efforts to promote sound public financial management should build a strong platform to encourage private sector-driven growth, investment promotion, and job creation.

In partnership with GIRoA, the project's Afghan and expatriate advisors work with the Ministry of Finance (MoF), the MoF Afghanistan Revenue Department (ARD), key line ministries, and various government agencies to provide technical assistance that facilitates sustainable and transparent policy and decision making. Project assistance focuses on several core aspects of public financial management and delivers key policy support to MoF decision makers in fiscal management and revenue generation. In its fourth contract year, the project delivered broad-based technical assistance across six workstreams, supporting key reforms and activities in public financial management, program budgeting, tax policy, tax administration, and gender empowerment. Throughout the year, the project's Afghan and expatriate advisors delivered high-impact assistance that continued progress toward the project's core objectives and further developed the capacity of GIRoA counterparts.

Notable Achievements During Year 4:

In Year 4, the project worked directly with GIRoA to provide technical assistance and implement reforms to support the project's overarching vision. Advisors also provided training and on-the-job assistance to enable GIRoA counterparts to continue reforms facilitated by project assistance. Some of the project's key achievements in Year 4 (October 1, 2012—August 31, 2013) include:

- Provided 11,236 person-days of training for 6,540 key GIRoA personnel and Women in Government interns:
 - 135 person-days of training in non-tax revenue for 109 GIRoA personnel.
 - 3,362 person-days of training in program budgeting for 1,773 GIRoA personnel.
 - 1,164 person-days of training in tax administration for 492 GIRoA personnel.
 - 37 person-days of training in Revenue Reconciliation Database for 37 GIRoA personnel.
 - 6,538 person-days of training for 4,129 interns as part of the Women in Government Internship Program.
- Supported 41 budgetary units throughout the FY 1392 and FY 1393 budget cycle to submit and defend budget documents to MoF.
- Contributed to increased development budget execution from 49% in FY 1390 to 50% in 1391 through supporting budgetary units in the implementation of procurement and financial planning.
- Graduated 291 women from the Women in Government Internship Program and supported 140 women to find full-time employment.
- Officially expanded the Women in Government Internship Program to Nangarhar province.
- Remediated Revenue Reconciliation Database (RRD) issues in the six priority provinces of Balkh, Herat, Kandahar, Kunduz, Nangarhar, and Nimroz.
- Assisted the Ministry of Transport and Civil Aviation (MoTCA) to implement a new airport security fee revenue stream that resulted in \$1.5 million in revenues in the first month with an expected annual revenue of \$20 million.
- Supported the Medium Taxpayer Offices (MTOs) in Herat, Mazar, Jalalabad, and Kandahar, assisting Herat to surpass its FY 1391 collection target by 2%, Mazar to surpass its FY 1391 collection target by 7%, and Jalalabad to surpass its FY 1391 revenue collection target by 26%.

Overview of the Year 4 Workplan

In Year 4, the project was organized into a workstream-based structure, with each workstream delivering technical support to a specific GIRoA counterpart or program. Project activities in Year 4 focused on fiscal sustainability, public financial management, and gender empowerment. Although the project structure and scope had changed, the project maintained key staff and leadership in Year 4 to ensure continuity with the progress made in previous years, enabling the project to build on earlier successes.

Following the structure of the Year 4 Workplan, the project's technical support in Year 4 mapped to the Intermediate Results (IRs) shown below, which are part of the USAID mission Performance Monitoring Plan (PMP) in Afghanistan.



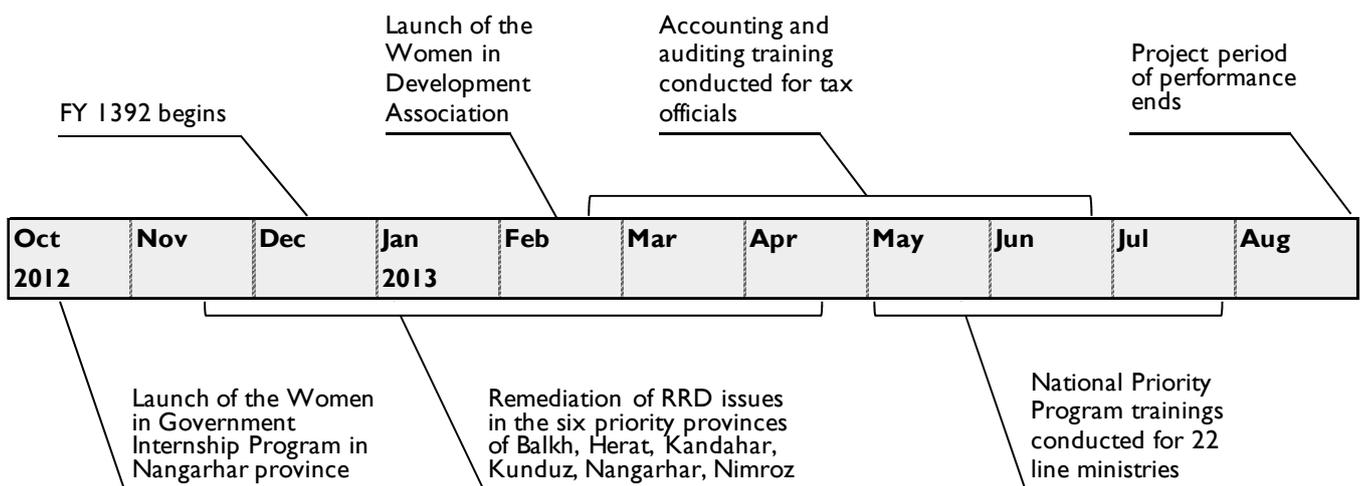
The project delivered technical assistance across six workstreams in Year 4. Workstream 1: Fiscal Policy was concluded in Year 3, but the project maintained the same workstream numbering through Year 4:

- Workstream 2: Tax Policy/Non-Tax Revenue
- Workstream 3: Program Budgeting
- Workstream 4: Provincial Budgeting (concluded in March 2013 at the request of USAID)
- Workstream 5: Tax Administration
- Workstream 6: Revenue Reconciliation Database
- Workstream 7: Women in Government

During March 2013, the project experienced funding delays and received a stop work order from USAID. As a result of these circumstances, the project ceased technical assistance and took initial steps to demobilize the project. During this period, the project did not deliver technical assistance to counterparts. Once the stop work order was reversed by USAID and the project received additional funding, workstream timelines were adjusted to account for this delay.

The following sections provide an overview of the key results and lessons learned for each workstream during Year 4.

Timeline of Key Events for Year 4:



Workstream 2: Tax Policy/Non-Tax Revenue

Economic Growth and Governance Initiative

Tax Policy/Non-Tax Revenue: Year 4 in Review

Background

Non-tax revenues are an increasingly significant source of revenue growth, and ensuring their proper collection and administration is critical. Throughout Year 4, the project supported MoF ARD to identify ways to enhance the collection of non-tax revenues and rationalize current fee structures. Many non-tax revenue streams provide little revenue, have little regulatory benefit, and create the potential for corruption and illicit revenues for administrators. Others provide revenue but are overly complex in their design and application. Non-tax revenue reform efforts are important not only because they have the potential to increase revenues but also because they have the potential to streamline processes and reduce opportunities for corruption.

A team comprised of representatives from the project, the ARD Non-Tax Revenue (NTR) Directorate, Ministry of Interior (MoI), and the Traffic Directorate was formed in early December 2011 to review traffic revenue streams. Following a comprehensive assessment of non-tax revenue streams, the team began implementing small scale reforms at the MoI. In April 2013, the project expanded its support to assist the NTR Directorate in assessing and implementing revenue reforms at the Ministry of Transport and Civil Aviation (MoTCA), Ministry of Foreign Affairs (MoFA), Ministry of Mines (MoM), MoI Passport Department, Afghan National Olympic Committee (ANOC), Ministry of Hajj and Religious Affairs (MoHIA), Ministry of Urban Development Affairs, (MoUDA), Ministry of Commerce and Industries (MoCI), the Petroleum Enterprise Department, and the State-Owned Enterprise Directorate.

According to available data, in FY 1389 non-tax revenue collection accounted for 11.5 billion AFN, or 14.3 percent of total domestic revenues. Of this total, MoTCA contributed approximately 630 million AFN from non-tax revenue generated from around eighteen different revenue streams. The ARD NTR Directorate reached an agreement with MoTCA to review MoTCA revenue streams and develop and implement revenue reform implementation plans with the project's assistance.

