



USAID | **AFGHANISTAN**
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Economic Growth & Governance Initiative

Year 4 Workplan

October 1, 2012 – August 31, 2013

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Executive Summary

On August 15, 2009, USAID awarded Deloitte Consulting a one-year plus four option years task order of US \$92 million to strengthen the institutional capacity of specific entities of the Government of the Islamic Republic of Afghanistan (GIRoA).

The vision of the Economic Growth and Governance Initiative (EGGI) is to enhance GIRoA's capacity to develop and sustain a market environment that supports responsible economic management and fiscal sustainability in the lead up to the 2014 transition. Ultimately, 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 national and expatriate advisors work primarily with the Ministry of Finance (MoF), the Afghanistan Revenue Department (ARD), key line ministries, and other government agencies, where structural technical assistance promotes both sustainable and transparent policy and decision making. These efforts to promote fiscal sustainability will, in turn, support the expansion of a vibrant and self-sustaining private sector.

Project assistance focuses on several core aspects of public financial management and delivers key policy support to MoF decision makers in topics of fiscal management and revenue generation. Distinct workstreams within the project execute and help lead key reforms in program budgeting, provincial budgeting, and tax administration. Program budgeting activities include supporting GIRoA budgetary units to formulate, execute, and report on the national budget and support major reforms initiated by MoF; provincial budgeting activities include capacity building training for provincial departments in budget planning, execution, and procurement; and tax administration activities include supporting the development and administration of Large and Medium Taxpayer Offices (LTO and MTO) and training Small Taxpayer Offices (STO) to help improve revenue collection throughout the country.

To serve communities outside of Kabul and accelerate fulfillment of basic government services throughout the country, the project will continue to work with provincial officials to coordinate workstream activities in targeted provinces. Depending on location, project activities in the provinces include supporting and training MTOs and LTOs and their staff, supporting provincial budgeting reform, and placing recent female graduates in six-month internships with government institutions.

Women's empowerment is also a key focus for the project in Year 4, as it is strongly tied to the achievement of U.S. Government (USG) objectives in Afghanistan. Building on USG goals related to gender, the project will continue to expand the Women in Government Internship Program in Year 4. The project will not only increase the overall number of internships but will also expand the internship program to the provinces.

The sections that follow outline the project's methodology behind developing the Year 4 Workplan as well as specific activities planned over the course of the year.

Overview of the Year 4 Workplan

The project's Year 4 Workplan reflects work planned for the second option year of the EGGI Task Order (from October 1, 2012 to August 31, 2013). The Year 4 Workplan addresses the requirements stated in the Task Order as follows:

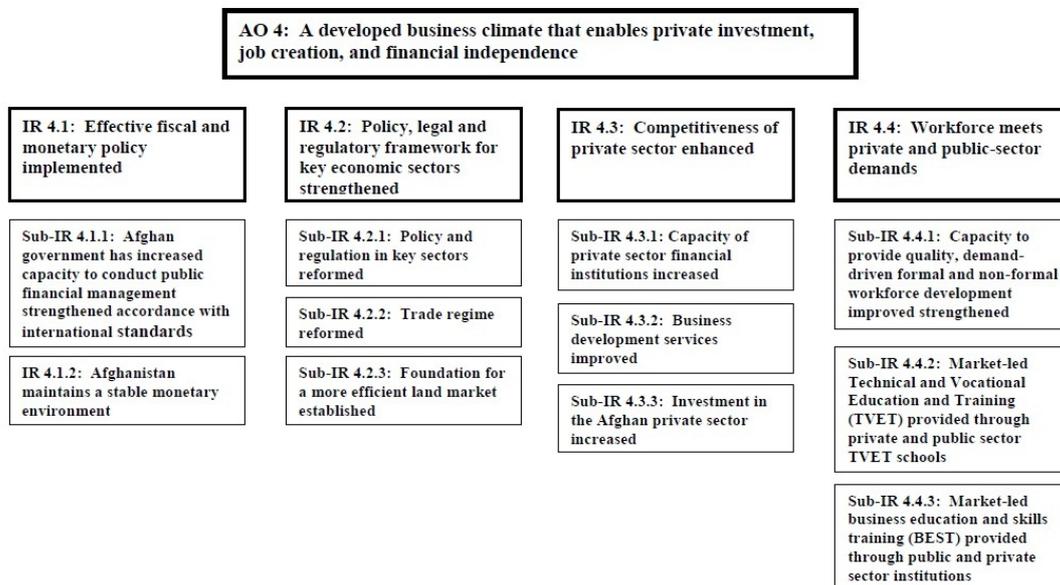
Objective: *"The goal is to strengthen the GIRoA's capacity to develop and implement economic and regulatory policy and improve the enabling environment for the private sector to flourish."*

Results: *"The overall expected result through EGGI is that Afghanistan adopts and implements a comprehensive and consistent economic reform program that creates a favorable environment for development of private sector business within a market economy."*

To achieve these results, the project deploys professional technical advisors to work in partnership with many of the key economic and fiscal policy-making institutions throughout GIRoA. Following the structure of the Task Order, in Year 4 the project will deliver technical support focused on fiscal sustainability and public financial management.

