

# MAKING BUDGETS AND AID WORK PROJECT

## FIRST QUARTER PROJECT PROGRESS REPORT 2012



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## PROJECT INFORMATION

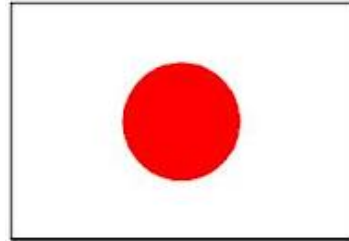
<b>Award ID:</b>	00047111
<b>Duration:</b>	2007 – 2015
<b>Strategic Plan Component:</b>	Strengthening accountable and responsive governing institution
<b>CPAP Component:</b>	The state has improved ability to deliver services to foster human development and elected bodies have greater oversight capacity
<b>ANDS Component:</b>	Good Governance
<b>Total Budget:</b>	USD 12,800,000
<b>Responsible Agency:</b>	Ministry of Finance/United Nations Development Programme

# Making Budgets and Aid Work Project

## DONORS



**CANADA**



**JAPAN**



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## ACRONYMS

AAA	Accra Agenda for Action
ACU	Aid Coordination Unit
AFMIS	Afghanistan Financial Management Information System
AMD	Aid Management Directorate
ANA	Afghan National Army
ANDS	Afghanistan National Development Strategy
ANP	Afghan National Police
ARTF	Afghanistan Reconstruction Trust Fund
BCI	Budget Circular I
BCII	Budget Circular II
BEU	Budget Execution Unit
BIRU	Budget Integration and Reform Unit
BU	Budgetary Unit
CPAP	Country Programme Action Plan
DAD	Development Assistance Database
DfID	Department for International Development (UK)
DIM	Direct Implementation Modality
FPU	Fiscal Policy Unit
GoA	Government of Afghanistan
IBP	International Budget Partnership
JCMB	Joint Coordination and Monitoring Board
LM	Line Ministry
MAIL	Ministry of Agriculture Irrigation and Livestock
MBAW	Making Budgets & Aid Work
MDGs	Millennium Development Goals
MIS	Management Information System
MoE	Ministry of Education
MoF	Ministry of Finance
MoPH	Ministry of Public Health
MTBF	Medium Term Budget Framework
MTFF	Medium Term Fiscal Framework
MRRD	Ministry of Rural Rehabilitation Department
NPPs	National Priority Programmes
OBI	Open Budget Index
PD	Paris Declaration
PFM	Public Finance Management
SBPS	State Budget Planning System
TA	Technical Assistance
UNDP	United Nations Development Programme
UNDAF	United Nation Development Assistance Framework
WG-AE	Working Group on Aid Effectiveness



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## EXECUTIVE SUMMARY

During the first quarter of 2012, the Making Budgets and Aid Work Project (MBAW) has provided technical assistance to Ministry of Finance (MoF), Line Ministries (LMs) and Sub-national institutions in strengthening budget formulation and planning, policy and strategy development including aid coordination and improving budget execution and sustainable institutional development. With the upcoming 2014 transition, the Tokyo conference meeting, and taking into account the benchmarks outlined in the London/Kabul communiqué (2010) as well as the urgency to channel existing and future donor funds through the core budget,, the MBAW Project for this quarter has stepped up its effort in:

- improving Public Financial Management (PFM) systems,
- Aid Management Policy and coordination of aid effectiveness working groups addressing low budget execution challenges.
- provincial budgeting,
- development of National Priority Programs (NPPs),

Keeping in line with the London/Kabul Communiqué of moving towards a full Afghan leadership and ownership by 2014, the phase out of the project aims to transfer full responsibilities to the MoF and ensure that the Government of Islamic Republic of Afghanistan (GloRA) is increasingly able to meet the needs of its people by developing its own institutions and resources. In this respect, the more specific activity results achieved with technical assistance from the MBAW Project in the first quarter of 2012 are:

### **Output 1: Improved Budget Planning and Management:**

(The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)

- Finalized Budget Document submitted to the Parliament in February 2012.
- The Medium Term Budget Framework (MTBF) for FY 1391-1394 further revised and improved containing the projections for revenues, donor grants and expenditures, fiscal outlook on tax progress and customs administration. This document acts like a policy tool to guide/advise Members of Parliament on the fiscal outlook, available resources and the preparation of the MTBF
- Top 20 Media Journalists from Afghanistan participate in a day long course organized by MBAW Project on how the National Budget is formulated and learn how their participation in the budget formulation process can ensure transparency and good governance
- Fiscal bulletin for the second quarter of 1390 prepared consisting key articles on pay and grading, tax reform and the Open Budget Index (OBI) focusing on Afghanistan's improvements and way forward.

### **Output 2: Improved Policy and Strategy Development including Aid Coordination** (Alignment of external assistance and improved aid effectiveness to support Afghanistan development goals and strategy)

- 1,904 provincial staff from budgetary units in 238 directorates across 17 provinces learn about Public Financial Management and how to prepare provincial budgets reflecting local priorities through a series of Consultation and Coordination (C&C) and Capacity Building Training (CBT) workshops conducted by MBAW Project

- Aid Management Policy further revised and improved through a consultative process that included participation from donors, Government counterparts and Civil Society Organizations
- Portfolio Review of USAID conducted to assess relevance of aid provided by US agencies in achieving GloRA's development priorities
- Progress of NPP activities of LMs monitored against measurable indicators and qualitative and quantitative quarterly 120 day reports prepared and shared regularly with donors. This will help reach shared goals for improved security, governance, and development. Clear, mutually agreed targets, pursued with the International Community, are sound means for monitoring joint performance.
- High level Governance Retreat organized with support from MBAW Project for Government Officials of leading Ministries, donor and Government counterparts to assess progress of NPPs linked to Governance Cluster to secure future funding from international forums and to improve good governance as it is a prerequisite as the GIRoA moves to full Transition and thereafter to the Transformation Decade.

**Output 3: Improved Budget Execution and Sustainable institutional capacity built within MoF and other Government of Afghanistan institutions**

- South-South study tours in two rounds organized to enhance institutional capacity development, strengthen economic development and regional cooperation for Afghanistan
- As part of institutional development and improving delivery management and transferring of skills to national counterparts, positions for 30 PFM experts (ten to be integrated in the Budget Departments in various units and 20 to be integrated in LMs) advertised.
- Concept note for establishment of the Afghan Public Finance Excellence academy prepared to increase the capacity of MoF and to promote sound and efficient budgeting practices in Afghanistan in view of delivering national needs and priorities

## **I. CONTEXT**

At the Bonn and Busan Conference that took place in late 2011 and at the Kabul Conference in 2010, the GIRoA pushed for a credible, realistic and 'achievable' national agenda, underpinned by priority programmes and reform initiatives that should be routed through the national budget and for achieving planned national development priorities. To further strengthen this commitment, the GIRoA has endorsed the New Deal for Engagement in Fragile States, which proposes key peacebuilding and statebuilding goals to build mutual trust and achieve better results in fragile states. In order to enable the Government to implement its prioritized agenda, renewed emphasis was placed on the need for sustained and coherent capacity-building support at national and at sub-national levels. The recent Bonn, Busan and the Kabul Conferences are critical stepping stones in a "Kabul Process" of transition to full Afghan leadership and responsibility, building on previous international commitments including the London Conference, Accra Agenda for Action (AAA) and outreach activities of the Afghan Government.

While the conference was not a pledging conference, it was expected that donors will align their programmes behind the plans and commit to the principles of aid effectiveness. To achieve immediate results and increase confidence the Government undertook a series of 100 day rolling reform initiatives, in addition to the implementation of the National Priority Programmes (NPPs).

These processes are part of reinforcing mutual trust in what is a renewed partnership in support of an Afghan-formulated progressive road map beyond the 20 July Kabul Conference. Further, the canalizing of the donor aid through the credible national public financial management and implementation system was stressed. For national strategies to be successfully implemented, it is imperative that all available resources are aligned with the priorities set out in the strategy and aid flows are routed through their national Budget and Treasury for achieving planned national development priorities. The MoF was centrally placed to use the national budget as a tool for the coordination of international and national funds flowing for the reconstruction effort.

Sound budget planning and management process is fundamental to a successful national budget as it is the primary mechanism through which key development principles are promulgated. The MoF is responsible for the management and execution of the national budget, and for coordination and implementation of the Afghanistan National Development Strategy (ANDS). Lack of expertise and capacity in budget formulation and implementation have implications for the success of the national budget. Better management, capacity development and coordination are essential to bring all budgetary units and LMs on board for effective resource allocation in a comprehensive and policy-based manner that supports national development strategies and strengthens service delivery.

In addition, lack of regulatory frameworks and prioritization of ANDS are challenges the MoF faces. These constraints take on stronger relevance when examined in the context of the NPPs presented at the July 2010 Kabul International Conference. Also, importantly poor donor coordination and spending priorities not aligned with the NPPs for 'External Budget' further add to the challenges. Only about 20 percent share of aid is being routed through the National Budget and Treasury and irregular and inadequate information on the projects funded through the 'External Budget', leaves the MoF with insufficient data on aid utilization.

Recognizing these challenges, the MBAW, provides technical assistance to i) strengthen budget planning and promote budget as a transparent tool for coordination of international development assistance ii) improve alignment and harmonization of external assistance through core and external budget and iii) develop policies and strategies aligned with the NPPs and iii) strengthen institutional capacity development of MoF relevant departments and LMs.

The relevance of the MBAW Project increases as fiscal tightening among donor countries is expected with the withdrawal of the foreign troops in Afghanistan. Maintaining progress towards reaching the MDGs and improving service delivery and infrastructure can be achieved in a fiscally sustainable way, but require that results are conditional on the security situation remaining stable, and the Government taking steps to boost absorptive capacity and that GoA should work towards establishing a stable policy environment and make substantive improvements in governance. Another requirement is that donors need to provide development assistance in a predictable manner aligned with Government priorities. In this respect, the MABW Project, provides assistance to improve absorptive capacity and create a sound policy environment for donor funding by developing MoF's institutional capacity for improving budget execution and designing the NPPs, monitoring MDG benchmarks and ensuring that donor aid is 50 percent on-budget and that 80 percent of off-budget funding is aligned with national priorities. The GfRoA is facing challenges in executing intended expenditures, especially in its development budget. The low development budget execution rate is slowing down economic activity in the economy as it directly reduces the flow of investment into the economy and slows down the development process in the country. This in turn is lessening trust of donors, as well as citizens, in the Government's ability to deliver services effectively. Improving the development budget execution rate is one of the key areas of reform that the GfRoA signed up to at the July 2010 Kabul International Conference on Afghanistan. In the Roadmap, the government agreed to increasing budget execution by 10-20 percentage annually over the medium-term by



improving performance and capacity development in planning and procurement practices at the provincial level and in line ministries.”<sup>1</sup> The approved development budget for 2011 (1390) is US\$2.3 billion, but only 41 per cent was spent, up slightly from 38 per cent in 2010 (1389). Although reaching the annual target set in the PFM Roadmap, is still far away, the GoA’s intention is to increase development budget spending as compared to the previous year’s budget execution rate.

To this end, MBAW project helped develop the Public Financial Management (PFM) Roadmap and an implementation strategy, endorsed at the July 2010 Kabul Conference, to drive the government’s efforts to plan and execute effectively the national budget, in a transparent manner. In order to better link MBAW’s work with ANDS objectives, principles of ownership have been integrated into MBAW’s work plan. The revised MBAW project Plan emphasizes the need to increase institutional capacity to eventually prepare for an exit strategy by 2015. This involves continuous capacity development and retention of national staff, with the gradual cessation of reliance upon foreign technical assistance.

