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PROJECT APPRAISAL REPORT (PAR)

1. PROJECT NO.	2. PAR FOR PERIOD:	3. COUNTRY	4. PAR SERIAL NO.
306-51-750-029.4	April 1973 TO August 1975	Afghanistan	76-2

5. PROJECT TITLE

Financial Administration Improvement (Revenue)

6. PROJECT DURATION: Began FY 71 Ends FY 78	7. DATE LATEST PROP	8. DATE LATEST PIP	9. DATE PRIOR PAR
	9-28-70	6-2-73	9-11-73

10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: $1,265,000	b. Current FY Estimated Budget: $	c. Estimated Budget to completion After Current FY: $

11. KEY ACTION AGENTS (*Contractor, Participating Agency or Voluntary Agency*)

a. NAME	b. CONTRACT, PASA OR VOL. AG. NO.
Public Administration Service (PAS)	AID/Nesa-548

I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X) USAID	AID/W	HOST	B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
		x	Complete training of provincial staff in application of Tax Manual and remaining procedures after PAS departs	May 76
x[1]		x	Provide admin support for training personnel (field pay, transport, trainee support, supplies) heretofore handled by contractor, to complete program after PAS departs	Dec 75
x[1]			Expedite conversion 56 adding machines to Persian numbrals If NCR/Beirut fails to honor agreement, turn machines over to MOF without conversion	Dec 75
		x	Reconsider requirement each province obtain its own forms.	Nov 75
			Print, provide required forms to all provinces	Apr 76
		x	Transfer responsibility for consolidating monthly revenue reports from Revenue to Accounting Dept	Nov 75
		x	Enforce new procedures in all provincial offices	Jun 76
		x	Follow-up teams go to Kabul, Kandahar, Herat, Mazar, Jalalabad, Kunduz to verify if new procedures enforced	Jan 77

1 - contractor

D. REPLANNING REQUIRES REVISED OR NEW: None ☐ PROP ☐ PIP ☐ PRO AG ☐ PIO/T ☐ PIO/C ☐ PIO/P

E. DATE OF MISSION REVIEW: None

PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE: DP:JWedberg/CWJohnson:9/20/75

MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE: Vincent W. Brown 9/20/75

II. PERFORMANCE OF KEY INPUTS AND ACTION AGENTS

A. INPUT OR ACTION AGENT / CONTRACTOR, PARTICIPATING AGENCY OR VOLUNTARY AGENCY	B. PERFORMANCE AGAINST PLAN: UNSATISFACTORY 1	2	SATISFACTORY 3	4	5	OUTSTANDING 6	7	C. IMPORTANCE FOR ACHIEVING PROJECT PURPOSE (X): LOW 1	2	MEDIUM 3	4	HIGH 5
1. Public Administration Services (PAS)						X						X
2.												
3.												

Comment on key factors determining rating Project plans are being carried out in most instances according to schedule. Of 9 output indicators, 4 were early, 2 late (inconsequentially) 2 on schedule. One, Tax Board functioning, cannot be implemented: since the Coup PAS participation in and communication with the Board has ceased. PAS advice and assistance is no longer sought on questions not directly related to tax administration.
PAS recommendations on taxes not specifically related to project objectives have led to increases exceeding afs 1 billion ($17 mil) -- only its activity in administration gave PAS opportunity to advocate recommendations in policy.
In the Spring 1974 evaluation of the Revenue project the team leaders explained the time-phased(cont

	1	2	3	4	5	6	7	1	2	3	4	5
4. PARTICIPANT TRAINING					X				X			

Comment on key factors determining rating All U.S. project training is M.A.s in Public Administration for the Ministry of Finance: 16 programmed, 13 sent (last 2 in Jan 75), 9 returned, 7 with M.S.s, 2 added 6-mo tax admin course. Five are placed: 2 Revenue Dept, 1 each Customs, Budget Bureau, Milliebus.
12-18 mo Iran courses/OJT in tax accounting/auditing are project-related: 8 programmed, 11 sent (last 7 in Feb 75), 4 returned.

	1	2	3	4	5	6	7	1	2	3	4	5
5. COMMODITIES			X					X				

Comment on key factors determing rating 56 NCR manual adding machines procured in FY 71 for provincial revenue offices finally arrived Aug 73. They remain unconverted to Persian numerals. Shipment of new keys/bars was received, but again they were English. Unless correct numerals are received in next 4 mo, the machines' provincial usefulness will be greatly diminished. Two vehicles delivered. Local budget procurement satisfactory.