With regards to the USAID mission Performance Monitoring Plan (PMP) in Afghanistan, project activities tie directly to the Intermediate Results (IRs) that support Activity Objective (AO) 4: *A developed business climate that enables private investment, job creation, and financial independence*. These results and objectives demonstrate the core outcomes that the USG is aiming to achieve and monitor through the Afghanistan mission PMP. The structure of the mission PMP is reflected in the U.S. Mission in Afghanistan Economic Growth Results Framework, shown below:

U.S. MISSION IN AFGHANISTAN ECONOMIC GROWTH RESULTS FRAMEWORK ECONOMIC GROWTH



In Year 4, technical assistance focuses on economic policy that ties most directly to *IR 4.1: Effective fiscal and monetary policy implemented*, and the corresponding Sub-IR, *4.1.1: Afghan government has increased capacity to conduct public financial management strengthened accordance with international standards*. The project's tiered structure for mapping to these results and objectives is shown on the following page:



The project's programming is consistent with USAID/USG strategic objectives in Afghanistan, which seek to advance Afghanistan's transition to a more stable and productive state through the promotion of effective economic policy and decision making. Project advisors will work directly with GIRoA counterparts to achieve the following results in Year 4:

- **Revenue and Tax Policy Support:** ARD, in cooperation with the Ministry of Interior (MoI), has developed and is implementing plans for the reform of non-tax revenues at the Traffic Department to improve revenue collection efficiency and revenue yield while reducing economic distortions.
- **Revenue and Tax Policy Support:** ARD has developed and is implementing plans to meet International Monetary Fund (IMF) benchmarks and is preparing for Value-Added Tax (VAT) implementation by following activities outlined in the VAT implementation plan.
- **Program Budgeting:** Assigned GIRoA budgetary units are able to prepare, execute, and report on the national budget independently with minimal donor assistance. Assigned GIRoA budgetary have increased capacity in completing operations and maintenance estimates and project planning and design.
- **Provincial Budgeting:** Provincial line directorate staff are able to complete relevant budget execution forms, conduct procurements at the provincial level, and provide input for the national budget formulation process.
- **Tax Administration:** Sustainable increases in the number of small and medium sized enterprises (SME) that file their taxes, with a proportionate increase in revenues collected. Improved and sustainable revenue collection realized at the MTOs in Herat, Mazar, Jalalabad and Kandahar and the LTOs in Herat, Mazar, Jalalabad, and Kabul, thereby supporting GIRoA to achieve its overall fiscal sustainability goals. Initial needs assessment and training conducted for STOs.
- **Revenue Reconciliation Database (RRD):** Issues with the current RRD are remediated in six priority provinces of Kandahar, Nangarhar, Balkh, Nimroz, Herat, and Kunduz and ARD is provided with one, stable RRD release.
- **Women in Government Internship Program:** The Women in Government Internship Program strengthens and expands economic development opportunities for women by providing work experience in the Afghan government, and increases women's empowerment through active participation in program activities.

Each of these workstreams is discussed in the sections that follow. Each workstream will have an overview in narrative form, the key workstream activities for the year, and a description of the supported contract results. This document should be read in conjunction with the **Year 4 Work Breakdown Structure (WBS)**, which provides a detailed matrix of all specific tasks planned for Year 4 that fall within each workstream. The overall objectives and activities of each workstream may change based on upcoming discussions with key GIRoA counterparts.

Unified Vision and Cohesive Methodology

The unifying vision of the project reflected in this workplan is to continue building local capacity and shift responsibility to GIRoA for all economic policy-making and implementation. The project will use the skills of qualified local and expatriate advisors, local staff, and GIRoA counterparts to assist in the implementation of all areas of the project. The “Afghanization” of the project’s technical work will significantly increase in Year 4 with the leadership of a local Afghan Chief of Party (COP) and Deputy Chief of Party (DCOP). Similarly, several of the workstreams will be led by local Afghan advisors who previously teamed with expatriate advisors while building their leadership and technical skills. The continued move toward local leadership and the enhancement of local capacity will position the project’s activities for maximum impact and sustainability in the final year of the project.

The workstreams adhere to the following principles, in keeping with USAID guidance:

- Technical assistance is demand-driven;
- Project activities are channeled through GIRoA beneficiaries to maximize “buy in” and long-term sustainability; and
- Results are sustainable, measurable, and time-bound.

