AFGHANISTAN RECONSTRUCTION TRUST FUND

ARTF INCENTIVE PROGRAM FY1391-93 (2012-2014)

ADMINISTRATOR'S 4TH TECHNICAL REVIEW

MAY 26, 2014

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 - end 2014 (i.e., FY1391-1393). Table 1 shows the indicative allocations for the IP in each year.

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

	2009/10	**2010/11**	**2011/12**	**2012**	**2013**	**2014**
	FY1388	**FY1398**	**FY1390**	**FY1391**	**FY1392**	**FY1393**
Baseline ARTF RC support	$250	$225	$200	$175	$150	$125
ARTF Incentive Program	**$40**	**$60**	**$70**	**$50**	**$182**	**$275**
Structural Benchmarks	$40	$45	$53	$37.50	$112	$130
Revenue Matching Grant		$15	$18	$12.50	$38	$45
O&M Facility					$32	$100
Potential Ceiling for ARTF RC/IP support	$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, 2012) 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 progress on the six pending FY1392 structural reform benchmarks based on the evidence provided. The two pending benchmarks from FY1391 are also discussed briefly, while the FY1393 benchmarks will be addressed at the next technical review. Part III discusses the proposed changes to the subnational finance benchmark discussed by the government, donors, and administrator. Part IV discusses the performance of the O&M facility in 1392 and proposes modifications leading to a more robust O&M facility for 1393. Part V discusses other disbursement conditions and proposes modifications in this regard. Part VI concludes with the recommendation to the ARTF management committee regarding 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 FY1392 (2013) revenue targets:** The revised revenue target agreed for FY1392 between MoF and the IMF was Afs 114 billion. After a decade of strong fiscal performance, revenue mobilization weakened in 2012 and 2013 due to the economic slowdown as well as weaknesses in administration. Actual revenues in FY1392 amounted to Afs 109 billion or 95.6 percent of the target.

8. **The revenue matching grant incentive payment is determined according to a calibrated scale.** The indicative allocation for 1392 was $38 million. The full amount of this allocation would have been payable only if 99 percent of the revenue target of Afs 114 billion was achieved. **Since 95 percent of the target was achieved, the incentive payable is 50 percent of the indicative allocation or $18.8 million.**

9. **Progress toward the FY1393 (2014) revenue target:** Revenues have continued to remain weak in Q1-FY1393 (about the same level in nominal terms as Q1-1392). Some improvement appears to have taken place in the fourth month, with MoF indicating that revenues in the first four months of

1393 were 14 percent higher than the first four months of 1392. The initial IMF target for 1393 is Afs 128 billion.

Part II: Performance Assessment of FY1391-1393 Benchmarks

10. This part focuses on the performance assessment for the six pending FY1392 structural benchmarks. The Third Technical Review completed on November 27, 2013 assessed that four 1392 benchmarks (Procurement, Budget Transparency, Trading across Borders, and Norm-based budget allocations) had been achieved, with six pending. It also assessed that two 1391 benchmarks were pending. Since then, the administrator has engaged on an ongoing basis to facilitate progress. MoF and other government counterparts have also furnished verification material to demonstrate the fulfillment of structural benchmarks for FY1392. This evidence has been reviewed and assessed by the administrator.

11. **Performance assessment of pending FY1392 benchmarks**: Based on the evidence received up to May 26, 2014, the administrator's Technical Review assesses that ***two additional structural benchmarks for FY1392 have been achieved*.** These include the following:

    - **External Audit Performance (#1):** SAO has completed and published external audits done to an acceptable standard for four line ministries, namely Min.of Public Health, Min.of Public Works, Min.of Education, and Min.of Labour, Social Affairs, Martyrs & Disabled (MoLSAMD), accounting for the audit of 27.5% of total expenditures for FY 1391. This benchmark was achieved in January 2014. Since the delay is less than one month past the deadline, no penalty is assessed.
    - **Business Licensing (#7):** MoF and MoCI have taken necessary action to streamline the renewal for trade and investment licenses (including tax clearance). This benchmark is assessed as achieved in January 2014. Since the delay is less than one month past the deadline, no penalty is assessed.

