



USAID | **AFGHANISTAN**
FROM THE AMERICAN PEOPLE

Economic Growth & Governance Initiative

Q1 Quarterly Report October—December 2011
December Monthly Report

Prepared for:
USAID/Afghanistan
Office of Economic Growth
Contract No. EEM-I-00-07-00005-00

January 15, 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by the advisors supporting USAID's Economic Growth and Governance Initiative. The views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.



USAID’s Economic Growth and Governance Initiative (EGGI) project kicked off the first quarter of its third project year with a strong start across all workstreams. Key project activities continued to help facilitate GIRoA’s fiscal sustainability by supporting the Ministry of Finance’s (MoF’s) program and provincial budgeting reform efforts, and helping to improve provincial tax administration through support to the Medium Taxpayer Offices (MTOs) in Herat, Mazar, Jalalabad, and Kandahar. Additional successes were realized in the Economic and Fiscal Policy, Women in Government, and Revenue Reconciliation workstreams.

In partnership with GIRoA, Afghan national and expatriate advisors work primarily with the MoF, the Afghanistan Revenue Department (ARD), and key line ministries and various government agencies, where structured 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.

In budgeting assistance to the MoF, the project supported assigned line ministries to complete Budget Circular 1 (BC-1) submissions and present their budgets to the MoF’s budget committee during annual budget hearings. On the provincial budgeting side, the project supported the MoF to complete BC-1 and BC-2 trainings for provincial officials from line ministry directorates participating in the pilot program from all 34 provinces. As a result, 88% of BC-1 forms and 98% of BC-2 forms were submitted on-time to the MoF for review and approval.

In tax administration, the MTOs in Herat and Mazar continued to show strong improvement in revenue collected and tax returns filed. In November, the Mazar MTO surpassed its annual collection target four months ahead of schedule. Year-to-date collections total 199 million AFN for FY 1390. Herat achieved 86% of its annual collection target of 215 million AFN. Such results reflect ongoing emphasis on managing by revenue statistics and in turn working with MTO staff to target specific tax categories for focused taxpayer education and outreach.

In Economic and Fiscal Policy, the project kicked-off training in EViews economic modeling software for staff of the MoF’s Fiscal Policy Unit (FPU). The training program is designed to help FPU staff use the EViews model to analyze the medium and long-term impacts of decisions on GIRoA budgets and finances. In tax policy, the project worked closely with the MoF’s Non-Tax Revenue Department to identify motor vehicle and traffic related revenue processes as a key potential area for non-tax revenue reforms. The project supported formation of a Working Group comprising GIRoA officials that will look to increase non-tax revenues by scrutinizing current processes and offer reform recommendations to streamline procedures.

In gender mainstreaming, the project expanded the “Women in Government” (WIG) internship program and formalized the new operating model. During Year 3, 60 internship opportunities will be available to recent female university graduates. In the first quarter, the first cohort of 16 interns was hired and design of the new program was finalized. The new program includes more trainings and capacity building sessions for interns (mainly focusing on ICT, practical on-the-job skills, and job searching) as well as mentorship, volunteerism, and networking opportunities with GIRoA officials and WIG alumni.

Quick Q1 Recap	2
Q1 Objectives in line with results	3
Notable Areas of Progress	4
Provincial Budgeting Spotlight	5
Provincial Tax Administration Spotlight	8
Project Activities by RC	14
Training Summary	16
Looking Ahead: Goals for Q2	17
Challenges	18

Quick Q1 Recap: Notable Areas of Progress

- 1) Program Budgeting:** Supported the MoF to launch the 1391 budget hearing process and supported assigned budgetary units to complete BC-2 forms and present and defend their budgets before the MoF’s Budget Committee.
- 2) Provincial Budgeting:** Supported the MoF to complete BC-1 and BC-2 trainings for officials from all 34 provinces. Provided follow-on support enabling 88% of the directorates to complete and submit BC-1 forms and 98% to complete and submit BC-2 forms on-time.
- 3) Tax Administration:** Supported the Mazar MTO to achieve its annual revenue collection target of 162 million AFN four months ahead of schedule. Supported continuation of strong revenue collection results at the Herat MTO enabling them to achieve 86% of their annual target.
- 4) Women in Government:** Placed 16 new interns in positions with GIRoA and formalized partnership with Kabul University.
- 5) Economic and Fiscal Policy:** Commenced training for FPU staff in the use of EViews economic modeling software. Also, provided critical comment during the preparation of the Fiscal Bulletin for Q1 of FY 1390.
- 6) Tax Policy:** Formed a Working Group to initiate the review of motor vehicle and traffic related process to determine ways in which to streamline the processes and ultimately enhance non-tax revenues.

Q1 Objectives in Line with Results



Project programming is consistent with USAID/USG strategic objectives in Afghanistan, which seek to advance transition to a more stable and productive state through the promotion of effective economic policy and decision making. Project advisors worked directly with GIRoA counterparts to achieve the following results in Q1 of project Year 3. In the table below, quarterly objectives and results are broken down by associated workstream.

Workstream	Quarterly Objective	Quarterly Results
Economic and Fiscal Policy	Agree with the head of the FPU on a medium-term program for training FPU staff in the use of EViews software, and commence training.	Reached agreement with the FPU on a training program through June 2012. Commenced training for all five FPU staff.
Tax Policy	Agree with the Director Non-Tax Revenues on the revenue streams for which the project would assume responsibility for reviewing and planning reforms. To build a working group to commence the review and reform process. Also, to initiate consultations with ARD Tax Treaty experts on their forward program.	Agreed with the ARD to work in motor vehicle and traffic related revenue processes. Successfully formed a Working Group with the ARD, Mol and Kabul Traffic department officials to initiate review of related processes to determine ways in which to streamline the processes and ultimately enhance non-tax revenues. Also, initiated discussions with the Tax Treaty experts within the ARD.
Program Budgeting	Support assigned budgetary units to prepare budget proposals in accordance with MoF requirements and present their budgets to the MoF Budget Committee during annual budget hearings.	Supported 38 assigned budgetary units to completed their 1391 program budgets. Also supported budgetary unit officials to develop materials for the budget hearings and attended the hearings with counterparts to provide on-the-spot support.
Provincial Budgeting	Support the MoF to complete Budget Circular 1 (BC-1) and BC-2 trainings for four line ministries and the IDLG and their provincial departments that are participating in the MoF's provincial budgeting pilot program. And support provincial directorates to submit their priority project proposals (BC-1 and BC-2) forms.	Supported the MoF to conduct provincial budgeting workshops on BC-1 and BC-2 for provincial officials from all 34 provinces. In total 900 GIRoA officials were trained. Workshops provided guidance on preparing development project proposals for the 1391 national budget process. Of participants who attended the BC-1 and BC-2 trainings, 88% and 98% respectively costing proposals on time.
Provincial Tax Administration	Support ongoing installation and strengthening of Medium Taxpayer Offices (MTO) in Herat, Mazar, Jalalabad, and Kandahar. To initiate Basic and Functional Management Training for ARD MTO and LTO managers.	Supported Herat and Mazar MTOs in targeting specific tax areas to help improve consistent revenue collection levels. Assisted Herat MTO with ongoing taxpayer education program to improve outreach to segments that are below average in tax compliance. The project continued to provide assistance, which helped the Mazar MTO exceed its FY1390 collection target four months ahead of schedule, and helped the Herat MTO attain 84% of their annual collection goal. It is anticipated that Herat will attain its annual collection target ahead of schedule in Q2.
Revenue Reconciliation Database and Application System	To initiate assessment process to determine specifications of a web-based RRD system.	Working Group established to develop requirements necessary to build the web-based RRD. This task will be facilitated through an assessment process, which is in progress and is expected to be completed on-time.
Women in Government	Expand the Women in Government Internship program to add additional capacity building activities and trainings for interns, formalize agreements with GIRoA and Kabul University, and hire the first cohort of interns for Year 3.	At the start of Year 3, the WIG internship program was expanded in capacity to accommodate 60 interns over the course of the year. The program transitioned from "cross-cutting" activity to technical workstream. The first cohort of interns was hired and the team developed the "WIG Toolkit" of all materials needed to implement the expanded program. Also, letter of agreement signed with Kabul University formalizing partnership.

Progress Towards Meeting Objectives

Program Budgeting

Officials from the Ministry of Communications and Information Technology present their 1391 budget before the Budget Committee on November 30. MCIT has the highest budget execution rate of all line ministries for 1390.



During the quarter EGGI was closely involved in helping GIRoA cement progress in the various areas of economic policy and public financial management. EGGI's work in budgeting directly supports GIRoA's goal of fiscal sustainability leading up to the 2014 transition.