## **II. RESULTS**

MBAW Project provides technical assistance and support to MoF, LMs and Sub-national institutions through its national experts and international and national advisors, to achieve the activity results outlined below.

### **Output 1: Improved Budget Planning and Management**

*(The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)*

#### **Activity Result 1.1: Strengthened budget policy and planning processes linked to ANDS priorities**

The following three activity results under output 1 contribute towards Budget Planning and Management as the link between national objectives and budget formulation is supported and improved through the preparation of budget planning and the Medium Term Budget Framework (MTBF) and Medium Term Fiscal Framework (MTFF). The ANDS guides resource allocations in the annual budget focusing on strengthening prioritization and integration with MTFF and the annual budget process. The MTFF and MTBF help improve the strategic aspects of fiscal policy to develop it into a key instrument of fiscal policy and to better integrate it into both the annual budget process and the ANDS. The government wants to use the MTFF to enable fiscally sustainable and efficient expenditure choices in the annual budget process.

In addition, the budget formulation process is well-planned. Although Afghanistan continues to depend on significant inflows of foreign aid to cover operating and development expenditures, the consultative process between the government and the IMF to set the annual budget envelope has created fiscal targets that help maintain overall fiscal discipline. These fiscal targets and budget ceilings are outlined under activity result 1.2 and 1.3, all of which contribute towards budget planning and management.

#### **1391 National Budget Statement**

MBAW Project provided technical assistance to the Budget Department in the preparation of the detailed 1391 Budget Statement that includes the national budget in its entirety including the

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<sup>1</sup>Public Finance Management Roadmap, Ministry of Finance, July 2010

financing tables for operating and development budget, the complete list of development projects, the macroeconomic fiscal analysis, the operating and development expenditures, Grants and Loans, as well as the budget reforms: the program budgeting and provincial budgeting mechanism.

#### *1392 Budget Calendar*

The MBAW Project's focus is to technically support Line Ministries to better plan and execute the detailed budgeting process for 2012/2013 allowing the line ministries and provincial authorities sufficient time to prepare their detailed budget requests. The MBAW Project provided technical assistance to the Budget Policy and Reform Directorate in revising and improving the 1391 Budget calendar to 9 months to adhere to a more realistic budget process. This will improve significantly the budget formulation, planning and execution process allowing LMs more time to prepare their budget submissions and enabling them to focus on policies and strategies. The revised calendar will also be aligned with the budget calendars of a majority of donors funding MoF which will make reporting, fund allocation and transfers easier to manage. The expected impact of a revised Budget Calendar is a timely preparation of an integrated, transparent and participatory national budget for 1392. The 1391 Budget Calendar for the preparation of the 1392 Budget is finalized and can be accessed at the MoF Budget website at [www.budgetmof.org](http://www.budgetmof.org).

#### *MTBF and MTFF*

The MBAW Project provided technical assistance to MoF to revise and adjust MTBF and MTFF for FY 1391-1394 in line with ANDS priorities. These documents help predict resources and are applied to the budget process, containing projections for revenues, donor grants and expenditures for the medium term as well as detailed analysis of domestic revenue performance and fiscal outlook on tax progress. The expected impact of both these documents is to strengthen GloRA's macroeconomic position, improve fiscal sustainability and increase transparency of public spending. They are uploaded on the Budget MoF website and can be accessed by the public at [www.budgetmof.org](http://www.budgetmof.org)

With the upcoming Tokyo conference, it is important the GoA increases its budget execution rate. The MTBF explains that for 1389, the amount of development budget expenditure compared to the value of only new funding in that year (the execution rate of new projects introduced in 1389) was 92 percent. Moreover, while the overall Development budget execution rate has been falling over the last four years (why?), the execution rate on new funding has been increasing (to what?). While encouraging, the execution rate of new funding is still less than 100 percent. This means the Government is not able to spend the money it allocated to Development projects in that year, let alone start to reduce the large carry-forwards from previous years. As such, the carry-forward from 1389 to 1390 will be higher than the carry-forward from 1388 to 1389.

#### *Pro-poor spending identification and tracking for the pilot ministries conducted*

Technical assistance provided to the Budget Policy Unit by the MBAW Project in the preparation and finalization of the pro-poor spending report of three pilot ministries (MoEd, MoPH, MoLSAMD) that analyzes the allocated budget aimed specifically for poverty reduction aligned with the ANDS and MoF's Poverty Reduction Strategy Paper (PRSP). Pro-Poor piloting was initiated in 1389 and is gaining relevance as MoF's PFM Strategy, developed with technical support from MBAW Project, emphasizes the need for preparing a National Budget that is reflective of pro-poor policies.

Given the difficulty of using any financial management information system to track pro-poor expenditure, MoF with assistance from the MABW Project uses an analytical approach to both identify and track pro-poor expenditure within the annual budget cycle. The first step of this process is for the Ministry of Economy (MoE) and MoF to reformulate their Results Framework to include priorities and indicators related to the ministry's specific poverty reduction policies. The pilot approach will be monitored during 1391, after which it is expected that the approach will be extended to other key ministries and agencies.

### *Budget Circulars and guidelines (1&2)*

The MBAW Project provided technical support to the Budget Department in the preparation of the Budget Circular 1 to provide guidance to all ministries and budgetary units on the preparation of the integrated 1392 Budget, and to ensure a consistent presentation of budget proposals across all parts of the GoA. To achieve this, the Project will ensure that budget submissions be made within the timescales specified in this Circular, must reflect an equitable allocation of resources among provinces and districts and be gender balanced and sensitive to marginalized and vulnerable groups

### *Gender Responsive Budgeting*

Gender is considered as cross cutting theme in ANDS which paved the way to the formulation of a separate gender focused action plan such as National Action Plan for Women of Afghanistan (NAPWA) and Gender Equity Strategy (GES) of ANDS. Each ministry and government agency has specific gender commitment in ANDS and NAPWA for 1391 that are specifically designed to help the LMs design and implement their projects/programs in a fair manner, impacting both man and woman positively.

Building on this, technical assistance was provided to the Budget Policy Unit by MBAW Project in the preparation of the Gender Responsive budgeting (GRB) report that highlights the funds allocated to the 4 pilot line ministries: MoE, Ministry of Higher Education, Ministry of Public Health, Ministry of Labor & Social Affair which is also reflected in the National Budget, that will impact gender inequities. In addition the Project is supporting LMs to set gender specific indicators selected from the NAPWA and GES for all narratives.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 Indicators	Q1 Actual	Comments
Budget calendar revised to 9 months to adhere to a more realistic budget process for 1391/92;	Budget calendar revised and adhered to the realistic budget process.	Budget calendar revised	100%	
Medium Term Budget Framework (MTBF), Medium Term Fiscal Framework (MTFF) and Budget Ceilings recommendation paper revised considering the macroeconomic framework and approved by the cabinet;	MTFF/MTBF meets fiscal requirements and communicated in a timely and effective manner	No of MTFF/MTBF revised/prepared	MoF constructs a macroeconomic framework and prepares MTFF aggregates, as a hard fiscal constraint in the beginning of year  MoF conducts assessment of new priority spending proposals based on the funds availability and ensures alignment with NPPs; submits to Budget Committee for review.	
Budget Statement for 1390 budget, Budget hearing templates, briefing notes, presentations for	1392 National Budget presented to Parliament following a	Budget following medium term fiscal		

Parliament, Cabinet and National Budget and National Budget Annexes developed and approved	budget hearing process	framework	Budget allocations based on MTFF/MTBF and MTBF revised	
		Budget following medium term fiscal framework		

### Activity Result 1.2 Strengthened budget formulation processes

#### 1391 National Budget

The MBAW Project has technically assisted the Budget Directorate in preparing the 1391 National Budget through a series of coordination meetings facilitated by the Budget Committee in November 1390. The finalized Budget Document was submitted to the Parliament in February 2012 containing the Operating and Development budget of line ministries, the financing tables and a complete list of development projects. This document acts like a policy tool to guide/advise Members of Parliament on the fiscal outlook, available resources and the preparation of the Medium Term Budget Framework. In addition, technical assistance provided in the preparation of the 1391 Provincial Budget Allocation and submitted to the Parliament for approval. The provincial budget allocation contains the national development budget and the external budget of each province as well as the summary and details of the provincial allocation for each province.

Capacity Development workshops on Provincial Budgeting, costing, identifying and prioritizing needs conducted

With technical assistance from MBAW Project, the Provincial Budgeting Unit has conducted a series of Consultation and Coordination (C&C) and Capacity Building Training (CBT) workshops for Budgetary Units in 14 directorates in each province for 17 provinces. Approximately 1,904 technical staff from all 17 provinces were trained on increase coordination and alignment between directorates, raise awareness on implementation of Program Budgeting and Provincial Budgeting Reforms, identifying budget execution challenges, and strengthening understanding on the NPPs and the transition process.

The CBT workshops focused on how to prepare provincial budgets, share information on the role of program budgeting and how it builds into the MoF PFM strategy , preparation of budgets aligned with Budget Circular I and II. The expected impact of this capacity development intervention is to empower provincial authorities by involving them as active stakeholders in the budgetary processes in order to better reflect provincial development needs and priorities in the LMs' budgets and identify expenditure priorities at the provincial level and provide the information to concerned agencies, particularly the Parliament and Donors.

In consultation with LMs, develop and agree upon a set of criteria for allocation/break down of ceilings for provincial budget:

Big donors like the World Bank, DIFD, USAID and five provincial budgeting line ministries (MRRD,



MoPH, MoE, MAIL, IDLG) participated in the donor meeting on the new approach for financing provincial budgeting and discussing fair allocation of resources to provinces. The meeting was chaired by the Deputy Minister-Finance who stressed on the importance of on-budget financing for provinces. Discussion papers outlining challenges and bottlenecks of provincial budgeting funding, key achievements of sub-national financing and fund flow concept note package were prepared by the Provincial Budgeting Unit in English, Dari and Pashto with technical assistance from MBAW Project. As a follow up, the five LMs that are a pilot for provincial budgeting gave presentations to these donors on their budget execution rate for 1389 and 1390 and expected budget execution for 1391. This will enable donors to make informed decisions of how much funding they can route through the Afghanistan reconstruction Trust Fund (ARTF) which is on-budget and which can be utilized in time. Donors are concerned that the GloRA will be unable to spend the money routed through the core budget in time due to lengthy administration and procurement procedures and poor regulatory framework. The MBAW Project addresses these concerns by strengthening the regulatory framework of MoF through the implementation of the PFM Roadmap.