Year 4 Results with USAID/EGGI Assistance

During Year 4, the project supported the NTR Directorate to implement several reforms related to non-tax revenues:

- **MoTCA airport security fee:** The NTR team assisted MoTCA to implement a new airport security fee revenue stream. The approved security fee is \$20 for international passengers and \$5 for domestic passengers. Within one month of implementing the new security fee, MoTCA collected about \$1.5 million in Kabul. The ministry expects that the annual revenue in Kabul and the provinces will reach \$20 million.
- **MoTCA passenger departure fee:** The NTR team facilitated the collection of 195 million AFN in passenger departure fees from Afghan airlines that had not been transferred to GIRA.

Additionally, the project assisted the NTR Directorate to identify and begin the implementation of several reforms that are still in progress:

- **MoI passport fee restructuring:** The NTR team developed a passport fee restructuring proposal that the MoI Passport Department is in the process of reviewing. According to available data, the estimated annual revenue from passport fees is 594 million AFN from the current fee of 1,000 AFN. With the implementation of a proposed fee increase of 1,000 AFN and the addition of a new revenue stream for expedited passports, the expected annual revenue is 1,118 million AFN. These estimates have been shared with the International Monetary Fund (IMF).
- **MoI traffic fee restructuring:** The NTR team conducted a study of the current traffic revenue fee structures and researched the fee structures of other countries in the region for comparison purposes. The information was shared with traffic fee restructuring committee members to support the development of a new traffic fee structure. The draft fee structure incorporates a unified process for all fee payments and will be officially submitted to ARD to obtain buy-in from the Council of Ministers.
- **MoTCA overflight fees:** The NTR team assisted MoTCA to develop a justification for increasing overflight fees from the current \$400 to \$450, which is expected to increase annual overflight fee collections from \$28 million to \$32 million. Implementation of the new fee structure is planned for September 2013.
- **ASYCUDA move:** The team facilitated an agreement to move the Kabul Customs ASYCUDA vehicle documents verification function to the Traffic Directorate. This move will decrease the current processing time from several weeks to only a few hours.

Additionally, at the direction of the USAID and MoF, the project initiated tax policy work in November 2012 with a Tax Policy Advisor supporting the ARD Deputy Minister (DM) for Customs and Revenue. After making modest progress, in February 2013, the tax policy work was discontinued with unanimous agreement between the MoF, USAID, and the project.

Conclusions and Lessons Learned

To enhance revenue generation and improve revenue collection and reporting in government revenue generating entities, the project NTR team facilitated establishment of revenue reforms implementation teams in MoI, MoTCA and other high revenue generating entities. Following their assessments, the teams provided revenue reform recommendations, developed justification documents, and proposed rationalized fee structures. These reforms primarily focused on simplification and automation of revenue collection, which can reduce opportunities for government officials to extract unofficial revenue. Senior government officials often resist the implementation of these reforms, so strong guidance and support from key ministry leadership is key for reforms to be successful.

As a leader of monitoring and rationalizing revenue reforms, the ARD NTR Directorate needs the funding and personnel capacity to continue support for the non-tax revenue reforms implementation efforts. Throughout the year, the NTR Directorate experienced difficulty in recruiting and maintaining staff, making it difficult to build the capacity of staff to support non-tax revenue reforms. The NTR Directorate will need to hire staff and build their capacity in order to sustain the progress made in non-tax revenue reforms.

Training Summary

Year 4 Non-Tax Revenue Total:

109 Participants, 135 Person-days of training

101 male participants

8 female participants



Each = 10



participants

Workstream 3: Program Budgeting

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Program Budgeting: Year 4 in Review

Background

Successful program budget reform across GIRoA is critical for building donor confidence in GIRoA's ability to effectively manage its public resources and produce tangible results with greater transparency and accountability. With support from the international community, GIRoA is committed to achieve fiscal sustainability in the medium-term and with greater on-budget support by 2014.

The MoF has been implementing program budget reform gradually across GIRoA with USAID project support since 2007. At the MoF's request, the USAID provided technical assistance to budgetary units in program budget reform implementation starting in 2007 through expatriate and national advisors. The technical support, which focused on all elements of program budget preparation, continued under the project from early 2010. Over the past three years, the project's technical program budget reform assistance has expanded to include training and technical assistance for assigned budgetary units in Procurement and Financial Planning (PFP) and Performance Monitoring and Reporting (PMR) to improve program budget execution and accountability. In Year 4, the project supported budgetary units to incorporate National Priority Programs (NPPs), gender-sensitive budgeting, and pro-poor spending, and operations and maintenance (O&M) in the budget process at the request of MoF and USAID.

The project's program budget advisors were embedded in 41 budgetary units and formed mobile teams to assist other ministries as needed. The program budget advisors provided on-the-job training and technical assistance to the Budget Implementation Teams (BITs) and Internal Budget Committees (IBCs) in budget preparation, budget execution, and reporting. The project's technical assistance was designed to gradually build the capacity of budgetary units to prepare their program budgets and to execute them with minimal or no assistance from the project.

By the Numbers:

Development budget execution increased from 49% in FY 1390 to 50% in FY 1391.

Year 4 Results with USAID/EGGI Assistance

In Year 4, the project expanded its program budget support to line ministries in improving public financial management, contributing to improved budgeting systems with better transparency and accountability. The project played an important role in further strengthening key budgetary institutions and processes in line ministries. The project supported 41 line ministries throughout the entire budget cycle, including budget formulation, budget execution, and reporting, which helped achieve more predictable and sustainable budgeting processes. The project also trained 582 GIRoA officials from 22 ministries on NPPs and aligning ministry budgets with NPPs. This is one of the top priorities of the Government, the international community, and a key benchmark in the Tokyo Mutual Accountability Framework.

The budget execution rate improved slightly from 49 percent in FY 1390 to 50 percent in FY 1391. The development budget exceeded the \$1 billion dollar mark in FY 1390, and budget execution in FY 1391



The program budget team conducted budget debriefing sessions to help budgetary units understand their FY 1392 budgets.

continued this upward trend. The project provided on-the-job training and coaching in ministries on the budget process, including PFP, to support this improvement.

In budget formulation, the project supported 38 line ministries to finalize the FY 1392 budget for the Cabinet and the Afghan Parliament final approval. As a result, GIRoA improved its budget format with detailed budget break-downs, narratives, and improved output and outcome indicators. The Afghan Parliament approved the FY 1392 national budget on January 20 following two months of budget review discussions. The total budget approved by the Parliament was \$6,809.2 million including an operating budget of \$3,775.5 million and a development budget of \$3,033.7 million.

For the FY 1393 budget formulation, the project assisted 41 ministries in completing the Budget Circular 1 (BC-1) and BC-2 forms. The MoF and the project conducted joint training programs for 10 major line ministries in all aspects of budget formulation and the new government priorities. A total of 296 directors and mid-level managers attended the training program.

With the project's support, 15 line ministries continued to make progress in performance reporting. The MoF asked six additional line ministries to complete the PMR in the second quarter of FY 1392. The project conducted trainings and on-the-job coaching that enabled line ministries to complete the PMR and submit it to MoF on time. The

SPOTLIGHT: National Priority Program Presentations

As part of an initiative to inform all line ministries about their NPPs before the BC-2 was released, the project delivered NPP presentations to 582 budgetary unit officials from 22 line ministries. The NPP presentations were designed to inform line ministries about their relevant NPPs and to enhance the capacity of key ministry officials to understand the concepts, objectives, deliverables, and outcomes of their NPPs. The presentations will also help ministry officials better align their FY 1393 programs and projects with their NPPs. The presentations were delivered in coordination with the Ministry MoF Policy Unit, which has been leading the design and preparation of NPPs with line ministries and the international community.

Continued on page 8

Program Budgeting

Continued from page 7

MoF is in the process of automating PMR to help ministries store performance data.

The project also supported the Independent Directorate of Local Governance (IDLG) to improve sub-national governance and budgeting in the provinces. In partnership with the National Democratic Institute (NDI), the project conducted a two-day workshop on the Asia Foundation's Performance Based Governance Fund. The workshop was held for Provincial Council administration and finance managers from 34 provinces. The project participated and delivered presentations at the request of the NDI. The workshop focused on budgeting reforms, the FY 1392 budget circulars, the National Local Governance NPP, government procurement procedures, and budget costing. The NDI supports Provincial Councils to enhance their capacity, helping to ensure that Provincial Council members can fully represent their citizens and oversee the local government's performance.

In order to disseminate information on the risk assessment conducted in Year 3 and to further strengthen areas identified in the assessment, the project team met with line ministry managers and shared the risk assessment recommendations with all line ministries. A number of line ministries took follow-up actions based on the recommendations. These areas include strengthening BIT structure and function, additional focus on output and outcome indicators, and understanding budget alignment with NPPs and sector strategies.