Line Ministries to Present Their 1391 Budgets to the MoF

The project's program budget team continued to support assigned Line Ministries to justify their 1391 budget requests to the MoF Budget Committee at budget hearings held from November 28 through December 20, 2011. During the hearings, the budgetary units presented their high-level strategic objectives, programs to achieve those objectives, and the corresponding operating and development budget estimates in support of their programs. Line ministries also presented proposed projects for 1391 and their 1390 budget results and performance. The Budget Committee comprised officials from the MoF (Director General, Budgeting, Director, Budget Execution, Sector Managers), Ministry of Economy (Deputy Minister of Administration and Finance, Director of Development Projects) and representatives from the Office of Administrative Affairs and Women's Affairs.

The project's national program budget advisors supported their 38 targeted budgetary units to prepare for the hearings. Advisors supported ministry staff to develop materials for the hearings (including the budget hearing presentations), and attended the hearings to provide on-site support. After the hearings, the project staff conducted debriefing sessions for senior management on the budget hearing

outcome, and worked with the Ministry staff to finalize their budget submissions based on feedback from the Budget Committee. This will increase the likelihood of the ministries securing approval for their 1391 budget submissions. This iterative process promotes more focused strategic thinking and fiscal discipline to ensure spending aligns with national priorities and strategic objectives of the respective ministry.

Overall, budgetary units demonstrated improved capacity to present their budgets compared to last year based on feedback from MoF officials and project staff observations. A line ministry's effectiveness in presenting and justifying proposed budgets before the Budget Committee is a key indicator of its capacity to independently manage the program budget process and readiness to "graduate" from project assistance. During the budget hearings, discussions between the Budget Committee and ministries primarily focused on how to improve low 1390 budget execution rates (below 30%), specifics and justification for proposed 1391 development projects, and budget requests above the MoF ceiling. Project advisors emphasized to their line ministry counterparts the importance of clear and well-supported presentations on the previous year's (1390) budget execution to increase the likelihood of securing approval for projects proposed for the next budget year. The improved capacity of the assigned line ministries to present and justify their annual budget requests to the Budget Committee reflects the positive impact of the GIRoA's program budget reform efforts. The project has been supporting the MoF to implement program budgeting reform since 2007.

Pilot Line Ministries to Prepare Third Quarter Performance Reports

The project's program budget team started work with the assigned ministries/budgetary units to prepare the third quarter 1390 budget performance and monitoring report due to the MoF by January 16, 2012. The report requires the ministries/budgetary units to demonstrate their progress against the targets for program outputs and outcomes included in their approved 1390 budget, and show the operating and development budget execution for the different programs of the ministry. The MoF is piloting performance monitoring and reporting for the first year during the execution of the 1390 budget with 19 Line Ministries of which 11 are assigned ministries the project team assists (Ministry of Energy and Water, Ministry of Communications and Information Technology, Ministry of Women's Affairs, Ministry of Public Works, Ministry of Higher Education, Independent Directorate for Local Governance, Ministry of Transport and Civil Affairs, President's Office, Ministry of Labor and Social Affairs, Ministry of Commerce, Ministry of Urban and Development Affairs).

Performance monitoring and reporting enables the Ministry leadership to hold managers accountable for their performance and to identify and ultimately remove agency-level blockages to delivery of services. Performance reporting is a critical part of good governance. Information about past performance can be used to judge how much resources should be allocated to different programs and ministries. Without good performance reporting there is limited accountability of managers, ministry and agency leadership, and the overall Government. Project advisors will continue to support their assigned ministries to improve their capacity to prepare quality performance reports for the fourth quarter and going forward.

SPOTLIGHT

BC-1 and BC-2 Trainings Completed for Officials from all 34 Provinces

During the quarter, the project's provincial budgeting team completed trainings in Budget Circular 1 (BC-1) and BC-2 for about 900 pilot provincial officials from all 34 provinces. Following the trainings, the team supported provincial officials to complete BC-1 and BC-2 forms for priority project proposals for review by line ministries in Kabul and by the MoF. Of the 170 pilot directorates, 88% completed and submitted BC-1 forms on-time for line ministry and MoF review. For BC-2 98% of directorates completed and submitted the forms on-time. The provincial budgeting pilot is a key element of GIRoA's efforts to improve provincial input in budget planning and build public financial management capacity at the provincial level. The pilot marks the first time that provincial line directorates are able to provide input into the national budget process. Currently four line ministries (the Ministry of Public Health, Education, Rural Rehabilitation and Development, Agriculture and Livestock) and the Independent Directorate for Local Governance, are participating in this key public financial management reform program.

BC-1 Trainings Completed in October

During October 4-6, the project's provincial budgeting team supported the Ministry of Finance (MoF) Provincial Budget Unit (PBU) to conduct the final BC-1 regional training session for about 180 Northern region provincial officials in Mazar. Since July 2011, the project has supported the MoF to conduct eight provincial budgeting workshops on BC-1 for provincial directorates of four line ministries selected for the pilot and the IDLG. The workshops were designed to train the pilot provincial directorates to identify priority project proposals and to complete BC-1 forms based on MoF guidelines. The Mazar workshop marked the completion of the roll-out of BC-1 trainings thus facilitating successful submission of provincial departments' BC-1 forms for the FY 1391 budget.

The BC-1 training program consisted of three core components: 1) an overview on the new provincial budgeting policy and how to link provincial priorities with the national budget; 2) presentations by the line ministries on their program budgets and NPPs selected for the pilot programs, and how to complete the MoF Budget Circular forms for the project proposals; and 3) group sessions facilitated by the line ministries and provincial budgeting officers with hands-on practice in preparing project proposals using the MoF BC forms and guidelines.

Of the 170 line directorates currently participating in the 1391 pilot program, 151 (88%) completed the budget submissions by the October 22 deadline. For most departments, this was the first time they prepared project proposals for the national budget process, despite challenges such as provincial departments' low capacity, internet communication outages, and security.



During the BC-1 workshop in Mazar, a line ministry representative facilitates a working group session with the ministry's provincial departments on their budget and priority projects



150 officials from Central and Eastern provinces attend the BC-2 workshop in Jalalabad held during November 21-22.

BC-2 Trainings Completed in November and December

The MoF Budget Department, with project support, launched the BC-2 training process in November, conducting three BC-2 workshops in Bamyan, Jalalabad, and Herat provinces for 317 provincial directorate officials. In December, the MoF held the final BC-2 workshops in Mazar, Kandahar, and Kabul for 403 provincial officials. The training provided guidance on preparing detailed costing forms for development projects identified during the earlier BC-1 process. Following the workshops, the project supported line directorates to complete their BC-2 forms to their line ministries and the MoF for review and approval. By December 20, 168 of 170 pilot line directorates (98%) who participated in the BC-2 regional workshop training completed their BC-2 forms and submitted to their line ministries and the MoF for review.

The BC-2 workshops, and earlier BC-1 workshops, were designed to educate provincial officials on the national budgeting process and build capacity to comply with MoF technical guidelines.

The provincial budgeting reform effort and associated provincial training events are opportunities to improve communication and coordination between the pilot line ministries and their provincial line directorates on budgeting and financial management issues. The project's provincial budgeting team assisted the MoF with coordinating workshop logistics (scheduling, procurement of supplies, and travel arrangements for attendees), delivery of presentations and workshop modules, and facilitating interactive working group sessions to help participants learn how to complete the BC forms.

GIRoA Continues to Improve Public Financial Management by Promoting Alignment between Provincial and Program Budgeting Reform Efforts

Outcomes of GIRoA's provincial budgeting reform efforts are now more closely aligned with the Government's overall program budget reform. Increasingly, priority project proposals developed by provincial directorates are being captured in the line ministries' 1391 program budget submissions presented to the Ministry of Finance Budget Committee during budget hearings. As such, provincial input is reflected in the overall program budgets developed by line ministries and presented to the MoF Budget Committee. This trend is expected to continue and serves as a positive indication that the provincial budgeting workstream is yielding dividends to better reflect provincial priorities in the national budget.

Progress Towards Meeting Objectives

Provincial Budgeting

Ministry of Finance Conducts Final Provincial Budgeting Workshops in Kabul

On December 6 – 8, 2011, the project's Provincial Budget Team supported the MoF Budget Department to conduct two Budget Circular 2 (BC-2) workshops in Kabul for provincial budgeting directorate officials from six Central Region provinces (Kabul, Parwan, Kapisa, Daikundi, Ghazni, Panjshir) and two Southern provinces (Helmand, Uruzgan). The two-day workshops provided training for 161 key provincial officials (Head, Administration, Finance, and Planning Managers) from the pilot line directorates on preparing detailed costing forms for development projects developed during the earlier BC-1 process from July – October, 2011. The line directorates were Central region provincial officials listen to presentations during the BC-2 workshop in Kabul on December 7.

required to submit their completed BC-2 forms within 10 days after the workshop to their line ministries and MoF for review and approval. These workshops marked the final in a series of BC-2 regional workshops conducted since November 1 in other regions. The project's provincial budget team assisted the MoF with the workshop logistics, delivering presentations, and facilitating working group sessions.

