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Activity Signature Page

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Assignment Title: Assessment of Afghanistan Public Financial Management Roadmap and Final Evaluation of the Economic Growth and Governance Initiative

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Kabul, Afghanistan

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ACRONYMS AND INITIALISMS

ABADE  Assistance in Building Afghanistan by Developing Enterprise
ACAA  Afghanistan Civil Aviation Authority
ACCA  Association of Chartered Certified Accountants
ACCI  Afghanistan Chamber of Commerce and Industries
ACMA  Associate Chartered Management Accountant
ACSS  Afghanistan Civil Service Support Program
ADB  Asian Development Bank
ADB  Asian Development Bank
ADS  Automated Directives System
AERDP  Afghan Rural Enterprise Development Program
AFMIS  Afghanistan Financial Management Information System
AFS  Afghanis (currency)
AIRD  Afghanistan Institute of Rural Development
AISA  Afghanistan Investment Support Agency
AITA  Afghanistan Interim Transitional Authority
ANDS  Afghanistan National Development Strategy
ANP  Afghanistan National Police
ANSF  Afghanistan National Security Forces
APAP  Afghanistan Parliamentary Assistance Project
APFMP  Afghanistan Public Financial Management Project
APPF  Afghanistan Private Protection Force
ARD  Afghanistan Revenue Department
ARDPS  Afghanistan Reconstruction and Development Services
AREDP  Afghanistan Rural Enterprise Development Program
ARTF  Afghanistan Reconstruction Trust Fund
ASI  Adam Smith International
ATA  Afghanistan Transition Authority
ATAR  Afghanistan Trade and Revenue Project
AusAID  Australian Agency for International Development
BC  Budget Circular
BPETS  Budget Planning and Expenditure Tracking System
CAO  Control and Audit Office
CARD-F  Comprehensive Agriculture and Rural Development Facility
CBCM  Capacity Building Change Management Program (USAID)
CBRP  Capacity Building for Results Program (ARTF)
CCN  Cooperating Country National (see NTA)
CDC  Community Development Council
CDP  Capacity Development Program
CERP  Commanders Emergency Response Program
CIDA  Canadian International Development Agency
COSO  Committee of Sponsoring Organizations
CSC  Civil Service Commission
CTAP  Civilian Technical Assistance Program
CY  Calendar Year
DAB  Da Afghanistan Bank
DAD  Donor Assistance Database
DAFA3  Development Assistance for Afghanistan 3 (AusAID)
DAIL  Directorate of Agriculture, Irrigation, and Livestock
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>DANIDA</td>
<td>Danish International Development Agency</td>
</tr>
<tr>
<td>DEC</td>
<td>Development Experience Clearinghouse</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>DFPEA</td>
<td>Department of Fiscal Policy and Economic Analysis</td>
</tr>
<tr>
<td>DFR</td>
<td>Donor Financial Review</td>
</tr>
<tr>
<td>DG</td>
<td>Director General</td>
</tr>
<tr>
<td>DM</td>
<td>Deputy Minister</td>
</tr>
<tr>
<td>DoE</td>
<td>Directorate of Education</td>
</tr>
<tr>
<td>DPH</td>
<td>Directorate of Public Health</td>
</tr>
<tr>
<td>DPRK</td>
<td>Democratic People’s Republic of Korea</td>
</tr>
<tr>
<td>DRRD</td>
<td>Directorate of Rural Rehabilitation and Development</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EGGI</td>
<td>Economic Growth and Governance Initiative</td>
</tr>
<tr>
<td>EMIS</td>
<td>Education Management Information System</td>
</tr>
<tr>
<td>EQUIP</td>
<td>Education Quality Improvement Program (ARTF)</td>
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<tr>
<td>FAIDA</td>
<td>Financial Access for Investing in the Development of Afghanistan</td>
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<tr>
<td>FAR</td>
<td>Federal Acquisition Regulation</td>
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<tr>
<td>FPU</td>
<td>Fiscal Policy Unit</td>
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<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<tr>
<td>GCRC</td>
<td>Grant Coordination Reporting Cell</td>
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<tr>
<td>GIRQA</td>
<td>Government of the Islamic Republic of Afghanistan</td>
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<tr>
<td>GIZ</td>
<td>Gesellschaft für Internationale Zusammenarbeits</td>
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<td>GMU</td>
<td>Grant Management Unit</td>
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<tr>
<td>IA</td>
<td>International Advisor</td>
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<tr>
<td>IARCSC</td>
<td>Independent Administrative Reform and Civil Service Commission</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
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<tr>
<td>IDB</td>
<td>Islamic Development Bank</td>
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<tr>
<td>IDLG</td>
<td>Independent Directorate for Local Government</td>
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<tr>
<td>IJC</td>
<td>ISAF Joint Command</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>ISAF</td>
<td>International Security Assistance Force</td>
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<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>IICA</td>
<td>Japanese International Cooperative Agency</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<td>KWP</td>
<td>Key Work Product</td>
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<td>KTD</td>
<td>Kabul Traffic Department</td>
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<td>LD</td>
<td>Line Directorate</td>
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<td>LM</td>
<td>Line Ministry</td>
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<td>LTO</td>
<td>Large Taxpayer Office</td>
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<td>MAIL</td>
<td>Ministry of Agriculture, Irrigation, and Livestock</td>
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<td>MBAW</td>
<td>Making Budget and Aid Work (UNDP)</td>
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<td>MCP</td>
<td>Management Capacity Building</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MIDAS</td>
<td>Mining Investment and Development for Afghan Sustainability</td>
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<tr>
<td>MoCIT</td>
<td>Ministry of Communication and Information Technology</td>
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<tr>
<td>MoE</td>
<td>Ministry of Education</td>
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<tr>
<td>MoEc</td>
<td>Ministry of Economy</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MoFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>MoI</td>
<td>Ministry of Interior</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>MoPH</td>
<td>Ministry of Public Health</td>
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<tr>
<td>MoPW</td>
<td>Ministry of Public Works</td>
</tr>
<tr>
<td>MoTCA</td>
<td>Ministry of Transportation and Civil Aviation</td>
</tr>
<tr>
<td>MoUDA</td>
<td>Ministry of Urban Development Affairs</td>
</tr>
<tr>
<td>MoWA</td>
<td>Ministry of Women’s Affairs</td>
</tr>
<tr>
<td>MRRD</td>
<td>Ministry of Rural Rehabilitation and Development</td>
</tr>
<tr>
<td>MTBF</td>
<td>Medium Term Budget Framework</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>MTFF</td>
<td>Medium Term Fiscal Framework</td>
</tr>
<tr>
<td>MTO</td>
<td>Medium Taxpayer Office</td>
</tr>
<tr>
<td>NABDP</td>
<td>National Area Based Development Program</td>
</tr>
<tr>
<td>NESP</td>
<td>National Education Strategic Plan</td>
</tr>
<tr>
<td>NIARU</td>
<td>National and International Advisors Recruitment Unit</td>
</tr>
<tr>
<td>NPP</td>
<td>National Priority Program</td>
</tr>
<tr>
<td>NRAP</td>
<td>National Rural Access Program</td>
</tr>
<tr>
<td>NSP</td>
<td>National Solidarity Program</td>
</tr>
<tr>
<td>NTA</td>
<td>National Technical Advisor (CCN)</td>
</tr>
<tr>
<td>NTR</td>
<td>Non-Tax Revenue</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>Operations and Maintenance</td>
</tr>
<tr>
<td>OBI</td>
<td>Open Budget Index</td>
</tr>
<tr>
<td>OCBM</td>
<td>Organizational Capacity Building Model</td>
</tr>
<tr>
<td>ODG</td>
<td>Office of Democracy and Governance (USAID)</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OEGI</td>
<td>Office of Economic Growth and Infrastructure (USAID)</td>
</tr>
<tr>
<td>OFM</td>
<td>Office of Financial Management (USAID)</td>
</tr>
<tr>
<td>OFPP</td>
<td>Office of Federal Procurement Policy</td>
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<td>OPPD</td>
<td>Office of Program and Project Development (USAID)</td>
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<td>OTA</td>
<td>Office of Technical Assistance (U.S. Treasury)</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>Pay &amp; Grading Reform</td>
</tr>
<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
</tr>
<tr>
<td>PFEMG</td>
<td>Public Financial and Expenditure Management Law</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PFMR</td>
<td>Public Financial Management Reform</td>
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<tr>
<td>PFP</td>
<td>Procurement and Financial Plans</td>
</tr>
<tr>
<td>PMIS</td>
<td>Procurement Management Information System</td>
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<tr>
<td>PMU</td>
<td>Project Management Unit</td>
</tr>
<tr>
<td>PPU</td>
<td>Procurement Policy Unit</td>
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<tr>
<td>PRT</td>
<td>Provincial Reconstruction Team</td>
</tr>
<tr>
<td>RDD</td>
<td>Rural Development Directorates</td>
</tr>
<tr>
<td>RIMU</td>
<td>Reform Implementation and Management Unit</td>
</tr>
<tr>
<td>RRD</td>
<td>Revenue Reconciliation Database</td>
</tr>
<tr>
<td>Ru-WaSIP</td>
<td>Rural Water Supply, Sanitation, Irrigation Program</td>
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<td>SAB</td>
<td>Strengthening Afghanistan’s Budget Project (DFID)</td>
</tr>
<tr>
<td>SBPS</td>
<td>State Budget Planning System</td>
</tr>
<tr>
<td>SCBM</td>
<td>Staged Capacity Building Model</td>
</tr>
<tr>
<td>SCU</td>
<td>Special Disbursement Unit</td>
</tr>
<tr>
<td>SIGTAS</td>
<td>Standard Integrated GI RoA Tax Administration System</td>
</tr>
<tr>
<td>SNGP</td>
<td>Subnational Governance Policy</td>
</tr>
</tbody>
</table>
SOW  Statement of Work
SPAD  Strengthening Provincial Administration and Delivery Program (DFID)
SPMS  Senior Provincial Management Specialist (CBCMP)
STO  Small Taxpayer Office
SY  Solar Year
TA  Technical Assistance
TAFA  Trade and Accession Facilitation for Afghanistan
TAP  Tax Administration Project (DFID)
TARP  Tax Administration Reform Project (DFID)
TMAF  Tokyo Mutual Accountability Framework
TVET  Technical and Vocational Training
UNDP  United Nation Development Program
USAID  United States Agency for International Development
USD  US dollar (currency)
USDA  United States Department of Agriculture
VAT  Value add tax
VPP  Verified Payroll Program
WB  World Bank
WIG  Women in Government
I. EXECUTIVE SUMMARY

The international conferences in London and Kabul early in 2010 established an understanding that donors would move from funding development projects directly through their own administrative bodies to on-budget assistance using Afghan systems. In return, at the Kabul Conference the Government of the Islamic Republic of Afghanistan (GIRoA) laid out its reform objectives to strengthen its public financial management (PFM) system, improve the capacity of the line ministries and their civil servants (tashkeel staff), and fight corruption.

Later in 2010, the U.S. Government re-focused its development assistance from making prioritization decisions and delivering services for Afghans to providing resources to the GIRoA, allowing them to take increased responsibility for key-decision making and program implementation. This shift was the civil side of planning for transition to full Afghan self-governance.¹ This represented the end of the civil-military counterinsurgency (COIN) strategy and a shift to transferring responsibility for security and civil governance to Afghan institutions.

As USAID’s flagship PFM program in Afghanistan, the Economic Growth and Governance Initiative (EGGI) project was originally intended to develop and implement economic and regulatory policy and improve the enabling environment for private sector growth. EGGI was later re-scoped to support the Ministry of Finance (MoF) in implementing the PFM Roadmap. As part of this re-scoping effort, EGGI assumed the program budgeting reform work stream from USAID’s Capacity Development Project (CDP), continued its work in fiscal policy, and supported the Provincial Budgeting Unit (PBU) in MoF. Although the project was recast as a ‘capacity building’ effort, neither USAID nor the project management team made the necessary changes to incorporate capacity building and change management methodologies into its project activities under Component 1 in Year 3 and Year 4. Under the original scope, EGGI provided classroom training and workshops to counterparts (whether tashkeel or donor-funded advisors) on implemented reforms. However, critical aspects of capacity building, such as transferring knowledge and skills and measuring performance improvements over time were not planned. This oversight proved to be a source of dissatisfaction with EGGI, as reported in the course of this the evaluation.

1. Methodology

During its two-month mission, the evaluation team met with multiple representatives from MoF, nine line ministries, traveled to seven provinces, and met with representatives from the Mustafyat (MoF’s provincial directorates) and line directorates. Apart from MoF, most of the

¹ Reference to MRN 10 Kabul 4017, dated 16 December 2010, subject: Refining Our Governance Orientation in Light of Transition: Strengthening Afghan Capacity to Spend Resources Effectively and Accountably through Existing Systems and Institutions, at Three Key Levels of Government
people we met were *tashkeel* staff. None were illiterate or technology averse, and they appeared motivated to improve their capacity to better serve their communities.

### 2. Assessment of the PFM Roadmap

Considering the baseline PFM capabilities the Interim Transition Administration (ITA) inherited in December 2001, it is fair to say that Afghanistan has shown an appetite for reform. In less than four years, the MoF had transformed the country’s PFM system from a manual, paper-based system to an automated integrated financial management reporting system. The World Bank\(^2\) presented a paper at the London Conference (2010) describing those advances, to include implementation of the Public Financial and Expenditure Management (PFEM) and Procurement Laws (2005 and 2008, as amended) and the Financial Regulations resulted in Afghanistan comparing favorably against other fragile and post-conflict countries on a number of public expenditure and financial accountability (PEFA) assessment factors. This strength was not based upon building the capacity of *tashkeel* staff, but the joint efforts of experienced international advisors working with educated (if often inexperienced) and extremely well-compensated national technical advisors (NTA) funded through the donors. The World Bank paper did not call out the Government’s dependency upon donor-funded project and grant management units (PMU, GMU, respectively) to plan, prioritize, and implement development programs and projects. The perception that *tashkeel* staff were illiterate, technology averse, and unmotivated (especially in the provinces) was not questioned, even though *tashkeel* staff in line ministries and their provincial directorates were responsible for administering the ordinary budget (e.g., salaries, operations and maintenance (O&M)), and even the discretionary portion of the development budget. In 2007, donors funded many capacity development projects, among them the United Nations Development Program’s (UNDP) Making Budgets and Aid Work (MBAW). Anecdotes shared with the evaluation team suggest that the original intention for NTAs to ‘advise and mentor’ *tashkeel* partners in performing their tasks shifted to doing the tasks for them to enable MoF to meet deadlines. While the evaluation team was unable to confirm this, it does explain how projects specifically designed to develop capacity evolved into projects that substituted capacity.

The PFM Roadmap laid out an ambitious plan of reform objectives, including: (1) strengthening the budget in driving key priority outcomes, (2) improving (development) budget execution, (3) increasing accountability and transparency, and (4) improving capacity in line ministries. Overall, GIRoA achieved many, if not most, of the reforms identified in the Roadmap. It served to energize the PFM reform progress, especially in line ministries and their provincial directorates (individuals to whom the evaluation team spoke were often unaware of the PFM Roadmap). Key achievements included: adopting a medium-term fiscal framework to extend the horizon of the budget process past one year; linking the long-term sustainment needs of development projects through the introduction of program budgeting;

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taking the first steps to incorporate provincial inputs into the national planning, prioritization, and budgeting process; and increasing domestic tax revenues.³

3. EGGI Final Evaluation

EGGI’s contribution to these achievements was mixed, but mostly positive. Direct attribution is difficult due to the number of other donors and their implementers supporting the same reform areas in the same ministries, and even the same bodies. EGGI’s work in the line ministries in implementing the simplified form of program budgeting successfully transferred capacity to line ministry departments. The 1393 and 1394 budget requests were forwarded to MoF without EGGI support. EGGI’s support to the Provincial Budget Unit (PBU) in its consultation and coordination outreach initiative to provincial directorates was instrumental in re-establishing the connection between center and province. To improve outreach, EGGI set up five regional hubs for follow-up technical assistance and mentoring to provincial directorates. EGGI assistance contributed to increased tax administration capacity in the provinces. The Women in Government (WIG) work stream was instrumental in encouraging young women to consider the civil service as a career. Overall, EGGI’s successes depended on the willingness and ability of their international and national advisors to negotiate with other implementers working in a shared space, despite an environment that was not always conducive to cooperation. A lesson learned from EGGI’s experience is that donor coordination does not always translate into implementer cooperation.

4. Baseline Tashkeel Assessment

The evaluation team looked at the extent to which ministries or bodies within the ministries are dependent upon NTAs rather than tashkeel staff to perform core government functions. This dependency ratio⁴ is an indicative measure, intended to target areas for further consideration. Within MoF, the dependency ratios for the General Directorates of Treasury and Revenue are 12 percent and 15 percent, respectively. In comparison, the General Directorate of Budget has a dependency ratio of 125 percent. Upon further examination, the evaluation learned that 57 MBAW NTAs do not have a tashkeel counterpart. There appears to be a direct correlation between donor-funded programs or donor interest in a line ministry and its dependency ratio. The Ministry of Economy (MoEc), responsible for monitoring the country’s progress on the Afghanistan National Development Strategy (ANDS) and the Afghanistan Reconstruction Development services (ARDS), has a dependency ratio of 4 percent. The Ministries of Public Health (MoPH) and Rural Reconstruction and Development (MRRD) have dependency ratios over 110 percent. The dependency ratio may prove useful in measuring progress of integrating development programs into a ministry’s core administrative functions.

³ The domestic revenue objective was added in the PFM Roadmap: Six Month Status Report.
⁴ The dependency ratio is calculated by dividing the number of national technical advisors plus national contract staff paid through the National Budget divided by the number of tashkeel staff, minus the ajeer.
5. Capacity Development

Training alone doesn’t equal capacity development, since focusing on individual knowledge, skills, and expertise does not guarantee that an organization’s performance will improve. Only by building up the supporting institutional architecture and enabling environment is service delivery sustained over time. This Capacity development approaches used to good effect in Afghanistan shared an approach adapted from the staged capacity building model and its institutional corollary, the organizational capacity building model, and the Training Assessment Model (TAM). USAID’s CDP, Trade and Facilitation for Afghanistan (TAFA) in the Customs Department, and the Capacity Building Change Management (CBDM) Project in MAIL are examples of capacity building projects that incorporated one or both of these models.

6. Conclusions

In looking ahead to the follow-on PFM Roadmap II and further refinements to the Tokyo Mutual Accountability Framework (TMAF), the evaluation team found that USAID assistance is desired not only in MoF and the line ministries in Kabul, but also in large and small provinces. One sign of EGGI’s impact on PFM at the national and subnational level is that people can better describe the ‘what’ of their capacity constraints: access to more focused training, proper tools, improved working conditions, and mentors. The “how” of solving those problems is the area where they look to USAID’s assistance and the implementer’s guidance and support.
II. INTRODUCTION

1. Background

Successful transition from off- to on-budget assistance depends on building the institutional, process, and human resource capacity of the Government of the Islamic Republic of Afghanistan (GIRoA) to effectively and efficiently administer public fiscal resources in a transparent and accountable manner. The credibility of GIRoA as a trusted partner of the Afghan people and the international donor community rests upon the ability of the Ministry of Finance (MoF) to act as a responsible fiduciary manager to manage, control, and report on the use of funds completely, accurately, and in a timely manner. Related to this is the ability of line ministries and their provincial line directorates to plan for the resources needed, prepare realistic budget submissions, manage budgeted resources, and report on the impact of public services delivered.

The Paris Declaration Principles on Aid Effectiveness outlines a need for demand driven capacity development, country ownership and leadership in the capacity development process, donor alignment with national strategies and development priorities, and coordination and joint actions on capacity development.5 Operationalizing these principles into a technical intervention is difficult.

Afghanistan’s progress in moving toward de facto sovereignty6 has been monitored by the international community through a series of international conferences, starting with the conference that resulted in the Bonn Agreement (December 2001). This document laid out the provisional arrangements to form a permanent government in Afghanistan. Prior to this, there had been no internationally-recognized government in Afghanistan since 1979. The Afghan Interim Authority was replaced six months later with the Afghan Transitional Authority, which was replaced in December 2004 with the Government of the Islamic Republic of Afghanistan. At the London Conference (2006), the international community agreed upon a framework for international cooperation, which was embodied in the Afghanistan Compact. Building upon this document and the Millennium Development Goals

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6 For a discussion of the difference between de jure and de facto sovereignty in the development context, please refer to page 21 of Fixing Failed States A Framework for Re-Building a Fractured World, by Dr. Ashraf Ghani and Claire Lockhart, 2008.
(MDG), the Afghanistan National Development Strategy (ANDS) laid out a five year strategy (2008-2013) for security, governance, economic growth, and poverty reduction. ANDS effectively served as a roadmap for transition to stability, self-sustaining growth, and human development. The London Conference (January 2010) ushered in a new phase of transition, emphasizing donor priorities of security, enhanced subnational governance, and anti-corruption. The donors agreed to improve alignment of their off-budget development spending with Afghan priorities and to route 50 percent of their assistance through Afghan systems. In return, Kabul agreed to take actions to improve PFM performance, especially in fighting corruption. In July 2010, at the Kabul Conference, GIRoA presented its PFM Roadmap. This document laid out its reform objectives, as well as an action plan for implementation. However, neither the London nor Kabul Conferences addressed the important issue of accountability. At the Tokyo Conference (2012), the donors pledged funding support for Afghan sustainment and development in return for GIRoA’s demonstrated progress on key reform indicators. This agreement formed the Tokyo Mutual Accountability Framework (TMAF). Both the PFM Roadmap and TMAF are a process of discovery through focused discussions on political, economic, and fiscal reforms between the donor community and GIRoA on progress and support needed.

2. Evaluation Purpose

USAID commissioned this evaluation in order to: (1) assess progress made in achieving the reform objectives of the PFM Roadmap, (2) evaluate the EGGI project’s contribution to that progress, and (3) identify capacity gaps in transitioning responsibility for performing core government functions to GIRoA structures and civil service (collectively, tashkeel). The report describes the evaluation teams’ findings, conclusions, and recommendations for follow-on technical assistance. The focus remains on pragmatic technical interventions for core government functions and on building the capacity of policy, institutions, processes, and tashkeel to perform those functions at an acceptable level.

3. Guiding Questions

For this assessment, the team was asked to respond to the following guidance:

1. Assess current USAID assistance to the GIRoA vis-à-vis their requested on-budget/off-budget donor assistance to implement the PFM Road Map, and recommend innovative programmatic approaches to facilitate more efficient, noticeable, and effective results that maintain measurable and sustainable outcomes.

2. Determine the status of GIRoA’s current institutional and tashkeel PFM capacity, in order to inform new project design.

3. Use USG policy and Afghan goals as a foundation for recommendations to USAID.

4. Assess what other donors and GIRoA are doing to advance other aspects of the PFM.

7 This section is paraphrased from the SOW. For the complete guidance please see the SOW, Annex 1.
Determine how donors can harmonize their off-budget and on-budget assistance for the PFM coordination implementation. In each case below, note any political or other factor that would pose serious obstacles and would need to be taken into consideration:

1. Assess the involvement of women in government.
2. Assess the current status of and major remaining policy, institutional and human resource capacity gaps characterizing the budgetary planning and execution framework and implementation system.
3. Assess the current status of and remaining gaps characterizing the revenue (tax) policy and administration framework and implementation system.
4. Assess the current status of and remaining gaps characterizing the treasury’s (inter-governmental) finance framework and implementation system in Afghanistan.
5. Assess the PFM capacity of key ministries.
6. Assess the dependency of GIRoA on donor-funded consultants to perform core functions, and provide recommendations on how USAID assistance could reduce this dependency.
7. Undertake a summarizing assessment of the current status of and projected foci of major donor programs in the fiscal governance area at the national and sub-national levels in Afghanistan.
8. Provide recommendations on the next steps for promoting compliance with core fiscal governance standards and systems in a manner which will facilitate compliance with GIRoA objectives to transfer an increasing share of donor funding to on-budget.

4. Methods and Limitations

The methodology chosen included both qualitative and quantitative data collection and analytic approaches. In addition to a number of Kabul-based meetings with MoF, selected line ministries, donors, and other stakeholders, the team traveled to seven provinces. Meetings with representatives from Mustafyats and line directorates and with provincial stakeholders provided valuable insight into their capabilities and their challenges. Not only did the provincial meetings allow the team to ‘ground truth’ findings from readings and discussions in Kabul, but they also provided additional credibility and depth to our discussions. Within the line ministries the team met with representatives from policy, budget, finance, and administration offices. This approach led to a richer insight into the nature of linkages between MoF and line ministries, within line ministries, and between line ministries and their provincial directorates.

One of the limitations the team faced was the availability of GIRoA officials. The field work was conducted...
over a period including the Eid-al-Fitr holiday, the announcing of election results, and the last weeks of the FY1394 budget preparation and the last quarter of FY1393. This was an exceptionally busy time. Furthermore, meeting some key individuals required an introductory letter from USAID, after many requests to meet were not honored. Rather than developing standard interview schedules, the team elected to use a general interview guide covering specific areas of interest. This ensured key areas of information were collected, while allowing for adaptability to the experiences of the respondent and opportunities to probe for additional detail. In the provinces, the team had to take into consideration the influence of the provincial governor, mustafy, or even a provincial line director. Discussions with international stakeholders were open-ended, and were intended to obtain information on their thoughts, observations, and opinions on the GIRoA’s progress in implementing the reform objectives of the PFM Roadmap, the contributions of the EGGI project, and their current or proposed technical assistance programs. The interview instruments are available in Annex V.

The evaluation team contained both international and Afghan members. One indicator of the dependency upon NTAs is the preferred language. Dari (or Pashto) is the preferred language of the tashkeel. As the evaluation team moved from ministries with a significant donor presence to others, the ability of interviewees to work in English quickly diminished. Many of the capacity development plans and other documents available from the human resources departments were available only in Dari. Extant documentation was extremely valuable. In addition to the documents USAID made available, the team obtained documents from GIRoA sources (e.g., websites, line ministries, and provincial directorates), donors and their implementers, among other sources listed in Annex III. Another valuable source of information was the personal recollections of international and national advisors who worked on the EGGI project or with EGGI advisors.

5. Capacity Analytical Framework

In analyzing capacity, the evaluation team focused on whether an organization (line ministry, directorate, or unit) could perform its defined functions to an acceptable standard, deliver quality services, and provide the enabling environment in which staff can perform their requisite tasks. This organizational approach is a departure from the more typical focus on individual capacity, usually built through training and education. The functional performance requirements of the organization can then be broken down into competencies around which suitable training and development activities for individual staff can be designed and implemented. The foundation for organizational performance is the enabling institutional architecture of policies and procedures, standard forms or templates, lines of authority and communication, etc., as well as the technical skills and expertise of human resources. Performance may be more closely associated with an individual employee; however, functional performance can only be sustained through this organizational enabling

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8 A mustafyat is the provincial directorate of the Ministry of Finance; the mustafy heads the mustafyat.
environment. The most highly-trained staff cannot perform at an acceptable standard without performance standards, guidance, appropriate tools and equipment, and even walls (Figure 2).

a. **Staged Capacity Building Model**

The logical progression of this more comprehensive capacity building approach is an adaptation of the Staged Capacity Building Model (SCBM) and Organizational Capacity Building Model (OCBM),⁹ and is the basis of transition of the European Union (EU)-funded agricultural project from off-budget to on-budget programs.¹⁰ A capacity assessment based upon this approach assesses the organizational capacity to sustain performance, identifies the functional competencies to enable performance, and determines key technical competencies to measure performance. This is followed by a training assessment to identify the individual competencies of the employees. The focus of both the SCBM and OCBM is to move from a state of total dependence upon advisors to a mature, independently-functioning state. This approach has been used effectively in Afghanistan, notably in the Treasury Department in MoF and in Ministry of Agriculture, Irrigation, and Livestock’s Directorate of Finance and Administration.

b. **Core Governmental Functions**

This report focuses on the extent to which the institutional, organizational, and individual capacities enable tashkeel staff to perform core (or inherently) governmental functions at an acceptable level. For the purposes of this report, the definition of core governmental functions generally follows the guidance provided by the U.S. Office of Federal Procurement Policy (OFPP) and Subpart 7.5 of the U.S. Federal Acquisition Regulations (FAR). Simply stated, any decision affecting the use of public funds—strategy, prioritization, budgeting, expenditure—is a core governmental function, such as:

- determining content and application of policies and regulations;
- determining budget policy, guidance, and strategy;
- determining program priorities or budget requests;
- collecting, controlling, and disbursing fees, royalties, duties, fines, taxes, and other public funds; and
- controlling treasury accounts.

In GIRoA, this can best be determined by identifying departmental or unit functions on the approved ministerial organogram and approved tashkeel. There may be other functions supported, and sometimes initiated, by donors that would not be sustainable without continued donor support. Unless a ministry includes a function in their tashkeel and finances it through their national budget allocations (especially long-term recurrent costs, such as pensions), the function cannot be considered a core function. Included in a functional capacity

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assessment is a related exercise to “right size” the tashkeel to sustain core government functions that will, over time, transition from off-budget funded national technical advisors (NTA)\textsuperscript{11} to tashkeel staff.

Section V looks more specifically at the baseline capacity of MoF and targeted line ministries, as measured by their dependency upon NTAs. Section VI provides an overview of capacity building projects in Afghanistan.

c. Capacity as a Risk Factor

Dependency on donor-funded NTAs combined with the pressure to transition donor development projects from ‘off budget’ to ‘on-budget’ financing produces a level of uncertainty for GIRoA and risk for the donor community. Much depends on the extent to which the MoF has, or is willing to develop, the institutional and human capacity to act as the fiduciary manager of public monies, whether from domestic collections or donor grants. This applies equally to the line ministries and their provincial directorates in their responsibility to collect non-tax revenue or expend public funds. Table 1 illustrates different levels of risk associated with dependency on donor-funded consultants to carry out different types of functions. The table also indicates mitigation responses for each scenario.

Table 1: Dependency Risk Matrix

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitigation</td>
<td>• Core government functions</td>
<td>• Core government functions</td>
<td>• Core government functions</td>
</tr>
<tr>
<td>Response</td>
<td>• Institutional architecture in place</td>
<td>• Institutional architecture in place</td>
<td>• No institutional architecture in place</td>
</tr>
<tr>
<td></td>
<td>• Tashkeel positions exist</td>
<td>• Tashkeel positions exist</td>
<td>• No tashkeel positions exist nor commitment from GIRoA to absorb the functions within existing tashkeel</td>
</tr>
<tr>
<td></td>
<td>• Staff has key knowledge, skills, and motivation to satisfactorily perform functions independently of NTA</td>
<td>• Staff lacks some key knowledge, skills, and motivation to perform functions and depends upon an NTA</td>
<td>• NTAs perform all functions</td>
</tr>
<tr>
<td>Mitigation</td>
<td>Monitor performance</td>
<td>Mitigation Response: Capacity assessment, training assessment, training plan, transition plan, measure skill transference, and monitor performance</td>
<td>Mitigation Response: Determine if function is core government, institutional capacity assessment, capacity assessment, training assessment, training plan, placement of NTAs, and exit strategy</td>
</tr>
</tbody>
</table>

\textsuperscript{11} The Mid-Term Evaluation of EGGI used the term Cooperating Country National (CCN). In this report, NTAs and CCNs are synonymous.
The baseline assessment of *tashkeel* staff in MoF, the nine targeted line ministries, and two of the seven provinces visited considered the extent to which GIRoA is dependent upon international advisors or NTAs to perform core governmental functions as a risk factor. Calculating a dependency ratio as a percentage of NTA to *tashkeel* staff provides an indicative measure of the risk that GIRoA will not be ready to exercise decisions over its fiscal resources, provide management controls over revenue and expenditure to assure sufficient oversight, or reduce the opportunity for fraud and corruption.