FY 1392—A New Fiscal Year Calendar:

GIRoA adjusted the fiscal calendar so that FY 1392 began on December 21, 2012. To accommodate this change, FY 1391 was only nine months long.

Conclusions and Lessons Learned

In Year 4, the project team further strengthened ministry capacity in all areas of the program budgeting and associated reforms. For the first time, the project provided NPP training programs to ministries. The team also provided training programs on new initiatives such as gender-sensitive budgeting, pro-poor spending, and O&M. However, several areas need further progress and proactive direction and guidance from

SPOTLIGHT: 2012 Open Budget Index Ranks Afghanistan as Second Most Improved Country

The 2012 Open Budget Index (OBI) listed Afghanistan as the second most improved country in budget transparency in the world, increasing its score to 59 points, compared to 21 points in 2010 and 8 points in 2008. The score of 59 surpasses the target of 40 identified by GIRoA and donors in the Tokyo Mutual Accountability Framework. The OBI survey consists of 125 questions completed by independent researchers and is used to compare the budget transparency, participation, and oversight of about 100 countries around the world. GIRoA and donors use the OBI to assess budget transparency and the impact of budget reforms.

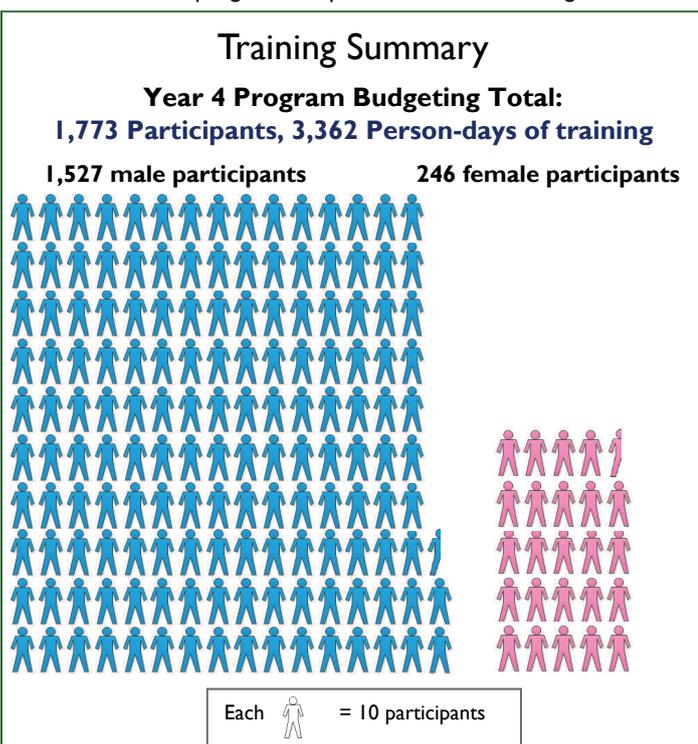
Public financial management reforms started by MoF in 2006 have contributed progressively to an improved budget cycle. USAID project support for these public financial management reforms, including budget formulation, budget presentation, and performance budget reporting, have contributed to the 2012 improvements in the OBI score. The USAID-funded Capacity Development Project provided technical assistance to line ministries in all aspects of the budget cycle. The technical assistance continued under the EGGI project beginning in 2010, supporting about 46 line ministries in public financial management reforms. As a result of the support from the USAID-funded projects and other donor projects, the overall public financial management processes have improved significantly in Afghanistan.

MoF, including a clear direction and roadmap for program-based appropriations. For all new initiatives, measurable benchmarks should be developed and monitored.

Most of the recommendations from the risk assessment conducted in Year 3 are still valid. Noticeable progress has been made in some areas with active support and engagement of line ministries by the project. These include recommendations on the structure and function of BITs and IBCs, understanding program output and outcome indicators, NPPs, and sector strategies.

As in Year 3, there is a need for a stronger political commitment to reform from MoF. Without this commitment from MoF, there is a risk of losing the progress made, no matter how much technical assistance is provided to line ministries. These signs are already visible in some line ministries as stated in the risk assessment conducted in Year 3. With the current level of commitment from MoF, it would be difficult to implement program-based appropriations.

Other areas such as O&M, gender-sensitive budgeting, and pro-poor spending need more resources and support from MoF. MoF should develop a detailed medium-term plan to address these areas. Currently, there is not sufficient progress for these initiatives to have any noticeable impact on budget formulation. The project provided training programs and technical assistance in these areas, but the line ministries do not have interest in implementing these priorities. There is little coordination and communication, particularly at the top management level, to support implementation of these priorities. For these areas to succeed, future projects need to create measurable indicators for all areas of work. If necessary such measurable indicators should be included in the Tokyo Mutual Accountability Framework benchmarks and supported by GIRoA and the international community.



Workstream 4: Provincial Budgeting (concluded March 2013)

Economic Growth and Governance Initiative

Provincial Budgeting: Year 4 in Review



The provincial budgeting team attended monthly Provincial Development Committee meetings to facilitate provincial coordination, including this November 2012 Kandahar PDC meeting.

Background

Budget preparation in Afghanistan is highly centralized, and line ministries generally prepare and submit budget requests to the MoF without consulting provincial departments. Most provincial departments are not aware of their allocated budgets until they receive their allotments for the quarter, due to weak communication between central line ministries and provincial departments. To address this issue, the MoF initiated program and provincial budgeting reform in 2006-2007. Program budget reform focused on linking policies with the budget at the central ministry level by developing policy-based programs as the framework for the national budget. Provincial budget reform represented the next step, rolling programs out to provinces and requesting provinces to develop and cost activities that support the centrally-developed programs to address local needs. USAID has supported the MoF in program budgeting reform implementation since 2007 and began supporting provincial budgeting reform in 2010.

In Year 4, the project faced major challenges in implementing provincial budgeting activities, as these activities were on hold pending a written agreement between USAID and MoF on provincial budgeting support. In Year 3, at the request of USAID, the project hired and deployed 16 additional provincial budgeting officers in July 2012 to five new regional hubs in anticipation of continuing the provincial budgeting pilot program for FY 1392. After successfully hiring and deploying the team to the regional hubs, the MoF then directed USAID to scale back the activity due to the lack of funding for pilot projects for three of the four FY 1391 pilot ministries. By the end of September 2012, the project had scaled back the activity to its initial level of ten provincial budgeting officers in four regional hubs and Kabul awaiting final agreement between USAID and MoF on the future scope of MoF provincial budgeting reform.

While the provincial budgeting activities were on hold, the project team conducted coordination meetings throughout the provinces with key provincial officials. In March 2013 the provincial budgeting workstream activities were concluded per USAID guidance, as MoF had not yet agreed to the provincial budgeting workplan.

Year 4 Results with USAID/EGGI Assistance

Since Year 4 began with the project's provincial budgeting reform implementation support activities suspended, the project team continued to conduct a series of coordination activities with provincial counterparts, donor projects, and regional USAID representatives to strengthen communication and coordination throughout the provinces on provincial budgeting activities. The project team also attended monthly Provincial Development Committee (PDC) meetings. The main objec-

tives of these coordination activities were to:

- Brief donor representatives on sub-national budgeting policy and provincial budgeting reform activities;
- Provide feedback and suggestions on sub-national issues to the USAID Democracy and Governance implementing partners;
- Strengthen communication and coordination within the provinces on provincial budgeting reform;
- Discuss Provincial Council inputs to the national budget;
- Understand the role of the Economy Directorates in provincial development activities;
- Advise Provincial Councils on the effective implementation of provincial budgeting reform; and
- Understand PDC priorities considered when approving provincial development projects.

The project team also briefed technical representatives from the USAID Office of Economic Growth and Infrastructure, USAID Office of Democracy and Governance, USAID Office of Financial Management, DFID, USAID field program offices, the Asia Foundation, UNDP, and implementing partners. The project team briefed the representatives on the status of the provincial budgeting reform activities, provided an overview of the budgeting process at the central and provincial levels, and provided feedback and recommendations on sub-national budgeting issues.

The provincial budgeting team held coordination meetings with representatives from the following provinces:

- Baghlan
- Balkh
- Herat
- Jowzjan
- Kandahar
- Kapisa
- Kunar
- Laghman
- Logar
- Nangarhar
- Parwan
- Samangan
- Wardak

Conclusions and Lessons Learned

In March 2013, the project's provincial budgeting workplan activities were concluded per USAID guidance, and the workstream was de-scoped. The project staff was terminated, and the related activities were transitioned to the MoF Provincial Budgeting Unit (PBU). The project encountered several challenges to implementing provincial budgeting reforms, including:

- Lack of political will for developing the provincial budgeting process at the central level;
- Low capacity of the provincial directorates; and
- Unwillingness of central line ministries to delegate authority and responsibility to their provincial directorates.