After the workshops concluded, the team worked with the pilot provincial line directorates to complete BC-2 costing forms for priority projects proposed for the 1391 national budget process. By December 20, 168 of 170 pilot line directorates (98%) who participated in the BC-2 regional workshop training completed their BC-2 forms and submitted to their line ministries and MoF. The BC-2 forms require detailed program information for each proposed project in line with the pilot line ministries' national priority programs, and a breakdown of development and operating budget estimates by district and spending category. This completed the 1391 provincial budgeting pilot rolled out by the



Central and southern region provincial officials listen to presentations during the final BC-2 workshop in Kabul on December 7.

MoF with the project's support to build capacity in key provincial line directorates to identify priority projects and prepare project justification and budget estimates for the national budget. This marks the first time that the national government has included provincial departments in all 34 provinces in the budget process. The completed BC-2 forms are to be incorporated into the final consolidated 1391 national budget due to the Cabinet for approval in January 2012.

Budget Team Participates in USAID Office of Economic Growth Mission to Jalalabad

During December 19-20, the Project's Deputy Chief of Party, Budget Team Lead, and East Region Representative, participated in a two-day mission with the USAID Office of Economic Growth (OEG) to increase awareness of OEG Nangarhar activities for the Nangarhar provincial government and the Nangarhar Provincial Reconstruction Team (PRT). The mission highlights included a half-day meeting chaired by the Nangarhar Deputy Governor, Mohammad Hanif Gardiwal, and IDLG Sectoral Director, Mr. Sadat with key provincial line directors (Agriculture, Public Health, Rural and Rehabilitation Development, Economy, and the Jalalabad Deputy Mayor) at which the OEG project representatives presented the objectives, planned activities, and accom-

plishments of their projects' Nangarhar activities including the EGGI, LARA, FAIDA, RUFOD, and TAFE projects. The delegation then met with the Nangarhar Sectoral Director to discuss the status of the USAID-supported MoF provincial budgeting pilot implementation in the East Region and the Jalalabad Mayor to discuss the launch of the LARA project pilot in Nangarhar. The delegation wrapped up the mission in a meeting with the Nangarhar PRT Agriculture District Team and Civil Affairs officers engaged in budgeting activities with provincial line directorates to improve coordination and communication between the EGGI project and Nangarhar PRT on provincial budgeting activities.

Coordination Meeting Held with Australian Aid Delegation on Uruzgan Provincial Budgeting Activities

On December 17, USAID and the project's Budget Team met with the Australian Aid (AusAid) to discuss AusAid support through its implementing partner GIZ to extend the project's provincial budgeting activity to Uruzgan in 2012. AusAid noted the success of the project's support for the MoF provincial budgeting pilot rollout through its network of trained Afghan national budget experts based in regional training hubs in Mazar, Jalalabad, Herat, and Kandahar and proposed hiring an Afghan national to be based in Uruzgan to also implement the MoF provincial budgeting pilot in Uruzgan. USAID and the project agreed to assist in hiring the AusAid Uruzgan provincial budgeting officer, to orient and train the officer with the new six provincial budgeting recruits to be hired in early 2012,

(continued on page 7)

EGGI's DCOP and Budget Team Lead attend the USAID OEG Jalalabad mission meeting with Nangarhar provincial government during December 19-20, 2011.



Progress Towards Meeting Objectives

Provincial Budgeting

(continued from page 6)

and to ensure the Uruzgan officer participates in regional budgeting workshops and monthly coordination meetings with the MoF and the project's provincial budgeting team. The AusAid proposal is an opportunity for the project to leverage other donor resources to expand its provincial budgeting activity to more effectively support the MoF in implementing its provincial budgeting reform program in the provinces.

Briefing Session Held for New USAID West Region Economic Growth Officer on Provincial Budgeting Program

On December 22, the project's West Region Provincial Budgeting team briefed the new USAID West Region Mission Economic Growth Officer, Mr. Javier M. Sanabria on the status of the project's support to MoF Provincial Budget Unit's provincial budgeting reform program implementation. The briefing provided an overview of the MoF's provincial budgeting reform process, and the participating four pilot ministries (MRRD, MoED, MAIL, MoPH) and IDLG and their 34 provincial departments for the 1391 national budget process. USAID representatives noted the efforts of the project team in assisting the West Region provinces' pilot departments to prepare Budget Circular 2 project proposals for line ministry and MoF's consideration by the December 20 deadline. Mr. Sabrina expressed an interest in the provincial budgeting team's participation in periodic USAID regional implementing partners meetings in an effort to effectively coordinate and communicate with the team on provincial budgeting activities in the West Region.

EGGI's Provincial Budgeting Officer, Omar Nohi briefs USAID Representative, Javier M Sanabria the EGGI support to Ministry of Finance on December 22, 2011.



Provincial Budgeting Team Holds Monthly Coordination Meeting with Ministry of Finance Provincial Budgeting Counterparts

On December 14, the project's Provincial Budgeting Team conducted a monthly coordination meeting on provincial budgeting reform implementation progress with officials of the MoF's Provincial Budgeting Unit (PBU). The monthly coordination meetings are important to improve collaboration between the Ministry of Finance and the project on implementation of the MoF's provincial budgeting reform pro-

gram and to foster collective planning for future provincial budgeting activities. During the meeting, the team discussed the status of the BC-2 project costing submissions. The MoF PBU also expressed an interest in the project's participation in a provincial budgeting pilot lessons learned workshop planned for mid-January 2012 at the World Bank mission office in Kabul.

SPOTLIGHT

Strong Revenue Collection Results at the Herat and Mazar MTOs

The Herat and Mazar Medium Taxpayer Offices (MTOs) are progressing steadily towards meeting their annual collection goals. Nine months into the 1390 tax year, the Mazar MTO exceeded its 1390 collection target by 22%. Herat is experiencing similar success and has collected 86% of its annual collection target.

These strong revenue collection figures show sustainability of progress at both MTO locations and reflect the benefits of the project's emphasis on taxpayer education and outreach as well as managing by revenue statistics and requiring MTO Directors to target categories of taxes that show reduced collection figures compared to the previous months. This allows for focused taxpayer education and outreach programs. That have significantly improved tax return filing rates, contributing to the additional collections.

Mazar MTO Surpasses 1390 Revenue Collection Goal

During the quarter, the Mazar MTO surpassed its 1390 collection target of 162 million AFN by 22% having currently collected roughly 199 million AFN. In the month of December, collections totaled 27 million AFN. The collection is driven by the filing of tax returns. Based upon the strong taxpayer education and outreach, taxpayer filing compliance has increased significantly, which has fueled taxpayer payment compliance to the extent that it has allowed the MTO to attain and surpass their annual collection goal four months ahead of schedule.

Herat MTO Makes Strong Progress Toward Annual Collection Goal

The Herat MTO 1390 collection target is 25% more than Mazar at 215 million AFN. Herat is well on their way to achieving that goal having collected 86% or 184 million AFN by the end of the quarter (see chart below). Collection to date is 65% greater than the same period in 2010. Additionally, Herat taxpayers filed 3,513 tax returns to date, a 23% increase over the same period in 2010.

Taxpayer Outreach Efforts Result in Continued Improvements in Collection Rates

The success of the Herat and Mazar MTOs is attributable in part to USAID support to taxpayer education and outreach efforts, particularly to the MTOs' Taxpayer Service Center. Throughout 2011, the project did significant work in training and outreach for MTO staff, the benefits of which are now being realized in the form of stronger taxpayer compliance and increased collection figures. In Year 2 of the project (2010-11), project advisors stressed the need for ongoing taxpayer education and outreach programs as methods to enhance taxpayer compliance. In January 2011, the project supported the reinstallation of the Service Center in Mazar, a unit dedicated to taxpayer engagement and education. After almost a year of operation, Taxpayer Service Center staff conduct weekly outreach programs to inform taxpayers of their obligations under the "self-assessment" taxation system. In addition to these sessions, Taxpayer Service Center staff also provide individual tax payer consultations in tax form calculations and filings. These efforts have resulted in increased taxpayer compliance, leading ultimately to increased revenue collections.