12. **The matrix in Annex 1 below provides additional details regarding the performance assessment of the six pending 1392 benchmarks**, including those that have not yet been fully achieved. The benchmarks on AML/CFT (#6) and Customs (#9) are flagged as being on track to being achieved with several months of delay, but not within the time frame of this technical review. The benchmarks on Internal Audit (#2) and Civil Service Reform (#5) are flagged as being associated with risk of further uncertain delay.

13. **Progress on pending FY1391 benchmarks**: The following is a brief summary of progress on the two pending benchmarks from FY1391 (the Third Technical Review document provides further details):

    - **External audit:** This benchmark for 1391 was achieved in January 2014. Since the delay was 12 months, the disbursement against this benchmark is fully discounted to zero.
    - **Customs:** This benchmark for 1391 remains pending. The sticking point is Ministry of Interior's objection to providing enforcement powers to ACD.

14. **Progress on FY1393 benchmarks**: The Administrator and MoF considered progress on FY1393 benchmarks and determined that while implementation of several benchmarks was underway, none had yet been completed. It was decided that a more detailed assessment of progress on 1393 benchmarks would be conducted at the time of the next technical review.

Part III: Proposed Revision of the Subnational Finance Benchmark

15. The Second and Third IP Technical Review meetings in May/June 2013 and November 2013 discussed replacing the subnational finance benchmark on norm-based budget allocations with a benchmark on the provincial budget policy. The intent was to further strengthen the links between the IP and the TMAF process. Discussions between the SNG (subnational governance) working group, the government, and the administrator resulted in the following proposed formulation of the revised benchmark: "MoF issues a provincial budgeting policy for approval by Cabinet, based on broad-based consultation and in line with the legislative framework that a) allows for the recognition of provincial line departments over a set time period as subordinated budget units of their respective ministries after consultation with MoF, b) clarifies the roles of provincial Line Departments and Provincial Councils in the budget process, and c) delegates related budget execution responsibilities." Considerable progress was made in preparing and discussing the provincial budget policy with a broad range of stakeholders and in submitting it to Cabinet for approval. The January 2014 JCMB Meeting noted that work will continue on the provincial budgeting policy, leading to its approval by Cabinet, its subsequent implementation, and development of associated guidelines.

16. The November 2013 technical review agreed to retain the benchmark on norm-based allocations for 1392. The meeting also discussed that if a revised formulation is adopted for 1393, the wording should be such that achievement of the benchmark would lead to the incorporation of the provincial budget policy into the 1394 budget cycle. As Cabinet approval of the Provincial Budget Policy is still pending, further discussions are needed on whether to replace the benchmark for 1393. Until a decision is taken in this regard, the benchmark on norm-based allocations will remain effective.

Part IV: Operations & Maintenance (O&M) Facility

17. The O&M facility is intended to incentivize civilian O&M spending. The facility is also intended to promote improved O&M systems in select line ministries. The indicative allocation for the O&M facility is $32 million for 1392 and $100 million for 1393. The basic principle underlying the facility is as follows. A baseline is defined using the average of O&M spending (civilian operating budget code 22) for the last two years. For each dollar spent above the baseline, the facility provides an incentive payment of 1.5 dollars up to a maximum of the indicative allocation for that year. The participating ministries for 1392 were Ministry of Education (MoE) and Ministry of Public Health (MoPH), while the participating ministries for 1393 are MoE, MoPH, Ministry of Public Works (MoPW) and Civil Aviation Authority (CAA).

18. **The performance of the O&M facility during its first pilot year 1392 was mixed.** The indicative allocation of $32 million was disbursed toward the beginning of the year (to make available resources for O&M). Table 1 below presents the baseline and actual spending for 1392 for total civilian O&M and for the participating ministries. The figures suggest that the facility was able to incentivize greater O&M spending than would have otherwise been the case in a year of tight fiscal resources. Most notably, O&M spending for the participating ministries exceeded the baseline by Afs 1,136 million, which would imply an incentive payment of $30.7 million. However, aggregate civilian O&M fell short of the baseline by a small margin. The Ministry of Finance has noted a number of factors responsible for these outcomes. The first is overall resource constraints leading to lower O&M spending at the aggregate. The second is that with 1392 being the pilot year during which improved O&M systems were being built in the participating ministries, some in MoF understood that the incentive was for the participating ministries, regardless of overall spending levels. As such, the focus was on working with MoE and MoPH to increase O&M spending through the end of the year. ***In light of the performance of the facility for 1392, the IPWG agreed that the incentive payable for 1392 is $30.7 million. As such, the IPWG agreed that since $32 million had been disbursed out of the O&M facility for 1392, $1.3 million would be subtracted from disbursements out of the O&M facility in 1393.***