The main features of the project delivery methodology are the following:

- Project workstreams are jointly agreed upon with the relevant GIRoA counterpart(s).
- Deliverables are produced in tandem with on-the-job training of the technical counterpart(s), with the view that they will take over the primary responsibility at the earliest reasonable date.
- Project advisors will foster the sustainability of the reforms or policy initiatives by:
 - Guiding the development of a suitable institutional structure;
 - Assisting in the development (or adjustment) of the civil service schedule (Tashkeel) and annual budget (including subnational allocations);
 - Providing training and capacity development in multiple formats (mentoring, workshops, classroom trainings) and encouraging merit-based promotions on the basis of minimum mandatory continuing education (taught and certified by project advisors, to the greatest extent possible); and
 - Recommending enhancements that computerize and automate processes to increase efficiency and transparency and minimize the opportunity for corruption.
- The project will encourage GIRoA to focus on public policy that legitimizes the private sector, emphasizes contributions and inputs, and includes the private sector directly in all stages of policy formulation.

Notable Changes in the Year 4 Workplan

The Year 4 Workplan contains some changes from the original and revised Year 3 Workplans, which have been made at the request of USAID. At a high-level the Year 4 Workplan will no longer include Workstream 1: Economic and Fiscal Policy Support to the Ministry of Finance, which was cancelled last year at the request of USAID. At the workstream level, Workstream 2: Revenue and Tax Policy has been expanded to include several new tax policy support activities. Also, Workstream 6: Revenue Reconciliation Database will focus only on the remediation of issues of the current database and will not include the development of a new system.

Challenges in Year 4

The project anticipates several challenges moving into Year 4, all of which can potentially have an impact on the workstreams. Challenges that may carry over from Year 3, and affect the project at a macro level, include:

1. Coordinating efforts with the ever-changing USG civilian and military presence (particularly those “embedded” within GIRoA).
2. Coping with changes within the Afghan government itself and managing increased demands to channel resources directly through the GIRoA treasury system.
3. Reacting to changes in the Afghan leadership that frequently result in shifting GIRoA priorities.

As the project moves into its final year, the project will face the increased challenge of ensuring the sustainability of project successes and effectively transitioning activities to counterparts or other donor



projects. To overcome these challenges the project will work closely with USAID as well as other donors and implementing partners to ensure effective communications on project initiatives. To manage demands on limited resources, the project will prioritize assistance efforts and coordinate closely with GIRoA counterparts to ensure that project work remains focused on key priorities and critical areas within the scope of the Year 4 Workplan.

To help respond to shifting GIRoA priorities and to continue trends in building capacity and empowering Afghan counterparts, the project will promote broad-based stakeholder engagement to ensure relevant parties and populations are educated on key reform initiatives and are able to provide feedback. This enables stakeholders to help the most beneficial policies gain traction and not be taken off track by oscillating GIRoA priorities. In all its activities, the project will continue to implement a strategy of securing participation of a broad stakeholder community in policy deliberation, project design and implementation, and access to assistance and services, whether sourced from government, donor agencies, or private sector organizations.

Human resource issues, including recruitment, staff development, and retention for a broad range of operational and management positions, also continue to be high-level challenges for implementing partners in Afghanistan. To respond to this challenge, the project has prioritized programs for training and skills development of both employees and stakeholders, and has emphasized the need to build local training capacity to maintain a continual flow of well-trained local staff for both public and private sector service. The project has also put these priorities into practice by giving key leadership positions to local staff within its own project functions, including COP, DCOP, Provincial Budgeting Team Lead, Human Resources, Finance, Information Technology, and Procurement.

Gender diversity also continues to be a challenge in Afghanistan, both from a human resources perspective and as a key issue that the project wishes to promote. To help advance gender initiatives consistent with USG goals in Afghanistan, the project will significantly expand the Women in Government Internship Program in Year 4 to provide more opportunities to Afghan women in gain work experience in GIRoA. The project will work to develop strong relationships with the GIRoA supervisors and to developing capacity of local staff to manage these relationships and the entire program with less expatriate advisor oversight. Addressing these challenges through empowering local staff with greater experience and responsibility to is also consistent with USG goals of promoting “Afghanization.”

Reporting progress against the WBS

The project will continue to submit monthly updates to the Year 4 WBS to USAID along with the project’s required Monthly and Quarterly Reports, helping track progress against plans and ensuring that core activities are completed in the agreed-upon timelines. The “Status” column in the WBS document will facilitate the reporting of progress against plans at the task level. The status column will be updated on a monthly basis using a color coding system indicating the status of each activity. Explanations of status, where required, will be provided in the “Comments” column. The “Assigned Resource” column that is completed for each task will track the accountable person for delivery of project work as specified in the WBS. The “Counterpart Ministry” column also designates the GIRoA entity that is the beneficiary of that task. These updates will help ensure that Year 4 tasks are completed in a way that is prompt, clearly resourced, and creates a work result that assists a specific GIRoA entity.