Taxpayer education and outreach efforts in Herat are

yielding similar results. At the end of Year 2 (September 2011), the project's Provincial Tax Administration advisor met with the Herat MTO Director to discuss targeted increases in taxpayer outreach efforts, particularly at private schools and wedding chapels, to improve

tax return filings and ensure that the 1390 collection target is met. The MTO continued seminars and outreach to these two segments of taxpayers that were below average in tax compliance. Wedding chapels are historically high income earners and should yield a commensurate level of tax revenues, however, compliance in this sector has been historically low. The same is true of private schools at all levels from elementary schools to vocational education institutions. As a result, four months later, the MTO has realized increases across targeted tax return categories. The Herat MTO also continued its successful weekly radio program that addresses tax issues and answers questions from live callers.

The Taxpayer Service Center is the focal point for providing taxpayer education, so it was imperative to have the center in Mazar reinstalled. While Herat has already excelled in bringing education to taxpayers, the project continued to impress upon the MTO Director the importance of continuing his weekly radio programs. Both MTOs have benefited greatly in revenue collections from their willingness to continue taxpayer education.

Type of Form	1389 (Mar-Dec 2010) AFN	1390 (Mar-Dec 2011) AFN	% Change
Legal P (Com) Active	665	820	23.31
Legal P (Com) Inactive	359	561	56.27
Individuals	76	195	156.58
Wage Withholding	519	740	42.58
BRT	890	841	-5.51
Contract Tax	240	202	-15.83
Rent Withholding	102	154	50.98
Totals	2,851	3,513	23.22

Description	1389 (Mar-Dec 2010) AFN	1390 (Mar-Dec 2011) AFN	Difference	% Change
Sole Proprietary Traders	0	10,000	10,000	-
Income Tax	67,500	0	-67,500	-100
Money Exchangers	298,406	0	-298,406	-100
Govt Contracts Goods Services	1,390,536	1,025,404	-365,132	-26.26
Employee Wage Withholding	12,882,605	16,617,096	3,734,491	28.99
Declaration Income (PIT-Ind.)	4,601,385	10,049,810	5,448,425	118.41
Company Income Tax (PPE)	9,091,817	32,621,229	23,529,412	258.8
Rental Services Withholding	2,659,909	4,605,665	1,945,756	73.15
Contract Withholding Tax	5,896,782	10,913,065	5,016,283	85.07
Tax Sale Movable Prop	1,789,568	1,109,003	-680,565	-38.03
Receipts Pvt Entit. (BRT) 2%	62,850,796	90,437,640	27,586,844	43.89
Receipts SOE (BRT-SOEs) 5%	46,884	759,317	712,433	1,519.57
Overdue Income Tax (Penalties)	564,167	2,992,531	2,428,364	430.43
Fines BRT-Penalties	7,069,774	8,925,765	1,855,991	26.25
All Other Tax Penalties	1,298,142	2,196,614	898,472	69.21
Sukook Revenue	966,556	223,149	-743,407	-76.91
Broker License Fee	345,000	1,935,000	1,590,000	460.87
Totals	111,819,827	184,421,288	72,601,461	64.93%

Progress Towards Meeting Objectives

Provincial Tax Administration



Nineteen MTO managers attended "Basic Functional Management" training in Kabul during November 2011.

During the quarter, the MTOs of Herat and Mazar continued to realize strong revenue collection results. In an effort to build capacity of GIROA MTO staff, the project delivered basic functional management training to 34 MTO and LTO managers. Also, CCN tax advisors were hired for Mazar and Jalalabad. This will improve delivery of advisory services and communications with MTO staff and promote information flow.

Management Training Conducted for 34 MTO and LTO Managers

During the reporting period, the tax administration advisor delivered two of four scheduled training classes in "Basic and Functional Management" to 34 MTO managers assigned to the Afghanistan Revenue Department (ARD).

The functional aspect of the training dealt with issues relating to managing a tax administration unit, such as "audit" or "enforcement." Among the topics included were leadership, management, planning, and goal setting.

Participant managers were selected from the Kabul MTO and LTOs, the Herat and Jalalabad LTO and MTOs, the Mazar LTO, and the Kandahar MTO. Both classes were opened by ARD Director General Dr. A. Zamanzai. The project supported the training by developing the training materials, organizing logistics, and delivering the training modules. Three project Cooperating Country National (CCN) employees and four Adam Smith International (ASI) National Consultants also attended the training, which was held in Kabul. ASI consultants were accepted in both classes on a space available basis and did not deliver any part of the training. USAID branded certificates were issued to participants who completed an assessment with a passing score.

To date, all managers in Kandahar were trained, as well as all managers from Jalalabad except one. The third management training

course will be held January 22-24, 2012, with 22 managers from the Kabul MTO and LTO as well as managers from Mazar and Herat MTOs. The final class is scheduled for February 12-14 for remaining managers.

Tax Officers Hired for Jalalabad and Mazar MTOs

The project completed recruitment of two CCN staff for the Jalalabad and Mazar MTOs. These recruitments are critical to the delivery of adequate advisory services to the MTOs in respective provinces of Nangarhar and Balkh. Throughout 2012, all CCN's will receive training in Afghanistan tax laws and procedures, management, and consulting, and will be required to participate as a student in all technical training delivered to ARD tax officers.

Significantly, the hiring of a CCN staff in Jalalabad affords the project a presence in Jalalabad that will improve information flow important to the provision of advisory services. As a result, the project is now able to obtain MTO data which heretofore was unavailable or at best difficult to obtain.

Jalalabad MTO Makes Progress toward 1390 Collection Goal

With the placement of a CCN tax officer in Jalalabad, the project can now track MTO progress towards achieving its 1390 collection

target of 150 million AFN. The CCN will also provide daily on-site support and advisory services. For the 1390 tax year, the Jalalabad MTO has collected 137 million AFN, 91% of their annual collection goal. During December 2011, the Jalalabad MTO collected 15.6 million AFN. November collections totaled 16.9 million.

Activities at the Kandahar MTO

The installation of MTO units in Kandahar was completed in December. The project advised on the appropriate offices to be installed. Although the offices have been installed, the MTO does not yet have a taxpayer case inventory to commence their work. This is due to a delay in delivery of documents authorizing the start of MTO operations. These documents are to be facilitated by the office of DM Shaw, which is in progress. The advisor will work with counterparts and the MTO National Director to resolve this issue and monitor progress on the ground through the project's local national analyst. Meanwhile, the analyst continued to provide daily support and guidance to the MTO Director and his staff.

Materials Being Developed for Upcoming Tax Law Training

The tax administration advisor began preliminary work on the drafting of training materials for upcoming Afghanistan tax law training to be delivered in Kabul to tax officers from Jalalabad and Kandahar. This training is intended to supplement initial induction training delivered by ASI, and will provide in-depth analysis of tax laws and procedures accompanied by practical enforcement application. The advisor will continue a partnership with ASI's training advisor to ensure that redundancy is avoided, and that appropriate topics are covered and delivered to the right employees.

Nangarhar MTO - Revenue Collection Breakdown for FY 1390	
Description	Amount (AFN)
Govt. Contracts Goods Services	35,670,860
Employee Wage Withholding	90,922,952
Declaration Income (PIT-Ind.)	994,270
Company Income Tax (PPE)	1,115,203
Rental Services Withholding	4,687,347
Receipts Pvt Entit. (BRT) - 2%	1,737,589
BRT on Services - 10%	459,344
Fines BRT - Penalties	1,526,645
Sukook Revenue	3,490
Nil	30,430
Total	137,148,130

Progress Towards Meeting Objectives

Women in Government

During the quarter, the project focused on expanding the Women in Government (WIG) Internship Program from a cross-cutting activity to a stand-alone workstream. Over the course of Year 3, the project will double the size and scope of the program offering internships to 60 female university graduates, and providing more training, mentoring, networking, and volunteer opportunities. The WIG program provides an opportunity for women to gain on-the-job training and exposure to operations of various GIRoA ministries. The goal of the program is to help women to gain professional experience and develop job skills so that they can obtain full-time jobs in the public or private sectors following successful completion of internship assignments.

Sixteen Female Interns Begin Assignments with the WIG Program

In November, the WIG team held an orientation for 16 new female interns to officially inaugurate them into the program. During the orientation event, the team outlined general information on the program as well as expectations, and roles and responsibilities of the interns during their assignments.

In addition to providing information about the WIG program, the team invited functional leads from other departments of the project management office to address the interns. This element was added to the orientation as a way to expand the intern's professional network and teach them about basic project management functions including finance, operations, human resources, and information technology.