Table 1. Baseline and Actual O&M Spending for 1392					
	Actual 1390	Actual 1391 Prorated	Baseline 1392	Actual 1392	Incentive
	Millions Afs				Million US$
Civilian O&M	18,079	19,579	18,829	18,032	0
Participating (MoE+MoPH)	2,296	2,945	2,620	3,756	30.7

19. **The lessons learned from the first pilot year suggest that a number of modifications would make the O&M facility for 1393 more robust and effective.** The first modification would be to move from annual baselines and disbursements to quarterly baselines and disbursements. With an annual baseline, the determination of the incentive payment can only be made at the end of the year. Quarterly baselines allow disbursement of incentive payments over the course of the year in a robust fashion, after determination of the amount. The second modification is to provide the flexibility each quarter to exceed the baseline either at the aggregate or at the level of the participating ministries. This would provide an ex ante incentive at both levels without any ex post double counting. The quarterly baselines for 1393 at the aggregate and at the level of the participating ministries are presented in the table below. ***The IPWG endorsed these modifications to the O&M facility for 1393 as well as necessary changes to the MoU to reflect these modifications. Since actual O&M figures for the first quarter of 1393 are available, this would imply an incentive payment of $14.2 million from the O&M facility for the first quarter of 1393.***

Subtracting the $1.3 million referred to in the previous paragraph would imply a net disbursement of $12.9 million from the O&M facility once this technical review is concluded.

Table 2. Quarterly O&M Baselines for 1393 and Actual Q1					
	1391 Actual Prorated	1392 Actual	Baseline 1393	Actual 1393	Incentive
	Millions Afs	Millions Afs	Millions Afs	Millions Afs	Million US$
Civilian O&M					
Q1	1,486	1,756	1,621	2,152	14.2
Q2	3,130	3,591	3,361		
Q3	4,716	6,041	5,378		
Q4	6,388	6,631	6,509		
Participating (MoE+MoPH+MoPW+CAA)					
Q1	388	452	420	613	5.2
Q2	818	1,012	915		
Q3	1,232	1,361	1,297		
Q4	1,669	2,610	2,140		

Part V: Other Disbursement Conditions

20. The MoU of the IP program contains the following language on links to the IMF program:

"The ARTF Donors and Afghanistan have agreed that it is a precondition for the Incentive Program that on-going IMF supported program be in place (currently the Extended Credit Facility – ECF which represents an active engagement on managing the macroeconomic environment). The ARTF Recurrent Costs Window disbursements pursuant to the Incentive Program are intended to accompany the IMF disbursements under the ECF. Accordingly, the Incentive Program allocations to the Recurrent Cost Grant would be withheld by the Administrator if at any point in time a review of the IMF's ECF program lapses." (para 24)

"Afghanistan may continue to furnish evidence for completed actions to the Administrator during any such suspensions/withholdings, so that the allocation of funds and subsequent disbursements can be immediately resumed according to the provisions in section 5 as soon as the next ECF review is successfully completed. Interruptions in the ECF program that lead to the negotiation of a new program are also expected to lead to the negotiation of a new Incentive Program, as soon as an agreement on a new IMF program is reached." (para 25)

In sum, the language suggests that IP disbursements would be withheld in the event of a "lapse" or "interruption" in the IMF ECF program review. However, the words "lapse" and "interruption" are not part of the formal IMF vocabulary, although the administrator notes that they are informally used to refer to an unacceptable macroeconomic framework where active engagement under an IMF program has ceased.