Year 4 Workstreams

For Year 4, the project will be organized into a workstream structure, using the workstream numbers from Year 3. This maintenance of this structure and key workstream staff and leadership will ensure continuity with progress made in Years 1, 2, and 3, and enable the project to keep building on previous successes. Each Year 4 workstream is described below, including a narrative overview, the key workstream activities for the year, and a description of the supported contract results.

Workstream 2: Revenue and Tax Policy Support

The MoF is leading economic and fiscal reforms in Afghanistan, including revenue reforms. The ARD is one of the two primary revenue agencies in Afghanistan, and both lie within the MoF. The MoF itself and other ministries also collect a significant proportion of GIRoA revenues, designated as non-tax revenues. In order to sustain revenue growth while reducing economic distortions, both administrative reforms and policy reforms need to be instituted. The design and implementation of these reforms is complex and such work is already in progress.

Non-Tax Revenue

During Year 4, the project will continue work with the Non-Tax Revenue Director of the ARD, staff of that directorate, and senior representatives of the MoI and Traffic Directorate to review the MoI's non-tax revenue streams, which include motor vehicle registration, licensing, and transfer of ownership fees; driver licensing fees; traffic fines; and road permit. The project will continue to support the Non-Tax Revenue Reforms Implementation Working Group to achieve buy-in for and guide the implementation of revenue reforms.

Tax Policy

As a new activity in Year 4, the project will provide technical assistance and advice to the Deputy Minister of Revenue and Customs at the ARD within the MoF on current and developing tax system reforms and high-level tax policy and tax administration issues. As part of this activity, the project will monitoring and reporting on the progress of IMF and other benchmarks, provide recommendations for meeting the benchmarks, and monitoring and reporting on the planned implementation of a Value Added Tax (VAT).

Key activities for Year 4 include:

- **Activity 1:** Contribute to analysis and resolution of significant revenue policy issues in consultation with MoF and multiple GIRoA ministries and agencies.
- **Activity 2:** Support Non-Tax Revenue Directorate in conducting revenue reform projects.
- **Activity 3:** Support Non-Tax Revenue Directorate in conducting revenue reform project at the Ministry of Transport.
- **Activity 4:** Assist the Non-Tax Revenue Directorate in conducting non-tax revenue data research and analysis.
- **Activity 5:** Support Deputy Minister in complying with IMF and other benchmarks.
- **Activity 6:** Conduct gap analysis in tax administration relevant to tax policy and provide recommendations to the Deputy Minister.
- **Activity 7:** Assist the Deputy Minister in coordinating, reviewing, assessing, and reporting on donor-provided technical assistance to the ARD.
- **Activity 8:** In conjunction with the project's Tax Administration Advisor, report to the Deputy Minister on the effectiveness of capacity building activities within the ARD.
- **Activity 9:** Assist the Deputy Minister in monitoring and providing oversight of the preparation for VAT implementation.
- **Activity 10:** Conduct capacity building needs assessment of the Planning Directorate and provide recommendations for improvement.
- **Activity 11:** In coordination with the Deputy Minister's executive assistant, assist the Deputy Minister in monitoring and oversight of revenue reporting.

Contract Results Supported

- *Improved fiscal policy and administration so that revenues are rationalized, revenue collection is increased to cover the operating budget, the revenue raising and spending authorities of*

the provincial and local governments are clarified, and an analysis capability is established in the MoF.

- *Tax administration and revenue collection in the MoF Revenue Department provincial Medium and Large Taxpayer Offices improved in accordance with international best practices with a focus on improved taxpayer services and public education, transparency, IT systems, and draft laws, regulations and procedures needed to bring tax policy and implementation into line with leading international practice.*
- *Information Exchange Mechanisms and Stakeholder Involvement.*
- *Human Resources Capacity Development.*

Workstream 3: Program Budgeting Reform

Program budgeting is a key public financial management reform for GIRoA to better link its strategic objectives with the annual budget, improve transparency of the budget process, and help ensure that line ministries are accountable for funded services and activities. GIRoA has been implementing program budgeting reform gradually across the government with assistance from this project and others since 2007.

