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Economic Growth & Governance Initiative

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USAID's Economic Growth and Governance Initiative (EGGI) continued to make strong progress in the third quarter of its third project year. Standout accomplishments this quarter were in the areas of program budget development reform, provincial budgeting capacity building, and the Women in Government internship program.

This quarter, the project continued support for the GIRoA in strengthening support to its budgetary units for program budgeting and associated reforms. For the first time since program budgeting support was introduced to budgetary units in 2007, a comprehensive risk assessment was completed and submitted formally to USAID. The project also restructured the program budgeting workstream to improve the coordination between the program budget team and the Ministry of Finance (MoF) sector managers, who play a key role in budget formulation, execution, and reporting. Other notable achievements during the quarter include the delivery of improved annual program budget training, support to budgetary units on revising and simplifying the Procurement Financial Planning (PFP) and Budget Circular 1 (BC-1) submissions, and development of a plan to better integrate program and provincial budgeting reform processes to improve the alignment of annual budgets with provincial priorities.

Concurrently, the provincial budgeting team worked closely with MoF Provincial Budgeting Unit as the ministry worked with stakeholders to ensure the implementation of the 1391 provincial budgeting pilot. The status of the MoF provincial budgeting reform program was at risk if the Ministry could not identify the \$68 million in funding that had been included in the 1391 national budget for priority development projects for the provincial departments of four pilot ministries (MAIL, MoE, MRRD, MoPH). MoF officials cancelled a Lessons Learned workshop and a national policy symposium planned for April and May due to the lack of funding for the 1391 pilot program. MoF worked with the key donors and the World Bank to identify the funding needed for the 1391 pilot implementation through the Afghanistan Reconstruction Trust Fund (ARTF). Only \$17 million was identified, but this was exclusively for the Ministry of Education's pilot directorate proposals. The MoF is still working with the World Bank and the Ministers of Agriculture and Rural Rehabilitation Development to identify enough funding for their provincial directorates' 1391 pilot projects.

With the Women in Government internship program, on June 3, USAID's Mission Director, Dr. Ken Yamashita and the Minister of Women's Affairs, H.E. Dr. Husn Banu Ghazanfar, signed a "Statement of Planned Collaboration," formalizing an expanded partnership for the program. The statement, which establishes up to 100 intern positions in MoWA agencies, is designed to not only strengthen the partnership between USAID and the ministry, but also to promote the concept of internships/apprenticeships in Afghanistan as a way to expand job training and employment opportunities for women throughout the public sector. USAID's Women in Government program strives to remove constraints on women's potential to participate in the reconstruction process by placing recent female university graduates in six-month internships with GIRoA organizations. Improving women's participation in the public sector will have a transformational impact on reconstruction efforts and is vital to the overall development of Afghanistan.

In the area of Tax Policy, the project advisor supported the Non-Tax Revenue Reform Working Group to create a new Driver License Practical Exam fee of AFN 200 as a new Ministry of Interior Kabul Traffic Department new revenue stream. The Working Group also conducted a review of the deficiencies in the national and international driver license processes by conducting site visits, interviewing responsible officers, and collecting process data from multiple sources.

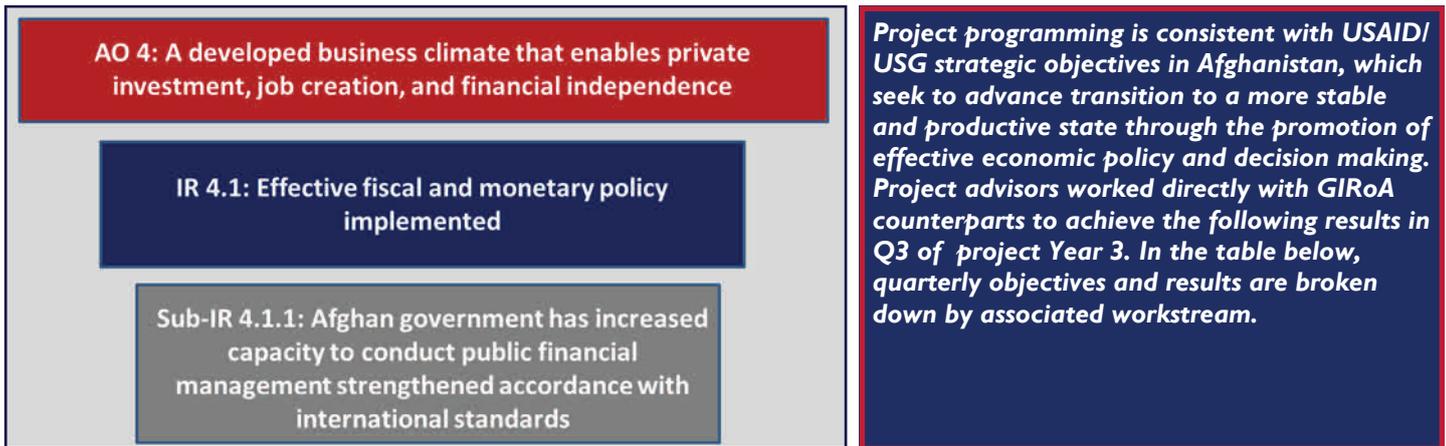
The tax administration team focused its efforts on assisting Medium Taxpayer Offices (MTO) in Herat, Mazar, Jalalabad, and Kandahar in expanding taxpayer education and outreach to improve filing compliance during the filing season. The team was successful in improving tax return filing compliance and payment compliance through taxpayer education. The team also began to prepare an upcoming technical training for tax officials (managers

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Quick Q3 Recap: Notable Areas of Progress

- 1) Program Budgeting:** Supported budgetary units to complete their 1391 budget submissions based on feedback from the December 2011 budget hearings; assisted 46 budgetary units to complete Procurement and Financial Planning forms.
- 2) Provincial Budgeting:** Supported the MoF in planning a comprehensive training program on completing Budget Circular 2 (BC-2) forms for Independent Directorate of Local Governance (IDLG) officials. Training will be held next month. Conducted outreach visits to Herat to strengthen Provincial Directorate and central line ministry coordination.
- 3) Tax Administration:** Collections at the Herat, Mazar, and Jalalabad MTOs exceeded their FY 1390 collections as a result of strong project support - 66% increase in Herat, 113% increase in Mazar, and 57% increase in Jalalabad over the same period in 2011.
- 4) Women in Government:** Facilitated the signing of a "Statement of Planned Collaboration" between the USAID Mission Director and Minister of Women's Affairs to expand partnership and commitment to the internship program. Hired an additional 38 interns and placed them in positions within GIRoA in Kabul and Mazar province. Graduated 15 interns and achieved an alumni full-time job placement rate of 69%.
- 5) Tax Policy:** Supported the Non-Tax Revenue Reform Working Group to facilitate collection of Driver License Practical Exam fees (AFN 200) as a new revenue stream for the Ministry of Interior (MoI) Kabul Traffic Department.
- 6) Revenue Reconciliation Database (RRD):** Submitted final Information Resources Management (IRM), implementation plan, functional specifications and prototype for 2012 RRS to the Afghanistan Revenue Department (ARD). Facilitated 1391 Chart of Accounts updates for 3 provinces. Conducted RRD 2010 re-installations for 2 provinces to address technical issues.

Q3 Objectives in Line with Results



Workstream	Quarterly Objective	Quarterly Results
Tax Policy	Continue to support the Working Group, MoF, ARD, Mol, and Kabul Traffic Department officials to review revenue-related processes to determine ways to increase effectiveness and efficiency, and ultimately enhance non-tax revenues.	Supported the Non-Tax Revenue Reform Working Group in facilitating implementation of Driver Licensing Practical Exam fees (AFN 200) as a new revenue stream for the Mol Kabul Traffic Department.
Program Budgeting	Support assigned budgetary units to complete FY 1391 budget submissions based on feedback of the Budget Committee Hearings. Support budgetary units to complete Procurement and Financial Planning Forms and conduct the risk assessment of the assigned budgetary units.	Supported 38 budgetary units in the completion of their 1392 BC-1 submissions by the April 10 deadline. Supported the 38 budgetary units to revise their PFP submissions based on changes made within their 1391 operating and development budgets. Developed risk assessment report detailing risk findings within budgetary units.
Provincial Budgeting	Assist the MoF to conduct the BC-2 workshop, Project Expansion to Herat, and coordinate with Provincial Officials on Provincial Budgeting.	Supported the MoF in planning a comprehensive training program in BC-2 for the IDLG officials for the coming month. Conducted outreach visits to Herat to strengthen the coordination between the central line ministries and provincial directorates on provincial budgeting.
Provincial Tax Administration	Support ongoing installation and strengthening of MTOs in Herat, Mazar, and Jalalabad. Supported the MoF ARD in planning to deliver the tax law training classes for MTO and LTO officials for the next quarter.	Supported the Herat, Mazar, and Jalalabad MTOs to exceed their FY 1390 collections. Collections at the MTOs totaled 122,024,520 AFN (for Herat), 96,449,650 AFN (for Mazar), and 61,050,718 AFN (for Jalalabad). Scheduled trainings for MTO and LTO officials in July 2012.
Revenue Reconciliation Database and Application System	Support the RRD Working Group. Complete an assessment and prototype for a potential web-based Revenue Reconciliation System (RRS).	Continued to lead the RRD Working Group. Developed a new prototype for the 2012 RRS. Submitted the final RRS Information Resources Management (IRM) document, Implementation Plan, technical specifications, and prototype to the ARD.
Women in Government	Expand the Women in Government Internship program, and plan and facilitate a high-level GIRoA and USAID event to raise awareness of the program.	Facilitated the signing of a "Statement of Planned Collaboration" between the USAID Mission Director and Minister of Women's Affairs to expand partnership and commitment to the internship program. On-boarded 38 new interns and placed them in positions with the GIRoA in Kabul and the Mazar province. Graduated 15 interns. To date, the program has achieved an graduate full-time job placement rate of 69%.

