

# MAKING BUDGETS AND AID WORK PROJECT



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## SECOND QUARTER PROJECT PROGRESS REPORT 2012

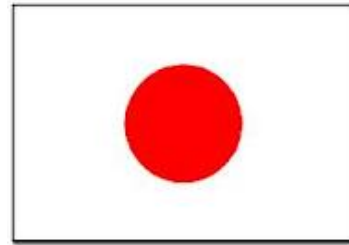




## DONORS



**CANADA**



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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 2012:</b>	USD 12,800,000
<b>Responsible Agency:</b>	Ministry of Finance/United Nations Development Programme

## ACRONYMS

ACU	Aid Coordination Unit
AFMIS	Afghanistan Financial Management Information System
AMD	Aid Management Directorate
ANDS	Afghanistan National Development Strategy
BCII	Budget Circular II
BEU	Budget Execution Unit
BIRU	Budget Integration and Reform Unit
BU	Budgetary Unit
DAD	Development Assistance Database
DfID	Department for International Development (UK)
FPU	Fiscal Policy Unit
GoA	Government of Afghanistan
JCMB	Joint Coordination and Monitoring Board
LM	Line Ministry
MAIL	Ministry of Agriculture Irrigation and Livestock
MBAW	Making Budgets & Aid Work
MIS	Management Information System
MoE	Ministry of Education
MoF	Ministry of Finance
Mol	Ministry of Interior
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
PB	Program Budgeting
PBU	Provincial Budgeting Unit
PFM	Public Finance Management
SBPS	State Budget Planning System
UNDP	United Nations Development Programme
WG-AE	Working Group on Aid Effectiveness

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## EXECUTIVE SUMMARY

During the second quarter of 2012, the Making Budgets and Aid Work (MBAW) project has provided advice and technical support to Ministry of Finance (MoF), line ministries (LMs) and sub-national institutions to improve and better manage the budget formulation and planning process for the preparation of the 1392 National Budget. As part of strengthening the budget planning process, MBAW played an advisory role in guiding the revision and improvements of the Budget Circular II forms and instructions that include cross cutting themes like gender responsive budgeting (GRB). It also undertook pro-poor tracking and strengthening of LM' program structures for greater alignment with Afghanistan's National Development Strategy (ANDs) through the implementation of the programme budgeting. This helps improve budget policy and planning processes linked to ANDS priorities.

Efforts from MBAW were stepped up to mobilize resources for sub-national financing. MBAW also provided technical guidance on an ongoing basis to MoF to strengthen its Public Expenditure Management and fiscal transparency by developing budget policy tools like the 1392-1394 Medium Term Budget Framework (MTBF) to guide allocation of resources for priorities consistent with overall fiscal objectives and publishing the 1392 Citizen's Budget. It also helped in conducting analytical work and research of fiscal projections.

In relation to the policy and strategy development, MBAW has provided technical inputs to the Tokyo Paper and in further improving the Government of Afghanistan's (GoA) Aid Management Policy. Importantly it has played an advisory role to MoF in taking forward Development Cooperation Dialogues (DCDs) with donors to improve aid effectiveness and mutual accountability. It continues to play an advisory role to cluster coordinating ministries and donors on finalization of relevant National Priority Programmes (NPPs) and undertaking analysis and preparation of the rolling 120 day quantitative and qualitative progress reports.

Finally, to strengthen institutionalization of MoF, MBAW has provided technical support in upgrading and re-launching the much improved Development Assistance Database (DAD) and is advocating its use not only as a tool to capture country wide sector and donor specific aid flow information but also as a decision making tool for the GoA in improving aid coordination and effectiveness. MBAW also participated in the important Lessons Learnt workshop for the Budget Department (BD) to review best practices of the 1391 budget planning process to improve capacity of Budgetary Units (BUs) in budget planning and implementation. As a result this will improve the ongoing 1392 budget planning process and ensure that the 1392 Budget will be comprehensive, policy-based, prepared in an orderly manner, and supportive of the ANDS.

With the upcoming security transition scheduled for 2014, the GoA's ability to manage its own finances and fund sub-national structures (e.g., provincial and district departments) will be increasingly important. MBAW realizes the importance of this and is making significant contributions to increase the capacity of MoF to ensure it is ready for the responsibility in time for the transition.

## I. CONTEXT

At the Accra Agenda for Action (AAA), London, Kabul and recently the 2011 Bonn Conferences, the GoA 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 GoA has endorsed the New Deal for Engagement in Fragile States in 2011, which proposes key peacebuilding and statebuilding goals to build mutual trust and achieve better results in fragile states. In order to enable the GoA 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 past and recent conferences are critical stepping stones for the "Kabul Process" of transition to full Afghan leadership and responsibility, building on previous international commitments like AAA and the Paris Declaration to improve aid effectiveness.

While the Kabul 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 GoA undertook a series of 100 day rolling reform initiatives, in addition to the implementation of the NPPs. These processes are part of reinforcing mutual trust in what is a renewed partnership in support of an Afghan-formulated progressive road map. Further, the canalizing of donor aid through the credible national PFM 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 of the 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.

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 in a fiscally sustainable way become crucial. To ensure this, the GoA needs to take steps to boost absorptive capacity of LMs and 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 GoA's priorities.

Recognizing these challenges, the MBAW, provides technical assistance to MoF, line ministries and sub-national institutions 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 iv) strengthen institutional capacity development of MoF relevant departments and LMs. To this end, MBAW helped develop the 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 Plan emphasizes the need to increase institutional capacity to eventually prepare for an exit strategy by 2015.

## II. RESULTS

### 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**

##### 1391 National Budget Finalized

One of the government's main budget objectives is to allocate funds according to ANDS and NPPs. This way it can ensure appropriation of sufficient funds to areas with a key role in sustainable growth. The National Budget is the central instrument of the government for effective delivery on national needs and priorities both at the national and sub-national level.