A key issue discussed at this meeting was the funding allotment and disbursement process. The *mustofiats* already manage disbursements for the recurrent budget and development budget and development projects implemented at the provincial level. Assuming donors will agree to a funding mechanism similar to the ARTF recurrent costs window, the MoF will allocate funds to the provincial directorates through its development budget. While the MoF awaits a complete buy-in on this funding mechanism, the donors wish to ensure first that resources allocated in 1390 for sub-national financing are properly utilized.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 Indicators	Q1 Actual	Comments
Budget Circulars (BC) and instructions I/II revised to integrate the new budgeting instructions as well as the cross cutting themes i.e. gender responsive budgeting (GRB) integrated for 7 pilot ministries [MoE, MoHE, MoPH, MoA, MRRD, MoLSA and MoF] and pro-poor budgeting in 2 pilot ministries [Education and MOLSA] within the circulars.	BC I/II improved to integrate pro-poor budgeting, addressing cross cutting themes i.e. gender and environment, including the integration instructions and to adhere to the Budget calendar	BC I/II improved	BC forms and instructions shared with LMs	
BCI/II training for 34 provinces for 5 pilot ministries [MoE; MRRD; MoPH; MAIL, IDLG) conducted for 1391 budget planning exercise;	Budget documents BC I/II prepared in time	Budget documents BC I/II prepared	100%	
Comprehensive trainings conducted for all budgetary units on BCI/II.	Line Ministries learn how to prepare budgets following BCI/II templates	No of comprehensive trainings delivered on BC I/II to line Ministries.	All relevant LMs receive training on BC I	
Programme budgeting implementation reviewed in all 51 budgetary units;	Line Ministries' program structures aligned with ANDS through the implementation of the	# of Line Ministries' program structures	Not started	A few reasons for this are poor awareness of Program

	programme budgeting.	aligned with ANDS through the implementation of the programme budgeting.		Budgeting Reform in Line Ministries and among Member of Parliament, weak capacity in Line Ministries, no formal review being conducted of program structures aligned with NPPs, MoF standards aligned to service delivery
Consultations on sub-national financing conducted with regions and development partners (UNAMA, PRT, donors)	i) Government employees and members of Parliament trained in Provincial Budgeting.	No of government employees and members of Parliament trained in Provincial Budgeting	Not started	
Capacity Development for program budgeting implementation based on PFM strategy developed and Budgeting Manual I and II in 4 volumes conducted and developed	Program Budgeting is being implemented successfully	# of LMs use Program Based appropriations  # 1392 National Budget prepared following program budgeting reform	Not started	The Program Budgeting Reform was introduced and rolled out by the Budget Reform Unit with the main goal of moving towards a more program-based national budget preparation. However, this is yet to happen and the budget formulation process does not reflect program based appropriations. A few reasons for this are poor awareness of Program Budgeting Reform in Line Ministries and

				among Member of Parliament, weak capacity in Line Ministries, no formal review being conducted of program structures aligned with NPPs, MoF standards aligned to service delivery
Provincial Budgeting norms development continued for the three pilot provinces with MoE.	<p>Line Ministries/provinces participated in provincial norms development.</p> <p>Provinces participated in provincial resource allocation and prioritizing needs, in provincial capacity development programmes on SNG budgeting/financing implementation.</p> <p>provinces participated in provincial capacity development programmes on SNG budgeting/financing implementation.</p>	No of ministries/provinces participated in provincial norms development.	Not started	
		No of provinces participated in provincial resource allocation and prioritizing needs.	Not started	
		No of provinces participated in provincial capacity development programmes on SNG budgeting/financing implementation.	14 provincial budgeting trainings were conducted for 14 provinces and 600 provincial authorities were trained	
Budget Integration Instructions developed and implemented.	No of Budget Integration Instructions developed and implemented.	Budget integrations reflected in BC submissions	Not yet developed and shared with LMs	The Budget Integration guidelines and concept paper prepared and finalized by the committee (MoEc, MoF,

				Civil Service commission and Tashkeel). The paper is to be formally presented to the Cabinet by the Deputy Minister Finance soon
Budget statement prepared on timely basis and submitted to the executive and legislatures; 1390 National Budget prepared	1392 National Budget prepared and submitted to Parliament in Time  Timely submission of quality budget to the Parliament and its approval  Budget statement prepared on timely basis and submitted to the executive and legislatures;	Timely submission of quality budget to the Parliament and its approval  Budget statement prepared on timely basis and submitted to the executive and legislatures;  National budget hearing conducted	Preparation of the 1392 National has begun	On track?

### Activity Result 1.3: Strengthened budget and fiscal policy monitoring

#### MTFF

1391-1393 MTFF is prepared with technical assistance from the MBAW Project technical experts to assess the recurrent costs associated with the core and external development budget and reflected in the MTFF and national budget. The expected impact is to help the Government use the MTFF and Medium Term Budget Framework (MTBF) to help achieve its fiscal objectives. Regarding the development budget grant the 1391-1393 MTFF outlines that Afs 43.4 billion of donors funding is expected in 1391, Afs 71.6 billion in 1392 and Afs 68.6 billion in 1393 to finance recurrent costs and development programs of the government. This will include donors' contribution to ARTF, LOTFA and bilateral assistance, which is given directly to the government as discretionary and non-discretionary financing

#### Fiscal Policy and Analysis

MBAW Project provides technical assistance to MoF in assessing the sustainability of new fiscal pressures including security sector spending, pay and grading, mining sector and tax policies. Each year the fiscal envelope changes due to the inclusion of new and existing fiscal pressures. Current fiscal pressures are the result of increased security sector spending, Pay and Grading reforms and Pension reforms. Outlining the fiscal pressures in the MTFF with technical assistance from the MBAW Project helps in assessing their sustainability and more importantly how they will impact the financial health of the country. This allows the Government to make the right decisions that will help avoid



such challenges and be better prepared to deal with them. To learn more about the fiscal pressure, one can access the MTFF uploaded on the [www.budgetmof.gov.af](http://www.budgetmof.gov.af)

**Security:** Security makes up the major portion of the additional funding pressures. The increase is due to the inclusion of additional forces, both Afghan National Army (ANA) and Afghan National Police (ANP), which is expected to be increased to 160,000 ANP and 240,000 ANA in 1392.

**Afghan National Army (ANA):** The ANA is expected to increase from 192,000 in 1390 to 222,000 in 1391, and 240,000 in 1392. The additional forces will increase the operating budget of the Ministry of Defence from Afs 43.2 billion in 1390 to Afs 51.7 billion in 1391 and Afs 57.5 billion in 1392. This is an increase of Afs 8.5 billion in 1391 and Afs 5.8 billion in 1392. The government has significantly increased its share in security sector financing. The government will be funding food and basic salary costs of around 110,000 ANA in 1391 and each year will cover food and basic salary costs of additional 10,000, and will cover cost a total Afs 1.5 billion in 1393.

**Pay and Grading:** Pay and Grading is the reform in civil servants grading system. It is based on qualifications, skills and performance based measures. The reform is being applied to civil servants and teachers. While the process was expected to have been completed by 1391, slow implementation has meant it will be completed in 1393. The net additional cost due to Pay and Grading is estimated to be Afs 1.459 billion, Afs 1.56 billion and Afs 1.617 billion in 1391 1392 and 1393 respectively.

**Pensions:** The Government faces increased fiscal pressures due to higher pension contribution payments. Total Government pension contribution payments are expected to be Afs 7.9 billion in 1390 and Afs 10.2 billion in 1391

#### MoF fiscal bulletin

Extensive fiscal research and analysis is conducted to prepare the Fiscal bulletin that shares new fiscal trends, developments, pressures and how they will impact the domestic revenue collection, donor funding and economic growth of the country. The MBAW Project provides technical assistance to the Fiscal Policy Unit (FPU) to research and write articles for the bulletins. The latest fourth quarter 1390 Fiscal bulletin focuses how the GloRA plans to progress towards complete fiscal sustainability. The expected impact of the Bulletin is to help donors' understanding of the economic situation of the country and how they can better align their resources with national priorities by having access to comprehensive, timely and relevant information on fiscal developments.

The bulletin featured an article on fiscal transparency which gains relevance when placed in the background of growing scrutiny that the MoF needs to address the following key questions:

- Produce comprehensive and timely information on all fiscal matters?
- Does the government produce standard documents that cover the various phases of the budget cycle?
- Does the government publish these budget documents?
- Is the government held accountable for its fiscal decisions?

The MBAW Project supports the Department of Budget to ensure that these documents are prepared well and in a timely manner and also made accessible to the public on a regular basis. The project supports the idea that fiscal transparency, a key Open Budget Index (OBI) indicator, allows for better-informed debate by both policymakers and the public about the design and results of fiscal policy, and establishes accountability for its implementation. In strengthening credibility and public understanding of macroeconomic policies and choices, fiscal transparency fosters more favorable access to domestic and international capital markets which can be seen as a long term impact.

Targeted policy documents developed in regards to key issues (e.g. fiscal sustainability, wages, goods & services, tax policies, security, pensions, diplomat salaries, TAPI etc.)

To harmonize the remuneration of personnel working with the government under the national technical assistance (NTA) program to reduce high turnover of project funded staff in ministries, the FPU with technical assistance from the MBAW Project is helping develop a common pay framework (CPF) that will be agreed by the donor institutions funding the NTA and the Government of Afghanistan (GIRoA).

#### Roundtable/symposium on Budget Directorate activities



The Symposium on Budget Directorate Activities  
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In joint collaboration with the Budget Department of MoF, the MBAW Project organized a one day learning course called 'Eye on Public Spending' for 20 leading media journalists of Afghanistan on 19 March 2012 in Kabul, Afghanistan. The objective of the workshop was to increase awareness of journalists on the budget formulation process and encourage improved reporting on national budget processes. The media has a crucial role to play to promote transparency and dialogue by focusing public attention on government spending and performance towards achieving development goals.

A similar training was conducted in the month of March for CSOs. This one-day learning course also fulfills a key indicator for the OBI which is to promote easy access to the National Budget on public forums and improve transparency of the National Budget formulation process by encouraging public participation through Civil Society Organizations (CSOs) and the media. The expected impact is to improve media reporting and ensure regular coverage on the national budget process.

For this event, Frequently Asked Questions (FAQs) booklets on the National Budget Process in Afghanistan were developed in English, Dari and Pashto with technical support from the MBAW Project. The project also helped in the dissemination of these booklets that were very well received by the participants.

#### PFM Monitoring

At the London Conference in January 2010, the GIRoA and its development partners agreed to work together to increase assistance to Afghanistan through the central budget to 50% over the next two years. This commitment represents a critical shift in financing for development. To ensure effective utilization of these resources, Government agreed to present credible plans in the Kabul Conference for further strengthening Public Financial Management systems, reducing the risk of corruption, improving budget execution, developing a financing strategy for development and improvements in Government's capacity to deliver.

This Public Financial Management Action Plan prepared by MoF with technical assistance from the MBAW project and sets out how the Government intends to strengthen its own institutional ability to effectively design and implement programming while demonstrating the highest standards of transparency and accountability. On an ongoing basis, the Project provides technical assistance to the MoF to measure and monitor the implementation of three key indicators:

1. Medium-term fiscal framework (MTFF) has been further strengthened to better forecast, plan and prioritize both expenditures and domestic revenues, to assist working towards fiscal sustainability.
2. Budget execution has increased by 10-20% annually over the medium-term (compared to the amount of executed budget for the previous year) through focused capacity development in planning and procurement practices at the provincial level and in line ministries.
3. Afghanistan's rating in the Open Budget Index has further improved from 30% for 1390 by improving communication across Government bodies, as well as with civil society organizations, improved resources for both internal and external audit, and increased use of financial reporting through AFMIS.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 Indicators	Q1 Actual	Comments
Security costing, P&G, Tax policy analysis, Pension costs analysis, fiscal sustainability, revenue forecasting conducted;	Twice yearly fiscal reports produced  Budget Performance Reports regularly produced	No of fiscal reports/bulletins prepared Regular reporting on Security Costing, Pay and Grading, Pension and Tax Policy	1 Fiscal Bulletin prepares  Regular reporting on Security Costing, Pay and Grading, Pension and Tax Policy ongoing	
Technical support and coordination provided to IFIs benchmarks (IMF, ADB, World Bank);	Key budget benchmark monitored in a comprehensive manner	No and quality of benchmarks reported	To start	
Open Budget Index improved to 21% from 8%;	OBI improved to 30%;	OBI rating at 30%;	CSO and media workshop held	
Budget MoF Website updated with budget related documents/policies/guidelines.	1391 National Budget, Budget statement, MTBF, BC I guidelines/instructions /forms, Budget Execution Report uploaded and shared with Media and CSOs	Budget MoF Website updated with budget related documents/policies/guidelines.	National Budget statement, 1391 Nations Budget, MTBF, Budget Circular guidelines and Budget Execution Report uploaded	

## 1. FINANCIALS

Total amount spent under output 1 is USD 232,471

## 2. RISKS

- **Donor reluctance in funding MoF for Provincial Budgeting:**

As of now, the mustofiats already manage disbursements for the recurrent and development budget and development projects implemented at the provincial level. Assuming donors will agree to a funding mechanism similar to the ARTF recurrent costs window, the MoF will allocate funds to the provincial directorates through its development budget. The request for fresh or additional funding was made by MoF for provincial budgeting to the donors seeking a buy in on this funding mechanism. However the donors' decision of channeling new resources through the core budget for this purpose depends on the disbursement rate of the provinces. The donors wish to ensure first that the resources allocated for provincial budgeting in the 1389 were completely and properly utilized. Also of concern for the donors was the allocation of resources to the provinces for 1391 for provincial budgeting and answers as to why there were uneven fund distribution to the provinces were sought by the donors from MoF.