Progress Towards Meeting Objectives

Program Budgeting

During the quarter, the project strengthened support to budgetary units on program budgeting and associated reforms. For the first time since program budgeting support was introduced to budgetary units in 2007, a comprehensive risk assessment was completed and submitted formally to USAID. Also, during this quarter, the project team's assignments were realigned to improve coordination between the program budget team and MoF sector managers, who play a key role in budget formulation, execution, and reporting; annual program budget training was improved; support was provided to budgetary units on revising and simplifying the PFP and the BC-1 submissions; and a plan was developed to better integrate program and provincial budgeting reforms.

Program Budget Clusters: The project's program budget clusters were reorganized to better align with MoF sectors to improve coordination between the program budget team and the MoF budgetary units. Under the new structure, each program budget cluster covers only one or two MoF sectors, simplifying coordination between MoF sector managers, cluster supervisors and the project's program budget team. The program budget team's assignments within the budgetary units were adjusted to be more compatible with the new structure and capacities of budgetary units. The diagram below illustrates the revised organizational structure.

Following the reorganization, the project's program budget cluster and MoF managers for Social Protection and Education met to discuss additional support for budget execution processes in the areas of procurement, donor coordination, and allotment; improvements for the FY 1392 BC-2 budget submissions with fully prepared projects; quarterly updates to the FY 1391 Budget Procurement



Afghanistan National Disaster Management Agency's budgetary unit officials attend a 1391 program budget briefing session in May 2012.

and Financial Planning to ensure better monitoring; improvements to project execution coordination among budgetary units, MoF, Ministry of Economy (MoEc), and donors; and a plan to conduct monthly meetings between the clusters and their MoF counterparts. The program budget team will complete the meetings with the remaining MoF sectors within the next reporting period. Subsequent meetings are expected to continue on a monthly basis.

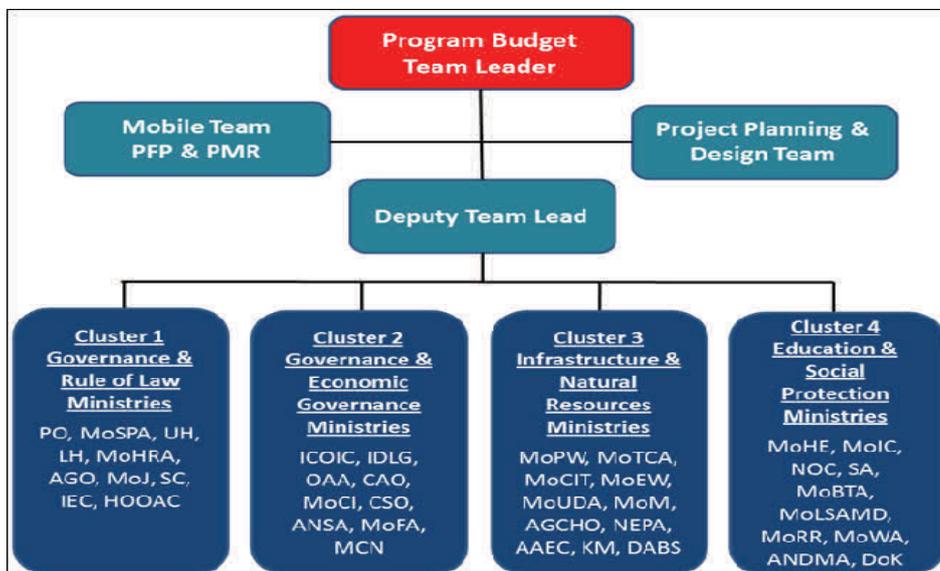
Budget Circular-1 Submissions: With the project's support, the 38 budgetary units completed the BC-1 submissions for the MoF's review and approval for the 1392 (2012-2013) budget year. To accomplish this, the program budget team supported the ministries' Budget Implementation Team (BIT) members in budget formulation and execution in 38 budget units. Completing the BC-1 requires budgetary units to calculate the baseline cost of their existing operating and development activities

and to estimate costs for a maximum of five new spending initiatives (expansion of an existing activity or new activity). The results from the BC-1 submissions will be used to prioritize government needs, determine budget ceilings, and prepare the government's Medium Term Budget Framework (MTBF). The BC-1 submissions will also provide the baseline for preparation of the BC-2 submissions or detailed budget requests for 1392.

All assigned budgetary units submitted their BC-1 forms prior to the April 10 deadline. The BC-1 guidelines have been simplified from previous years, and the assigned budgetary units were able to complete them with minimal assistance from the project's embedded advisors.

Additionally, the MoF is expected to issue the BC-2 to the budgetary units for costing the FY-1392 budget formulation process. As part of this process, the program budget team is supporting budgetary units in preparing the preliminary costing for programs. The preliminary costing will be finalized after the ceilings are released. In the next coming weeks, the budgetary units will be working to:

- Review the program budget structure and the outcome and output indicators to ensure that the indicators reflect the budgetary units' objectives and priorities;
- Prepare detailed costing for the FY 1392 operating and development budget activities according to the budget ceilings. Ceilings are expected to be issued soon. The budgetary units can complete the costing for the recurrent activities and the development projects that are funded by non-discretionary sources and project funding that is expected to be carry-forwarded to the next year).



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Progress Towards Meeting Objectives

Program Budgeting

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- Prepare the budget projections for the 1393 and 1394 budgets;
- Identify all needs and classify them by major economic codes: Wages and Salaries (code 21), Goods and Services (code 22), and Acquisition of Assets (code 25) under the relevant operating/development budget activities; and
- Provide coaching and mentoring sessions for the BITs on the forms and technical details for completing the BC-2.

PFP Revisions for the 1391 Budget: The program budget team within the line ministries assisted 38 budgetary units to revise their PFPs based on the changes made within their 1391 operating and development budgets. The project team assisted the ministries' BITs to convene meetings with the relevant MoF budget sector managers/officers to discuss the changes made into the ministries' annual 1391 budget requests. The BITs were given guidance on where in the PFPs to make changes. The project team also conducted a coaching session for the ministries' BITs on how to revise their PFPs based on the changes made into the ministries' budgets. BITs were assisted with revising the estimates for the operating and development budget expenditures based on the approved ceilings by the parliament.

Challenges: Several budgetary units do not have sufficient political and managerial commitment to fully implement and move towards program based appropriations. This has been highlighted in the recently completed assessment report. Many budgetary units also need a road map to keep the momentum going. Otherwise, most budgetary units may lose interest in program based budgeting. The team has shared this with top management of the MoF budget department.

Risk Assessment of 38 Assigned Budgetary Units Completed: At the request of USAID, the project's program budgeting team conducted the risk assessment of 38 assigned budgetary units currently receiving program budgeting reform technical assistance. This was to determine their current capacity for implementing program budgeting. The team also shared the findings of the assessment with MoF management and the budgetary units. This assessment report is the first of its kind since USAID support for program budget reform began in 2007. Based on the success of this assessment of the 38 assigned budgetary units, the team was asked to complete an assessment of an additional 8 budgetary units that had graduated from assistance.

The assessment tool evaluated 12 variables related to management, organizational struc-



Ministry officials attend the Annual Program Budget Training, delivered by the project's program budget trainers in coordination with Ministry of Finance in May 2012.

ture, and technical capacity of the budgetary units, rating each on a scale of 1 – 5 with 1 representing “poor” and 5 representing “excellent”. Based on the ratings, budgetary units were given aggregate ratings of “strong”, “above average”, “average”, and “weak.” Political commitment and staff continuity are each given two weights while the remaining 10 variables are each given one weight. A brief summary of results is as follows:

- Six budgetary units (16% of the total) were rated “strong” in their capacity to implement program budgeting reform and can be considered for graduation from project support in 2012.
- Twelve budgetary units (32% of the total) were rated “above average” and will require at least one more year of project support, particularly in the new reform areas such as procurement, financial planning, and performance monitoring and reporting.
- Fifteen budgetary units (39% of the total) were rated “average” in their capacity to implement program budgeting reform and will require at least two more years of project support.
- The remaining five budgetary units (13% of the total) were rated as “weak” and will require major internal reforms and continued project support for at least more two years.

The 12 variables assessed represent the critical areas for program budgeting reform sustainability across all budgetary units. These variables include:

- Political commitment of the ministry's senior management.
- Active implementation and management of program budgeting reform implementation by the ministry's BIT or Internal Budget

Committee (IBC).

- BIT/IBC member retention.
- The status of pay and grading reform implementation in the ministry to ensure qualified staff.
- The extent to which relevant staff are adequately trained in program budgeting reform implementation.
- Staff knowledge and understanding of the Afghanistan National Development Strategy (ANDS)/Sector/Ministry strategy.
- The capacity of key technical staff in program budget preparation, procurement and financial planning, and performance monitoring and reporting.

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Progress Towards Meeting Objectives

Program Budgeting

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The report concluded by providing the following recommendations and next steps:

Need for a stronger high-level commitment and engagement in the reform: MoF needs to be more engaged with the senior management of many budgetary units through high-level steering committee meetings. These should be convened at least twice to raise awareness of the importance of program budgeting. Similarly, regular Cabinet-level discussions on program budgeting reform should be held during the national budget finalization stage. The project will discuss actions with MoF and support MoF in conducting steering committee meetings.