The project works closely with the MoF to implement program budgeting and associated reforms in assigned budgetary units. This primarily involves assisting budgetary units to develop program budget requests for Cabinet and Parliamentary approval, prepare annual procurement and financial plans to improve execution of the approved budget, and submit quarterly performance monitoring reports to MoF to measure budget performance and results. During Year 4 the program budgeting team will continue to build capacity in 20 top spending budgetary units and MoF sectors in implementing public financial management reforms in budget formulation, execution, and reporting. Areas of support include program structure and appropriations, budget alignment with key sector policies and National Priority Programs (NPP), Budget Circular 1 (BC-1), Budget Circular 2 (BC-2), Procurement and Financial Planning (PFP), and Performance Monitoring and Reporting (PMR). Support in Year 4 will also include building ministry capacity in project planning and design, pro-poor spending, gender-sensitive budgeting, provincial allocations, automation of budget formulation and execution, assessment of Project Implementation Units (PIUs), and development of operations and maintenance (O&M) guidance.

An assessment conducted in Year 3 represents the first comprehensive evaluation of the assigned budgetary units' capacity in program budgeting reform implementation. All key recommendations in the assessment will be implemented during the next year. As the capacity of the budgetary units permit, the project will move toward providing support as needed through mobile, rather than embedded, teams. The project will also work closely with MoF to implement priority areas of the Afghan government in supporting ministries.

Year 4 support will also focus on increasing coordination between the public financial management technical assistance projects, further involving civil society organizations in the budget process, and transitioning project activities to civil servants or other donor projects. Since Year 4 is the final year of the project, these activities will be particularly important to sustain the gains made in previous years.

Key activities for Year 4 include:

- **Activity 1:** Budget is formulated and prioritized to meet Afghanistan National Development Strategy (ANDS), NPP, sector policies, and provincial priorities.
- **Activity 2:** National budget is prepared with improved capacity in O&M policy, estimation, and integration with budget processes.
- **Activity 3:** Move towards program-based budgeting and appropriations as mechanism for NPP implementation.
- **Activity 4:** Improve budget execution and performance reporting for better service delivery.
- **Activity 5:** Budget processes are integrated with full automation of budget formulation, execution, and reporting systems.
- **Activity 6:** Budget is prepared with fully prepared projects through project planning and design capacity in key line ministries.

- **Activity 7:** Support Budget Department in implementing and coordinating reform efforts in line ministries.
- **Activity 8:** Assess PIUs and Project Management Units (PMUs) for their devolution from line ministries.
- **Activity 9:** Improve coordination and communication with other Technical Assistance projects and civil service reform projects.

Contract Results Supported

- *Budgets are based on program needs; provinces are empowered to request and receive funding in a timely manner based on their priorities, and budget execution rates increase for all budgets.*
- *MOF's ability to provide quality quantitative support and analysis for critical MOF functions, strengthened, such as further development of the medium-term expenditure framework (MTEF), macroeconomic projections, revenue and expenditure forecasts, and policy analysis and simulations.*
- *Afghanistan's budget reform plan implemented through establishment of program budgeting and provincial budgeting, and improved budget management, planning, procurement, and execution.*
- *ANDS implementation is well-coordinated, leveraging donor funding and private sector investment in priority areas across Afghanistan resulting in increased economic growth. Budget expenditures are programmed and executed effectively at all levels of government, in line with ANDS initiatives. Monitoring systems are in place to ensure that key social programs are implemented, particularly those targeted at the poor, women, youth and other vulnerable groups such as ethnic minorities and disabled.*
- *Human Resources Capacity Development.*
- *Gender Considerations: The Contractor is required to ensure that gender issues are suitably addressed in various program components...To the greatest extent possible, the Contractor will seek to encourage men and women of all ages to be involved in all aspects of this program, including participation and leadership in meetings, working groups, training and counseling activities, exchanges and delegations.*
- *Vulnerable Populations: This program is designed to facilitate the inclusion of all citizens of Afghanistan, including vulnerable populations. Key vulnerable groups include the Kuchis as well as other ethnic minorities, the disabled and the internally displaced. Issues related to outreach and public education will be key to ensuring that these populations are able to participate as feasible in private sector development efforts so they can realize the benefits of stronger economic growth.*
- *Anti-Corruption and Increased Transparency*
- *Increased Use of information and Communications Technology*

Workstream 4: Provincial Budgeting Reform

In 2006/2007, the MoF launched a provincial budgeting reform to increase provincial input into the national budget planning process. The initiative was expanded in 2009/2010 as the MoF rolled out the program budget reform across all 51 budgetary units. In May 2010, the MoF requested assistance to establish four regional training hubs in Mazar-e-Sharif, Jalalabad, Herat, and Kandahar to support continued and effective provincial budgeting reform. These hubs build capacity of key provincial directorates in budget planning and project implementation. In addition, the hubs improve coordination of budgeting activities amongst key GIROA and donor stakeholders involved in provincial reconstruction and development.