▪ **Mitigation Measures:**

The MBAW Project is working closely with MoF and the Provincial Budgeting to explore new possibilities of funding. Simultaneously, it is helping improve the budget execution rate of development and operating budget by providing technical assistance to the sectors in MoF's Budget Execution Department and ensuring that the percentage of gap between budget allotments and expenditures remain less than eight percent on an annual basis.

### **3. FUTURE PLAN FOR OUTPUT 1:**

- Preparation of MTBF
- Capacity Development workshops on provincial budgeting for all 34 provinces
- National level Provincial Budgeting symposium to discuss best practices and lessons learnt to improve implementation of sub-national financing
- Preparation of the Budget Circular II to strengthen budget planning and formulation
- Provincial Budget pilot ministries issue BC II submissions
- BUs of MOF with support from MBAW Project prepare BC II submissions
- Bill boards with messages on National Budgeting to be displayed in key places in the city

## **Output 2: Improved Policy and Strategy Development including Aid Coordination** (Alignment of external assistance and improved aid effectiveness to support Afghanistan development goals and strategy)

### **Activity Result 2.1: Alignment of and improved coordination of External Funding in line with Paris Declaration, Kabul Communiqué to support ANDS implementation**

#### **Aid Coordination and Aid Reporting**

Aid flow trend and analysis paper

As a preliminary step to produce accurate aid flow trend, The MBAW Project provided technical assistance to the Aid Coordination Unit (ACU) in the preparation of the Development Framework Agreement Manual (DFA) to guide donors in developing their DFA to secure long term development



support from the donors even after the transition period. The expected impact is to strengthen the transition process.

#### ODA Mapping

With technical assistance, ACU has prepared the first draft of the Donor mapping analysis across ANDS sectors to harmonize and balance the involvement of the donors in all sectors. This will further enhance the cost effectiveness of the of the development aid and improve alignment of aid with the sector needs of the ANDS. The expected impact is alignment of donor funds with national priorities strengthened and donor coordination improved.

Also, with technical assistance from MBAW Project, Aid Management Department held negotiations on development cooperation between the GoA and the Government of the Federal Republic of Germany in Berlin on 5-6 March 2012 to agree on the allocation of available financial resources of €430 million EUR for various sector wide projects for 2012. The expected impact is improving alignment of donor funds with national priorities and strengthening donor coordination

With TA from MBAWP, ACU participated in the “International Network on Conflict and Fragility” (INCAF) meeting held in Paris where opinions on conflict-prone countries, conflict prevention, and development strategies can be freely debated with regards to policy-making and financial support. Afghanistan participated in the capacity of an observer from G7+. The expected impact is to map progress towards the materialization of the “New Deal” document which was endorsed in Busan, South Korea Dec 2011.

#### Facilitating the Portfolio Review

The following Portfolio Reviews have been conducted in 1st Quarter of 2012: the World Bank Sector based Portfolio Review and the USAID Portfolio Review. As a follow up to the November 2011 sectoral level review of USAID projects, a detailed portfolio review of United States of America’s development assistance in Afghanistan was undertaken with technical assistance from MBAW Project, from 11-19 March 2012 at the MoF, Kabul and chaired by MoF’s Deputy Minister Mr. Mustafa Mastoor. The purpose of the review was to:

- Enhance the effectiveness of US funded projects by assessing progress and identifying challenges
- Improve alignment with national/government priorities and
- Enhance coordination among US agencies and the Government of Afghanistan.

The expected impact of the review is improve development partnership between GloRA and USAID and ensure Overseas Development Assistance (ODA) remains relevant and is channeled through the core budget to promote Afghanistan’s national priorities as outlined in the ANDS.

#### Strengthen grant and loan management through MoF

In the first quarter of 2012, 14 Financing Agreements were signed between MoF and the Donors Agencies. The MBAW Project technical experts assisted, coordinated, facilitated and advised MoF on how to conduct negotiations with donors so that the grant documents like the project design and implementation plan reflect national priorities and interests supporting development and economic growth of the country. They also reviewed and finalized the entire grant document in close coordination with LMs, Donor Agencies, relevant budget departments and sectors and prepared the final signing ceremony. Grant and loan negotiation help improve aid coordination, predicting aid flows and directing money to those programs that directly contribute towards the national priorities. However, there are challenges like lack of capacity both within the ministries concerned and within the donor partners, as well as the absence of sectoral strategies with which to align support. The MoF with technical assistance from the MABW Project reviewed the donor coordination approach and has recently revised the structure to build on lessons learned to better align coordination mechanisms

with the Afghanistan Compact and ANDS.

The following grant agreements were signed. The table below indicates the amount of the grant and modality of financing (on or off-budget financing).

S#	Donor	Grant Name	Currency & Amount Million		On/Off Budget
1	ARTF - World Bank	Capacity Building for Results Facility Project (CBR)	USD	100	On
2	ARTF - World Bank	Preparation of Afghanistan Justice Sector Delivery Project (AJSDP)	USD	2.764	On
3	ARTF - World Bank	Irrigation Restoration & Development Project (IRDP)	USD	48.4	On
4	ADB	Energy Sector Development Investment Program-Project 3	USD	75.4	On
5	New Zealand	AGRICULTURAL SUPPORT PROGRAMME, BAMYAN PROVINCE	USD	7	Off
6	USAID	Support to Agricultural Development Fund	USD	9	On
7	UNHCR	UNHCR Grant agreement	USD	0.8	Off
8	Czech Republic	National Solidarity Program	USD	0.7	On
9	Japan	Project for Improvement of East-West Arterial Road and Community Road in Northern Area of Kabul	USD	30.4	Off
10	Japan	The Project for Improvement of the Bamyan Airport	USD	15.2	Off
11	Japan	The Project for improvement of the Kabul University	USD	8.1	Off
12	Japan	Non-Project Grant Aid	USD	33.3	On
13	Japan	The Project for Rehabilitation and Expansion of Aircraft Parking Aprons at Kabul International Airport	USD	23.7	Off
14	Japan	The Project for Rehabilitation of Small Irrigation Facilities and Village Accessibility in Dehsabz Area, Kabul Province	USD	8.4	Off

## Aid Effectiveness

### Aid management policy

Keeping in line with the commitments made at the Busan Conference (November 2011) MBAW Project provided policy advice to MoF to develop a national aid management policy to mobilize resources for ANDS strategies. Five rounds of Aid Management Working Group meetings chaired by the Deputy Minister of Finance, saw active participation from the donor community, higher level Government and United Nations representatives and CSO community to help revise and improve the existing Aid Management Policy. Among the donors were World Bank, USAID, AusAid, United Kingdom, Norway, JICA and EU to name a few. The Policy is expected to be endorsed at the upcoming JCMB and will help strengthen aid coordination, aid delivery by increasing on-budget donor support. These working

group meetings gain relevance with the upcoming Tokyo conference where the GoA will be seeking Pledges for the NPPs that will be through the core development budget.

Partner with UK and Netherlands to discuss implementation of the New Deal on Engagement with Fragile States:

With technical assistance by the MBAW Project, presentation and discussion on the New Deal was made to UK-DFID by Aid Management Unit and it has committed to pilot the New Deal with Afghanistan to support inclusive country-led and country-owned transitions out of fragility, support a country-led one vision and one plan, a country compact to implement the plan, using the Peacebuilding and Statebuilding Goals (PSGs) to monitor progress, and support inclusive and participatory political dialogue. The expected impact is improved donor coordination and greater on-budget assistance aligned with national priorities.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 Indicators	Q1 Actual	Comments
80% of aid delivered to the country is recorded in Development Assistance Database (DAD)	90% of aid captured and recorded in DAD,	% of total external assistance captured and recorded in DAD;	The upgraded and improved DAD launched. Donors need to provide inputs. Difficult to calculate % of aid captures so far	
DAD used as the only repository of Information on Development assistance	90% of Development Aid Recorded in DAD (Excluding Security), 80% usage and application of DAD by donors and relevant MoF ,	% of Development Aid Recorded in DAD (Excluding Security); % of usage and application of DAD,	The upgraded and improved DAD launched.	
1 Newsletter produced, translated and disseminated	DCR produced, translated and disseminated	No of DCR produced, translated and disseminated,	Not quarter 1 result	
OG Implementation Plan drafted	Aid Effectiveness Symposium Conducted	No of Aid Effectiveness Symposiums Conducted	Not begun yet	
Aid Policy 2007 exists	Aid Effectiveness Working Group Meetings conducted	No of Aid Effectiveness Working Group Meetings conducted	5 working groups held	Working groups are held and Aid Management Policy endorsed
	New Aid Management Policy finalized and presented at JCMB for endorsement. Gender Considerations reflected	New Aid Management Policy endorsed at the Joint Coordination and Monitoring Board	Not yet	To be endorsed at the first JCMB of 2012 or

	within the Aid Management policy	(JCMB)		19 <sup>th</sup> JCMB
	At least 50% public Awareness achieved on Aid Management Agenda of the country	% of public Awareness achieved on Aid Management Agenda of the country	2 Trainings conducted for provincial authorities on Aid Management	Awareness raised through symposiums, workshops, sharing of materials and targeted trainings
Eight Bi-monthly High Level Committee Meetings held on Aid Effectiveness (HLCAE)	At least 10 high level meetings on Aid Effectiveness conducted,	Number of high level meetings on Aid Effectiveness conducted,	Not yet started	Bi-monthly High Level Committee Meetings held on Aid Effectiveness (HLCAE)
One round of Donor Coordination Dialogue (DCD) conducted in 2010	1 round of Development Cooperation Dialogue (DCD) conducted,	No of rounds of Development Cooperation Dialogue (DCD) conducted,	Conducted. 90% completed in Q1	Remaining 10% completed in May 2012. Over all 29 Donors were assessed
5 joint portfolio reviews already conducted with major donors,	At least 5 donors portfolio reviews conducted	No of donor portfolio reviews conducted	2 (World Bank and USAID)	
Peer Review Mechanism has been piloted in two ministries (MoPH, MAIL);	Peer Review Mechanism piloted in MoPH, MAIL;	No Peer Review Mechanism piloted	Not started yet	
Two rounds of CDC already conducted.	1 round of Core Donor Consultation (CDC) conducted	No of Core Donor Consultation (CDC) conducted	Not started yet	
11 Grant and Loan negotiation conducted	At least 11 Grant and Loan negotiation conducted	No of Grant and Loan negotiation conducted	14 grants and Loan negotiation signed in Q1	

**Activity Result 2.2: The prioritization of the ANDS sectors achieved through the formulation of the National Priority Programs**

**Activity Result 2.3: Sectoral Programming is guided by priority needs in each ANDS Sector with an eye to fiscal sustainability; and donor financing secured for NPPs implementation**

High Level ministers and government officials of Line Ministries participated in the Governance Forum held on 14 March 2012 held at the Marble Palace, Sadarat, Kabul. The forum was co-chaired by H.E. Senior Minister Hedayat Amin Arsala, Head of the Governance Cluster and H.E Omar Zakhilwal, Minister of Finance.