		1	2	3	4	5	6	7	1	2	3	4	5
6. COOPERATING COUNTRY	a. PERSONNEL				X								X
	b. OTHER						X						X

Comment on key factors determining rating

a. Personnel. The team leader met the current Minister once in the past two years. PAS takes problems to the President of Revenue and the highly-supportive Deputy Minister, who meets the team twice a month. The vacancy created since the President's discharge Dec 74 has resulted in reduced concern with the project. His duties are temporarily assigned to the president of another department. Counterparts and Revenue instructors have been superior.
b. Other. Post-coup GOA performance if mixed, has been generally satisfactory and in some areas outstanding. The GOA fulfilled all written commitments, expeditiously approved most proposals, procedures, and publications, is credited with completing outputs on schedule. To date, revenue increases in the four project related revenue accounts are triple targeted amounts. The sum of these accounts increased by 154% in the period 1972-1975, or afs 600 million (contd)

	1	2	3	4	5	6	7	1	2	3	4	5
7. OTHER DONORS Peace Corps				X				X				

(See Next Page for Comments on Other Donors)

(Contractor, Participating Agency or Voluntary Agency)
Comment on Key factors determining rating.

relationships of training to the installation of new systems to the hypothesized increases of revenue in the project related tax accounts. At that time it appeared that major increases in these accounts -- as a function of improved administration — would appear about mid FY 76, or at approximately the same time as the departure of the team. In the Spring of 1975 the team leader completed an analysis which indicated that possibly someoof the tax increases which had been achieved by the GOA by that time could be attributed to administrative improvements instituted by the project.

(Cooperating Country)
Comment on Key factors determining rating.

(approximately $10.5 million at current exchange rates). The major share of this increase is attributed to the new government's (since the coup of July, 1973) determination to collect outstanding taxes due the old regime and to collect all current taxes at established rates. This exercise of that undefined quality "political will" accounts for, in large measure, the "outstanding" mark given in this evaluation for item 6.b. The Ministry has reorganized itself to greatly increase its capacity to collect revenues under existing revenue laws. The GOA adopted most policy recommendations to enhance revenues for 2-year increases exceeding afs. 1 bil. The 9-man training staff has been maintained intact. However after the coup, the Tax Board, crucial to several objectives, was disassociated from the project. Recently it rejected recommendations on collection of delinquent taxes. There appears to be little interest in how to review tax appeals nor in utilizing the cadastral survey to implement the land tax.

A serious setback resulted from a MOF quarrel with its own press over afs 8 mil which prevented printing of tax forms. The consequences of requiring provinces to provide their own were predictable: delays in training and implementation, breakdown of the new reporting system. Delays are the most common grievance. The agreed (more) frequent Tax Board meetings to consider proposed regulations and procedures have not materialized.

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II. 7. Continued: Comment on key factors determining rating of Other Donors

Volunteer works with bookkeeping machine room of Accounting Department under PAS supervision.

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS (cumulative)		TARGETS (Percentage/Rate/Amount) CUMULATIVE PRIOR FY	CURRENT FY 76 TO DATE	CURRENT FY 76 TO END	FY 77	FY 78	END OF PROJECT
Total staff trained in-country (includes overlapping repeaters)	PLANNED	1120	1135	1500-1650			1500-1550
	ACTUAL PERFORMANCE	1201	1221				
(see add-on for breakdown)	REPLANNED			1650-1660			1650 1660
Total participants returned from U.S., Iran training	PLANNED	13	13	19	24		24
	ACTUAL PERFORMANCE	13	13				
	REPLANNED			15	24		24
No. Revenue Training Center instructors trained in Tax Audit/ Income Tax Manuals, standard instructions	PLANNED	8	8	8			8
	ACTUAL PERFORMANCE	9	9				
	REPLANNED			9			9
Revenues (mil afs) from individual/corporate income taxes, consumer goods tax, road tolls, fines and penalties, back revenues (See IV. B for breakdown)	PLANNED	1972 418	74-75 568	75-76 618			618
	ACTUAL PERFORMANCE	418	1069				
	REPLANNED			1286			1286

B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS	COMMENT
~~1. Trained Revenue staff (above)~~ 2. Establishment of a training institution in the Ministry of Finance.	Revenue Training Center established, successful, 1974-6 budgets approved. Office organization, secretary, classroom activated. Director, 9 instructors were taught Tax Audit, Income Tax Manuals Feb-May 75. Instructors began training prov staff June 74.
3. Implemented policies, regulations and procedures governing assessment, collection and audit of all direct GOA taxes.	Assessment procedures approved, installed. Income Tax, Audit Manuals accepted, training completed or underway. Standard written instructions completed for assessing, collecting 17 of planned 20 taxes. Three unfinished due uncertainty pending tax policy.
4. Installation of uniform accounting and reporting procedures in Central, provincial Revenue Offices.	New system improving statistical operations, increasing accuracy/speed of reporting. Extent of implementation unknown, believed limited due lack of forms (indispute with MOF Press, MOF told provinces to provide their own). There exists a written system, people trained, forms designed and prototypes for provinces that want, can implement.