IBC/BIT meetings should occur frequently with regular participation from all directorates: IBCs should meet at least once a month during the non-peak season to provide guidance to MoF on the budget formulation, PFP, and Performance Monitoring and Reporting (PMR); and meet regularly during the budget formulation process (i.e. BC-2 preparation). Likewise, BITs should be meeting at least twice a month and frequently during the peak budget formulation season. The project will follow-up with the top management of the budgetary units that do not have active IBCs/BITs to make sure steps are being taken to develop them. The project will also recommend that the MoF put this issue on the agenda during steering committee meetings.

MoF-led training programs should include more comprehensive and in-depth training modules: The MoF should include more comprehensive training programs in sector strategies and budget formulation. If possible, the MoF should leverage short-term experts (both national and international) in specific program budgeting areas to conduct 1-2 week long, targeted training programs for budgetary units. The project will suggest this to the Budget Reform Unit (BRU) and the top management of the Budget Department.

MoF sectors should take a more proactive role in the reform process and own all aspects of the reform in coordination with the budgetary units: To this end, the project is working closely with the MoF's sectors and sector coordinator to improve coordination between MoF sectors and budgetary units on program budgeting reform.

Expedite Pay and Grading Reform and use super scale positions for key members of IBCs/BITs: Pay and Grading reforms should be expedited, including making Pay and Grading merit-based. In anticipation of high staff turnover following implementing Pay and Grading reforms, budgetary units should consider the super scale mechanism for key members of IBC/BIT. To make these happen, MoF, in coordination with budgetary units, should discuss these with the Civil Service Commission. The project will raise these issues with the MoF.

MoF should coordinate with the project to prepare more specialized training programs and capacity building measures for budgetary units in ANDS, sector strategies, output, and outcome indicators: MoF should work with the project to prepare separate and comprehensive training materials for each budgetary unit. This should detail the budgetary unit's strategy and specific output and outcome indicators relevant for each budgetary unit.

Improve PFP coordination between the finance and procurement directorates, donor agencies, and procurement policy unit of MoF. The project will discuss ideas to improve coordination with relevant budgetary units and MoF. The project will work closely with MoF and donor agencies to support budgetary units in developing more robust procurement and financial plans.

MoF should introduce a simplified performance management information system to improve performance reporting: To improve data collection and reporting, a simplified performance management information system is needed for line ministries. A performance management information system will enable MoF and program managers to easily evaluate program results and budget execution rates, and to allocate and prioritize resources. The project will support the MoF in identifying an appropriate system if needed.

SPOTLIGHT

On the MoF annual training program for budgetary units

During the quarter, the project's program budgeting team worked closely with MoF to deliver the annual training program for the budgetary units. The training on program budget and other associated reforms ran from May 20 to June 4 and was delivered to 360 civil servants from 56 budgetary units. The training improved participant capacity in program budgeting in Afghanistan, program structure and objectives, costing, PFP, outputs and outcomes, budget execution, and performance reporting. The budgetary units were divided into nine groups, with each group attending training for two consecutive days. The training was conducted simultaneously at two locations, the MoF and the Ministry of Mines (MoM).

This year's training focused on delivering more detailed presentations covering specific areas like output and outcome indicators, procurement and financial planning, and performance monitoring and reporting. The training provided a timely introduction to these subjects for newly hired budgetary unit staff members.

During the risk assessment recently conducted by the project, several budgetary units indicated that the program budget team should improve trainings in sector and ministry strategies and output and outcome indicators. Since there was insufficient time after the assessment was completed, this year's annual training program only incorporated a few of these recommendations. Future annual program budgeting training will include examples of outputs and outcome indicators and case studies for a cross section of sectors. If necessary, relevant examples of program budget output and outcome indicators for the relevant sectors should also be presented. Similarly, for future sessions, budgetary units were also interested in more detailed training in sector and ministry strategies.

With the project's program budget team's support, the MoF also conducted a lessons learned workshop. The overall objective of the workshop was to identify the strengths and development areas of the program budget trainings and to make recommendations to improve future training programs. Eighteen staff members from the project and MoF attended the workshop.

This year the training materials were revised and improved significantly by the program budget team and the MoF-BRU. More comprehensive modules were developed that focused more on output and outcome indicators, ANDS, National Priority Programs (NPPs), and ministerial strategies. The



The project's program budget consultant leads a presentation on costing during the annual training program session in May 2012.

post-training feedback collected by the team showed that the training participants were satisfied with the presentations, presenters, and training material. However, the attendance by the Director General and senior managers of the budgetary units was low compared to that of the previous years. To address this issue, the workshop participants agreed to meet with their Director General and discuss.

Additionally, the program budget team assisted 26 budgetary units in conducting briefing sessions on the 1391 program budget. Following the approval of the budget by Parliament, the 1391 Budget Decree was issued by the President of Afghanistan. The team assisted the budgetary units to provide briefings on the 1391 program budget to the heads of programs, sub-programs, and BIT members, in collaboration with MoF. The purpose of the briefings was to create awareness amongst the department heads on program budget structure and allocations; provide information on provincial allocations and projects to provincial directors; discuss lessons learned from the 1391 budget formulation process; discuss recommendations for improved budget execution rates for programs; and encourage program and sub-program managers/officers to get involved in the 1392 budget formulation process from the beginning.

One noticeable element of progress this year is that most briefings were provided by the finance departments of budgetary units with support from the project team. In previous years, most briefings were provided solely by the project advisors. This demonstrates improved capacity among budgetary units in their understanding of program budget format, structure, and allocations.

Progress Towards Meeting Objectives

Provincial Budgeting

During the quarter, the project's provincial budgeting team assisted the MoF Provincial Budgeting Unit (PBU) in securing funding for the planned 1391 provincial budgeting pilot. The MoF worked with the World Bank to allocate \$17 million in new funding through the ARTF to support pilot projects at the Ministry of Education (MoE), and the MoF continues to work with the World Bank and other ministries to identify funding for additional pilot projects.

Monthly Coordination Meeting with Ministry of Finance on Future Provincial Budgeting Initiatives: In June, the provincial budgeting team met with the MoF PBU Manager, Dr. Najimullah Qasimi, and Deputy PBU Manager, Mr. Abdul Momin Mansoor, to discuss strengthening the project's support for future provincial budgeting activities. Meeting participants also discussed ways to strengthen coordination and communication with the Provincial Reconstruction Teams (PRTs) and provincial line directorates.

During this meeting, Dr. Qasimi confirmed that the Minister of Education, Dr. Farouq Wardak, agreed with the World Bank to allocate \$17 million in new funding through the ARTF for the development of proposals for projects by education provincial directorates as part of the FY 1391 provincial budgeting pilot. Dr. Qasimi will meet with the Education EQUIP Program Manager to discuss the details of how these new funds will be provided for approved projects and their implementation timeframes. The MoF is planning four regional workshops in Mazar-e-Sharif, Herat, Kabul, and Nangarhar from July 1-12. These workshops will help the education provincial directorates prepare BC-2 estimates for the FY 1392 national budget process. The workshops will be conducted by representatives from the MoE, MoF PBU, and supported by the project. The project will assist with organization of the training workshops, provision of funding for the regional workshops, delivery of presentations, and facilitation of working group sessions.

Meeting participants also discussed that Dr. Qasimi will act as the point of contact for any requests from the PRTs for additional provincial budgeting training. Moving forward, the project's provincial budgeting team will meet regularly with the PRTs and provincial line directorates to strengthen communication and coordination on provincial budgeting activities. The team will develop and distribute quarterly action plans, and follow-up with the PRTs and provincial line directorates, within their designated regions, to arrange regular coordination meetings in accordance with these action plans.

Public Financial Management (PFM) Training Delivered:

The project's provincial budgeting team worked closely with MoF to conduct comprehensive Public Financial Management (PFM) training for all provinces and to implement a provincial budgeting pilot for four line ministries: Education, Agriculture, Public Health, Rural Rehabilitation and Development; and IDLG for the 1391 national budget. This is an important element of successful provincial budgeting reform across Afghanistan. While MoF and the project's provincial budgeting team have made an effort to conduct outreach visits to select provinces in addition to its scheduled training programs, the demand for special training programs for provinces and outreach visits has been greater than the current resources of the MoF and the project can provide. Additionally, general regular communication between the MoF, central line ministries, and provincial offices as well as the PRTs, who support the provincial offices, has been problematic due to limited resources.

To address this issue, the project team agreed with MoF to support the strengthening of coordination between central line ministries and provincial directorates on provincial budgeting through a three-part initiative included in the project's action plan for the provincial budgeting workstream. At the central level, the MoF will conduct coordination meetings on monthly basis with the key line ministries (Education, Agriculture, Public Health, Rural Rehabilitation and Development) on provincial budgeting initiatives to work more closely together on the pilot programs and other initiatives. At the provincial level, the project's provincial budgeting team, based in the nine regional hubs, will meet regularly (monthly or bi-weekly) with key provincial line directorates to provide on-the-job training, follow up with technical assistance after regional training workshops, and keep the line directorates informed of the status of provincial budgeting initiatives. The project's provincial budgeting team will also attend monthly Provincial Development Committee



Provincial budgeting Deputy Team Lead meets with Nimroz officials to discuss project's plan to open new regional hub in Nimroz.

meetings in their designated regional provinces and will meet regularly with the PRTs and other key stakeholders operating in their regions to discuss provincial budgeting activities. The MoF Provincial Budgeting Unit Manager, Dr. Najimullah Qasimi, will be the central point of contact for PRTs on requests for training and information on planned provincial budgeting initiatives.