The forum gains relevance with the upcoming Tokyo Conference scheduled to be held in July 2012 and with the Government of the Islamic Republic of Afghanistan (GloRA) in the process of “Transition” moving towards full Afghan ownership by 2014. Based on the discussions and assessments discussed in the forum, the GloRA will be making requests for pledges at the Tokyo conference for the implementation of the National Priority Programs (NPPs).

The Governance Forum, held over two days covered both inter-Ministerial discussions and interaction between the Government and the International Community, on the progress made on all NPPs relevant to Governance Cluster and how they contribute towards Good Governance. The Governance Cluster looks at 6 NPPs that include 1.Economic and Financial Reform; 2. Transparency and Accountability; 3. Efficient and Effective Government; 4. Local Governance; 5. Justice for ALL; 6.Human Rights.

MBAW initiative provided technical assistance to the MoF, the Senior Minister’s office and to the Governance Cluster in organizing the event and by preparing a series of discussion papers and progress reports that can also be used in the preparation of the upcoming Tokyo Conference. These papers focused on the six NPPs’ achievements under the Governance Cluster, updates on progress towards meeting the Governance Cluster benchmarks established by the Kabul and London Conferences, the identification of some multi-sectoral priority issues and discussion of a further set of indicators to measure progress.

In line with the objective of the Forum, line ministries shared to date their respective Governance Cluster achievements based on the London-Kabul Communiqué benchmarks for Good Governance and identified and agreed on specific priorities, indicators and reforms that will further strengthen the ongoing development and stabilization of Afghanistan. The International Community has recently collated a set of indicators to help track progress for the Governance Cluster before the Tokyo conference. Ministers are currently discussing these suggested indicators as some of them overlap with existing Benchmarks.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 Indicators	Q1 Actual	Comments
Consultation conducted on a monthly basis year round	At least 3 Consultations per NPP conducted within the government to finalize priorities and policies and other relevant aspects of NPPs.	Number of consultations taking place within the government and with the Donors to finalize priorities and policies and other relevant aspects of NPPs.	<b>ARD Cluster:</b> 3 donor consultations  <b>Governance Cluster:</b> 10 consultations  <b>HRD Cluster:</b> 7 consultations  <b>ID Cluster:</b> 6 consultations	

			<b>PSD Cluster: 6</b> Consultations held	
9 NPPs that were endorsed at a budget breakdown	All 22 NPPs Budgets broken by Deliverables	The number of NPPs finishing preparation of their 3-year implementation plans.	<b>ARD Cluster:</b> 4 Programs developed and undergoing donor consultation for finalization  <b>Governance Cluster:</b> 4 programs developed and undergoing donor consultation for finalization  <b>HRD Cluster:</b> 2 programs developed and undergoing donor consultation for finalization  <b>ID Cluster:</b> No programs ready yet for consultation with donors  <b>PSD Cluster:</b> All programs endorsed	
	All 22 NPPs successfully endorsed by the JCMB;	The number of NPPs finishing the costing and budgets. 4) Number of NPPs ready for consultations with the donors.	This year the JCMB has not taken place as scheduled	One JCMB is to be conducted every quarter. Q1 JCMB did not take place due to the security situation
	All 22 NPPs implementation plans successfully developed with costing and budgets.	No of consultations held with the donors.	Altogether 32 consultations took place	
	All 22 NPPs Budgets broken by Deliverables 5) All endorsed NPPs deliverables broken by sub-national Activities	No of NPPs having finished donor consultation	Remaining 10 NPP programs are undergoing donor consultation.	
		No of NPPs endorsed by the JCMB process.	None	

**Activity Result 2.4: Effective monitoring systems established and implemented to measure achievement of ANDS sector strategy objectives and outputs and adjustments to policies/strategies made, based on monitoring results**

#### Action Plans for every quarter:

The MBAW Project International and National Cluster Advisors (NCAs) provide technical assistance to LMs in the preparation of the three year Results Framework Implementation Plans for their NPPs. The NCAs ensure that these plans build on existing initiatives so they include work already underway. The reporting period for Y2012 is 120 days approximately and with support from the NCAs, LMs provide details on which activities will occur to achieve a given deliverable over the current and next 120 days. In this way, the government does not find itself months later with a deliverable not met because the leg work on day-to-day requirements did not occur. After 120 days, ministries must report whether they achieved the action or not. These reports most importantly highlight challenges and way forward relating to donor funding, budget execution, NPP implementation which are then shared in the 'Challenges' section of the report. These 120 monitoring reports can be accessed at the following website which is supported by the MBAW Project: [www.thekabulprocess.gov.af](http://www.thekabulprocess.gov.af)

Facilitated and support consultations with donor focal points on the activities added in the action plans every quarter and on qualitative assessments:

The 22 NPPs are divided into 6 clusters and each of these clusters have donor focal points. For Q1 each cluster had on an average 7 meetings with their donor counterparts to discuss implementation challenges, update them on the NPP progress and how future funding can be secured. Importantly, these meetings help in determining what are the requirements by the donors that need to be fulfilled to encourage greater on-budget assistance. While donors do have funds to support the multi-year implementation, they are concerned about the budget expenditure rate being slow and quality of the NPP designs. The MBAW Project experts will coordinate with donors to ensure these requirements are met.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 indicators	Q1 Actual	Comments
Quarterly monitoring of ANDS sector activities undertaken and results reported to MoF senior management	Annual NPP( ANDS Prioritization) Progress Report document presented to cabinet, donors, Parliament and civil society;	Periodic monitoring of NPP activities undertaken and results reported to MoF senior management and Cluster Coordinators	120 day progress reports and quantitative and qualitative reports received from all 6 NPP clusters	
NPP 100 Days Action Plan progress reports produced quarterly and presented to the Standing Committee and JCMB on a quarterly basis	NPP (ANDS Prioritization) Mid Term Evaluation Report document presented to donors, JCMB, Parliament and the civil society	Annual NPP (ANDS Prioritization) Progress Report document presented to cabinet, donors, Parliament and civil society	120 day progress reports and quantitative and qualitative reports received from all 6 NPP clusters	
Line Ministries submitted to Policy Department, quarterly planned activities and associated	MDG Annual Report presented to the UN, other donors the	NPP (ANDS Prioritization) Mid Term Evaluation	All LMs have submitted reports for	



budgets and deliverables and report every quarter against the plans	parliament and the civil society;	Report document presented to donors, JCMB, Parliament and the civil society	Q1 to Policy Department	
	22 NPPs Periodic Action Plan and progress reports are produced quarterly and presented to the Standing Committee and JCMB	NPP periodic Action Plan progress reports are produced quarterly and presented to the Standing Committee and JCMB on a quarterly basis	Periodic actions plans and progress reports prepared following 120 day progress reports	
	Periodic Synthesis reports are produced for standing committee meetings and JCMB	Future plans reflect adjustments required, as identified in the monitoring reports	Not yet	JCMB not conducted for Q1 because of security situation and upcoming Tokyo conference
	ANDS evaluation document coordinated with Ministry of Economy and presented to the Cabinet, donors, the parliament and the Civil Society	Line Ministries submit to Policy Department, Periodic planned activities and associated deliverables and report every period against the plans	Not yet	This is done year end

### Activity Result 2.5: Strategic Communications Unit improved its ability to support the delivery of effective messaging on ANDS sector goals, objectives and achievements

Provide TA in Pro-active collection of information of significance from ministries and agencies for web site updates by the ANDS Web site manager:

The Department of Policy with technical assistance from the MABW Project launched the [www.thekabulprocess.gov.af](http://www.thekabulprocess.gov.af) website that showcases and shares all relevant and up to date information on the NPPs, their progress, upcoming events, press releases and media gallery. In addition, readers can access important policy papers prepared for the JCMBs, the Bonn and Busan Conference as well as the 120 day Qualitative and Quantitative progress reports. The website is being managed by the MABW Project database specialist. The expected impact of this is to strengthen the donors' and the citizen's understanding on the relevance of the NPP and how they will help in economic reform, social development and stability and importantly increase their confidence in the NPPs.

Below is a snapshot of where MABW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 indicators	Q1 Actual	Comments
Strategic and regular4) Web stories on NPPs published and circulated;	Transparent dissemination of information via media	Transparent dissemination of information via	Not started	Clearer coordination policies required to improve collaboration

	in major Afghan languages of the ANDS sector objectives and priorities, including the NPPs, and the Cluster activities.	media in major Afghan languages of the NPPs ( ANDS sector) objectives and priorities, including the Cluster activities. (Number of news or TV items on the subject; nature of media and weight of their popularity for assessment of impact on the public)		between MBAW project team and Department of Policy. MBAW Project management team to meet with Deputy Minister of Policy on this
Regular coordinated monitoring reports on NPP progress and results achievements presented to ministries and their directorates, parliamentarians	Prepare a strategic communication plan and implemented it	Strategic and regular communication to donors (of progress in or adjustment in ANDS policies/strategies and new NPPs with broad-based development impact) through donor coordination meetings in Kabul ; and dissemination through Afghan embassies abroad through round tables, symposiums, publications in national and international journals etc. (Number of meetings with donors; number of communication activities -round tables/symposiums-undertaken nationally and by Afghan embassies abroad; number of publications)	Not started	Clearer coordination policies required to improve collaboration between MBAW project team and Department of Policy. MBAW Project management team to meet with Deputy Minister of Policy on this
communication to donors on NPP progress conducted; Web sites with information that	ANDS/NPP website designed and successfully launched;	Websites with information and	Website launched and	

highlight ANDS , including NPPs, achievements updated;		updates that highlight NPPs, achievements at national and sub-national levels. (Number of Reports and frequency of presentation	uploaded with news, events, reports and discussion papers related to NPps	
Newsletter on NPP and Transition developed, published and disseminate;	Web stories every month highlighting achievements and challenges of NPP published and disseminated;	Newsletter prepared every quarter with regular web stories published	Draft newsletter prepared but not finalized	

**Activity Result 2.6: The Policy Department developed enhanced capacity to facilitate preparation and implementation of the National Priority Programs. manage and coordinate the ANDS (including NPPs) process, implementation and results**

The MBAW Cluster Advisors are ensuring that the NPPs are aligned with the ANDS. The project is also involved in securing donor funding for the multiyear NPPs and ensure that funding shortfalls are met. With this background, the project's position to the NPPs is not only important but relevant, as the Government's economic development strategy is embedded within the NPPs. Of importance the 22 NPPs through the Kabul Process, initiated at the London Conference January 2010 and formalized at the Kabul Conference July 2010, provide the framework for partnership and mutual accountability for the Afghan Government to assume full responsibility for security, development and governance and the realization of a secure country with a sustainable economy. This means that UNDP's position in relation to the NPPs is strategic and will involve implementing existing commitments and directing diminishing international resources towards the most effective and efficient channels for expenditure of aid funds.