21. An IMF program for Afghanistan, representing an active engagement on managing the macroeconomic environment, remains in place. The three-year, US$130 million Extended Credit Facility (ECF) arrangement was approved by the IMF Executive Board on November 14, 2011. On June 29, 2012, the first review of the IMF program was completed. Although a subsequent review has been delayed because of increased economic uncertainty and delays in structural reform, the IMF is continuing its active engagement under the framework of the ECF. The IMF team has noted that the disbursement of ARTF incentive funds would support macroeconomic stability.

22. The Administrator notes that the overarching purpose of references to links with the IMF program is to ensure that the macroeconomic framework is acceptable for the purposes of RCW disbursements. Furthermore, the Administrator notes that the design of the IP is different from that of all-or-nothing budget support operations. By selectively disbursing against benchmarks achieved and withholding disbursements for benchmarks not achieved, the IP incentivizes progress. Withholding disbursements against benchmarks achieved seriously compromises the leverage of the IP in pushing for progress on remaining benchmarks. **In light of these considerations and to provide greater clarity on disbursement conditions, the IPWG endorsed the Administrator's recommendation to modify Part VI (paras 24 and 25) of the MoU to the following:**

    "Adequacy of the Macroeconomic Framework and Linkage with IMF Program

    The ARTF Donors and Afghanistan have agreed that it is a precondition for the Incentive Program that an adequate macroeconomic and fiscal framework be in place, as assessed by the World Bank in coordination with the IMF. One of the factors that would be taken into account in the assessment of the macroeconomic framework is whether or not an IMF supported program is in place and whether engagement under the IMF program is ongoing.

    The Incentive Program disbursements would be withheld by the Administrator if at any point in time it assesses that an adequate macroeconomic framework for the purposes of IP disbursements is not in place. Afghanistan may continue to furnish evidence for completed actions to the Administrator during any such withholdings, so that subsequent disbursements can be immediately resumed once the macroeconomic framework is assessed as adequate."

23. The Administrator notes that the implications of this modification are that if an IMF program is not in place, the Administrator would ascertain, in coordination with the IMF, whether there exist prohibitive concerns about the adequacy of the macroeconomic framework. On the other hand, a non-prohibitive reason for an IMF program not being in place would be, for example, the routine gap between the scheduled expiration of one program and the establishment of a new one. The Administrator noted that this modification would bring the MoU into line with the Administrator's

established principles of collaboration with the IMF in assessing the adequacy of the macroeconomic framework in the context of policy-based operations.

Part VI: Recommendation on Incentive Fund Disbursement

24. The administrator’s Fourth Technical Review recommends to the ARTF management committee to disburse **US$ 54.1 million** in incentive funds out of the ARTF Incentive Program allocations for 1392 and 1393. This recommendation is based on the following:
    - US$ 18.8 million from the revenue matching grant for 1392.
    - US$ 22.4 million for the two additional 1392 benchmarks assessed as achieved through May 26, 2014.
    - US$ 12.9 million from the O&M facility for 1393.
25. The administrator’s Fourth Technical Review encourages the authorities to continue their close engagement with the IMF, including meeting the relevant quantitative targets (particularly on domestic revenue) and structural reforms.