There is still a need to further develop public financial management skills at the provincial level to enable provincial officials to develop budgets and project proposals as part of the national budget process.

Provincial budgeting activities need political support from high-ranking government officials to be successful. Additionally the government needs to finalize the provincial budgeting reform policy as required by the Tokyo Mutual Accountability Framework and other commitments to the international community. The MoF would like donors to commit to funding pilot provincial budgeting projects, but donors would like the government to provide funding for the projects from its discretionary budget. The MoF and the donor community need to reach a consensus regarding provincial budgeting reforms and funding for this to gain traction in the future.

Workstream 5: Tax Administration

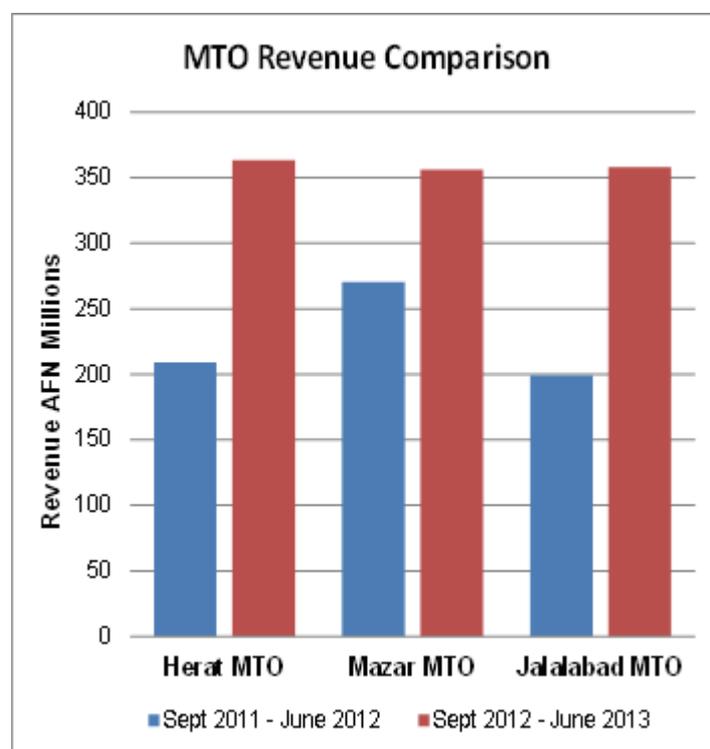
Economic Growth and Governance Initiative

Tax Administration: Year 4 in Review

Background

Afghanistan has one of the lowest revenue mobilization rates in the world. While GIRoA has made measured progress in its revenue generation, it must do significantly more to cover its operating costs and the costs of delivering essential and efficient services to its citizens. Working toward achieving this goal, the MoF continues to improve management and operations of tax administration. These actions are essential to bringing into compliance the many taxpayers and businesses who are either non-compliant or unaware of their tax responsibilities. Since 2010, USAID assistance to the MTOs in Herat and Mazar has enabled both provinces to enhance their revenue collection efforts and audit capabilities significantly. In early 2011, USAID began assistance to the MTOs in Jalalabad and Kandahar. USAID has also assisted in the development of taxpayer education and outreach programs at the MTOs, which are critical to ensuring taxpayers are aware of their obligations under Afghanistan's "self-assessment" system. These initiatives have been instrumental in increasing provincial MTO tax return filings and revenues and are helping MTOs sustain improvements in these areas.

The project focused its Year 4 efforts on strengthening tax enforcement, accounting, and audit capabilities at MTOs and Large Taxpayer Offices (LTOs). The project also provided limited assistance in basic and intermediate tax law to Small Taxpayer Offices (STO) in Kabul, Herat, Mazar, Nangarhar, and Kandahar.



FY 1392—New Fiscal Year, New Filing Season:

GIRoA adjusted the fiscal calendar so that FY 1392 began December 21, 2012. In FY 1392, the tax filing season ran from December 21—March 20 instead of March to June as in previous years. These fiscal calendar changes make it difficult to make exact comparisons across fiscal years.

Year 4 Results with USAID/EGGI Assistance

In Year 4, the project focused on strengthening the tax enforcement, accounting, and audit capabilities at the LTOs, MTOs, and STOs in Kabul, Herat, Mazar, Kandahar, and Nangarhar. The main purpose of the training was to provide knowledge and to assist in the mobilization of revenues, which occurs when tax officers become efficient in issue identification and applying tax laws and appropriate tax enforcement processes to solve taxpayer cases. During the year, the tax administration team trained 492 tax officials. The project also assisted the Kandahar MTO with strategies for overall improvement with an emphasis on conducting trend analyses to determine possible deficiencies and conducting follow-on actions to correct specific deficiencies. Having trained the ARD officials in principles of basic management, the project began to expand its efforts to provide knowledge from theoretical aspects of tax administration to teaching office and field techniques necessary to identify gaps in procedural applications and strategies to correct deficiencies leading towards better proficiency in revenue generation. As a means of applying classroom concepts, the project assisted with the establishment of taxpayer service units and audit units at the Jalalabad and Kandahar MTOs.

Year 4 Performance Measures (October 2012 - July 2013)

Measure	Target	Actual	Percentage Achieved
MTO Tax Returns Filed	5,200	12,025	231%
MTO Audit Cases Selected	960	800	83%

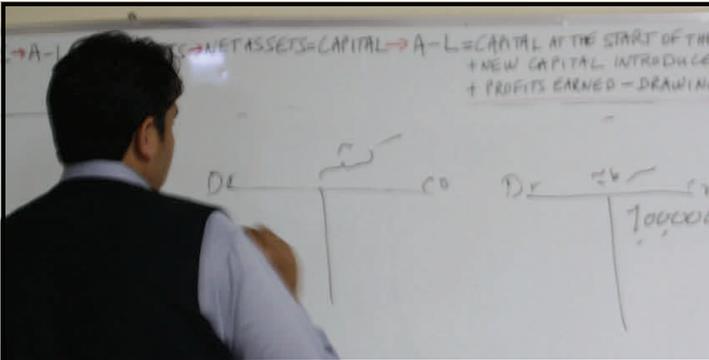
During the year, the MTOs experienced dramatic improvements in revenue mobilization. It should be noted that while Mazar experienced revenue improvement of 32 percent, its improvement began waning with the loss of the national staff and a marked decrease in cooperation from the MTO Director. The year to year (2012-2013) improvements in revenue mobilization can be attributed to the project's strategic delivery of training, specifically designed to enhance technical knowledge leading to more efficient and effective interpretation of articles of the tax law. This efficient interpretation of the law led to

FY 1392 Revenue Collection and Tax Returns Filed as of July 2013

Location	Revenue Target AFN	Tax Revenue AFN	Percentage Achieved	Tax Returns Filed
Herat MTO	546,000,000	296,562,709	54%	5,140
Mazar MTO	497,000,000	281,801,540	57%	Not reported
Kandahar MTO	305,000,000	238,161,491	78%	1,834
Jalalabad MTO	344,000,000	159,984,818	47%	721

Continued on page 11

Continued from page 10



A tax official participates in an interactive exercise as part of an audit training in May 2013.

appropriate taxpayer case selections for audit and more tax yields from audited cases. Once cases were audited, enforcement training allowed for better enforcement practices, which in turn led to additional revenue collection. Additionally, with five months left in FY 1392, the MTOs are on target to meet their FY 1392 collection targets.

Other key milestones during the year include the establishment of taxpayer service units and audit units at the Jalalabad and Kandahar MTOs. The installation of the taxpayer service units is important because of their significance to the implementation of the current tax regime employed in Afghanistan. Based on Afghanistan's 2009 tax law, the tax regime implements the "self-assessment" tax system, which requires taxpayers to file tax returns and self assess taxes owed. This tax system is reliant on taxpayer education and taxpayer outreach programs delivered by personnel assigned to the taxpayer service unit. USAID provided materials, such as office equipment and supplies necessary for day-to-day operations, and the project provided direction and advice on critical aspects of implementation, such as techniques to deliver taxpayer education, and providing assistance in identifying segments of taxpayers for outreach project formulation. To support the installation of the audit units, the project provided guidance for the unit installation along with accounting and tax audit training.