In Year 4 the provincial budgeting team will continue to support the MoF provincial budgeting unit in the implementation of its provincial budgeting reform program through a regional hub network in the 4 provinces of Balkh, Nangarhar, Kandahar, and Herat. The regional hubs will be supported by 8 provincial budgeting officers, an administrative officer, and the team lead. Provincial budgeting staff based in each regional office will be responsible for implementing provincial budgeting training activities, providing follow up technical assistance to key provincial line directorates in budget formulation and execution, and assisting with strengthening communication and coordination between provincial line directorates, MoF and central line ministries. As a result of the continued project support to the MoF, the number of provincial directorates that are capable of preparing budgets in line

with MoF guidelines will increase, guidance will be included in the MoF budget circulars for select ministries to request input from the provincial officers for the national budget process, and a baseline assessment of provincial line directorates capacity in budgeting and planning will be conducted for select provinces.

In Year 4, the provincial budgeting team will continue the public financial management training program that was originally scheduled to start September 2012. This training program has been scaled back from 34 to 16 provinces. Training delivery is contingent on UNDP funding the training events, and the project will only provide the provincial budgeting officers for logistical and training support.

The provincial budgeting team will also work with the MoF in Year 4 to institutionalize the process for the pilot line ministries to request input from their provincial departments through the annual budget circular mechanism. The provincial budgeting team can assist the MoF in preparing sample budget circular guidance and budget costing worksheets for the line ministries to circulate to their provincial offices to prepare annual budget submissions for the national budget process. As a result of this effort, the MoF will include in the annual BC-1 and BC-2 packages special guidance that the line ministries can circulate to their provincial offices to develop provincial budget estimates for the ministry's annual budget submission.

Throughout Year 4 the provincial budgeting officers will be involved in ongoing efforts throughout to improve communication and coordination between provincial line directorates and line ministries on provincial budgeting initiatives. This will involve the officers participating in monthly provincial development committee meetings, convening periodic coordination meetings with key line directorates on the status of provincial budgeting activities and meeting with key stakeholders involved in stabilization and budgeting activities in their designated provinces.

Key activities for Year 4 include:

- **Activity 1:** Support MoF to conduct capacity building training in budget planning and execution and procurement for key directorates of 16 provinces.
- **Activity 2:** Support MoF to institutionalize Budget Circular process in select pilot ministries for their provincial line directorates.
- **Activity 3:** Support MoF to strengthen coordination and communication between provincial line directorates, provincial councils, key provincial stakeholders, MoF, and line ministries.

Contract Results Supported

- *Budgets are based on program needs; provinces are empowered to request and receive funding in a timely manner based on their priorities, and budget execution rates increase for all budgets.*
- *Afghanistan's budget reform plan implemented through establishment of program budgeting and provincial budgeting, and improved budget management, planning, procurement, and execution.*
- *Information Exchange Mechanisms and Stakeholder Involvement.*
- *Human Resources Capacity Development.*

Workstream 5: Tax Administration

Effective revenue mobilization is critical to achieving fiscal sustainability and financing Afghanistan's significant reconstruction and development priorities. Domestic revenues have increased significantly since 2002, and they must continue to grow in Afghanistan in order to cover operating costs of core GIRoA operations and to better deliver key social services to its citizens.

In Year 4, the project will continue to provide support to MTOs in Herat, Jalalabad, Mazar, and Kandahar and expand support to LTOs in Herat, Jalalabad, Mazar, and Kabul. This support will include several trainings throughout the year, daily support, and filing season assistance. This support will be provided by the advisor and assisted by four tax administration analysts assigned to the four provinces and one civilian assistant lead advisor in Kabul. In addition to the current resources, the team will use short-term training advisors to support the MTO and LTO trainings. Well-functioning

taxpayer service including taxpayer outreach programs, audit, and enforcement will be critical factors of LTO and MTO development programs as these form driving elements of a successful tax administration. The project will also begin support to STOs by first conducting an analysis of STO needs. Trainings include:

Tax Law Training: Tax officers will develop the ability to spot tax issues whether in the office or the field and learn to ask the right questions to illicit information necessary for proper application of the law.

Enforcement Training: This training was postponed from September 2012. Enforcement is necessary to address delinquent taxpayers who have either not filed a tax return, or who have filed and failed to pay the tax associated with the tax return. Enforcement is applied at the end of the “tax administration pipe line”, and is based on procedures contained in ARD’s Enforcement Manual. Enforcement may entail the requirement to file a tax return or make tax payments, and may also require the seizure of the taxpayer’s moveable or immovable property.

Basic Audit Training: The training will cover primary audit procedures to include the case selection criteria and risk based standards associated with such case selections.