This was the first cohort of interns to start internship assignments in Year 3 of the project. Interns were assigned to the following ministries including, the Ministry of Agriculture (MAIL), the MoF, the Ministry of Mines (MoM), the Ministry of Women's Affairs (MoWA), and with the project's program

budget team. Two additional cohorts of interns will start assignments in January and March.

Business Model of Expanded Internship Program Finalized

The WIG team finalized design of the business model of the expanded internship program. Activities centered on developing a "WIG Toolkit" and formalizing the partnership framework between the WIG team and GIRoA ministries and Kabul University.

The "WIG Toolkit" is a collection of documents developed by the project and used to implement the internship program. The Toolkit formally lays out the WIG methodology and is a key deliverable of the workstream that enables implementation of a similar internship program on other projects.

In an effort to create a formal partnership between the WIG program and GIRoA host ministries (ministry leadership and assigned supervisors), the project developed a formal "Letter of Agreement" (LOA). The purpose of the letter is to establish a formal framework outlining the responsibilities of both GIRoA and the WIG team during the interns' assignments. The letter also mandates that host ministries develop a Terms of Reference (ToR) for the interns at the start of their assignments.

The letter is a result of observations by the WIG team that sometimes interns' supervisors are remiss in ensuring the interns are always engaged in meaningful work. This is remedied by the WIG team's monitoring and evaluation efforts, and discussions with supervisors to



The WIG team lead facilitates an orientation session for 16 new female interns.

host ministries and development of ToRs for all interns was completed in December.

Formal Partnership Established with Kabul University

The WIG program team signed a Memorandum of Understanding (MoU) with the Chancellor of Kabul University, formally establishing a partnership between WIG and the University. The MoU aims to formalize and build a mutually beneficial relationship between Kabul University and the WIG program. The WIG program will support Kabul University by helping recent graduates to find full-time jobs following graduation. Kabul University will support WIG by helping the program to find qualified applicants and allowing WIG to engage in on-campus recruitment activities to identify potential interns. The letter outlines the proposed areas of collaboration and specifies the roles and responsibilities of both parties.

Capacity Building Training Program for Interns Expanded

As part of the expanded WIG program, the project developed a more robust training program for interns to offer more capacity building opportunities. The project invited outside experts to share their expertise with the interns and also initiated a robust IT training program.

In December, the WIG team facilitated a skills-building workshop for interns on communication and presentation skills. The presentation was delivered by Weis Sherdel, communications expert and advisor to the Minister of Mines on another USAID project. The workshop was designed to help the interns learn about effective communication in the business environment and how to structure and deliver information in a coherent manner.



EGGI's WIG program team signs a letter of agreement with the Chancellor of Kabul University on December 20, 2011.

ensure the interns are being utilized to their fullest potential as agreed at the commencement of the assignment. The LOA will formalize the expectations of both parties on how to support the interns during their assignments. Signing ceremonies with

Progress Towards Meeting Objectives

Women in Government

EGGI's National ICT Specialist, Mujtaba Matin leads a presentation on Information Technology Training Program for Interns on December 15, 2011.



Ms. Amina Sadat, ARD Planning Officer. The purpose of the meeting was to gauge interest in this initiative from alumni and obtain feedback from on how best to structure the alumni network. Stronger alumni networking will allow interns to stay connected with each other following graduation from their internship. Both former interns expressed their appreciation for the program and agreed to participate in alumni networking activities.

ministries to develop FY1391 budget requests. The interns also shared their impressions of the program and personal experiences. The interns were excited to meet with the head of gender activities for USAID and appreciated hearing about Carla's work and gender observations in Afghanistan.

Also in December, the WIG team launched an IT training program for current interns utilizing the expertise of the project's IT department. The four-workshop series will be delivered to all interns over the course of their assignments. The training program covers the essentials of using Microsoft Office including MS Excel, MS Word, MS Access, MS Outlook, and MS PowerPoint. The WIG team is committed to helping the interns to develop the IT skills needed to make them more effective in their internship assignments. The IT training is designed to help the interns build their skills in all MS Office applications, a critical skill for interns entering the workforce.

WIG will continue formalization of alumni networking platforms in 2012.

USAID's Head Gender Expert Meets with EGGI Interns

On December 4, the WIG team and interns met with Carla Koppell, head of gender activities for USAID, Mary Fontaine Senior Gender Advisor at USAID, and Fazel Rahman USAID gender specialist, to discuss the internship program. The WIG team delivered brief presentation on the project's gender activities and planned expansion for FY2012.



The head of USAID's gender activities, Carla Koppell (center), meets with WIG interns to learn about their experiences in the program.

WIG Team Meets with two Former Interns to Discuss WIG's New Alumni Network The WIG team began planning for a new alumni network for interns utilizing social networking platforms and e-mail groups. In December, the WIG team met with two former interns at the Afghanistan Revenue Department (ARD): Ms. Amina Ahmady, the Director of Non-Tax Revenue, and

The majority of the meeting consisted of open discussion and a question and answers session among Carla and interns. Specifically, interns discussed their work in their internships including: work at the Ministry of Economy to help the ANDS M&E Department to develop a database; and activities with EGGI's program budget team to support efforts of project advisors embedded in line



EGGI's WIG program team discuss with the Director of Non-Tax Revenue and ARD Planning Officer on the placement of intern at Afghanistan Revenue Department on December 18, 2011.

Progress Towards Meeting Objectives

Economic and Fiscal Policy

Training Commences for the FPU in Fundamental Economic Modeling Concepts

The Economic and Fiscal Policy advisor commenced the planned training program for members of the Ministry of Finance Fiscal Policy Unit (FPU) in modeling and forecasting using EViews software. The first stage of training comprised three sessions on the fundamental concepts used in estimating relationships among economic variables. It was illustrated using Excel as this is an application that is familiar to the participants, even though they had not previously used the Excel add-in capability that is used for this analysis.

This approach also provided for an in-depth discussion of the meaning and derivation of the most important indicators of the degree and quality of fit between the observed and explanatory variables, and how to use statistical measures to select and refine models, without the distraction of too much new information. It also served to highlight the limitations of Excel as a tool for economic model development, which will become more apparent when the more versatile capability of EViews is subsequently introduced. All five members of the FPU participated in the training sessions.

Materials for Continuation of EViews Training Delivered to FPU Staff

The Economic and Fiscal Policy advisor provided members of the FPU with electronic copies of resource materials, including a full set of EViews manuals and example data files, in preparation for the continuation of EViews training in January. Six formal training sessions

are planned for each of January and February, with the FPU participants having hands-on experience in the use of the EViews software. The procurement and installation of EViews Enterprise Edition on the MoF Budget Department server is expected to be completed during January 2012. In the interim, a training version of EViews will be used.

The Project Demonstrates Capabilities of the Medium Term Budget Forecasting Model

During October and November, the Economic and Fiscal Policy team lead spent time working with the EViews Medium Term Budget Forecasting (MTBF) model. The team lead also worked with Dr. Susan Coleman of USAID/OEG over two days to analyze all of the programs within the model and to demonstrate how to modify the model parameters to illustrate the fiscal impact of adopting different assumptions about wages, economic growth, operations and maintenance costs, and other variable factors, upon both medium-term and long term-fiscal balances.

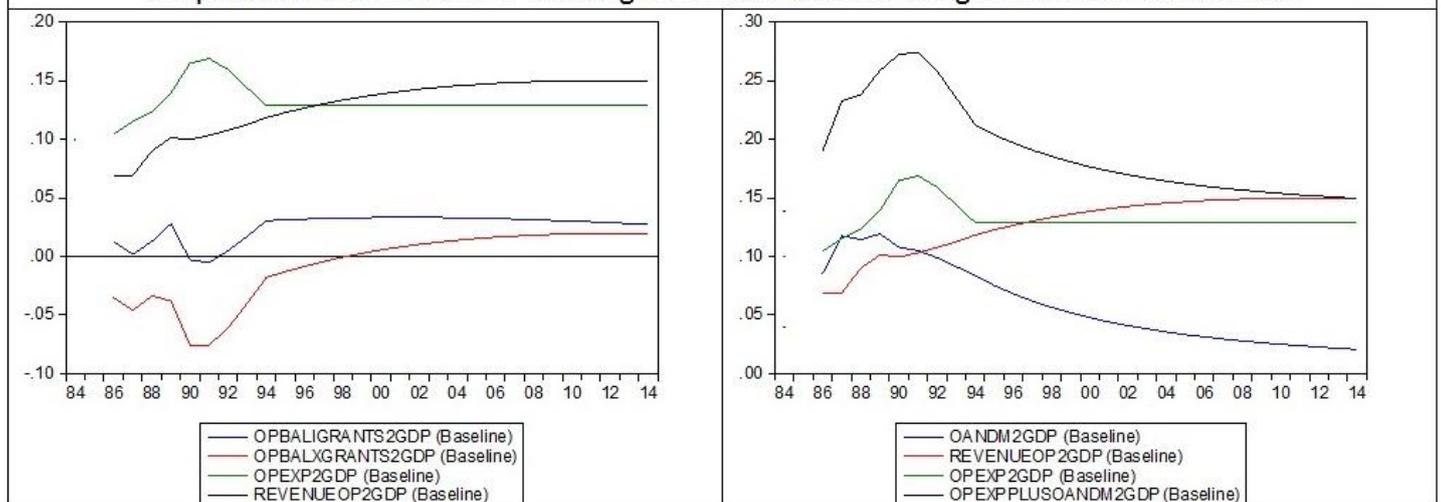
The importance of this model is that it enables experienced users to analyze the medium and long term impact of decisions about GIRoA budgets and finances made today, and to determine for a variety of scenarios, whether and when the fiscal balance – local revenue less expenditure – will become positive. Current indications are that under present policies the operating budget will not be balanced without the need for external grants by until FY 1397 (2018). The development budget expenditure will still be at least partially dependent upon external grants beyond that time-frame.