Annex 1: Progress Report on FY1392 Benchmarks—STATUS AS OF MAY 26, 2014

A. Public Financial Management		
1392 Benchmarks	**1392 Evidence (from MoU)**	**Progress**
(1) External Audit Performance: CAO carries out and publishes external audits done to acceptable standard of central government entities that represent at least 20% of total expenditures.	**(1)** Evidence of the coverage would be the semi-annual audit reports provided to Parliament which includes the specific reports. The audits must be comprehensive of the entities' operations and not limited to one or two processes or units within the entities. Acceptable standards are provided, both by the INTOSAI and ISSAI.	**Achieved**. This benchmark was achieved in January 2014. Since the delay is less than one month past the deadline, no penalty is assessed. There has been good progress on external audits. According to information relayed by the SAO to the Administrator, the SAO undertook the Compliance Audit of four line ministries, namely Min.of Public Health, Min.of Public Works, Min.of Education, and Min.of Labour, Social Affairs, Martyrs & Disabled (MoLSAMD), accounting for the audit of 27.5% of total expenditures for FY 1391. The Audit Reports of the four ministries were signed by the Auditor General and a summary of the findings of each of the four reports was posted on the SAO web site www.sao.gov.af. As part of the PFMR II supervision mission, the Administrator reviewed planning memoranda, checklists and tool kits for these audits and found these of an acceptable standard. Audit sampling was robust and includes extensive analytical procedures. We were encouraged both by the planning process and the manner in which the field work was conducted for these audits. Subsequently, the Bank received and read the reports and established that these were in line with the planning memo and fulfilled reporting standards for compliance audits. The initial review of the working files performed in December 2013 however indicated there were shortcomings with respect to full compliance of standards. The SAO subsequently worked to bring the files up to full compliance which were subject to expert review by the WB in January 2014 and found to meet the minimum requirements.
(2) Internal Audit: Five (5) ministries undertake internal audits which substantially meet professional standards set by the Internal Audit (IA) Dept. of the Ministry of Finance (MoF) based	**(2)** Report describing the work, attesting to compliance with standards and reporting the action taken by management to be prepared by the IA Dept of MoF and the audit reports	**Risk of delay.** Internal audits of miscellaneous revenue processes were carried out at the following ministries: Ministry of Women's Affairs; Ministry of Foreign Affairs; Ministry of Economy; Ministry of Haj and Endowment; and Ministry of Border and Tribal Affairs.

on IIA Standards.	themselves.	The selection of miscellaneous revenue arose as a result of negotiation between IAD MoF and Ministry IADs. MOF IAD was precluded from selecting other areas which might have been more appropriate due to, for example, a higher level of risk. The US Treasury Technical Advisor to MoF IAD concluded that "...the completion of these five audits is in line with benchmarks requirements" and cites internal audit performance standards (including independence of the MoF IAD) in support of this opinion. It is true that the IAD is an independent entity in MoF and the audits of miscellaneous revenue were conducted in an objective manner. However, in this instance, the ability of IAD MoF to select areas for audit and indeed even the type of internal audit to be conducted was restricted by the line ministries. Therefore, the benchmark has not been met since the application of professional standards does not "substantially meet" IIA standards given the significant limitation of scope imposed by the line ministries in selecting both the type of internal audit and the areas to be audited. The amendment to Article 61 of the audit law is a key stumbling block and needs to be reversed. The benchmark was agreed to before Art 61 was modified. Further discussions between the SAO, WB, and MoF could also help provide a way forward. MoF has indicated that it will follow up with the line ministries so that the audits would be carried out by the IA Units of the line ministries. There is concern that without MOF IAU involvement the audits would not meet the requisite standards. With technical assistance under the PFMRII project, MoF could assist the line ministries in producing the requisite audits for 1392 and 1393, but it has become much more difficult to achieve than MOF doing this work directly.
B. Governance		
1392	**1392 Evidence (from MoU)**	**Progress**

(5) Civil Service Reform: The Council of Ministers approves amendments to the civil servants law.	**(5)** The Authorities will provide the Administrator with the cabinet approved civil service law as well as the cabinet minutes, confirming the approval. The Administrator will review the law for compliance with minimum standards (see annex 3 of MoU).	**Risk of delay.** The Ministry of Justice and the Civil Service Commission together prepared the final draft of the Civil Service Law. MOJ submitted the draft law to the Cabinet's Legislative Review Committee at the Office of Administrative Affairs. The Committee reviewed the draft Law and sent it back to the Ministry of Justice with additional comments. The Civil Service Commission believes that the changes to the Law will be finalized by MOJ within two weeks and sent back to the Cabinet for approval. The Administrator has seen previous drafts but has not received the final draft which has been submitted to the Office of Administrative Affairs for cabinet approval. The Administrator would need to review the final draft of the Law to see that it complies with minimum standards, and the cabinet approved version for compliance with the benchmark standards. The benchmark has not been met and there is strong possibility that the delay may continue.
(6) AML/CFT: The Council of Ministers approve the amendment of the law No. 840 of October 2004 on "Anti-Money Laundering and Proceeds of Crime" and the law No. 830 of October 2004 on "Combating the Financing of Terrorism" to align with international standards (FATF Recommendations on AML/CFT) and submit to parliament.	**(6)** Administrator will review the law and verify the minutes of the cabinet meeting. At the minimum, the requirements on customer due diligence, record keeping, and suspicious transaction reporting should meet the international standards.	**On track (with delay)**. The AML and CFT laws were approved by the Cabinet of Ministers on May 5, 2014. The Minutes of the Cabinet meeting indicate that the version submitted in May 2014 was approved without any changes and that Cabinet requested the MoJ to submit the laws to Parliament through the Office of Parliamentary Affairs. The Administrator has received the Dari version of the laws approved. In order to declare this benchmark achieved, the Administrator and the IMF would need to receive the English version of the approved laws to assess compliance with FATF standards. Furthermore, submission to Parliament would need to be completed. The IMF last received and commented on the English version of the laws in December 2013, noting areas where they were not in line with FATF recommendations. The laws were subsequently revised prior to submission to Cabinet. Failure to pass FATF compliant AML/CFT legislation prior to the June meeting of FATF could result in adverse implications for international financial transactions for Afghanistan.