In collaboration with existing donor driven technical assistance projects working in MoF like USAID's The Economic Growth and Governance Initiative and DFID's Strengthening Afghanistan's Budget, MBAW facilitated the preparation and finalization of the 1391 National Budget through legislative bodies. On April 21, 2012, Wolesi Jirga approved the GoA's 1391 National Budget after it was rejected twice due to inequalities in the provincial allocations. The nine month national budget, covering March 21 through December 21, is USD 4.89 billion out which the recurrent budget accounts for USD 2.6 billion and development budget \$2.22 billion. Fifty seven percent of the recurrent budget is expected to be financed by the GoA's domestic revenues whereas the remaining 43 percent will be financed by donors. On the financing of the development budget, domestic revenues represent 17 percent of the development budget and donors 69 percent.

As part of the budget planning process, Monthly Budget Committee Meetings were held to discuss budgetary projections for total government spending and revenue. The expected impact is to improve the allocation of the GoA's budgetary resources based on fund availability and GoA's policies and priorities.

##### Carry Forwards

MBAW assisted in the reconciliation of the 1390 National Budget for the carry-forward projects. The reconciliation purpose is for the closing balance which takes place after the completion of each year, to find out the LMs' final figures of that year's unspent budget. This is undertaken to find out the actual carry forward funds which will be summed up in the 1391 budget helping prepare the 1391 supplementary budget. The need for carry-overs arises because public sector budgeting is, in many ways, a complex process and some budget allocations have to be based on approximations and universally applied formulas. By allowing unspent appropriations to be carried forward to the next budget period, the pressure to use it or lose it is reduced and contributes towards better budget planning and management.

##### 2012 Annual Budget Planning, Execution & Reporting Training

For 2012 as per the conducted needs assessment for LMs, the annual training plan and schedule was designed for BUs with help from MBAW to address identified gaps in budget planning. MBAW will help design and conduct trainings that will build on previous years lessons learnt and provide tailored trainings through a hands-on and practical approach where guidance for budget planning processes will be shared through interactive modules and discussions. These sessions will contribute towards strengthening key Budget Reforms as well as identify areas of policy improvement and capacity development.



## **Activity Result 1.2 Strengthened budget formulation processes**

### Budget Circular II and Budget Ceilings

In Q2, MBAW provided support in reviewing and revising the Budget Circular II (BC II) forms and shared them with BUs for final comments. Since the Program Budgeting is being rolled out to all LMs/BUs, only a single set (integrated traditional and program budgets) of Budget Circular II and associated budget submission forms will be issued to all LMs and BUs. This circular is designed with technical help from MBAW and will provide guidance to all LMs and BUs on the preparation of the integrated FY 1392 Budget, and to ensure a consistent presentation of budget proposals across all parts of the Government. MBAW has provided assistance in improving the Budget Circular II forms as a guiding tool for LMs/BUs for preparing their FY 1392 budget submission and 1393-94 budget forecasts. By working closely with the Budget Reform Unit and the Budget Policy Unit, MBAW has further worked to improve the instructions on integration of the operating and core development budgets to help LMs/BUs.

To achieve this, budget submissions must be made within the timescales specified in this Circular, reflecting an equitable allocation of resources among provinces and districts and be gender balanced and sensitive to marginalized and vulnerable groups. As of now, the Budget Circular II is to be finalized and will be shared with BUs and LMs in early July 2012.

An important part of the Budget Circular II forms are budget submission requirements. The budget submission forms are designed with assistance from MBAW for all LMs and BUs to present their budgets in a program budget format, linking sector and ministerial objectives with financial resources allocated to each program, and the expected results to be achieved from those resources. To ensure this, MBAW is helping MoF's Budget Department to organize meetings and workshops to help all LMs and BUs to first review the MoF's strategic plan, ministry specific program structures and Government policies addressing cross-cutting issues before commencing costing.

MBAW was also involved in preparing the baseline for the 1392 budget ceilings and identifying new activities of operating and development budget. The budget ceilings of all BUs and contingency funds are compiled and will be incorporated in the MTBF. The budget ceilings form the basis for issuing the Budget Circular II and preparation of detailed budget submissions by BUs. As part of the BC II process, Budget Circular Checklists and Guidelines were drafted and analyzed to better facilitate the BC1 process, and relevant units were consulted in this endeavor. In addition, BC II reporting tables were finalized with the purpose of calculating budget ceilings, a crucial part of effective budget execution and expenditure of public funds. The tables will be entered into the State Budget Planning System (SBPS).

### Program Budgeting

Implementing Program Budgeting (PB) is an essential part of strengthening the national budget planning process. The GoA has decided to implement PB as it is a move towards a more result-oriented decision-making process. Government activities can be more transparently assessed and the budget can be better steered towards political objectives if the budget preparation is based on outputs such as services produced, cash transfers delivered and regulations executed.

Since the start of the PB reform in Afghanistan, the Budget Reform Unit (BRU) has been playing a key role in introducing and rolling-out the reform. As a result, with support from MBAW, PB has now been successfully rolled out to all LMs replacing traditional budgeting system. To further strengthen the implementation of this reform, MBAW assisted the BRU in creating key performance indicators for the unit to improve its central capacity to deliver capacity development and policy trainings to LMs. Furthermore, MBAW is supporting the preparation and revision of the training strategies and existing materials to reflect all PB policy priorities.

### Revision of Budget Manuals

MBAW is providing assistance to the BRU to revise and bring changes in the Budget Manual by adding ministerial log frames and sector specific priority outcomes into the budget manuals which will serve as the basis for the formulation of PB components of BUs.

### Provincial Budgeting

As part of the provincial budgeting reform activity, MBAW has, through the Provincial Budgeting Unit, assisted MoF in the implementation of its PFM capacity building training programs for provincial staffs and coordination workshops for the four pilot LMs (Ministry of Rural Rehabilitation and Development (MRRD), Ministry of Public Health (MoPH), Ministry of Agriculture, Irrigation, and Livestock (MAIL) and Ministry of Education), Independent Directorate of Local Governance and their provincial departments.