II. 7. Continued: Comment on key factors determining rating of Other Donors

Volunteer works with bookkeeping machine room of Accounting Department under PAS supervision.

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS (cumulative)		TARGETS (Percentage/Rate/Amount)					
		CUMULATIVE PRIOR FY	CURRENT FY 76 TO DATE	CURRENT FY 76 TO END	FY 77	FY 78	END OF PROJECT
Total staff trained in-country (includes overlapping repeaters) (see add-on for breakdown)	PLANNED	1120	1125	1500-1550			1500-1550
	ACTUAL PERFORMANCE	1201	1231				
	REPLANNED			1650-1660			1650 1650
Total participants returned from U.S., Iran training	PLANNED	13	13	19	24		24
	ACTUAL PERFORMANCE	13	13				
	REPLANNED			15	24		24
No. Revenue Training Center instructors trained in Tax Audit/Income Tax Manuals, standard instructions	PLANNED	8	8	8			8
	ACTUAL PERFORMANCE	9	9				
	REPLANNED			9			9
Revenues (mil afs) from individual/corporate income taxes, consumer goods tax, road tolls, fines and penalties, back revenues (See IV. B for breakdown)	PLANNED	1972 418	74-75 568	75-76 618			618
	ACTUAL PERFORMANCE	418	1069				
	REPLANNED			1286			1286

B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS	
~~1. Trained Revenue staff (above)~~ 2. Establishment of a training institution in the Ministry of Finance.	COMMENT: Revenue Training Center established, successful. 1974-6 budgets approved. Office organization, secretary, classroom activated. Director, 9 instructors were taught Tax Audit, Income Tax Manuals Feb-May 75. Instructors began training prov staff June 74.
3. Implemented policies, regulations and procedures governing assessment, collection and audit of all direct GOA taxes.	COMMENT: Assessment procedures approved, installed. Income Tax, Audit Manuals accepted, training completed or underway. Standard written instructions completed for assessing, collecting 17 of planned 20 taxes. Three unfinished due uncertainty pending tax policy.
4. Installation of uniform accounting and reporting procedures in Central, provincial Revenue Offices.	COMMENT: New system improving statistical operations, increasing accuracy/speed of reporting. Extent of implementation unknown, believed limited due lack of forms (indispute with MOF Press, MOF told provinces to provide their own). There exists a written system, people trained, forms designed and prototypes for provinces that want, can implement.

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II. 7. Continued: Comment on key factors determining rating of Other Donors

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					
		CUMULATIVE PRIOR FY	CURRENT FY 76 TO DATE	CURRENT FY 76 TO END	FY 77	FY 78	END OF PROJECT
No. provincial staff trained in recording and reporting collection of taxes	PLANNED	720	720	720			720
	ACTUAL PERFORMANCE	830	830				
	REPLANNED			830			830
No. provincial staff trained in 9 standard instructions for assessment, collection, enforcement of taxes	PLANNED	400	400	400			400
	ACTUAL PERFORMANCE	371	371				
	REPLANNED			371			371
No. revenue staff trained in Tax Audit Manual	PLANNED	0	15	30-50			30-50
	ACTUAL PERFORMANCE	0	20				
	REPLANNED			50-60			50-60
No. provincial supervisors (c.50) and staff (c.180), Central Revenue staff (c.120) trained in application of Tax Manual, remaining 6 tax procedures	PLANNED	0	0	350			350
	ACTUAL PERFORMANCE	0	0				
	REPLANNED			400			400

B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS	COMMENT:
1.	
2.	COMMENT:
3.	COMMENT:

AID 1020-25(10-70)	PROJECT NO.	PAR FOR PERIOD	COUNTRY	PAR SERIAL NO.
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II. 7. Continued: Comment on key factors determining rating of Other Donors

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					
		CUMULATIVE PRIOR FY	CURRENT FY 76 TO DATE	CURRENT FY 76 TO END	FY 77	FY 78	END OF PROJECT
No. participants returned from U.S. with M.A.s in Public Administration	PLANNED	9	9	10	16		16
	ACTUAL PERFORMANCE	7	7				
	REPLANNED			8	10		10
No. participants returned from Tehran accounting/auditing training	PLANNED	4	4	8	8		8
	ACTUAL PERFORMANCE	4	4				
	REPLANNED			4	11		11
No. returned participants employed in Ministry of Finance*	PLANNED	13	13	18	24		24
	ACTUAL PERFORMANCE	9	13				
	REPLANNED			14	23		23
Share of direct taxes to total domestic revenue	PLANNED	74-75 12%		75-76 13.6%			13.6%
	ACTUAL PERFORMANCE	10.8%					
	REPLANNED			13.6%			13.6%

B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS

1. * 24 originally programmed. These were MOF scholarships, not categorical Revenue training, so lower output will not affect project objectives.