C. Investment Climate and Trade Facilitation		
1392	**1392 Evidence (from MoU)**	**Progress**
(7) Business Licensing: 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	**(7)** MoCI and MoF provide the Administrator with a copy of the relevant Ministerial decree or directive.	**Achieved.** A number of steps have been taken to streamline the renewal of trade and investment licenses (including tax clearance). These steps include: - The Business Registry and Trade Licensing departments were merged into one Central Registry for Business and Intellectual Property (CBRIP) directorate in July 2013 - The work flow in CBRIP was streamlined with support from a Harakat-funded and IFC implemented project, including reducing the number of application forms from 7 to 1, issuing a new registration and licensing manual, and reducing the number of license categories from 7 to 1. - In August 2013, MoCI extended the duration of trade license renewals from 1 to 3 years. According to ACCI, on January 27, 2014, Cabinet in principle endorsed a set of recommendations including the extension of investment licenses from 1 to 3 years (subject to further consideration in the Economic Committee chaired by the second vice president). - In November 2013, MoF/ARD published a Tax Clearance Service Standard confirming that ARD will issue a tax clearance certificate within 21 days of an application and that taxpayers will not be deemed non-compliant unless an audit so establishes. Given the progress noted above, this benchmark could be deemed as achieved as of January 2014. However, in March 2014, MoCI sent a letter to CSC requesting it to reverse the merger of the business registry and trade licensing departments. This would seriously compromise the direction of reforms toward establishing a unified business registration and licensing process. The initial request from MoCI was followed by a subsequent request to maintain the organogram with the two departments merged. On May 21, 2014, CSC issued a letter indicating that agreement had been reached with MoCI to submit and approve the organogram without splitting the two departments. This benchmark can, therefore, be counted as achieved as of January 2014. The 1393 benchmark in this area envisions Cabinet issuance of a

		roadmap to further unify trade and investment licensing. This would require further discussions between AISA, MoCI, and MoF. A report prepared by the APEX consulting firm provides options in this regard.
(9) Customs: Government of Afghanistan makes satisfactory progress in the implementation of the customs action plan in 1392 (as agreed at first technical review in 1391)	**(9)** to be determined once action plan is received	**On track (with delay)**: An agreement on the customs action plan as well as the schedule for 1392 and 1393 actions has not yet been achieved, with the main sticking point being MoI's objection to providing ACD with enforcement powers. ACD has indicated that it will implement select reforms from the action plan as part of satisfying this benchmark for 1392 and 1393. A number of steps have been taken as part of satisfying the 1392 benchmark, including in the areas of strategic planning (defining core customs responsibilities and output indicators), performance management (quarterly reporting against key performance indicators at each level), preparing a plan for drafting of Standard Operating Procedures (SOPs), and rolling out risk management. The Administrator and ACD are discussing additional steps that could be taken to constitute a set of substantive actions to satisfy the benchmark for 1392 within the next 2-3 months. These could include the further rollout of the ASYCUDA World valuation module and/or obtaining agreement from MoI or Cabinet on the Action Plan. A number of strategies are being considered to obtain broad-based endorsement of the Customs Action Plan.