SPOTLIGHT: STO Needs Analysis

The project conducted an analysis to determine STO technical needs and submitted a report with findings and recommendations to USAID in May 2013. While the STO is operating throughout Afghanistan, its offices are not in compliance with the 2009 tax law and for the most part are still functioning under Afghanistan's 2005 tax law, which is obsolete. Based on the recommendations of this analysis, the project delivered training in basic tax law to STO employees, helping STO employees become familiar with the 2009 tax law and its application for tax administration. Recommendations also include:

- Fully implement the "self-assessment" tax system at all STOs
- Provide capacity building technical training
- Restructure office inventories
- Establish collection targets based on revenue forecasting
- Implement new operational procedures/methodology for taxpayer case processing
- Implement a communications strategy
- Improve physical plants and tax office infrastructure
- Provide transportation to conduct taxpayer field visits
- Incorporate automation

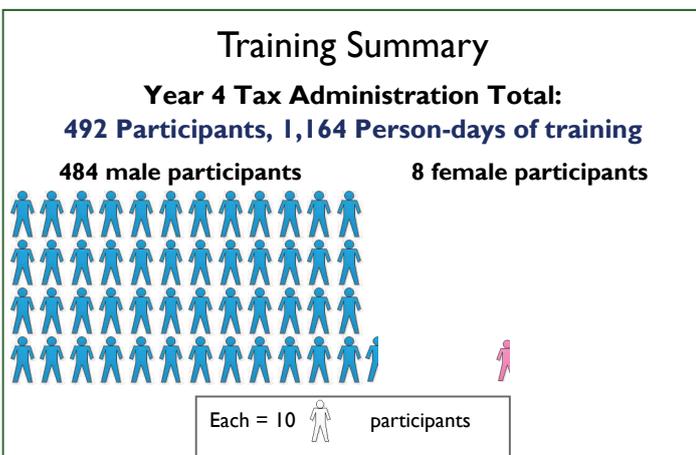
Another key milestone was the project's support for the installation and development of enforcement units at all MTOs completed in November 2012. These units are critical to the success of any compliance program, as the non-compliance rate in Afghanistan is 60 percent, compared with a 20-40 percent non-compliance rate internationally. The installation of enforcement units to address taxpayers, who are delinquent in filing and payment compliance were supported by the project in providing installation guidance and training for capacity building.

Conclusions and Lessons Learned

The Year 4 workplan included plans for Value Added Tax (VAT) technical training. This training was not delivered because the Parliament had not enacted a VAT law by the time project technical assistance ended in July 2013. All other tax administration activities were accomplished as outlined in the project's workplan.

There is a need to maintain physical presence in provinces for adequate knowledge exchange and proper capacity building. When the national staff left Mazar, the team did not have the ability to work in-person with the Director, and the efficiency of the MTO appears to have decreased, although not to the extent that prevented the MTO to meet collection targets. The physical presence of a project representative at other locations allowed for efficient transfer of information and knowledge, and the MTO Director seemed to feel more engaged.

The project also found that interactive training where tax officers are required to participate in taxpayer case problem solving enhances participant learning and enhances revenue improvement. These activities were part of the training delivery strategy for all of the tax administration training. The success of this approach is evident in the numbers shown for improvement of revenue mobilization over the course of the tax administration's training cycle. USAID should also work with technicians and technical advisors before engaging ARD on technical issues. These discussions will allow USAID to gain information and advice on issues that may present difficulties in either interpretation or delivery.



Workstream 6: Revenue Reconciliation Database

Economic Growth and Governance Initiative

Revenue Reconciliation Database: Year 4 in Review

Background

A key component of fiscal reform in Afghanistan is improving how revenues and expenditures are tracked and accounted for throughout the country. The Afghanistan Financial Management Information System (AFMIS) is the overall revenue and expenditure reporting system for the MoF ARD; however, the capabilities of AFMIS to capture revenue data country-wide are limited. As part of USAID efforts to provide government revenue collection units across the country with a single revenue reporting system, the project worked with the ARD to deliver the Revenue Reconciliation Database (RRD) to 32 of the 34 provinces in Afghanistan in 2010. Before the RRD was in place, provincial officials had to manually send revenue information to Kabul, meaning financial information could remain unreported for over one month. The implementation of the RRD enabled the MoF to integrate data on daily revenue collections throughout Afghanistan and upload the data to AFMIS.

In March 2011 the RRD workstream was concluded per USAID guidance as part of the project's right-sizing changes. A lack of consistent support and maintenance of RRD led to system failures and malfunctions that RRD users were unable to address, causing revenues to go unreported. In Year 3, the project again began working with ARD to assess the revenue reporting situation and develop recommendations for addressing RRD issues. As part of this support, the project explored the option of developing a centrally-hosted, web-based system for revenue reporting to replace RRD and address the functional deficiencies that were identified through end user feedback. Following the project's analysis in Year 3, USAID and ARD decided to abandon the development of the new system and focus instead on remediating issues with the current RRD application.

Year 4 Results with USAID/EGGI Assistance

Remediation of RRD Application Issues in Six Priority Provinces: At the request of the DM for Customs and Revenue, the project worked throughout Year 4 with the ARD Planning Directorate to remediate RRD application issues in the six priority provinces of Balkh, Herat, Kandahar, Kunduz, Nangarhar, and Nimroz. During the first quarter of Year 4, the project worked with the ARD Planning Directorate to develop an implementation plan for remediating RRD application issues in the six priority provinces. The DM for Customs and Revenue agreed to this plan and directed ARD Planning Directorate officials to work closely with the project on these activities. In each province, the team established a sub-network for the revenue collection unit in the mustofiats, performed a re-installation of the system with licensed software, updated the security software on the computers, and used technology features to limit access to prevent or reduce the potential misuse of the system in the future. At the end of the visit to each province, the project officially handed over the latest version of the RRD application to local ARD representatives. In August 2013, the ARD Planning Directorate provided the project with a letter officially recognizing the successful remediation of RRD application and fiscal year issues in the six priority provinces.

Remediation of RRD Fiscal Year Issues in Six Priority Provinces: Beginning in FY 1392, the MoF moved the beginning of the fiscal year to December 21 from March 21. RRD was developed using the old fiscal year, so all RRD closing balance reports were based on this



ARD Planning Directorate officials review RRD application redesign progress at a meeting with the RRD team in July 2013.

fiscal year. As a result of the fiscal year change, there were issues with generating reports including the M29, closing balance, and revenue arrears reports. The ARD DM requested the support of USAID and the project team to help the ARD address these changes. Following USAID approval, the RRD team made the necessary updates to the RRD application to address the fiscal year change and address any fiscal year changes in the future. During the year, the project successfully installed the updated RRD application and addressed fiscal year issues in the six priority provinces of Balkh, Herat, Kandahar, Kunduz, Nangarhar, and Nimroz. The ARD Planning Directorate's August 2013 letter also officially recognized the successful remediation of RRD fiscal year issues in the six priority provinces.

Training RRD Users: In each of the six priority provinces, the RRD team conducted training for the provincial RRD data entry operators to build their understanding of and technical capabilities with the application.

Building Capacity of ARD Officials: ARD officials accompanied the project team to each of the six priority provinces and worked with the team to remediate RRD application and fiscal year issues. Having ARD officials accompany the RRD team helped build the capacity of ARD resources to address RRD technical issues, making RRD more sustainable in the future.

Redesign of the RRD Application Based on ARD Needs and Requirements: Following the successful remediation of RRD application and fiscal year issues in the six priority provinces, the RRD team began redesigning the RRD application at the request of ARD with USAID approval. ARD identified several updates that needed to be made to support accurate and timely reporting in the future. The RRD team completed redesigning most of the RRD application by the end of project technical assistance in July 2013. At the outset of the RRD redesign effort, the ARD agreed that the RRD team would redesign as much of the RRD application as possible and hand over the application redesign progress to ARD at the end of the project. The project worked with ARD to facilitate the official handover of the redesigned RRD application progress and submitted a letter to the DM for Customs and Revenue for approval as requested by the ARD Planning Directorate.

Continued on page 13

Revenue Reconciliation Database

Continued from page 12

Conclusions and Lessons Learned

Host country commitment and resource availability are key to the successful and sustainable implementation of a revenue system. These are critical success factors for any technology or business transformation, both for executing the task at hand and for providing a sustainable solution. The required level of commitment and resources were not evident during the project’s assessment of the environment at ARD. In similar situations, using grant agreements in which investments are contingent on the ministry achieving certain benchmarks have been successful in addressing these challenges. For example, USAID could ask ARD to allocate tashkeel staff and assign funds for revenue system maintenance in the national budget prior to committing to developing a new revenue system.