Additionally, the project will hire an additional 35 provincial budgeting officers across nine regional hubs: Badakhshan, Balkh, Faryab, Herat, Nangarhar, Nimroz, Kandahar, Paktia, and Wardak, to have greater outreach for capacity building and technical assistance to the line directorates after the training. Additionally, the budgeting officers will assist with coordination between the central line ministries and line directorates and will provide information to the line directorates on the budgeting process. The project expects to have 15 additional officers for a total of 25 hired by mid-July. The project's team leads will conduct a one-week general orientation program for the newly hired provincial budgeting officers in early August, which will include a briefing on effective coordination with the provincial government officials and stakeholders on provincial budgeting activities.

Provincial Budgeting Regional Hub Structure

West Region Herat (5 officers)	North Region Mazar (5 officers) Badakhshan (4 officers) Faryab (2 officers)	South Region Kandahar (4 officers) Nimroz (2 officers)	East Region Jalalabad (5 officers)	Central Region Paktiya (2 officers) Wardak (5 officers)
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Progress Towards Meeting Objectives

Provincial Budgeting

IDLG to Conduct Provincial Budgeting and Budget Circular-2 Workshop for Provincial Offices: In June, the provincial budget reform team and Department for International Development (DFID)/Adam Smith International (ASI) team supported the IDLG in planning a workshop for Provincial Governor's Offices' (PGOs) provincial finance staff on provincial budgeting and BC-2. The workshop is scheduled for August 4 – 7, 2012. The overall objectives for the workshop are to:

- improve the capacity of IDLG finance staff on preparing a budget (operating and development);
- train PGO finance directors on the 1392 BC-2 procedures;
- provide hands-on support to participants with preparing actual BC-2 forms during the workshop for the 1392 national budget process; and
- encourage information sharing between financial management offices within IDLG.

About 50 IDLG staff are expected to attend, including finance directorate staff, procurement staff, PGO finance directors and financial management staff from the Afghanistan Stabilization Program (ASP), and Performance Based Governor's Fund (PBGF) program. The four-day workshop will include lectures, breakout sessions, Q & A sessions and participant presentations. The entire session will be funded by IDLG. The DFID/ASI short-term advisor in IDLG and the project's budget reform team are providing technical support to the IDLG Finance Director in workshop planning and preparation. This is focused mainly on preparation of BC-2 guidance for provincial offices, workshop training materials, and coaching IDLG staff in delivering presentations.

This workshop will include an overview of the New Priority Program for Local Governance (NPPLG), information on the national budget procedures (MoF budget guidance and schedule, program budgeting, BC-2 requirements, and costing methods), procurement procedures, ASP budgeting procedures, PBGF budgeting procedures, and an introduction to formula-based budgeting. The participants will receive detailed guidance in advance of the workshop on the budget input data needed to complete BC-2 forms during the workshop. The participants will also be required to bring the BC-1 and BC-2 forms, which are completed in 2011 for the 1391 provincial budgeting pilot for priority development projects.

The workshop falls within the timeframe that the MoF requires IDLG to submit its BC-2 package, which is due on August 22. The

IDLG purposefully scheduled its internal provincial budgeting process from June 30 to August 22 to allow the provincial offices to provide their budget input for the BC-2 formulation process. This will involve issuing internal provincial budgeting instructions by July 25 with a request for budget input data from the provincial offices, provincial offices sending the requested budget data by August 1, conducting the workshop on August 4 – 7, and the provincial offices submitting their final BC-2 forms to the IDLG Finance Director by August 13. Supporting the IDLG Finance Department in sharing information on the provincial budgeting process across relevant finance staff and developing the capacity of the finance staff in the PGOs is an important step towards fiscal sustainability and increasing provincial input into the national budget process.

Project Expansion to Herat and Coordination with Provincial Officials on Provincial Budgeting: The provincial budgeting team based in Herat achieved considerable progress over the quarter in establishing and strengthening working relationships with counterparts in the region. This progress included participation in the monthly Herat Provincial Development Committee (PDC) meeting, convening coordination meetings with USAID and UNDP representatives working in Herat, and holding meetings with key provincial directorates in Herat and Nimroz on provincial budgeting initiatives. The Herat provincial budgeting team also supported the expansion of the provincial budgeting regional network by testing shortlisted candidates for the Herat provincial budgeting officer positions on June 3. The team also supported the project's Women In Government team lead in organizing an important mission during June 16-20, to Herat to meet with key government officials, the Herat Governor, and Mustofiat to discuss expansion of the WIG program to Herat.

On June 20, the team participated in the monthly PDC meeting held at the Herat Governor's compound with representatives from the provincial directorates, provincial council, national and international organizations including the PRT and US consulate. The PDC meeting was chaired by Herat Governor, Dr. Daud Shah Saba, and was convened to discuss the status of funds received by line directorates for development projects approved under the 1391 national budget and the status of funding for PDC projects by the PRT for 2013. The

The project's Western Region provincial budgeting team participates in the monthly Provincial Development Committee meeting for Herat Province on June 20, 2012 chaired by Herat Governor Dr. Daud Shah Saba.



key points noted by the Governor during the meeting include:

- the importance of line directorates executing their 1391 budgets, suggesting that any department that requires technical or administrative support for the 1391 budget should refer to the Governor's office;
- the requirement of all line directorates to submit their 1391 development budget execution plan to the Economic Directorates by the end of June, reminding participants that all development projects should be coordinated with the PDC in advance to be considered for approval; and
- the need to encourage the line directorates to consider remote areas and districts a top priority for development project proposals

The Herat team met with key international stakeholders including the USAID Economic Growth Officer for the West Region and UNDP ASGP financial consultant to the Herat Governor. During the coordination meeting with the USAID Economic Officer, Javier Sanabria, and Deputy Regional Officer, Ishaq Shiwan, Mr. Sanabria requested that the provincial budgeting team provide a briefing on the project's provincial budgeting activities for visiting military representatives based in the Western regional command. The team prepared a presentation and will conduct the briefing at a time that is convenient for the military team, USAID PRT, and the project. On May 15, the Herat provincial budgeting team also met with Ms. Zahra Karimi, Financial and Provincial Budget Consultant to the Herat Governor's Office under the UNDP ASGP project. The purpose of the meeting was to establish a working relationship with Ms. Karimi to enable ongoing close communication between the projects on provincial budgeting program activities.

Progress Towards Meeting Objectives

Tax Policy

Recommended Reforms to the Vehicle Registration Process Submitted to the Relevant Government Senior Officials for High Level Support and Commitment:

In early April, the project team delivered, in an open discussion session, the Vehicle Registration Report to the Director General of Revenue at ARD, Dr. Zamanzai, and the Director of Non-Tax Revenue (NTR), Amina Ahmady. Following the Working Group's completion of the vehicle registration process mapping and analysis of historical revenue collection data from motor vehicle registration in comparison to the informed estimates of potential revenue receipts, the Working Group produced a report on their findings.

During mid-April, Dr. Zamanzai officially distributed this report to the MoI Security Division, the Deputy Minister of Policy and Strategy, and the Head of Police to obtain buy-in. NTR Director, Ms. Amina Ahmady, shared the report with Parliament and the High Commission of Anti-Bribery and Anti-Corruption. The Anti-Corruption Department assigned a report review committee that will provide feedback by mid-July. Upon receipt of this feedback, the NTR Department plans to submit the report to the Council of Ministers to gain further support, as well as to solidify commitment of MoI senior management towards traffic reforms implementation.

Project Advisor Leads the Review and Mapping of National and International Driver Licensing Processes:

The advisor continued to lead the Working Group in the review and mapping of the current national and international driver licensing processes. The team visited the national driver licensing offices at the Kabul Traffic Department and other government entities involved in related administrative procedures. Information was collected through observation of the actual processes and interviews with responsible officers, applicants, and brokers. Although the driver licensing process mapping and review was previously conducted by other donor projects, the current, completed mapping provides a more accurate and up-to-date snapshot of the driver licensing process, which will be used for future process improvement.

The national driver licensing process is completely manual and paper based. A workload above the current capacity of the driver licensing offices and a lack of clear organizational structure for the offices has resulted in an increase of driver licensing processing time, and a subsequent decrease in government revenue. Inefficiencies in the system allow for corruption, and some citizens have

taken matters into their own hands to obtain forged driver licenses on the black market for 5,000-8,000 AFN. The current study and findings will produce a detailed map and description of the driver licensing process. This study will provide a benchmark from which to develop recommendations for improvement and modernization of the current system, facilitating an increase in related revenue collection.

The Working Group also completed a review and business process mapping for the international driver licensing process. The MoI Traffic Directorate is the only entity in Afghanistan empowered to issue international driver licenses. To identify the obstacles to the collection of associated non-tax revenues, the Working Group visited the associated offices at the Traffic Directorate and other government entities involved in administrative procedures of international driver licensing. They obtained information through observation of the actual processes, and interviews of responsible officers and applicants.

The Project Advisor Supports Taxi Licensing Reform Proposal:

Following the NTR assessment report of the Traffic Department, produced by the project advisor and shared by MoF NTR Department with the Afghan government authorities, the Economic Committee of the Council of Ministers established a committee to streamline the taxi vehicle licensing and taxi number plate issuance processes, and increase associated traffic fees. This committee is comprised of representatives of the MoI; MoF; Ministry of Transport and Civil Aviation (MoTCA); High Commission of Anti-Bribery and Anti-Corruption; and the Afghanistan Chamber of Commerce and Industries (ACCI). The project advisor and NTR Manager, Heriat Malakzai, were officially introduced by the ARD - NTR Department as representatives of MoF.