III. ASSESSMENT OF PROGRESS ON THE AFGHANISTAN PUBLIC FINANCIAL MANAGEMENT ROADMAP

1. Background

Following the donor commitment expressed at the London Conference (January 2010), MoF prepared its reform objectives to improve fiscal performance, and address other donor concerns on the political will to address corruption. The PFM Roadmap, presented at the 2010 Kabul Conference, laid out GIRoA’s intent to strengthen public financial management systems, reduce the risk of corruption, improve budget execution, develop a financing strategy for development, and improve the government’s capacity to deliver public services. A key cross-cutting theme of the Roadmap was to increase the capacity of line ministries to implement their programs effectively and efficiently, while minimizing GIRoA’s dependence upon donor-funded international advisors and NTAs. Related to line ministerial capacity was building the capabilities of their provincial directorates and strengthening the provincial role in planning and prioritizing development projects that were of national strategic importance. Donor technical assistance focus shifted to strengthening the institutional and organizational enabling environment (e.g., policies and procedures), and upgrading technical knowledge and skills of *tashkeel* staff. The PFM Action Plan\(^\text{12}\) identified specific activities, a timeframe to accomplish those objectives, and technical assistance providers.

The reform objectives of the PFM Roadmap leveraged the foundation of an ambitious, ongoing reform agenda that started in 2002 (Figure 1). In 2001, the Interim Transition Authority (ITA) found a disjointed legal and regulatory framework for PFM, which was based on the authority of four basic documents (which remained unchanged except for changes made by Presidential Decree) until June 2005.\(^\text{13}\) Before the passage of the Public Financial and Expenditure Management (PFEM) Law, GIRoA’s fiscal mechanisms were governed by the Budget Law (1983), the Accounting Manual (circa 1964), the Control and Audit Regulation (issued under the Budget Law in 1985), and Procurement Regulations (1987). During the period of the ITA and its successor, Afghanistan Transition Authority

\(^\text{12}\) The PFM Action Plan referenced in this report was prepared by Neil Fowler, ASI, in February 2012. It coincides with the timing of the PFM Roadmap: Six Month Report.

procurement was guided by donor procedures, the 1987 regulation, a Purchase Requisition decree adopted in 2001 under the Islamic Emirate of Afghanistan, and Rules and Regulations adopted after 1989 for the procurement of work. Within this context, the legacy capacity of the existing tashkeel was assumed to be at a sub-par level, given the modern control and reporting requirements of the donors. Substituting the immediate capacity of international and national technical advisors to manage and administer development projects was a reasonable response to a national emergency.

The PFEM Law (2005) and the Procurement Law (2008, as amended) required drafting a body of regulation, guidance, and procedures to provide the institutional framework for new lines of communication, management authorities, and processes that collectively define the knowledge, skills, and resource requirements necessary to perform those functions. There was no plan, or funding, for training the tens of thousands of existing tashkeel staff in the new requirements or the introduction of new technologies. Hiring inexperienced, if educated, NTAs resulted in performance problems, which the donors addressed through training and capacity development for NTAs, not for existing tashkeel staff. Over time, NTAs gained expertise in core government functions, and more responsibility for planning and prioritization accrued to the center. Tashkeel staff working in line ministries and their provincial directorates were effectively excluded from participating in fiscal decisions effecting planning, prioritization, and implementation of development projects.

Table 2: Strengths and Weaknesses Identified in the PFM Roadmap

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal framework</td>
<td>Capacity</td>
</tr>
<tr>
<td>Information and Management Systems (e.g., AFMIS, DAD, SBPS)</td>
<td>Incomplete Coverage of the National Budget</td>
</tr>
<tr>
<td>Annual Budgeting with a Medium-Term Fiscal Framework</td>
<td>Overly Optimistic Plans/Poor Short-Term Forecasts</td>
</tr>
<tr>
<td>Accounting and Financial Reporting</td>
<td>Coordination/Communication</td>
</tr>
<tr>
<td></td>
<td>Provinces</td>
</tr>
</tbody>
</table>

The PFM Roadmap turned attention to the gap between the functional requirements of a modern legal framework and the performance capabilities of the workforce. The disrepair and destruction of Afghanistan’s physical infrastructure is well-documented. The evaluation team saw this firsthand on their drive through Parwan to Panjshir province, where abandoned gasoline stations and roadside restaurants provided silent testimony to a more prosperous time. What is not as well-documented is the parallel devastation of the human infrastructure of Afghanistan’s civil service. Unfortunately, the focus on the lack of investment in training, access to emerging technologies, and changes in professional standards (e.g., accountability) has clouded recognition of the tashkeel’s role in maintaining any semblance of governance and service delivery in the decade between the retreat of the Soviet military and the fall of the Taliban-led government. The evaluation team also witnessed the significant gains on that same road: car washes, crowded markets, and satellite dishes on mud-brick businesses (Figure 7). Afghanistan’s tashkeel staff have shown equivalent progress in their
administrative capacity, which includes stronger technical knowledge, use of availability of technology, and confidence in their abilities to coordinate and communicate within GIRoA. Some of this progress was attained through the support of the military’s Provincial Reconstruction Teams (PRT) and governance advisors, and in many cases, as shared in discussions by paying for university education and professional development training out of their own pockets.

2. Key Themes for Strengthened Public Financial Management

The PFM Roadmap focused on three key thematic areas: strengthening the budget in driving effective delivery of key priority outcomes; improving budget execution; and increasing accountability and transparency. A fourth cross-cutting theme highlighted the need to improve the capacity of line ministries.

a. Strengthening the Budget in Driving Effective Delivery of Key Priority Outcomes

Under Theme 1, GIRoA intended to strengthen the medium-term fiscal framework (MTFF) to better forecast, plan, and prioritize expenditures and domestic revenues, improve management of donor funds, and implement a simplified form of program budgeting. Although not specifically included in the PFM Roadmap, increasing domestic revenue was added to the six month status report and to its action plan.

b. Aid Management

Improved aid coordination and management increased in importance to reduce the potential for overlapping support among the donors and GIRoA’s development spending. Key outcomes in this area were the publication of guidance by the MoF on improving the effectiveness of donor coordination. UNDP, the lead agency, improved the functionality of the Donor Assistance Database (DAD) (www.dadafghanistan.gov.af). EGGI did not provide support in this area.

c. Medium-Term Fiscal Strategy

The PFM Roadmap: Six Month Status Report (PFM Status Report) assigned a progress score of 89 percent to Component 1.B., Medium-Term Fiscal Strategy.

Some progress has been made in completing the Medium Term Fiscal Framework (MTFF) tasks listed under Component 1.B.4. Specifically, according to Fiscal Policy Unit (FPU) staff they: (1) received training on the Fiscal Analysis of Resource Industries (FARI) model, which allows governments to estimate their share of revenue from mining projects; (2) incorporated inputs from MTFF into Pre Budget Statements and Budget Statements, but only large mining operations (e.g., Aynak) were included; (3) developed a revenue forecasting model that also includes a sensitivity analysis framework for domestic revenue projections, which (excluding mining) are fed into the MTFF; and (4) developed a fiscal framework (updated annually) for how to move toward fiscal sustainability. The FPU received donor assistance, but EGGI provided limited assistance to the FPU. (Refer to the EGGI Evaluations section of this report for additional information on assistance EGGI provided to the FPU.)
d. Increase Domestic Revenue

The PFM Roadmap states that “reforms will cover specific areas that are also important for overall better financial management but fall outside the scope of this paper; such as sustainable increases in and management of domestic revenue collection;…” The PFM Action Plan included Component 1.C, Increase Domestic Revenue, Mining Sector Transparency and Public Enterprise Reforms, which was not in the original PFM Roadmap. As EGGI tasks focused on increasing domestic revenues, this sub-component of 1.C will be the primary subject of this assessment. Because EGGI did not provide direct assistance in the areas of mining sector transparency and public enterprise reforms, these two sub-components are not assessed in this report.14

Figure 3: Former refugee village on the Panjshir River

3. Methodology

Our assessment of GIRoA’s progress in increasing domestic revenues is based on interviews conducted from September 8 through November 1, 2014 with representatives from donor organizations and GIRoA offices (central and provincial levels) and on reports issued by GIRoA and donor organizations. Information obtained while conducting the EGGI evaluation (see Section IV) was used extensively in our assessment; selected information will be repeated in this section. Our assessment also utilized quantitative data when available. Assessment methodology incorporated the critical issues and challenges of the PFM

14 EGGI is not listed as a TA Contributor for any tasks in either 1.C.2 Mining or 1.C.3 Public Enterprises sub-components in the PFM Action Plan. According to the PFM Status Report, in furtherance of one task under 1.C.2, an Extractive Industries Transparency Initiative (EITI) Secretariat was established. (The evaluation team visited the AEITI (Afghanistan Extractive Industries Transparency Initiative) located in the MoF.) A Mining Law has been drafted but has not yet been adopted.
Roadmap’s implementation, as well as assessment questions (Annex V), drawn from the SOW,\textsuperscript{15} which requested the following:

- An assessment of progress made on Component 1.C.1, which includes an assessment of assistance provided by USAID and by other donors to implement this sub-component;
- Identification of capacity gaps and obstacles that affect progress in completing Component 1.C.1; and
- Recommendations for future USAID assistance in revenue.

Issues concerning staff capacity development are the focus of Sections V and VI and will be addressed only briefly in this section.

4. Findings

In 2014 the Afghan parliament approved a budget totaling $7.5 billion, which was comprised of an operating budget of $4.9 billion and a development budget of $2.6 billion. As projected revenues for 2014 are $2.4 billion, Afghanistan’s 2014 budget deficit will exceed $5 billion, even if the revenue target is realized. The actual shortfall is considerably greater if off-budget expenses (including but not limited to security costs, estimated to be in excess of $5 billion) are considered.\textsuperscript{16} According to a 2012 joint World Bank/IMF analysis, fiscal sustainability in Afghanistan is projected to occur after 2032.

The objective of Component 1.C.1 was to increase domestic revenues to attain fiscal sustainability. The Government has been successful in increasing domestic revenues since 2010. See Table 3, which provides revenue data (in billion AFS) for the years 1389 to 1392 (or approximately 2010 to 2013).\textsuperscript{17}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
                      & 1389/2010 & 1390/2011 & 1391/2012\textsuperscript{18} & 1392/2013 \\
\hline
\textbf{IMF Target} & 77.7       & 97.4       & 87.97                          & 114.10       \\
\textbf{Actual (% of target)} & 80.4 (103\%) & 100 (103\%) & 81.39 (92\%) & 109 (96\%)  \\
\hline
\textbf{Domestic revenues as a % of GDP} & 11.3\% & 11.6\% & 10\% & 9.2\%          \\
\hline
\textbf{Domestic revenues as a % of operating expenditures} & 72\% & 67\% & 60\% & 55\%            \\
\hline
\end{tabular}
\caption{Revenue Collections 2010-2013}
\end{table}

Revenue data for the full current fiscal year (1393/2014) is not yet available, but many individuals interviewed indicated that revenues to date are below annual targets. For the current year, with the exception of Nangarhar, officials from mustafyats interviewed in Herat,

\textsuperscript{15} See pages 3 through 5 of the SOW.


\textsuperscript{17} Annual Performance Review Report on Strategic Plan for FY 1390, 91 and 92, available under Reports at www.mof.gov.af/en.

\textsuperscript{18} The figures for 1391 cover only nine months due to the Government's change in its fiscal year date.
Balkh, Bamyan, Badakhshan, and Panjshir stated that collections may not meet revenue targets this year, and that revenues collected may be lower than revenues collected in the previous year. Afghanistan Revenue Department (ARD) officials and revenue officials from line ministries interviewed expressed a similar outlook, with the exception of the Administration and Finance Director from the Afghanistan Civil Aviation Authority (ACCA), who mentioned that the ACAA had exceeded this year’s revenue target in only nine months. “Political uncertainties” were often cited for the decrease in revenues; these uncertainties were said to have precipitated a decrease in economic activity in Afghanistan. Moreover, the uncertainties were said to have created a vacuum in government, which taxpayers exploited. Whether the current year revenue shortfall is an aberration or portends future revenue shortfalls will be answered in time.

The PFM Status Report assigned a progress score of 100 percent to Component 1.C., Revenue and Customs, Mining, and Public Enterprises. The criteria applied to determine this score are not articulated in the report. Based on the evaluation team’s assessment, while progress has been made, it is debatable whether the key achievements listed in the report justify this score.

Increase in annual domestic revenues since 1389/2010 provides evidence that GIRoA has made progress in this PFM sub-component. Assistance provided by USAID and other donors has contributed to this progress. USAID, through the EGII project, provided assistance to the MoF and ARD from 2009 to the project's conclusion in 2013. EGII’s focus on tax administration rather than tax policy (due in part to competing donor assistance) did not diminish its contribution to PFM Roadmap tasks. The assistance that EGII provided in establishing provincial Large Taxpayer Offices (LTO) and Medium Taxpayer Offices (MTO), which included training staff, is one of the project’s most notable contributions. EGII also provided relevant assistance to the ARD’s Non-Tax Revenue (NTR) Directorate in developing and promoting non-tax revenue streams. EGII’s contribution to other tasks is more difficult to evaluate due to a lack of evidence, the abbreviated language used to describe certain tasks listed in the PFM action plan (e.g., “Tax policy and legal reform completed”), or both.

“Coordination means interference. Interference means disgrace.”
-- A tax official when asked the reason for a lack of coordination among government bodies

Other donors, most notably the Department for International Development (DFID) through its Tax Administration Project (TAP), provided training at ARD and in large provinces that contributed to progress made on tasks listed in this component of the PFM Action Plan.

19 A list of meetings is included in Annex IV. Mustafys stated that they have little or no input in establishing annual revenue targets for the province, nor are they able to estimate the province's revenue potential.
20 See page 3 of the PFM Status Report.
21 EGII contributed to non-tax revenue successes (e.g., imposition of a $20 security fee).
There was overlap of donor assistance provided in some areas, and not all donor activities were coordinated effectively. As stated in the recommendations that follow, future donor assistance needs to be harmonized effectively in order to maximize donor contributions to advance PFM Roadmap objectives.

While donor assistance was critical to the PFM Roadmap’s achievements, it would be remiss not to recognize GIRoA’s efforts in advancing specific PFM Roadmap tasks designed to increase domestic revenues. Production of the Tax Law, accompanying Tax Manual and numerous tax guides (which can be found on the ARD website, www.ard.gov.af), staff training at ARD and large mustafyats, adoption of improved reporting systems, and other reforms, are testament to GIRoA’s efforts to increase domestic revenues.

In summary, GIRoA has made meaningful progress in increasing domestic revenues since the inception of the PFM Roadmap. However, significant challenges lie ahead to not only sustain, but also increase, the level of domestic revenues required to achieve fiscal sustainability. The remainder of this section of the report identifies capacity gaps and impediments to reforms, and concludes by offering recommendations on possible forms of donor assistance.

a. Capacity Gaps and Other Impediments to Reform

Capacity gaps, as well as impediments to reform, threaten to reverse recent achievements and reforms and/or limit the implementation of future tasks built upon the PFM Roadmap. Issues concerning the number and adequacy of tashkeel staff are discussed in Section V of this report and are addressed only briefly here. The evaluation team found that revenue departments in most of the mustafyats visited had an appropriate number of tashkeel staff to perform required tax administration functions, and generally did not rely on NTAs or international advisors. In some mustafyats, a limited number (three or fewer) of additional tashkeel staff could be justified to perform public outreach and other functions. Alternatively, managers from some of the province’s district offices could be asked to perform these functions. The ARD and MoF FPU rely to a greater extent on NTAs and international advisors to assist tashkeel staff in performing tasks in some directorates and sub-directorates (e.g., NTR, LTO, and VAT). Capacity gaps and impediments are categorized below, according to four broad categories: tax revenues, non-tax revenues, taxpayer compliance, and corruption and security.

22 The Revenue Reconciliation Database (RRD) is used in 32 provinces to report revenues, while SIGTAS has been implemented in some of the larger mustafyats.


24 Two TAP advisors continue to provide assistance to revenue departments in selected larger mustafyats.
Tax Revenues

1. Tax Administration

The Afghanistan Revenue Department. ARD has been the beneficiary of assistance provided by multiple donors, including but not limited to USAID and DFID, which has improved its capacity to perform tax administration tasks such as assessments, audits, and collections. The capacity acquired appears to be sustainable, provided that most tashkeel staff who perform tax administration functions remain in the ARD. Capacity is not as developed in advanced tax areas, which have been the subject of some, but not as robust, donor assistance. For example, the ARD recognizes that it does not possess the level of knowledge required to audit certain industry sectors, such as the telecommunication sector. Also, the ARD has not yet developed or applied transfer pricing provisions to cover transactions between related companies. Last, the ARD is not proficient in drafting or negotiating bilateral tax conventions (tax treaties). To its credit, the ARD staff interviewed recognize current limitations in these and other tax areas and expressed a desire for training to improve their capacity. There are no significant impediments to developing greater capacity in these areas, provided funding and qualified trainers and staff are available. Possible training options are described under recommendations, below.

Mustafyats. Mustafyats in four large provinces (Herat, Balkh, Kandahar, and Nangarhar) received training in core tax administration subject areas (including taxpayer registration, audit, collection, and enforcement) from EGGI and TAP advisors. In addition, DFID continues to provide assistance through two NTAs assigned to each of these provinces. Based on interviews with the revenue department staff in three of the provinces visited, it appears that staff possess the skills and knowledge required to perform core tax administration functions, but lack the training needed to perform more advanced tax functions.

Unlike their counterparts in large provinces, mustafyats in smaller provinces have not been the beneficiary of donor largesse. The evaluation team was a rare but welcome sight in the smaller provinces visited (Bamyan, Badakhshan, and Panjshir). Tax staff were few (four in one mustafyat, plus managers in each district). In addition to the absence of extensive formal tax training, they lack basic equipment such as computers, printers, desks, Internet connection, vehicles, etc., and a steady supply of electricity needed to perform their tax tasks efficiently. Interestingly, in these provinces (and in one large province), taxes were assessed on small taxpayers based on the “old” method, which is not unlike a presumptive tax system where tax is determined based on prescribed factors (location, size of shop, goods or services provided, etc.) rather than on revenues. Assessments were conducted by a committee that visits each taxpayer every three years. The amount of tax assessed is based on application of

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25 Tax staff stated that revenues were considered when determining the tax assessment, but limited weight was accorded the revenue amounts provided by taxpayers.
the assessment factors and negotiations with the taxpayer. The tax assessment is increased in the intervening years by percentage increases established by MoF. The self-assessment method (where tax is determined based on revenues) provided in articles 74 and 75 of the Tax Code were not applied to small taxpayers in these provinces. The reason most often cited was the high level of illiteracy among taxpayers. Methods used to inform taxpayers that their taxes are due were equally interesting, and included radio, billboards, and announcements from an individual retained to bellow tax payment notices while walking down city streets. Not all mustafyats maintained an electronic database of taxpayers, even in an Excel file.

While it is tempting to conclude that there is a significant lack of tax capacity in the small provinces, depending on the criteria considered, the opposite conclusion may be more accurate. Without extensive tax training and with limited resources (including limited electricity and Internet access), the fact that mustafyat revenue staff are able to collect any taxes from individuals, many of whom are illiterate, is noteworthy, especially given the security obstacles described below.

In order to reduce non-essential costs, GIRoA should consider whether the revenues collected in each provincial district justify the expenses associated with retaining staff (often a manager and one or more additional staff) in a district. If not, staff in some districts can be eliminated and/or staff can be assigned to cover multiple districts.

2. Tax Policy

Progress has been made in increasing government tax policy capacity in some areas. For example, the FPU at MoF has, with donor assistance (and with very limited EGGI) assistance), increased its capacity to perform revenue forecasts and perform other quantitative tax analysis. However, there remains a lack of capacity and coordination among government offices with regard to tax policy design, analysis, and implementation. There appears to be limited interaction among different offices engaged in some form of tax policy, and the tax policy functions performed by the offices do not appear to be harmonized. The proposed Value Added Tax (VAT) is an appropriate example, as different offices in MoF and ARD have diametrically opposed views on the merits of implementing a VAT at this time and on the potential revenues it may generate.\(^{26}\)

While further training is needed to increase capacity in this area, of more importance is the functionality of the tax policy structure, which includes not only a delineation of duties to be performed by the different offices, but also agreement on the process used to analyze and advance tax policy reforms. Until an effective system is implemented, future tax policies are at risk of being fragmented and inconsistent, which may hinder efforts to generate increased domestic revenues.

3. Tax Dispute Resolution

\(^{26}\) Most senior tax officials interviewed oppose the implementation of a VAT at this time, arguing that it is: inappropriate tax policy and/or that the tax and Customs infrastructure is insufficient to implement a VAT effectively.
A critical component of any tax system is a mechanism to resolve tax disputes. Without a mechanism available to contest taxes before a knowledgeable and impartial body, the credibility of the entire tax system is compromised. GIRoA (with donor assistance) should be commended for designing a straightforward tax appeal procedure, which is described in Guide 11.27 While the tax dispute mechanism appears to provide a viable option to taxpayers who wish to contest their tax liability, to date it has been utilized only rarely by taxpayers. Business representatives interviewed have no confidence in the system, and view it as biased system that provides taxpayers with little chance of receiving an impartial decision in their favor.

Impediments to implementing an effective and efficient tax dispute mechanism are numerous and substantial: (1) perceived corruption at the administrative and judicial appeal stages; (2) lack of tax knowledge of staff in each of the appeal bodies, particularly judicial tribunals; (3) considerable time and expense needed to conduct an appeal; and (4) threat of retribution (e.g., increased audit activity) for initiating an appeal. In addition, there is a fundamental underlying issue: the public’s acceptance of a dispute mechanism established by statute rather than by custom.28 Despite these formidable obstacles, the importance of a functional tax dispute mechanism necessitates reform in this area in order to advance PFM Roadmap objectives.

d. Public Outreach

Perhaps the most significant capacity gap lies with the public, which, if tax official statements are true, possess little knowledge about their rights and responsibilities under the current tax system. The need for an effective public outreach program to inform the public was cited as a priority by senior tax officials, mustafys, and staff of large and small mustafyat revenue departments. Moreover, officials at all levels indicated that they lacked funding to initiate a comprehensive public outreach program. With donor assistance, public outreach has improved (e.g., the ARD’s website provides the Tax Law, Tax Manual, FAQ, and numerous guides, forms and instructions). To date, outreach efforts have not been successful in providing tax education applicable to many segments of the population, due in part to the level of illiteracy and lack of access to laws and explanatory materials. The primary obstacles are twofold: (1) lack of funding for a comprehensive public outreach program; and (2) limited capacity to design a public outreach program that reaches large sectors of the population. Some interesting media have been proposed to educate taxpayers who do not have access to, or are unable to read, brochures and other printed materials, and include staging tax education plays and providing tax information through mosques.

Non-Tax Revenues


Existing and proposed non-tax revenue streams offer significant revenue potential, but many of the same impediments described previously affect the collection of non-tax revenues. The NTR Directorate (comprised of 15 staff) in the ARD has the authority to review fee structures in all line ministries and independent organizations. The MoF must approve any changes of fees proposed by line ministries. Currently, the NTR is engaged in a comprehensive review of fees imposed by 16 line ministries and three independent directorates. According to the NTR, implementation its plan will increase non-tax revenues from 21 to 31 billion AFS annually.

Previously, EGGI assisted the NTR in examining potential revenue streams (e.g., airport security fees, overflight fees). Although the NTR currently receives donor assistance, staff expressed a desire to receive additional assistance to expand their capacity. In addition, assistance is also needed to close capacity gaps at line ministries, particularly those that are a significant source of non-tax revenues.

Taxpayer Compliance

According to business representatives, taxpayer compliance burdens (particularly with respect to audits) are excessive and impede economic development in Afghanistan. Many business owners interviewed by the evaluation team stated they are willing to pay taxes legally owed if GIRoA takes steps to reduce excessive taxpayer compliance burdens.

Corruption and Security

Two broad impediments limit collection of tax and non-tax domestic revenues: corruption and security. Corruption in Afghanistan has been the subject of numerous reports and will not be examined at length here. For the year 2013, Afghanistan is tied for last (175th, with North Korea and Somalia) in the Perceived Corruption Index issued by the Transparency International. Most of the information received by the evaluation team on this topic was anecdotal, and many of the individuals (from GIRoA and the private sector) interviewed mentioned that corruption is endemic in Afghanistan.

Although the exact extent of corruption in the tax system is indeterminable, the amount of tax revenues diverted from the treasury due to corruption can be presumed to be substantial. Efforts to reduce corruption by prosecuting and sanctioning offenders (from GIRoA and private sector), formalize non-official payments, improve transparency to identify corrupt practices, conduct corruption reporting campaigns, and other initiatives appear to have had limited effect on curbing corruption. Until GIRoA makes inroads in this area, corruption will remain as one of the most significant impediments to domestic revenue realization.

29 The proposed "Ring of Fiber" internet cable is one potential source of non-tax revenues. Fees from mineral extraction are often mentioned as a significant source of revenues but, based on infrastructure, security and other obstacles realization of significant revenues from this source may be many years away.
30 The NTR plan includes a number of recommendations, including proposals to restructure the NTR.
Another significant impediment to increasing domestic revenues is the lack of security. In many provinces, security concerns limit the ability of tax staff to pursue collections too ambitiously against some taxpayers. Staff in many mustafyats stated that security concerns sometime prevented them from collecting taxes owed, particularly in outlying districts. Adequate protection is rarely, if ever, provided to tax collectors who face very real security threats. There was no mention of any plan in existence to counter security threats.

**Recommendations**

As described above, there are multiple areas where donors could provide coordinated assistance to aid the GIRoA in increasing domestic revenues. Primary recommendations for donor assistance to accomplish PFM Roadmap Component 1.C.1 are summarized below.

**Tax Revenues**

1. **Tax Administration**

   **ARD Capacity.** Training in certain advanced tax areas (e.g., transfer pricing, treaty drafting) is needed for ARD staff, while training in core tax administration functions (e.g., assessment, audit, enforcement) is needed for new tax staff. If GIRoA provides counterparts with the requisite skill sets, USAID may wish to consider providing training on advanced tax topics (including tax treaty design, drafting, and negotiation), and assist GIRoA in training staff on core tax administration functions. While the ARD expressed a desire to establish and provide training through its own tax academy, it may be more efficient (and prove to be more sustainable) to establish a sharing arrangement with an existing educational institution. This would allow the ARD to use an existing structure for training rather than incur operating expenses needed to maintain its own structure. The educational institution may wish to invite tax staff to teach a tax course at the university, and university staff with subject matter expertise may be able to provide training to ARD staff. Donor assistance could be provided in the form of national or international advisors (as appropriate) and relevant training materials.

   **Mustafyat Tax Capacity.** Mustafyats in four large provinces (Herat, Balkh, Kandahar, and Nangarhar) received training in core tax administration subject areas. Tashkeel staff can now perform core tax administration functions, but would benefit from additional training. Unlike their counterparts in large provinces, mustafyats in smaller provinces have not received significant tax training from donors, and would benefit from training provided or funded by donors, preferably held in the province rather than in Kabul. Also, donor assistance could be used to organize and/or fund regional conferences for provincial revenue departments, allowing staff to compare tax practices, obstacles, and successes. Many of the mustafyats

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32 In addition to receiving bilateral technical assistance, the GIRoA may wish to build capacity in this area by sending staff to tax treaty training courses offered by the Organization for Economic Cooperation and Development (OECD).

33 Many individuals interviewed recommended that tax courses be included in university curriculum.

34 As an alternative, the ARD could enter into an arrangement to use existing training facilities maintained by the ACD or other GIRoA department or ministry.
need basic equipment (computer, printers) and stationery (paper, pens), as well as a reliable Internet connection, to improve their tax administration efficiency. While these items should be obtained through operating budgets, any equipment provided by donors would be welcome. In addition, many mustafyats lack a reliable source of electricity. Donor assistance (possibly through the purchase and installation of inexpensive solar panels) could be coupled with other forms of assistance provided to mustafyats.

2. Tax Policy

Tax policy analysis is a component of multiple PFM Roadmap tasks. Although DFID is providing assistance to the FPU, with proper donor coordination, additional donor assistance could be utilized to expand staff capacity at the FPU and other bodies that engage in tax policy functions.

3. Tax Dispute Resolution

Afghanistan's tax dispute resolution mechanism is in its infancy, and needs support from donors to gain traction with the public as a viable means to resolve tax disputes in a transparent and equitable manner. Assistance can include training dispute resolution staff, publishing tax judicial decisions, and promoting the tax dispute system.

4. Public Outreach.

Establishing an effective public outreach program is critical to increasing taxpayer awareness, which, if implemented effectively, should yield additional domestic tax revenues. When possible, business organizations (e.g., Afghanistan Investment Support Agency and Afghanistan Chamber of Commerce and Industries and donor funded projects, such as Assistance in Building Afghanistan by Developing Enterprise) could play a significant role in public outreach programs. Donor assistance can be offered to assist the GIRoA in designing a public outreach program (based on public outreach programs implemented in other countries) and provide funding for public outreach initiatives.

5. Taxpayer Compliance

According to business representatives, taxpayer compliance burdens are excessive and impede economic development in Afghanistan. Many business owners interviewed by the evaluation team stated that they are willing to pay taxes legally owed if GIRoA takes steps to reduce taxpayer compliance burdens. Donors could assist in efforts to establish a constructive dialogue between GIRoA and the business community (including cooperating on a public outreach program), which may create a more attractive business environment, raise taxpayer compliance, and ultimately result in greater tax revenues.

Non-Tax Revenues

35 Increased interaction between tax offices and the business community could yield greater tax administration efficiencies and reductions in taxpayer compliance burdens.

36 Implementation of effective tax e-filing and e-payment systems would be welcome by the business community, and may also reduce some forms of corruption.
Non-tax revenue streams offer significant revenue potential and should be considered as a possible area for donor assistance. The NTR currently receives donor assistance, but could utilize additional assistance in the form of training and expertise to complete its comprehensive review of fees charged by line ministries. In coordination with other donor projects, an advisor could be embedded at the NTR to provide technical assistance and to coordinate any assistance provided directly to line ministries.

Selected line ministries could also benefit from donor assistance to establish appropriate fees, streamline procedures, and implement processes to share information with other ministries. Equipment and other resources needed to collect additional non-tax revenues could be provided to line ministries, as needed. The reporting and collection system used by the ACAA appears to be effective in collecting revenues and is less susceptible to corruption, and should be examined to see if attributes of this system can be applied to any line ministries.

**Corruption and Security**

As mentioned previously, corruption has a substantial adverse effect on domestic revenue collection. Donor assistance can be utilized to design and implement an anti-corruption strategy focused on domestic tax and non-tax revenues. The strategy can be incorporated into, or piggyback on, existing anti-corruption initiatives implemented by the GIROA and other donors. Anti-corruption information should be communicated through the public outreach program described above.

Security is another impediment to tax revenue collection. Donor funding could be used to retain a tax collection advisor to assist the GIROA in identifying enforcement alternatives that would reduce or eliminate security risks now faced by many tax collectors.

### b. Program Budgeting

Under Theme 1, Program budgeting aims to shift the focus of the budgeting process from financial inputs to service output targets. In Afghanistan, the dual approach of formulating and executing the operational and development budgets led to problems not only in monitoring budget execution, but also in sustaining capital projects once completed. By integrating development and operating budget formulation and expenditures, MoF intended to forge a stronger link between the budget, fiscal resources, and program targets. When fully implemented, program budgeting will affect the formulation of the national budget, the budget presentation to Parliament and budget implementation, and will facilitate program reporting. For the PFM Roadmap, the reform objective was to implement a simplified version of program budgeting, where the line ministries would prepare and submit their budgets along programmatic lines. Even in its simplified form, this is not a trivial process, requiring a paradigm shift in how GIROA plans, prioritizes, budgets, and reports in terms of performance outputs rather than individualized projects. Most challenging was the requirement for line ministry policy departments to start thinking about performance and setting realistic targets. This was especially challenging in the areas of gender responsive budgeting and poverty reduction, which continues to this day.

From a staged capacity building model approach, the success of implementing program budgeting is a function of the extent to which line ministry policy departments can prepare
their BC2 forms according to MoF’s Budget Department requirements. These forms are part of the instructions issued under the budget circular detailing the timeline and documentation for submitting budget requests for the upcoming fiscal year.

GIROA met this reform objective. Since FY1390, line ministries have submitted their budgets in this format. Each year, the quality of submissions is improving, according to the Budget Department. The simplified approach envisioned in the PFM Roadmap is part of the institutional framework of line ministry policy and planning.