Continuing with this effort, MBAW facilitated the internal Lessons Learnt Provincial Budgeting Workshop for MoF and Provincial authorities. The workshop focused on what has worked and areas of improvement which can be readily incorporated into plans for the upcoming 1392 fiscal year. The main outputs will be outlined for the 1392 pilot LMs based on working group consensus points. Given that the 1391 budget year is not only a shortened budget cycle but is currently underway, it is critical that specific recommendations for the 1392 program be provided in order to fit this time frame. Some of the recommendations focused on how to further enhance capacity of provincial authorities and empower them to identify expenditure priorities at the provincial level and prepare realistic budgets adhering to budget circulars of MoF and Government priorities for local development. Other recommendations discussed how to improve coordination between LMs and provincial authorities for the preparation, monitoring and implementation of the provincial budgets. A key discussion was how PBU with support from Technical Assistance Project like MBAW can help LMs better develop criteria for resource allocation, calculate baseline costs and identify new projects by consulting their provincial line directorates. Since provincial directorates are responsible for administering budgets, elected provincial councils, appointed provincial governors and district governors do not control their own budgets but simply approve the funds allocated by the central entities. These funds are then disbursed by provincial accounting offices, called mustofiat. The participants among which were MBAW staff, discussed how to address the challenge of donors who prefer to channel assistance directly through the mustofiat as it is faster than waiting for resources to trickle down from donors to national institutions and finally to mustofiats.

The lessons learnt workshop helped understand areas of challenges in implementing provincial budgeting and skills gaps that exist with provincial authorities. This will eventually help develop tailored and more impact oriented training addressing specific skill gaps of provincial authorities improving their capacity for more active participation in a top-down budget planning process. A final workshop report and a presentation on the lessons learned workshop was made available to all participants.

### Funding for Provincial Budgeting

In the light of donors unwilling to provide fresh funding for provincial budgeting for all 34 provinces through the four pilot LMs (MoPH, MAIL, MRRD and MoE), MBAW experts supporting the PBU and MoF participated in donor meetings to raise funds. In June 2012, a meeting was organized with the MoE, MoF, World Bank where MBAW staff also participated. The discussions centered on possible on-budget funding for conducting provincial budgeting activities through World Bank's Education Quality Improvement Program (EQUIP) Project that is being implemented through MoE. The contribution of MBAW experts was advising MoF, MoE and World Bank on provincial budgeting



challenges and priorities especially convincing donors that delivery of basic services is linked to sub-national financing through budget decentralization. This meeting has resulted in World Bank committing USD 15 million for all 34 provinces.

This is crucial since Provincial Budgeting improves delivery of services at the sub-national level addressing the immediate needs of the provinces. Importantly, it contributes towards greater deconcentration of the National Budget Formulation process that was previously centralized with LMs preparing the budget with little to no involvement of provincial authorities. As a result there is greater and active participation of provincial authorities in the national budget formulation process to ensure fair allocation of resources to their provinces and that provincial budgets are prepared reflecting local priorities.

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

#### Medium Term Budget Framework

The MTBF is a budget policy tool that helps forecast the national budget for the next year in a way that helps achieve ANDS goals and NPPS. In Q2, MBAW updated the MTBF jointly with the FPD and BPU which will be a valuable tool for the 1392 budget formulation by providing an indicative overall budget ceiling.

#### Coordination with IFIs on Fiscal Pressure

In Q2, MBAW staff embedded in the FPD helped coordinate meetings with the IMF and World Bank team in Washington to discuss critical fiscal issues (Revenues & Expenditures outlook during transition and beyond) and how they will impact Afghanistan in the Transformation decade. Much of the fiscal pressure assumptions are outlined in World Bank informative report – ‘Transition in Afghanistan: Looking Beyond 2014’. The report explains that the growth projections are based on a set of assumptions (scenarios) related mainly to security, sources of growth, aid levels and changes in investment climate. ‘If the assumptions in the less favorable scenarios materialize—for example, if agriculture performance is poor, if major mining investments (Aynak for copper and Hajigak for iron ore) do not materialize, or if aid declines precipitously over post 2014 period – then growth could drop to three to four percent. Deteriorating security and poor governance would lead to further economic decline. The underdeveloped financial sector and low rates of financial intermediation leave little scope for helping Afghan businesses adjust to slowing growth. Conversely, the decline could be partly mitigated by reducing aid in a gradual, planned manner and by increasing the amount of aid that is actually spent within Afghanistan which would result if more aid is channeled through the Afghan budget.

#### Pay and Grading

MBAW has provided support to the FPD, who worked in close consultation with Deputy Minister Finance to revise and finalize the Ministry of Foreign Affairs’ new request for the Afghan foreign mission wages bill increase for the FY1391 to be incorporated in the current fiscal year budget, which will be approved soon. This is part of FPD’s role in carrying out pay and grading reform analysis.

#### Tokyo Preparation

MBAW assisted the FPD with the Tokyo task force team (Minister’s office and Policy department) and developed a fiscal annex which covers the medium and long term macroeconomic outlook, revenues, grants and expected expenditures for the upcoming Tokyo Conference on Afghanistan to absorb the donor commitments in the future. This fiscal annex will provide analytical and quantitative underpinnings to “Transition” examining fiscal impacts on development outcomes once aid flows are reduced and what strategies the government is adopting to generate domestic revenues. This

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<sup>1</sup> 2011-2012 World Bank Report ‘Looking Beyond Transition’

strengthens the GoA's capacity to prioritize public spending and take forward its development agenda through the budget planning process.

#### Fiscal Transparency

In order to improve fiscal transparency of the national budget formulation and planning processes and in turn improve the Open Budget Index indicator, MBAW helped prepare and translate the 1391 Citizen's Budget. The 1391 Citizen's Budget is a simplified summary of the 1391 National Budget Statement which aims to help the general public to understand the GoA's key spending priorities and the fiscal challenges. This is now available at [www.budgetmof.gov.af](http://www.budgetmof.gov.af) in English, Dari, and Pashto.