Other revenue system solutions designed to interface with the central AFMIS are already being deployed within GIRoA. These applications have the ability to provide revenue reporting reconciliation and, with some modification, can also provide for the other needs of ARD. These other deployments negate the need for the effort, cost, overhead, and complexity that could be introduced by yet another point solution, such as a custom revenue system. ARD should be encouraged to consider the functionality that the Standard Integrated Government Tax System (SIGTAS) already provides and include non-tax revenue as



The Awaiz screen from the redesigned RRD application.

part of the functional requirements for the system. Assessments, completed in partnership with GIRoA, should be conducted early to identify what parallel efforts exist in order to mitigate the risk of overlapping efforts and to eliminate further costs.

A clear strategic vision and coordination across MoF and line ministries is necessary for successful systems development. ARD does not currently have a clear plan for maintaining and using the current RRD system. Additionally, a specific timeline for integrating the RRD application with other revenue systems has not been developed. MoF should develop a comprehensive strategy for systems development that involves all stakeholders.

Training Summary

Year 4 Revenue Reconciliation Database Total:
37 Participants, 37 Person-days of training

37 male participants



Each = 10  participants

Workstream 7: Women in Government

Economic Growth and Governance Initiative

Women in Government: Year 4 in Review

Background

Women's empowerment and involvement in the development process is strongly linked to economic growth and the overall achievement of USG objectives in Afghanistan. Of the over 333,000 GIROA employees, less than 20 percent are female. As part of the Afghanistan National Development Strategy (ANDS) and Millennium Development Goal benchmarks, GIROA has committed to raise this number. To support this goal, USAID launched the Women in Government Internship Program in February 2010. The program provides assistance to build women's capacity to participate fully in Afghan society by providing internships to recent female university graduates with the goal of transitioning them into full-time positions in the public and private sectors. Following successful completion of the internship program, these women have developed essential skills, experience, and working relationships that will enable them to succeed as they start their professional careers.

In Year 4, the Women in Government Internship Program built on its success in Kabul, Herat, and Balkh and expanded the program to Nangarhar province. During Year 4, the program provided 256 internship opportunities to interns in Kabul and the provinces, providing 446 internship opportunities throughout the life of the program. As part of the internship program, interns attended regular capacity building trainings and received on-the-job training and support from internship program supervisors.

By the Numbers:

In Year 4, the Women in Government Internship program provided 256 internship opportunities, 291 interns graduated from the program, and 140 interns obtained full-time jobs with the government and private sector.

Year 4 Results with USAID/EGGI Assistance

In Year 4, the project continued to expand the Women in Government Internship Program, with 256 interns beginning internship opportunities throughout the year, including 166 interns in Kabul, 20 interns in Balkh, 40 interns in Herat, and 30 interns in Nangarhar.

Launch of the Women in Development Association: On February 20, 2013, the Women in Government Internship Program held an event officially launching the Women in Development Association (WIDA). Hajira Qatra, a former intern and newly-elected president of WIDA, addressed the group, highlighting a need for a change in women's development.

Intern Volunteer Opportunities: During Year 4, 202 interns participated in seven volunteer activities across Kabul, Balkh, Herat, and Nangarhar, providing opportunities for interns to engage in volunteer activities with local youth and vulnerable populations. In the first quarter of Year 4, the Women in Government team delivered presentations on nutrition and hygiene to local schools in Kabul, continuing a series of volunteer activities that began in Year 3. After the launch of WIDA in February 2013, the Women in Government team worked with WIDA to identify volunteer opportunities and held two volunteer events at Dar-ul-Aman Farm and Badaam Baagh farm in collaboration with the Ministry of Agriculture Irrigation and Livestock (MAIL). In-

Women in Development Association Spotlight



Established in February 2013 with the support of the Women in Government team, the Women in Development Association is the first association in Afghanistan established for women who are seeking assistance in finding jobs and opportunities for development. This network of current and former interns was established to provide women with additional opportunities to build their capacity, progress professionally, and work together to support women's rights in Afghanistan. The association worked with the internship program to organize volunteer activities and is in the process of writing grants for future association activities. Association leadership works on a volunteer basis. Above: Women in Development Association leadership at the association launch.

terns in the provinces also participated in volunteer activities. Interns in Balkh raised funds for two women cleaners at the Directorate of Women's Affairs; interns in Herat delivered a presentation on self-confidence and donated bags and fans to a local orphanage; and interns in Nangarhar delivered a presentation on hygiene to a local school.

Women in Government Internship Program Capacity Building Trainings: As part of the internship program, interns attended regular capacity building trainings throughout their internships. During Year 4, the team delivered 6,538 person days of training as part of the internship program, expanding the trainings to twice per week. In January 2013, the project developed a training curriculum to help provide standard support and training to interns in Kabul and the provinces. The training plan, which consists of 12 modules, was designed to help interns build the skills needed to be successful in their internships and full-time employment.

WIG Training Modules:

- Computer/ IT Literacy Skills
- Communication Skills
- Teamwork and Problem Solving Skills
- Presentation Skills
- CV Writing and Interview Tips
- Civil Service Recruitment Process
- Good Governance and Accountability
- Human Rights and Women's Issues
- Leadership
- Management and Report Writing
- Accounting and Financial Management
- On Demand Modules

Continued on page 15

Women in Government

Continued from page 14

Conclusions and Lessons Learned

Throughout the year, the Women in Government Internship Program was successful in expanding the internship program in Kabul and the provinces. Through the end of Year 4, 424 interns had graduated from the program, and 245 interns had found full-time employment, resulting in a 59 percent job placement rate for the program. However, the job placement rate at the end of Year 4 Quarter 3 of 73 percent is more reflective of the overall job placement rate for the program, as it typically takes interns a few months to find full-time employment. In July 2013, 117 interns graduated from the internship program, so the project expects the job placement numbers to increase over time. Throughout the year, the Women in Government team worked with interns and met with counterpart ministries to help place interns in full-time positions. At a recent graduation event in Kabul, the MoF Human Resource Director stated that MoF will try its best to hire the interns, and the project provided the Human Resources Director with the list of interns who recently completed internships at the MoF Customs Department.

This President's Decree on Civil Service Recruitment was issued by the President in October 2012 and delegated the right of recruitment of grade 4, 5, and 6 civil servants to the Civil Service Commission through an entrance examination. In April 2013, the decree was dissolved, once again giving ministries the ability to conduct merit-based recruitment. Following the dissolution of the decree, ministries announced their vacancies, and interns applied to a number of positions.

While several interns were shortlisted and found full-time employment with the ministries, several were not, as many of the positions require at least one year of work experience that recently-graduated interns

do not have. At a President's Cabinet meeting in 2010, it was decided that a six-month internship program with government agencies was equivalent to one year of work experience. Taking that Cabinet decision into account, the Women in Government team held a series of meetings with government officials to discuss this issue, but the issue has not yet been resolved. This issue will need to be addressed in future internship programs to help interns obtain full-time employment.

The Women in Development Association is in the process of developing grant proposals to obtain funding for future association activities including a proposal to continue the Women in Government Internship Program and a proposal to provide training to women in the provinces on women's rights, gender issues, equality and education.

In Year 4, interns were placed in 4-6 month internships with:

Kabul

- Afghan Telecom
- Afghanistan National TV and Radio
- Control and Audit Office (CAO)
- Da Afghanistan Breshna Sherkat
- Independent Administrative Reform and Civil Service Commission (IARCSC)
- Ministry of Energy and Water (MEW)
- MoF
- Ministry of Labor, Social Affairs, Martyrs, and Disabled (MoLSAMD)
- Ministry of Public Works (MoPW)
- Ministry of Rural Rehabilitation and Development (MRRD)
- National Environmental Protection Agency (NEPA)
- Parliament

Balkh

- Balkh University
- Da Afghanistan Breshna Sherkat
- Directorate of Education

Herat

- Directorate of Agriculture, Irrigation, and Livestock
- Directorate of Economy
- Directorate of Information and Culture
- Directorate of Justice
- Directorate of Public Health
- Directorate of Women's Affairs
- Environmental Protection Department
- Herat Governor's Office
- Herat University

Nangarhar

- Directorate of Education
- Directorate of Public Health
- Directorate of Rural Rehabilitation and Development
- Directorate of Women's Affairs
- IARCSC
- Nangarhar High Court
- Nangarhar University

Intern Spotlight



Maliha Nasrat completed a six-month Women in Government internship at the Afghan Supreme Court and now serves as a board member for the Women in Development Association. During the 1990s civil war in Afghanistan, Maliha was disabled by a stray bullet. Although she excelled at school and was interested in pursuing a career, Maliha found that many were unwilling to hire her and did not see her as a capable employee. The Women in Government Internship Program helped connect Maliha with opportunities for which others had overlooked her. Following her internship, Maliha found full time employment with the Afghanistan Landmine Survivors Organization.

