

## AFGHANISTAN RECONSTRUCTION TRUST FUND

**ARTF INCENTIVE PROGRAM FY1391-93 (2012-2014)****ADMINISTRATOR'S 2<sup>ND</sup> TECHNICAL REVIEW**

MAY 27, 2013

**Preamble**

1. In July 2012, ARTF donors agreed with the government of Afghanistan on a new ARTF Incentive Program within the Recurrent Cost (RC) window of the ARTF. The overall objective of the Incentive Program (IP) is to support the Islamic Republic of Afghanistan ("Afghanistan") with a reform program that aims at improving fiscal sustainability by increasing domestic revenue mobilization and strengthening expenditure management.
2. The IP funding will be allocated through three schemes: a revenue-matching grant scheme, a structural reform scheme, and an operations & maintenance (O&M) facility. Detailed information on each of the schemes, description of the structural benchmarks, and the timetables are contained in annexes 1- 5 of the Memorandum of Understanding (MoU), as amended December 9, 2012.
3. The timeline for the implementation of this incentive program is July 2012-2014 (i.e., FY1391-1393). Table 1 shows the indicative allocation of the IP.

**Table 1: Indicative Allocations through the ARTF Incentive Program (US\$)**

	2009/10	2010/11	2011/12	2012	2013	2014
	FY1388	FY1398	FY1390	FY1391	FY1392	FY1393
<b>Baseline ARTF RC support</b>	\$250	\$225	\$200	\$175	\$150	\$125
<b>ARTF Incentive Program</b>	<b>\$40</b>	<b>\$60</b>	<b>\$70</b>	<b>\$50</b>	<b>\$182</b>	<b>\$275</b>
<i>Structural Benchmarks</i>	\$40	\$45	\$53	\$37.50	\$112	\$130
<i>Revenue Matching Grant</i>		\$15	\$18	\$12.50	\$38	\$45
<i>O&amp;M Facility</i>					\$32	\$100
<b>Potential Ceiling for ARTF RC/IP support</b>	\$290	\$285	\$270	\$225	\$332	\$400

4. The basis for this technical review is the MoU, signed on July 12 2012 (amended on December 9), by the Ministry of Finance (MoF) and the World Bank (as administrator). The MoU and its annexes include all the benchmarks and the review protocol. It stipulates that technical reviews of the IP will be held every four months. Each review will report on progress and development of the program, and assess the achievement of actions under the structural reform scheme against the agreed deadlines. To this end, Afghanistan is required to submit all documents evidencing the completion, fulfillment, or achievement of any such actions, goals, or targets at least 10 days prior to the commencement of each scheduled review meeting.
5. This technical review has been undertaken by the World Bank as administrator, with collaboration of sector experts from ARTF donors. Part I of this review describes progress on revenue mobilization and collection. Part II includes an assessment of the pending FY1391 structural reform program based on the evidence provided and reports on progress against FY1392 and FY1393 IP commitments. Part III assesses other disbursement conditions, and Part IV assesses the viability and changes to the program proposed by the government, donors, or administrator. Part V concludes with the recommendation to the ARTF management committee with regard to the disbursement of the IP.

### Part I: Progress on Revenue Mobilization and Collection

6. The Revenue Matching Grant Scheme under the IP rewards improved performance in revenue mobilization and collection. It is anchored in the annual revenue targets agreed between the Ministry of Finance and the IMF in the context of the ECF approved on November 2, 2011.
7. **Progress in meeting the FY1391 (2012) revenue targets:** The revenue target agreed for FY1391 between the MoF and the IMF is Afs 85.1 billion. Domestic Revenue reached only Afs 76.4 billion, or 89.8 percent of this agreed target. The threshold for access to incentive funds, which is 91 percent of the target, was not achieved.
8. **Progress towards the FY1392 (2013) revenue targets:** Revenue trends deteriorated in 1Q FY1392 (-3 percent over revenue collected in 1Q FY1391) across almost all categories. In agreement with the IMF, the MoF is implementing a set of revenue-enhancing measures and is also in discussion with the administrator to strengthen reforms in customs. These measures should help to reverse the current trend. It is also possible that the IMF will lower the revenue targets in consideration of the anticipated economic slowdown in 2013. Nevertheless, close attention will be required to ensure that the targets are not undercut.