2. COMMENT:

3. COMMENT:

AID 1020-25 (10-70) PAGE 4 PAR	PROJECT NO. 306-51-750-029.4	PAR FOR PERIOD 4/73-8/75	COUNTRY Afghanistan	PAR SERIAL NO. 76-3

IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged. 2. Same as in PROP? ☒ YES ☐ NO

Increased revenue collected from all forms of national taxation, excluding Customs revenues, by developing and installing improved and uniform revenue collection, enforcement and audit procedures throughout the central and provincial levels of the Ministry of Finance.

B. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.
1. Tax revenues increase total 200 million Afs by 1977 (in):	Current Exchange Rate: Afs 57 = $ US 1.00 1. Increase to date: See 2. below. Major impact of 1975 field training in Income Tax and Tax Audit Manuals and related procedures will be felt in 1975-77 collections.

Project Related Accounts	1967-68	1971-72	Change	1974-75	Diff.	Change
a. Individual Income Tax	a. 285	195	-32%	460	265	+136%
b. Corporate Income Tax	b. 144	129	-10	384	255	+198
c. Tax Fines & Penalities	c. 4.4	4.5	+2	15.9	11.4	+253
d. Collection back revenues	d. 43	59	+37	127	68	+115
	476.4	387.5	-18.7%	987	599	+154%
Indirect Project Accounts		1972-73				
e. Consumer goods tax	e. 62.5	19	-70%	63	44	232%
f. Road use tax (tolls)*	f. -	11	-	19	8	74%
	62.5	30		82	52	175%

g. Priced documents — g. Developed procedures for issuance, custody. Much of this code is Sokuk (Stamp Tax) over which project has no influence.

(contd 4.a)

V. PROGRAMMING GOAL

A. Statement of Programming Goal

Mobilize and increase domestic economic resources, especially domestic financial resources. Insure more effective use of resources so that the pace of development can be accelerated.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

The hypothesis that a coordinated fiscal program -- effective tax collection, enforcement, and audit procedures -- together with trained Afghan staff would increase tax revenues seemed reasonable when the project was approved. Subsequently, Maxwell J. Fry, an economist under contract with USAID (Cf. The Afghan Economy, USAID [illegible], 1974 -- in particular the chapter on Public Finance, pp. 279 - 392) found that Afghanistan's fiscal effort was near the bottom of some fifty developing countries. While there may be some question of the comparability of the statistics among 50 countries the general conclusion would appear to hold. If it is the case that Afghanistan's effort is very low (especially prior to the change of government in July 1973) the question becomes whether administrative improvements -- the essence of the project purpose -- will have any significant impact on the collection of revenues in the absence of a "political will" in the Government to collect them? The question may now (contd 4.a)

Continuation of page 4

B. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.
h. Land tax	h. None. GOA had not given go-ahead, has not implemented cadastral survey.
i. Other provincial revenues	i. Principally collection back revenues (above).
2. Improved and uniform regulations and procedures for assessment, collection, enforcement, recording/reporting, and audit of 17 direct taxes adopted and in use by central and provincial revenue offices.	2. Systems for assessment, enforcement, collection of the 17 direct taxes approved. Uniform procedures for recording and reporting revenues approved, installed.

Continuation of page 4 (contd 4. b)

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

be moot for it appears to be a fact that the new Government of Afghanistan has exercised considerable "political will" when compared to the predecessor regime in the collection of taxes. It may be the case that the improvements in tax administration introduced by this project will coalesce with this "political will" to further improve revenue collections in the years to come.

Further evidence of the existence of "political will" as it applies to fiscal effort and discipline is revealed by the fact that for the first time, last year (1974/75), GOA revenues exceeded its expenditures and thus bank borrowings were zero.

Two other measures of goal achievement -- a direct tax share of total domestic revenues of at least 13.6% and an indirect tax share of less than 42.3% -- will probably not be realized. (In 1974/75 they were 10.8% and 63.5%, respectively.)

The larger questions of whether an improved fiscal effort accelerates or impedes economic development (e.g., are resources more efficiently utilized in the public or private sector?) or the incidence and equity of an improved fiscal effort on the whole population have not been addressed by the USAID.