In June, the project advisor, in close cooperation with the Deputy Minister of Administration and Finance for the High Commission of Anti-Bribery and Anti-Corruption, convened several meetings with committee members to discuss and develop a mechanism to better facilitate taxi licensing and issuance of taxi number plates and increase associated revenue collection. According to the traffic law, the Traffic Directorate Planning Department has the authority to issue a taxi license. However, this responsibility was transferred to the MoI Deputy Minister of Security for unknown reasons. The official cost of obtaining a one-time taxi license is AFN 830, but the cost of "unofficial payments" to obtain a license are rumored to be more than AFN 100,000 per license.

As a result of the continued efforts of the project advisor and the Deputy Minister Abdul Razaq Zalali of the High Commission of Anti-Bribery and Anti-Corruption Department, the committee developed the Taxi Licensing Reform Proposal. The recommendations provided in the proposal include an increase in the current taxi licensing fee from AFN 830 to AFN 60,000 in Kabul province, AFN 30,000 for zoning provinces, and AFN 20,000 for rest of the provinces; and improving service delivery through a more streamlined and transparent license issuance process. By implementing this reform, the NTR from taxi licensing (according to available Kabul Traffic Department data from FY-1390) will increase from AFN 293,820 to an estimated AFN 70,800,000. The license issuance process will also be streamlined by transferring this function from the MoI Deputy Minister's office to the Traffic Department; eliminating three steps from the current process.

On June 17, the taxi licensing reform committee members representing MoF, the project, High Commission of Anti-Bribery and Anti-Corruption, MoTCA, MoI/Traffic Directorate, and ACCI finalized and signed the Taxi Licensing Reform Proposal.

Currently, 70% of taxi service providers are unlicensed private vehicles that have no official payment liabilities to the government from their incomes. The current taxi official fee is only AFN 830 but un-official payments for a taxi license exceed USD 2,000. Implementation of proposed reforms will reduce the current un-official payments for taxi licenses and allow for easier access to official taxi licenses. This is expected to directly enhance associated revenue collection by the millions of AFN.

The Project Advisor Meets with Deputy Minister of Administration and Finance and other Senior Officials from the High Commission of Anti-Bribery and Anti-Corruption on MoI-Traffic Directorate Vehicle Registration Evidence:

Following official submission of the MoI Traffic Directorate Vehicle Registration Report to the High Commission of Anti-Bribery and Anti-Corruption by the MoF ARD NTR Department, the project advisor followed-up on traffic reforms implementation efforts with involved government authorities. During the month of June, the project advisor met multiple times with senior officials from the High Commission of Anti-Bribery and Anti-Corruption to present key findings from the vehicle registration and driver licensing assessments, discuss implementation steps for traffic reforms, and solicit high level support. Meeting participants included: Deputy Minister,

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Progress Towards Meeting Objectives

Tax Policy

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Abdul Razaq Zalaly; Director of Anti-Corruption, Jamal Nasser; Abdul Raof Saeedy, representative of High Commission of Anti-Bribery and Anti-Corruption at Traffic Department; NTR officer, Hejrat Malekzai; and project advisor, Javed Sadeqi. The High Commission of Anti-Bribery and Anti-Corruption has been tasked recently by the Economic Committee of Council of Ministers to lead traffic-related reforms and propose recommendations for streamlining working procedures to increase revenue collection and reduce corruption.

The Deputy Minister of Administration and Finance and the Director of Anti-Corruption expressed their interest, support and appreciation for the efforts at the Traffic Department. The Deputy Ministers assigned to review the report review will provide their feedback by mid-July to MoF NTR department.

The Project Advisor Leads Preparations for the Reform of Non-Tax Revenues Within the Ministry of Interior Traffic Directorate: In June, the advisor assisted the NTR Reform Implementation working group in obtaining official approval from MoI and Traffic Directorate to allow the working group to review the all traffic revenue streams. A review of Afghanistan Revenue Department-Revenue Trend Analysis System (RTAS) statistics show that

revenue collected by traffic departments fluctuate widely from one reporting period to the next without any meaningful explanations.

This revenue is collected by the police in cash, with monthly deposits made by traffic officials to the assigned Central Bank accounts. The project advisor and the working group reviewed this process in conjunction with FY 1388/89 statistics and identified a process that is overly complex, vulnerable to unofficial revenue collection and misuse of funds, and lacking in transparency.

The Project Advisor Assists ARD to Develop New Fixed-Fee Revenue Stream: The project continues to assist the ARD to develop new sources of revenue. The project team assisted the ARD in developing a single, fixed-fee of AFN 200 for the practical driving examination at the Kabul Traffic Department. On average, 100 individuals apply to take the practical driving exam on a daily basis. This fixed-fee will generate estimated additional annual revenue of AFN 6,260,000 in Kabul alone. This new revenue stream will be implemented starting mid-July. It is expected that revenue figures from this new fee could further increase if this initiative is subsequently rolled out at the sub-national level.

Provincial Tax Administration

During the quarter, the tax administration team focused on assisting MTOs in expanding taxpayer education and outreach in Herat, Mazar, Jalalabad, and Kandahar, to improve compliance during the filing season, which occurred April 22 through June 21. The team used taxpayer education to improve tax return filing compliance and improve payment compliance as tax return filings increase. This strategy proved successful as outlined by statistics in the paragraphs below.

Additionally, the team began preparation to deliver technical training for tax officials (managers and tax officers) from Kandahar MTO, and Jalalabad LTO and MTO. The training, scheduled for early July 2012, was developed in response to a request by ARD's Director General to enhance revenue mobilization in both Kandahar and Nangarhar provinces, which have suffered from slow tax office installations and accompanying technical training due to security concerns.

Herat MTO Makes Substantial Improvements in Both Revenue Collection and Tax Return Filings: The tax administration team assisted Herat MTO in expanding its taxpayer education program to reach taxpayers who had never before received such education. These taxpayers included private schools and medical clinics, so additional education was provided for other entities such as traders, who had received initial education in 2010. This education improved collection during March 20 to June 20, 2012 by 66% over the same period in 2011 (122,024,520 AFN in 2012, compared to 73,496,488 AFN in

2011). This achievement was realized with 58% collection improvement during June 2012 as compared to the previous month of May 2012.

Additionally, Herat MTO realized a dramatic 137% improvement in tax returns filings for the tax return filing season over 2011 filing season

(5,345 tax returns in 2012 compared to 2,254 in 2011).

Code	Description	AFN		
		Herat	Mazar	Jalalabad
11100	Sole Proprietary Traders	130,955	-	-
11105	Govt Contracts Goods Services	4,560,443	2,210,482	24,677,066
11200	Employee Wage Withholding	8,557,384	35,960,481	29,759,003
11201	Declaration Income (PIT-Ind.)	4,888,527	1,007,076	734,886
11202	Company Income Tax (PPE)	15,224,306	11,454,472	620,510
11203	Profits Coop, Social (CIT-Coop)	-	12,000	-
11207	Rental Services Withholding	5,220,394	5,099,138	2,167,540
11210	Withholding Taxes on Interest	-	10,984	-
11211	Withholding Taxes on Dividends	-	250,865	-
11213	Contract Withholding Tax	16,833,556	22,436,757	-
11301	Immovable Prop (Indv., Legal)	-	858	-
11303	Tax Sale Movable Prop	275,466	-	-
11401	Receipts Pvt Entit. (BRT) 2 %	55,817,753	12,793,764	2,089,956
11402	Receipts SOE (BRT-SOEs) 5%	66,751	74,032	-
11403	BRT on Services - 10%	-	-	615,065
11700	Overdue Income Tax (Penalties)	1,681,909	5,065,845	-
11701	Fines BRT-Penalties	3,653,139	2,476	378,892
11702	All Other Tax Penalties	1,726,526	70,420	-
13343	Sukook Revenue	16,500	-	7,800
13348	Broker License Fee	3,140,000	-	-
17100	Pre Pay & Grade Government Employees	170,000	-	-
21999	Employee Wage Withholding Pay Back	60,911	-	-
	Total	122,024,520	96,449,650	61,050,718

Progress Towards Meeting Objectives

Provincial Tax Administration

Mazar MTO Also Registers Significant Improvements in Both Revenue Collection and Tax Return Filings:

In the case of Mazar, the tax administration team assisted the MTO in expanding its taxpayer education and outreach programs, and in the process, realized outstanding improvements over filing season 2011. Specifically, total collections for the third quarter were 113% over the same period in 2011 (96,449,650 AFN in 2012 compared to 45,187,049 in 2011). These figures were also supported by strong collections during the month of June when the MTO's collection was 117% higher than the same month in 2011 (57,464,445 AFN in 2012 compared to 26,425,536 in 2011).

While the team does not have tax return filing figures for the third quarter in 2011, Mazar MTO also had a substantial month to month improvement in tax return filings between the months of May and June 2012. In fact, the figures indicate 55% increase in tax return filings during this period (1,829 in June compared to 1,012 in May, 2012). The total num-

ber of tax returns filed by Mazar MTO during tax year 2012 is 3,679.