## Part II: Performance Assessment of FY1391-1393 Benchmarks

9. This part provides the performance assessment of the FY1391 structural benchmarks of the ARTF IP. As outlined in the technical review of Dec 17, 2012, four of the FY1391 benchmarks were pending and rolled over into the FY1392 program. Over the past months, the MoF furnished further verification material to demonstrate the fulfillment of structural benchmarks. The evidence delivered was then assessed by the administrator.
10. **Performance assessment of pending FY1391 benchmarks:** Based on the evidence received up to May 25, 2013 the administrator's technical review assesses that two of the four pending FY1391 benchmarks were met, each with about a one-month delay. These include the actions on
- **Civil service reform (#5):** the EFS guidelines were agreed with donors, approved by Cabinet and published.
  - **Trading across borders (#8):** the trade inventory was published and disseminated.
11. The two **remaining, pending FY1391 benchmarks** are
- **External audit (#1):** There is indication that some work on compliance audits has begun but the status of the audit process is unclear.
  - **Customs reforms (#9):** The customs action plan and measures for the FY1392 IP program are still under discussion. A change in leadership within the ACD has slowed progress on the implementation of this benchmark as the new management team is re-establishing reforms. A difficult topic in discussions of the action plan is the proposal to strengthen the enforcement capabilities of the customs authority, which is being resisted by the Ministry of Interior.
12. **Progress on FY1392-93 benchmarks:** Implementation of several of the FY1392-93 benchmarks is well underway. Progress is encouraging in this regard and mirrors the performance in implementing the FY1391 benchmarks. In many instances technical assistance has been mobilized to support the authorities with timely implementation. Table 2 discusses the progress in more detail and highlights the following risks:
- **External audits:** No evidence has been provided to date; audits are underway but the quality of these reviews is yet to be determined. The benchmarks for FY1392-93 reflect cumulative, quantitative targets for audit coverage of total expenditures, meaning that it will require more efforts by the CAO (Control and Audit Office of the Auditor General) to achieve the FY1392-93 benchmarks. The external audit law was passed by parliament; the legal basis for carrying out and publishing compliance audits is now fully clarified, as are the responsibilities for the CAO in this respect. The administrator recommends close follow-up with the CAO on its commitments to the IP.
  - **Internal audits:** Some progress in conducting internal audits has been made. However, the administrator is concerned about the quality of the internal audit process. Changes to article 61 of the 2005 PFM law have diminished the role of the MoF to simply providing capacity

building to line ministries' internal audit units. While principally in line with prevalent practices in more advanced countries, the provision ignores the huge capacity gaps within line ministries to carry out audits and runs contrary to the capacity-building approach taken by the PFM roadmap, which is based on good practice for low-capacity countries (i.e., improve capacity within the MoF first, then extend to line ministries). The provision is not appropriate for Afghanistan, where line ministries depend heavily on the capacity and assistance of the MoF to properly carry out their audit responsibilities. The fulfillment of the FY1392-93 benchmarks, therefore, appears to be at risk. The administrator recommends reversing the amendments of article 61 in the 2005 PFM law and allowing the MoF to continue with the provision of technical assistance and oversight to line ministries.

- **Customs:** The importance of addressing deficiencies in customs has been highlighted by the shortfall in customs revenue collection in FY1392 and 1Q FY1393. The agreements achieved at the Dubai Customs Workshop in June 2012 implied a swift follow-up to formalize the action plan for future customs reforms. The fact that until now no agreement on the customs action plan has been achieved poses a serious risk to timely implementation of the action plan, and consequently to achievement of the FY1393 benchmarks. The administrator recommends intensifying discussions and consensus-building around the action plan. In addition, the presentation of a first proposal for customs action in FY1393 could help to gain clarity on the work plan for the remainder of the year.