Technical assistance for this activity was performed by DFID’s Strengthening Afghanistan’s Budget (SAB) project and USAID’s Afghanistan Parliamentary Assistance Program (APAP) and EGGI projects.

a. Improve budget execution

Theme 2 included a wide variety of activities: provincial budgeting, procurement reform, improved cash management, strengthened payroll controls, etc. The objective was to increase development budget expenditure by 10-20 percent annually over the medium term. This would be accomplished through focused capacity development in planning and procurement practices at the line ministry and provincial levels.

a. Provincial Budgeting

Provincial budgeting, within the context of a unitary system of governance, has proven difficult for the international community to understand. A unitary system of governance is neither more nor less participatory or inclusive than a federal system, viz the unitary states of the United Kingdom, France, and the Democratic People’s Republic of Korea (DPRK). Even the federal political system of the United States has unitary elements; the fiscal relationship of federal agencies between their central and regional authorities is unitary, and most U.S. states are unitary. In Afghanistan, provincial budgeting focuses on strengthening the relationship of provincial directorates with their line ministries in planning, prioritization, and implementation of programs at the local level. Reestablishing this connection between the center and provinces (or periphery) is critical to establish the credibility of the new GIROA with the people, promote political stability, and improve security.

The PFM Roadmap Action Plan for provincial budgeting was ambitious, involving policy development, norms- (or formula-) based allocations, strengthened provincial planning through enhanced Provincial Development Plans, and capacity building, among other goals. These activities required close coordination with the Independent Directorate of Local Government (IDLG) to incorporate the control and accountability and transparency requirements of fiscal governance with the political objectives of the Subnational Governance Policy (SNGP).

Subnational Fiscal Policy Development: The MoF has recognized its ignorance of the different fiscal arrangements of subnational governance structures. Since 2010, representatives of MoF, IDLG, Parliament, and others have traveled to other countries, Islamic and secular, to learn how they manage intergovernmental fiscal relations. In 2014, a representative from the Provincial Budgeting Unit had the opportunity to attend the fiscal
decentralization course at the Duke Center for International Development in the Sanford School of Public Policy at Duke University.\textsuperscript{37} A more nuanced understanding of the challenges of fiscal decentralization is critical to developing a sustainable, and responsive, subnational fiscal policy in Afghanistan. The one drawback observed is the lack of participation by \textit{tashkeel} staff in these exposure visits and trainings of understanding intergovernmental fiscal policy and its arrangements.

The extent to which the subnational fiscal policy will address decentralization is of interest to the donor community, which views increased local authority over their budgetary resources as a desired end state in Afghanistan. The interpretation of decentralization varies widely depending upon context and perspective. A World Bank paper identified four approaches—political, administrative, fiscal, and market—to decentralization.\textsuperscript{38} Other, related terms (e.g., deconcentration, devolution) further confuse discussions. The key element to all terms is the locus of authority for powers assigned to different levels of government (constitution or law), and the process through which certain powers are transferred from central to subordinate levels. The distinguishing characteristic among the terms is the source of authority, the level of discretion conferred, and any upward or downward reporting requirements. Under a federal political governance system, the relative authorities of levels of government are typically defined in the constitution; in a unitary system, on law. Levels of administrative decentralization are deconcentration, delegation, and devolution.

GIROA already has a \textit{deconcentrated} government, where representatives of central ministries are located in provinces and districts. Such dispersion serves more to extend the command-and-control of the center than to enable local input. \textit{Delegation} is more typically the transfer of managerial responsibility for certain functions within or between other public bodies. In regard to fiscal delegation, Article 12 of the Financial Regulations provides the authority for central line ministries (or primary budget units) to delegate, in writing, fiscal authority. The Procurement Law (2009, as amended) provides certain award authorities to subnational actors. \textit{Devolution} transfers specific decision-making powers or governance responsibility for specific functions to subnational entities. In Afghanistan, devolution is viewed as contradictory to the unitary principles embodied in the Constitution.

\textit{Improved Communication between Center and Province:} MoF took the lead in facilitating consultations between key line ministries and their provincial directorates. This series of provincial consultation and coordination workshops took place in 18 provinces over the course of 2010-2011, and included intensive training in fundamental public finance topics. Given the level of investment in local development funded through the Commanders Emergency Response Program (CERP) and other military governance assistance, MoF reached out to United States Forces-Afghanistan (USFOR-A) and the International Security Assistance Force (ISAF) to improve development investment coordination and visibility in

\textsuperscript{37} http://dcid.sanford.duke.edu/
their projects. In 2011, USFOR-A issued guidance to local CERP managers to incorporate relevant GIRoA forms and procedures to the greatest extent possible. As an interim measure to improve access to Provincial Development Plans (PDP), the ISAF Joint Command hosted a public website where the Provincial Reconstruction Teams (PRT) and other authorized users could post these plans and other guidance. The PRTs provided an important link between center and province during transition.

Deployment of the Afghanistan Financial Management System (AFMIS) to Nuristan in spring of 2010 was the last link of a national financial reporting system in Afghanistan. This facilitated communication between Treasury and the provincial mustafyats. Before AFMIS, all communication regarding allotment releases and expenditure and revenue reporting was sent through the Afghan postal system and could take 15 days or longer; with AFMIS, the speed of communication was limited only by connectivity and bandwidth. Line ministries are starting to establish their own management information systems (MIS) with their line directorates to improve accountability and transparency in their internal management systems. The Ministry of Education (MoE) was the first, with its Education Management Information System (EMIS); the Ministry of Agriculture, Irrigation, and Livestock (MAIL), supported by the USAID-funded Capacity Building Change Management (CBCM) Program, has deployed its own internal MIS to the Directorate of Agriculture, Irrigation, and Livestock (DAIL). The Ministry of Rural Rehabilitation and Development (MRRD) has developed an Intranet for Kabul, and hopes to find funding to pilot its MIS to five provinces. The response from provincial representatives when asked about communication with their line ministry was universally positive. Although there was not universal access to the Internet, all were able to use the connectivity of another office in their directorate or, failing that, through the AFMIS connection.

**Strengthened Provincial Development Plans:** Provincial Development Committees (PDC) and Provincial Development Plans (PDP) were established by a cabinet memorandum in 2005 to support local coordination of on- and off-budget development investment. The Ministry of Economy (MoEc) published general instructions for the PDPs to be forwarded to MoEc and MoF as part of the budget calendar; however, there were no instructions to the line ministries on how the PDPs were to be incorporated into their long-term planning and project prioritization. Lacking feedback from the line ministries, the original PDPs submitted were essentially an unprioritized listing of projects, with little association to national programs or the ANDS. Their quality improved over time. IDLG developed a Provincial Strategic Plan with unclear policy guidance on how this document related to the PDP or to sectoral or national priorities. Another clouding factor is the trend, a consequence of the provincial budgeting pilot, of provincial directorates preparing BC1 and BC2 forms as part of their line ministry budget submissions. The functional framework defining the roles and responsibilities of provincial actors (Provincial Governors, Provincial Councils, PDCs, Provincial Administrative Authorities, civil society organizations, and their district equivalents) is part of an ongoing discussion.

Technical support in this area was provided by the Civilian Technical Assistance Program (CTAP), USAID, the U.S. Treasury’s Office of Technical Assistance, and UNDP.
Needs-Based Allocation: The basis for allocating fiscal resources across provinces is opaque. The World Bank has worked with Ministry of Economy (MoEc) to implement a norms-based allocation process. GIRoA remains committed to adopting a more rational, even equitable, approach to provincial allocations. Such an approach is data intensive in developing the allocation algorithms, not to mention politically sensitive.

Provincial Capacity Building: The legacy capacity of the provincial tashkeel was their understanding and application of the processes and procedures established under the reforms flowing from the adoption of the 1964 Constitution, the Soviet occupation, the Islamic Emirate, and emergency decrees of the interim administration. The effective legal framework for fiscal governance outside of Kabul was a welter of civil, customary, and Islamic law, with an overlay of provincially-focused technical assistance through the PRTs, donor-funded advisors to the Provincial Governors Offices, and other random technical assistance not tied to central fiscal reforms. Outside of the AFMIS deployment, reforms implemented from 2005 onward had not consistently reached the provincial directorates. This resulted in a significant capacity gap of outdated technical skills, lack of basic resources (e.g., forms, stationery), lack of communication with their relevant line ministry, and lack of funding to train the thousands of tashkeel staff on the fiscal reforms. Failure to harmonize the PFEM and Procurement laws with the Local Government Act (2000) created confusion concerning the prevailing authority over procurement and payments at the provincial level. This lack of accountability in terms of adherence to standard processes grounded in law and regulation, lack of transparency, and lack of credible information created an environment conducive to abuse of office and public trust.

The PFM Roadmap’s Action Plan called for an ambitious series of capacity building workshops and trainings in the provinces. This provincial-based training was a significant departure from the normal approach of bringing provincial officials to Kabul, and contributed to a better appreciation of the capabilities of tashkeel staff. The curricula included modules on budget allocation norms, budget execution at the provincial level, control and audit, costing, economic growth and development, planning, procurement law, program budgeting, project management, and provincial budgeting. This tashkeel-focused effort was complemented by an equally intensive information campaign with ISAF governance advisors, the regional commands, and PRTs.

Technical assistance supporting provincial budgeting was provided by CTAP, USAID, the U.S. Treasury’s OTA, and UNDP.

b. Procurement

Low rates of development budget execution are a concern, given that development budget execution is a proxy measure of the efficiency of service delivery. Also, delays in implementing projects affect service delivery and economic development. The MoF estimates
that for every 138,000 AFS spent, one new job is created.\textsuperscript{39} The reform objectives of the PFM Roadmap in procurement were to ensure that ministries had the institutional capacity to plan, design, and manage the procurement process, and to comply with the requirements of the revised legal framework. The Afghanistan Reconstruction and Development Services (ARDS) was established in 2003 as an emergency measure to provide procurement services for line ministries and other GIRoA bodies, which lacked professional procurement capacity.\textsuperscript{40} In June 2009, the MoF’s Procurement Policy Unit (PPU) published Procurement Circular 25, which provided guidance on the decentralization of procurement. Once line ministries were ‘certified,’ they were given the authority to procure goods and services without ARDS. Those ministries not certified would be targeted for additional training and capacity building.

Another reform area is the implementation of the Procurement Management Information System (PMIS) at the line ministries in Kabul. This has facilitated the procurement process through workflow management and improved monitoring and reporting. From meeting with the Director of the Procurement Policy Directorate, it is understood that there are plans to extend PMIS to the provinces, subject to the availability of funding.

Technical assistance was provided through the World Bank.

c. Performance Monitoring

Improving the efficiency and effectiveness of GIRoA’s expenditures is important to assure that public fiscal resources result in the desired policy outcomes. Efficiency measures fiscal performance, effectiveness, and program performance. With the introduction of program budgeting, all budget submissions were required to incorporate both financial and non-financial performance targets. Line ministries provide quarterly reports to the Cabinet, which can then be used to identify interventions to keep spending on-track. Related to this is the introduction of annual financial plans and monthly reports that are prepared by the line ministries and submitted to MoF to monitor their spending against plan.

Based on the team’s discussions with MoF and targeted line ministries, introduction of both performance and financial plans have been useful in focusing management attention to overall fiscal performance.

Technical assistance was provided by EGGI and DFID’s SAB.

d. Other Initiatives

Other initiatives included strengthening and streamlining overall budget execution procedures (e.g., cash flow management, salary distribution), payroll systems, verified payroll program (VPP), cash management, and debt management.

\textsuperscript{39} MoF, “Civil Society Workshop Report 2014”, www.budgetmof.gov.af
\textsuperscript{40} ARDS received its ISO 9001:2000 certification in November 2006, the first Afghan organization, private or public, to do so.
The progress achieved in these areas is not as clear-cut as in other reform activities. The VPP has enrolled over 80 percent of tashkeel staff, including the Afghanistan National Security Forces (ANSF), in the program. Through VPP, tashkeel staff receive their pay through direct deposit into a commercial bank account. The additional Know-Your-Customer rules of opening and maintaining an account in a commercial bank is another layer of protection against ‘ghost’ workers. A side benefit of the VPP is that it encourages commercial banks to establish a presence outside of Kabul and the major municipalities.

Although the Treasury Department has improved its cash management practices, primarily through establishing a Cash Management Committee, its abilities to forecast cash needs and cash availability remains weak. Another complicating factor in cash management reform is the relationship between the central bank, Da Afghanistan Bank (DAB), and the Treasury Department. Effective cash management techniques are a function of the timeliness of information sharing, and any lags in that sharing distorts the forecast. At present, the linkage between the Treasury Department and the Consolidated Fund at DAB is physical, where physical checks, signed by the Director General of Treasury, are hand carried to the DAB for manual processing. While there are other contributing factors, this is illustrative of the challenges in improving the timeliness and accuracy of cash management.

b. Increased Transparency and Accountability

The foundation of transparency and accountability is the ability of the GIRoA to make available accurate and timely information not only within the government but also to the public. This reform objective was to improve Afghanistan’s rating, as measured by International Budget Partnership’s Open Budget Index (OBI), to 30 percent. This would be done by improving communication across GIRoA bodies, as well as with civil society organizations (CSO), improving resources for both internal and external audit, and increasing the use of financial reporting through AFMIS.

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41www.internationalbudet.org. The Open Budget Index assigns countries covered by the Survey a transparency score on a 100-point scale using 95 questions from the 125 questions on the Survey. These questions focus specifically on whether the GIRoA provides the public with timely access to comprehensive information contained in eight key budget documents. The Open Budget Index measures the overall commitment of countries to transparency and allows for comparisons among countries.
In terms of its OBI score, Afghanistan has surpassed its goal of 30. From no rating in 2006 and a score of 8 in 2008 (between Yemen and the Kyrgyz Republic), its score moved from 21 in 2010 (between Yemen and Nigeria) to a score of 59 in 2012, just below Italy and Poland.

a. Communications

The activities listed under the PFM Roadmap’s Action Plan focused on improving communications within GIRoA bodies and with CSOs. In terms of citizen outreach, MoF holds workshops with CSOs and non-governmental organizations (NGOs) early in the budget formulation process to obtain their views and to explain priorities for the coming fiscal year. The Budget Department also publishes a ‘Citizens Budget’ in Dari, Pashto, and English. The document is available on the Budget Department’s website, but it remains unclear how it is made available to those without Internet access. While the MoF’s website may not be the most intuitive site to navigate, there is a wealth of information in terms of financial reports, budget and treasury circulars, and other guidance. Although Dari is generally considered the language of GIRoA, MoF has translated key documents into Pashto, as well as into English.

The use of AFMIS for improved budget and financial management was another major activity. The Treasury Department implemented an intensive training program for line ministry and mustafyat staff on topics that include the chart of accounts (CoA), payments, vouchers, advances, and AFMIS reporting. An unintended consequence of AFMIS deployment to the provinces was the improved accessibility of allotment advices to provincial directorates. Normally, the line ministries would send a maqtoob (official document) informing their provincial directorates of their allotment or spending authority through the Afghan postal system. Delivery averaged 15 days. The Treasury Department now transmits these documents through its AFMIS connectivity. Provincial directors told the team that they now receive their allotment advices in 12 hours. As line ministries deploy their internal management information systems (MIS) to their provincial directorates, communication can only improve in other areas.

The donors supporting technical assistance included DFID through Adam Smith International consultants, USAID (EGGI), and U.S. Treasury’s OTA.

44 www.budgetmof.gov.af
45 www.mof.gov.af
b. *Internal Audit*

This activity focused on implementation of Article 61 of the PFEMIL. Progress on this activity was hampered by a lack of understanding of the differences between internal and external audits, and the role of MoF versus that of the Control and Audit Office (CAO). This remains an open area of concern for donors.

Technical assistance was provided by U.S. Treasury’s OTA and the World Bank. OTA discontinued its program in 2013.

c. *External Audit*

Areas of reform under external audit included establishing the legal framework for the independence of the CAO and improving the skills and professional qualifications of auditors (e.g., ACCA). This remains an open area of concern for the donor community.

The World Bank provided technical assistance in this area.

c. *Improve the capacity at line ministries*

The PFM Roadmap identified capacity development as a cross-cutting theme. The Action Plan had three activities: (1) Treasury capacity building; (2) control and audit capacity building; and (3) budgeting capacity building. In 2010, with the assistance of the German Federal Enterprise for International Cooperation (GIZ) and the World Bank, the Treasury Department performed a comprehensive capacity development assessment, based upon the staged capacity building methodology (SCBM), a training needs assessment, and a training plan.

The training program for control and audit capacity building is linked with Theme 3, above. The World Bank supported this activity.

Whereas program budgeting under Theme 1 was more focused on high-level policy at the MoF, under Theme 4 the focus shifted to developing the capacity of line ministries to prepare their budget submissions in this format. This activity particularly relates to EGGI’s support, which will be evaluated in Section IV. By 2014, the line ministries had developed sufficient capacity to prepare and submit their budget requests to MoF in the program format. Although there were problems with a small number of submissions, these were easily corrected in discussions between the line ministry and the Budget Department. The simplified implementation envisioned in the PFM Roadmap is part of the institutional structure of the budget preparation process. Technical assistance was provided through DFID and EGGI.

5. **Conclusion**

The PFM Roadmap itself was highly aspirational; the Action Plan, equally ambitious. That progress in achieving the reform objectives has been uneven is not surprising. This should not detract from the very real progress made and the benefits achieved. One of the critical weaknesses in the PFM Roadmap was a weak program governance structure. A stronger program governance structure would have improved communication and coordination across diverse stakeholders, provided stability for reform objectives, and enforced discipline in the reporting process.
In February 2014, the MoF announced a second round of reforms, PFM Roadmap II (PFMRII).46 A one-day workshop was held in mid-April. Discussions with stakeholders revealed little information beyond the GIRoA proposing a follow-on reform agenda.

IV. FINAL EVALUATION OF ECONOMIC GROWTH AND GOVERNANCE INITIATIVE PROJECT

1. Background

EGGI began operations in 2009 with an ambitious scope of assistance, including work in business development, banking, and public finance. In 2011, the project was reconfigured to focus on one component with seven work streams, all related to supporting core public fiscal and financial management reform objectives of the PFM Roadmap. The Mid-Term Evaluation of the Economic Growth and Governance Initiative (Mid-Term Report) was delivered in June 2012. This final evaluation takes the findings and recommendations of the Mid-Term Report as its baseline. The focus of this final report is on the extent to which EGGI’s efforts resulted in PFM reforms and institutional changes, thus contributing to a foundation for sustained improvements in the GIRoA’s ability to effectively and efficiently manage fiscal resources in a transparent and accountable manner.

The overarching objective of EGGI’s assistance to MoF was to support GIRoA’s implementation of the reform objectives of the PFM Roadmap. As noted in the Mid-Term Report, EGGI activities focused less on the ‘policy architecture’ of an emerging budget and taxation system than on the administrative or operational elements. While this may have reduced the U.S. Government’s impact on policy decisions at the senior level, the policy area of technical assistance was overcrowded with advisors funded through DFID’s SAB project and Tax Assistance Project (TAP), UNDP’s Making Budgets and Aid Work (MBAW), among others. A more narrowly-focused approach contributed to the institutionalization of key reform objectives across GIRoA, with the unintended consequence of contributing to the capacity development of Afghan civil servants. The seven work streams evaluated in this final evaluation are:

- Economic/Fiscal Policy Support,
- Revenue/Tax Policy Support,
- Provincial Tax Administration,
- Program Budgeting,
- Provincial Budgeting,
- Revenue Reconciliation Database, and
- Women in Government.

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2. Methodology

The methodology for evaluating each work stream consisted of qualitative analysis of data obtained from existing documents and interviews with key stakeholders. The evaluation team conducted a series of interviews from September 8, 2014 through November 1, 2014 with representatives of:

- Donor partners (U.S., Japanese and German embassies, The World Bank, USAID, and DFID);
- GIRoA ministries and departments in Kabul;
- Mustafyats and line directorates in Herat, Balkh, Bamyan, Badakhsan, Kandahar, Panjshir, and Nangarhar provinces;
- Business organizations (e.g., AISA, ACCI) and professional services firms; and
- Technical assistance implementers of key capacity development projects funded by USAID and DFID, e.g., ABADE implemented by IESC, TAP implemented by ASI, and CBDMP implemented by Volunteers for Economic Growth Alliance (VEGA).

The evaluation team reviewed a number of documents, including but not limited to reports issued by or prepared by Deloitte (EGGI’s implementing partner), USAID, the World Bank, GIRoA, and other organizations. Websites were another valuable source of background information to understand the Kabul Process, and the intent of the PFM Roadmap in implementing those reform objectives.

The Mid-Term Report provided the baseline for the work streams evaluated in this report. The objective of each work stream and the description of assistance EGGI provided were described extensively in the Mid-Term Report (dated June 2012) and will not be repeated. Rather, a summary of the findings contained in that report is provided for each work stream. In two of the revenue work streams, EGGI assistance was either decreased or eliminated during the final year of the EGGI project, so there are few or no changes to the information and conclusions provided in the report. Any assistance provided by EGGI after completion of the Mid-Term Report, as well as any information obtained that conflicts with information provided in it, is included in this report.

A significant limitation to this evaluation was the fact that the EGGI project closed approximately a year prior to the evaluation time frame. During that time, people who worked on the EGGI or with EGGI advisors had moved onto other positions. In some cases, people confused EGGI project work with other projects. One case in point was the confusion between RRD and the Afghanistan Financial Management System (AFMIS).

3. Work Streams

1. Economic/Fiscal Policy Support

EGGI assistance with regard to this work stream is summarized in the Scope of Work:

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47 www.thekabulprocess.com
Economic / Fiscal Policy Support: Under this activity, the project aimed to develop the capacity of the Fiscal Policy Unit (FPU) to apply econometric analysis and use economic modeling tools including EViews software to help build the analytical capacity of the MoF, e.g., to conduct long-term fiscal projections for effective revenue and expenditure analysis, and perform scenario analysis of donor funding transitions. EGGI's provision of technical assistance in this area lasted for only a few months before the Mission de-scoped this project area because of an increasingly evident lack of human capacity and good will within MoF's fiscal policy unit.

The PFM Roadmap Action Plan included multiple tasks to be performed by the FPU. These included but were not limited to the following tasks pertaining to domestic revenues, to be performed by EGGI and other technical assistance projects under Reform Objective 1.48

a. Findings
Two members of the evaluation team interviewed three staff of the FPU to ascertain the level and type of assistance EGGI provided to the FPU, particularly any assistance provided after completion of the Mid-Term Report. All staff interviewed were NTAs hired and paid for by the UNDP MBAW Project. Institutional memory with regard to EGGI assistance is limited, as only three staff interviewed worked in the FPU prior to 2012.

FPU staff interviewed recalled only one EGGI advisor who provided technical assistance to the FPU for approximately two to three months in 2010 or 2011. They could not describe the type of assistance the advisor provided. They could not recall any assistance EGGI provided after this advisor’s departure, nor could they recall the short-term EGGI assistance provided in late 2011/early 2012 that is described in the Mid-Term Report. According to the staff, EGGI assistance was not sustainable because: (1) EGGI did not request the FPU’s input when designing assistance to be provided, and (2) at least at their staff level, there was no coordination between EGGI and the FPU.

Table 4: Improved Revenue Estimates

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48 The tables in this section derive from the supporting data reported in the PFM Roadmap: Six Month Status Report, undated, www.mof.gov.af. The table was dated February 2011.
1.B.4 The MTFF/MTBF includes improved domestic revenue estimates, including forecast receipts from the Mining sector. By March 2011, the FPU will work towards the MTFF, including projection of revenues from the mining sector. Sensitivity analysis on domestic revenue projections will also be conducted.

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Responsible Department</th>
<th>Responsible Unit</th>
<th>Current TA Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>In consultation with the IMF, work towards developing robust extractive industry revenue projections (with an objective of analyzing the impact on revenue collection and economic growth).</td>
<td>FPU/MoM</td>
<td>FPU/MoM</td>
<td>ASI, EGGI</td>
</tr>
<tr>
<td>MTFF included in Pre Budget Statement and Budget Statement includes robust estimates of revenue from the mining sector.</td>
<td>FPU/MoM</td>
<td>FPU/MoM</td>
<td>ASI, EGGI</td>
</tr>
<tr>
<td>Develop a framework for how sensitivity analysis on domestic revenue projections can be included in the MTFF.</td>
<td></td>
<td></td>
<td>ASI/EGGI</td>
</tr>
<tr>
<td>Sensitivity analysis on domestic revenue projections included in MTFF (for Pre Budget Statement and Budget Statement).</td>
<td>FPU/MoM</td>
<td>FPU/MoM</td>
<td>ASI, EGGI</td>
</tr>
</tbody>
</table>

Since 2008, DFID has provided assistance to the FPU. However, FPU staff stated that additional technical assistance is required, and that the FPU could have utilized EGGI assistance in some areas had its advisors remained at the office.

The EGGI advisor referred to in the Mid-Term Report provided a different perspective of the interaction between EGGI and the FPU, which is described fully in the Mid-Term Report. In brief, the EGGI advisor stated that during his brief tenure at the FPU in late 2011/early 2012, the FPU did not provide a receptive work environment or even a work space for him to use at the FPU. Further, the FPU staff at times failed to participate in the training EGGI offered due to their job commitments. Occasional lockdowns also hindered EGGI’s training efforts.49

b. Conclusions
EGGI assistance to the FPU was terminated in 2012. Based on our findings, the conclusions stated in the Mid-Term Report remain valid, specifically:

*The combination of other donors’ advisory and operational presence and the lack of Tashkeel employees created a clear receptivity and sustainability issue for the program in this work stream. At the same time, the EGGI Team could and should have made more impactful efforts to demonstrate to the FPU staff of the value of econometric analysis and related budgetary modeling tools to improve the rigor and accuracy of their budgetary forecasting activities and thus to generate more reliable and efficient fiscal policy recommendations.*

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49 Refer to the EGGI Final Report (pages 31 to 32) for its account of the assistance it provided to the FPU.
No significant capacity increases for GIROA can be attributed to the provision of this time limited (approximately 2 months) technical assistance; although it is possible that some recruitment may begin in the near future.

In direct response to the questions posed in the evaluation SOW: No measurable successes were achieved in this work stream, and the challenges involved in providing this assistance were not overcome by the EGGI project, despite the clear opening for delivery of this assistance provided by the development of the model by Dr. Symansky and subsequent MOF requests. The Project’s inability to deliver advisory and technical assistance services in a form which promoted buy-in from the counterpart entity meant that no progress was made on Expected Results 1, 2 or 3 from modification 14 to the Contract.

This work stream is illustrative of systemic EGGI project management issues found in other work streams, specifically:

- lack of effective coordination of assistance between EGGI and implementing organizations;
- lack of communication between EGGI and GIROA counterparts in establishing project tasks;
- lack of effective EGGI management in addressing conflicts and other issues that arose between EGGI and implementing organizations and GIROA counterparts; and
- lack of donor oversight in identifying and resolving issues between EGGI and GIROA counterparts and other donors.

While our ex poste analysis indicates that systemic project management issues affected the delivery of technical assistance, the evaluation team is cognizant of the dynamic and extremely challenging work environment EGGI management and advisors faced throughout the duration of the EGGI project. Such an environment may have produced obstacles that impeded the effective performance of EGGI project deliverables.

c. Recommendations

Development of an effective FPU is critical to the successful implementation of the PFM Roadmap. As DFID has provided, and is continuing to provide, assistance to the FPU, at this time other donors may find limited opportunities to provide effective technical assistance in this space. Additional assistance provided by other donors may duplicate and possibly conflict with the assistance currently provided. Further, any capacity development resulting from donor assistance may not be sustainable if the FPU is unable to retain current staff if the MBAW Project terminates in December 2014, or hire sufficient qualified tashkeel staff. For these reasons, USAID may wish to postpone any technical assistance to the FPU until a more conducive environment arises.

50 Many of these systemic issues arise in the Revenue Reconciliation Database (RRD) work stream described in this report.
If the FPU does request assistance from USAID or other donors, USAID, the implementing organization, and the FPU must work to design clear parameters for the technical assistance to be provided, and the FPU must provide a clear delineation of tasks to be performed by advisors from different implementing organizations. Moreover, to limit potential conflicts or duplication of efforts, the donor organizations should coordinate and monitor assistance provided to the FPU. These recommendations apply to other potential areas of technical assistance to the MoF and other ministries.

In addition to the factors mentioned above, a fundamental issue should be considered when determining the extent of assistance to be provided to the FPU. Currently, there are multiple GIRoA offices within the MoF that may contribute to tax policy. The MoF has a Deputy Minister for Policy who is responsible for both the Strategy and Policy Directorates. According to the MoF organizational structure, the FPU is within the MoF, reports directly to the Minister of Finance, and appears to be tasked with conducting quantitative tax policy analysis (e.g., revenue estimates and models). The Legal Services and Policy (LSP) Directorate within ARD appears to focus on tax policy from a legal perspective. (Tax policy proposals may originate within the LSP or be submitted to the LSP by other ARD directorates.) The LSP does not appear to have the capacity to perform quantitative tax policy analysis. Third, in addition to the ARD, other departments within MoF may contribute to GIRoA tax policy, either on their own or in conjunction with other departments. Fourth, the Council of Ministers and ministries may propose measures (e.g., investment promotion) that may impact tax policy, particularly with regard to tax preferences.

Based on interviews held with representatives from the FPU and LSP (discussed in detail in the Revenue and Tax Policy work stream, below), there appears to be limited coordination among the GIRoA bodies that contribute to tax policy. This is likely to impede the design and implementation of a comprehensive, coordinated tax policy agenda, and may result in conflicting tax policies proposed by the various tax policy bodies. Further, this lack of coordination among GIRoA bodies is likely to fragment coordination among donors that provide assistance to competing tax policy bodies. Prior to, or as a component of, any donor assistance in this area, GIRoA should establish and memorialize tax policy activities to be performed by each government body (which may include merging two or more tax policy bodies) and the system used to coordinate tax policies among contributing GIRoA bodies.

2. Revenue and Tax Policy

EGGI assistance with regard to this work stream summarized in the SOW:

Revenue / Tax Policy Support: Under this activity, the [EGGI] project provided technical assistance to the Afghanistan Revenue Department (ARD) to prepare for and negotiate tax treaties. EGGI also assisted ARD's Non-Tax Revenue Office by analyzing and providing reform recommendations pertaining to three revenue streams under the Ministry of Interior's Traffic Department, revenues generated
Section 1.C.1: Revenue and customs of the PFM Roadmap Action Plan includes tasks related to tax policy, two of which may to be relevant to this work stream.\textsuperscript{51}

### Table 5: Tax Policy and Legal Reform

<table>
<thead>
<tr>
<th>1.C</th>
<th>Increase domestic revenue: Mining sector transparency &amp; Public Enterprise reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.C.1</td>
<td><strong>Revenue and customs</strong>*</td>
</tr>
<tr>
<td></td>
<td>Responsible Department</td>
</tr>
<tr>
<td>Tax system reviewed and a medium-term strategy for tax policy reform adopted, including consideration of VAT and excise tax, and a possible tax code.</td>
<td>Revenue &amp; Customs/FPU</td>
</tr>
<tr>
<td>Tax policy and legal reform completed.</td>
<td>Revenue &amp; Customs/FPU</td>
</tr>
</tbody>
</table>

With the exception of tasks related to mining contained in 1.C.2,\textsuperscript{52} the PFM Roadmap Action Plan does not provide any specific tasks pertaining to the generation of non-tax revenues.

#### a. Findings

**Tax Treaties**

Two members of the evaluation team met with the Director of the ARD’s LSP Directorate to ascertain any assistance provided by EGGI on the subject of tax treaties. According to the director, EGGI provided no assistance with regard to tax treaties.

The Director stated that the LSP, in conjunction with the MoF and Ministry of Foreign Affairs (MoFA), has the authority to draft and negotiate tax treaties. According to the Director, GIRoA has not yet entered into any tax treaties. However, GIRoA plans to begin negotiating tax treaties with 15 countries, and needs targeted assistance in designing, drafting, and negotiating tax treaties. DFID is providing some assistance in this area.