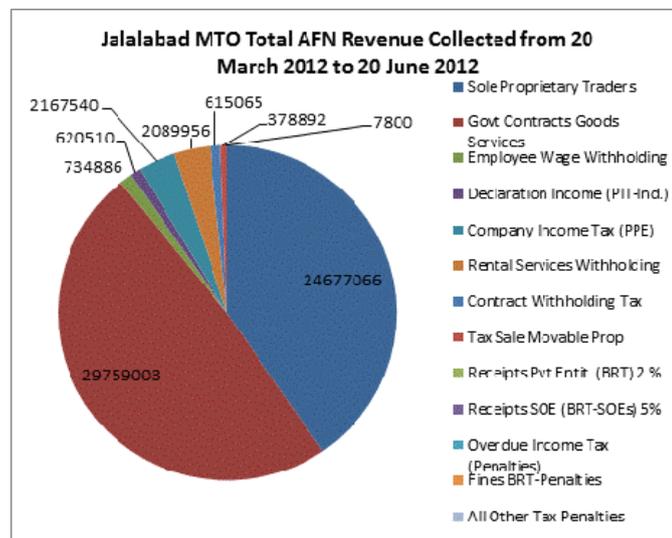
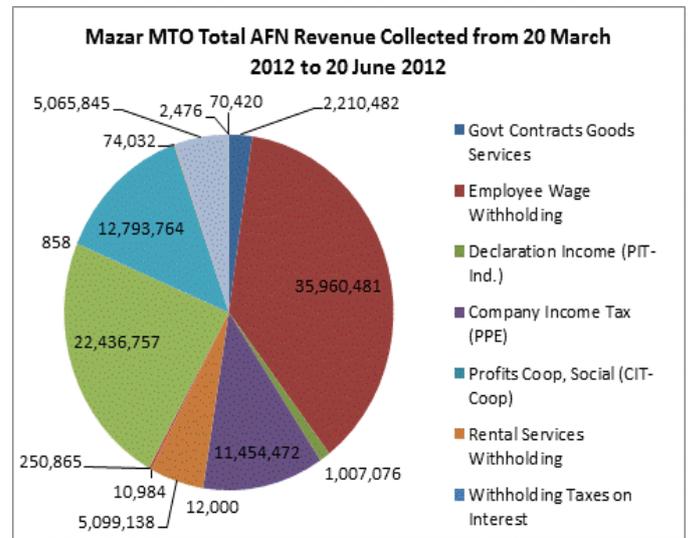
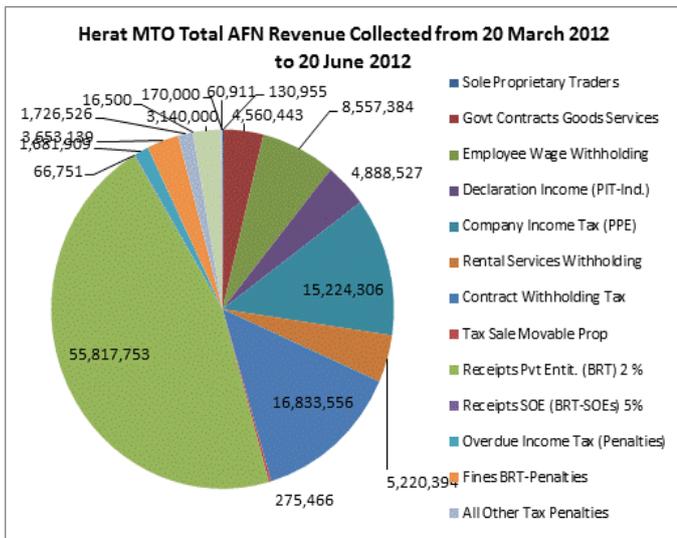
Jalalabad MTO Realized Moderate Improvements:

Jalalabad MTO is still in the formative stage of development although it has been established for over one year. There is indication that this MTO is still not conforming to the "self-assessment" system of tax administration and employees may not be adequately trained in administering Afghanistan's 2009 tax laws. All tax officers and managers will be provided with 2009 tax law training during the month of July 2012 to bring them up to date with current technical provisions of Afghan law.

Notwithstanding these indications, the MTO continues to function moderately well having collected 61,050,718 AFN during the third quarter 2012, which represents a 57% increase over the same period in 2011. The MTO still does not keep an account of the number of tax returns filed, thus the tax administration team is unable to provide such information for Jalalabad.

Challenge 1: Providing services to Kandahar MTO continues to present a challenge. The advisor will deliver 2009 tax law training to all tax officers and managers during the month of July 2012. It is anticipated that this training will go a long way to help MTO staff understand their responsibilities in administering the 2009 tax law with associated procedures.

Challenge 2: Jalalabad MTO is slightly more technically prepared than Kandahar and represents a similar challenge in that it is apparent that tax personnel are not implementing Afghanistan's 2009 tax law. This staff will also be provided with 2009 tax law training during the month of July 2012. Additionally the advisor will hold on-on-one discussions with the MTO Director while he is in Kabul for training to get a sense of his current level of understanding of the "self-assessment" system, and the level of assistance that the MTO may require.



Progress Towards Meeting Objectives

Women in Government

USAID's Women in Government Internship Program is designed to provide female interns with a unique opportunity to gain work experience within the Afghan government, engaging in the reconstruction and development of the country.

During the quarter, the Women in Government team's key achievements included the establishment of an official partnership with the Ministry of Women Affairs (MoWA). USAID's Mission Director and the Minister of Women's Affairs signed a "Statement of Planned Collaboration" to increase opportunities for women within GIRoA. The internship program was expanded to Balkh and Herat. Eighteen interns that graduated from Balkh University were placed in positions in government institutions under the newly appointed project's provincial coordinator. The program also added 20 new interns in Herat.

Fourteen Interns Completed Internships and Graduated: In May, the team conducted a graduation ceremony for 14 interns upon completion of six-month internships within the Women in Government Internship program. The MoWA intern supervisor, the Women in Government team, and the project senior management participated in the ceremony. The interns were assigned to internships within the MoF, MoM, the project's program budget team, as well as the Ministry of Agriculture, Irrigation and Livestock (MAIL). From training provided by the project, interns gained hands-on experience, utilizing newly acquired skills in office management, budget estimation/creation, Information Communication Technology (ICT) training, database development, effective presentation skills, business writing, communications, and leadership. Interns also participated in discussions and seminars covering overall situational awareness of gender issues within the context of Afghanistan.

The team also hired a new cohort of 30 in-



Fourteen interns graduated from the Women in Government Internship Program after completing their six-month internships with GIRoA Counterparts on May 23.

terns for the Women in Government Internship program, who began six-month internship assignments with the MoF in April. The selected interns are recent graduates of Kabul University from the Economics, Law, Computer Science, and Science faculties.

Statement of Planned Collaboration to Increase Opportunities for Women Within GIRoA Signed Between USAID's Mission Director and Minister of Women's Affairs:

In early June, USAID and the MoWA marked another expansion of the Women in Government Internship Program. USAID's Mission Director, Dr. S. Ken Yamashita, and the Minister of Women's Affairs, Dr. Husn Banu Ghazanfar, signed a Statement of Planned Collaboration to establish up to 100 intern positions within the MoWA. This agreement provides further opportunities for women to gain experience working with GIRoA in Kabul and in targeted provinces. The main goal of the program is for interns to transition into full-time jobs following successful completion of their internships. As of June, the program boasts a 69% job placement rate. Currently, only 18% of the over 333,000 GIRoA employees are female. Dr. Yamashita stated, "Women must participate as active members of society alongside their husbands, fathers, and brothers for a nation to reach its full potential. This innovative gender program is an example for other ministries to follow." Dr. Ghazanfar stated, "Today gives us hope as we witness these talented young women gaining valuable work experience and expanding their professional capacity. The development of our country belongs to them; future ministers and leaders of Afghanistan."

Women in Government Meets with Key Stakeholders to Expand the Internship Program:

During the reporting period, the Women in Government team lead conducted a series of introductory meetings with the Directorates of Women's Affairs, Urban Development, and Education, as well as the Civil Service Commission, the Mustofiat, PRT, and Balkh University in Mazar. The team lead briefed the Directorates, PRT, and Balkh University on the Women in Government Internship Program, explaining that internships are valuable opportunities for fresh graduates to gain



USAID's Mission Director and the Minister of Women's Affairs sign a statement of collaboration on June 3.

work experience in preparation for full-time employment. The Directorate of Women's Affairs and the Mustofiat welcomed the initiative and agreed to provide internship opportunities for 20 university students as an initial step and agreed to provide entry-level jobs to successful interns after completion of their internships.

In an effort to establish a formal partnership with Balkh University, the team lead met with the Chancellor of Balkh University, Mr. Mukamil Alukoza, to discuss how Balkh University will support the Women in Government Internship Program and outlined a framework for how both parties can work together. Establishing a formal relationship with the University will provide an opportunity to conduct more active recruitment on campus to get more applicants from a variety of departments and increase the competitiveness of the application process. The Chancellor of Balkh University is highly supportive of the program and facilitated the team lead to visit classes and speak with students about the program and application process. Mr. Mukamil is looking to bolster the partnership between the project and Balkh University so that more female graduates will have opportunities to gain job experience and find full-time jobs.

The team lead also met with the regional director of the Independent Administrative Reform and Civil Service Commission (IARCSC), Dr. Kamaluddin Amini, to discuss support of the Civil Service Commission to the internship program in recruiting the interns to full-time jobs. He welcomed the initiative in Mazar and agreed to support the program.

Additionally, the team advanced its provincial expansion via the team lead's three-day visit to Herat June 16–18. The team lead met with key government officials including the Governor of Herat, the Acting Director of Women's Affairs, the Director of Herat Revenue

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Progress Towards Meeting Objectives

Women in Government

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Department (Mustofiat), and the Dean of Herat University.

These key government officials welcomed the internship program in Herat province and expressed their full support to ensure the success of the internship program. They committed themselves to intern placement, implementation of internships, and full-time job placements in all associated government entities, inclusive of the Governor's office.

Women in Government Team Commences Cross-Cutting Gender Activities: The Women in Government program is planning cross-cutting gender activities within each of the project's workstreams. Discussions were held with each of the project's team leads to determine possible areas of collaboration, identify potential gender related activities for implementation, and determine appropriate timing for these activities.