13. Table 1 and 2 below provide more details regarding the performance assessment of the individual benchmarks.

### Part III: Operation & Maintenance Facility

14. **Slow Progress on O&M spending.** According to the latest information, furnished to the administrator, about Afs 400 million were spent on O&M by the MoE and MoPH — the two target ministries — in FY1392. MoH spent 97%, and MoE spent only 46% compared to spending on O&M in the previous year (Jan – May). Total civilian O&M reached approximately Afs 3.5 billion, amounting to only 19 percent of baseline O&M (see paragraph 19 of the MoU).

15. In its presentation to the IPWG meeting on May 7, 2013, the MoF listed several challenges to progress. It highlighted the need for more capacity-building in line ministries to manage O&M. The administrator will discuss relevant measures to be provided through SEHAT and EQUIP in order to accelerate disbursements of O&M in the second half of 2013.

### Part IV: Other Disbursement Conditions

16. The ARTF donors and government of Afghanistan have agreed that it is a prerequisite for the IP that an ongoing IMF-supported program be in place (currently the ECF, which represents an active engagement on managing the macroeconomic environment). The ARTF recurrent costs window

disbursements under the IP follow IMF disbursements under the ECF. Accordingly, the IP allocations to the recurrent costs grant would be withheld by the administrator if at any point a review of the IMF's ECF program lapses.

17. The conclusion of the 2<sup>nd</sup> and 3<sup>rd</sup> review is still pending. The IMF team visited Afghanistan between May 11 and 19, 2013. The IMF advised the Administrator at the end of the mission of the following:
  - There is reasonable progress on the implementation of structural benchmarks.
  - Domestic revenue trends retreated over 1Q2013, after one year of slower than expected revenue growth. Domestic revenue targets were revised and the macroeconomic framework updated (showing slower economic growth for 2013)
  - The team agreed with the authorities on a set of mitigating measures to reverse domestic revenue trends. If these measures produce the desired result, it might be possible to conclude the next assessment and present it to the IMF Board of Directors around the time of the 2013 IMF/WB annual meetings in early October.
  - The IMF team did not raise concerns regarding disbursing incentive funds

#### **Part IV: Proposed Changes and Assessment of Adequacy**

18. In order to strengthen the linkages between the IP and the TMAF process, the TMAF working group on subnational governance (SNG) submitted a proposal for new benchmarks/disbursement triggers for provincial budgeting. The proposal is to amend the provincial budget policy and issue relevant regulations aimed at (i) clarifying the roles of provincial line ministries and provincial councils in preparing the budget, and (ii) strengthening provincial budget execution responsibilities.
19. The administrator and the MoF had several rounds of consultations in the weeks leading up to this review. While generally supportive of the proposal, the MoF is concerned about making changes to the provincial budget policy during the current fiscal year. It requested more time to further discuss the benchmark internally.
20. Once agreement on the content and language of the new benchmarks is achieved, the administrator suggests replacing the existing benchmark on norm-based budget allocation (#10) with the proposed new benchmarks on subnational finance, given the overlap of the existing benchmark with the threshold criteria for line ministries to access the O&M facility.

## Part V: Recommendation on Incentive Fund Allocation for FY1391 and FY 1392

21. The administrator's technical review recommends that the ARTF management committee disburse **US\$ 6.8 million** of a total US\$ 177.5 million (+ \$32 million for O&M) remaining ARTF IP incentive funds for 1391 and 1392. This recommendation is based on the following considerations:

- Two FY1391 benchmarks were achieved, each with a one-month delay. The allocation for each benchmark will therefore be discounted by 8.3 percent, resulting in \$3.4 million per benchmark.
- The FY1391 allocation for the revenue matching grant will not be disbursed because the threshold for access to the incentive funds was not reached.
- While the latest IMF program review has not been concluded, the administrator notes and appreciates the ongoing efforts to enhance revenue collection. In order to ease the budgetary pressures resulting from the decline in revenue in 1Q FY1392, the administrator supports the disbursement of incentive funds. However, the administrator is concerned about slow progress in finalizing and implementing the customs action plan.