#### Fiscal Analysis and Reporting

Fiscal policy monitoring and reporting were undertaken on an on-going basis by the FPD with support from MBAW. More specifically fiscal impacts on the Afghan economy post the Transition deadline was evaluated, with a focus on macroeconomic impacts of this transition on domestic revenue collection and Gross Domestic Product in the medium to long term. Afghanistan's aid dependency is almost uniquely high internationally, and has important implications for the macroeconomic environment and socioeconomic indicators. After a decade of internationally supported reconstruction efforts and security assistance, Afghanistan now faces a transition involving withdrawal of most international military forces by end-2014. International experience shows that such withdrawals often prompt declines in aid. Given Afghanistan's high aid dependency and relatively narrow economic base, this raises important questions about the transition's economic effects.

## 1. FINANCIALS

During Q2, a total of USD 243,266 was spent for this output. For more details, please refer to Annex 2.

## 2. RISKS/ISSUES

### ISSUES

#### ▪ **Provincial Budgeting Trainings not aligned with Budget Calendar:**

MBAW staff working closely with the PBU is strained in an effort to implement and complete the provincial budgeting training events on time in this quarter. In addition, outreach visits to line departments to assess whether previous training skills have been successfully transferred and that provincial departments are more capable of preparing budgets in line with budget circulars and ceilings is not undertaken regularly. As a result of the above two challenges, provincial authorities will have inadequate skills to prepare comprehensive budgets for 1392 due to the untimely roll out of the training. Provincial departments will not be able to prepare the required budget proposals within an indicative ceiling before being submitted to the relevant LM. With technical staff unable to follow up with the provincial departments on skill development and with no tracer studies that assess the baseline of skills transfer, trainings not addressing the capacity needs of provincial authorities effectively could be an issue.

#### ▪ **Mitigation Measures:**

MBAW is working closely with MoF and the PBU to investigate new realistic options for increasing the participation of provincial stakeholders in development of LM budgets, coordinate with Budget Policy and Reform Department to ensure that training schedules are aligned with 1391 budget calendar. The team is also in the process of strengthening regional coordination and cooperation among the four pilot LMs, MoF and provincial line directorates on provincial budgeting reform initiatives.



▪ **Poor implementation and awareness of Program Budgeting Reform:**

The PB approach rolled to all LMs in 1390 aimed among other things at integrating development and operating expenditures related to achieving program objectives. Implementation of PB is a technically demanding reform and needs to be better executed. The few positive results have not delivered significant outcomes and the impact of pilot PB has not been very positive. LMs demonstrate the ability to cope with basic budgeting tasks and continue to have poor knowledge of this reform and need greater capacity development to understand its implementation. Preparation should have been made to develop the general capacities related to planning, PFM and performance management of civil servants and to properly use existing systems and procedures like Chart of Account and AFMIS for PB.

▪ **Mitigation Measures:**

MBAW is working closely with BRU of MoF responsible for the implementation of PB Reform to improve awareness of LMs' on this reform through outreach activities and preparing communication and advocacy packages. It is also trying to improve quality of advice on this reform provided through MBAW technical staff who understands the challenges and benefits of this reform well. MBAW is also working with MoF to improve articulation and expectations of the reform.

### **3. FUTURE PLAN**

- Finalization of 1392-1394 MTBF
- Capacity Development workshops on provincial budgeting for all 34 provinces
- Finalization and roll out Budget Circular II forms and instructions to strengthen budget planning and formulation
- Provincial Budget pilot ministries issue BC II submissions
- BUs of MoF with support from MBAW prepare BC II submissions
- Analysis of BC II submissions
- Budget Hearings and preparation of the draft budget

## **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**

#### Busan New Deal

The MBAW is supporting the Aid Management Directorate (AMD) take forward the New Deal commitments at the National and Global Level by actively participating in international and national working group meetings. To this end, MBAW staff working in the Directorate has participated in two of the G7+ meetings in April 2012 in New York with the UN Peacebuilding Support Office and the International Peace Institute Policy Forum. The objectives of the meeting were:

- To raise awareness of the New Deal for Engagement in Fragile States and early efforts towards its implementation
- Discuss how the UN can practically assist implementation of the New Deal in the pilot countries like Afghanistan, including key UN reforms that could help in G7+ countries
- Obtain advice on the G7+ political strategy and how to move forward

#### Strengthen grant and loan management through MoF

In Q2, 13 Grant Agreements were negotiated and signed between MoF and the donor agencies. MBAW 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 departments and sectors and prepared the final signing ceremony. Grant and loan negotiations help improve aid coordination, predicting aid flows and directing money to those programs that directly contribute towards NPPs. Please refer to Annex 6 for more details.

#### Development Cooperation Dialogue

The DCDs is the GoA's main vehicle for dialogue on aid effectiveness and aligning the National Budget with NPPs. Furthermore, it provides a clear picture to Afghans and the international community of ODA flows into the country and also enables greater transparency and accountability in aid management. In Q2, MBAW supported AMD in hosting the first round of DCDs with select donors. Also, MBAW experts provided policy and strategic guidance to AMD throughout the process helping MoF better understand donor commitments and ensure funds are channeled through the 50 percent on-budget/80 percent off-budget principle.

MBAW is actively supporting this process because it views the DCDs as a vital planning tool for the GoA to accurately forecast ODA flows and provide crucial data for the formulation of the National Budget. As such, the DCDs forms an integral part of the annual budget cycle supporting the implementation of ANDS. After the DCD meetings, MBAW conducted analysis of donor's progress on the Kabul Conference commitments and advised the MoF on how the GoA and development partners can work in close collaboration to maximize the impact and effects of development assistance in Afghanistan.

## Portfolio Review

MBAW helped with the Q2 portfolio review which was done with the ADB by ACU. The portfolio review is a tool of strengthening mutual accountability. In addition, this gives an opportunity to identify challenges and bottlenecks impeding the progress of the projects.

## PFM Donor Coordination Meeting

The engagement of various PFM projects in the MoF and poor inter-project coordination has raised concerns over duplication and ineffective utilization of financial and human resources. In order to better coordinate the different PFM projects, identify gaps, and avoid repetition and redundancy, USAID hosted a PFM Donor Coordination Meeting with Japan, France, World Bank, AusAid, USAID, and DFID in May 2012 at the USAID compound. The objective of the meeting was to map out each donor's activities in the area of PFM and to ensure there is no overlap and to enhance coordination efforts. By the end of the meeting there was a clear understanding of each donor's roles in GoA's PFM reform efforts. As a follow up to this important meeting, MBAW and UNDP have agreed to host the next PFM donor meeting where it will present suggestions to improve collaboration and address the challenges of duplication.