The Cluster Advisors with collaboration with the International Community are working on an on-going basis to ensure NPP objectives are met and there has to be

- 1) more structured focus and approach to donor funding to ensure that donors understand to commit funds for long term if the NPPs have to succeed
- 2) Continued monitoring of NPPs through 120 day progress reports and transition packages with focus of developing NPP proposals/programs that are realistic, aligned with national priorities, MDGs and existing programs
- 3) ensure that the remaining NPPs, consolidated are developed into a coherent suite of programs that can be absorbed in an ordered manner into responsible Ministries and agencies, and the Afghan budget ensuring their sustainability. This is a challenge as there is poor institutional capacity in Line Ministries and the project is addressing this by engaging technical cluster advisors both international and national. UNDP can further strengthen the institutional reform agenda stronger at international platforms

- 4) Ensure that the NPPs build on and harmonize successful programmes currently being implemented in Afghanistan, while increasing local ownership and content. This remains a growing challenge, something almost every donor has raised at the Development Cooperation Dialogue. There remains duplication in programs raising concerns of wasting resources for same objectives
- 5) Help the GoA address the fiscal gap by re-committing to economic growth, key reforms and increased efficiency in revenue mobilization by supporting support the aggressive IMF program of efficiency and reform, agreed with the IMF and the GoA on November 14th, 201.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 indicators	Q1 Actual	Comments
Policy Department staff established effective network with line ministries implementing ANDS sector activities;	Strategic advice to line ministries implementing NPPs (ANDS) activities with respect to appropriate annual and quarterly planning for activities and results, monitoring of progress towards results and reporting on results improved;	Policy Department staff established effective network with line ministries implementing NPPs (ANDS sector) activities (the levels of contacts/numbers of meetings with line ministries/numbers of line ministries in the network).	Effective communication established with LMs through meetings. This is an ongoing process	The MBAW project has 2 national cluster advisors for each of the 6 clusters embedded in relevant line ministries. The Project plans to place 1 international cluster advisor in each of the 6 clusters. In this respect, the Human Resources Development Cluster has 1 international advisor. The Project is recruiting the rest and plans to complete the process by next quarter.
Policy Department staff provided strategic advice to line ministries implementing ANDS sector activities with respect to appropriate annual and quarterly planning for activities and results, monitoring of progress towards results and reporting on		Strategic and regular communication to donors (of progress in or adjustment in ANDS policies/strategies and new NPPs with broad-based development impact) through donor coordination meetings in Kabul ; and dissemination through Afghan embassies abroad	Donor coordination held regularly. Please refer to 2.3 and 2.4	

results;		through round tables, symposiums, publications in national and international journals etc. (Number of meetings with donors; number of communication activities -round tables/symposiums - undertaken nationally and by Afghan embassies abroad; number of publications)		
Policy Department provided support to line ministries for planning, design and development of projects/programs (NPPs);		Policy Department provide supports line ministries for planning, design and development of projects/programs (like that of NPPs) that will help implement the sector strategies and produce the results already identified in sector strategies. (Number of projects developed fully-with results frameworks- and brought to implementation stage).	This is being done on an ongoing basis on a daily basis.	MBAW Cluster Advisors are embedded in the LMs
projects developed fully-with results frameworks- and brought to implementation stage.			This is being completed. So far 10 NPP programs are ready with results framework and being consulted with donors for feedback	

## **1. FINANCIALS**

**Total amount spent under output 2 is USD 383,133**

## **2. ISSUES**

- **Absorptive capacity constraints if GoA is to be in a position to receive additional donor money on budget:**

According to the World Bank report 'Transition in Afghanistan: Looking Beyond 2014', core development spending has more than doubled in absolute terms between 2005/06 and 2007/08, and disbursement levels have stalled at just under \$1 billion annually over the past four years. This is a result mainly of unrealistic budget formulation, large budget carryovers from previous years, budget rigidity resulting from earmarked donor funding and limited government capacity to implement projects on time.

- **Mitigation Measures:**

Continue to strengthen public financial management systems and the budget process, and reduce rent-seeking opportunities and leaks in revenue collection. This will underpin donor confidence and commitment to shift more aid onto the budget and offset political economy pressures on the budget.

## **3. FUTURE PLAN FOR OUTPUT 2**

- Aid coordination and Policy Development (Alignment of external assistance and improved aid effectiveness to support Afghanistan development goals and strategy)
- Development Cooperation Dialogues with 31 donors
- Pre Tokyo conference preparation – policy papers, reports, documents
- Endorsement of the NPPs at the upcoming Joint Coordination and Monitoring Board meeting
- Art competition for school children on raising visibility about NPPs

# **Output 3: Budget Delivery and Sustainable institutional capacity built within MoF and other Government of Afghanistan institutions**

## **Activity Result 3.1: Strengthened Budget Execution Processes and enhanced budget execution delivery**

Training on program budget 1391/92 and budget execution guidelines

With technical assistance from MBAWP, all eight sectors issued Budget Circular I on 10th of March 2012 to LMs for the preparation of the 1392 national budget formulation by conducting individual workshops in close cooperation with all budget entities. The expected impact is to improve the Budget execution rate through an organized, transparent and timely budget formulation process. MBAWP Project provided technical assistance in conducting comprehensive training on the approved program budget 1391/92 and budget execution guidelines and circulars for the ministries and provincial departments.

DAD, SBPS, AFMIS

MBAW Project provided technical Assistance to MoF to ensure Development Assistance Database (DAD), State Budget Planning System (SBPS), Afghanistan Financial Management Information System (AFMIS) are configured to pick up ANDS, Donors, pro-poor spending required reports. These figures are regularly updated in SBPS and regularly track the delivery progress. This is expected to lead to better expenditure and delivery management.

While the quantity of external assistance is large, it remains unpredictable due to a number of factors including delayed implementation of ongoing projects to weak planning and implementation capacity. The accuracy of information flows regarding external partner commitments is hampered by partners' differing financial calendars. In addition, due to limited absorption capacity within many sector ministries projects are implemented at a slower rate than planned. External partners' unspent funds are reallocated from one year to another, resulting in frequent overestimation of partner commitments and inaccurate projections. MBAW Project is supporting the Government in establishing the Development Assistance Database, which now records 90 percent of the development aid to the country in a web-based system that publishes partners' pledges and disbursements. MBAW Project experts have helped from the project, the database has recently been restructured and launched in this quarter to capture information on provincial allocations and economic classifications of the funds. It will be regularly updated by MBAW Project staff in collaboration with MoF staff through financial review meetings conducted bi-annually with all donors including the UN.

## Budget Execution

To address this, the MBAW Project works closely with the Budget Execution Unit and LMs to strengthen service delivery in the country needs by improving LMs' capacity to execute their budget. On an ongoing basis, this strengthens capacity of LMs to improve project design, program costing, procurement implementation, and expenditure analysis and monitoring. Focused support to building capacity of the LMs in these key PFM areas can generate the most significant improvements in the budget execution. More importantly, the assistance is linked with support to the Ministry of Finance Budget Execution Unit, to improve communication with the LMs and to facilitate budget implementation processes.

In addition, with technical assistance from the MBAW Project, sectors reviewed and finalized the Financial and Procurement Plan (FPP) forms and circulated to all budget entities and assisted Budget Reform Unit in conducting workshops on this topic with LMs to strengthen implementation of operating and development budgets and ensure fair disbursement of resources from the approved budget. This will help identify procedural weaknesses and develop strengthening programmes for proper execution. This is expected to lead to putting in place strong systems to improve budget execution rate for 1391 development and operating budgets.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 Indicators	Q1 Actual	Comments
Budget Execution rates for 1389 (operation budget execution at 95%, development budget at 40%)	Development Budget Execution rate increased to 55%,	% increase in development budget execution rate	Expenditure tracking of development budget execution started yet	1391 National Budget got approved later  1391 National Budget to be



achieved.				entered completely in aFMIS
6000 allotment forms accurately processed during the year 2011	Budget execution procedures are simplified and FMIS (SBPS) provides required reports.	Budget allotment rate increased to 70%,	Allotments as of today 12 May 2012 for development budget is worth 161.2 Million USD	
Allotments in SBPS system accurately entered	Budget execution reports produced and disseminated.	% increase in allotment rate	Allotments as of today 12 May 2012 for development budget is worth 161.2 Million USD	
Comprehensive Trainings conducted on Budget Execution.	90% of all allotments successfully processed	No of budget execution reports produced and disseminated.	Allotments as of today 12 May 2012 for development budget is worth 161.2 Million USD	
Annual Budget Execution conference held;	Budget Integration Instructions developed and implemented	No of allotments correctly processed	900	
More than 10 civil servants were recruited on Budget Department Tashkeel	Website updated with budget execution reports	No of Budget Integration Instructions developed and implemented	Not finalized yet. To be approved by Cabinet	
Budget Department Tashkeel further revised to	Quarterly performance reports developed and circulated.	No of budget execution reports uploaded in a timely manner	Weekly Reports are not generated as the 1391 National Budget is not yet entered in AFMIS	
	Number of Quarterly performance reports developed and circulated.	Monitoring of top 50 investment projects conducted	Not prepared yet	Late approval of 1391 National Budget from the Parliament
	2h) Annual Monitoring and Evaluation Report prepared outlining progress and challenges of the top 50 projects	Verifiable indicators for the top 50 project formulated	Not started yet	

### **Activity Result 3.2: Sustainable institutional technical capacity developed and retained within the public finance sector, particularly within the Ministry of Finance and Line Ministries**

#### **South-South Cooperation**

As part of South-South Cooperation, MBAW Project is arranging overseas training and study tours in selected countries which have similar sub-national system on Provincial Resource allocations and budgeting, programme budgeting and public sector budget formulation and executions

With technical and financial assistance from the MBAWP Capacity Development Advisor South-South study tours in 2 rounds are being organized to enhance institutional capacity development, strengthen economic development and regional cooperation for Afghanistan.

#### **Institutional Development**

Following the design of Ministry's organizational diagram and in consultation with the government counterparts, MBAW Project is providing support to MoF in the re-structuring of relevant departments in line with the department mandate and objectives. The MBAW Project is helping recruit national PFM experts to work in budget departments in LMs to ensure the following:

Policies/Strategies development for improvement of budget execution performances and delivery management

Develop capacity of line ministries/institutions and help them in budget preparation and execution process

Provide direct mentoring and on the job training/coaching for line ministry officials and oversight activities of government counterpart.

Ensure facilitation of knowledge building and knowledge sharing focusing on capacity development and contribute to sustainable relations building between the MoF and Line Ministries

So far, 500 applications have been received and the recruitment process is underway to ensure relevant candidates with required skills are hired. Placing of PFM experts in LMs is contributing towards a key indicator of MoF's PFM Roadmap which is improving budget execution rate by 10-20 percent annually.

#### **Capacity development and exit strategy**

The MABW Exit Strategy Specialist through a consultative process with UNDP and project donors has developed the Exit Strategy which is being currently being reviewed by the project and UNDP senior management. The Exit Strategy focuses on how the MBAW Project plans to build institutional capacity of MoF by transferring technical skills to government officials of MoF so that the ministry is better equipped in achieving its objectives with less technical reliance on project advisors. The exit strategy builds on the transition principle of Afghan owned and Afghan led by 2014.

Below is a snapshot of where MBAW Project is in relation to its annual targets after Q1

2012 Baseline	2012 Annual Targets	Q1 Indicators	Q1 Actual	Comments
No plans available	Capacity development assessment and plan and exit strategy prepared	No of Capacity development and plan and exit strategy prepared	Exit Strategy completed and being reviewed and CD plan being developed	
Trainings provided to LMs	Comprehensive trainings developed and delivered to line Ministries and MoF relevant departments	No of Comprehensive trainings developed and delivered to line Ministries and MoF relevant	BC I and Sub-National financing training conducted and ongoing	

		departments		
2 South South Study tour undertaken to Malaysia and Paris	South-South study tours undertaken Capacity development assessment and plan and exit strategy prepared	# of relevant study tours conducted	1 Study Tour plan to OECD finalized for April 2012	
No baseline as this is a new target for 2012	15 National PFM and Capacity development Advisor recruited for relevant Line Ministries	No of National PFM and Capacity development Advisor recruited for relevant Line Ministries	Positions are being hired and recruitment under process	

## 1. FINANCIALS

**Total amount spent under output 3 is USD 245,360**

## 2. ISSUE

### ▪ Poor Budget Execution

Improving the development budget execution rate is one of the key areas of reform that the GIRoA signed up to at the July 2010 Kabul International Conference on Afghanistan. In the Roadmap, the government agreed to increase budget execution by 10-20 percentage annually over the medium-term by improving performance and capacity development in planning and procurement practices at the provincial level and in line ministries. The approved development budget for 2011 (1390) is US\$2.3 billion, but only 41 per cent was spent, up slightly from 38 per cent in 20106 (1389). This result compares with the GIRoA's intention to increase development budget spending by 10 percent annually, which is the equivalent of increasing execution rates by about 4 percentage points annually.