Project Activities By Regional Command

Economic Growth and Governance Initiative

In Year 4, the project provided targeted support to provincial-level GIRoA bodies and directorates involved in economic governance affairs. The combined success of budgeting and tax administration are key to achieving sustainable economic growth. By using local national staff, activities in support of improved public financial management and fiscal sustainability were advanced at the regional level.

The project provided tax administration support to the tax offices in Herat, Mazar, Jalalabad, and Kandahar, with a particular focus on the MTOs. Local national staff provided on site support to the tax offices in Herat, Jalalabad, and Kandahar, coordinating regularly with the advisor in Kabul. Since provincial budgeting activities were on hold pending an agreement between MoF and USAID, the provincial budgeting team conducted a series of coordination meetings with provincial representatives to better understand and support provincial budgeting progress. The project also continued Women in Government Internship Program activities in Balkh and Herat provinces and expanded the internship program to Nangarhar province, with provincial intern supervisors managing the daily activities of interns in these locations while coordinating closely with the team in Kabul.



Regional activities are highlighted below and broken down by Regional Command (RC).

Regional Command West: Year 4 in Review

Tax Administration: The project continued supporting the Herat MTO throughout Year 4 and began providing limited support to the Herat LTO and STO. Throughout the Year, the CCN team lead from Kabul traveled to Herat to provide on-site support and advice to the MTO and LTO Directors and advised the Directors regularly from Kabul.

With the support of the project, the Herat MTO surpassed its FY 1391 collection target of 324 million AFN by 2 percent collecting 330,925,034 AFN. Herat MTO taxpayers filed 6,819 tax returns in FY 1391. As of July 2013, the Herat MTO had collected 296,562,709 AFN, 54 percent of its 546 million AFN FY 1392 collection target with five months left in the fiscal year. This progress indicates that the Herat MTO should be on its way to meet its FY 1392 collection target.

Provincial Budgeting: While the project’s provincial budgeting reform implementation support activities were suspended, the project team conducted a series of coordination meetings with provincial representatives to strengthen communication and coordination throughout the provinces on provincial budgeting activities. In Year 4, the provincial budgeting team met with USAID and donor representatives in Herat, the Herat Provincial Council Chairman, and the Herat Economy Deputy Director. The provincial budgeting team also attended Herat PDC meetings.

In March 2013, the project’s provincial budgeting workplan activities were concluded per USAID guidance, and the workstream was de-scoped.

Women in Government:

In Year 4, 39 interns graduated from the internship program in Herat, and 19 of these graduates found full-time employment so far. Throughout their internships, interns attended regular capacity building trainings and received on-the-job training and mentorship to help them build skills needed to succeed in their internships and future full-time employment.



Revenue Reconciliation Database: At the request of ARD, USAID approved project support to ARD in remediating RRD application issues and fiscal year reporting issues in six priority provinces. In coordination with ARD officials, the RRD team successfully remediated RRD issues and addressed fiscal year reporting issues in Herat province, one of the six priority provinces.

Project Activities by Regional Command

Regional Command North: Year 4 in Review

Tax Administration: In Year 4, the project continued to support the Mazar MTO and began providing limited support to the Mazar LTO and STO. During the year, the tax administration advisor and CCN team lead provided advice to the MTO and LTO Directors from Kabul.

With the support of the project, the Mazar MTO surpassed its FY 1391 collection target of 282 million AFN by 7 percent, collecting 301,472,123 AFN. Mazar MTO did not report the number of tax returns filed in FY 1391. As of July 2013, the Mazar MTO had collected 281,801,540 AFN, 57 percent of its 497 million AFN FY 1392 collection target with five months left in the fiscal year. This progress indicates that the Mazar MTO is likely to meet its FY 1392 collection target.

Provincial Budgeting: While the project's provincial budgeting reform implementation support activities were suspended, the project team conducted a series of coordination meetings with provincial representatives to strengthen communication and coordination throughout the provinces on provincial budgeting activities. In Year 4, the provincial budgeting team met with representatives from Baghlan, Balkh, Jowzjan, and Samangan provinces and USAID implementing partner representatives. The provincial budgeting team also attended Balkh PDC meetings.

In March 2013, the project's provincial budgeting workplan activities were concluded per USAID guidance, and the workstream was de-scoped.

Regional Command East: Year 4 in Review

Tax Administration: The project continued to provide support to the Jalalabad MTO in Year 4. Additionally, the project began to provide limited support to the Jalalabad LTO and STO. During the year, a CCN team member provided on-site support and advice to the MTO and LTO Directors.

With the support of the project, the Jalalabad MTO surpassed its FY 1391 collection target of 180 million AFN by 26 percent, collecting 227,182,766 AFN. Jalalabad MTO did not report the number of tax returns filed in FY 1391. As of July 2013, the Jalalabad MTO had collected 159,984,818 AFN, 47 percent of its FY 1392 collection target with five months left in the fiscal year. This progress indicates that the Jalalabad MTO should be on its way to meet its FY 1392 collection target.

Provincial Budgeting: While the project's provincial budgeting reform implementation support activities were suspended, the project team conducted a series of coordination meetings with provincial representatives to strengthen communication and coordination throughout the provinces on provincial budgeting activities. In Year 4, the provincial budgeting team met with representatives from Kapisa, Kunar, Laghman, Logar, Nangarhar, Parwan, and Wardak provinces and regional USAID representatives. The provincial budgeting team also attended Nangarhar PDC meetings.

In March 2013, the project's provincial budgeting workplan activities were concluded per USAID guidance, and the workstream was de-scoped.

Women in Government:

In Year 4, 39 interns graduated from the internship program in Balkh province, and 16 graduates have found full-time employment so far. Throughout their internships, interns attended regular capacity building trainings and received on-the-job training and mentorship to help them build skills to help them succeed in their internships and future full-time employment.



Revenue Reconciliation Database: At the request of ARD, USAID approved project support to ARD in remediating RRD application issues and fiscal year reporting issues in six priority provinces. In coordination with ARD officials, the RRD team successfully remediated RRD issues and addressed fiscal year reporting issues in Balkh and Kunduz provinces, two of the six priority provinces.

Women in Government:

In Year 4 the project officially launched the Women in Government Internship Program in Nangarhar province. Overall, 28 interns graduated from the internship program in Nangarhar province, and 21 graduates have found full-time employment so far. Throughout their internships, interns attended regular capacity building trainings and received on-the-job training and mentorship to help them build skills to help them succeed in their internships and future full-time employment.



Revenue Reconciliation Database: At the request of ARD, USAID approved project support to ARD in remediating RRD application issues and fiscal year reporting issues in six priority provinces. In coordination with ARD officials, the RRD team successfully remediated RRD issues and addressed fiscal year reporting issues in Nangarhar province, one of the six priority provinces.

Project Activities by Regional Command

Regional Command South: Year 4 in Review

Tax Administration: In Year 4, the project continued to support the Kandahar MTO and began providing limited support to the Kandahar LTO and STO. During the year, a CCN team member provided on-site support and advice to the MTO and LTO Directors.

The Kandahar MTO fell short of its FY 1391 collection target of 50 million AFN by 14 percent, collecting 42,800,765 AFN. Kandahar MTO did not report the number of tax returns filed in FY 1391. As of July 2013, the Kandahar MTO had collected 238,161,491 AFN, 78 percent of its FY 1392 collection target with five months left in the fiscal year. This progress indicates that the Kandahar MTO should be on its way to meet its FY 1392 collection target.

Provincial Budgeting: While the project's provincial budgeting reform implementation support activities were suspended, the project team conducted a series of coordination meetings with provincial representatives to strengthen communication and coordination throughout the provinces on provincial budgeting activities. In Year 4, the provincial budgeting team met with representatives from Kandahar province and attended Kandahar PDC meetings.

In March 2013, the project's provincial budgeting workplan activities were concluded per USAID guidance, and the workstream was de-scoped

Revenue Reconciliation Database: At the request of ARD, USAID approved project support to ARD in remediating RRD application issues and fiscal year reporting issues in six priority provinces. In coordination with ARD officials, the RRD team successfully remediated RRD issues and addressed fiscal year reporting issues in Kandahar province, one of the six priority provinces.