**Non-Tax Revenues**

Two members of the evaluation team interviewed:

- Officials from the ARD Non-Tax Revenue (NTR) Directorate to discuss potential revenues that could be generated from non-tax streams;
- Officials from the Kabul Traffic Department (KTD) to discuss traffic fees and the payment process;
- Officials from the MoFA to discuss passport fees and the payment process;\textsuperscript{53}

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\textsuperscript{51} Other activities listed in 1.C. 1 are applicable to the Provincial Tax Administration work stream.

\textsuperscript{52} EGGI was not listed as a provider of technical assistance for this task.

\textsuperscript{53} and
• Officials from the ACAA to discuss overflight and other fees charged by the authority and the payment process.

A summary of comments obtained through the interviews is provided below.

ARD Non-Tax Revenue (NTR) Directorate

Two members of the evaluation team interviewed staff of the NTR Directorate to obtain information on assistance provided by EGGI, accomplishments with respect to non-tax revenues, and future work planned in this area. The NTR staff had a positive view of EGGI assistance, stating that EGGI contributed to capacity development by providing training and other assistance. NTR staff stated that EGGI: (1) supported implementation of new security fees of $20 per passenger under ACAA, which generates $1.7 million per month; (2) supported a proposed increase in overflight fees, which is now under consideration; (3) proposed a road toll fee of 1 AFS per liter on imported fuel, which was implemented; and (4) provided assistance with respect to other non-tax revenues sources.

The NTR has developed a comprehensive plan, initiated within the last six months, to review fee structures at 16 ministries and three independent bodies. While the NTR receives technical assistance from DFID, staff mentioned that the donor may not be able to provide all assistance required to conduct this review.

Kabul Traffic Department (KTD)

Two members of the evaluation team interviewed the Head of Finance and a Manager of the KTD. They said their office did not receive any technical assistance from EGGI, nor does their office interact with the ARD NTR Directorate. The officials offered the following comments pertaining to the collection and reporting of non-tax revenues:

• There is no electronic system that connects KTD with the Customs Department or the MoF. If such a system was provided it would increase security and reduce corruption and fake license numbers.54

• KTD requested assistance from the MoF on how to record fees collected throughout the country, but to date no assistance has been provided.

Figure 5: Applying for car licenses at the Kabul Traffic Department

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53 One member of the evaluation team participated in this meeting.
54 NTR staff stated that a system connecting KTD with MoF was completed (with EGGI assistance), but the connection was later terminated.
• KTD collects fees, which are deposited into the government revenue account. All revenue reports are provided in hard copy (not electronically).
• KTD Recommendation: Provide an electronic system (Internet) to connect KTD with MoF and Customs. If such a system is implemented, revenues will increase and illegal licenses will decrease.

Ministry of Foreign Affairs (passport fees)
One member of the evaluation team interviewed the Director General of the Passport Directorate at the MoI, who stated that his directorate did not receive any direct technical assistance from EGGI or from the NTR. The Director General offered the following comments pertaining to the collection and reporting of passport revenues.

• GIRoA needs to develop an electronic passport, but has no support to do this.
• A centralized passport system requires two standard backups. Now there is only one backup in the Passport Directorate.
• A system is required to connect the MoI and MoF to enable reporting.
• A single administration should issue passports. Now, MoFA issues passports for Afghan service (e.g., Embassy) staff and for politicians, and the MoI is responsible for issuing passports to other Afghan citizens.
• The Passport Directorate recommends: (1) hold one workshop on maintaining technical machinery; (2) allow the Passport Directorate to open a government revenue account within a commercial bank to serve customers; (3) provide funds for hanging billboards that describe the passport application process; and (4) give the Passport Directorate a direct budget so it can reinvest in the system and pay staff (who have not received their salaries for three months).

Afghanistan Civil Aviation Authority (overflight and other airline fees)
Two members of the evaluation team interviewed the Administration and Finance Director of the ACAA. He stated that ACAA did not receive any direct technical assistance from EGGI. (The ACAA did receive technical assistance from an OTA advisor.) However, he mentioned that the ACAA interacts with the NTR, and received EGGI assistance indirectly through this directorate. The Director offered the following comments pertaining to the collection and reporting of non-tax revenues.

• For the first nine months of this year, ACAA collected 2.6 billion AFS in revenues, which exceeds its current annual revenue target of 2.8 billion AFS.
• ACAA has a contract with International Air Transport Association (IATA). 70 percent of ACAA revenues (overflight, security, and departure fees) are collected through IATA. No corruption occurs when collecting revenues through IATA.
• Ninety-five percent of ACAA revenues are collected though a computerized system, which prevents bribes and corruption. Licenses and other small payments are not collected through a computerized system.
• IATA agreed to increase overflight fees from US$400 to US$450. The Minister of Justice is reviewing this proposed increase.
• Domestic airlines have not been paying required security and other fees to ACCA. The President is now reviewing this issue.

b. Conclusions

Tax Treaties

According to the Mid-Term Report:

No Tax Treaty advisory work took place, as it was stated that the Supervisor (and only staff member) of that office was “never there”. The ARD apparently still does not have an operational tax treaty unit. The EGGI Program was thus unable to engage or to assist with staffing of the unit, which was an activity listed in the Work Plan.

Our findings concur with the conclusion that EGGI did not provide technical assistance to the GIRoA on the subject of tax treaties. Whether the absence of assistance was due to lack of GIRoA counterparts, sufficient existing support provided by other donors, or other factors, is uncertain.

Non-Tax Revenues

EGGI assistance increased the capacity of the NTR to identify potential sources of non-tax revenues through fee increases and/or streamlined procedures. The ACAA appears to have benefited from EGGI assistance through its interaction with the NTR (and from direct assistance provided by OTA), but it is unclear whether, or to what extent, the Passport Directorate benefited from EGGI assistance provided through the NTR. KTD staff interviewed stated that they did not have any knowledge of any assistance provided by EGGI. It is interesting to note that on the day the evaluation team interviewed KTD staff the department had initiated a new license registration procedure, which was conducted at a table outside the KTD office building in full view of all and the media, in an effort to demonstrate transparency (Figure 5). The impetus for this new procedure was not mentioned.

Although the evaluation team was not able to verify all assistance EGGI is reported to have provided to line ministries, the team's findings support the following conclusion provided in the Mid-Term Report:

The EGGI Program has generally performed in a goal-focused manner in this work stream, seeking ways to gain traction with the GIRoA partners in an entrepreneurial way.

In direct response to the questions posed in the evaluation SOW: EGGI technical assistance and advisory services have increased the capacities of non-tax revenue department employees, and there has been a tangible positive benefit from the assistance in the motor vehicle and driver license registration/licensing area.

c. Recommendations

Tax Treaties

Tax treaties are important to develop a basis for economic ties with other countries. Equally important, tax treaties provide a means for Afghanistan to integrate into the international tax community. The LSP stated that the GIRoA intends to start tax treaty negotiations with
selected countries, but the directorate lacks the capacity to design, draft, and negotiate tax treaties. DFID is providing some technical assistance in this area, but is not providing funding for trips required to negotiate tax treaties. If GIRoA provides counterparts with the requisite skill sets, and if the LSP believes additional tax treaty technical assistance would be beneficial, USAID may wish to consider providing technical assistance in this area to the directorate and other GIRoA offices that will participate in tax treaty design, drafting, or negotiation. In addition to receiving bilateral technical assistance, the GIRoA may wish to build capacity in this area by sending staff to tax treaty training courses offered by the Organization for Economic Cooperation and Development.

Non-Tax Revenues

Non-tax revenues are a significant potential source of revenues for Afghanistan. As evidenced by the assistance EGGI provided, additional revenues can be generated from existing non-tax revenue streams through efficiency gains as well as through increases in existing fees. As DFID is currently providing assistance to the NTR, USAID may wish to consider providing direct assistance to selected line ministries that have the potential to generate significant amounts of non-tax revenues and show a willingness to implement meaningful reforms. In addition, in coordination with other donors, USAID may consider placing an advisor at the NTR to: assist the directorate in completing its ongoing comprehensive review; provide capacity building, IT services, and training as needed; and to coordinate any assistance EGGI provides to line ministries.55

3. Provincial Tax Administration

Section 1.C.1: Revenue and customs of the PFM Roadmap Action Plan includes two tasks related to provincial tax offices that are relevant to this work stream.

Table 6: LTO and MTO

<table>
<thead>
<tr>
<th>1.C</th>
<th>Revenue and customs*</th>
<th>Responsible Department</th>
<th>Responsible Unit</th>
<th>Current TA Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.C.1</td>
<td>Large and medium taxpayers’ offices (LTOs and MTOs) in provinces will be strengthened by consistent application of taxpayer criteria and reporting lines to HQ.</td>
<td>Revenue &amp; Customs/ FPU</td>
<td>Revenue &amp; Customs/ FPU</td>
<td>EGGI</td>
</tr>
<tr>
<td></td>
<td>Further progress made in widening provincial tax base, for example by the implementation of MTOs and self-assessment programs in all priority provinces.</td>
<td>Revenue &amp; Customs/ FPU</td>
<td>Revenue &amp; Customs/ FPU</td>
<td>EGGI</td>
</tr>
</tbody>
</table>

The SOW provides the follow summary for this work stream.

55 Non-tax revenues are also discussed in the PFM Assessment section of this report.
Provincial Tax Administration: EGGI aimed to promote revenue growth by helping to develop or install Medium Taxpayer Offices (MTOs) and Large Taxpayer Offices (LTOs) in the Mustafyats (the provincial offices of the Ministry of Finance) of Afghanistan's key revenue-generating cities, e.g., Herat, Mazar, Jalalabad, and Kandahar. EGGI began this activity in Year 1. The work included both classroom and on-the-job training to the Directors and staff of the MTOs and LTOs in the aforementioned cities in areas such as taxpayer identification, taxpayer service, taxpayer education, case management, audit, enforcement, and management.

a. Findings
The evaluation team traveled to three of the four provinces (Herat, Balkh, and Nangarhar) where EGGI provided tax assistance to interview LTO and MTO staff at the mustafyats.56 (The evaluation team also traveled to Bamyan, Badakhshan and Panjshir provinces to compare tax assessment, audit, collection, enforcement and reporting practices. Information obtained from these meetings is provided in the PFM Assessment section of this report.)

In general, the LTO and MTO heads and staff in each of the provinces visited mentioned that EGGI provided useful assistance to the mustafyat. Training in law, audit, and other areas was the form of assistance most often mentioned. A Revenue Director whose office governs small taxpayers in one mustafyat criticized EGGI for not providing training to his staff in the province. While EGGI advisors provided assistance to the provinces on an intermittent basis (as well as training in Kabul at ARD), DFID has provided, and continues to provide, two NTA advisors to each of the major provinces to provide tax policy assistance and additional tax administration assistance.

b. Conclusions
Based on limited meetings with representatives of LTOs and MTOs in Herat, Balkh, and Nangarhar, it is not possible to determine if the specific conclusions provided in the Mid-Term Report continue to be valid, or have changed in the

56 A description of the mustafyat responsibilities and organizational structure is provided in the Mid-Term Report.
57 Although there are criteria to determine whether a taxpayer should be under the STO, MTO, or LTO, these criteria are sometimes ignored as each office tries to retain taxpayers in order to meet their revenue targets.
58 See page 25 of the Mid-Term Report.
interim period. The LTOs and MTOs in these provinces are functional, and staff interviewed appear to possess the knowledge and skills required to perform core tax administration functions without donor assistance, although some functions, such as tax self-assessment, are not being performed according to current legislation in all of the provinces. Although it is not possible to establish a direct correlation between the increases in revenues in these provinces and the assistance EGGI provided, it is reasonable to suggest that EGGI assistance contributed to some extent to improved tax administration capacity, which contributed to increased revenues.

c. Recommendations
Donor assistance provided through the EGGI and TAP projects contributed to capacity development in mustafyat revenue departments in larger provinces. As emphasized in the Mid-Term Report, standardized procedure manuals, as well as other materials, must be produced to ensure sustainability of the reforms made to date. Mustafyat staff interviewed expressed a desire for additional training in audit, enforcement, appeals, and other areas, including industry sector training. While equipment is less of an issue in the mustafyats in larger provinces, USAID may wish to provide additional equipment (computers, printers, etc.) if resources permit.

There is a significant capacity and resource gap in the medium and smaller provinces that have not benefitted from training and equipment provided to larger provinces. Currently, many provinces receive no assistance from any donors. USAID may consider providing much-needed assistance to a number of provinces not currently receiving assistance from any donors. The assistance can be in the form of training (basic training on registration, assessment, audit, and collection), equipment (computers, printers, and Internet connection), and possibly vehicles (needed to reach taxpayers in outlying areas). In addition, USAID may wish to provide the infrastructure (possibly solar panels and batteries) needed to generate electricity for the office equipment in the mustafyats.

As described in the PFM assessment section of this report, the need for tax public outreach programs is critical, particularly in smaller provinces that have a great need, but no budget, for such programs. Public outreach programs have been initiated in some provinces, with encouraging results. However, assistance (both training and funding) in this area would be greatly appreciated, particularly in small- and medium-size provinces.
4. Program Budgeting

The SOW provides the following summary for this work stream:

Program Budgeting: EGGI aimed to strengthen the capacity of GIRoA line ministries and other budgetary units, so that these institutions would be better able to align their programs and projects with GIRoA’s strategic priorities as reflected in the National Priority Programs. Key aspects of the project’s assistance included helping the line ministries understand NPPs and design budget proposals that correspond to NPPs, and monitor programs using performance indicators. This activity also included assistance to the MoF and line ministries to institute new annual financial and procurement plans. EGGI began this assistance in Year 1. This assistance was comprised of classroom training and on-the-job mentoring directly with the budgeting staff of line ministries and budget departments in Kabul to stand up their budget implementation units, to formulate annual budgets and submit them on-time to the Ministry of Finance, and to create annual financial and procurement plans.

Section 1.D of the PFM Roadmap Action Plan has ten tasks related to implementing program budgeting. Of these, five tasks fall under DFID’s SAB technical assistance; the other five were shared between DFID and USAID’s Afghanistan Parliamentary Assistance Project (APAP) and EGGI projects.

Table 7: Stakeholder Awareness of Program Budget

<table>
<thead>
<tr>
<th>1.D.2</th>
<th>Key stakeholders understand the rationale of the Program Budget approach and therefore promote the reform.</th>
<th>Responsible department</th>
<th>Responsible unit</th>
<th>Current TA provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Organize Regular Program Budget Steering Committee meetings</td>
<td>Budget Dept</td>
<td>BIRU</td>
<td>ASI</td>
</tr>
<tr>
<td>2</td>
<td>Develop and deliver program budget awareness presentations for LMs top management</td>
<td>Budget Dept</td>
<td>BIRU</td>
<td>ASI</td>
</tr>
<tr>
<td>3</td>
<td>Develop and deliver Program Budget Awareness presentations for Cabinet and Parliament</td>
<td>Budget Dept</td>
<td>BIRU</td>
<td>ASI, APAP</td>
</tr>
<tr>
<td>4</td>
<td>Develop and deliver Program Budget trainings for the line ministries</td>
<td>Budget Dept</td>
<td>BIRU</td>
<td>ASI, EGGI</td>
</tr>
</tbody>
</table>

Table 8: Program Budget and Budget Committee

<table>
<thead>
<tr>
<th>1.D.4</th>
<th>Conduct service-oriented Budget Committee budget hearings take into account: (i) previous year achievements and future output/services targets; (ii) ability of ministry to implement budget (previous years’ budget execution); (iii) quality of project documents and plans; and (iv) availability of donor funding.</th>
<th>Responsible department</th>
<th>Responsible unit</th>
<th>Current TA provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Develop new budget hearing brief template</td>
<td>Budget Dept</td>
<td>BIRU/BPU</td>
<td>ASI</td>
</tr>
<tr>
<td>2</td>
<td>Develop and deliver new budget hearing approach presentation for Budget Committee</td>
<td>Budget Dept</td>
<td>BIRU/BPU</td>
<td>ASI</td>
</tr>
<tr>
<td>3</td>
<td>Prepare and develop the guidelines for Budget Committee and line ministries on the new budget hearing approach.</td>
<td>Budget Dept</td>
<td>BIRU/BPU</td>
<td>ASI</td>
</tr>
<tr>
<td>4</td>
<td>Organize Steering Committee meeting to discuss new approach to budget hearings</td>
<td>Budget Dept</td>
<td>BIRU</td>
<td>ASI</td>
</tr>
<tr>
<td>5</td>
<td>Ensure a single program-based submission presentation to the Budget Committee of the Cabinet</td>
<td>Budget Dept</td>
<td>BPU (supported</td>
<td>ASI, EGGI</td>
</tr>
</tbody>
</table>

(continued on next page)
The first phase of the Program Budget Communications Strategy will target stakeholders in Government, including Line Ministries, Cabinet and Provincial Officials. The communications strategy will then be expanded to also focus on Parliament and Civil Society groups.

<table>
<thead>
<tr>
<th>ID</th>
<th>Task Description</th>
<th>Responsible department</th>
<th>Responsible unit</th>
<th>Current TA provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Submit Communication Strategy to MoF senior management for approval</td>
<td>Budget Dept</td>
<td>BIRU/BPU</td>
<td>ASI</td>
</tr>
<tr>
<td>3</td>
<td>Post Communication Strategy on MoF website</td>
<td>Budget Dept</td>
<td>BIRU/BPU</td>
<td>ASI</td>
</tr>
<tr>
<td>4</td>
<td>Implement activities as per Communication Strategy</td>
<td>Budget Dept</td>
<td>BIRU/BPU</td>
<td>ASI/EGGI</td>
</tr>
</tbody>
</table>

a. Findings

EGGI provided training on program budgeting and mentoring and coaching support to 38 budgetary units preparing their 1391 and 1392 budget submissions, as well as mentored and coached them on preparing their procurement and financial plans (PFP) and quarterly performance reports during 1391. This assistance was delivered through 32 embedded NTAs in the 38 budgetary units, and a mobile unit to respond to specific requests for additional assistance.

The effectiveness of EGGI’s technical support to these line ministries is evidenced by the success of the line ministries in submitting their 1393 and 1394 budget proposals independent of NTAs.

In the evaluation team’s discussions with World Bank and GIRoA representatives, the general consensus was positive on EGGI’s support in implementing the program budget reform. The World Bank representative noted his opinion that this reform competed with other, more pressing interventions focused on institutionalizing reforms on centralized expenditure controls and authorizations, as well as transparency and accountability. He added that EGGI contributed to setting the stage for a maturing system of public financial management, and setting the stage for future, more advanced improvements. Furthermore, he commended EGGI for avoiding potentially serious confrontations with other implementers working in the same technical assistance space.

The reaction of the line ministries ranged from a total lack of awareness of EGGI’s role in implementing program budgeting to appreciation for their support. Complaints had less to do with implementing the reform than with the difficulty of developing a relevant program structure and performance targets. The one EGGI-specific complaint concerned the allocation of advisors across the supported ministries; each line ministry had two NTAs embedded regardless of the ministry’s size or complexity of its programs. The advantage of limiting advisors encouraged them to work closely with the tashkeel staff through the process of defining programs and performance targets, identifying relevant skill sets, and designing the processes and procedures that contribute to the organizational architecture of sustainment.

The small number of EGGI national technical advisors contributed to the practice of capacity development rather than capacity substitution. There were simply not enough of them to do work for the tashkeel staff.
The MoF had the dual responsibility of defining the reform, as well as being the ultimate ‘customer’ once the reform was implemented. Any problems in implementation at the line ministry level would create difficulties in reviewing budget submissions, which would then result in delays in aggregating those submissions into the draft budget after the Budget Committee hearings. The quality of those submissions could, theoretically, be captured in a performance measurement of the time lapse between submission and approval.

At the MoF, the views of EGGI’s contribution were more mixed. One respondent’s frame of reference actually included the initial start of USAID’s support in program implementation with the Capacity Development Program (CDP) (2007-2012). He viewed this earlier phase of program budgeting support as the Green Phase (2007-2010), with a strong team of international and national technical advisors in place. The change in management in 2010/11 shifted downward his Yellow Phase. He observed that project management shifted its focus from a results orientation to one of enumerating workshops and training, with no measures on performance improvements on the part of participants. However, he noted that the MoF “placed many things on EGGI’s plate.” In the context of other meetings, this observation coincides with other comments about a shift from providing technical assistance to building the capacity of tashkeel staff to meeting deadlines, regardless of the participation of those staff.

EGGI’s role in communicating change to the line ministries was noted positively. Both the World Bank and MoF respondents agreed on EGGI’s contribution to a broader understanding of reform efforts, as well as to institutionalizing reform outside of MoF.

They also noted areas where EGGI fell short of expectations. While they spoke highly of the professional capabilities and knowledge of the international advisors (Gordon Yorick and Marcia Occomy were specifically called out for their work), the abilities of the NTAs was mixed. Given that NTAs tended to be young college graduates with minimal relevant work experience or professional maturity most likely contributed to this perception. The efforts of the international advisors in developing the professional and technical capacity of their national counterparts did produce a cadre of professionals with PFM expertise. The Director General (Budget) noted that several former EGGI national advisors are now working in MoF and other ministries, some of whom hold senior positions.

Another shortfall brought out in the discussions included weak project management, a focus on outputs rather than performance, and no transition plan or exit strategy. The latter was exacerbated by the abrupt termination/suspension of the program.

b. Conclusions

Overall, EGGI’s support of simplified program budgeting as described under Section B.1 above was successful and contributed to the GIRoA’s achievement of this reform objective. The evidence is in the ability of line ministries to submit their 1393 and 1394 budget submissions in program format. Although the quality of those submissions was reportedly

59 www.usaid.gov./note/52036
uneven across ministries, the problems were resolved through discussions between Budget Department sector managers (a combination of tashkeel staff and NTAs) and the line ministry (mostly tashkeel staff, depending upon the level of donor interest in a particular ministry). Program budgeting is now well within the institutional architecture of public finance in Afghanistan, and there is no apparent indication that additional technical intervention projects are unnecessary.

Implementation of program budgeting was hampered by a weak project governance structure, and a lack of clear leadership from MoF. This contributed to dissimilar approaches of the technical assistance provided through DFID, UNDP, and USAID. Ultimately, DFID and UNDP took the lead in program budgeting policy development and implementation; EGGI in training and capacity development support to the line ministries and independent directorates. This division of labor appeared to be based more on the personalities of the project managers and team leaders than on a more considered process of donor-level negotiations with MoF in re-mapping technical assistance commitments. This may well have contributed to the finding reported in the Mid-Term Report of EGGI’s lack of leadership in fiscal policy reform. A stronger project governance structure would have assured improved communication and clarity of purpose among EGGI, USAID, and MoF staff and management.

c. Recommendations
Implementation of program budgeting is not a trivial exercise. Full benefits are realized only when the budget formulation, budget presentation, budget implementation, and performance monitoring are unified into one comprehensive system. The next steps should include presenting the budget to Parliament on a program basis, developing the requisite skills, and introducing the professional tools and techniques to enable the GIRoA to develop and measure outputs against realistic and reportable performance targets. On this last item, any future technical interventions should recognize the role of national versus local bodies. While program objectives are defined at the national level, the programs themselves are implemented, and benefits are received, at the local level.

5. Provincial Budgeting

The SOW provides the following summary for this work stream.

Provincial Budgeting: As a pilot, EGGI aimed to strengthen the ability of four key line ministries and their provincial line directorates, along with the Independent Directorate of Local Governance (IDLG), to increase provincial input into the national budget planning process. The project aimed to build capacity to identify and prioritize provincial programs, formulate provincial budgets, and improve ministry-directorate communication. EGGI began this assistance in Year 2, with the support of provincial budgeting specialists based in the provinces. The specialists worked directly with MoF’s Provincial Budgeting Unit to implement the provincial budgeting reform pilot activities. Specific activities of this new area were training, curriculum development, policy advice, and follow-up, one-on-one review of all provincial budget submissions.

Section 2.A of the PFM Roadmap Action Plan had 12 tasks related to implementing provincial budgeting reform. Of these, EGGI provided technical assistance in six and shared responsibility in four areas.
Table 10: Subnational Fiscal Arrangements

<table>
<thead>
<tr>
<th>2.A.1</th>
<th>Subnational governance goes hand-in-hand with the fiscal arrangements of the subnational governance structure. The MoF will draw upon the experience of other countries that have gone through similar transformations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible department</td>
<td>Responsible unit</td>
</tr>
<tr>
<td>Budget Dept</td>
<td>Provincial Budgeting</td>
</tr>
</tbody>
</table>

Table 11: Improving Communication between Line Ministries and Provincial Departments

<table>
<thead>
<tr>
<th>2.A.3</th>
<th>Support is provided to line ministries to fill the communication gap and be in regular contact with their provincial offices. The Ministry of Finance will facilitate consultation between headquarters of key ministries, their provincial departments in 18 provinces, and donors to address provincial needs in the 1390 Budget (subject to time)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible department</td>
<td>Responsible unit</td>
</tr>
<tr>
<td>Consultation with line ministries and their Provincial Department in 18 of the 34 Provinces, to incorporate their preferences and priorities into the 1390 National Budget negotiations.</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Establish Procedures and Terms of Reference for the Provincial Consultation exercise for the 1390 Budget with Line Ministries - written communication with discussion in major spending Ministries.</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Provincial Consultation Workshops held in 18 Provinces across the country, and issues raised in workshops followed up and resolved.</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Coordinate with International Security and Assistance Force (ISAF) and other donors to include Commander's Emergency Response Program (CERP) and other donor visibility in MoF database systems</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Coordinate with Inter-Provincial Affairs Agency (IPA) (US-Embassy) and ISAF to develop general policy on future project identification</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Incorporate Provincial Development Plans (PDP's) and project reports into an IPA-sponsored website</td>
<td>Budget Dept</td>
</tr>
</tbody>
</table>

Table 12: Building the Capacity of Provincial Directorates

<table>
<thead>
<tr>
<th>2.A.6</th>
<th>A capacity building package will be conducted in 14 provinces, to include training in other reform areas, such as program budgeting.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible department</td>
<td>Responsible unit</td>
</tr>
<tr>
<td>Provincial budget intensive capacity building course conducted in 14 Provinces</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Capacity Building Training in 3 Provinces</td>
<td></td>
</tr>
<tr>
<td>Capacity Building Training in 3 Provinces</td>
<td></td>
</tr>
<tr>
<td>Capacity Building Training in 1 Province</td>
<td></td>
</tr>
<tr>
<td>Capacity Building Training in 1 Province</td>
<td></td>
</tr>
</tbody>
</table>

Table 12: Building the Capacity of Provincial Directorates

<table>
<thead>
<tr>
<th>2.A.7</th>
<th>Additional consultation and coordination will be conducted with Provincial Reconstruction Teams (PRTs) to reinforce Government public financial management standards and implementation of Ministry of Finance processes, procedures and reform.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible department</td>
<td>Responsible unit</td>
</tr>
<tr>
<td>RC-E conference on Provincial Budgeting</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>RC-S conference on Provincial Budgeting</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>RC-N conference on Provincial budgeting</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>RC-W conference on Provincial Budgeting</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>RC-E budget formulation workshop and provincial consultation</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Panjshir budget workshop</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Bamyan budget workshop</td>
<td>Budget Dept</td>
</tr>
</tbody>
</table>

Table 12: Building the Capacity of Provincial Directorates

<table>
<thead>
<tr>
<th>2.A.8</th>
<th>The impacts of sub-national governance policy on the Public Finance Management framework comprehensively assessed, including a review of other countries experience and associated costs. This assessment will identify immediate term reforms that can be implemented in the current framework for more effective and efficient delivery.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible department</td>
<td>Responsible unit</td>
</tr>
<tr>
<td>Desk review of SNG policy and other literature</td>
<td>Budget Dept</td>
</tr>
<tr>
<td>Continued engagement of IDLG and MOF on SNG framework</td>
<td>Budget Dept</td>
</tr>
</tbody>
</table>
a. Findings
Provincial authorities are subordinate to the relevant central line ministry or independent directorate.\(^6^0\) There is no provincial budget *per se*, but an aggregation of sub-allocations made to the provincial directorates of each primary budget unit with a presence in a particular province. The role of provincial authorities in planning, prioritization, budget formulation, and budget execution differs not only between those primary budget units, but also between the operating and development components of the national budget. Even within the development budget, the authority for provincial participation in planning, prioritizing, and executing projects funded under the non-discretionary component is constrained by overarching donor financing agreements. Development projects funded under MRRD’s programs are typically managed and funded from the center; its provincial directorates, the DRRDs, have a monitoring role and have authority over their operational budgets. The provincial directorates of MAIL and MoE have a more defined role in planning and prioritizing projects, and even have development budgets. In short, achieving the policy objective of fiscal decentralization is complex and goes beyond amending the PFEM and Procurement laws and defining assignment of expenditure to the relevant level of GIRoA.

There has been criticism that the PFM Roadmap, and later the TMAF, did not go far enough in fiscal decentralization. The more narrow focus on what can be achieved with the existing legal/regulatory framework served to break through barriers to re-establishing linkages.\(^6^1\)

b. Conclusions
The EGGI project was instrumental in disproving that provincial *tashkeel* were illiterate, unmotivated, and resistant to reform. The respondent from MoF’s Provincial Budgeting Unit (PBU) commented that progress in achieving reform objectives under the PFM Roadmap is attributed to the daily support of capacity building, needs assessments, evaluation of provincial *tashkeel* staff, and mentoring provincial directorates during the provincial budgeting pilot.

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\(^6^0\) The provincial and district governor offices, provincial councils, and municipalities are subordinate administrative units of the Independent Directorate of Local GIRoA, for example.

\(^6^1\) For more background on the development of a more provincial focused approach to sub-national governance, refer to MRN 10 Kabul 4017, MRN 11 Kabul 742, and MRN 11 Kabul 2674.
EGGI provided staffing support to the PBU and set up five regional hubs to provide technical assistance support and training to provincial directorates. During the provincial site visits, the mustafys and line directorates spoke very positively about the quality of EGGI advisors and their technical support. The mustafy in Herat spoke most warmly of Dr. Nohi, who headed up the Herat regional hub.

Although EGGI was not actively involved in developing subnational fiscal policy, the efforts of the EGGI national technical advisors supporting the PBU contributed to the enabling environment to support provincial authorities’ participation in their line ministry planning and prioritizing process. Despite a perception that the provincial budgeting pilot was a failure, the provincial site visits revealed another story. Even without this dedicated funding, provincial directorates are completing BC-1 and BC-2 forms for priority projects to submit to Kabul. The finance director of the Education Directorate in Panjshir shared that one his projects submitted during the pilot was funded, and that the province was responsible for costing, procurement, and implementation. The Directorate of Rural Rehabilitation and Development (DRRD) in Herat had a BC-2 submission on his desk during the evaluation team’s site visit there. MAIL has progressed in documenting internal processes where projects are identified and prioritized at the provincial level. EGGI’s support provided the needed impetus for MoF and the line ministries to use existing law and regulation to bring the provincial directorates into the national budgeting process.

Supplemented with provincial budget and reporting officers funded through UNDP’s MBAW, EGGI provided the core group of trainers and advisors in the Provincial Budgeting Unit. Despite a complex curriculum and the challenges of traveling to remote provinces, this cadre trained over 500 individuals in preparing BC-1 and BC-2 forms. Through the regional budget support centers, EGGI provided follow-up mentoring and support to participating provincial directorates in completing and submitting those forms.

In general, those who participated in the provincial trainings were very positive about the quality of training and its usefulness. There was a universal desire for more training not only in basic public financial management, but in more advanced areas of planning, project design, cash management, and project management, among others. In Herat, trainees were particularly appreciative of the support given to them by Dr. Nohi.

Despite EGGI’s contribution to provincial budgeting, the program was suspended abruptly. This was attributed to misunderstanding and miscommunication between USAID, EGGI management, and MoF’s senior leadership. EGGI’s decision to expand the program and hire additional staff without clearance from the Budget Department and the Deputy Minister (Finance) was the official reason given. That may well have provided the excuse, rather the reason.

c. Recommendations

Building the capacity of the mustafyats and finance departments of the line ministry’s provincial directorates is key to improved service delivery and fiscal decentralization, which together will strengthen the linkage between GIRoA and the Afghan people. Two key elements contributing to fiscal decentralization remaining are the subnational fiscal governance policy and assignment of expenditures. Assignment of expenditures identifies the
level of GIRoA that is responsible for various expenditures; once this is decided, the allocation of fiscal resources flows accordingly.