A key factor that contributes to this is *poor project design and implementation plans*. The lack of capacity to develop and design projects by LMs contributes significantly to poor budget execution. Projects included in the budget often lack basic project design documents, procurement schedules or financial plans. As such, their cost is often unrealistically budgeted, based on arbitrary increases of the previous year's figure rather than specific project estimates. Implementation plans are often completely absent. The project formulation and design process occurs only after funds have been approved. As a result, it takes months after the beginning of the fiscal year before projects can commence.

### ▪ Mitigation

The approach the MBAW Project engages to strengthen service delivery in the country is focused on improving line ministries' capacity to execute their budget. It helps LMs through MoF's budgetary Units in the preparation of project design, program costing and expenditure analysis and monitoring. The MBAW Project is providing technical assistance to MoF's Performance Evaluation and Reporting Unit in establishing monitoring mechanisms in LMs and helping them in analysis of actual expenditures, identification of key issues or the provision of recommendations to remove obstacles.

### **3. FUTURE PLAN FOR OUTPUT 3**

- Budget Execution and Sustainable institutional capacity built within MoF and other Government of Afghanistan institutions
- Capacity development and South-South Cooperation study tour to Organization for Economic Co-operation and Development , Malaysia
- Complete Exit Strategy and capacity development plan for the project
- Develop implementation plan for capacity development and exit strategy

## I. ANNEXES

### ANNEX 1: FINANCIAL TABLE ( Total Revenue and Expenses):

	REVENUE				EXPENSES			BALANCE	Remarks
Donor Description	Total Commitments (a)	Total Received (b)	Total Receivable c= (a-b)	Total Revenue available e= (b+d)	Total Cumulative Expenses as of Dec 2011 (f)	Expenses First Quarter 2012 (g)	Total Expenses h = (f + g)	Total Income minus total expenses (i = e - h)	Remarks
00141 - Japan	10,000,000	10,000,000	-	10,000,000		1,056,018	1,056,018	8,943,982	
<b>Total:</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>-</b>	<b>10,000,000</b>	<b>-</b>	<b>1,056,018</b>	<b>1,056,018</b>	<b>8,943,982</b>	

**Note:**

i) Expenses reported for 2012 accounting period is provisional.

ii) Income receivable in currency other than USD is approximated to USD based on UN operational rate of exchange.

## ANNEX 2: EXPENDITURES BY OUTPUT

Table 2: Expenditure by Major Outputs (2012)

Project Output	2012 Budget (AWP)	Total Expenditures as of Jan-Mar 2012	Delivery Rate %
Output 4 (Tech Assistance & Mgmt Cost)	593,000	182,293	
<i>Genral Management Services Fee (GMS)</i>	41,510	12,761	
<b>Sub Total Output 4</b>	<b>634,510</b>	<b>195,054</b>	<b>31%</b>
Output 1 (Improved Budget planning &mgmt)	1,313,294	217,263	
<i>Genral Management Services Fee (GMS)</i>	91,931	15,208	
<b>Sub Total Output 1</b>	<b>1,405,225</b>	<b>232,471</b>	<b>17%</b>
Output 2 (National Policy &Strategy Dev)	2,263,000	358,068	
<i>Genral Management Services Fee (GMS)</i>	158,410	25,065	
<b>Sub Total Output 2</b>	<b>2,421,410</b>	<b>383,133</b>	<b>16%</b>
Output 3 (Improved Budget Execution)	5,176,500	229,308	
<i>Genral Management Services Fee (GMS)</i>	362,355	16,052	
<b>Sub Total Output 3</b>	<b>5,538,855</b>	<b>245,360</b>	<b>4%</b>
<b>Grand Total</b>	<b>10,000,000</b>	<b>1,056,018</b>	<b>11%</b>

### ANNEX 3: EXPENDITURES BY DONOR

Table 3: Expenditure by Donors (2012)

Donor Description	Project Output	Budget/AWP (2012)	Total Expenditures as of Jan-Mar 2012	Delivery Rate
00141 - Japan	Output 4 (Tech Assistance & Mgmt Cost)	593,000	182,293	31%
	Output 1 (Improved Budget planning &mgmt)	1,313,294	217,263	17%
	Output 2 (National Policy &Strategy Dev)	2,263,000	358,068	16%
	Output 3 (Improved Budget Execution)	5,176,500	229,308	4%
	<i>Genral Management Services Fee (GMS)</i>	654,206	69,085	
<b>Sub Total</b>		<b>10,000,000</b>	<b>1,056,018</b>	<b>10%</b>
<b>Grand Total</b>		<b>10,000,000</b>	<b>1,056,018</b>	<b>11%</b>



## ANNEX 4: ACTIVITY

### Activity Result 1: Strengthened Budget Policy and Planning Processes linked to ANDS priorities

Indicators:

- No of MTFF/MTBF revised/prepared
- Budget following medium term fiscal framework
- Budget calendar revised
- BC I/II improved

Activity Result	Description of results/achievement	% of progress rate/delivery
1.1 Provide Technical Assistance in preparation of the 1391 National Budget	Finalized Budget Document to the Parliament submitted on February 2012 containing the Operating and Development budget of line ministries, the financing tables and a complete list of development projects.	Draft to be completely approved by Parliament
1.2 Provide Technical Assistance in the preparation of the Budget statement	1391 Budget Statement prepared including the national budget in its entirety and the financing tables for operating and development budget	The National Budget Statement is considered finalized upon approval of the National Budget by Parliament
1.3 Provide Technical Assistance (TA) to revise Budget Calendar for improved adherence to a more realistic budget process	the 1391 Budget calendar revised to 9 months to adhere to a more realistic budget process improving significantly the budget formulation, planning and execution process	completed
1.4 Provide TA to revise and adjust MTBF and MTFF in line with ANDS priorities and predicted resources and applied for budget process	The Medium Term Budget Framework (MTBF) and Medium Term Fiscal Framework (MTFF) for FY 1391-1394 revised containing the projections for revenues, donor grants and expenditures for the medium term as well as detailed analysis of domestic revenue performance and fiscal outlook on tax progress and customs administration, operating and development expenditures forecasts with donor grants and loans inflow aligned with the Budget Statement.	The MTBF and MTFF have been further revised
1.5 Pro-poor spending identification and tracking for the pilot ministries conducted	Pro-poor spending report of 3 pilot ministries (MoEd, MoPH, MoLSAMD) prepared analyzing the allocated budget aimed specifically for poverty reduction aligned with the ANDS and MoF's	Completed and this is part of pro-poor spending monitoring

	Poverty Reduction Strategy Paper (PRSP). P	
1.6 Provide TA to develop Budget circulars and guidelines (1&2) for integrated programme/recurrent budget including mainstreaming gender budgeting into the national budget process	Budget Circular 1 prepared to provide guidance to all ministries and budgetary units on the preparation of the integrated 1392 Budget, and to ensure a consistent presentation of budget proposals across all parts of the GoA. GRB: Gender Responsive budgeting (GRB) report prepared that highlights the funds allocated to the 4 pilot line ministries: Ministry of Education, Ministry of Higher Education, Ministry of Public Health, Ministry of Labor & Social Affairs also reflected in the National Budget, that will impact gender inequities.	Completed

### Activity Result 1.2: Strengthened Budget Formulation Processes

Indicators:

- No of comprehensive trainings delivered on BC I/II to line Ministries.
- No of provinces participated in provincial resource allocation and prioritizing needs
- No of provinces participated in provincial capacity development programmes on SNG budgeting/financing implementation.

Activity Result	Description of results/achievement	% of progress rate/delivery
2.1 Capacity Development workshops on Provincial Budgeting, costing, identifying and prioritizing needs conducted	Series of Consultation and Coordination (C&C) and Capacity Building Training (CBT) workshops conducted for Budgetary Units in 14 directorates in each province for 17 provinces.	Completed and ongoing
In consultation with line ministries develop and agree upon a set of criteria for allocation/break down of ceilings for provincial budget	High level donors like the World Bank, UK-AID, USAID and five provincial budgeting line ministries (Ministries (MRRD, MoPH, MoE, MAIL, IDLG) participated in the donor meeting on the new approach for financing provincial budgeting and discussing fair allocation of resources to provinces.	1 meeting conducted and other meetings to take place for finalization of funding mechanism
Provide support to record 1391 budget consultations inclusively and transparently and ensure they are reflected in final budget outcome and National Budget submitted to ministers' council and parliament for approval	The budget hearing process was recorded in a transparent manner by MBAW Project technical experts to better reflect the final budget outcome, policy priorities and fiscal framework parameters and targets.	Completed

**Activity 1.3: Strengthened budget and fiscal policy monitoring**

Indicators:

- MTBF prepared to meet fiscal requirements and are distributed /communicated in a timely and effective way.
- Website updated with budget documents

Activity Result	Description of results/achievement	% of progress rate/delivery
1.1 Regular reporting of fiscal developments and trends introduced and published in MoF fiscal bulletin	Donor's understanding of the economic situation of the country and how they can better align their resources with national priorities to improve fiscal sustainability, imported through the preparation of fiscal reports, articles and policies	100%
1.2 Targeted policy documents developed in regards to key issues	FPU has prepared its annual Fiscal Bulletin that showcase research and policy articles on wage and reform, macro-economic impact on the country when the ISAF troops leave and increasing revenue generation by exploring the mining sectors. These articles will form the basis for future fiscal policies.	60%

**Output 2: Improved Policy and Strategy Development including Aid Coordination (*Alignment of external assistance and improved aid effectiveness to support Afghanistan development goals and strategy*)**
**Activity Result 2.1 : Alignment of and improved coordination of External Funding in line with Paris Declaration, Kabul Communiqué to support ANDS implementation**

Indicators

- No of Aid Effectiveness Working Group Meetings conducted
- New Aid Management Policy endorsed at the Joint Coordination and Monitoring Board (JCMB)
- No of donor portfolio reviews conducted
- No of Core Donor Consultation (CDC) conducted
- No of Grant and Loan negotiation conducted

Activity Result	Description of results/achievement	% of progress rate/delivery
4.1 Provide policy advice and support to MoF to develop a national aid management policy to mobilize resources for ANDS strategies	Keeping in line with the commitments made at the Busan Conference (November 2011) four rounds of Aid Management Working Group meetings chaired by the Deputy Minister of Finance, saw active participation from the donor community, higher level Government and United Nations representatives and CSO community to help revise and improve the existing Aid Management Policy.	Ongoing
4.2 Partner with UK and Netherlands to discuss implementation of the	With technical assistance by the MBAW Project, presentation and	Ongoing