Table 1: FY1391 Structural Reform Matrix with Evidence Assessment

	Benchmarks	Progress of Implementation	Status	Next Steps and Recommendations
<b>A. Public Finance Management</b>				
1.	<b>External Audit:</b> The Control and Audit Office (CAO) carries out and publishes at least one external audit done to acceptable standard of the central government entities that represent 5 percent of total expenditures.	The CAO has started to carry out compliance audits in line with requirements of the new audit law. The administrator was informed that more than 5 percent of public expenditures have been audited so far. However, the audit report has not yet been submitted for review, so the administrator is not yet in the position to confirm that the benchmark has been implemented.	<b>Pending</b>	Close follow-up with CAO is suggested. The administrator requested the CAO to submit the audit reports for review.
2	<b>Internal Audit:</b> Five ministries undertake internal audits which substantially meet professional standards set by the Internal Audit Department of the Ministry of Finance (MoF) based on the IIA standards.	The administrator has received evidence of completion of five internal audits in the MoJ, MoHE, MoR, MoE, and MoD. The administrator verified that all audits have been done with observance of acceptable standards.	<b>Met</b>	
3	<b>Procurement Performance:</b> Three line ministries implement institutional arrangements and develop capacity to meet the stand-alone procurement criteria set by the Procurement and Policy Unit (PPU) of MoF.	The administrator verified that six line ministries have been certified by PPU to date—three in FY1390 (MAIL, MoE, MPH), and three in FY1391 (MEW, MoLSA and MUDA).	<b>Met</b>	
4	<b>Budget Transparency:</b> MoF implements at least three recommendations of the FY1391 Open Budget Assessment for Afghanistan by the International Budget Partnership Initiative. These could include: <ul style="list-style-type: none"> <li>• Publishing the FY1392 budget</li> </ul>	The MoF has made considerable progress in providing budget documents. It published the draft FY1392 budget prior to the parliamentary hearings, published a citizen budgets for FY1391 (in three	<b>Met</b>	

	<p>planner on the MoF website</p> <ul style="list-style-type: none"> <li>• Publishing a pre-budget statement for the FY1392 budget on the MoF website</li> <li>• Organizing consultation workshops with CSOs and media on the FY1392 budget and publishing proceedings on the MoF website.</li> </ul>	<p>languages), improved reporting on budget execution (relatively timely monthly bulletins, published a report on budget execution) as well as a medium-term expenditure framework (pre-budget statement) and issued a budget planner for FY1392. Efforts have been made also to enhance public participation in the budget process. Two workshops with CSO's and media were held (April and June 2012) to explain budget structure, processes and reforms, and to consult on the FY1392 budget. Media and CSOs have also been permitted to observe legislative budget hearings. These actions exceeded the IP 1391 requirements and should lead to an increase of the rating in next open budget index.</p>		
<b>B. Governance</b>				
5	<p><b>EFS Guidelines:</b> MoF and the IARCSC issue guidelines with recommendations on EFS salaries &amp; allowances to the donors. As part of the benchmark, MoF and IARCSC establish a monitoring and reporting mechanism for EFS salaries and allowances in consultation with the ARTF administrator.</p>	<p>Several rounds of donor consultations on the NTA guidelines took place in December 2012 and January 2013. The final version of the guidelines was circulated to donors on February 17 and subsequently published on the MoF webpage.</p> <p>Link:  <a href="http://www.budgetmof.gov.af/images/stories/DGB/Reports_publication/NTA%20Remuneration%20Guidelines.pdf">http://www.budgetmof.gov.af/images/stories/DGB/Reports_publication/NTA%20Remuneration%20Guidelines.pdf</a></p>	<p><b>Met</b> as of Feb 17, 2013.</p>	