The advisor also contributed to the formulation of an initial draft of Terms of Reference (ToR) for continuation of the development of the EViews version of the MTBF.

Project Supports Review of a Special Contribution on Pensions for the FPU's Quarterly Fiscal Bulletin

At the request of the FPU, the project's fiscal policy advisor reviewed and edited a special article on the medium and long-term impacts of reforms to GIRoA pension schemes. The article includes analysis on schemes that apply to Tashkeel staff as well as the new schemes for the Pay and Grading System for GIRoA civilian employees and the police and military. The article was included in the MoF's Quarterly Fiscal Bulletin for Q1 of FY 1390, which was published in early December.

Output from a simulation of the long term fiscal outlook using the EViews MTBF model



The above graphs are snapshots from the EViews MTBF economic modeling program. The graphs show all variables as ratios to GDP. In turn, the left graph shows operating balance including grants, the operating balance excluding grants, operating expenditures, and domestic revenue. The graph on the right adds operating and maintenance expenditures, and operating expenditure plus operating and maintenance expenditure. The graphs show historical data to FY 1398 and annual projections for the next 25 years through FY 1414.

Progress Towards Meeting Objectives

Tax Policy

Working Group Formed with ARD to Enhance Non-Tax Revenues

Responding to a request from the ARD's Director of Non Tax Revenues (NTR), project advisors supported the formation of a working group to review motor vehicle registration processes to identify solutions to streamline procedures and enhance non-tax revenues. The goal is to improve motor vehicle registration, motor vehicle licensing and driver licensing processes, which together produced revenues of 360 million AFN in 1389, but have the potential to produce twice that revenue.

Agreement was reached with the Ministry of the Interior (Mol) and the Kabul Traffic Department (TD) to form a working group comprising officials from the ARD NTRD, Mol, the TD, and two project advisors, to review previous studies and produce reform implementation plans.

Current vehicle registration, licensing and driver licensing processes and procedures are complex and time consuming. There is a need to improve efficiency, reduce bureaucracy, and limit the opportunity for corruption inherent in the current manual and paper based system. The goal is to build a system that will improve the public's trust and confidence in the institution and reduce corruption. Implementation of this plan will modernize vehicle registration, licensing and driver licensing and will facilitate ongoing increases in revenue to the Afghan government

Working Group Kick-Off Meetings Held with Key Mol and TD Counterparts

To build close working relationships with Working Group officials, project advisors participated in multiple introductory meetings with key counterparts from the Mol, TD, and the ARD NTRD. These meetings were important for project advisors to talk about proposed working group activities with GIRoA officials who oversee the specific pro-

cesses targeted for reforms including the Director of the Kabul Traffic Department, as well as the heads of Vehicle Registration, Vehicle Licensing, Driver Licensing, Vehicle Inspection and Personnel.

The project's Tax Policy team members briefed officials from the Mol Traffic Directorate and the Kabul Traffic Department on the goals and objectives of the traffic reform process. The working group will coordinate closely with those departments to simplify, streamline and modernize the processes for vehicle registration, vehicle licensing, transfer of vehicle ownership, and driver licensing. The objectives of the reform process are to facilitate enhanced revenue collection for the Afghan government and to provide improved customer satisfaction.

Tax Policy Team Develops Draft Workplan for Implementing Reforms to Motor Vehicle and Traffic Related Processes

In December, the Tax Policy team in close coordination with NTRD and Mol Traffic Directorate counterparts developed a draft workplan for planning and implementation of the reform of vehicle registration, vehicle licensing, transfer of vehicle ownership, and driver licensing. The workplan identifies primary deliverables, includes schedules of project activities, identifies lists of tasks to be completed, and outlines proposed timelines. During the upcoming quarter, the workplan will be further refined and tasks and responsibilities allocated to Working Group members.

Project Team Leads Review of Studies and Findings on Current Vehicle Procedures

After a series of introductory meetings with counterparts, along with the officials from the NTRD, the Working Group started to review the findings of recent studies on the processes of vehicle registration and licensing against the Group's observations of the processes in ac-

Preliminary observations and information obtained from various sources, reveal that the vehicle registration process is complex and time consuming, and that the information included in previous reports does not correspond with the current operations and processes of the Traffic Directorate. Therefore, the team has started to conduct a full business process review, along with a review of documents that are required for vehicle registration, to obtain complete information, to determine the purpose of each step, and to identify how the process can be streamlined. The team is seeking to identify the nature and source of all problems that cause delays in the current process to determine areas for process improvement.

Preliminary Consultations Commence with Counterparts from the Tax Treaty Negotiation Group of the ARD

Afghanistan is not currently party to international tax treaties, nor engaged in potential negotiations. In an effort to establish such treaties with international allies, the project will support tax treaty officials of the ARD to plan a program of treaty negotiations. Although the designated Director of the ARD Tax Policy and International Taxation Directorate was unavailable through most of November and December, the project's Tax Policy Advisor met with three other ARD Directors who will be part of the Tax Treaty negotiation group. Each of these Directors has attended or will be attending OECD led training in tax treaty negotiations during December 2011 and January 2012. The advisor will meet with them again in January, after they have attended the training, to discuss GIRoA plans for the negotiation of international tax treaties during 2012.

Revenue Reconciliation Database and Application System

MoF Establishes Working Group to Develop Web-Based Revenue Reconciliation System

Progress was made toward developing a web-based revenue reconciliation system. In December, the RRD working group officially convened, satisfying a specific requirement of USAID. The task of the Working Group will be to develop requirements necessary to build the web-based RRD. This task will be facilitated through an assessment process, which is in progress and is expected to be completed on-time.

The General Director for Revenue of the ARD was instrumental in formation of the Working Group and in December, signed a formal letter for the group to start its work. The letter also outlines the roles and responsibilities of participants. The project helped the MoF/ARD to establish the Working Group concept and identify individuals from departments that should be involved in the process.

During the coming months, the group will create the specifications for the implementation of a web-based revenue reconciliation system. Additionally, the group will provide

oversight to the contracting vendor who will actually build the system. The Working Group will continue to work with stakeholders from the MoF, AFMIS, and the Central Bank to ensure that the web-based system is built to specification and meets stakeholder requirements. Moving to a web-based RRD system will improve GIRoA's financial management capabilities.

The project's advisor is now working 100% on this initiative and will do so for the foreseeable future.

Project Activities by Regional Command

Regional Overview

In Q1 of FY2012, project activities touched all 34 provinces. Through utilizing local national staff, key project activities were advanced at the provincial level throughout Afghanistan. Regional teams based in the West, East, and North, coordinated activities to facilitate implementation of central government initiatives in public financial management and fiscal sustainability at the regional level.

The project provided targeted support to provincial-level GIROA bodies and directorates involved in economic governance affairs, with particular attention to regional tax administration and the provincial budgeting process. The combined success of these elements is key to achieving sustainable economic growth.

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



Regional Command West—Herat

Tax Administration: The project continued to support the MTO within the Herat Mustofiat, in partnership with another donor's tax reform program. To date, the MTO has collected 184 million AFN, 86% of its 1390 collection target. Results to date demonstrate higher taxpayer filing compliance and increased tax revenue collections compared to previous years, and show the effect of targeted taxpayer education efforts in raising withholding tax collection.