## **Aid Reporting and Information Management**

### Aid Management Newsletter

The AMD has successfully developed, published and disseminated the first quarterly newsletter sharing news, updates and analysis on aid related issues relevant to Transition and Transformation decade. The MBAW provided support in selecting the topics, conducting analysis, writing the content and designing the layout of the newsletter. The newsletter shares interesting and relevant ODA information, MoF's strategies for moving towards a self-sustaining Afghanistan and the importance of fiscal sustainability. Importantly the newsletter explains how MoF focuses on delivery of the budget to make sure that it ensures services are provided in the best way possible to the people of Afghanistan. The newsletter can be accessed at [www.budgetmof.gov.af](http://www.budgetmof.gov.af)



**Figure 1: The first quarterly newsletter and aid management. Credit: MBAW**

## **Aid Effectiveness and Policy**

### Aid management policy

In Q2 three additional Working Group (WG) meetings were organized by AMD with support from MBAW, to further revise and finalize the Aid Management Policy. Given the recent international commitments for aid management, MoF initiated the WG meetings with various stakeholders such as donors, UN agencies, Government Counterparts and CSOs such as DFID, Germany, Japan, Netherlands, UNAMA, UNDP, ANDS Secretariat and Agency Coordinating Body for Afghan Relief. Comments on the third chapter of the Aid Management Policy were discussed and incorporated. In June 2012, the AMP was tabled for endorsement at the 18<sup>th</sup> Joint Coordination and Monitoring Board (JCMB) but did not receive a unified consensus from the international community. The development partners have requested the GoA to further strengthen the mutual accountability section with clearer and more measureable goals on how it will achieve its responsibilities that are reflected through a medium term monitoring framework. MoF is trying to finalize the policy by the next JCMB which may be held sometime in September 2012.



The new Aid Management Policy aims to accelerate the achievement of Afghanistan's vision to move towards increasing self reliance by 2025, a commitment made at the International Conference on Afghanistan in Bonn (December 2011). This policy, which succeeds the previous Aid Policy of 2007, promotes the realization of Kabul Process commitments outlined at the Kabul International Conference (July 2010). The revised Aid Management Policy specifically addresses the short to medium term impacts of declining military expenditure and the exit strategy of NATO-ISAF, with possibility of declining international aid commitments post 2014. The policy also addresses the key issues of fiscal management, government capacity and donor behavior, as well as incorporating new international agreements embodied in the two outcomes of the Fourth High Level Forum on Aid Effectiveness (HLF-4), held in Busan, Republic of Korea (December 2011), namely the Busan Partnership for Effective Development Cooperation and the New Deal for Engagement in Fragile States.

#### Mutual Accountability Framework

The MBAW is supporting AMD in drafting the Mutual Accountability Framework (MAF)– a critical document that will be signed by both the GoA and the donors. The framework can be seen as an agreement that will not only strengthen the development partnership between the Government and International Community but also hold both parties accountable for their respective responsibilities i.e. ensuring financial support beyond 2014 and that donor funds are well aligned with aid effectiveness principles and spent in a fair and transparent manner for realizing national priorities. At this point, the MAF is under discussion with donors for improvement and comments are being addressed to improve the document.

#### 2012 Tokyo Paper: Supporting Self-Reliance in Afghanistan

A task force was put into place to take forward the preparation of the Tokyo Paper that will be shared officially at the upcoming July 2012 Tokyo Conference. The task force comprised of MoF senior officials, one MBAW staff providing support to FPD and selective donors. The paper was prepared with inputs from MBAW team supporting AMD and outlines the development priorities and strategies of the GoA to ensure that Afghanistan is well prepared from an economic and security point of view to adapt to the changes that will result of the 2014 Transition. An important section in this report is the Mutual Accountability section where the GoA believes that it must continue to improve the systems that monitor progress of commitments and strengthen mutual accountability. The Tokyo Conference can serve as a turning point in the Government-donor partnership because the GoA has laid down a clear economic and development vision with prioritized plans, partners have committed to a long term engagement throughout the decade of transformation, and lessons from past conferences on Afghanistan's successes and failures will help the GoA be better prepared.

### **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**

### **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**

#### Development, Improvement and prioritization of remaining NPPs

With assistance from MBAW, MoF held the Private Sector Community Representative meeting as a run up to the Tokyo Conference. MBAW Private Sector Development Cluster Advisors participated in this meeting to identify challenges, issues and recommendations relating to the

private sector that will be shared at the Tokyo Conference. A series of recommendations were shared:

- Transit trade agreement, Natural resource extraction, and attraction of international investors for investing in raw and natural resources of the country should be represented at the Tokyo Conference with a more focused approach;
- For the agriculture and horticulture production improvements and for efficient usage of water, a specified amount of money should be recommended to the international community for their support;

With assistance from MBAW, Agriculture and Rural Development Cluster Advisors worked on the development of the new NPPs to merge the water component with the Environmental Conservation component. The proposals/plans will be shared with donors for feedback and then eventually shared at the 19th JCMB for formal endorsement. These NPP plans will help in the following:

- Improved water resources management and ensuring water quantity and quality demands are met;
- Institutional capacity buildings of the organizations involved in the water sector;
- Inclusion of national priorities in the water sector;
- Creation of a solid environmental conservation policy and its consideration with relation to huge interventions such as mining that can have a major effect on environment and water resources;
- and create and sustain prosperous rural pastoral communities in Afghanistan.

Meeting with civil society on their role under NPP 2 (Accountability and Transparency) conducted by Project National Advisors working in the Governance Cluster. The meeting was held at the office of H.E senior Minister and was chaired by Senior Minister Hedayat Amin Arsala. Representatives from the Agency Coordinating Body for Afghan Relief, AGA Khan Foundation, Monitoring and Evaluation Committee, Asia Foundation, American University, Integrity Watch Afghanistan attended the meeting. Their comments will be incorporated in NPP 2 to increase the role of civil society.