6	<b>AML/CFT:</b> Da Afghanistan Bank (DAB) develops a comprehensive action plans on Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) to address the most significant deficiencies identified in the AML/CFT assessment of Afghanistan (2011) agreed with the Financial Action Task Force (FATF) and establishes mechanisms for policy and operational-level coordination on AML/CFT.	As part of the FATF/ICRG targeted review, DAB developed an action plan to address the most significant deficiencies identified in the AML/CFT Assessment of Afghanistan (2011). The action plan was agreed on June 2012. Thereafter, DAB established a high level committee and a working group to oversee the implementation of the action plan.	<b>Met</b>	
<b>C. Investment Climate and Trade Facilitation</b>				
7	<b>Business Licensing:</b> Ministry of Commerce and Industry (MoCI) abolishes the need for criminal record checks for licensing of businesses.	After consultations with MoI, the MoCI issued a directive to all license issuing departments to abolish the need for criminal record checks. The administrator received a copy of the MoCI order that clearly states the abolition. The order will be disseminated to relevant offices and a publication in MoCI's next newsletter is planned.	<b>Met</b>	
8	<b>Trading across borders:</b> MoCI produces conclusive inventory as the official reference point to clarify documentation and pay fees required to trade cross borders. MoCI will publish the inventory online and at all clearance points. MoCI will begin with a public-private sector dialogue and training of traders, agents, freight forwarders and officials on trade related requirements and trade facilitation issues. Outreach activities should be extended to regional customs houses.	The trade inventories have been compiled, reviewed and published (both online and in print form). MoCI has started the dissemination of the trade inventories but would like combine the public-private sector dialogue with the dissemination of the new trade policy. Plans to this end have already been made and have been shared with the Administrator.  Trade inventories are published at: <a href="http://moci.gov.af/en/page/8307">http://moci.gov.af/en/page/8307</a> and <a href="http://moci.gov.af/en/page/8305">http://moci.gov.af/en/page/8305</a>	<b>Met</b> As of Feb 10, 2013.	

9	<p><b>Customs:</b> Customs' action plan has been prepared and relevant parts have been agreed with MoF, MoCI and MoI.</p>	<p>A customs workshop was held in Dubai with high level representation from relevant ministries in June 2012. Workshop participants agreed on the problem definition and challenges related to customs reforms and worked out different reform options. Based on these discussions a draft action plan was prepared.</p> <p>The administrator had several discussions with MoF and ACD on the action plan as well as on actions that could be implemented during this fiscal year. The leadership team in ACD was replaced in April 2013 which slowed progress on agreeing to the customs action plan. Discussions are ongoing.</p>	<p><b>Pending</b></p>	<p>ACD, MoF and the administrator to continue discussions. The customs action plan needs to be discussed with different stakeholders, and agreement by Cabinet or other relevant members needs to be documented.</p>
<p><b>D. Subnational Finance</b></p>				
(10)	<p><b>Norm-based budget allocation:</b> MoF and MoE agree to include, on a pilot basis, a norm-based approach to the formulation of the MoE's operating budget for FY1392. The expansion to be formally announced by end-August 2012.</p>	<p>MoF and MoE agreed on a norm for the allocation of the operating budget and allocated O&amp;M expenditures in the FY1392 budget accordingly. The administrator verified the norm, based on school enrolment and the existence of buildings, dormitories, hostels, libraries and labs. There are concerns about using student enrolment as one of the determining factors since this could potentially lead to an over-reporting of students in following years. However, the administrator agrees that for now the agreed norm is the most practical until a proper asset registry is drawn up and other factors, such as the year of construction can be used to refine the norm.</p>	<p><b>Met</b></p>	<p>Within the context of the budgeting pilot, the EQUIP team will monitor the adequacy of the current norm and provide recommendations for changes, if needed, prior to the next budget cycle.</p>