Discussions with the Tax Administration team focused primarily on the current working environment for women in LTO and MTO. According to Tax Administration team lead, it is currently difficult to have women employees and gender-based activities within provincial tax revenue offices because of social and cultural norms and working environment. At the National level (Kabul-LTO), however, there are possibilities for gender-based activities. The following are the recommended activities:

- In collaboration with the MoF gender unit, conduct gender sensitivity assessment within Kabul-LTO and also examine gender related policy and procedures;
- Provide feedback and recommendations for alignments; and
- Place at least one intern in both the Mazar and Herat Tax offices.

Because of the number of issues that the Tax offices are currently addressing, the team recommends that the first two activities begin sometime in September/October 2012.

Program Budget: The Program Budget team supports 38 ministries and government agencies in their budget processes. The team discussed whether the gender-sensitive budgeting/planning concept can be introduced at MoF and select ministries. Two suggestions were developed:

- Review current budget planning processes and the sensitivity levels in the allocation process; and



The Women in Government team lead met with the Head of Economic Faculty of Balkh University, Mohammad Hakim Sahibzada, during a recent trip to Mazar.

- Conduct a gender-sensitive budgeting workshop for the selected ministries' gender and budgeting officers.

Provincial Budgeting: The Provincial Budgeting team discussed the issue of gender at provincial level and agreed on the following suggested activities:

- Place two interns in provincial budget offices of Herat (2) and Mazar (2); and
- Hold a gender-sensitive budgeting workshop to be held in Mazar for selected ministries' representatives/budget officers.

Revenue and Tax Policy: The Revenue and Tax Policy team discussed in-depth issues related to gender in the Traffic Department, which is under the auspices of Mol and MoF ARD. In summary:

- The current work environment in the Traffic Department is not conducive for promotion of gender equality or even a discussion related to gender. Of the 1,000 officers, only eight are women. The program placed one intern at the Traffic Department on January 11, and she stayed less than two hours; and
- Currently, the project has three interns at the ARD and the director is one of our former interns. There are a number of female staff and gender-related activities are very much possible and needed. The best way forward would be to meet with Ms. Amina Ahmadi, the ARD director and seek her advice, but expect she will ask for a series of gender equality workshops for ARD staff.

Team Conducts Comprehensive Capacity Building Trainings Programs for Interns:

The Women in Government team conducted a series of skills based training programs for interns throughout the quarter. The training workshops were organized based on the needs and interests of the interns to support them in their search for full-time employment and help them develop skills to use at their current internships.

IT and English Language Trainings: The training program improved the interns' computer, MS applications, communication, and presentation skills. The training sessions emphasized use of MS Office applications including: Excel, Word, Outlook, and PowerPoint. The training was conducted by the project's ICT Specialist and an assessment of the training was conducted by the Women in Government team. At the end of training program, the interns delivered presentations on what they learned during the training sessions. The team also continued the two-month English language training courses to help interns to communicate in English and improve their listening and writing skills. Both trainings were led by the project's gender provincial coordinator. The training course is based on the outcomes of the need assessments made for interns in Mazar.

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Progress Towards Meeting Objectives

Women in Government

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Effective CV and Cover Letter Trainings:

The team continued with the implementation of the capacity building training plan for interns and facilitated a one-day formal training workshop for current interns on developing and refining their Curriculum Vitae (CV), cover letter composition, and interview skills. The workshop was led by a guest speaker, Dr. Perdes, Health and Economics Advisor to the Ministry of Public Health (MoPH). The workshop was organized based on interns' assessed needs and interests in order to support them to be successful and help them take positive steps towards a full-time job. The interns learned the different theories of CV development as well as practical techniques on CV and cover letter writing in relation to applying to specific jobs. The interns also learned about the job interview and selection process. During the training, the interns and guest speaker discussed the types of jobs interns would like to apply for. Following the training, the team conducted a feedback evaluation covering overall training delivery and content. Feedback was positive and the interns requested that the team conduct further related workshops on such topics.

Interactive Self-Confidence Workshop:

Additionally, the team facilitated a one-day, interactive workshop on the subject of "self-confidence". This workshop is appropriate, as many interns suffer from a lack of confidence as a result of the cultural and socio-economic situations in their communities. The work-



Dr. Pardes, Health and Economics advisor to the Ministry of Public Health, delivers a presentation to interns during a CV development training program in May 2012.

shop consists of three progressive parts, which allows interns to understand self-confidence issues, gain confidence, and learn tools to further develop their self confidence.

Environmental Workshop: The team also conducted a one-day workshop on Environmental Protection and air pollution, which was led by Mr. Kazem Hamayoon, Director of Planning in the National Environmental Protection Agency. The workshop helped improve the interns' understanding of environmental protection issues and basic techniques to reduce air and environment pollution. The workshop

topic was provided upon request from the interns, which they will use during their volunteer activities. The interns have started their volunteer activities in various schools, and their first activity will be a briefing on environmental protection for primary and secondary school students.

Revenue Reconciliation Database (RRD)

During this quarter, the team continued to make progress toward the development of the 2012 Revenue Reconciliation System (RRS) in parallel progress on the clean-up of the 2010 RRD. The team submitted the final Information IRM document, Implementation Plan, technical specifications, and prototype for the 2012 RRS to the Afghanistan ARD. The team also implemented necessary 1391 Chart of Account updates in the 2010 RRD and conducted re-installations of the 2010 RRD to address key technical issues.

At the beginning of the quarter the project's RRD/RRS team revisited some of the requirements and approaches to the 2012 RRS in order to develop an IRM that addressed the new review criteria. The team used a Software Development Life Cycle (SDLC) methodology to determine the viability of potential solutions for revenue reconciliation and understand how the existing 2010 RRD was being used.

Meetings with Key RRD/RRS Stakeholders:

The team held meetings with ARD Director General (DG) Zamanzai to secure his support for a revenue reconciliation system. DG Zamanzai expressed his on-going commitment, indicating his willingness to provide any support necessary. He outlined several high-level requirements, including harmonization across all data sources and integration with Afghanistan Financial Management Information System (AFMIS), accessible by people within ARD, and ability for the Mustofiat to operate the system.

The team also met with individuals responsible for solutions related to revenue collection. This included meeting with Janno Cazemier, Program Manager at the Standard Integrated Government Tax Administration System (SIGTAS) for LTOs and MTOs; Mark Hutton, a Deloitte advisor to the World Bank; and Director Qarizada of ARD, whose department

supports the current USAID 2010 RRD. Documents collected included: the Ministry of Foreign Affairs (MoFA)/Treasury three year Strategic Plan, the proposal for the recent 30 month extension of the AFMIS work, the user and technical documentation for the current 2010 RRD, and the approved plan for the SIGTAS (three year contract with MoF). On April 23, the advisor presented findings from the reviews to a USAID audience that indicated there is no cost effective, timely solution for revenue reconciliation other than implementing a new 2012 RRS.

Progress Towards Meeting Objectives

Revenue Reconciliation Database

Addressing 2010 RRD User Issues: In order to move forward with development of the 2012 RRS, the team needed to further understand the current system, 2010 RRD, and how it was being used by the Mustofiats and line ministries in Kabul. The 2010 RRD is implemented in 24 ministries in Kabul and 34 provincial Mustofiats, but information from the ARD about its use in these environments is inconsistent. The team conducted phone interviews and site visits to gather information and found that 32 of 34 the provincial Mustofiats were using RRD and submitting their monthly hard copy reports from information entered into the 2010 RRD. They also found that, of the 24 ministries in Kabul, only three were using the 2010 RRD on a regular basis. The reason the ministries gave for not using the 2010 RRD was "it is not working." On further analysis, the team determined that the 2010 RRD was not working because users at the ministries were introducing viruses from the internet and flash drives onto the desktops installed with the 2010 RRD. Mustofiats using the 2010 RRD also reported several performance issues.

The team developed a plan to correct the issues and bring the ministries back on-line with 2010 RRD and prevent future virus introduction. Based on the lack of comprehensive technical support from ARD and ongoing issues in a few provincial locations, the project advisors recommended that the project provide support to re-install the 2010 RRD in some locations, including Laghman and Kunar provinces. The team completed re-installations of 2010 RRD in these locations while the rest of the re-installations were completed by the ARD. The project's 2010 RRD technical resource followed through on all reported issues either directly or with the technical support team at the MoF/ARD. By the end of the quarter, all issues were resolved, although further issues are possible based on the design of the 2010 RRD.

2012 Revenue Reconciliation System Efforts: The project team redesigned the 2012 RRS Prototype. The previous prototype was delivered in February. Changes enhanced the user experience by improving ease of use, data validation, standard web-based design functionality, and including additional functionality such as ad-hoc reports. USAID and World Bank representatives provided positive feedback on the prototype presentations on May 17.

On June 24, the project held a meeting with representatives from USAID and ARD Management to discuss the current RRD status and the future of 2012 RRS. The Project's Chief of Party (COP) presented the 2010

RRD plans and the prototype of the 2012 RRS with functional specifications. The team answered questions about the new features of the 2012 RRS and how it would more effective than the 2010 RRD. The 2012 RRS is a connected model that allows for significantly better support and maintenance of the application. The 2012 RRS is also designed for a more simple, intuitive user experience. A soft copy was emailed to ARD Management for their input and feedback. Overall input from this meeting was positive.

The project submitted the final IRM that addresses earlier comments and recommendations from the ARD. The 2012 RRS IRM is a complex technical document that provides details about the 2012 RRS application, its required infrastructure, and how it will be implemented and supported. The majority of recommendations related to data center items. Since the project is not implementing a data center for 2012 RRS, the IRM did not include some of the design of the data center. The recommendations can later be used to evaluate the potential data centers currently under consideration – the MoF Data Center and the Afghanistan National Data Center (ANDC).