The fourth Consultation meeting held on NPP 4 (Local Governance) at the IDLG between donors and Project National Advisors working in the Governance Cluster. Representatives from DFID, World Bank, USAID, AUSAID, Japan, and UNAMA attended the meeting. A presentation was given by IDLG regarding the recent changes made to the NPP 4 and updated the donors and the Project's staff. Donors welcomed the changes which were then incorporated in the documents with support from the cluster advisors. By endorsing this NPP, local institutions will have one common goal of improvising local governance through four components and will help the international community to better align their programs with NPP.

#### Joint Governance and Socio-economic Standing Committee Meeting

The Joint Governance and Socio-economic Standing Committee (the highest level decision-making body in Afghanistan co-hosted by the MoF and the UNAMA) meeting took place on June 23, 2012. Altogether six out of the remaining 11 NPPs, the Tokyo Paper –‘Supporting Self Reliance in Afghanistan’, the Aid Management Policy (AMP) and Alternative Livelihood Policy (Counter Narcotics policy) was presented at the meeting. While five out of the six NPPs and the Tokyo Paper saw an informal endorsement, it was suggested that the Aid Management and the Alternative Livelihood Policy be further strengthened Post Tokyo Conference. While the GoA was

determined to seek a buy in of the Aid Management Policy before the Tokyo Conference in July 2012, the international community requests better articulation of the mutual accountability section. MBAW in collaboration with other donor driven technical assistance projects, facilitated, coordinated and finalized the remaining NPPs.

#### 18<sup>th</sup> Joint Coordination and Monitoring Board

The following NPPs were endorsed reducing the number of remaining NPPs to only six:

1. Local Governance Program
2. Facilitation of Sustainable Decent Work through Skills Development and Employment Policies for Job-Rich Growth
3. NPP5: Health for All Afghans
4. NPP4: Urban Management Support Program
5. NPP4: Strengthening Local Institutions Program

The Transparency and Accountability of Governance Cluster is expected to be endorsed at the next JCMB as donors are pushing for stronger institutional framework to address corruption at the institutional and environment level. While the decision of the Aid Management Policy remained the same as in the Standing Committee Meeting, the Alternative Livelihood Policy was endorsed.



**Figure 2: The first 2012 JCMB meeting where they endorsed five NPPs and the Tokyo Paper.**  
Credit: MRAW

Cluster	NPP	Endorsed or not	NPP	Endorsed or not
<b>Security</b>	Peace and Reintegration	✓		
<b>HRD</b>	Higher Education	✓	Women Affairs	✓
	Education for All	✓	Health for all Afghans	✓
	Skills Development and Labor	✓		
<b>ID</b>	National Regional Re-source Corridor	✓	National Energy Program	×
	Extractive Industries	✓	Urban Development	✓
<b>PSD</b>	E-Afghanistan	✓	Trade Facilitation and SME	✓
<b>Gov</b>	Economic and Financial Reform	✓	Local Governance	✓
	Transparency and Accountability	×	Justice for All	×

	Efficient and Effective Government	×	Human Rights	✓
<b>ARD</b>	Water and Natural Re-source Management	×	Natural Rural Access Program	✓
	Comprehensive Agriculture	×	Strengthening Local Institutions	✓

#### Tokyo Conference

MBAW provided support to MoF's Department of Policy which is taking the lead in the preparation of the Tokyo Conference as well as the development and finalization of the NPPs. Initially, the GoA had planned to present 16 out of 22 National Priority Programmes (NPPs) in Tokyo on 8 July. So far, 16 of those NPPs have been endorsed by the JCMB. However, it is being decided that a selection of the most important NPPs in light of Transition and Transformation decade will be made from the pool of 16 and presented at the event.

#### **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 International and National Cluster Advisors (NCAs) provided support to LMs in the preparation of the three year Results Framework Implementation Plans for their NPPs. The NCAs ensured that these plans build on existing initiatives so they include work already underway. The NCAs support LMs to provide details on which activities will occur to achieve a given deliverable over the current and next 120 days. The NCAs in collaboration with the International Community are working on an on-going basis to ensure continued monitoring of NPPs through the rolling 120 day progress reports which are part of the Kabul Process commitments. They help LMs in data collection and conducting quantitative and qualitative analysis and preparing the rolling 120 day reports. For Q2 the reports highlight challenges and way forward relating to donor funding, budget execution, NPP implementation. These 120 day monitoring reports can be accessed at the following website which is supported by the MBAW: [www.thekabulprocess.gov.af](http://www.thekabulprocess.gov.af)

##### Prioritization and Sequencing of NPPs

In collaboration with donors and cluster coordinating ministries, the Project's Cluster Advisors are working on the prioritization of the NPP budget linked to the deliverables at the sub-national level and sequencing of activities linked to each deliverable. They are also working to ensure that the remaining NPPs are developed into a coherent suite of programs that can be absorbed in an orderly manner into responsible Ministries and agencies, and the Afghan budget can ensure their sustainability. This is a challenge as there is poor institutional capacity in LMs and MBAW is addressing this by engaging technical cluster advisors.

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

Post Tokyo, the MBAW communication team will be more focused on delivering on their communication related tasks. In Q2, a draft newsletter has been prepared sharing information on the Government's preparation for the Tokyo Conference, the importance of the NPPs and how they will



contribute towards peace, economic growth and stability during the Transition and Transformation period. Upon review and finalization it will be published on the [www.thekabulprocess.gov.af](http://www.thekabulprocess.gov.af) website and the link shared widely with NGOs, CSOs, development partners and government counterparts. Post Tokyo, the team will focus on raising visibility of the NPPs among LMs through the preparation of advocacy materials and establishing networks with CSOs and media organizations.

## 1. FINANCIALS

During Q2, a total of USD 439,922 was spent for this output. For more details, please refer to Annex 2.