Table 2: Progress Report on FY1392-93 Benchmarks

A. Public Financial Management		
1392 Benchmarks	1393 Evidence	Progress
<b>(1) External Audit Performance:</b> The CAO carries out and publishes external audits to acceptable standards of central government entities that represent at least 20 percent of total expenditures.	<b>(1) External Audit Performance:</b> The CAO carries out in the year and publishes external audits to acceptable standards of central government entities that represent at least 25 percent of total expenditures (Audits covering 50 percent of the average total annual expenditures in the life of the IP).	 <b>Risk of delay.</b> The administrator has not yet received audit reports for review. The audit law, approved by parliament in February 2013, has not been enacted to date. Enactment of the law is critical to approval by parliament of the draft external audit bill of 2012 in order to hold the CAO to its responsibilities.
<b>(2) Internal Audit:</b> Five more ministries undertake internal audits which substantially meet professional standards set by the Internal Audit department of the MoF based on IIA Standards.	<b>(2) Internal Audit:</b> An additional five ministries undertake internal audits which substantially meet professional standards set by the MoF's Internal Audit department based on IIA Standards.	 <b>On track but concerns about quality.</b> Internal audits for five additional ministries appear to have been carried out and the reports submitted to the administrator. The administrator questioned the basis for the certificates; a response is pending.
A. Public Financial Management		
1392	1393	Progress
<b>(3) Procurement Performance:</b> An additional three line ministries will implement institutional arrangements and develop capacity sufficient to meet the stand-alone procurement criteria set by the PPU.	<b>(3) Procurement Performance:</b> An additional three line ministries will implement institutional arrangements and develop capacity to meet the stand-alone procurement criteria set by the PPU (at least nine certifications beyond the life of the IP).	 <b>On track.</b> One additional ministry was certified in 1Q FY1392; certifications for two others are in process.

<p><b>(4) Budget Transparency:</b> The MoF implements at least four recommendations from the 2011 Open Budget assessment for Afghanistan by the International Budget Partnership (IBP) initiative.</p>	<p><b>(4) Budget Transparency:</b> The MoF implements at least four recommendations from the 2012 Open Budget assessment for Afghanistan by the IBP initiative.</p>	<p> <b>On-track.</b> The MoF superseded the FY1391 budget transparency benchmark. The main focus in this fiscal year will be to update and reissue all relevant budget documents and improve their quality.</p>
<p>B. Governance</p>		
<p>1392</p>	<p>1393</p>	<p>Progress</p>
<p><b>(5) Civil Service Reform:</b> The Council of Ministers approves amendments to the Civil Servants' Law.</p>	<p><b>(5) Civil Service Reform:</b> The authorities issue relevant regulatory instruments which enable the recruitment of professional staff.</p>	<p> <b>On-track.</b> A workshop was held in Delhi in early December to discuss the proposed amendments to the Civil Servants' Law. Participants included the CSC chairman, CSC officials, the MoJ, MoF, and OAA. Meanwhile, the Civil Servants' Law has been redrafted and shared for consultation with line ministries. It is now under discussion with the MoJ. Once approved by the MoJ, it will be sent to the legislative committee of the Council of Ministers for the next stage of approval.</p>

