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**NONCAPITAL PROJECT PAPER (PROP)**

Country: AFGHANISTAN

Project No. 306-11-995-0903

Submission Date: July 1969 Original X Revision No. \_\_\_\_\_

Project Title: Helmand-Arghandab Valley Regional Development  
(Financial Management) . 4

U.S. Obligation Span: FY 1967 through FY 1971

Physical Implementation Span: FY 1968 through FY 1972

Gross life-of-project financial requirements:

U.S. dollars ..... \$ 196,000

U.S.-owned local currency ..... -

Cooperating country cash contribution ..... -

Other donor ..... None

Totals \$ 196,000

PAGE 1 OF 8 PAGES 8

DRAFTED BY

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OFFICE

JGwhite (NAVR)

PHONE NO.

DATE

7/17/69

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PROJECT 306-12-990-090Financial Management Sub-Activity**I. SUMMARY DESCRIPTION****A. Necessity and Justification**

The successful implementation and operation of USAID's development programs under the Helmand-Arghandab Valley Regional Development (HAWD) project have been complicated and delayed by the difficulty the HAVA has experienced in managing its financial operations. Consequently, the HAVA has not been able to get prompt allotments of its quarterly development budget, thus, delaying local currency support for USAID-assisted activities as well as many HAVA activities with which the former are coordinated. This, in turn, has prevented the timely expenditure of budgeted funds and caused corresponding delays in the accomplishment of physical progress on development projects.

**B. Significance of Intended Results**

A

The successful implementation of this joint HAVA/AID activity will permit the Land Reclamation and Agriculture Programs in the HAVA area to progress more rapidly, thus helping to meet project, sector and national goals and objectives in a timely manner. The significance of achieving the goals of the HAWD project takes on additional importance when it is recognized that the degree of success of the project is being continually evaluated by the RGA as it determines the scope and form of similar additional projects which it is contemplating.

The significance of the Financial Management Activity will be particularly felt in the HAVA agricultural sector; a successful agricultural program will both help the RGA meet its national self-sufficiency in foodgrains goal and permit the diversification to crops which will help to earn the foreign exchange upon which Afghanistan's future development will be based.

**C. Activity Goals and Targets**

The goals of this activity are to create a sufficient competence within the HAVA to enable it to administer effectively its financial operations and to carry out more efficiently the financial aspects of economic development planning.

The following general targets have been established against which to measure the progress of the activity.

1. Creation, through participant and on-the-job training, of an efficient and effective 50 man HAVA financial staff;
2. More efficient and timely implementation of existing procedures and methods of operation in order to comply with RGA deadlines and to avoid unnecessary program delays;
3. Complete receipt and expenditure by the HAVA of its budgets;
4. Inclusion in the HAVA Budget of a foreign exchange component in order to meet the HAVA's need for foreign source equipment and spare parts. This target could also be met by assuring that the HAVA has access to such funds in the overall RGA budget.
5. Creation within the HAVA leadership of an understanding of the need to more closely coordinate the various financial responsibilities of the HAVA, and to create the milieu in which it may, at some future date, be possible to combine the HAVA's dispersed financial responsibilities under a single "Finance Department".

D. Minimum Levels of Output To Be Met

In order to justify the continuation of the activity the HAVA must, by December 31, 1969:

1. Provide at least two candidates for participant training;
2. Provide counterparts for the FMA from its Planning, Budgeting and Accounting Divisions; and
3. Take over the major responsibility for the preparation and publication of Budget Comparison Reports.

USAID/A must, by the end of FY 69, involve itself in the HAVA budget process sufficiently to assure, to the extent possible, that the HAVA's budgeted funds are received and expended in a timely manner.

E. General Approach and Plan of Action

Working with counterparts from the HAVA's planning, accounting and budgeting divisions, the Financial Management Advisor has made a cursory analysis of the HAVA's financial operations to identify problem areas and to provide an over-all picture of the HAVA milieu, and, initially, concentrated on the most serious problems requiring immediate attention. Such problems have included the failure by the HAVA to obtain a sufficiently

large budget, the HAVA's inability to obtain allotment of its budgeted funds, failure to prepare in a timely manner required RGA reports, and an unusually high level of under-expenditure as a result of poor planning. While involving himself directly in these problems the FIA has also attempted to create within his counterparts an appreciation of these problems and how they can be resolved. The assistant FIA will be focusing his main attention on the in-service training of the lower level financial technicians.

The operations procedures of the HAVA financial system have been established, and the FIA is now attempting to motivate the HAVA to carry them out in the proper manner. Once the proper officials of the HAVA become fully aware of the importance of correctly implementing these procedures and the FIA and his assistant are able to convey to these men and their staffs the requisite skills to implement them, the HAVA's financial management problems should be well on their way to being resolved.

## II. SETTING OF ENVIRONMENT

Within the HAVA structure, financial activities are somewhat dispersed and lack sufficient coordination, despite the existence of standardized procedures installed earlier under an AID sponsored Public Administration Service (PAS) contract team.

The major portions of the HAVA's financial affairs are located in two places: the Planning and Statistics Office; and in the Administrative Department, where the Budget and Accounting Divisions are among eight other divisions.

## III. STRATEGY

### A. Strategy Statement and Method

USAID strategy in this activity is to become involved as a catalyst in the HAVA's financial problems to the maximum extent necessary to secure effective financial support of HAVA and AID programs, and, through such involvement, create a trained and skilled cadre of HAVA employees who can carry on following the termination of AID assistance.