## 2. RISKS/ISSUES

### ISSUES

#### ▪ **Need to strengthen MAF:**

There is some ambiguity over the exact nature of the MAF. Will it be a comprehensive framework for all commitments (past, present, and future) or a narrow, focused document to ensure that the GoA acts on key commitments including aid effectiveness? Yet another challenge is that a mechanism of gauging, monitoring, and evaluating success or failure of MAF needs to be identified. What actions would be taken if one side fails in its commitments? How would the articles of the MAF be implemented? One way would be to establish some clear indicators to gauge the degree of success or failure.

Some of the donor comments on the MAF are:

- Broadened Mutual Accountability section should include a specific reference to meeting the IMF benchmarks, and addressing issues related to the Kabul Bank.
- In presenting the 12 indicators in the MAF, it would be helpful to group them around specific issues, loosely reflecting the five themes in the Pre-Tokyo actions ie. Capability and Accountability, Public Financial Management/ Budget Planning and Execution, Anti-Corruption, Economic Governance/ Private Sector development and Justice for all
- Request that the MAF be presented in terms of two time-frames: Tokyo to 2014, the timing for the first Ministerial – here the 12 plus IMF and Kabul Bank would fit and an indicative roadmap setting out how the government with the International Community will progress to preparing a detailed MAF post Tokyo for implementation after 2014.

#### ▪ **Mitigation Measures:**

MoF through the AMD supported by MBAW staff are involved in discussions carried through DCDs with development partners to address these challenges mutually. A consensus seems to be emerging among the donors in placing greater emphasis on a MAF that covers high level political commitments interlocked with the most important existing commitments notably from Kabul and London Conferences, IMF, and ARTF. The MAF will be instrumental in persuading capitals of donor countries to commit to assistance post 2014.

#### ▪ **Greater clarity on Busan New Deal**

The 'New Deal' is still in its infancy (approved November 2011), which presents an opportunity for the GoA to shape it the way it wants its implementation to be in Afghanistan. However, lack of

clarity on how it is to be implemented imposes some limitations. The GoA should be clear on how it proposes to deal with the New Deal and take a clear stand with development partners. In addition, development partners have emphasized the importance of committing to and incorporating greater reference to peace-building and state-building goals (PSGs) as the core concepts of the New Deal.

- **Mitigation Measures:**

MBAW staffs providing technical support to AMD in strategy and policy development related to aid coordination and policy are actively participating in New Deal global and national meetings. They are regularly meeting up with DFID and Netherlands, donor pilots for New Deal implementation in Afghanistan, to understand how PSGs can be better articulated through NPPs.

- **Monitoring of NPP:**

NPPs have been established for existing LMs projects and new development initiatives. Some NPP projects are on budget and some are off-budget. The projects that are linked to the existing LM projects are mainly off budget – this raised serious challenges in monitoring the devolution of funds for NPP activities. With poor regulatory and institutional framework and policies, no oversight mechanism, it is challenging to monitor whether donors funds are being effectively and accountably used for NPP implementation.

- **Mitigation Measures:**

MBAW Cluster Advisors embedded in Line Ministries are trying to address these challenges on an on-going basis with collaboration from MoF. Since challenges of this nature can only be properly addressed over time through implementation of reforms and setting better oversight and monitoring mechanisms, it will be a while before tangible progress can be seen. However, to speed this process up, MBAW is supporting MoF to continue strengthening the public financial management systems and the budget process.

- **Funding Gaps for NPP Implementation:**

The London Conference saw the international community agree to two major commitments: to channel 50 percent of development assistance through the national budget within two years, and to align 80 percent of total assistance with Afghan priorities defined by the NPPs. In spite of this, development assistance delivered through the budget has declined and the NPPs endorsed by the JCMB remain underfunded. The GoA acknowledges that the failure of the Kabul Bank and the subsequent delay to agreement with the IMF complicated the achievement of these goals.

- **Mitigation Measures:**

Together with the GoA, LMs and donors, MBAW is exploring mechanisms that enable funding of Afghan institutions while their capacity grows. Through the Department of Policy and Aid Management Directorate, it is trying to keep the commitments on track to ensure these goals can be met by 2014.

### **3. FUTURE PLANS**

- Finalization and endorsement of the Aid Management Policy at the 19<sup>th</sup> JCMB
- Core Donor Consultation meetings to be conducted

- Preparation for the Joint Risk Assessment for the development of the New Deal Fragility Spectrum
- Formulation of the PSG indicators at the global level
- Improving usage of DAD by donors
- Aid Management Symposium to be undertaken
- Endorsement of the remaining five NPPs at the upcoming 19<sup>th</sup> JCMB
- Further sequencing and prioritization NPPs
- Supporting implementation of NPP with greater engagement from UNDP

## **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**

#### Budget Execution

MBAW provides supports MoF's efforts to establish a transparent and well-functioning public financial management system to ensure better use of public resources. The efforts on this front as especially focused to improve the development budget execution rate by developing capacity of the department to analyze, review and process in time and accurately all the allotments. The allotments have to be fed into the SPBS and Afghanistan Financial Management Information System which then are linked to the budget execution rate. MBAW contributes to the establishment of the current modern legal framework for public financial management and to the implementation of systems to support this framework.

To ensure that the PFM road map target linked to budget execution rate is met, MBAW experts have assisted in simplifying budget execution procedures and provided advice and on the job training on budget integration procedures for Line Ministries, Sectors and Budget Execution Unit. As a mitigation measure, MBAW is assisting the relevant budget units and sectors to address budget execution challenges faced last year and identify recommendations.

Weekly and monthly monitoring of budget execution has been regularly ongoing and these reports are made available to the public through the [www.budgetmof.gov.af](http://www.budgetmof.gov.af) website. On a regular basis, MBAW coordinates with ministries providing technical guidance and consultation in expending the budget.