New Deal on Engagement with Fragile States	discussion on the New Deal made to UK-DFID by Aid Management Unit and it has committed to pilot the New Deal with Afghanistan to support inclusive country-led and country-owned transitions out of fragility, support a country-led one vision and one plan, a country compact to implement the plan, using the Peacebuilding and Statebuilding Goals (PSGs) to monitor progress, and support inclusive and participatory political dialogue.	
4.3 Provide TA and support to produce the aid flow trend and its analysis paper for dissemination	As a preliminary step to produce accurate aid flow trend, The MBAW Project provided technical assistance to the Aid Coordination Unit in the preparation of the Development Framework Agreement Manual (DFA) to guide donors in developing their DFA to secure long term development support from the donors even after the transition. The expected impact is to strengthen the transition process.	Ongoing
4.4facilitating the Portfolio Review and grant and loan negotiations	The MBAW Project technical experts assist, coordinate, facilitate and advise the MoF on how to conduct negotiations with donors so that the grant documents like the project design and implementation plan reflect national priorities and interests supporting development and economic growth of the country.	14 conducted and ongoing
4.5 Strengthen grant and loan management through MoF	In the first quarter of 2012 in total 14 Financing Agreements were signed between MoF and the Donors Agencies. The MBAW Project technical experts assist, coordinate, facilitate and advise the MoF on how to conduct negotiations with donors so that the grant documents like the project design and implementation plan reflect national priorities and interests supporting development and economic growth of the country.	Ongoing

**Activity Result 2.2: New and/or revised policies formulated and prioritization exercise undertaken for ANDS Sectors at regular intervals**

**Activity Result 2.3: Sectoral Programming is guided by priority needs in each ANDS Sector with an eye to fiscal sustainability; and donor financing secured for NPPs implementation**

Indicators

- Number of consultations taking place within the government and with the Donors to finalize priorities and policies and other relevant aspects of NPPs
- Number of NPPs ready for consultations with the donors

Activity Result	Description of results/achievement	% of progress rate/delivery
5.1-6.1 Consultations within the government held to review each sector and decide upon the sector prioritization for incorporation into the NPPs with a focus on political and policy decisions needed to streamline and record proceedings of discussions for incorporating stakeholders' views (where appropriate) in revised policies.	The Governance Forum covered two separate days providing for both inter-Ministerial discussion and interaction between the Government and the International Community on the progress made on all NPPs relevant to Governance Cluster. Day one assessed the progress of all Line Ministries and Day 2 shared the findings and solutions that emerged from Day-one discussions with the international donor community on Sunday 18 March 2012.	Completed and ongoing
5.2-6.2 Assist in preparing the budgets and the 3-year implementation plan for the NPPs. Costing of priority needs and assessing its fiscal sustainability	With technical assistance from the MBAW Project, the Department of Policy finalized 7 NPP proposals from the 11 remaining ones, in close collaboration with ministries and other stakeholders.	Ongoing

**Activity Result 2.4: Effective monitoring system is established and implemented to measure achievement of ANDS sector strategy objectives and outputs and adjustments to policies/strategies made, based on monitoring results**

Indicators:

- Periodic monitoring of NPP activities undertaken and results reported to MoF senior management and Cluster Coordinators
- NPP periodic Action Plan progress reports are produced and shared with donors
- Line Ministries submit to Policy Department, Periodic planned activities and associated deliverables and report every period against the plans

Activity Result	Description of results/achievement	% of progress rate/delivery
Update of Action Plans every quarter with reporting on previous quarter and adding activities on the next quarter	The MBAW Project national Cluster Advisors provides technical assistance to Line Ministries in the preparation of the three year Results Framework Implementation Plans for their NPPs. The National Cluster Advisors (NCAs) ensure by monitoring that these plans build on existing initiatives so they include work	Ongoing

	already underway	
Facilitate and support consultations with donor focal points on the activities added in the action plans every quarter and on qualitative assessments	The 22 NPPs are divided into 6 clusters and each of these clusters have donor focal points. For this quarter each cluster has had on an average 7 meetings with their donor counterparts to discuss implementation challenges, update them on the NPP progress and how future funding can be secured.	Ongoing
Provide TA in preparing brief policy papers proposing resolutions of problems and advocating changes in strategic directions, considered appropriate, in NPPs	MBAW Project provided technical assistance in preparing a series of discussion papers and progress reports for the Governance Forum which will also be used in the preparation of the upcoming Tokyo Conference.	Ongoing

**Activity Result 2.5: Strategic Communications Unit improved its ability to support the delivery of effective messaging on ANDS sector goals, objectives and achievements.**

Indicators:

- Websites with information and updates that highlight NPPs, achievements and images in results delivery.

Activity Result	Description of results/achievement	% of progress rate/delivery
8.1 Provide TA in Pro-active collection of information of significance from ministries and agencies for web site updates by the ANDS Web site manager.	The MBAW Project national Cluster Advisors provides technical assistance to Line Ministries in the preparation of the three year Results Framework Implementation Plans for their NPPs. The National Cluster Advisors (NCAs) ensure by monitoring that these plans build on existing initiatives so they include work already underway	Ongoing

**Activity Result 2.6: The Policy Department developed enhanced capacity to facilitate preparation and implementation of the National Priority Programs. manage and coordinate the ANDS (including NPPs) process, implementation and results**

- Number of ministries and agencies received advice and their ongoing work reflects ability to plan, monitor and report accordingly
- Number of NPPs developed fully- with results frameworks- and brought to implementation stage

Activity Result	Description of results/achievement	% of progress rate/delivery
10.1 Based on needs assessment for the extent of capacity developing requirements in the line ministries, organizing training in issues relevant to the Policy Department like program/project planning; results based management, NPP monitoring and reporting.	The MBAW Cluster Advisors provide technical assistance to their respective LMs relevant to their clusters in the development of NPP programs, implementation plans with particular support provided in monitoring their work and ensuring reporting is conducted in time.	Ongoing on a regular basis

### Output 3: Strengthened Budget Execution Processes and enhanced budget execution delivery

#### Activity Result 3.1: Strengthened Budget Execution Processes and enhanced budget execution delivery

##### Indicators:

- No of Line Ministries trained on BC I/II
- Budget execution procedures are simplified and FMIS (SBPS) provides required reports
- No of budget execution reports produced and disseminated
- No of budget execution reports produced and disseminated

Activity Result	Description of results/achievement	% of progress rate/delivery
Provide TA in comprehensive training on the approved program budget 1391/92 and budget execution guidelines and circulars to the ministries and provincial departments	With technical assistance from MBAWP, all 8 sectors issue Budget Circular I on 10th of March, 2012 to Line Ministries for the preparation of the 1392 national budget formulation by conducting individual workshops with close cooperation with all budget entities.	Ongoing
Provide technical guidance to ensure FMIS (DAD, SBPS, AFMIS) is configured to pick up ANDS, Donors, pro-poor spending required reports	The approved budget for Development projects of fiscal year 1390 is \$22.1 Million USD; based on the 19 <sup>th</sup> March report the execution rate of development budget is 55.7 % on allotment and 53.5 % for expenditure.	Ongoing
Help identify procedural weaknesses and develop strengthening programmes for proper execution	reviewed and finalized the Financial and Procurement Plan (FPP) forms and circulated to all budget entities and assisted Budget Reform Unit in conducting workshop on this topic with LMs to strengthen implementation of operating and development budgets and ensure fair disbursement of resources from the approved budget	Ongoing
provide support in tracking and placing allotments and contracts in the system/database d and also assist in appropriately positioning them within the Budget Department and MoF relevant departments		85%

#### Activity Result 3.2: Sustainable institutional technical capacity developed and retained within the public finance sector, particularly within the Ministry of Finance and Line Ministries

No of Capacity development and plan and exit strategy prepared

No of Comprehensive trainings developed and delivered to line Ministries and MoF relevant departments

- No of National PFM and Capacity development Advisor recruited for relevant Line Ministries
- No South-South study tours undertaken

Activity Result	Description of results/achievement	% of progress rate/delivery
Finalize and begin implementation capacity development and exit	The MABW Exit Strategy Specialist through a consultative process with	Ongoing



strategy plan	UNDP and project donors has developed the Exit Strategy which is being currently reviewed jointly by the project and the UNDP senior management.	
Provide TA in comprehensive training on the approved program budget 1391/92 and budget execution guidelines and circulars to the ministries and provincial departments	The MBAW Project provided technical assistance to Budget Department in conducting Budget Circular I trainings for all BUs and LMs to strengthen budget planning and implementation.	Completed
Following the design of Ministry's organizational diagram and in consultation with the government counterparts, support the re-structuring MoF relevant department in line with the department mandate and	One of the ways, the MBAW Project is contributing to this aspect, is helping recruit national PFM experts to work in budget departments in LMs	Ongoing
Support and arrange overseas training and study tour in selected countries (South South cooperation) which have similar sub-national system on Provincial Resource allocations and budgeting, programme budgeting and public sector budget formulation and executions	With technical and financial assistance from the MBAWP Capacity Development Advisor the South-South study tours in 2 rounds are being organized to enhance institutional capacity development, strengthen economic development and regional cooperation for Afghanistan:	Ongoing

## ANNEX 4: RISK LOG

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Management response	Owner	Submitted, updated by	Last Update	Status
1	Budget execution rate to slow down as Parliament Reject's National Budget.	February 2010	Economic and Social	Implementation of projects by LMs and fund allocation will be affected due to this delay. This will impact budget execution adversely which will lead to donors channeling less money through the GoA's core budget. At the national level this will mean poor delivery of services to the people of Afghanistan	The MBAW Project is providing TA to MoF in addressing the comments of the Parliament and ensure that LMs prepare in time their budgets adhering to BC I guidelines	Budget Department of MoF	February 2012	March 2012	Ongoing

2	Donor funding to reduce after 2014 impacting stability and economic growth and infrastructure and	January 2012	Economic and Social	The WB 2012 Report shows that the GOA will continue to need donor funding after the Transition period to ensure the country is well stabilized both economically and politically and that the Government's institutional capacity is developed to implement programs. With no committed donor funding beyond 2014, will affect the GOA and the growth momentum reached because of donor support will be curtailed.	The MBAW Project is providing TA to the Aid Management Directorate of MoF to negotiate with donors on future funding. It does this by actively participation in the Development Cooperation Dialogues and Core Donor Consultations	Aid Management Unit	January 2012	March 2012	Ongoing
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3	Poor coordination and collaboration among Capacity Development Plans of Donors supporting MoF	January 2012	Organizational	Multiple and un-coordinated Capacity Development Plans will make MoF inefficient in achieving its targets. CD plans are crucial as we are approaching the Transition deadline. Dissimilar plans will mean that MoF's institutional capacity will not be developed in time by 2014 when fiscal tightening is most likely to take place and foreign troops will leave the country. This will mean MoF will have to manage on its with poor donor resources in achieving in reaching its targets – which require skilled national staff and sound organizational capacity.	The MBAW Project in close consultation with the Budget Department and Donors is ensuring that existing and future capacity development plans are well aligned with MoF's strategy and with each other	Budget Department	January 2012	March 2012	Ongoing
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## ANNEX 5: ISSUE LOG

S/N	Type	Date Identified	Description	Status/Priority
1	Organizational	March 2012	Provincial authorities are not involved in the NPP planning and formulation process. This leads to duplication of programs and an ineffective utilization of resources implemented at the sub-national level. The provincial development plans are not aligned with the NPP projects leading to greater incoherence and poor delivery of services	High
2	organizational	February 2012	Donor reluctance in funding MoF for Provincial Budgeting as the donors wish to ensure first that the resources allocated for provincial budgeting to LMs in 1390 is completely and properly utilized. This raises concern as the execution rate of the Recurrent cost window and investment window (ARTF funding mechanism) is directly related to the amount of funding donors will put in. Poor execution rate would mean less donor assistance impacting delivery of services at sub-national level	High
3	Organizational	February 2012	Similar Public Financial Management and Aid Programs being supported by donors in MoF leading to duplication of results and failure to meet desired MoF outcomes in an effective manner. Poor collaboration between multiple programs in MoF, lack of common Resource Results Framework (RRF) is slowing MoF's progress in achieving its committed targets	Medium