Regional Command Southwest: Year 4 in Review

Revenue Reconciliation Database: At the request of ARD, USAID approved project support to ARD in remediating RRD application issues and fiscal year reporting issues in six priority provinces. In coordination with ARD officials, the RRD team successfully remediated RRD issues and addressed fiscal year reporting issues in Nimroz province, one of the six priority provinces.



A provincial budgeting team member meets with Logar Provincial Council Director and representatives in January 2013 to support provincial coordination.



An intern in Jalalabad receives a certificate following the completion of the six-month Women in Government internship program.

Workstream Transition Activities

Economic Growth and Governance Initiative

Workstream Transition Activities

As project technical assistance ended in July 2013, the project worked to transition activities and select assets to counterpart organizations. The following sections provide an overview of the transition actions taken by the project:

Tax Policy/Non-Tax Revenue: The NTR team provided the ARD NTR Directorate with hard and soft copies of all NTR technical assistance documents, including the vehicle registration revenue reforms implementation report, traffic revenue process documentation, the traffic revenue reforms implementation plan, ASYCUDA background justification documents, and ASYCUDA process documentation and recommendations. The NTR team also transferred three laptops and a projector to the ARD NTR Directorate.

Program Budgeting: The program budget team transferred hard and soft copies of training material and other budget documents to line ministries, including BC forms, budget execution data, PFP, PMR, and other important files. The team met with key GIRA officials, including ministers, deputy ministers, and budget directors, to discuss this transition. The team also formally transferred project assets located in the ministries to counterpart ministries.

Tax Administration: The tax administration team met with mustofiat counterparts and tax office directors to discuss the end of project technical assistance. The team also prepared close out charts for the MTO Directors to help them conduct trend analyses for the final monthly report. Project assets were transferred to counterparts where appropriate.

Revenue Reconciliation Database: The handover of the redesigned version of RRD application to the ARD Planning Directorate officials is pending approval by the DM of Revenue and Customs. As agreed with ARD and USAID previously, the RRD team completed as much of the RRD redesign as the remaining time of the project would allow. At the outset of the RRD redesign effort, the ARD agreed that the RRD team would redesign as much of the RRD application as possible and handover the application redesign progress to ARD at the

end of the project. On August 4, the RRD team met with the ARD Planning Directorate to hand over the RRD application, but ARD did not accept the application. ARD noted that they will only accept the in progress version of the RRD application with DM approval and requested that the project send an official letter to the DM. The project submitted a letter to the DM for the hand over of the uncompleted redesigned RRD application as requested by the ARD Planning Directorate.

Women in Government: The Women in Government team supported the interns through August 15 and shared intern information with USAID implementing partners and government counterparts to help the interns obtain full-time employment.

WIDA also developed grant proposals to obtain funding for future association activities. The president and members of WIDA developed two separate proposals to submit to USAID and UNDP to fund future association activities. WIDA proposals include:

- **Women in Government Internship Program:** WIDA proposes continuing the USAID Women in Government Internship Program in Kabul. A team is developing a proposal to continue the program that will be submitted to USAID grant programs next month.
- **Gender Awareness and Capacity Development for Afghan Women:** A WIDA survey of the needs of women in Kabul and the provinces concluded that women need to be more educated on women's rights, gender issues, equality, and education. The team is developing a proposal to train women in the provinces on this issues that will be submitted to USAID and UNDP grant programs next month.

Year 4 Lessons Learned

While the previous sections provide a detailed look at the conclusions and lessons learned in Year 4 for each workstream, the following is a high-level overview of key lessons learned across the project:

Lesson Learned	Description
Political commitment from MoF is essential to the success of budgeting reforms	Without political commitment from MoF, there is a risk of losing the progress made in budgeting reform. With the current level of commitment from MoF, it will be difficult to implement program-based appropriations. In other areas such as O&M, gender-sensitive budgeting, and pro-poor spending, more resources and support are needed from MoF. MoF should develop a detailed medium-term plan to address these areas.
Building a strong ARD NTR Directorate is key to lasting non-tax revenue reform efforts and expanding non-tax revenue collections	The project helped the NTR Directorate make significant progress in several non-tax revenue reforms. The NTR Directorate experienced difficulty recruiting and maintaining permanent staff throughout the year. In order for these non-tax revenue reform efforts to continue, the NTR Directorate will need to hire core staff and build the capacity of these staff to manage and lead non-tax revenue reforms.
On-site provincial support promotes more effective provincial activities	On-site support for technical assistance in the provinces allows for adequate knowledge exchange and proper capacity building. When the tax administration national staff left Mazar, the team faced increasing difficulty engaging the MTO Director and capacity level of the MTO appeared to drop, although not to the extent to prevent the MTO from meeting collection targets. The physical presence of a project representative of the project at other locations allowed for efficient transfer of information and knowledge.
Pairing local team leads with international advisors supports Afghanization and capacity building	Technical assistance and project management teams experienced the most success in leadership capacity building and Afghanization when local team leads were paired with international advisors. This model allows local resources to continue to build their leadership, project management, and technical skills. In Year 4, the project employed a local Afghan Chief of Party (COP) and Deputy Chief of Party (DCOP). While these resources led project management and technical assistance activities, an international advisor provided daily support and advice to the COP and DCOP.
Coordination across GIRoA ministries and donor programs will help reduce redundant initiatives and improve aid efficiency	Improving coordination between MoF and other line ministries and between donor programs within counterpart ministries will help avoid overlap and potential waste in ministry programs and reform assistance. Often several donors and implementing partners were addressing the same areas, but coordination was limited or impeded by competing donor or ministry priorities.
Counterpart resource commitments are essential to supporting sustainability of reform efforts	Having counterpart ministries commit personnel and budget resources to reform initiatives makes it more likely that reform efforts will be sustainable. Ministry resources will be able to build their capacity to support reform efforts, and the counterpart ministries will be able to support continued reform efforts. For example, MoF will need to commit the personnel and budget resources to maintain RRD functionality.
Interactive training activities enhance participant learning	Interactive training where tax officers participated in taxpayer case problem solving enhanced participant learning and supported revenue improvement. These activities were part of the training delivery strategy for all of the tax administration training.

Acronym List

AFMIS	Afghanistan Financial Management Information System
AFN	Afghani
ANDS	Afghanistan National Development Strategy
ANOC	Afghan National Olympic Committee
AO	Assistance Objective
ARD	Afghanistan Revenue Department
ASYCUDA	Automated System for Customs Data
BC	Budget Circular
BIT	Budget Implementation Team
CAO	Control and Audit Office
CCN	Cooperating Country National
COP	Chief of Party
DCOP	Deputy Chief of Party
DFID	Department for International Development
DG	Director General
DM	Deputy Minister
EGGI	Economic Growth & Governance Initiative
FY	Fiscal Year
GIRoA	Government of Islamic Republic of Afghanistan
IARCSC	Independent Administrative Reform and Civil Service Commission
IBC	Internal Budget Committee
IDLG	Independent Directorate for Local Governance
IMF	International Monetary Fund
IR	Intermediate Result
IRM	Information Resources Management
LTO	Large Taxpayer Office
MAIL	Ministry of Agriculture, Irrigation, and Livestock
MEW	Ministry of Energy and Water
MoCI	Ministry of Commerce and Industries
MoCIT	Ministry of Communications and Information Technology
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoHE	Ministry of Higher Education
MoHIA	Ministry of Hajj and Religious Affairs
Mol	Ministry of Interior
MoLSAMD	Ministry of Labour, Social Affairs, Martyrs, and Disabled
MoM	Ministry of Mines

Acronym List, continued

MoPW	Ministry of Public Works
MoTCA	Ministry of Transport and Civil Aviation
MoUDA	Ministry of Urban Development Affairs
MoWA	Ministry of Women's Affairs
MRRD	Ministry of Rural Rehabilitation and Development
MTO	Medium Taxpayer Office
NDI	National Democratic Institute
NEPA	National Environmental Protection Agency
NPP	National Priority Program
NTR	Non-Tax Revenue
O&M	Operations and Maintenance
OBI	Open Budget Index
PBU	Provincial Budgeting Unit
PDC	Provincial Development Committee
PPF	Procurement and Financial Planning
PMP	Performance Monitoring Plan
PMR	Performance Monitoring and Reporting
RC	Regional Command
RRD	Revenue Reconciliation Database
SIGTAS	Standard Integrated Government Tax System
SOE	State-Owned Enterprise
STO	Small Taxpayer Office
TMAF	Tokyo Mutual Accountability Framework
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
USG	United States Government
VAT	Value Added Tax
WIDA	Women in Development Association
WIG	Women in Government (Internship Program)



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