Building provincial capacity must result in changes to the relevant line ministry. As provincial directorates gain more authority and responsibility, the line ministry must transition from a prescriptive, top-down approach to planning, prioritizing, implementing, and reporting to a more consultative, monitoring role. The institutional architecture of process, procedures, and communication channels, among others, combined with associated forms, templates, and other tools must be developed to form the enabling environment of sustained public financial management reforms.

6. Revenue Reconciliation Database

The PFM Roadmap Action Plan does not include any tasks that refer to the Revenue Reconciliation Database (RRD). However, accurate and timely reporting of revenues is important to assess whether the PFM Roadmap tasks are successful in generating increased domestic revenues. The following summary is included in the SOW.

Revenue Reconciliation Database (RRD): Under this activity, EGGI provided technical assistance to the Planning Directorate of the Afghanistan Revenue Department to develop the RRD, which was intended to unify the capturing of data on GIRoA’s revenue throughout the country. The activity was started in Year 1 of the project, and continued through Year 4 EGGI was also tasked with converting the existing RRD system to an integrated web-based system. However, based on subsequent feedback and recommendations from GIRoA stakeholders and RRD users, this requirement was dropped. This decision was based on an assessment conducted by EGGI, in close consultation with GIRoA key users of the database. The assessment concluded that it would be more cost-effective and expedient to adding a revenue module in AFMIS, which would cover revenue collection, management, reconciliation, etc.

The Mid-Term Report provides an excellent description of the impetus for the RRD component, along with a brief history, which will not be repeated here.

a. Findings

Two members of the evaluation team interviewed staff from the ARD Provincial Liaison Directorate, the Director General of the General Planning Directorate, and a former EGGI Team Leader of the RRD component.62

As with the FPU work stream, the individuals interviewed provided conflicting accounts of the scope and quality of assistance EGGI provided with respect to the RRD deliverable. In summary, the DG of Planning and staff from the Provincial Liaison Directorate were critical of the work performed by EGGI in this area. A number of criticisms were expressed, including:

[Further content]

62 One member of the evaluation team participated in this meeting.
• the RRD suffers from a number of problems (e.g., unable to update year, double reports for some data entered, prone to viruses, etc.) that EGGI failed to remedy;
• EGGI never provided the source code to the RRD now in use, so it is impossible for the ARD to make changes to the RRD;
• EGGI did not provide sufficient RRD training; and
• EGGI did not provide a web-based version of the RRD.

Despite the criticism of the RRD and EGGI assistance in this area, one version of the RRD (possibly not the last version EGGI provided) is now used to capture revenues in 32 provinces and by 35 organizations.

The EGGI advisor interviewed offered the following version of RRD assistance. In 2009 the EGGI RRD team, consisting of more than 25 staff, developed the desk version of RRD and installed it in the revenue departments of six major provinces, plus 10 to 12 other provinces. EGGI also provided computers to many of the provincial revenue departments. EGGI staff provided RRD training in the six major provinces, but not in other provinces where the RRD was installed. Due to budget cuts in 2010, EGGI could not provide staff to perform further RRD training. In 2010 the RRD software was turned over to the MoF, and all EGGI RRD staff were terminated. When, in 2012, the provinces complained of a lack of capacity in running the RRD, the MoF asked EGGI to provide continued support for the RRD. EGGI responded that it could not provide full support for all provinces before the close of the project in 2013. However, EGGI did promise to provide a new/updated version of the RRD software, train two MoF IT staff, install anti-virus software in six major provinces, fix all RRD problems, and back up all the data for six provinces. EGGI hired two people to perform these tasks, and the MoF provided two IT staff to receive training. EGGI completed these tasks, handed over the RRD to the six provinces, and received an official letter from the mustafy of each province. EGGI trained two staff in the Planning Directorate, who were to install the RRD and provide training in the other provinces. Last, EGGI provided MoF with an updated version of the RRD, along with the source code to allow the MoF to make changes to the RRD. The source code to the previous version (used by the provinces) was never provided. EGGI could not provide a web-based version of the RRD because it was not possible to complete a web-based version prior to the close of the project.

b. Conclusions
The conclusion provided in the Mid-Term Report remains valid:

In direct response to the questions posed in the evaluation SOW: As the technological repairs to the RRD system have been installed by EGGI and the ARD (this has been completed in the vast majority of provinces and ministries), organizations have gained the capacity to report through the system. All 34 provinces and all ministry-level organizations are connected to the RRD; 32 of 34 provinces and 15 ministries currently report through the system. Donor

63 Refer to the EGGI Final Report (pages 23 to 26) for the implementer's account of the assistance provided with respect to the RRD.
cooperation by EGGI personnel has been adequate, and their system provides reconciliation functionality that is not part of the AFMIS and SIGTAS [Standard Integrated GIRoA Tax Administration System] systems, thus representing a highly useful management tool for the ARD. At the same time, the ongoing data sourcing issues referenced earlier have significantly complicated reconciliation processes; and this issue needs to be effectively addressed in order to ensure more time-effective and comprehensive reconciliation results.

In response to the current SOW, EGGI did not convert the existing RRD system into an integrated web-based system and this requirement was dropped.

This work stream provides another example of conflicting accounts between EGGI and its GIRoA counterparts in the performance of a project deliverable. The evaluation team has no need to examine opposing views on a granular level, most of which describe events that occurred prior to the issuance of the Mid-Term Report. Despite the possible existence of some program bugs, one version of the RRD has been installed and is being used by 32 provinces and 35 organizations. Until a preferable alternative is implemented, the RRD is expected to continue to serve as a useful revenue-reporting tool.

c. Recommendations

Accurate and timely reporting of revenues is a vital component of any revenue system. Despite possible deficiencies, the RRD continues to function as a useful revenue-reporting tool in 32 provinces in Afghanistan. As no other donors are providing assistance for the RRD, USAID may wish to consider providing limited assistance to remedy deficiencies in the version of the RRD currently in use. The extent and timing of any assistance should be agreed upon by the Planning Directorate and, given past conflicts, all assistance should be detailed and thoroughly documented. If an alternate revenue-reporting system is selected, USAID may (depending on the system selected) wish to provide technical assistance needed to implement the new system.

7. Women in Government

The intent of the Women in Government (WIG) work stream did not align with a PFM Roadmap theme. However, this work stream did have a positive impact on the perception of women in the GIRoA workplace and on the ability of its interns in starting their careers. This was done by providing female university graduates with six-month internships in line ministries and private sector organizations aligned with EGGI’s program areas. Kabul University was the source of the interns selected for the project. WIG also included a series of skills-building workshops to help interns become more marketable for employment after completing the program. In Years 1 and 2 of EGGI, WIG was a cross-cutting activity across

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WIG IMPACT

“The internship program with WIG/EGGI was very helpful for me when I graduated from university. I could not find a good job because I did not have work experience. The six-month WIG/EGGI helped me so much. Now I have a very good job, and I help my family financially.”

-Khatera Almas
former MoF Intern
EGGI components; however, in Year 3, WIG became a work stream in its own right due to demand for the program.

a. Findings
This evaluation found that WIG was effective in enabling Afghan women to begin a career in the public and private sectors. The project provided internship opportunities to 446 women through the life of the project. Of these, WIG recorded a 100 percent “graduation” rate, with 73 percent job placement at the end of third quarter Year 4. Former interns have since acquired management positions in GIRoA. One former intern to the Revenue Department now heads the Small Taxpayer Office in the Revenue Department. Expansion of WIG to Balkh, Herat, and Nangarhar provinces resulted in the placement of 60 women in provincial directorates, as well as other private and public entities. In Balkh, of 20 interns, 11 obtained full-time employment; in Herat, the number was 5; and in Nangarhar, 15 interns found jobs.

The skills-building workshops proved to be a key differentiating factor in successful job placements:

- Information Technology
- Business Writing
- Leadership
- Effective Presentation
- Interview Skills
- Curriculum Vitae Design

“With the help of this useful program I was able to make my career and I could find my position in society and now I am one of the important members in this society.”
- Khatera Sahak
  former MoF intern

b. Conclusions
Interviews with the line ministries and relevant gender units were positive that the WIG program was worthwhile, not only for the interns, but it also supported the policy objective of increasing the presence of qualified women within the departments. The WIG project also provided the additional benefit of introducing new knowledge and technical skills to the workplace.

During the provincial site visits, the team learned that a key obstacle in the more rural provinces to recruit and retain female civil servants was not a lack of willingness to hire women but transportation. Without transportation, the long distances, the heavy snow in winter, and other dangers discourage women from workforce participation.

c. Recommendations
USAID’s recently-awarded PROMOTE project should build upon the foundation of WIG, further enabling young Afghan women to contribute to their country’s economic, civil, and political development.

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64 Ministries included MoF, MoPH, and Civil Service Commission; other interviews were held at Kabul University, and Checchi Consulting and Company Gender Unit.
4. EGGI’s Contribution to Capacity Development of Tashkeel Staff

The EGGI project’s goals and objectives were primarily to develop and implement economic and regulatory policy specific to PFM. These goals and the specific areas for EGGI assistance, as well as the project work streams, did not focus directly on capacity development per se outside of trainings on new processes and techniques. The EGGI close-out report did record the numbers of training participants disaggregated by gender, and the statistics appear impressive:

- Economic Policy: 16,000 participants
- Business Enabling Environment: 1,121 participants
- Financial Sector Development: 491 participants

The training included formal and on-the-job training, as well as coaching and guidance. The closure of EGGI regional hubs made it difficult to sustain the formal and on-the-job training, coaching, and mentoring at the sub-national level.

In the absence of performance indicators and targets for training, the EGGI close-out report refers to different training summary reports to provide details of the training program. Such reports were not included in the Documents for Review (Part II, Section V of the SOW), nor otherwise made available to the evaluation team. This absence made it difficult to assess the qualitative nature of the trainings delivered and the provincial distribution of the training program, with no data provided on the training objectives and the evaluation of results.

Discussions on the EGGI program were held with senior officials in the Budget and Revenue General Directorates of MoF, line ministries, and provinces. Records of these meetings are recorded in Annex IV. In summary, there was very limited positive recall of details about the EGGI project among senior officials, other than recognizing the name EGGI.

The PBU expressed strong appreciation for EGGI’s valuable contribution at the subnational level. However, the training curriculum was not based on any assessment of the capacity of the provincial directorates. The training focus was to introduce the fundamentals of core PFM topics and reforms in public finance and procurement to provincial tashkeel staff.

Conversely the responses from the Revenue Director (Legal and Policy) were extremely negative. He summarized the project as lacking management and a clear direction, with unprofessional staff, and considered the expenditure useless, as it produced no useful outcome. The Kabul-based training and project training facility, in which training was delivered through symposiums of 200+ officials, was singled out as being unhelpful and counterproductive to central and provincial officials.

The development of the technical knowledge and skills of the project’s NTAs by international consultants was also criticized. NTAs were recruited and salaried on the basis of already-developed technical abilities, which were then expected to be transferred to the

65 SOW Part II p.7
tashkeel staff. This was not evident, and the opportunity to develop a sustainable tashkeel resource was lost.

The EGGI final report, Lessons Learned section, records that there was no structured program for measuring the application of training and no rigorous, structured evaluation of training delivery. Opportunities to document performance improvement were lost. Future program and project design should encourage implementing partners to incorporate performance measures in training.

a. Methodology
The evaluation team’s methodology included qualitative and quantitative data collection and analysis approaches. The methods used included:

- discussions with USAID OEGI staff in Kabul;
- interviews with key staff of the Ministry of Finance, nine targeted ministries, and two provinces;
- beneficiaries of the activities of this project;
- completion of questionnaires related to the tashkeel baseline assessment (Annex V);
- discussions with the donor community and related PFM donor funded projects (Annex V);
- reviews of key reports and documents;
- interviews with human resources and other representatives at the MoF and Ministry of Economy (MoEc), Ministry of Urban Development Affairs (MoUDA), Ministry of Agriculture, Irrigation and Livestock (MAIL), Ministry of Education (MoE), Ministry of Public Health (MoPH), Ministry of Public Works (MoPW), Ministry of Rural Rehabilitation and Development (MRRD) and the Ministry of Transport and Civil Aviation (MoTCA); and
- provincial human resources and training representatives in Kandahar and Bamyan.

b. Baseline Capacity of GIRoA Tashkeel
The PFM Roadmap recognized that GIRoA staff capacity and turnover were principal barriers to PFM reform and resulted, inter alia, from a lack of education, technical experience, and salary incentives, as well as supervisory leadership challenges. These barriers were reinforced by a high dependency on international and national technical advisers to act as ‘doers’ rather than ‘trainers’ in the performance of inherently, or core, governmental functions. Although there was nothing specific said in meetings or in reports of the time, there is a sense that at some point there was a policy shift from working with the tashkeel to improve their performance, regardless of deadlines, to doing the work for the tashkeel to meet MoF deadlines. To the extent this is true, donors should be clear in their discussions with GIRoA functions are defined as those functions which can only be performed by GIRoA employees since they are so directly related to the public interest as to require performance only by GIRoA officials. They relate to all tasks that require decision making on the part of GIRoA and in particular to the functions of Budget development (the determination of budget policy, guidance and strategy and the determination of GIRoA program priorities and budget requests) as well as policy and regulatory development and human resource management.
MoF and others that the intent of the technical intervention is to transfer, not substitute, capacity.

This baseline tashkeel assessment was undertaken to assess the current state of the capacity of tashkeel staff and the extent to which the targeted ministries depend upon NTAs to perform core government PFM functions.

c. Findings

The PFM Roadmap recognized the importance of strengthening institutional and human capacity of line ministries in developing GIRQoA’s ability to implement sound central and provincial budgeting. Building the institutional and human capacity was a cross-cutting theme in the Roadmap.

The tashkeel baseline assessment raises serious concerns about the extent to which the tashkeel is prepared for the transition from ‘off budget’ development donor financing to ‘on-budget’ support. This limited assessment of GIRQoA tashkeel staff raises concerns about the return on donor capacity building investments, as illustrated in the discussion below. Not only did this evaluation conclude that donor-funded capacity building projects fail to build capacity of tashkeel staff to any significant degree, but the evaluation also found that GIRQoA failed to ‘right size’ the tashkeel in anticipation of the additional workload that would come from transitioning to on-budget financing. This leaves GIRQoA unable to successfully and sustainably transition to on-budget financing in the next four years, as the institutional and human capacity does not currently exist in the tashkeel.

The evaluation team developed a DEPENDENCY RATIO as an indicative measure of the extent to which non-tashkeel employees within a ministry or subordinate office perform core government functions. This ratio is calculated as the number of international advisors and NTAs, plus any contract-based advisors paid through GIRQoA’s national budget, divided by the number of tashkeel staff. Of particular interest to the evaluation team were the responses to the following questions:

- How many technical advisors (international and national) have tashkeel counterparts and what core government functions do they perform?
- How are the technical advisors transferring their knowledge and skills to their tashkeel counterparts?
- How many technical advisors have no tashkeel counterparts and what positions do they hold or functions do they perform? If those functions are inherently governmental, what measures has the government taken to create those positions on the tashkeel?

1. Ministry of Finance

   a. General Directorate of Treasury

   The Treasury is well-advanced in relation to capacity development. Detailed information was available and shared readily with the team. The tashkeel positions are clearly enumerated both in Kabul and in the mustafyats. For every international advisor and NTA his/her tashkeel counterparts are recorded by function. It is evident that leadership within the Treasury takes
capacity transfer seriously. A low (12 percent) dependency ratio indicates low risk as the donor financing transitions to ‘on-budget.’

In 2009, Treasury staff had undergone a training needs assessment to review and analyze priority training needs to support core Treasury functions. This provided the foundation for subsequent extensive and ongoing support through the World Bank/ARTF-funded Public Financial Management Reform II (PFMR II) and the Human Resource Capacity Development (HRCD) Program at central and provincial levels.

Provincial Treasury training centers are fully operational with a well-defined training program followed in all the centers. The program covers the training subject areas grouped to subtopics; the duration of the course; the dates of the courses until July 2015; the participants and estimated costs. These courses are open to non-tashkeel staff in the province, provided their travel costs are covered independently. However, the availability of these trainings to line directorate tashkeel staff is not universal. To consolidate the considerable progress made, there is a need for more professional training, internal to Afghanistan, in Association of Chartered Certified Accountant (ACCA) and Associate Chartered Management Accountant (ACMA), and to achieve the Accounting Technician Certificate. In addition to these fundamental courses, provincial respondents also indicated a need for training in cash management, forecasting, budget preparation, and program budgeting.

The staged capacity building model (SBM) is both logical and comprehensive. It incorporates capacity development planning tools; progress mapping monitoring tools and training plans, which define the timelines and mechanism of ‘on-the-job training’; and train-the-trainer model trainings and other relevant training plans. This is the approach that guided the development of the Treasury’s Capacity Development Plan.

The Capacity Development Plan was produced in December 2012. It is a well-developed professional report that details the capacity development process thoroughly with a realistic planning and implementation model; capacity development needs analysis; and capacity gaps and priority areas of engagement. This plan also provides a progress model to monitor and measure progress against objectives. The first section provides for ‘on-the-job’ operational coaching, mentoring, and supporting. The second section deepens this by business group training, which defines the related technical and professional training needed for the core functions and jobs. While the third section focuses on management group training, the final section focuses on the requirements of AFMIS/ICT. This approach sets the standard that other directorates across GIRoA would do well to emulate.

b. General Directorate of Budget

The Budget Directorate has an extensive range of functions, many of which may not be core to the government. The only scope of work made available was for the PBU, which had a very well-developed vision, mission, and measurable objectives. Some units under the directorate (e.g., the Budget Integration Reform Unit) do not appear to have a clear, well-defined operational mandate. Job descriptions for NTAs did not generally exist, or were not available to the evaluation team. This lack of clarity in purpose contributed to a sense of confused uncertainty within the directorate.
With a ratio of 125% dependency on NTA, and some intrinsically-governmental functions not on the *tashkeel*, this directorate unquestionably poses a high risk in transition. At such a level, the Budget Directorate cannot function without non-*tashkeel* advisors. The evaluation team found no indication of any transition planning, much less a capacity development assessment.

The NTAs occupy many positions that are not on the *tashkeel*. As a result, approximately 57 MBAW NTAs have no *tashkeel* counterpart for them to coach on-the-job. The evaluation team was unable to ascertain what steps the MoF had taken to add those positions to the *tashkeel*.

Capacity development requires capacity assessment, a training needs analysis, a capacity development plan and funding. None of these requirements currently exist, and there was no measurement of the progress of knowledge transfer. The PBU provided the evaluation team with its internal capacity building plan for 2013-2014. The planned training includes overseas study tours for PBU staff members. The lone *tashkeel* member of the PBU was not included. Currently, the PBU staff is comprised of one *tashkeel* staff member, four MBAW NTAs, two ASI NTAs, and one ASI international advisor. This illustrates the widespread training of NTAs rather than *tashkeel* staff in the MoF, and also brings into question the practice of recruiting under-experienced NTAs, paying them salaries far in excess to those of the *tashkeel* staff, and then using donor funds to build the capacity of those NTAs rather than their *tashkeel* counterparts.

c. **General Directorate of Revenue**

The Revenue Directorate has a dependency ratio of 15%, with a total of 109 international consultants and NTAs to 696 *tashkeel* employees. All NTAs are funded under the DFID-funded project to support tax reform and tax administration. Despite the difference between their dependency ratios, clear parallels can be drawn with the Budget Directorate. In both instances, there were vague references to the existence of capacity development plans and needs assessments, but the evaluation team was unable to obtain copies.

The Revenue Strategy and Systems Directorate (RSSD), which has responsibility for capacity development, provided a copy of the Revenue Capacity Building Strategy. This strategy is based on a Training Assessment Matrix (TAM),\(^\text{67}\) which has been adapted to good effect in Afghanistan at the Independent Administrative Reform and Civil Service Commission (IARCSC) and customs and interior departments. The TAM measures the cross-training skills levels and the collective capability of a group of individuals expressed as a percentage, ranging from 0% to 100%, across a group of tasks, activities, or outputs. The focus is at the functional level and on the collection of individuals performing the function or task rather than the training needs of an individual technical member. The process starts by listing the capabilities required for the unit to perform its core function effectively, e.g., leadership,

core, and technical skills. The information gained then leads to a comprehensive, performance-focused training plan. A TAM score of 60 percent means that 60 percent of the staff in the unit can perform at an acceptable level.

**Table 13: MoF Dependency Ratios**

The overall TAM score at the beginning of Year 3 of the DFID project was 55 percent in the Kabul Large Taxpayers Office (LTO) and Medium Taxpayers Office (MTO); 54 percent in key provincial LTOs and MTOs; 25 percent in the Small Taxpayers Office (STO) in Kabul City; and 15 percent in the STOs in Kabul districts.

The Director General was not satisfied with the overall performance of the capacity building efforts to-date. He reported limited specialized technical training and capacity development of mid-level staff. He further considered donor-funded projects to do more harm than good, as, in his view, many *tashkeel* staff are more knowledgeable than the NTAs.

<table>
<thead>
<tr>
<th>Department</th>
<th># <em>Tashkeel</em> (minus <em>ajeer</em>)</th>
<th>Donor Funded TA</th>
<th>Dependency Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>International</td>
<td>NTA</td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td>84</td>
<td>11</td>
<td>94</td>
</tr>
<tr>
<td><strong>Treasury</strong></td>
<td>560</td>
<td>6</td>
<td>62</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>96</td>
<td>19</td>
<td>19</td>
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<tr>
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<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>Fiscal Policy</strong></td>
<td>11</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td><strong>PPU</strong></td>
<td>26</td>
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<td>106</td>
</tr>
<tr>
<td><strong>Internal Audit</strong></td>
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<td>13</td>
</tr>
<tr>
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<td>0</td>
</tr>
<tr>
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<td>9</td>
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<td>0</td>
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<td>0</td>
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<td>0</td>
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<td>7</td>
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<tr>
<td><strong>Minister’s Office</strong></td>
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<td>0</td>
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<td><strong>Policy</strong></td>
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<td>3</td>
<td>24</td>
</tr>
<tr>
<td><strong>Strategy Implementation</strong></td>
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<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,420</td>
<td>50</td>
<td>462</td>
</tr>
</tbody>
</table>

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68 The *ajeer* are service staff, e.g., cleaners, messengers, etc.
a. Targeted Ministries
The evaluation team targeted nine line ministries, in addition to the MoF, in consultation with USAID. These ministries have broad responsibilities for planning and development strategy in urban and rural areas, and their capacity is a significant constraint on the PFM-enabling environment for service delivery.

a. Ministry of Economy
The Ministry of Economy (MoEc)\(^69\) is the lead agency for monitoring development activities. Before 2002, the MoEc had a more active role in development; 20 percent of the budget was allocated for development spending under this ministry. The public sector’s legacy for project design and monitoring is within this ministry. The MoEc is responsible for monitoring the country’s progress on achieving ANDS objectives. In addition, both ARDS and the National and International Advisors Recruitment Unit (NIARU) fall under the MoEc structure. The MoF did not include the MoEc in its assessment by the accountant firm PKF.

The MoEc has 950 \textit{tashkeel} positions, of which 150 positions are vacant. There are 20 NTAs and 17 GIRoA contract-based employees in this ministry. The Finance Directorate has 16 \textit{tashkeel} staff, two NTAs from the MoF, and no international advisor. The Human Resources Directorate has 47 \textit{tashkeel} staff, one NTA funded under Capacity Building for Results Program (CBRP), and no international advisor.

The MoEc has completed a capacity development needs assessment for its civil servants. This includes a component to fund higher education opportunities relevant to job responsibilities for some staff.

b. Ministry of Urban Development Affairs
The Ministry of Urban Development Affairs (MUDA)\(^70\) is moving away from its customary role as an implementing agency to a more policy-focused role in planning and leadership in urban policy, housing, and infrastructure, to include:

- making, approving, and implementing the National Urban Policy;
- urban and regional plans for major urban areas;
- preparing plans for the regional development strategy for all the zones;
- strengthening the capacity of municipalities;
- improving revenue and capacity building programs in 34 provinces and major cities;
- urban development plans, including plans for infrastructure investments made in 25 major cities; and
- institutional capacity supported by educational plans and institutional reforms for effective governance in the country’s 34 provinces and major cities.

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\(^{69}\) www.moec.gov.af
\(^{70}\) www.muda.gov.af
MUDA was included in the MoF’s baseline assessment of PFM and internal control capacity in 2010. Given the lack of capacity development assistance through GIRoA or donors, those findings are expected to be indicative of its current capacity state.

The PKF team found that the budget process within MUDA is structured, and senior management is directly involved in allocating fiscal resources based on priorities. The Finance Directorate prepares regular budget execution reports to improve decision-making at the management level. As of this report’s writing, those reports were not linked to results. The maturity of internal controls implies an institutional architecture that will reinforce and sustain performance over time and employee turnover. The PKF team found that MUDA follows a repetitive documentary control process by various departments. This practice delays transaction processing and dilutes accountability. Internal processes, the foundation of the control environment, were not clearly defined.

The relationship between the MUDA and Independent Directorate for Local Governance (IDLG) in municipal governance and MUDA’s role in revenue and capacity building remains unclear. The ministry’s programs are planning, urban infrastructure, housing, and administration.

The evaluation team found that MUDA has 864 *tashkeel* employees (522 in headquarters and 342 in provinces), four national technical advisors, and 400 national contract-based employees paid by the MoF from the development budget. Their dependency ratio is 47 percent, most of which is attributed to the large number of GIRoA-financed consultants. The Finance Directorate of this ministry has 21 *tashkeel* staff and 15 contract-based nationals, also financed through GIRoA; the dependency ratio is 71 percent. The human resources directorate has 19 *tashkeel* staff, three contract-based nationals financed through GIRoA, and no international advisor; a dependency ratio of 16 percent. There are three PhD-, 84 master’s-, and 309 bachelor’s degree-holders in MUDA.

This ministry has completed a capacity needs assessment and developed a Three-Year Strategic Plan. The capacity development portion of the Strategic Plan covers the three years. Other than a ten-day budget preparation training program conducted by MoF to the Finance Directorate staff, there has been no training or capacity development within the ministry. There is no donor project in this ministry for the purpose of capacity development.

c. Ministry of Agriculture, Irrigation and Livestock

In a country where agriculture dominates the lives and livelihoods of its people, the role of the MAIL in economic development is significant. MAIL is the lead agency for agriculture policy and strategy development, as embodied in the National Agriculture Development Framework. The ministry’s budget is organized around four programs: National Resource

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72 www.mail.gov.af

MAIL is in the process of transitioning a number of donor-funded projects on its tashkeel. Other capacity building projects ongoing in MAIL are funded by AusAID, DFID, the EU, Japanese International Cooperative Agency (JICA), as well as USAID.

d. Ministry of Communication and Information Technology

The Ministry of Communication and Information Technology (MoCIT)\(^{73}\) is the lead agency in GIRoA on communication, information technology (IT), and postal services, with the aim of connecting people with knowledge and resources. Over the next three years, the ministry’s priorities include:

- deliver telecommunications and IT services to remote areas in the country;
- supply high-speed Internet;
- design, develop, and deploy the platform supporting the National Identify Card (NIC) (or eTazkira) in cooperation with the Ministry of Interior (MoI);
- extend fiber optic network;
- replace analog with digital television broadcasting systems; and
- introduce eGovernment and encourage line ministries to integrate ICT into their work.

MoCIT has three programs in its budget: eAfghanistan, ICT literacy, and general finance and administration. MoCIT is one of the better-performing ministries, and typically executes 100 percent of its operating and development budgets. The PKF assessment attributed this to the ministry’s practice of beginning the procurement process before the budget is officially approved.\(^{74}\) MoCIT does have a process requiring its provincial directorates to submit their requests as part of the annual budget process. MoCIT’s internal control arrangements focus more compliance with the requirements of MoF, the Control and Audit Office (CAO), and the Attorney General’s Office (AGO). Documentation of internal processes, to include the rationale for the various signatures, is lacking.

e. Ministry of Education

The Ministry of Education (MoE)\(^{75}\) is one of the largest ministries in terms of size and reach, with 263,000 tashkeel employees and teachers. MoE’s vision is to develop Afghanistan’s human capital by providing equitable access to quality education. The ministry is responsible for five priority programs:

- General and Islamic Education;
- Curriculum Development, Technical Education, and Science and Technology Education;

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\(^{73}\) www.mcit.gov.af

\(^{74}\) The point at which procurement can start is not clear. MoF’s position is that all procurement actions up to contract award is allowable under Afghan law. Once Cabinet approves the draft budget and submits it to Parliament, there are few major changes. However, many ministries prefer to wait to start their procurements until the budget is signed into law.

\(^{75}\) http://moe.gov.af
• Technical and Vocational Education and Training;
• Literacy; and
• Education Management.

The flagship program for education is the World Bank-administered Education Quality Improvement Program (EQUIP), funded through the Afghanistan Reconstruction Trust Fund (ARTF). The MoE has 263,000 employees, including civil servants and teachers, located across Afghanistan, even in the most remote areas of the country. In Kabul, the MoE has 2,500 contract-based employees funded by the MoF through the development budget and five international advisors. The finance directorate of this ministry has a tashkeel of 258, of which 150 positions are vacant. There are 41 national contract-based employees in the finance directorate, but there no international advisors.

This ministry drafted a capacity development action plan in 2013 for its civil servants. NTAs are working on policy development, system development, capacity building, and project implementation. When interviewed, the finance director noted that he would like more technical and professional courses (ACCA, CAT) made available for his tashkeel staff.

Technical assistance is provided through the World Bank and AusAID’s Development Assistance Facility Afghanistan 3 (DAFA3) project.

f. Ministry of Public Health

The Ministry of Public Health (MoPH) is the lead agency for health policy and strategic direction in Afghanistan. The ministry was included in MoF’s assessment performed by the accountancy firm PKF in 2010. Health services in Afghanistan are, with few exceptions, contracted out to non-governmental organizations (NGO). The funding programs, Basic Package of Health Services (BPHS) and Essential Package of Health Services (EPHS), are funded by the European Commission, USAID, and the World Bank through the MoPH’s development budget. Whereas the operating budget is managed by the finance and administration tashkeel staff, the development budget-funded BPHS and EPHS projects are administered through the donor-funded grand coordination unit (GCU). There are 60 different

76 For more information on the ARTF and its programs, see www.artf.af
77 www.moph.gov.af
donor projects. The ministry recognizes the importance of developing their internal capacity to integrate the management and administration of their operating and development budgets. However, integrating operating and development budgets is particularly tricky in such a complex environment. AusAID’s DAFA3 project is providing technical assistance in the PFM area.

Of its 39,000 employees, 18,500 are civil servants (tashkeel staff) and 20,500 are national contract-based employees paid by the MoF from the development budget. There are 20 international advisors and 450 NTAs in different sections. The human resources directorate has 160 tashkeel staff, eight NTAs, and one international advisor. The finance directorate has 80 tashkeel staff and 50 NTAs. An official interviewed reported that the current NTAs are not transferring skills and knowledge to the tashkeel staff and are not useful to his department. He further stated he sees a need for only eight skilled and expert NTAs in the finance directorate to coach and mentor the tashkeel staff.

The Human Resources Strategy encompasses the capacity development plan and in-service capacity development plan. This concentrates on physician's specialization and hospital management, rather than the capacity of the finance and administrative tashkeel. There is no funding to implement the plan.

g. Ministry of Public Works

Established in 1933, the Ministry of Public Works (MoPW) is the lead agency for national, regional, and provincial roads in Afghanistan. Among its functions are project design, survey, reconstruction, maintenance, and rehabilitation of roads and bridges, contracting with private entities for road construction, and monitoring the planning of railways.

MoPW has 3,076 employees, with three international advisors and five NTAs funded through CTAP and DAFA3. The finance directorate has 92 employees, with one NTA. The ministry representative interviews expressed satisfaction with the capacity building and skill transfer of these advisors.