The methods under which this strategy will be carried out include the contracting for the Financial Management Advisor, his preparation of Budget Comparison Statements with which to illustrate to the HAVA those actions which it must take, and close cooperation with the USAID-supported Public Administration Service and Robert Nathan and Associates teams in the RGA Ministries of Finance and Planning, respectively, in order to work out approaches, or solutions, to problems before they have worked their way through the sometimes cumbersome and slow bureaucracy of the RGA.

An Assistant FMA will work directly with the lower level financial technicians, instructing them in office procedures and basic technical skills. Being well versed in the technical aspects of the local language, he will be able to provide assistance and advice on specific problems as well as run classroom and on-the-job training programs.

Additionally, participant training at the Iranian Department of Public Administration in Tehran will be used to develop further the necessary skills to permit the advice given by the FMA and his assistant to be understood and appreciated.

#### B. Cooperating Country Leadership

At the highest levels the financial problems of the HAVA are recognized, if not fully appreciated, but insufficient trained personnel have been assigned to resolve them, and the organizational framework through which these personnel operate is somewhat cumbersome.

Counterparts from the HAVA budget, accounting and planning organizations have been assigned to the Financial Management Advisor, but they are not all sufficiently qualified, and there is a language problem.

Finally, there is an apparent lack of executive coordination between the various HAVA Divisions concerned with financial affairs, as well as between the HAVA and the Ministries of Planning and Finance. The Financial Management Advisor has been working actively to improve this situation.

#### C. Cross Relationships with Other AID Programs

The Financial Management Advisor works closely with USAID contract teams in both the Ministry of Finance and the Ministry of Planning in carrying out the purposes of the activity.

#### D. Planned Targets, Results and Outputs

In support of the over-all targets outlined in I.C., actions have been, or will be, taken to achieve, by April of 1971, the following results and outputs, which are listed in a priority order of their importance to the activity:

1. Regular preparation and publication by the HAVA of Budget Comparison Reports for the HAVA ordinary and development budgets through which financial problems can be identified and management decisions made (these reports are presently being prepared by the FMA):

2. The completion of successful participant training programs;
3. The achievement by the HAVA of 100% budgeting, allotment, and expenditure records. (in AFY 1347 a 98% record was achieved);
4. The attainment of a foreign exchange component in the HAVA budget which will permit the HAVA to procure essential spare parts and minor materials needed to keep the HAVA project moving forward at a steady rate; (this target could also be met by assuring that the HAVA has access to such funds in the overall FGA budget.);
5. The development of close working relationships between the HAVA and the various entities within the RGA and AID which can be of assistance to the HAVA in resolving its financial problems; and
6. The creation of an atmosphere which in the long run (post project) may result in a reorganization of the HAVA to combine all its financial elements in a unified Finance Department. Such a department would centralize financial responsibilities and the HAVA's limited talent, as well as improve internal HAVA coordination. However, such a change may be difficult to bring about due to the lengthy bureaucratic procedures required for reorganization.

## V. COURSE OF ACTION

### A. U.S. Inputs

A Financial Management Advisor is presently working full-time with the HAVA to increase the efficiency of its financial management. In FY 70, it is planned to provide the services of an assistant financial management advisor who will concentrate on in-service training.

### Participants

Under this activity it is planned to send ~~a minimum of~~ <sup>up to</sup> 10 HAVA personnel each year to the Iranian Department of Public Administration in Teheran for training.

### B. RGA Inputs

The HAVA is presently providing 4 participants, 30 on-the-job trainees and 3 counterparts, as well as office space for the Financial Management Advisor and his secretary. In the future it will be required to provide a foreign exchange allocation to the HAVA for offshore procurement of essential spares and materials.

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Table I

NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000) PROJ DATE July 1969

Original 2  
Rev. No. \_\_\_\_\_  
Proj. No. 306-1-995-090

Project Title: Helmand-Arghandab Valley Regional Dev.  
(Financial Management)

COUNTRY: AFGHANISTAN

Fiscal Years	Ap	I/G	Total	Cont <sup>1/</sup>	Personnel Serv.			Participants		Commodities		Other Costs	
					AID	PASA	CCNT	U.S. Ag.	CCNT	Dir. U.S. Ag.	CCNT	Dir. U.S. Ag.	
Prior through Act. FY 69	TC	G	96	88 <u>a/</u>	-	-	88	8	-	-	-	-	-
Oper. FY 70	TC	G	50	30	-	-	30	20	-	-	-	-	-
Budg. FY 71	TC	G	50	20	-	-	30	20	-	-	-	-	-
B + 1 FY _____													
B + 2 FY _____													
B + 3 FY _____													
All Subs.													
Total Life	TC	G	196	148	-	-	148	46	-	-	-	-	-

<sup>1/</sup> Memorandum (nonadd) column  
<sup>a/</sup> Represents estimated costs for this activity under the J. G. White contract

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Table I Exchg rate \$1=Ais. 75

Project No. 300-11-295-090

Helmand-Arghandab Valley Regional Development (Financial Management)

Fiscal Years	AID-controlled		Other Cash Contribution Cooperating Country (\$000)	Other Donors Funds (\$ Equiv.) (\$000)	<u>Food for Freedom Commodities</u>		
	<u>Local Currency</u>				Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)
	U. S. - owned (\$000)	Country- owned (\$000)					
Prior through Act. FY 69	-	-	-	-			
Cper. FY 70	-	-	-	-			
Budg. FY 71	-	-	-	-			
B + 1 FY ____							
B + 2 FY ____							
B + 3 FY ____							
Al. Subs.							
Total life	-	-	-	-			

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