<p><b>(6) AML/CFT:</b> The Council of Ministers approve the amendment to the Anti-Money Laundering and Proceeds of Crime Law No. 840 of October 2004 and the Combating the Financing of Terrorism Law No. 830 of October 2004 to align with international standards set by the FATF's Recommendations on AML/CFT and submit to parliament.</p>	<p><b>(6) AML/CFT:</b> DAB amends the following regulations to address deficiencies identified in the AML/CFT Assessment of Afghanistan (2011), taking into account the suggested amendments of the AML/CFT laws as above and the revised FATF standards (February 2012):</p> <ul style="list-style-type: none"> <li>• Responsibilities of Financial Institutions in the Fight Against Money Laundering and Terrorist Financing, issued by DAB in March 2006;</li> <li>• Money Service Providers, issued by DAB in March 2008; and</li> <li>• Foreign Exchange Dealers, issued by DAB in July 2008.</li> </ul>	<p> <b>On track.</b> The AML and CFT laws were both presented to the Cabinet which had no questions regarding the FATF recommendations for amendments to the laws. The ministers of Finance and Justice as well as the governor of the Central Bank have been requested to review the proposed amendments again and notify if further changes will be needed.</p>
<p><b>C. Investment Climate and Trade Facilitation</b></p>		
<p><b>1392</b></p>	<p><b>1393</b></p>	<p><b>Progress</b></p>
<p><b>(7) Business Licensing:</b> The MoF and MoCI take necessary action to streamline the renewal for trade and investment licenses (including tax clearance). Action will be further clarified prior to FY1392.</p>	<p><b>(7) Business Licensing:</b> The Council of Ministers issues a road map which includes a description of all required institutional and regulatory changes for the establishment of a unified business registration system within 18 months which provides the right to invest, trade and conduct usual business activities.</p>	<p> <b>On track.</b> The administrator was unable to find suitable consultants to undertake the survey and provide advisory services to the MoCI on the unification of the business registration system. The administrator retendered the assignment; if successful, the consultants could be mobilized by mid-June.</p> <p>MoCI is considering extending the period for renewal of business licenses from one year to three years. This would, in principle, suffice to meet the benchmark. This measure might undercut tax collection in the short term; mitigating measures should be implemented to strengthen tax collection by LTO's and MTO's in order to prevent a decline in tax revenue in FY1393. The administrator will discuss this issue with the MoCI and advisors in the ARD.</p> <p>FY1393 benchmark: In a first step towards unification of the business registration system, the MoCI has merged the business licensing and registration licensing departments. Discussions are ongoing with AISA on the design of a possible single-entry window for business licensing.</p>

<p><b>(8) Trading Across Borders:</b> The MoCI makes verification of the commercial invoices and the certificate of origin voluntary for exporters <u>and</u> enforces the elimination of mandatory export quality certificates.</p>	<p><b>(8) Trading Across Borders:</b> The MoCI, in collaboration with the MoF, reduces the number of required documents for trading across borders and aligns process with international good practice, including the elimination of product-specific export permits other than for negative list.</p>	<p> <b>On track.</b> The MOCI has sent a letter to the ACD to direct that the Certificate of Origin is no longer a mandatory requirement. ACCI and EPAA were copied. However, the ACD has not yet taken measures to implement this change. There is internal debate on whether any such change would require a revision of the Chamber Law. Comments have been submitted by the MoCI to the Ministry of Parliamentary Affairs, but have not yet been presented to the Cabinet.</p>
<p><b>(9) Customs:</b> The government of Afghanistan makes satisfactory progress in the implementation of the customs action plan in FY1392 (as agreed at the first technical review in FY1391)</p>	<p><b>(9) Customs:</b> The government of Afghanistan makes satisfactory progress in the implementation of the customs action plan in FY1393 (as agreed at the first technical review in FY1392)</p>	<p> <b>Risk of delay.</b> An agreement on the customs action plan and the schedule for FY1392 and FY1393 actions have not yet been achieved. Discussions between the MoF, the ARD and the administrator are continuing.</p>
<p><b>D. Sub-national Finance</b></p>		
<p><b>1392</b></p>	<p><b>1392</b></p>	
<p><b>(10) Norm-based Budget Allocation:</b> The MoF applies the norm-based formula for the operating budget to a further two key ministries. Names of the ministries are to be announced by the last quarter of 2012.</p>	<p><b>(10) Norm-based Budget Allocation:</b> The MoF applies the norm-based formula for the operating budget to a further four key ministries. Names of the ministries are to be announced by the last quarter of 2013</p>	<p> <b>Risk of delay.</b> The MoF has not yet named the two ministries that will develop norms for the allocation of the operating budget in the current FY. Progress unclear.</p>