Intermediate Audit Training: The training will address the application of appropriate accounting principles to specific facts, as well as the application of correct laws and computation of taxes. It will also include the formulation/preparation of an audit plan, conducting on-site taxpayer inventories, and case file documentation.

Accounting Training: A qualified tax auditor is normally required to have 20-30 hours of college accounting. This class will be a condensed version of the normal accounting requirements, and will be delivered to all tax auditors. The training will encompass “cash” and “accrual” methods of accounting. Usage of the “accrual” method of accounting is required by all corporations and limited liability companies registered in Afghanistan, while the “cash” method is applicable for individuals and some businesses.

Executive Management Training: The project delivered basic management training to all ARD managers, but this training excluded executives at the level of Director and above. This training will target Directors and above and be held out of the country to ensure the attendance and hold the attention of executives that normally proves difficult when classes are attempted in country.

Key activities for Year 4 include:

- **Activity 1:** Support ongoing MTO development in Herat.
- **Activity 2:** Support installation of MTO in Jalalabad.
- **Activity 3:** Support ongoing MTO development in Mazar.
- **Activity 4:** Support installation of MTO in Kandahar.
- **Activity 5:** Support ongoing LTO Development in Herat.
- **Activity 6:** Support ongoing LTO Development in Jalalabad.
- **Activity 7:** Support ongoing LTO Development in Mazar.
- **Activity 8:** Support LTO Operations in Kabul.
- **Activity 9:** Hold executive management seminar for Directors and above.
- **Activity 10:** Provide support to provincial STOs.

Contract Results Supported

- *More people and businesses at all levels pay their taxes and tax offices serve the public without asking for bribes.*
- *Tax administration and revenue collection in the MoF Revenue Department provincial Medium and Large Taxpayer Offices improved in accordance with international best practices with a focus on improved taxpayer services and public education, transparency, IT systems, and draft laws, regulations and procedures needed to bring tax policy and implementation into line with leading international practice.*
- *Information Exchange Mechanisms and Stakeholder Involvement*
- *Human Resources Capacity Development.*

Workstream 6: Revenue Reconciliation Database

A key component of implementing fiscal reform in Afghanistan is improving how revenues and expenditures are tracked and accounted for throughout the country. With that goal in mind, the MoF created the RRD with project support to track and account for revenues collected by GIROA entities. The project's implementation of the RRD converted a previously manual process for reconciling revenue data into a system of databases; however, these databases were installed at different regional locations and are not rationalized or automated via an easily operable process. The geographic dispersion of the database locations also makes continued maintenance difficult. When the RRD workstream ended in March 2011, project maintenance of the RRD ended as well.

USAID, the MoF, and the project team met again later 2011 to assess problems with the RRD and identify causes of reporting gaps. The group identified that the key issues were with the RRD's lack of a truly real-time, automated framework for revenue reporting, and the inability to provide maintenance for locations outside of Kabul given the MoF's lack of resources. The MoF determined that a preferred solution would be a web-based system that would be constantly accessible and automate the collection of data, creating a truly real-time revenue reporting system. The web-based functionality would also obviate many of the issues related to RRD maintenance. USAID and the project later confirmed in fall 2011 that the RRD team would lead supervision of development efforts for the new web-based RRD system.

During Year 3, the project conducted an assessment of the environment at ARD that included several interviews with ARD leadership, including the Deputy Minister of Revenue and Customs, Director General of Revenue, and Director of Planning. Because of the low level of host country commitment, limited resource availability, and the lack of a strategy to sustain a future web-based system after project disengagement, the project recommended support for the development of a new system be provided on the condition that a USAID and ARD sign a Memorandum of Understanding (MoU) that would commit country resources and funding after project disengagement. Following these conclusions and per USAID direction, the development of a new web-based system was abandoned in favor of SIGTAS as a long term solution, which is currently under development.

Year 4 activities will instead focus on remediating issues with the current RRD application in the six priority provinces of Kandahar, Nangarhar, Balkh, Nimroz, Herat, and Kunduz. Support activities will include deploying one standard version of the RRD application, remedying RRD defects, providing standard technical documentation, and training key individuals in the provinces or ministries to address common technical issues with the RRD application.

Key activities for Year 4 include:

- **Activity 1:** Support current Revenue Reconciliation Database in 6 priority provinces (Kandahar, Nangarhar, Balkh, Nimroz, Herat, Kunduz).