The RFP is a comprehensive document expected to evaluate the vendor in areas of business, technology, and operational expertise. Business areas relate to references, experience, and general knowledge of Open Source application development. Technology areas relate to in-depth knowledge of application development approaches, Open Source tools, networks, databases, and infrastructure. Other areas relate to contracting based on special considerations required by USG, skill sets of the staff, and project reporting. Although, some changes may be required during reviews with ARD and during testing/acceptance, the RFP can be released.

To support the proposed development and implementation of 2012 RRS, discussions were held with Wais Payab, the Director of the ANDC. These discussions were in support of the IRM and how the ANDC was provisioned to support 2012 RRS. The ANDC is not allowed to release schematics about their operations, so further discussions need to occur if ANDC continues to be considered for 2012 RRS.

2010 RRD Updates and the 1391 Chart of Accounts: On May 17 the ARD notified the project of changes to the 1391 Chart of Accounts that would affect the existing revenue reconciliation system. On May 21, the 1391 Chart of Account changes for AFMIS were provided by Naresh Duggal, ASI AFMIS advisor. The team analyzed the changes and determined that several of the changes had to be made directly in the existing 2010 RRD. Since the 2010 RRD is a stand-alone solution, there is no easy way to update the database tables from a central location. The team developed an Implementation Plan to support local staff in performing these updates. Ministries in Kabul and a few of the larger provinces were able to schedule site visits from technicians to make the updates, but in many of the smaller provinces workstation bases needed to be sent to Kabul for update.

The team successfully completed the updates in the Laghman and Kunar systems and trained the ARD support team to complete the updates. Later the ARD support team was able to implement the updates in the Kandahar province RRD.

New 1391 Chart of Accounts Codes Were Updated in the 2010 RRD.

Ministry of Finance
Customs and Revenue Statistic Department
Revenue Collection Database

Location Information :-
Province: 07 LAGHMAN
District: 3101
Region: 1
Date: dd mm yyyy
Entry Date: 16 03 1391

Source Information :-
Organization (Ministry): 37 Ministry of Public Health
Unit: Ministry of Public Health

Source Name
TIN Number
Type of Revenue
Mustofiat Account Code
Amount
Total Revenue Amount
Total Awraze Amount
Difference

Revenue Detail

Revenue Code	Amount
37000	
37010	
37020	
37100	
37110	
37120	
37130	
37140	
37150	
37160	
37170	
37180	
37190	
37200	
37210	
37220	
37230	

Project Activities by Regional Command

Regional Overview

In Q3 of FY 2012, project activities at the provincial level centered support to the MoF's provincial budgeting reform program and tax administration support to MTOs. The tax administration team supported the MTOs in Herat, Mazar, and Jalalabad in improving the revenue collection during the quarter. The Herat, Mazar, and Jalalabad MTOs FY 1390 revenue collection improved with 66% over the same period in 2012. For FY 1390, collections at the MTOs totaled 122,024,520 AFN (for Herat), 96,449,650 AFN (for Mazar), and 61,050,718 AFN (for Jalalabad).

The provincial budget team conducted a series of outreach visit to the selected provinces in establishing and strengthening working relationships with counterparts in the region including participation in the monthly Herat PDC meeting, convening coordination meetings with USAID and UNDP representatives working in Herat, and meetings with key provincial directorates in Herat and Nimroz on provincial budgeting initiatives. The team participated in the PDC meeting with the provincial directorates, provincial council, national and international organizations including the PRT and US consulate to discuss the status of funds received by line directorates for development projects approved under the 1391 national budget and the status of funding for PDC projects by PRT for 2013.

The Women in Government team visited Mazar and Herat to expand the internship program. The team held a series of introductory meetings with officials from the Directorate of Women's Affairs and key GfRoA agencies to discuss the internship program as a valuable opportunity for new graduates to gain work experience and obtain full-time jobs.

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



Regional Command West—Herat

Tax Administration: The tax administration team assisted Herat MTO in expanding its taxpayer education program. This education improved quarterly collection by 66% over the same period in 2011 (122,024,520 AFN in 2012, compared to 73,496,488 AFN in 2011). This achievement was realized with a 58% collection improvement during June 2012 over the previous month of May 2012.

Additionally, Herat MTO realized a dramatic 137% improvement in tax returns filings for the 2012 tax return filing season over 2011 filing season (5,345 tax returns in 2012 compared to 2,254 in 2011).

Provincial Budgeting: The provincial budgeting team based in Herat achieved considerable progress over the quarter in establishing and strengthening working relationships with counterparts in the region including participation in the monthly Herat PDC meeting, convening coordination meetings with USAID and UNDP representatives working in Herat and meetings with key provincial directorates in Herat and Nimroz on provincial budgeting initiatives. The Herat provincial budgeting team also supported the project in its efforts to expand the provincial budgeting regional network by testing shortlisted candidates for the Herat provincial budgeting officer positions on June 3.

On June 20, the team participated in the monthly PDC meeting held at the Herat Gov-

ernor's compound with representatives from the provincial directorates, provincial council, national and international organizations including the PRT and US consulate. The PDC meeting was chaired by Herat Governor, Dr. Daud Shah Saba, and was convened mainly to discuss the status of funds received by line directorates for development projects approved under the 1391 national budget, and the status of funding for PDC projects by PRT for 2013.

The Herat team met with key international stakeholders including the USAID Economic Growth Officer for the West Region and UNDP ASGP financial consultant to the Herat Governor on provincial budgeting program activities. During the coordination meeting with the USAID Economic Officer, Javier Sanabria, and Deputy Regional Officer, Ishaq Shiwan, on April 23, Mr. Sanabria requested the provincial budgeting team to provide a briefing for the incoming military colleagues based in the Western regional command on the project's provincial budgeting activities.

Women in Government: The Women in Government internship program advanced its provincial expansion with the team lead's three-day visit to Herat June 16—18. The team lead met with key government officials including the Governor of Herat, the Acting Director of Women's Affairs, the Director of Herat Revenue Department (Mustofiat), and the Dean of Herat University.



These key government officials welcomed the internship program in Herat province and expressed their full support to ensure the success of the internship program. The committed themselves to intern placement, implementation of internships, and full-time job placements in all associated government entities, inclusive of the Governor's office.

Q3 Training Summary

Q3 Training by the Numbers:

1,724—Person Days Trained

1,182—GIROA staff/interns trained

807—Program officials from 18 provinces trained in PFM

456—Females trained



Month	Workstream ID	Workstream	GIROA Counterparts Trained	Training Topic	Location					Total Training Days	Person Days Trained
					Kabul		Mazar		Total		
					Male	Female	Male	Female			
Apr-12	W3	Program Budgeting	Supreme Court	Supreme Court Strategic Plan Orientation	3	1	-	-	4	1	4
	W3	Program Budgeting	AGCHO	Program Budget Training	7	-	-	-	7	7	49
	W7	Women in Government	Interns	Orientation for new interns	-	30	-	-	30	1	30
May-12	W3	Program Budgeting	Academy of Science	Prgram Budget Training	5	-	-	-	5	5	25
	W3	Program Budgeting	Afghanistan National Disaster Management Authority; Ministry of Foreign Affairs; Upper House; Central Statistics Office; Afghanistan Cartography and Geodesy Head Office; Attorney General's Office; Ministry of Counter Narcotics; Ministry of Mines; Supreme Court; High Office of Oversight and Anti-Corruption; Afghanistan Atomic Energy Commission; Ministry of Refugees and Repatriations; Ministry of State in Parliamentary Affairs; Ministry of Information and Culture; Control and Audit Office; National Olympic Committee; Ministry of Transport and Civil Aviation; Ministry of Hajj and Religious Affairs; National Environment Protection Agency; Kabul Municipality; Independent Directorate of Kuchis; Ministry of Borders and Tribal Affairs; Afghanistan National Standard Authority; Ministry of Justice; Ministry of Women's Affairs; and Academy of Sciences of Afghanistan.	1391 Program Budget Briefing	379	62	-	-	441	1	441
	W3	Program Budgeting	All (56) Budgetary Units	Annual Program Budget Training	322	28	-	-	350	2	700
	W4	Provincial Budgeting	MoF	Orientation of the Modules (procurement and budget flow)	10	-	-	-	10	2	20
	W7	Women in Government	Interns	Management Training	-	55	-	-	55	1	55
	W7	Women in Government	Interns	ICT Training	-	40	-	-	40	4	160
Jun-12	W7	Women in Government	Interns	Capacity Development Training	-	66	-	-	66	1	66
	W7	Women in Government	Interns	Voluntary Services	-	53	-	-	53	1	53
	W7	Women in Government	Interns	ICT Training and English Language	-	-	-	18	18	1	18
	W7	Women in Government	Interns	Enviromental Protiction Training	-	62	-	-	62	1	62
	W7	Women in Government	Interns	Self Confedence	-	41	-	-	41	1	41
Total					726	438	-	18	1,182	29	1,724

April through June 2012 Counterpart Meetings

Counterpart Meetings

- 38** meeting with Tax Policy GIRoA counterparts and stakeholders.
- 45** meetings with Program Budget GIRoA counterparts and stakeholders.
- 61** meetings with Provincial Budget GIRoA counterparts and stakeholders.
- 09** meetings with Tax Administration GIRoA counterparts and stakeholders.
- 11** meetings with RRD GIRoA counterparts and stakeholders.
- 47** meetings with Women in Government GIRoA counterparts and stakeholders.

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

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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, development experts, and public financial management specialists who work alongside government officials, providing technical assistance and trainings on a daily basis.