Continuation of page 4a

B. 1. Conditions which will exist when above purpose is achieved.

2. Evidence to date of progress toward these conditions.

a. Assessment: procedures developed, approved by Tax Board, installed, including fixed taxes on small business.
b. Collection and enforcement: standard written instructions completed for assessing and collecting 17 out of planned 20 taxes.
c. Recording and reporting. New system improving statistical operations of revenue accounting. Where implemented, increased accuracy/speed of reporting manifest its success. Installation in 26 provinces yet unrealized due to lack of forms.
New Bookkeeping Machines Room now producing revenue reports by machine (but haven't stopped doing by hand).
d. Audit. Manual on auditing Afghan taxes accepted. Training underway.

3. All (over 400) provincial revenue personnel trained in application of new tax administration systems.

3. 1221 trained in-country (many overlapping repeaters), 13 in U.S., Iran. Perhaps 1200 from provinces.
a. Plans to train 400 more in application of Tax Manual, remaining 6 tax procedures, between now and Feb-May 1976.
b. 830 revenue collectors in 5 provinces given 4-5 days instruction in new recording/reporting system.
c. Two weeks classroom instruction in 9 standard instructions for assessing/collecting/enforcing taxes given 271 personnel.
d. Twenty from Kabul Mustofiat, MOF given 4-5 week audit course, including inspection, basic bookkeeping.
Remaining 30-40 from Kabul provinces to be trained by Dec 75.

(contd 4.c)

Continuation of page 4.b

B. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.
4. MOF Revenue training institution.	4. Revenue Training Center established, successful.
5. Improved MOF capability to supervise tax administration, train tax administrators, draft tax regulations, process tax appeals, and improve coordination between department within Ministry of Finance.	5. Chiefly provision of materials in writing (Income Tax Manual, Tax Audit Manual, procedures, etc.) for revenue supervisors who now have place to which to refer. Income Tax Manual conforming to existing tax law completed, approved, utilized. a. Supervision: vastly improved. Standard written instructions for assessment, collection provided uniform base for judging problems. New recording/reporting system facilitates supervision. b. Training: provincial revenue personnel get 6-7 weeks of uniform training in how to use materials, procedures. c. Prepare tax regulations: capacity of Tax Board increased following project recommendations.
6. Standard staffing pattern for provincial revenue offices related to size of province and complexity of revenue problems.	6. Report Staffing of Provincial Revenue Offices translated, submitted to MOF in May, recommending basic change in staffing pattern for mustofiat and woleswali revenue offices.
7. Improved revenue collection in Mustofiats of Kandahar, Helmand. Detailed info about provincial revenue problems and practices.	7. 1973-74 revenue collections (excl customs) increased 59% in Kandahar, 16% in Helmand, which Kandahar Revenue Director credited to project. Partial 1974-75 figures indicate significant additional increase.

Peripheral Project Effect on Tax Policy: Revenue Increases*

PAS Recommend	GOA Action	Benefit/Increase
1. Increase price of gasoline	Twice increase, total 40%	Afs 300 mil/year
2. Police help collect delinquent taxes	Tested in Helmand	Back taxes collected 6 mos exceeded previous year total
3. Disallow corporations to take fixed import tax amount as credit against business receipts tax	Adopted	Increase in business receipts revenues afs 40 mil-plus/year
4. Increase imputed profit of individual licensed merchants from 7% to 10%	Accepted	Afs 50 mil/year
5. Increase cinema tax	Tested at Kandahar Cinema	Increase from afs 47,000 to 350,000/year
	[illegible] nationally	Kabul cinemas increase est. afs [illegible] mil/year
	Implemented nationally	Kabul cinemas increase est. afs 9 mil/year
6. Double airport tax	Implemented	Unknown yet
7. Tax Red Crescent lottery proceeds	Accepted 30% tax	Unknown yet
8. Increase vehicle registration tax	Accepted	Afs 19 mil/year
9. Streamline road use tax (tolls)	Adopted	Two-year increase 70% or afs 8 mil
10. Increase land tax, use cadastral survey	Accepted [illegible]	Two-year increase 235% or afs 44 mil

* apart from those, e.g., income tax, inpproject workplan.

PAS Recommend	GOA Action	Benefit/Increase
11. Increase land tax, use cadastral survey	Old regime approved. Not effected before coup. No action since,	N/A
12. Reimposition of animal tax	Old regime approved. Not effected before coup. New instructions written, never accepted.	N/A
	Accepted, implemented 10 of 12	Two-year increase at least a$ 964 mil (US$ 1 / mil)