Provincial Budgeting: The project supported the MoF to conduct a BC-2 workshop in Herat for five western provinces (Badghis, Farah, Ghor, Herat, and Nimroz) with 101 participants attending.

Provincial budgeting officers in Herat also assisted provincial line directorates to prepare BC-2 forms for development project proposals in accordance with MoF guidance.



Regional Command North—Balkh

Tax Administration: The project continued to support the MTO within the Mazar Mustofiat, in partnership with another donor's tax reform program. During the quarter, the Mazar MTO surpassed its 1390 (2011) collection target of 162 million AFN by 22% having currently collected roughly 199 million. In the month of December, collections totaled 27 million AFN.

Provincial Budgeting: The project supported the MoF to conduct two BC-2 workshops in Mazar for nine northern provinces (Badakhshan, Baghlan, Kunduz, Samangan, Takhar, Balkh, Faryab, Jowzjan, and Sar-e-Pul) with 198 participants attending.

Provincial budgeting officers in Mazar also assisted provincial line directorates to prepare BC-2 forms for development project proposals in accordance with MoF guidance.



Additionally, the project completed onboarding of a CCN employee to support activities at the MTO in Mazar.

Regional Command East—Nangarhar

Tax Administration: The project continued to support the MTO in partnership with another donor's tax reform program. For FY1389 the MTO has collected 137 million AFN.

Jalalabad for nine eastern provinces (Kunar, Laghman, Nangarhar, Nuristan, Paktika, Paktiya, Logar, Wardak, and Khost) with 195 participants attending. Provincial budgeting officers in also assisted provincial line directorates to prepare BC-2 forms for development project proposals in accordance with MoF guidance.

Additionally, the project completed onboarding of a CCN employee to support activities at the MTO in Nangarhar. The CCN will provide daily on-site guidance to support standing up operations. The CCN will also enable access Jalalabad MTO collection data. Managers from the MTO also attended management training in Kabul.

USAID/OEG Delegation Mission

Two project advisors attended a two-day mission trip to Jalalabad. The purpose was to promote and increase awareness of OEG projects operating in Nangarhar. The outcome was that the provincial government now has a better understanding of what the projects are doing.

Provincial Budgeting: The project supported the MoF to conduct one BC-2 workshop in



Project Activities by Regional Command

Regional Overview continued

Regional Command South—Kandahar

Tax Administration: The project supported the MTO to complete installation of all MTO units, however the physical space and personnel are not identified. Political issues are impacting selection of inventory and commencement of operations. The project’s local national analyst based at the Kandahar MTO continued to provide daily support and guidance to the MTO Director and his staff as the units were installed. Also, the MTO Director and three managers from the MTO attended “Basic Functional Management Training” in Kabul.

Provincial Budgeting: The project supported the MoF to conduct a BC-2 workshop in Kandahar for officials from Kandahar and Zabul with 44 participants attending. Officials from Daikundi and Uruzgan attended BC-2 trainings held in Kabul.

Provincial budgeting officers also assisted provincial line directorates to prepare BC-2 forms for development project proposals in accordance with MoF guidance.



Regional Command Southwest—Helmand

Provincial Budgeting: Nimroz provincial officials attended the MoF’s BC-2 workshop held in Herat. Officials from Helmand attended the BC-2 workshop held in Kabul in December. The project’s provincial budgeting officers also assisted provincial line directorates to prepare BC-2 forms for development project proposals in accordance with MoF guidance.



Q1 Provincial Budgeting Training Events

No.	Dates	Location	Provinces Participating	Total Participants	Total Training Days	Total Person Days Trained
BC-1 Workshops Conducted						
1	October 4-6	Mazar	Balkh, Jowzjan, Faryab, Sar-e-Pul, Badakhshan, Samangan, Kunduz, Takhar, Baghlan	180	3	540
2	15-Oct	Kabul	Kabul (line ministry officials)	30	1	30
BC-2 Workshops Conducted						
3	2-Nov	Bamyan	Bamyan	21	1	21
4	November 21-22	Jalalabad	Kunar, Laghman, Nangarhar, Nuristan, Paktika, Paktiya, Logar, Wardak, Khost	195	2	390
5	November 23-24	Herat	Badghis, Farah, Ghor, Herat, Nimroz	101	2	202
6	November 30 – December 1	Mazar	Badakhshan, Baghlan, Kunduz, Samangan, Takhar	110	2	220
7	November 30 – December 1	Mazar	Balkh, Faryab, Jowzjan, Sar-e-Pul	88	2	176
8	November 30 – December 1	Kandahar	Kandahar, Zabul	44	2	88
9	December 6 – 7	Kabul	Kabul, Kapisa, Parwan, Panjshir, Daikundi, Ghazni	121	2	242
10	December 5 – 6	Kabul	Helmand, Uruzgan	40	2	80
Grand Totals				900	18	1989

Training Summary

QI Training by the Numbers:

2,699 Person Days Trained

1,492 GIRoA Counterparts trained

1,323 Males

169 Females



WIG interns participate in a "mini workshop" on interview Skills in October.

EGGI Training Summary

Table: Number of Male and Female Stakeholders Trained by EGGI, October through December 2011

Month	Workstream ID	Workstream	GIRoA Counterparts Trained	Training Topic	Location										Total by Gender			Total Training Days	Person Days Trained			
					Kabul		Mazar		Jalalabad		Herat		Bamyan		Kandahar		Males			Females	Total	
					M	F	M	F	M	F	M	F	M	F	M	F						
Oct-11	W4	Provincial Budgeting	Ministry of Education, Ministry of Agriculture, Ministry of Rural and Rehabilitation Development, Ministry of Public Health, IDLG and their provincial directorates	BC1 training workshop	-	-	178	2	-	-	-	-	-	-	-	-	178	2	180	3	540	
	W4	Provincial Budgeting	Line ministry representatives of MAIL, MOED, IDLG, MoPH, and MRRD from Kabul.	BC -2 preparation workshop	30	-	-	-	-	-	-	-	-	-	-	-	30	-	30	1	30	
	W3	Program Budgeting	Representatives from all 57 budgetary units	BC-2 training workshop 1	83	15	-	-	-	-	-	-	-	-	-	-	83	15	98	1	98	
	W3	Program Budgeting	Representatives from all 57 budgetary units	BC-2 training workshop 2	81	14	-	-	-	-	-	-	-	-	-	-	81	14	95	1	95	
	W3	Program Budgeting	Representatives from all 57 budgetary units	BC-2 training workshop 3	69	12	-	-	-	-	-	-	-	-	-	-	69	12	81	1	81	
	W3	Program Budgeting	Representatives from all 57 budgetary units	BC-2 training workshop 4	70	12	-	-	-	-	-	-	-	-	-	-	70	12	82	1	82	
	W3	Program Budgeting	Representatives from all 57 budgetary units	BC-2 training workshop 5	68	12	-	-	-	-	-	-	-	-	-	-	68	12	80	1	80	
	W7	Women in Government	WIG interns	CV writing skills	-	10	-	-	-	-	-	-	-	-	-	-	-	10	-	10	0.5	5
W7	Women in Government	WIG interns	Interview skills	-	9	-	-	-	-	-	-	-	-	-	-	-	9	-	9	0.5	5	
Nov-11	W4	Provincial Budgeting	Provincial representatives MAIL, MOED, IDLG, MoPH, MRRD	BC2 training workshop	-	-	-	-	194	1	-	-	-	-	-	-	194	1	195	2	390	
	W4	Provincial Budgeting	Provincial representatives MAIL, MOED, IDLG, MoPH, MRRD	BC2 training workshop	-	-	-	-	-	100	1	-	-	-	-	-	100	1	101	2	202	
	W4	Provincial Budgeting	Provincial representatives MAIL, MOED, IDLG, MoPH, MRRD	BC2 training workshop	-	-	-	-	-	-	21	-	-	-	-	-	21	-	21	1	21	
	W5	Tax Administration	MOF	Basic and functional Management Training	19	-	-	-	-	-	-	-	-	-	-	-	19	-	19	3	57	
	W7	Women in Government Internship Program	EGGI Intems	Orientation session for new interns	-	16	-	-	-	-	-	-	-	-	-	-	-	16	-	16	1	16
Dec-11	W1	Fiscal Policy	MoF	EViews	5	-	-	-	-	-	-	-	-	-	-	-	5	-	5	3	15	
	W4	Provincial Budgeting	MoFPBU team, EGGI trainers, provincial representatives MAIL, MOED, IDLG, MoPH, MRRD	BC2 training workshop	-	-	198	-	-	-	-	-	-	-	-	-	198	-	198	2	396	
	W4	Provincial Budgeting	MoFPBU team, EGGI trainers, provincial representatives MAIL, MOED, IDLG, MoPH, MRRD	BC2 training workshop	-	-	-	-	-	-	-	-	44	-	-	-	44	-	44	2	88	
	W4	Provincial Budgeting	MoFPBU team, EGGI trainers, provincial representatives MAIL, MOED, IDLG, MoPH, MRRD	BC2 training workshop	121	-	-	-	-	-	-	-	-	-	-	-	121	-	121	2	242	
	W4	Provincial Budgeting	MoFPBU team, EGGI trainers, provincial representatives MAIL, MOED, IDLG, MoPH, MRRD	BC2 training workshop	40	-	-	-	-	-	-	-	-	-	-	-	40	-	40	2	80	
	W5	Tax Administration	ARD	Basic and Functional Management	-	15	-	-	-	-	-	-	-	-	-	-	-	15	-	15	3	45
	W6	RRD	Nangarhar Mustofiat	Revenue Reconciliation Database	2	-	-	-	-	-	-	-	-	-	-	-	2	-	2	3	6	
	W7	Women in Government Internship Program	Current WIG intems	Information Technology	-	25	-	-	-	-	-	-	-	-	-	-	-	25	-	25	4	100
	W7	Women in Government Internship Program	Current WIG intems	Communication skills	-	25	-	-	-	-	-	-	-	-	-	-	-	25	-	25	1	25
Totals					588	165	376	2	194	1	100	1	21	-	44	-	1,323	169	1,492	41	2,699	