In 1393 (2014), the MoPW developed a capacity development plan based on an earlier capacity needs assessment. There is funding for its implementation. Included in the plan is the Next Generation Leader Program, which proposes to fund 20 tashkeel staff to pursue master’s degree programs in reputable Afghan universities. The estimated cost for this program is USD $1.5 million dollars.

EGGI had five interns in this ministry, of which two were selected as civil servants. They continue working in this ministry.

78 www.mopw.gov.af
h. **Ministry of Rural Rehabilitation and Development**

The Ministry of Rural Rehabilitation and Development (MRRD)\(^{79}\) has a long if uneven history in promoting local governance and rural economic opportunity in Afghanistan. In 1954, what is now MRRD was established as the Rural Department Commission under the Ministry of Commerce. From 1956 through 1966, it was an independent office under the Prime Minister’s Office. In 1969, it was dissolved, only to be reestablished in 1970 as the Rural Development Office. For the next 14 years, it went through several name changes and fell under different authorities. In 1984, it was once again dissolved. Four years later, it re-emerged as an independent MRRD. In 2002, MRRD received a new mandate, policies, and strategic purpose to promote poverty reduction and social protection in rural Afghanistan. Many of the programs under MRRD are coordinated with other ministries and independent directorates, e.g., MAIL, Ministry of Counter-Narcotics, MoPW, and IDLG.

MRRD is responsible for administering six donor-funded programs, which are managed through separate Project Management Units (PMUs):

- Afghanistan Rural Enterprise Development Program (AREDP),
- Comprehensive Agriculture and Rural Development-Facility (CARD-F),
- National Area Based Development Program (NABDP),
- National Solidarity Program (NSP),
- National Rural Access Program (NRAP), and
- Rural Water Supply, Sanitation, Irrigation Program (Ru-WaSIP)

The PKF assessment\(^{80}\) noted the need for improvements in coordination between the core planning and finance units and the program units in the ministry. The evaluation team noted that this ‘firewall’ exists even at the provincial directorate level. The planning and budgeting process is top-down and centralized; to the extent that this reflects donor requirements limits the extent to which core and program functions can be integrated. MRRD’s internal management information system (MIS) is improving communication and coordination. Depending upon funding availability, the ministry would like shift it to a web-based platform and pilot it in six provinces. The evaluation team learned that some programs have their own MIS and connect with their provincial PMUs.

MRRD has 2,125 *tashkeel* staff, 2,270 national contract-based staff or NTAs, and eight international advisors. The finance directorate has 39 staff, 15 national-contract based employees, and no NTA or international advisor. The total *tashkeel* staff of the human resources directorate in MRRD is 38, with two NTAs and no international advisor.

In 1393 (2014), the MRRD completed a capacity needs assessment. Based on that assessment, the ministry developed a capacity development plan. There is no funding through

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\(^{79}\) www.mrrd.gov.af

GIRoA to implement the plan. The ministry is trying to find a donor to fund the higher education elements of the capacity development plan.

Table 14: Dependency Ratios of Targeted Ministries

<table>
<thead>
<tr>
<th>Ministry / Province</th>
<th>Total Tashkeel</th>
<th># of TAs</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Dependency Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>International</td>
<td>NTA</td>
<td>National Contractors</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoEc</td>
<td>950</td>
<td>0</td>
<td>20</td>
<td>17</td>
<td>37</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoEc Finance</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoEc HR</td>
<td>35</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoUDA</td>
<td>864</td>
<td>0</td>
<td>4</td>
<td>400</td>
<td>404</td>
<td>47%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoUDA Finance</td>
<td>21</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>15</td>
<td>71%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoUDA HR</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAIL</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoE</td>
<td>263,000</td>
<td>5</td>
<td>0</td>
<td>2,500</td>
<td>2,505</td>
<td>1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoE Finance</td>
<td>258</td>
<td>0</td>
<td>0</td>
<td>41</td>
<td>41</td>
<td>16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoCIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoPH</td>
<td>18,500</td>
<td>20</td>
<td>450</td>
<td>20,500</td>
<td>20,970</td>
<td>113%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoPH Finance</td>
<td>80</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>50</td>
<td>62%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoPH HR</td>
<td>160</td>
<td>1</td>
<td>0</td>
<td>8</td>
<td>9</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoPW</td>
<td>3,076</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>8</td>
<td>&lt;1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoPW Finance</td>
<td>76</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoPW HR</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRRD</td>
<td>2,125</td>
<td>8</td>
<td>0</td>
<td>2,270</td>
<td>2,278</td>
<td>107%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRRD Finance</td>
<td>39</td>
<td>0</td>
<td>0</td>
<td>16</td>
<td>16</td>
<td>41%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRRD HR</td>
<td>38</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoTCA</td>
<td>2,217</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>7</td>
<td>&lt;1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoTCA Finance</td>
<td>30</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>&lt;1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

i. Ministry of Transport and Civil Aviation

The Ministry of Transport and Civil Aviation (MoTCA)\(^{81}\) was established in 2004 with the merger of the Ministry of Civil Aviation and the Ministry of Transport. MoTCA is responsible for the management of air and ground transportation, operation of airports and the national airline (Ariana Airlines\(^{82}\)) and other state-owned enterprises engaged in transport (e.g. Mille Bus). The ministry is focusing on building its human capacity to regulate civil aviation in accordance with international standards.

\(^{81}\)www.motca.gov.af
\(^{82}\)www.flyariana.com
The MoTCA has 2,217 staff, of which 1,072 are in transport and 1,145 in civil aviation, with a total four international advisors and three NTAs. The finance department has 30 staff, with no national or international advisors.

MoTCA has a capacity development plan for 1393 (2014) based on its needs assessment. There is 1.5 million AFS allocated in the budget to implement this plan. The human resource department argues that this is not adequate to implement the entire plan for this year. It is only enough for short-term courses that are not useful for employees and the organization. MoTCA would like to see long-term capacity development program, which would improve the effectiveness and efficiency of employees and the organization.

b. Capacity Development

Capacity building applies at both the organizational and the individual level. It includes strengthening organizational structures, systems, and processes; strengthening leadership and management skills; and strengthening the technical and operational skills, knowledge, and experience at the individual level. Capacity building comprises a set of intentional actions and initiatives that provide support to increase the potential for development at the organizational and individual levels. In addition to technical skills and professional competencies, staff also requires an enabling environment that provides the structural and organizational elements to perform at an acceptable standard.

The evaluation team saw evidence of the substandard conditions under which provincial staff work. Offices were in a converted bakery (Bamyan Education Directorate) and in open air (Nangarhar Education Directorate); with only generators as a source of electricity (Panjshir Mustafyatyat); lack of proper storage and retrieval of public records (virtually universal); and dependence upon the postal system to communicate with Kabul (Herat Public Health Directorate). Lack of office stationary, forms, and even furniture were common complaints. The evaluation team also witnessed the discrepancy in the treatment of provincial staff caused when line ministries retain a disproportionate share of their Code 22 (Goods and Services) budget allocations. While many line ministries provide transportation for their staff, their provincial directorates do not receive sufficient sub-allocations to provide this benefit to their staff (Badakhshan Mustafyatyat). Province-focused capacity building projects must consider the adequacy of the physical conditions and availability of resources for provincial staff to perform to an acceptable functional standard.

A robust transition strategy involves building the institutional and functional capacities of the government’s fiscal management and administration through organizational restructuring and strengthening the professional and technical competencies of tashkeel staff. This last matter may occur by strengthening the capacity of existing tashkeel or through incorporating NTAs into the civil service rolls. Some ministries are using the CBRP as a way to retain NTAs.

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83 Lack of transportation was cited as a problem in both Bamyan and Badakhshan provinces. Commuting by foot or bicycle, through rough, mountainous terrain is difficult; even impossible, in winter weather. Absenteeism is frequently related to daylight hours and weather conditions.
European Union, in transitioning its off-budget agriculture programs to on-budget, are supplementing the tashkeel salaries of those NTAs for six months, at which time the salaries revert to the civil service level. A number of donors believe that NTAs, without their accustomed salaries, will leave, taking the donors’ investment in their capacity with them. The proper response is that people’s decisions to stay or leave are more nuanced than salary considerations. That five EGGI NTAs are working in tashkeel positions in the MoPW is a testament to that. Decisions regarding transitioning NTAs to the tashkeel should not be made on the basis of personal relations or loyalty, but in recognition that the tashkeel provides the institutional architecture for long-term, sustained organizational performance.

In summary, capacity development is a process of change and managing that change over time. Strengthening the abilities, skills, and knowledge base of the organization and the individual is a continual process rather than a one-off intervention. One-off training courses and ad hoc random on-the-job training cannot and does not build the capacity of the tashkeel staff. Organizational capacity building builds upon the structure of a ministry or directorate and provides a framework for the organizational functions and systems needed to support the ministries in their transition from off-budget donor support to on-budget donor support. Individual capacity building has to be built upon and derive from organizational capacity building if it is to have a sustainable, effective, and measurable impact on the organizational performance of a ministry.

In some ministries and directorates, human resource capacity development plans have been developed, largely with donor support. There is wide variation in their quality and utility. Unless capacity development plans are underpinned by an analysis of functional training needs, tied to organizational performance, and with defined outputs, the value of those documents remains questionable. Individual capacity development proposals need to be based on the technical shortcomings of the unit, rather than the incumbent. If the unit is performing at an acceptable functional level, the donor’s return on investment is not as great as investing in training individuals in lesser-performing units. This approach is contrary to conventional wisdom and current practice. However, transition forces a discipline in building the capacity of staff to support institutional requirements associated with core government functions.

c. Donor Support to PFM Capacity Development

Donor support to PFM has been sustained and extensive over the past decade, and this is likely to continue for the foreseeable future, especially within the MoF. That technical assistance has focused on building the capacity of MoF as the lead agency in fiscal policy and as a fiduciary manager of public fiscal resources, whether domestic or donor grant. The responsibility of planning, prioritization, procurement, implementation, and monitoring of programs and projects funded through the national budget is the responsibility of the line ministries, independent directorates (e.g., IDLG), and their sub-national directorates. With the Kabul Process, discussions started on integrating the functions of the donor-funded, program-specific project and grant management units into the core financial and administrative directorates of the line ministries. In 2010, the MoF engaged PKF to review PFM and internal financial controls of the MoF and 13 other key spending ministries. These reports, singly and
collectively, formed the GIRoA baseline of ministerial capacity, and were intended to harmonize donor technical assistance efforts.

Table 15: Donor TA Matrix - MoF

<table>
<thead>
<tr>
<th>Donor</th>
<th>International</th>
<th>Advisors</th>
<th>Project Name</th>
<th>Directorate</th>
<th>Current Contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>WB/ARTF</td>
<td>6</td>
<td>62</td>
<td>PFMR II</td>
<td>Treasury</td>
<td>GIZ</td>
</tr>
<tr>
<td>UNDP/USAID</td>
<td>2</td>
<td>87</td>
<td>MBAW</td>
<td>Budget</td>
<td>UNDP</td>
</tr>
<tr>
<td>DFID</td>
<td>19</td>
<td>90</td>
<td>TAR</td>
<td>Revenue</td>
<td>ASI</td>
</tr>
<tr>
<td>DFID</td>
<td>11</td>
<td>19</td>
<td>SAB</td>
<td>Budget</td>
<td>ASI</td>
</tr>
<tr>
<td>USAID/DFID/Germany/GIROA</td>
<td>4</td>
<td>24</td>
<td>CTAP</td>
<td>Line Ministries</td>
<td>Multiple</td>
</tr>
</tbody>
</table>

1. *Making Budgets and Aid Work*

UNDP’s Making Budgets and Aid Work (MBAW) project began in 2007 and is scheduled to end in December 2014. The first Quarterly Report (2014)\(^{84}\) records that,

regarding capacity development, the project experts delivered training courses to 609\(^{85}\) MoF and line ministry (LM) officials in PFM reforms but the project does not have a coordinated approach towards capacity development any longer…..the project keeps on ‘fuelling’ the MoF with much needed technical expertise (NTA) and resources, thereby directly contributing to the PFM capacity of the MoF, provided an adequate exit strategy comes into play in the years ahead to ensure sustainability while consolidating gains.

The report also records that,

individual capacity development in the project experts has paid off as they have become agents of change, delivering trainings and technical assistance to the line ministries; performing functions within the *tashkeel*; and given the uncertainties over project funding capacity development has been neglected, substantially reduced; the Capacity Development Plan is no longer updated; the project no longer coordinates the capacity development activities of the different units it is supporting and an adequate exit strategy is still pending in order to guarantee sustainability and institutionalization of project achievements.\(^{86}\)

The future plans recorded in the MBAW report are that the project “will continue to perform critical routine functions of the MoF provided firm funding commitments are secured [emphasis added].”\(^{87}\)

\(^{84}\) MBAW 1\(^{st}\) Quarterly report 2014.
\(^{85}\) The disaggregation of this data to gender was not available to the project but an estimate of 5% female participants was made by RIMU.
\(^{86}\) MBAW 1st Quarterly report 2014.
\(^{87}\) Ibid.
This report records the capacity development and training of NTAs funded by donors at salaries of approximately ten times the tashkeel salary for a comparable position. NTAs are expected to have sufficient professional expertise to be able to train a tashkeel counterpart on-the-job, which brings into question their need for training. The donor is in effect carrying the costs of an expensive NTA resource and carrying the costs of their professional training at the same time.

Table 16 illustrates the breakdown of MBAW-funded NTAs in each section of MoF.

<table>
<thead>
<tr>
<th>MoF Office</th>
<th>No. of MBAW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister’s Office</td>
<td>1</td>
</tr>
<tr>
<td>Deputy Minister (Finance)</td>
<td>2</td>
</tr>
<tr>
<td>Deputy Minister (Policy)</td>
<td>7</td>
</tr>
<tr>
<td>Deputy Minister (Administration)</td>
<td>1</td>
</tr>
<tr>
<td>Procurement</td>
<td>1</td>
</tr>
<tr>
<td>Aid Coordination Directorate</td>
<td>11</td>
</tr>
<tr>
<td>General Directorate (Budget)</td>
<td>78</td>
</tr>
<tr>
<td>PIU</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total MBAW</strong></td>
<td><strong>103</strong></td>
</tr>
</tbody>
</table>

Of the 103 NTA staff in the Budget Directorate surveyed, 46 replied yes to the question, “Are you building the government staff capacity of tashkeel staff who work in your sector?” This suggests that 57 NTAs have no tashkeel counterpart. The reasons for this were not clear, but the result is to limit the potential for capacity development. The MBAW NTA contract mandates them to develop tashkeel staff and develop their skills. There are functions in the Budget General Directorate which may not be considered to be intrinsically governmental, such as Aid Coordination, Budget Reforms, and Capacity Development. A number of positions are occupied by MBAW NTAs for which the government has not created a parallel tashkeel position.

Meeting notes of the discussions with the MBAW Project Manager and the MBAW Head of Operations are provided separately, and records that the capacity of tashkeel staff should be built slowly; that if the capacity of the tashkeel staff is built then they will leave government service for a higher salary, and so the contract of NTAs will have to be further extended to train new tashkeel staff members; that there are thousands of NTAs paid for by other donors; and that there are no capacity development plans or training needs assessment.

2. Capacity Building for Results Facility

The ARTF-funded Capacity Building for Results (CBR)\(^88\) Facility integrates the organizational and the individual elements of strengthening GIRoA’s capacity. The determinant of a ministry’s progression through CBR level 1 to level 2 and then to level 3 is

dependent on administrative and organizational proposals being developed by the ministry according to its internal priorities. They are then submitted to, and evaluated by, an external panel of independent experts before approval of the MoF and the IARCSC is given for implementation to proceed. This organizational capacity development is paralleled by the upgrade of a select number of senior-level tashkeel positions to CBR rates and advertised as vacancies on the open market, in order to recruit the skills needed to implement the reforms.

The closing date for this facility is December 2017; the grant amount is $100 million.

3. Capacity Building Change Management Project II

In 2010, the U.S. Department of Agriculture (USDA) launched a Capacity Building Change Management Program (CBCMP). Volunteers for Economic Growth (VEGA) was selected to implement the program. Phase I focused on building the institutional capacity of MAIL itself to “design, procure, account for, and report on utilization and performance of its financial, capital, and human resources through both donor and GIRoA funding.” In Phase 2, now funded through USAID, CBCMP has extended to seven zonal DAILS in Kabul, Paktia, Kandahar, Herat, Mazar, Kunduz, and Nangarhar, providing each with an eight-member team (six change management specialists, one Supervisory Personnel Management Specialist (SPMS), and one ICT officer). In addition, CBCMP also supports the DAILS in the remaining 27 provinces with an SPMS and an ICT officer. The Deputy Minister of Finance and Administration attributes the significant improvement in MAIL’s financial management capability to the VEGA program; he anticipates similar results from Phase 2.

4. Development Assistance Facility for Afghanistan III

This AusAID-funded project includes a PFM capacity building component, providing targeted assistance to MAIL, MoE, MoPH, and MoPW, as well as to provincial directorates in Uruzgan. The project design modified AusAID’s staged capacity building approach to the Afghan context, focusing on improving specific functional performance measures. This incremental approach proved valuable to the project’s credibility and value to the tashkeel counterparts. Officials interviewed in those line ministries spoke highly of the program and its national advisors.

DAFA3 runs through September 2015.

5. Second Public Financial Management Reform

Whereas the first Public Financial Management Reform project focused on developing treasury, procurement, and audit capacity in MoF, the second PRMR is extending its work to include line ministries and provincial directorates.

89 http://kdid.org/projects/vega/afghanistan%E2%80%93capacity-building-and-change-management-program
90 Email, dated 4 November 2014, from Anant Bir Singh, DCOP, CBCMP
This World Bank funded $73 million grant closes December 2015.

d. An Approach to Building Functional Capacity
Just as a pile of leaves do not make a forest, neither does a cadre of trained individuals make a highly-functioning civil service capable of delivering quality services efficiently and effectively, in an accountable and transparent manner. Training individuals to enhance their technical qualifications and expertise does have a role in capacity building. Qualified staff is essential to GIRoA’s administration and service delivery. These staff need the enabling environment provided by structural and organizational elements to perform to an acceptable standard. These enabling elements include:

- strategic direction or purpose,
- a framework that defines how people interact with each other and the public,
- an understanding of how their work supports the goals of their organization or institution, and
- functional standards to define acceptable performance levels.

Focusing on performance provides a means of linking key systems (e.g., financial management, procurement) to measure not only system performance, but also institutional capacity of line ministries and individual competencies of the tashkeel in GIRoA administration and service delivery. These performance measures can then be used to assess the relative maturity of the system, as well as the capacity of an individual to fine tune technical interventions and training needs. This staged approach to institutional and individual capacity building provides a level of discipline in project design, implementation, and monitoring. Furthermore, this approach has a built-in exit strategy.

The phasing of this approach is based on functional performance. The system provides an enabling environment that supports and facilitates acceptable performance levels through standardized processes and procedures, forms, checklists, technology, etc. Through the use of these institutional artifacts, the accounting department, for example, may well perform at an acceptable level, even though individuals within that department may not be able to perform at that standard.

The first order of business, therefore, is to assess the extent to which the institutional structures are in place and the extent to which the tashkeel has attained the requisite technical competencies. This can range from no capacity and system performance depending upon the

93 For the purposes of this capacity development discussion, ‘efficiency’ is the extent to which resources are expended, while minimizing input. Identifying and eliminating extraneous processes or controls in expenditure is one way to reduce the costs associated with processing payments. Budget execution rates are an example of efficiency. “Effectiveness” is a measure of the extent to which the service delivered meets the intended objectives. Although associated with programmatic services, increasing the knowledge and skills of staff and ensuring they are properly resourced so they can perform their duties is one way to promote effectiveness. Transparency refers to the availability and quality of information on the budget; accountability, to the adequacy of existing mechanisms to guarantee adherence to rules and procedures.

continued presence of NTAs, to limited capacity, to limited responsibility, to full responsibility.

e. Conclusions

How well was the EGGI project scope of work designed and managed by USAID?
In hindsight, one could reasonably conclude that the design of the EGGI project’s scope of work was overly broad. The context of the significant change in U.S. and even international policy, stemming from the London Conference (2010), combined with ISAF’s aggressive security transition timetable, did not allow sufficient time for reflection or consideration. The timeframe of development, usually measured in decades, had to be shortened to accommodate the security timeframe of weeks (preferably) or, at most, months. That EGGI was able to deliver against the broadly-defined objective of supporting implementation of the PFM Roadmap is a testament to the character and dedication of its advisors.

There are lessons to be learned from EGGI. Given world events, the idea that USAID’s partnership with the military forces in rebuilding war-torn countries is naïve. The cooperation and coordination of development and national security interests is at a higher policy level, well outside the scope of this report.

How well has the EGGI project contributed to GIRoA’s ANDS process? Provide specific evidence-based examples.
The Afghanistan National Development Strategy (ANDS) (2008-2013) was the blueprint guiding the country’s development and reconstruction efforts in line with the Afghanistan Compact and the Millennium Development Goals (MDG). This document was aspirational, detailing the country’s dreams of stability, good governance, respect for human rights, economic opportunity, and security. The MoEc is responsible for monitoring progress against the ANDS. EGGI contributed to the progress of the ANDS governance pillar through its work in fiscal policy, linking budget to performance, subnational governance, and gender.

1. Fiscal Policy

a. Findings: Per ANDS, “The Government continues its efforts to increase revenues by improving revenue administration and broadening the tax base.”
EGGI provided training on core tax administration functions to revenue staff at the ARD and in selected large provinces. EGGI also provided assistance to the ARD NTR and to a limited number of line ministries.

b. Conclusion: EGGI advanced this ANDS objective by increasing the capacity of revenue staff at the ARD and in selected provinces to perform core tax administration functions, which contributed to an increase in tax revenues. Assistance EGGI provided to the NTR and line ministries contributed to increased revenues from a limited number of non-tax revenue streams.

2. Linking budget to performance
   a. Findings: EGGI’s work with the line ministries in implementing the simplified form of program budgeting was instrumental. While DFID’s implementer took the lead at the MoF in developing the policy framework, EGGI advisors took the lead in operationalizing program budgeting, working with the line ministries to define their program structures, develop processes, procedures, forms, and templates, and provide guidance and training. They essentially rolled up their sleeves, working shoulder-to-shoulder with their ministry counterparts. Although there were complaints that EGGI’s allocation of two advisors to ministry regardless of the size or complexity of its program structure, the consensus was that the advisors were effective in building a foundation understanding of program budgeting and transferring their knowledge and skills to their counterparts.
   b. Conclusion: EGGI’s contribution to this ANDS objective was more in operationalizing program budgeting at the line ministry level than in continuing policy discussions. (Note: EGGI’s program budgeting work stream was a legacy from the Capacity Development Project (CDP) in the IARCSC.) Only through this process of implementation of program budgeting—developing program structures, defining output measures, etc.—could GIRoA begin to demonstrate the benefit of linking budget to intended policy objectives, as defined by program structures. Shifting line ministries’ approach to planning around programs, budgeting resources to support those programs, and reporting was EGGI’s contribution. This effort has been sustained, independent of other donor funded support across government, with the end result, as reported by the budget department, was that ministries submitted their budget requests in the proper program format in 1393 and 1394. Any problems were easily corrected in discussions between the line ministry and MoF.

3. Sub-national governance
   a. Findings: EGGI’s support to sub-national governance is less clear in the context of ANDS. ANDS and the Sub-National Governance Policy focus more on the political relationship between levels of government than on the fiscal flows from center to province. EGGI’s support to the PBU focused on training provincial authorities on PFM reforms and identifying obstacles to those provincial authorities in participating in the national budgeting processes of planning, prioritization, and implementation. This narrow technical focus did not include the participation of representative bodies (e.g., provincial councils) or civil society organizations.
   b. Conclusions: GIRoA’s lack of policy guidance on the relative fiscal responsibilities of central, provincial, and district authorities has contributed to a lack of progress toward this ANDS objective. Pending Cabinet’s approval of a subnational fiscal policy, MoF has moved forward in leveraging the current
authorities of the PFEML and Procurement laws to encourage line ministries to delegate greater responsibility to their provincial directorates. One of the major obstacles to achieving this was a widespread perception of lack of capacity of provincial officers. EGGI’s support to the PBU in training officers on basic public financial management and mentoring officials participating in the provincial budgeting pilot highlighted the capabilities of subnational staff.

4. Gender

a. Findings: Although the number of women graduating from WIG’s internship program was small, their presence in the MoF and the line ministries was a necessary first step to women’s participation in public sector employment. During the provincial site visits, the evaluation team saw women working not only in the mustafyats, but also the line directorates. In Bamyan and Badakhshan, directors said they would like to recruit and retain more women. The drawback was the lack of transportation in these rural areas. Without a car, motorcycle, or bicycle, women tended to walk from their homes to the office. Even without security concerns (e.g., kidnapping, assault), rough paths and inclement weather made this a long, dangerous journey for the female staff. (Note: In Kabul, providing transportation for the tashkeel staff is a universal benefit. The education director in Bamyan shared with the evaluation team that MoE cut their transportation allotment and they no longer can afford this service.)

b. Conclusion: The EGGI program clearly supported the ANDS objective in this area.

How has EGGI contributed to Afghanistan’s Public Financial Management (PFM) Roadmap process?

1. Fiscal policy

a. Findings: Due to multiple factors, EGGI provided limited assistance to the MoF’s FPU.

b. Conclusions: EGGI assistance had little or no impact on the performance of fiscal policy tasks described in the PFM Roadmap.

2. Domestic revenue

a. Findings: Domestic revenues increased from 80 billion AFS in 2010 to 109 billion AFS in 2013. EGGI provided training on core tax administration functions to revenue staff at the ARD and in selected large provinces. EGGI also provided assistance to the ARD NTR and to a limited number of line ministries.

b. Conclusion: EGGI assistance (along with assistance provided by other donors) increased the tax administration capacity of revenue staff at the ARD and in selected provinces, and helped the NTR identify opportunities to generate additional income from non-tax revenue streams. These EGGI activities
contributed to some extent to progress made in fulfilling the PFM Roadmap objective to increase domestic revenues.

3. Program budgeting
   a. Findings: Line ministries were able to submit their 1393 and 1394 budgets in the program format to MoF. Although there were variances in the quality of submissions, those differences were resolved through discussion between the relevant sector manager in the Budget Department and the line ministry.
   b. Conclusions: EGGI’s support contributed to the institutionalization, and ultimately the sustainment, of the simplified form of program budgeting as described in the PFM Roadmap.

4. Provincial budgeting
   a. Findings: Representatives of the provincial line directorates reported improvement in communications with their line ministry, especially more timely reporting of allotment releases. Before the provincial offices had access to the Internet, official documents were sent via Afghan post, taking 15 days; a Badakhshan respondent said he now receives the allotment in 12 hours. MoF’s outreach initiative through the PBU to provide basic PFM training to provincial authorities in the province itself was viewed positively. Although many were disappointed with the lack of funding for the projects they proposed in the provincial budgeting pilot, they gained more knowledge and insight into the processes through projects that are identified and funded.
   b. Conclusions: Through EGGI’s support, the MoF and line ministries gained a better understanding of the capacities of, and challenges experienced by, provincial directorates. Improved communications between the center and provinces is being memorialized in internal policy and procedures, notably at 3MAIL. The forthcoming Subnational Fiscal Policy will further define the relative roles and responsibilities of provincial authorities.

How did EGGI capacity building efforts empower MoF and GIRoA at the sub-national level?

1. Revenue
   a. Findings: EGGI provided training on core tax administration functions to revenue staff in selected large provinces. EGGI developed and installed an RRD in multiple provinces and provided RRD training.
   b. Conclusion: EGGI capacity building efforts empowered MoF and GIRoA at the sub-national level as follows: first, EGGI assistance increased the tax administration capacity of revenue staff in targeted large provinces; and second, the RRD EGGI developed is being used to record revenues in 32 provinces.

2. Provincial Budgeting
a. Findings: EGGI’s dual support of the PBU in Kabul and the five provincial hubs contributed to a more nuanced policy understanding of the capabilities of provincial authorities in PFM and the appropriate role of central authorities in provincial financial controls and expenditure management. MoF’s recognition that line ministries are better positioned to provide technical assistance in areas specific to those programs is a positive step. (Unfortunately, without funding for such technical assistance, line ministries are unable to follow through.) The sustainability of the PBU to build upon its expertise in what it is more properly intergovernmental fiscal policy is questionable, as it is not on the MoF’s tashkeel. However, at the line ministries, the Provincial Coordination Units (which are tashkeel) have expanded terms of reference.

b. Conclusions: The MoF must decide whether or not the work of the PBU is core to the government, or if it should focus on intergovernmental fiscal policy. Unless the PBU is placed on the tashkeel, the capacity built there will disappear with the departure of the NTAs. At the line ministry and provincial directorate level, the provincial positions are filled with tashkeel staff. The trainings and coaching of EGGI advisors, especially those in the provincial hubs, are being captured through internal policy and procedures, lines of communication, and further delegation of authority.

f. Recommendations
In order to meet both U.S. and GIRoA policy objectives, USAID must adopt a more disciplined approach to capacity building. Furthermore, USAID must move away from a tabula rasa view of legacy capacity, assuming that there is no existing capacity in fragile, emerging, and post-conflict countries. There is some “there” there, which is the leavening agent for change.

While there may be wide gaps between existing institutional and civil service capacity and the desired end-state, that legacy capacity is the foundation of governance. From the very start, capacity substitution should be viewed as a transition state.

Individual performance is limited not only by skill, which can be acquired through training, knowledge, and expertise, but the availability of proper tools and resources (e.g., desks, stationery), and the institutional framework established by policies and procedures, lines of communication, etc.

Budget

- Budget Policy: The Director General will face a number of challenges in the near- to medium-term; key of which is to gain control over the budget document itself, as a statement of estimated revenues and expenditures over the coming fiscal year. Currently, the directorate serves more as a secretariat, responsible for the administrative details of aggregating budget requests, preparing the draft budget for the Cabinet’s consideration, and the final budget statement upon approval by Parliament. A seasoned advisor to counsel the incumbent on the possible outcome of decisions, negotiation techniques, and risk mitigation would be helpful.
Organizational Development/Capacity Development: The General Directorate of Budget lacks a clear mission and vision. Its high dependency ratio indicates (1) capacity development projects have failed in building the capabilities of tashkeel staff, or (2) the directorates current functions are not core to the government. That decision needs to come sooner rather than later and most definitely before any further significant investment in technical support.

Revenues

ARD Capacity: Training in certain advanced tax areas (e.g., transfer pricing, treaty drafting) is needed for ARD staff, while training in core tax administration functions (e.g., assessment, audit, enforcement) is needed for new tax staff. If GIRoA provides counterparts with the requisite skill sets, USAID may wish to consider providing training on advanced tax topics (including tax treaty design, drafting, and negotiation), and assist the GIRoA in training staff on core tax administration functions. While the ARD expressed a desire to establish and provide training through its own tax academy, it may be more efficient and prove to be more sustainable to establish a sharing arrangement with an existing educational institution. Donor assistance could be provided in the form of national or international advisors, as appropriate, and relevant training materials.

Mustafyat Tax Capacity: Mustafyats in four large provinces (Herat, Balkh, Kandahar, and Nangarhar) received training in core tax administration subject areas. Tashkeel staff can now perform core tax administration functions, but would benefit from additional training. Unlike their counterparts in large provinces, mustafyats in smaller provinces have not received significant tax training from donors, and would benefit from training provided or funded by donors, preferably held in the province rather than in Kabul. Also, donor assistance could be used to organize and/or fund regional conferences for provincial revenue departments, allowing staff to compare tax practices, obstacles, and successes. Many of the mustafyats need basic equipment (computer, printers) and stationery (paper, pens), as well as a reliable Internet connection, to improve their tax administration efficiency. While these items should be obtained through operating budgets, any equipment provided by donors would be welcome. In addition, many mustafyats lack a reliable source of electricity. Donor assistance (possibly through the purchase and installation of inexpensive solar panels) could be coupled with other forms of assistance provided to mustafyats.