Contract Results Supported

- *Improved fiscal policy and administration so that revenues are rationalized, revenue collection is increased to cover the operating budget, the revenue raising and spending authorities of the provincial and local governments are clarified, an analysis capability is established in the MoF.*
- *Increased Use of information and Communications Technology.*

Workstream 7: Women in Government Internship Program

Women's empowerment is strongly linked to economic growth and the overall achievement of USG objectives in Afghanistan, and continues to be a key priority of the project. In Afghanistan, as in much of the developing world, gender equality is undermined by historical imbalances in political participation and access to resources and rights. In February 2010, the project launched the Women in Government Internship Program to facilitate the advancement of women within GIROA. The Women in Government program emphasizes assistance to build women's capacity to participate fully in Afghan society by providing six-month internships to recent female university graduates with the goal of transitioning them into full-time positions in the public and private sectors following a successful internship.

In Year 4 the project will continue to expand the Women in Government Internship Program by increasing the number of interns in Kabul and expanding the internship program at the provincial level to Herat and Jalalabad. To support the increased number of interns, the team will continue to coordinate closely with GIRoA ministries to identify internship positions and place graduated interns in full-time positions.

A key emphasis in Year 4 will be the institutionalization of the Women in Government program to support the continuation of the program after the project has ended. The team will also work to have the internship program officially recognized by key GIRoA counterparts, so that the experience that the interns gain will also officially count as one year work experience in civil service recruitment process and other job placement activities. The team will work with key stakeholders in the government and conduct networking events and ceremonies to support the internship program.

Another key area of emphasis in Year 4 will be supporting the establishment of a WIG Association to ensure increased access to government leadership positions for WIG graduates and other women now and in the future. EGGI will work with and train WIG graduates to form a sustainable association dedicated to the promotion of women leaders in government.

USAID's effort to increase the number of women in the workforce through the Women in Government Internship Program is an exciting undertaking, particularly in a context as challenging as Afghanistan. So far the Women in Government program has led to significant and exciting gains and continues to be an effective program to create a supportive environment for gender balance and a diverse workforce in both government institutions and the private sector.

Key activities for Year 4 include:

- **Activity 1:** Support and graduate existing interns in Kabul (37 carried over from FY 2012).
- **Activity 2:** Support and graduate existing interns in Mazar-e-Sharif (20 carried over from FY 2012).
- **Activity 3:** Hire and graduate new interns in Kabul for FY 2013 (total 130 interns).
- **Activity 4:** Hire and graduate new interns in the provinces for FY 2013 (total 90 interns).
- **Activity 5:** Communicate Women in Government Internship Program success stories.
- **Activity 6:** Supervise Interns in Kabul and the provinces.
- **Activity 7:** Conduct formal workshops to facilitate capacity building for interns and supplement on-the-job training in Kabul.
- **Activity 8:** Conduct regular weekly workshops and working group sessions to build interns' capacity and supplement on-the-job training in Kabul and the provinces.
- **Activity 9:** Conduct formal workshops to facilitate capacity building for interns and supplement on-the-job training in Mazar-e-Sharif, Herat, and Nangarhar.
- **Activity 10:** Establish intern youth association and promote volunteerism.
- **Activity 11:** Implement recommendations made in preliminary needs assessment.

Contract Results Supported

- *Human Resources Capacity Development.*
- *Gender Considerations: The Contractor is required to ensure that gender issues are suitably addressed in various program components... To the greatest extent possible, the Contractor will seek to encourage men and women of all ages to be involved in all aspects of this program, including participation and leadership in meetings, working groups, training and counseling activities, exchanges and delegations.*

Acronyms

ANDS	Afghanistan National Development Strategy
AO	Activity Objective
ARD	Afghanistan Revenue Department
BC-1	Budget Circular 1
BC-2	Budget Circular 2
CCN	Cooperating Country National
COP	Chief of Party
DCOP	Deputy Chief of Party
DG	Director General
DM	Deputy Minister
EGGI	Economic Growth & Governance Initiative
FPU	Fiscal Policy Unit
GIRoA	Government of Islamic Republic of Afghanistan
IMF	International Monetary Fund
IR	Intermediate Result
LOE	Level of Effort
LTO	Large Taxpayer Office
MoF	Ministry of Finance
MoI	Ministry of Interior
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTO	Medium Taxpayer Office
NGO	Non-Governmental Organization
NPP	National Priority Programs
O&M	Operations and Maintenance
PFP	Procurement and Financial Planning
PIU	Project Implementation Unit
PMP	Performance Management Plan
PMR	Performance Monitoring and Reporting
PMU	Project Management Unit
PRT	Provincial Reconstruction Team
RRD	Revenue Reconciliation Database
SIGTAS	Standard Integrated Government Tax Administration System
SME	Small and Medium-Sized Enterprises
SOW	Statement of Work
STO	Small Taxpayer Office
TA	Technical Assistance
TCN	Third Country National
UNDP	United Nations Development Program
US	United States
USAID	United States Agency for International Development
USG	United States Government
VAT	Value Added Tax
WBS	Work Breakdown Structure
WIG	Women in Government (Internship Program)