Looking Ahead: Objectives in Q2

Comprehensive set of future activities is included in the Year 3 Work Breakdown Structure.

Looking Ahead: Goals and Objectives for Q2 (January—March 2012)

Economic and Fiscal Policy

The project's advisor will continue to conduct EViews training for FPU staff throughout the quarter. This will prepare members of the FPU to be able to comprehend and consider adopting the EViews version of the MTBF. In addition, the advisor will respond to ad-hoc requests for advice on specific topics.

Tax Policy

The project will support the Working Group to complete a review of all revenue generating processes of the Kabul Traffic Department. Following review, the goal is to produce a draft report on plans for reform for consideration by stakeholders (MoF and Mol).

Program Budget Reform

The program budget team will continue efforts to support line ministries to finalize their 1391 budget submissions and prepare for execution of the Government approved budget. Line ministry 1391 budget submissions are to be finalized and submitted to the MoF in January to enable the MoF to prepare the national consolidated budget statement for Cabinet approval in February and then Parliament approval in March. The team will also work with the MoF Budget Department to determine how it will support its budgetary units to implement the special nine-month financial year for 1391 based on MoF technical guidance as GIRoA moves to a new fiscal year.

In February, the team will also support assigned budgetary units to prepare detailed procurement and financial plans to enable the unit to track actual spending of operating and development budgets and procurements by program and province. The team will work with the MoF Budget Department to conduct capacity assessments of select experienced line ministries to determine their readiness for graduation in January/February in preparation for the actual MoF graduation process in March/April. Ministries that can independently prepare their annual program budgets with little or no minimal assistance will be eligible for graduation from on-site project support.

Provincial Budget Reform

The provincial budgeting team will focus on supporting the MoF to rollout a capacity building training program and conduct consultation and coordination workshops in 17 provinces. The three-day capacity building

training workshops are designed to provide a foundation of learning in key public financial management topics. The two-day consultation and coordination workshops will cover general information on the provincial budgeting p reform process.

Tax Administration

The project will complete management training and commence technical tax law training to Jalalabad and Kandahar MTO tax officers. It is anticipated that after management training is complete all 60 plus ARD managers who require basic management training will be trained. Additionally, the provincial tax administration team will provide support for tax filing readiness to the ARD and provincial MTOs ahead of the tax filing period that starts March 22, 2012. Ongoing support and advisory services to the MTOs in Herat, Mazar, Jalalabad, and Kandahar, will also continue. The project will work with the ARD to facilitate introduction of tax inventory at the Kandahar MTO so that it can commence work.

RRD

The advisor will continue the RRD assessment, award the vendor contract, and work with the vendor to commence work on building the web-based system.

Women in Government

During Q2, the project will continue expansion of the Women in Government Internship program. The final two cohorts of interns will be hired. The project will continue refining the new training program for interns by standardizing the interns' training curriculum and offering three formal skills-building workshops to each class of interns throughout the duration of the internship program. WIG will also continue weekly working group meetings with the interns to offer guidance and support on their assigned activities, and will require interns to work together on side projects. WIG will also finalize introduction of the mentorship, volunteer, and networking programs.

The WIG team will also work with USAID to hold a formal gender event for GIRoA, private sector officials, and USG officials. The proposed event will be an opportunity to provide high visibility to USAID's innovative attempt to encourage women's participation in GIRoA.

EGGI Project 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."

Expected Result:

"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."

Economic and Fiscal Policy

EViews software procurement: Project advisors had understood that another donor and contractor were working to acquire the software disk and network licenses for EViews to be installed on the Ministry of Finance Budget Department server so that the FPU would have access to the software prior to the planned resumption of the EViews training on January 8, 2012. However the other party now wants to review the proposed acquisition before continuing. That review will not occur prior to January 10. In the interim, the project's fiscal policy advisor can provide the FPU with free access to an earlier version of EViews to enable the training to proceed, although that version does not support the full range of features of the current version, or the MTBF.

Tax Policy

Security at Traffic Department: A security assessment of the Kabul Traffic Department (where it had been arranged that the working group would be based) has determined an unacceptable level of risk for a project adviser to be based there. While occasional visits should be possible, with a security escort, an alternative venue is needed for the operating base where the advisor can be directly involved.

Additionally, the Traffic Department is reputedly one of the more corrupt GIRoA agencies, and attempts to reform process may be thwarted by staff with vested interests unless they are carefully planned and executed. The project will monitor this closely and raise issues as needed with USAID.

Provincial Budgeting

Provincial Budgeting Pilot Status: The rollout of the 1391 provincial budgeting pilot has been successful overall despite delays in funding received by the UNDP for the regional budgeting workshops. Training and assistance provided by the projects provincial budgeting team has enabled most of the 170 pilot line directorates to prepare credible project proposals aligned with their line ministries national priority program and detailed project costing worksheets. However, the MoF has not yet secured the \$85 million in donor funding required for the 1391 development project proposals. The MoF Deputy Minister for Finance continues to meet with donors to seek funding for the pilot proposals for the 1391 national budget process. There is a risk that the pilot's success thus far in building the capacity of line directorates to prioritize and cost development projects will be diminished if donor funding is not secured. The project continues to monitor the situation and will support the MoF Provincial Budgeting Unit (PBU) as needed in completing the pilot process.

Provincial Tax Administration

MTO Operations in Kandahar: Getting the MTO in Kandahar operational remains a major challenge. It appears that one of the issues preventing progress is the need to replace the MTO Director that is mired in local politics. While the advisor does not address anything of a political nature, he intends to stress and/or remind the MTO National Director and DG Zamanzai of the importance of resolving this issue as early as possible to begin to address compliance (filing and payment) in Kandahar.

Women in Government

Supervision and M&E of interns: Through monitoring and evaluation activities it was observed that in some cases interns are not always engaged in enough meaningful work in their assignments. This is the result of supervisors being absent from work or not having the time to provide full attention to what the interns are doing on a day-to-day basis. As the number of interns participating in the program continues to grow, it will be increasingly difficult to closely monitor individual interns' activities. The WIG program recruited one additional CCN who will support M&E efforts and follow up with supervisors as needed. Also, by implementing the "Letter of Agreement" process between the WIG team and GIRoA host ministries, a formal framework will be established that outlines the expectations of intern supervisors, and mandates development of a Terms of Reference (ToR) for all intern positions. This will help to formalize the responsibilities of all parties (interns, supervisors, and the WIG team) and ensure "buy-in" and commitment from GIRoA host ministers and supervisors to the goals of the WIG program.

Counterpart Meetings

Q1 Meetings by Workstream:

Fiscal Policy	12
Tax Policy	18
Program Budgeting	74
Provincial Budgeting	9
Tax Administration	11
RRD	2
Women in Government	21
Total	147

To view additional meetings and training details, click [here](#) to access the data on the portal.

USAID/EGGI
Shash Darak
Kabul, Afghanistan

www.eggi.af

Dedicated to Economic Growth

*EGGI is a program led by the **U.S. Agency for International Development** to help Afghanistan create a favorable environment for private sector growth. EGGI is comprised of a diverse team of economists, commercial lawyers, development experts, and sector specialists who work alongside government officials, providing technical assistance and trainings on a daily basis.*