Tax Policy: Tax policy analysis is a component of multiple PFM Roadmap tasks. Although DFID is providing assistance to the FPU, with proper donor coordination, additional donor assistance could be utilized to expand staff capacity at the FPU and other bodies that engage in tax policy functions.

Tax Dispute Resolution: Afghanistan's tax dispute resolution mechanism is in its infancy and needs support from donors to gain traction with the public as a viable means to resolve tax disputes in a transparent and equitable manner. Assistance can
include training dispute resolution staff, publishing tax judicial decisions, and promoting the tax dispute system.

- Public Outreach: Establishing an effective public outreach program is critical to increasing taxpayer awareness, which, if implemented effectively, should yield additional domestic tax revenues. When possible, business organizations (e.g., Afghanistan Investment Support Agency and Afghanistan Chamber of Commerce and Industries) and donor funded projects (e.g., Assistance in Building Afghanistan by Developing Enterprise) could play a significant role in public outreach programs. Donor assistance can be offered to assist the GIRoA in designing a public outreach program based on public outreach programs implemented in other countries and provide funding for public outreach initiatives.

- Taxpayer Compliance: To promote taxpayer compliance and limit taxpayer compliance burdens, donors could assist in efforts to establish a constructive dialogue between GIRoA and the business community, including cooperating on a public outreach program, which may create a more attractive business environment, raise taxpayer compliance, and ultimately result in greater tax revenues.

- Non-Tax Revenues: Non-tax revenue streams offer significant revenue potential and should be considered a possible area for donor assistance. The NTR currently receives donor assistance, but could utilize additional assistance in the form of training and expertise to complete its comprehensive review of fees charged by line ministries. Selected line ministries could also benefit from donor assistance to establish appropriate fees, streamline procedures, and implement processes to share information with other ministries. Equipment and other resources needed to collect additional non-tax revenues could be provided to line ministries as needed.

- Corruption and Security: Corruption has a substantial adverse effect on domestic revenue collection. Donor assistance can be utilized to design and implement an anti-corruption strategy focused on domestic tax and non-tax revenues. The strategy can be incorporated into, or piggyback on, existing anti-corruption initiatives implemented by GIRoA and other donors. Anti-corruption information should be communicated through the public outreach program. Security is another impediment to tax revenue collection. Donor funding could be used to retain a tax collection advisor to assist the GIRoA in identifying enforcement alternatives that would reduce or eliminate security risks now faced by many tax collectors.

- RRD: Accurate and timely reporting of revenues is a vital component of any revenue system. Despite possible deficiencies, the RRD continues to function as a useful revenue reporting tool in 32 provinces in Afghanistan. As no other donors are providing assistance for the RRD, USAID may wish to consider providing limited assistance to remedy deficiencies in the version of the RRD currently in use.
Treasury

- AFMIS Deployment: Include solar collectors to provincial directorates to provide electricity.
- Training: Extend training to financial officers in line directorates.

Line Ministry

- Technical Assistance and Outreach: Line ministries lack funding to train and provide technical assistance, specific to their programs and internal control requirements, to their line directorates. Without this, provincial authorities will experience problems in identifying projects and the sustainment implications aligned with sectoral and ministry strategic objectives.

- Training: Line ministries have prepared capacity development and training plans. The evaluation team noted wide variance in their quality and utility in developing long-term institutional capacity. Key ministries, especially MoEc and MoUDA, would benefit from expertise in this area. All donor-funded training investment, to include exposure visits, must be directed to tashkeel staff and not NTAs.
ANNEX I: SCOPE OF WORK

Office of Economic Growth and Infrastructure (OEGI) / OFFICE OF PROGRAM AND PROJECT DEVELOPMENT (OPPD)

STATEMENT OF WORK

Part 1. Assessment of Afghanistan Public Financial Management Road Map, and

Part 2. Final Performance Evaluation of the Economic Growth and Governance Initiative (EGGI) Project

PART 1. ASSESSMENT COMPONENT

I. INTRODUCTION

The Public Finance Management (PFM) Road Map was approved by the Government of the Islamic Republic of Afghanistan (GI RoA) in July 2010 to set out how the Government intends to strengthen its ability to effectively design and implement programming while demonstrating the highest standards of transparency and accountability. It is focused on three key areas:

1. Strengthening the Budget in driving effective delivery of key priority outcomes;
2. Improving Budget Execution; and
3. Increasing Accountability and Transparency.

A key cross-cutting theme – critical in the implementation of all of these goals – is increasing the capacity of line-ministries to implement programs effectively and efficiently, and improving the capacity of the Ministry of Finance (MoF) to manage public finances effectively. The MoF led the implementation of the PFM Roadmap over the last three-year period and developed a detailed action plan that was supposed to be monitored regularly.

II. BACKGROUND

The PFM Road Map goal of the last four years (2010-2014) was to chart out what is required to increase GI RoA’s ability to develop and implement sound central and provincial budgeting in an effective and transparent way. The aim was to strengthen the institutional capacity of relevant entities (Ministry of Finance, targeted line ministries, Control and Audit Office and others) to foster economic growth and reduce poverty. Increasing overall GI RoA budget execution of tax and non-tax on-budget and off-budget resources, improving budget design to better meet the actual needs of the people, and increasing the amount of domestic revenue generated in order to cover those needs is how this would be done. This can be accomplished through improved stewardship of resources to implement reform in areas such as national and provincial program-based budget planning, formulation and execution, domestic revenue enhancement, sound performance, monitoring and financial plans and their implementation, improving the procurement process, and improving transparency, accountability, consultation, and coordination.
Since 2010, GIRoA continues to face major fiscal governance and sustainability challenges. According to IMF figures, projected current revenues for 2013 cover only about two-thirds of on-budget operating costs. With most donor expenditures on the development budget side still off-budget, the total annual deficit could still reach as high as 40-50% of GDP. The IMF has projected that the structural deficit over the long-term could remain in the range of 20% of GDP or more, after the full transition of security costs and development budget responsibilities to the GIRoA and some contraction in total expenditures. In addition to massive fiscal sustainability issues, the GIRoA continues to face major fiscal governance challenges.

Prior USAID/Afghanistan assessments, including the EGGI Midterm Evaluation, regular EGGI M&E reports, and the EGGI Final Report, revealed that while significant progress has been made in establishing the basic policy and institutional framework for a functioning budget management regime, major ongoing weaknesses inhibit efficiency and transparency of the budget planning/execution governance system. Weaknesses included, most prominently, policy and institutional rigidities in the budget planning process, which inhibit sound program and multi-year budgeting practices; lack of basic capital budget planning capacity and systems; rudimentary financial and operational budget planning and procurement planning capacity; opaque and complex procurement procedures and compliance enforcement systems; limited risk based ministerial level internal audit systems and capacity; and M&E processes and systems which are superficially related to program outcomes.

Moreover, the sub-national fiscal transfer system remains highly opaque and discretionary in nature, and does not effectively relate regional/local fiscal transfers to objectively defined expenditure needs. Despite progress on implementing the core elements of an automated treasury system (FreeBalance) at the national and regional levels, provincial line directors lack access to information about budget allocation, allotment, and expenditure activity relevant to their provinces. The budget allotment and payment authorization system remains overly rigid and somewhat duplicative in nature, and budget execution levels (particularly on the development budget side) remain too low. These difficulties are exacerbated by a lack of regularized dedicated outreach by line ministries to their provincial directorates. Finally, the human resource management systems still appear to lack adequate pay/performance linkages; many ministries remain reliant on donor-financed mid- and senior-level administrative and technical staff, with no clear transition plan in place to ensure sustainability of staffing resources.

On the revenue enhancement side, while significant progress has been made on improving the operation of a number of Medium Taxpayer Units, including improved registration, audit and collections activities; fundamental policy and institutional oversight issues appear to have hampered a robust up-swing in overall revenue performance. There continues to be a lack of harmonization in functional oversight procedures across the network of regional and local tax administration offices, the performance of the profit tax system remains extraordinarily inefficient, and full integration of an automated tax information system remains in process. Overall revenues as a share of GDP have backslid from the peak of 11% of GDP (2011-2012)

96 Suggest hyperlink/website to this reference
to the 10% range in 2013, although the long-awaited initiation of VAT implementation (now expected in 2014) projected by the IMF should help spike up revenues over the medium-term. The MoF lacks the institutional capacity and methodological tool-kit to engage in sound medium-term budget forecasting activities to establish a sound budgetary envelope for medium-term budget planning purposes based upon alternative revenue and expenditure growth and macroeconomic performance scenarios.

Within this context USAID/Afghanistan has provided GIRoA long-term off-budget technical assistance and training related to public financial management policy, institutional strengthening, and reform. Assistance has centered largely on increasing provincial revenue collection through targeted Medium Tax Payers Offices and improving budget execution through institution-building support for the MoF and for targeted line ministries. USAID also envisages ongoing staffing support to continue to promote enhanced budgetary management progress.

III. PURPOSE OF ASSESSMENT

The purpose of this assessment is to identify the next steps in USAID’s assistance to GIRoA in its implementation of the PFM Roadmap and the upcoming PFM Road Map II, and to strengthen a shared vision for the sustainable transition from off-budget to on-budget with Afghan ownership of future PFM implementation requirements during the next three years (2014-2018). This assessment should identify what institutional, human resource, policy, and process weaknesses are impeding implementation of the Roadmap and should be addressed by APFM over the next four years.

Critical Issues and Challenges of PFM road map implementation:

- **GIRoA buy-in for implementation of reform:** The best implementation of reform is associated with strong political will and support of host country counterparts. In the past, the donor community has found a lack of political will and GIRoA support the largest impediment to PFM reform.

- **GIRoA staff capacity and turnover:** Another principal barrier to PFM reform is lack of education, technical experience, and salary incentives; engrained government policies; and supervisory leadership challenges. Experienced civil servants are rapidly confronted with new technologies in a transforming work environment; however, those who have the benefit of a modern technical education often have limited work experience. Afghans with both technical skills and work experience tend to take positions with higher salaries and easier working conditions in the private sector, with donors, and non-government organizations. Capacity constraints are particularly pronounced in the Ministry of Finance’s Budget Directorate and in the provincial government administrations as well. In addition to the competence of staff, capacity is limited in terms of lack of civil servants or incomplete tashkeel staff in the entity structures.

- **High dependency on consultants acting as doers vs. teachers:** As a result of the human capital and capacity challenge discussed above, studies and research show that most of the key GIRoA institutions dealing with government operations at the medium and senior levels are funded by donors’ projects. This renders GIRoA highly dependent on the skills of consultants rather than depending on the skills of mature civil servants. This is a critical problem for the sustainability and self-sufficiency of the government.
- **Impediments from corruption and vested interest:** Corruption within GIRoA offices is another critical barrier to reform. The opportunist government bureaucrats who benefit from corruption oppose reform and have no interest in modernizing the government.

- **Lack of coordination and communication within GIRoA entities, MoF, and donor community:** Lack of consultation, coordination, and communication within GIRoA entities, with the Ministry of Finance, and with donors community is another critical challenge for the best use of reform resources and reform implementation.

- **Lack of provincial access to budget information:** The expansion of PFM reform, transparency, resource allocation, consultation and coordination capacity, expansion and better use of GIRoA IT infrastructures, such as AFMIS, in the provinces are also barriers to reform throughout the country.

Given the above critical issues and challenges the GIRoA faces within the PFM sector, USAID would like to assess and establish a basis from which future USAID technical assistance (off-budget) and on-budget recommendations may be made to contribute to GIRoA’s PFM stewardship. USAID seeks to determine what off-budget (placement of international and Afghan advisors) and on-budget approaches will best build GIRoA capacity, including the use of Civil Technical Assistance Program (CTAP), National Technical Assistance (NTA) mechanism, and Capacity Building for Reform (CBR) Programs to transition this process to an Afghan-led process by 2018.

**IV. ASSESSMENT QUESTIONS**

For this assessment, the team shall undertake the following:

5. Assess current USAID assistance to the GIRoA vis-à-vis their requested on-budget/off-budget donor assistance to implement the PFM Road Map, and recommend innovative programmatic approaches to facilitate more efficient, noticeable, and effective results that maintain measureable and sustainable outcomes. Recommend new and effective capacity building measures for MoF’s Directorates of Budget, Treasury, and Revenue; targeted ministries; and agencies for USAID to consider over the next four years, 2014-2018.

6. Determine the status of GIRoA’s current institutional and tashkeel PFM capacity, in order to inform new project design.

7. Use USG policy and Afghan goals (ANDS, London and Kabul Conference commitments, Tokyo Mutual Accountability Framework) as a foundation for recommendations to USAID of next steps to take in supporting an efficient and effective national and provincial budgeting and tax administration process by 2018.

8. Assess what other donors and GIRoA are doing to advance other aspects of the PFM, including tax administration, for revenue coming into the budgetary process, procurement, and audit (both external and internal), for the timely and transparent execution of their budgets at the ministry and provincial levels.

9. Determine how donors can harmonize their off-budget and on-budget assistance for the PFM coordination implementation in order to avoid duplication.

In each case below, note any political or other factor that would pose serious obstacles and would need to be taken into consideration:
1. Assess the involvement of women in government, particularly those women in professional and leadership positions in government and those who desire a career in the civil service with six-month internships at government institutions. Have human resource offices and the Gender Directorates, where they exist, created career paths for interns and women in general to promote them into leadership roles?

2. Assess the current status of and major remaining policy, institutional and human resource capacity gaps characterizing the budgetary planning and execution framework and implementation system in Afghanistan.

3. Assess the current status of and major remaining policy, institutional and human resource capacity gaps characterizing the revenue (tax) policy and administration framework and implementation system in Afghanistan.

4. Assess the current status of and major remaining policy, institutional and human resource capacity gaps characterizing the treasury’s (inter-governmental) finance framework and implementation system in Afghanistan.

5. Assess the PFM capacity of key ministries, such as: MoF, Ministry of Economy, Ministry of Public Works, Ministry of Public Health, Ministry of Agriculture, Ministry of Rural Rehabilitation and Development, Ministry of Education, Ministry of Urban Development, Ministry of Communications and Information Technology, and Ministry of Transportation and Civil Aviation, as well as the capacity of the Civil Service Commission’s ability to support GIRoA’s PFM road-map.

6. Assess the dependency of GIRoA on donor-funded consultants to perform inherently day-to-day governmental PFM functions, and provide recommendations on how USAID assistance could reduce this dependency in the transition towards civil servant-led PFM and sustainability.

7. Undertake a summarizing assessment of the current status of and projected foci of major donor programs in the fiscal governance area at the national and sub-national levels in Afghanistan.

8. Provide a strategic set of prioritized recommendations to USAID on the next steps for promoting compliance with core fiscal governance standards and systems in a manner which will facilitate compliance with GIRoA objectives to transfer an increasing share of donor funding to on-budget.

V. ASSESSMENT METHODOLOGY

The assessment team will be responsible for developing a methodology and strategy that includes a mix of qualitative and quantitative data collection and analysis that combine or otherwise can link the evaluation’s key findings and recommendations to the assessment’s objectives. Similarly, the team is expected to undertake the evaluation and assessment simultaneously. The designated Team Leader will be responsible for articulating the team’s proposed methodology as part of the draft work plan, as outlined in the deliverables below and included in the final report.

The team will have available for their analysis a variety of program implementation documents and reports. All data collected and presented in the evaluation report must be disaggregated by gender and geography. The suggested methodology should include, but not be limited, to:

1. Key interviews with USAID/Afghanistan’s OEGI staff;
2. Key interviews with other donors;
3. Key interviews with the MoF and other GIRoA staff;
4. Document review of key publications;
5. Interviews and focus groups with selected constituents; and
6. Consultations with other donors.

Other sources of information may include:

- 2010-2014 Public Financial Management Action Plan
- London Conference notes (Conference included GIRoA PFM commitments)
- Kabul Conference notes (Conference included GIRoA PFM commitments)
- Afghanistan Financial Management Information System (AFMIS)
- Donor Assistance Matrix (available from MoF Aid Coordination Unit)
- Existing and upcoming World Bank, DFID, AUSAID, and UNDP PFM projects
- PFM reviews and assessments accomplished by other donors and consultants
- Others as agreed

PART II. FINAL PERFORMANCE EVALUATION

I. INTRODUCTION

USAID’s Office of Economic Growth and Infrastructure (OEGI) will evaluate its Economic Growth and Governance Initiative (EGGI) Project, which recently ended following a four-year period of performance. OEGI will also assess the state of public financial management (PFM) in Afghanistan.

USAID’s Evaluation Policy encourages independent external evaluation to increase accountability to inform those who develop programs and strategies, and to refine designs and introduce improvements into future efforts. In keeping with that aim, this evaluation will be conducted to review and evaluate the performance of the USAID-funded EGGI program activities implemented by Deloitte Consulting LLP. The evaluation will focus on assessing the program’s performance in achieving its program goals, objectives, and results, specifically in the six areas mentioned in section IV, with a particular emphasis on the public financial management (PFM) and women in government (WIG) components during the period June 2012 through August 2013, when the program closed.

II. BACKGROUND

USAID/Afghanistan’s Economic Growth team (EG) within OEGI designed EGGI to strengthen the capacity of the Government of the Islamic Republic of Afghanistan (GIRoA) to develop and implement economic and regulatory policy and improve the enabling environment for the private sector to flourish. Listed below is the general information of the EGGI project:

- Contract: EEM-I-00-07-00005-00
- Performance Period: August 2009 - August 2013
- Value: $92,452,859

PROJECT GOALS AND OBJECTIVES
The goal of EGGI was to strengthen the GIRoA’s capacity to develop and implement economic and regulatory policy, and improve the enabling environment for the private sector to flourish. The focus of the support was to inform economic cabinet-level decision making, in particular, support to the Chief Economic Advisor to the President (CEAP); strengthen financial sector regulatory capacity; enhance public-private dialogue to prioritize and implement key reforms that will enable Afghanistan’s private sector to generate jobs, investment, and broad-based economic growth. Areas for technical assistance included, but were not limited, to:

- Macroeconomic policy – both monetary policy with the central bank and fiscal reform with the Ministry of Finance;
- Parliamentary and other stakeholder engagement on economic matters;
- Assistance with economic policy making at the highest levels of government, as well as support for economic reform strategies in specific regions;
- Support for Afghanistan National Development Strategy (ANDS) implementation and monitoring;
- Financial sector supervision and Central Bank strengthening;
- Regulatory reform to encourage business development and investment;
- Commercial law and business process reform to address relevant obstacles outlined in the World Bank’s Doing Business indicators;

The overall expected result through EGGI was Afghanistan adopt and implement a comprehensive and consistent economic reform program that creates a favorable environment for development of private sector business within a market economy, as demonstrated by annual increases in foreign direct investment (FDI).

**PROJECT ACTIVITIES**

During its first two years, EGGI implemented several activities under its initial three components, listed below. However, based on changes both to the development context and to USAID and GIRoA priorities, the mission significantly reduced EGGI’s scope during its third and fourth project years. As a result, EGGI exclusively focused during Year 3 and Year 4 on Component 1: National and Regional Economic Policy.

Since the start of the project, two separate examinations of EGGI project performance were conducted. The first was completed in February 2011 with Checchi and focused on assessing the entire project activities; Component 1) National and Regional Economic Policy support; Component 2) technical support to financial sector development; and Component 3) technical support to the private sector enabling environment.

The second was conducted in July 2012, when EGGI had already narrowed the scope of Components 2 and 3 from the project. Based on the changing situation and USAID’s focus, the mid-term evaluation focused on evaluating Year 3/Component 1 activities to inform management on the progress and continuation of the activities. The activities listed below were evaluated under the 2012 mid-term evaluation:

1. Economic and Fiscal Policy Support
2. Revenue and Tax Policy
3. Program Budgeting Reform
4. Provincial Budgeting Reform
USAID does not seek to re-evaluate those previously closed activities as part of this final performance evaluation; rather, focus is on the activities contained in Component 1, with a particular emphasis on PFM and WIG.

**Activities of the project during Year 1 and Year 2: (August 2009 – September 2011)**

**Component 1: National and Regional Economic Policy:** Under Component 1, EGGI provided advisory support to GIRoA ministries, independent economic institutions, and provinces to strengthen and influence economic policy reform and public treasury management operations. The project supported budgetary reforms, tax administration and policy, external audit strengthening, and strategic economic investment decisions in key economic corridors that foster improved economic policy planning and implementation.

**Component 2: Financial Sector Development:** Under Component 2, EGGI provided technical assistance to Da Afghanistan Bank’s (DAB)/Central Bank in the areas of monetary policy, statistics, market operations, financial supervision and risk management, payment systems, financial-sector legal and regulatory reform, and accounting and financial management. This component was supposed to promote the enabling environment for increasing financial sector contribution to economic growth, private-sector development, and public treasury management.

**Component 3: Improve the Business-Enabling Environment:** Under Component 3, the project provided support to GIRoA to improve the business enabling environment through the adoption and implementation of improved policies and laws at national and regional levels, business registration, and World Bank’s Doing Business Reform indicators.

**Project activities during Year 3 and Year 4: (October 1, 2011 – August 31, 2013)**

During Years 3 and 4, EGGI focused on Component 1, which contained seven project areas summarized below. The overarching development objective of EGGI’s technical support to GIRoA during this timeframe was to implement GIRoA’s 2010-2014 Public Financial Management (PFM) Road Map.

**Economic / Fiscal Policy Support:** Under this activity, the project aimed to develop the capacity of the Fiscal Policy Unit (FPU) to apply econometric analysis and use economic modeling tools, including EViews software, to help build the analytical capacity of the MoF, e.g., to conduct long-term fiscal projections for effective revenue and expenditure analysis, and perform scenario analysis of donor funding transitions. EGGI’s provision of technical assistance in this area lasted for only a few months before the mission de-scoped this project area because of an increasingly evident lack of human capacity and political will within MoF’s fiscal policy unit.

**Revenue / Tax Policy Support:** Under this activity, the project provided technical assistance to the Afghanistan Revenue Department (ARD) to prepare for and negotiate tax treaties. EGGI also assisted ARD’s Non-Tax Revenue Office by analyzing and providing reform recommendations pertaining to three revenue streams under the Ministry of Interior’s Traffic
Department, revenues generated from the issuance of passports, and the non-tax revenues of Ministry of Transport and Civil Aviation.

Provincial Tax Administration: EGGI aimed to promote revenue growth by helping to develop or install Medium Taxpayer Offices (MTOs) and Large Taxpayer Offices (LTOs) in the Mustafyats (the provincial offices of the Ministry of Finance) of Afghanistan’s key revenue-generating cities, e.g., Herat, Mazar, Jalalabad, and Kandahar. EGGI began this activity in Year 1. The work included both classroom and on-the-job training to the directors and staff of the MTOs and LTOs in areas such as taxpayer identification, taxpayer service, taxpayer education, case management, audit, enforcement, and management.

Program Budgeting: EGGI aimed to strengthen the capacity of all GIRoA line ministries and other budgetary entities, so that these institutions would be better able to align their programs and projects with GIRoA’s strategic priorities as reflected in the National Priority Programs (NPPs). Key aspects of the project’s assistance included helping the line ministries understand NPPs and design budget proposals that correspond to them, and monitor programs using performance indicators. This activity also included assistance to the MoF and line ministries to institute new annual financial and procurement plans. EGGI began this assistance in Year 1. This assistance was comprised of classroom training and on-the-job mentoring directly with the budgeting staff of line ministries and budget departments in Kabul to stand up their budget implementation units, to formulate annual budgets and submit them on-time to the Ministry of Finance, and to create annual financial and procurement plans.

Provincial Budgeting: As a pilot, EGGI aimed to strengthen the ability of four key line ministries and their provincial line directorates, along with the Independent Directorate of Local Governance (IDLG), to increase provincial input into the national budget planning process. The project aimed to build capacity to identify and prioritize provincial programs, formulate provincial budgets, and improve ministry-directorate communication. EGGI began this assistance in Year 2 with the support of provincial budgeting specialists based in the provinces. The specialists worked directly with MoF’s Provincial Budgeting Unit to implement the provincial budgeting reform pilot activities. Specific activities of this activity were training, curriculum development, policy advice and follow-up, and one-on-one review of all provincial budget submissions.

Revenue Reconciliation Database (RRD): Under this activity, EGGI provided technical assistance to the Planning Directorate of the Afghanistan Revenue Department to develop the RRD, which was intended to unify the capturing of data on GIRoA’s revenue throughout the country. The activity was started in Year 1 of the project, and continued through Year 4. EGGI was also tasked with converting the existing Revenue Reconciliation Database (RRD) system to an integrated web-based system. However, based on subsequent feedback and recommendations from GIRoA stakeholders and RRD users, this requirement was dropped. This decision was based on an assessment conducted by EGGI in close consultation with GIRoA key users of the database. The assessment concluded that it would be more cost-effective and expedient to add a revenue module in AFMIS, which would cover revenue collection, management, reconciliation, etc.

Women in Government (WIG) Internship Program: EGGI implemented the WIG Internship Program to promote women’s economic opportunity, professional development, and prominence within GIRoA by providing recent female university graduates six-month
internships in GIRoA ministries and other institutions that align with EGGI’s program areas. In addition to the internship, this activity also provided skills-building workshops to help the interns become marketable for employment after completing the program.

As illustrated below, EGGI project activities were included under the AO 4/IR 4.1 and 4.1.1 of the mission’s PMP.
V. U.S. Mission in Afghanistan Economic Growth Results Framework Economic Growth

AO 4: A developed business climate that enables private investment, job creation, and financial independence

- IR 4.1: Effective fiscal and monetary policy implemented
  - Sub-IR 4.1.1: Afghan government has increased capacity to conduct public financial management strengthened accordance with international standards
  - IR 4.1.2: Afghanistan maintains a stable monetary environment

- IR 4.2: Policy, legal and regulatory framework for key economic sectors strengthened
  - Sub-IR 4.2.1: Policy and regulation in key sectors reformed
  - Sub-IR 4.2.2: Trade regime reformed
  - Sub-IR 4.2.3: Foundation for more efficient land market established

- IR 4.3: Competitiveness of private sector enhanced
  - Sub-IR 4.3.1: Capacity of private sector financial institutions increased
  - Sub-IR 4.3.2: Business development services improved
  - Sub-IR 4.3.3: Investment in the Afghan private sector increased

- IR 4.4: Workforce meets private and public-sector demands
  - Sub-IR 4.4.1: Capacity to provide quality, demand-driven formal and non-formal workforce development improved strengthened
  - Sub-IR 4.4.2: Market-led Technical and Vocational Education and Training (TVET) provided through private and public sector TVET schools
  - Sub-IR 4.4.3: Market-led business education and skills training (BEST) provided through public and private sector institutions
III. PURPOSE OF THE EVALUATION

The purpose of this evaluation is to evaluate the performance of EGGI’s contribution in GIRoA’s PFM road map process under the six key areas of the project as listed below:

1. Program Budgeting
   a. Specific success with a GIRoA Ministry(s)
   b. Budgeting systems implemented and still utilized
2. Provincial Budgeting
   a. Specific success in working with select Provinces
   b. Budgeting systems implemented and still utilized
3. Tax Administration
   a. Tax administration systems implemented and still utilized
   b. Additional tax revenue captured
   c. Transparency of policy/systems implemented
   d. Ministry(s)
4. Tax Policy and Non-Tax Revenue
   a. Examples of tax reform(s) implemented
5. Revenue Reconciliation Database (RRD)
   a. Financial systems implemented
6. Women in Government (WIG)
   a. Facilitated institutionalizing a process that hired more women

The findings and recommendations provided for this evaluation will assist and inform USAID/OEGI in the design of EGGI follow-on project activities.

IV. EVALUATION QUESTIONS

The evaluation team shall address the following overarching questions:

1. How well was the EGGI project scope of work designed and managed by USAID?

2. How well has the EGGI project contributed to GIRoA’s ANDS process? Provide specific evidence-based examples.

3. How has EGGI contributed to Afghanistan’s Public Financial Management (PFM) Road Map process under the designated activities mentioned in Section III?

4. How did EGGI capacity-building efforts empower MoF and GIRoA at the sub-national level? Describe success and how they were achieved, as well as failures and challenges faced.

5. How well did EGGI incorporate gender considerations into the implementation of the entire project’s activities?

V. EVALUATION METHODOLOGY:

The evaluation/assessment team will be responsible for developing a methodology and strategy that includes a mix of qualitative and quantitative data collection and analysis that
combine or otherwise can link the evaluation’s key findings and recommendations to the assessment’s objectives. Similarly, the team is expected to undertake the evaluation and assessment simultaneously. The designated Team Leader will be responsible for articulating the team’s proposed methodology as part of the draft work plan, as outlined in the deliverables below and included in the final report.

The team’s methodology shall be linked directly to answering the above evaluation questions, and the methodology will be presented as part of the work plan. The methodology’s strengths and weaknesses should be identified, as well as measures taken to address those weaknesses. All data analyzed and presented in the final report must be disaggregated by gender (both sex and age) and geography.

The suggested methodology should include, but not be limited, to:

a) Key interviews with USAID/Afghanistan’s current and former OEGI staff;
b) Key interviews with other donors;
c) Key interviews with the MoF and other GIRoA staff;
d) Interviews and focus groups with selected constituents; and
e) Document review of key publications;
f) Data analysis

Initial proposed interviewees:

<table>
<thead>
<tr>
<th>U S Government and USAID Projects</th>
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<tbody>
<tr>
<td>USAID /OEGI – Senior management</td>
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<tr>
<td>USAID/Office of Democracy and Governance (ODG)</td>
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<tr>
<td>Other USG offices such as the Embassy’s economic counselor and treasury office</td>
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<tr>
<td>If required, follow-up meetings with USAID/ODG/other USG offices, projects working with Provincial Governors, Parliament, and Provincial Councils</td>
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<tr>
<th>Other Donors and Donor-Funded Projects:</th>
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<tr>
<td>DFID (UK Department for International Development in Afghanistan)</td>
<td></td>
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<tr>
<td>Possible follow-up meetings with DFID-funded projects in tax administration and budgeting implemented by Adam Smith International</td>
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<tr>
<td>World Bank</td>
<td></td>
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<tr>
<td>UNDP (United Nations Development Program)</td>
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<td>Australian Aid</td>
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<tr>
<th>Afghan Government:</th>
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<tbody>
<tr>
<td>PFM lead in DM Mastoor’s Office, MoF</td>
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<tr>
<td>Director General Budget, Mr. Massoud Kamal, MoF</td>
<td></td>
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<tr>
<td>Fiscal policy experts/ DG budget advisors, MoF</td>
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<tr>
<td>Making Budgets and AID Work Program, MoF</td>
<td></td>
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<tr>
<td>Provincial Budgeting Unit, MoF</td>
<td></td>
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<tr>
<td>DG Revenue, Afghanistan Revenue Department, MoF</td>
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Documents for Review:

1) June 2012 mid-term performance evaluation final report
2) EGGI Contract/Task Order and any modifications
3) EGGI Year 3 and Year 4 work plans
4) EGGI Year 3 and Year 4 Performance Management Plans
5) EGGI Year 3 and Year 4 annual reports
6) EGGI Year 3 and Year 4 PMP reports
7) EGGI close-out report
8) 2010 – 2014 Afghanistan Public Financial Management (PFM) Road Map
9) USG Afghanistan Economic Growth Assistance Strategy
10) USAID’s PFMRAF assessment of Ministry of Finance
11) Others as requested and deemed necessary

In addition to these documents, the evaluation team will be tasked to review the PFM-related support to GIRoA that has been provided by other major donors, so as to evaluate the ability of future USAID interventions to maximize programmatic synergy among donors while minimizing critical gaps and negative unintended consequences. An example of initial proposed key interviews is provided below:

VI. TEAM COMPOSITION FOR THE ASSESSMENT & EVALUATION

For both parts of this SOW, the evaluation team shall consist of two independent international experts (with one serving as the Team Leader and primary coordinator with USAID), as well as two highly qualified Afghan experts. The international experts should be senior-level evaluation/assessment analysts that specialize in Public Financial Management. The international experts must be fluent in English and have strong communication and writing skills. The Afghan evaluation specialists should have experience in the abovementioned fields, as well as experience in monitoring and evaluation. The Afghan evaluation specialists shall be proficient in English, Dari, and Pashto. A statement of potential bias or conflict of interest (or lack thereof) is required of each team member.

Evaluation Team Leader (Expatriate)
The Team Leader shall be an evaluation specialist and must have strong leadership and management skills. At least ten years of development program evaluation and assessment experience is required, with specific experience assessing Public Financial Management programs similar to EGGI. The Team Leader shall possess at least a Master’s degree, PhD preferred, in Business Administration, Financial Economics, Public Financial Administration in international development or a related discipline. Afghanistan experience preferred. English fluency required, Dari or Pashto a plus.

**Evaluation Specialists (Expatriate)**
The two Evaluation Specialists shall possess at least a Bachelor’s degree, Master’s preferred, in Business Administration, Economics, Organizational Management, International Development or related discipline and have at least ten years of applied evaluation experience in Public Financial Management or related disciplines. One individual should be an organizational specialist with at least eight-ten years of experience performing organizational capacity assessments.

**Evaluation Specialists (Afghans)**
The two Evaluation Specialists shall possess at least a Bachelor’s degree, Master’s preferred, in Business Administration, Economics, International Development or related discipline and have at least five years of applied evaluation experience in Public Financial Management or related disciplines. Knowledge of socio-economic field survey and participatory appraisal (sampling and survey methods – e.g., interpersonal interviews and focus group discussions) is required.

**VII. SCHEDULE FOR THE EVALUATION AND ASSESSMENT**

This evaluation is expected to begin in June 2014. A six-day work week is authorized. The evaluation team will be required to travel to at least two provinces (Nangarhar, Kandahar, Mazar, and/or Herat). At the national level, at least nine national budget ministries will be included (three “advanced, three “medium”, and three “new”), and a range of relevant counterparts at the Ministry of Finance, as well as their capital budgeting counterparts at the Ministry of Economy.

An illustrative example of the level of effort (LOE) in days is provided below:

Illustrative Level of Effort (LOE) in days:

<p>| 97 Advanced ministries are those ministries that have been receiving technical support since inception and their capacities are built enough and they are ready to graduate. Medium ministries are those ministries whose capacities are at medium level, and new ministries are those that started receiving capacity building for the last one or two years. |</p>
<table>
<thead>
<tr>
<th>Position</th>
<th>Prep</th>
<th>Total Travel Days</th>
<th>In-Country</th>
<th>Finalize Report/PowerPoint &amp; DC Briefing</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expat Team Leader</td>
<td>2</td>
<td>4</td>
<td>60</td>
<td>6</td>
<td>72</td>
</tr>
<tr>
<td>Expat Evaluation Specialist</td>
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<td>4</td>
<td>60</td>
<td>6</td>
<td>72</td>
</tr>
<tr>
<td>Expat Organizational Specialist</td>
<td>1</td>
<td>4</td>
<td>50</td>
<td>2</td>
<td>57</td>
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<tr>
<td>Afghan Specialist #1</td>
<td></td>
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<td>55</td>
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<tr>
<td>Afghan Specialist #2</td>
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<tr>
<td>Afghan Specialist #3</td>
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<td></td>
<td>50</td>
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<td>50</td>
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<tr>
<td><strong>Totals</strong></td>
<td>5</td>
<td>12</td>
<td>330</td>
<td>14</td>
<td>361</td>
</tr>
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</table>

**USAID MANAGEMENT**

This evaluation and assessment will be contracted under USAID/Afghanistan’s existing SUPPORT II project. The USAID point of contact (POC) for the evaluation team will be identified during the in-brief meeting. The evaluation team will work directly with the designated contact, which will ensure that USAID/Afghanistan’s stakeholder offices and individuals are appropriately involved in this evaluation and assessment process.

**VIII. REPORTING REQUIREMENTS AND DELIVERABLES**

Please refer to page 17 of this SOW for required deliverables and reporting formats.

**PART 2.**

**VII. DESCRIPTION AND TIMELINE OF DELIVERABLES**

1. **In-briefing:** Within 48 hours of arrival in Kabul, the assessment/evaluation team will have an in-brief meeting with USAID/Afghanistan’s OPPD M&E unit and OEGI for introductions, presentation of the team’s understanding of the assignment, initial assumptions, and review of the evaluation questions and assessment tasks.

2. **Work Plan:** Within five calendar days after the in-briefing, the Team Leader shall provide a detailed initial work plan to OPPD’s M&E unit and OEGI. As needed, USAID will share the schedule of meetings with GIRoA, and will revise accordingly if required. The initial work plan will include (a) the overall evaluation and assessment design, including the proposed methodology, data collection and analysis plan, and data collection instruments; (b) a list of potential interviewees, sites to be visited, and evaluation tools; (c) a list of the team members, indicating their primary contact details while in-country, including the e-mail address and mobile phone number for the Team Leader; and (d) the team’s proposed schedule for the evaluation and assessment. USAID will have three calendar days to review the draft work plan and provide comments to the team leader. The team leader will have two days for revisions and to resubmit the work plan to USAID.

3. **Mid-term Briefing and Interim Meetings:** Schedule a mid-term briefing with USAID to review the status of the progress of the evaluation and assessment, with a particular emphasis on addressing the evaluation’s questions and a brief update on potential challenges and emerging opportunities. Additionally, a weekly 30-minute phone call with OPPD’s M&E unit and the OEGI’s Economic Policy Team will take place.
place with the Team Leader, and she/he will provide updates on field progress and any problems encountered.

4. **PowerPoint and Final Exit Presentation**: The Team Leader will provide USAID a PowerPoint and Final Exit Presentation that will include a summary of key findings and key conclusions as these relate to a) the evaluation’s questions; b) the assessment objectives; and c) recommendations to USAID. The Final Exit Presentation shall be scheduled as agreed upon during the in-briefing, and not more than five days prior to the evaluation team’s departure from Kabul. A copy of the PowerPoint file will be provided to the OPPD M&E and OEGI units prior to the final exit presentation. In addition, the Team Leader will be expected to participate in 1-2 debriefings, including a PowerPoint presentation with USAID/Washington, as identified and scheduled by OEGI. The Team Leader will consult with OEGI on the key findings and recommendations and format of the PowerPoint slides for the Washington presentation, so that USAID may reuse the slides to inform other stakeholders within USAID.

5. **Tashkeel Assessment**: The evaluation team will be responsible for providing an assessment of the tashkeel for nine ministries, including three advance ministries, three medium ministries, and three lower ministries. The specific details of this assessment will be discussed with the team during the in-brief session with OEGI staff.

6. **Draft Evaluation and Assessment Report**: The content of the draft evaluation and assessment report is outlined in Section X.B, below, and all formatting shall be consistent with the USAID branding guidelines. The focus of the report is to answer the evaluation questions and assessment tasks, and may include factors the team considers to have a bearing on the objectives of this SOW. Any such factors can be included in the report only after consultation with USAID. The draft evaluation and assessment report will be submitted by the Team Leader to OPPD’s M&E and OEGI units 24 hours in advance of the exit briefing for review. USAID’s M&E unit and OEGI’s office will have ten calendar days in which to review and comment and OPPD’s M&E unit shall submit all comments to the Team Leader.

7. **Final Evaluation and Assessment Report**: The Team Leader will address and incorporate final comments provided by the M&E unit. The Team Leader will have three days in which to finalize the report and submit to the OPPD M&E unit. All project data and records will be submitted in full and shall be in electronic form in easily readable format; organized and fully documented for use by those not fully familiar with the project or evaluation; and owned by USAID.

8. **Washington Debriefings**: As previously mentioned, the Team Leader will be expected to attend a debriefing with USAID/Washington, including a PowerPoint presentation. The Team Leader will consult with OEGI on the key findings and recommendations and format of the PowerPoint slides for the Washington presentation, so that USAID may reuse the slides to inform other stakeholders within USAID.

**VIII. CONTENT OF FINAL EVALUATION & ASSESSMENT REPORTS**

The evaluation report shall include the following:

1. **Title Page**
2. **Table of Contents (including Table of Figures and Table of Charts, if needed)**
3. **List of Acronyms**

4. **Acknowledgements or Preface (optional)**

5. **Executive Summary (3-5 pages)**

6. **Introductory Chapter**
   a. A description of the project evaluated, including goals and objectives.
   b. Brief statement on purpose of the evaluation, including a list of the main evaluation questions.
   c. Brief statement on the methods used in the evaluation such as desk/document review, interviews, site visits, surveys, etc.
   d. Explanation of any limitations of the evaluation—especially with respect to the methodology (e.g., selection bias, recall bias, unobservable differences between comparator groups, etc.)—and how these limitations affect the findings.

7. **Findings:** This section should include findings relative to the evaluation questions. 
   *The information shall be organized so that each evaluation question is a sub-heading.*

8. **Conclusions:** This section must answer the evaluation questions based upon the evidence provided through the Findings section. *The information shall be organized so that each evaluation question is a sub-heading.*

9. **Recommendations:** Based on the conclusions, this section must include actionable statements that can be implemented into the existing program or included into future program design. Alternatively, the recommendation may state how USAID resources may be leveraged to initiate change in government behavior and activities. It should also include recommended future objectives and types of specific activities based on lessons learned. *The information shall be organized so that each evaluation question is a sub-heading.*

10. **Annex:** The annexes to the final evaluation report should be submitted as separate documents—with appropriate labels in the document file name (e.g., Annex 1 – Evaluation SOW), and headers within the document itself—and may be aggregated in a single zipped folder.
   a. Evaluation Statement of Work
   b. Places visited; list of organizations and people interviewed, including contact details.
   c. Evaluation design and methodology
   d. Copies of all tools such as survey instruments, questionnaires, discussions guides, checklists
IX. REPORTING GUIDELINES

a. The evaluation report should represent a thoughtful, well-researched, and well-organized effort to objectively evaluate the validity of the project’s hypothesis and the effectiveness of the project.

b. Evaluation reports shall address all evaluation questions included in the statement of work.

c. The evaluation report will be written in highly professional English, free of colloquial language, grammatical and typographical error, and with professional formatting.

d. The evaluation report should include the statement of work as an annex. Any modifications to the statement of work, whether in technical requirements, evaluation questions, evaluation team composition, methodology, or timeline need to be agreed upon in writing by the SUPPORT II COR.

e. Evaluation methodology shall be explained in detail and all tools used in conducting the evaluation such as questionnaires, checklists, and discussion guides will be included in an Annex in the final report.

f. Evaluation findings will assess how results affected men and women.

g. Limitations to the evaluation shall be disclosed in the report, with particular attention to the limitations associated with the evaluation methodology (selection bias, recall bias, unobservable differences between comparator groups, etc.).

h. Evaluation findings should be presented as analyzed facts, evidence, and data and not based on anecdotes, hearsay, or the compilation of people’s opinions. Findings should be specific, concise, and supported by strong quantitative or qualitative evidence.

i. Sources of information need to be properly identified and listed in an annex.

j. Recommendations need to be supported by a specific set of findings.

k. Recommendations should be action-oriented, practical, and specific, with defined responsibility for the action.
DRAFT WORKPLAN

Assessment of Afghanistan
Public Financial Management Road Map
And
Final Performance Evaluation of the
Economic Growth and Governance Initiative Project

Submitted on:

September 13, 2014
Purpose of Assessment and evaluation

The successful transition from off- to on-budget assistance depends on building the institutional, human resource, policy, and process capacity of the Government of the Islamic Republic of Afghanistan (GIRoA) to effectively and efficiently administer its fiscal resources in a transparent and accountable manner to deliver public services. The credibility of GIRoA as a trusted partner of the international donor community will be a function of the Ministry of Finance’s (MoF) ability, as fiduciary manager of donor funds, to manage, control, and report on the use of those funds completely, accurately, and in a timely manner. Although MoF and other line ministries have made great strides since 2001, there remains institutional, human resource, policy, and process weaknesses which must be addressed. The Public Financial Management (PFM) Roadmap (2010) laid out the Government’s intent on steps to strengthen its ability to “…design and implement programming while demonstrating the highest standards of transparency and accountability,”98 and forms the framework of transition for Afghanistan’s public financial management transformation. The current PFM Roadmap may be revised in light of its achievements in meeting the reform objectives in its action plan.

From October 2011 through its completion in August 2013, EGGI focused on the seven project areas under Component 1 (National and Regional Economic Policy). Technical support during this period focused on implementation of the PFM Roadmap.

The purpose of the EGGI evaluation is to assess the performance of EGGI’s contribution in GIRoA’s PFM Road Map process under the six key areas of the project as listed below:

7. Program Budgeting
   a. Specific success with a GIRoA Ministry(s)
   b. Budgeting systems implemented and still utilized
8. Provincial Budgeting
   a. Specific success in working with select Provinces
   b. Budgeting systems implemented and still utilized
9. Tax Administration
   a. Tax administration systems implemented and still utilized
   b. Additional tax revenue captured
   c. Transparency of policy/systems implemented
   d. Ministry(s)
10. Tax Policy and Non-Tax Revenue
    a. Examples of tax Reform(s) reforms implemented
11. Revenue Reconciliation Database (RRD)
    a. Financial systems implemented
12. Women in Government (WIG)
    a. Facilitated institutionalizing a process that hired more women

The findings and recommendations provided for this evaluation will assist and inform USAID/OEGI in the design of EGGI follow-on project activities.

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The purpose of the Afghanistan PFM Roadmap Assessment is to identify the next steps in USAID’s assistance to GIRoA in its implementation of the Roadmap and the upcoming Roadmap II, and to strengthen a shared vision for the sustainable transition from off-budget to on-budget, with Afghan ownership of future PFM implementation requirements during the next three years (2014-2018). This assessment should identify what institutional, human resource, policy, and process weaknesses are impeding implementation of the Roadmap, and should be addressed by APFM over the next four years.

**Methodology**

The assessment will be guided by USAID’s framework outlined in the Statement of Work. The methodology will incorporate qualitative and quantitative data collection and analysis; evaluation and assessment will occur simultaneously, given the time constraints of the project.

Sources of quantitative data will include, but not necessarily be limited to, fiscal data on revenue and expenditures from the Ministry of Finance (Treasury Department and the Aid Coordination Unit). Other potential data sources include the World Bank and the IMF. Staffing data will be obtained from the Independent Administrative Reform and Civil Service Commission (IARCSC) and the Human Resource Departments of relevant line ministries. Given the time constraints of the project, the project team anticipates using secondary quantitative data. To the greatest extent possible, all data collected and presented in the final evaluation report will be disaggregated by gender and geography.

Sources of qualitative data will include interviews, consultations and reviews of relevant documents (e.g., performance reports) and literature (e.g., donor reports, research studies), including, but not limited to:

- USAID/Afghanistan’s OEGI staff, ECON, Treasury, and others as identified
- Key MoF and other GIRQ staff in designated line ministries
- Key donors (e.g., AusAID, DFID, and participants of PFM shura)
- Key World Bank and UNDP staff

Potential site visits include Balkh, Herat, and Nangarhar provinces.

<table>
<thead>
<tr>
<th>Method</th>
<th>Data</th>
<th>Sources</th>
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| a. Document Review | ▪ SOW  
▪ EGGI project documentation  
▪ USAID assessments  
▪ PFM Roadmap  
▪ Tokyo Mutual Accountability Framework (TMAF)  
▪ M&E reports  
▪ Relevant MoF policies (e.g., strategic plan, organizational structure)  
▪ IMF and World Bank reports  
▪ PEFA Assessment | USAID  
Ministry of Finance, and designated line ministries  
World Bank  
IMF  
US Department of State  
US Department of Treasury  
ISAF  
Other donor |
| b. Literature Review | ▪ Case studies from Afghanistan and other post-conflict, fragile countries  
▪ Evaluation and final reports of relevant, other donor-funded PFM projects  
▪ Qualitative and quantitative research of relevance | USAID  
World Bank  
IMF  
Research bodies  
Relevant journals  
NGOs  
SIGAR |
| c. Interviews | ▪ Recorded transcriptions  
▪ Meeting notes | USAID  
US Department of State  
US Department of Treasury  
World Bank  
DFID/ASI  
AusAID/DAFARD |
These sources will provide the framework for the final report’s evaluation and assessment. The report will incorporate examples of best practices and lessons learned from EGGI and other, similar projects into the project team’s recommendations on future policy, institutional, and economic reform initiatives.

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**Deliverables and Activity Schedule**

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<th>Deliverables</th>
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<tr>
<td>In-briefing / SOW Presentation</td>
<td>8 September</td>
</tr>
<tr>
<td>Review documents, finalize interview schedules, and schedule field visits</td>
<td>8-18 September</td>
</tr>
<tr>
<td>Work Plan</td>
<td>13 September</td>
</tr>
<tr>
<td>Interviews/ document review</td>
<td>13 September – 9 October</td>
</tr>
<tr>
<td>Field Visits (tentative, depending upon security)</td>
<td>27 September – 16 October</td>
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<tr>
<td>PFM: 27-28 September (Herat) 28-29 September (Mazar), October Jalalabad (TBD)</td>
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<tr>
<td>Tax: 15 – 17 September (Herat), 22-24 September (Mazar) October Jalalabad (TBD) Capacity Development: TBD</td>
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<tr>
<td>Mid-Term Briefing</td>
<td>11 October</td>
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<tr>
<td>Interviews, field visits, analysis, document findings and observations, draft recommendations</td>
<td>12 October – 11 November</td>
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<tr>
<td>PowerPoint and Final Exit Presentation</td>
<td>12 November</td>
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<tr>
<td>Tashkeel Baseline Assessment</td>
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<td>Draft Evaluation and Assessment Report</td>
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<td>Final Evaluation and Assessment Report</td>
<td>24 November</td>
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<tr>
<td>Washington Debriefings</td>
<td>17-21 November</td>
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Annex I: List of Key Interview Questions

This list of questions or topics for discussion provide a general guide for interviews and qualitative analysis of relevant documents. Questions will be tailored as appropriate to the respondent. The methodology for assessment will include formal interviews with key respondents and review of relevant documents described in Section 2 above.

The following interview questions are illustrative and will be tailored to the designated area. The final interview questions will focus on the extent to which the PFM Roadmap indicators for each designated area benefited from EGGI’s technical support and sustained by the tashkeel.

The assessment and evaluation report will address the relevant questions in Section IV of Parts I and II of the statement of work.

I. EGGI Evaluation

1. How did the USAID-funded EGGI project support your department?
2. Did this support contribute to your department’s progress in meeting the PFM Roadmap’s reform objectives?
3. Did EGGI’s capacity building efforts empower the subnational level in provincial budgeting and tax administration? What were the challenges you think they faced and how well do you think they overcame them?
4. What were EGGI’s successes in your department in building capacity? Have these successes been sustained by tashkeel staff?
5. What are your thoughts on EGGI’s Women in Government internship program? Did you have any interns in your department? If so, how many? How many moved into full-time government positions?

II. Assessment of PFM Roadmap

1. In your opinion, what is the current status of policy, institutional, and human resource capacity gaps in achieving the objectives of the PFM Roadmap?
2. What are the major remaining policy, institutional, and human resource capacity issues for you to meet the objectives of the PFM Roadmap?
3. If all donor-funded consultants and staff left, would you be able to continue to operate?
4. What are the current, and projected, donor programs in your department?
5. What do you think are the top three priorities that will enable your department to transition to on-budget donor assistance?
6. Do you have a capacity development plan in place? Is there funding to implement the plan?
ANNEX III: BIBLIOGRAPHY AND WORKS CITED


Ministry of Agriculture, Irrigation, and Livestock, “Terms of Reference of Provincial Coordination Unit,” undated.


Ministry of Finance, Afghanistan Revenue Department, Legal and Policy Directorate, training and support needs, private communication.


Ministry of Finance, Customs and Revenue Department, Non-Tax Revenue Directorate, “Suggestions for the purpose of NTR Reform and Enrichment,” undated.


UNDP, MBAW Project, “Number of Staff in Each Section of MoF,” undated.


USAID, “Report on Assessment Ministry of Finance,” January 2013, prepared by Ernest & Young


## ANNEX IV: SCHEDULE OF MEETINGS

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<thead>
<tr>
<th>No</th>
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<tr>
<td>1</td>
<td>9/12/14</td>
<td>MoF, Budget Department</td>
<td>Zia Haleemi</td>
<td>Acting Director Budget Policy and Reform</td>
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<td>Asifa Stanekzai</td>
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<td>0797168722 <a href="mailto:a.stanekzai01@gmail.com">a.stanekzai01@gmail.com</a></td>
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<td>Waheedullah Wahdat</td>
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<td>Mohammad Siddiq Muradi</td>
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<td>Balkh Mustafyat</td>
<td>Haji Muhammad Rasool</td>
<td>Acting Director and Head of Treasury Department</td>
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<td>Crystal Weatherly</td>
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<td>Mohammad Arif Zarif</td>
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<td>Sajed Taqwa</td>
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<td>Fatana Zewari</td>
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<td>MoF, PBU</td>
<td>Momin Mansoor</td>
<td>Provincial Budget Unit Manager</td>
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<td>MoF</td>
<td>Allawdin Zalmai</td>
<td>Performance Evaluation and Report Unit Manager</td>
<td>0706010338</td>
<td><a href="mailto:azalmai@gmail.com">azalmai@gmail.com</a></td>
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<tr>
<td>27</td>
<td>MoF, RIMU</td>
<td>Hamid Hamdard</td>
<td>Capacity Building Specialist</td>
<td>0700497162</td>
<td><a href="mailto:Hamid.hamdard5@gmail.com">Hamid.hamdard5@gmail.com</a>, <a href="mailto:Shaheed.azad@gmail.com">Shaheed.azad@gmail.com</a></td>
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<td></td>
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<td>Manzoor Shaheed</td>
<td>HR Specialist</td>
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<td>MoF, CBR</td>
<td>Asifa Stanekzai</td>
<td>Deputy PSU Manager</td>
<td>0797168722</td>
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<td>29</td>
<td>DFID</td>
<td>Claire Fitzroy</td>
<td>Team Lead, Public Sector Reform</td>
<td>0-798-272-794</td>
<td><a href="mailto:c-fitzroy@dfid.gov.uk">c-fitzroy@dfid.gov.uk</a>, <a href="mailto:janeecrane@bigpond.com">janeecrane@bigpond.com</a></td>
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<td></td>
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<td>Janee Crane</td>
<td>ASI, SPAD Team Lead</td>
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<td>MoF, Treasury</td>
<td>Hussain Hazara</td>
<td>Financial Affairs Development</td>
<td>0700262706</td>
<td><a href="mailto:arifmusazay@yahoo.com">arifmusazay@yahoo.com</a></td>
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<td>31</td>
<td>MoF, Treasury</td>
<td>Muhammad Arif Musazay</td>
<td>Payment Director</td>
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<td><a href="mailto:lahoretanha@yahoo.com">lahoretanha@yahoo.com</a></td>
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<td>Lahore Khan Tanha</td>
<td>Training Advisor PFMR</td>
<td>0793809494</td>
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<td>33</td>
<td>MoF, Treasury</td>
<td>Muhammad Naeem Hameed</td>
<td>Accounting Director</td>
<td>0700079323</td>
<td>Lahore Khan <a href="mailto:Tanha@yahoo.com">Tanha@yahoo.com</a></td>
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<td>34</td>
<td>Mazar Mostafiyat</td>
<td>Bhezan Mohammad Khan</td>
<td>Finance Officer, AFMIS Dir, Revenue Dept, Mustafiyat</td>
<td>0-799-430372</td>
<td><a href="mailto:Shams.habib2004@yahoo.com">Shams.habib2004@yahoo.com</a></td>
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<td>Payment Officer, Mustafiyat</td>
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<td>Haji Shams</td>
<td>Revenue Director</td>
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<td>MoF, ARD</td>
<td>Zubair Ahmad Salehi</td>
<td>Acting DG Revenue</td>
<td>0793780293</td>
<td><a href="mailto:zubairsalehi@gmail.com">zubairsalehi@gmail.com</a></td>
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<td>Ministry, ARD</td>
<td>Name</td>
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<td>Fayazulhaq Gran</td>
<td>National Advisor to DG Revenue</td>
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<td>9/28/14</td>
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<td>Najeeb Ahmadzai</td>
<td>LTO Director</td>
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<td>Sayed Hamed Daqiq</td>
<td>Legal and Policy Director</td>
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<td>MoF, ARD</td>
<td>Abdul Wali Noori</td>
<td>Director, Objection Review</td>
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<td>Herat Mostafiyat</td>
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<td>PPH, Finance Officer Mustafy Mustafy DRRD, Finance Officer DAIL, Finance Officer PGO Finance Officer DoE, Finance Officer</td>
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<td>Habibullah Andar</td>
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<td>Amina Ahmadi</td>
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<td>Akiko Kawabe</td>
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<td>Nicole Hoffman</td>
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<td>Matt Hutcherson</td>
<td>Team Leader, Economic Governance, OEGI, USAID (ATAR), OEGI, USAID</td>
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<td>Claire Fitzroy</td>
<td>Deputy Programme Manager</td>
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<td>Nick Bola</td>
<td>Deputy Programme Manager</td>
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<td><a href="mailto:Jerome.sansonetti@adamsmitinternational.com">Jerome.sansonetti@adamsmitinternational.com</a></td>
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<td>Jerome Sansonetti</td>
<td>Manager, TAP</td>
<td>0791454686</td>
<td><a href="mailto:tony.willenberg@asi.org.af">tony.willenberg@asi.org.af</a></td>
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<td>Tony Willenberg:</td>
<td>Budget Advisor (ASI)</td>
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<td>10/12/14</td>
<td>PPU, MoF</td>
<td>Shamsuddin Ghayasi</td>
<td>Director, PPU</td>
<td>0-700-347-391</td>
<td><a href="mailto:ssghayasi@yahoo.com">ssghayasi@yahoo.com</a></td>
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<td>Shams Ul Haq Noor</td>
<td>Fiscal Policy Analyst</td>
<td>0789831052</td>
<td><a href="mailto:shamsulhaq38@gmail.com">shamsulhaq38@gmail.com</a></td>
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<td>Hafizullah</td>
<td>Senior Fiscal Policy Analyst</td>
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<td>Habiburahman Sahibzada</td>
<td>Tax Policy Analyst</td>
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<td>Elhamuddin Mazhar</td>
<td>DG Audit, Evaluation &amp; Investigation</td>
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<td>Abdul Muhammad Taraki</td>
<td>Head of Institutional Development</td>
<td>0799305505</td>
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<td>Saleem Khan Kunduzi</td>
<td>DM Finance &amp; Admin, MAIL</td>
<td>0-752-014-</td>
<td><a href="mailto:Saleem.Kunduzi@mail.go">Saleem.Kunduzi@mail.go</a></td>
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<td>MRRD</td>
<td>Najmuddin Shinwari</td>
<td>Acting HR Coordinator</td>
<td>0-796-178-341</td>
<td><a href="mailto:Najmuddin.shinwari@mrrd.gov.af">Najmuddin.shinwari@mrrd.gov.af</a></td>
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<td>Najibullah Neyazi</td>
<td>Advisor to the DM ( Finance )</td>
<td>0-780-629-499</td>
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ANNEX V: DATA COLLECTION INSTRUMENTS

Questions for Line Ministry

1. Which directorate is responsible for program budgeting?
   a. PoC?
   b. How effective were the EGGI advisors in implementing program budgeting?
   c. How effective were the EGGI advisors in transitioning capacity to *tashkeel*?

2. For Finance:
   a. How effective was EGGI support in strengthening the capacity of provincial directorates? What were the lessons learned?
   b. Is there a donor-supported capacity development project in this department?
   c. Is there a training plan for *tashkeel* finance staff in Kabul? In the provincial directorates? Is there funding to implement this training plan?
   d. What is the role of the finance directors in the provincial directorates?
   e. Has budget execution improved since 1387? If yes, why? If not, what were the obstacles? Can you provide us the budget execution rates for the past five years?
   f. Does your ministry have a Budget Implementation Committee? How effective has it been?
   g. Is there a transition plan to move the donor-funded project management units onto the *tashkeel*? Who in the ministry is responsible for monitoring the transition?
   h. Can you provide us an organogram? How many *tashkeel* positions are there in your department? How many international advisors? How many national technical advisors? What donors and programs are providing their funding?

Questions for Provincial Directorates

1. Did you participate in the provincial budgeting trainings through MoF?
   a. If so, were they helpful in your work?
   b. What other training would be useful?
2. Did you participate in the workshops for the provincial budgeting pilot?
3. Describe your relations with your line ministry.
   a. Has your communication with your line ministry improved?
   b. Describe your participation in planning and prioritizing development projects.
c. Do you receive regular reports from the AFMIS director? How do you use them?

d. How many tashkeel staff are in your department? What is your operating budgeting? What is the total tashkeel for your directorate?

e. Do you have problems recruiting qualified people for vacant positions?

f. Describe the key challenges you face in performing your work.

**EGGI Areas of Discussion/Questions Relating to Capacity Development and Staffing**

1. How many consultants have counterparts (tashkeel staff) and what functions do they carry out?

2. How are they transferring their knowledge?

3. How many consultants have no counterparts and what functions/positions do they carry out?

4. Are those positions that the consultants are filling, and which are not currently on the tashkeel, inherently governmental?

5. How much budget would be needed to fully implement the capacity development plan of your organization and how much budget did you receive?

6. Who does the trainings? In-house or contractors?

7. How many people are enrolled in technical specialized programs?

8. Do the objectives of the Public Financial Management Roadmap relate to your Directorate in relation to policy, institutional development, human resources capacity development, and staffing?

9. If so, is there a gap between what is required under the roadmap and the current status in your directorate in relation to the above functions?

10. How does this affect your work and do you have any plan to fill the gap?

11. What are the current and projected donor programs in your directorate?

12. If all donor-funded consultants and staff (national and international) left, would you be able to continue to operate?
13. To what extent does your directorate use NTA or international consultants? Do they support/advise/develop tashkeel staff or do they do the work of tashkeel staff?

14. What is the tashkeel for your directorate? What positions are vacant and how long have they been vacant?

15. What difference would it make to your directorate if the current and planned off-budget technical assistance were to transition to on-budget donor financing?

16. What would be your top three priorities to make this transition happen?

17. Is there a capacity development plan in place for your directorate? If so, how was the plan developed and what funding is available to implement?

18. Does your directorate have a mission statement with achievable objectives? If so, does your directorate have the appropriate functions and organizational structure to achieve these objectives?

19. What changes to your strategic direction, organizational arrangements, systems and procedures would you propose for your directorate? What would then be the implications for staff positions and numbers and capacity development needs?

20. To what extent are you aware of the EGGI project?

21. Did the EGGI project make a difference to your directorate? If so, how did the project support your directorate? If not, why not?

22. Can you specify how EGGI was involved in your province and how that related to your work? In the departments of Treasury, Revenue, and Budget?

23. Did EGGI support you in meeting the objectives of the Public Financial Management Roadmap? If so, in what ways?

24. Did EGGI undertake any capacity building in your directorate? If so, what type of capacity building was provided?

25. Did you face any difficulties in relation to capacity building? If so what were they?

26. How did EGGI’s capacity building make a difference to the performance of your directorate?

27. Has this capacity building been incorporated into your directorate’s capacity development plan? Has the MoF budget been reserved to sustain this capacity building?
Additional Questions Pertaining to Revenues

1. Describe your unit/office/department, including functions performed and staffing (including information on tashkeel and other staff).

2. Describe obstacles do you face in the performance of your job duties?

3. What obstacles do you face in assessing and collecting taxes?

4. Does your office apply the self-assessment method to small taxpayers as provided in articles 74 and 75 of the Tax Code? If not, describe the assessment method.

5. Is your operating budget sufficient to cover the operating expenses of your unit/office/department?

6. What types of assistance (e.g., training, equipment, other) would enable you to perform your job more efficiently?

7. Do you have a public outreach program? If so, please describe the nature and scope of the program.

8. What is the revenue potential of your province? Do you have any input in the revenue targets established for your province? Do you believe the revenue targets are realistic?

9. Will your province be able to meet its revenue target this year? If not, why?

10. To what extent do you interact with the business community (or tax department)?

11. Do you believe the current tax dispute resolution mechanism provides an effective, efficient, and impartial method to contest tax liabilities?

12. Do any donors provide assistance to your unit/office/department? If so, please describe the form of assistance provided.
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