In comparison to the Operating Budget that usually reaches a 100 percent budget execution rate, the Development Budget execution rate needs to improve significantly. In order to further strengthen the budget execution process, the Budget Execution Unit supported by MBAW works closely with LMs on the implementation of their development budget, in order to increase the budget execution rate at the end of the financial year. This is an important performance target for the GoA and is also part of the PFM Roadmap. Analysis shows that the total operating budget is Afs 157 billion for FY 1391, Afs. 63 billion (40 percent) has been allotted and the actual expenditure up to end June is Afs 35.9 billion, which is counting as 23 percent of the total operating budget. The total development budget for FY 1391 is \$ 2,240 million, out of this \$ 562 million (25 percent) has been allotted by MoF to the ministries, which the total expenditure so far is \$ 135 million which is counting 6 percent of the total development budget.

MBAW is now helping the Budget Execution Unit and the sectors prepare the BC II forms and will then guide them on how to prepare accurate budget submissions in line with the instructions. To ensure there is ongoing support from BUs to LMs, MBAW is putting in place continuous coordination mechanisms like regular meetings to improve cooperation between sectors and LMs.

#### Placement of PFM Advisors in LMs

In an effort to improve budget execution rate of LMs, MBAW is placing PFM Advisors in select LMs to help in policies/strategy development for improvement of budget execution performances and delivery management, develop capacity of LMs/institutions and help them in budget preparation and execution process, provide direct mentoring and on the job training/coaching for LM officials and oversight activities and ensure facilitation of knowledge building and knowledge sharing focusing on



capacity development. To date, the MBAW has recruited eight PFM advisors and discussions are underway with MoF's Deputy Minister Finance regarding their placement in select LMs.

**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**

Development Assistance Database (DAD)

With support from MBAW, an upgrade to the DAD has been completed by MoF to respond to the requirements set out by the donor community in 2011. This upgraded version (6.0) includes simplified data entry forms, better integration with the SBPS and a simplified reporting tool. Considerable investment has been made to ensure the DAD, which is used in some 34 countries, is used by Development Partners for reporting aid information to the government and the Afghan people. Managed by the Directorate-General Budget of the MoF with technical and IT support from MBAW, the DAD was originally designed to track flows of aid and record the progress of development and humanitarian projects in the country. While still serving the same purpose, the DAD is also now used as a budget formulation database through the SBPS. The DAD is also the prime tool of the (DCDs), where policy discussions need to be based on a clear picture of ODA flows. Transparency of international aid and its management is a critical issue and responsibility for both donors and recipient nations. This is reflected in numerous international agreements, the most recent of which is the Busan Partnership for Effective Development Cooperation, the outcome of the 4<sup>th</sup> High Level Forum on Aid Effectiveness. The DAD is a key tool to promote transparency. With the new version of the DAD, the core problems of slowness and complexity of the data entry form will be resolved. This will help DAD to move Afghanistan and development partners towards greater transparency and accountability in aid management, by providing data to the GoA, the Afghan people and the international community. The DAD will be the sole repository of information on foreign aid within the GoA.

Capacity Development Implementation Plan

As part of the capacity development plan, the Project's Capacity Development Advisor is taking the lead on finalizing the Masters of Business Administration course to be delivered by the American University in Kabul. The course will be mainly for MoF and project staff interested to further develop their skills in finance and management related topics. Details such as the scholarship and fee of the course are being finalized. The course is a dedicated, cohort basis for up to 30 individuals each. The MBA is offered through the American University of Afghanistan, and is an academic degree program recognized by Afghanistan's Ministry of Higher Education. Course content is tailored in the context of the established curriculum so that one cohort would specialize in public finance and the second in public policy and administration, and that the program is relevant to MoF's needs. This will help in developing and retaining PFM technical skills within MoF so that it can continue to deliver on its services better and without interruption.

In addition, MBAW has developed a comprehensive policy that will hire these students in its project. To this end the policy stresses that should the MoF/MBAW staff leave employment after the completion of the program, but before the pay-back period has elapsed, a proportionate amount will be required to be paid back, and by signing the form to request the financial support for studies, the employee will have agreed to these terms and conditions.

All students enrolling into the MBAW educational learning and development scheme and benefiting from financial support from MoF/MBAW will have to commit to stay for a minimum of two years within the MoF/MBAW, post completion of the Master programme. In addition, a retainer fee will be deducted from the selected students' salary, corresponding to 5 percent of his/her monthly net salary

for the entire duration of the Master Programme. This sum will be reimbursed upon completion of the course and upon verification that the student attended over 95 percent of the Master courses and modules.

#### Analysis of the Organization for Economic Co-operation and Development (OECD) Study Tour Visit

MBAW recognizes that the cooperation landscape is experiencing decisive changes, several of them motivated by the pro-active role of partners that are broadening development options and making them available for addressing key development common challenges. In this light, MBAW sees the South-South cooperation as an increasingly tangible and mature source of development cooperation, significant for its contribution to development but also for the diversity of its practices, the lessons it offers on how to build common agendas between countries, and the capacities it can develop at regional and country levels. By sending 13 of its technical staff to OECD in April 2012 to better understand how Afghanistan can contribute to development results through South –South Cooperation, it is deepening its efforts to maximize the impact of South-South Cooperation, strengthening institutionalization of MoF to support scale-up knowledge sharing to adapt and learn from the experiences, institutional arrangements and successful initiatives of Middle Income Countries and other developing countries.

## 1. FINANCIALS

During Q2, a total of USD 489,022 was spent for this output. For more details, please refer to Annex 2.

## 2. RISKS/ISSUES

### RISKS

#### ▪ **Challenges to Transition and Transformation:**

Analytical work for the Bonn Conference (Dec 2011) projected a persistent financing gap after the 2014 transition, as expenditures grow faster than revenues. Continued funding gaps for security, challenges on Government absorptive capacity affecting budget execution rates and delivery mechanism for aid after 2014, need for progress with governance reforms and institution building and fiscal sustainability – will impact negatively the Transition phase. These could limit prospects for the private sector investment, economic growth, job creation and poverty reduction and inclusiveness.

#### ▪ **Mitigation Measures:**

The approach the MBAW engages to strengthen service delivery in Afghanistan is focused on improving LMs' capacity to execute their budget. It helps LMs through MoF's BUs in the preparation of project design, program costing and expenditure analysis and monitoring. The MBAW 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. Additionally, the MBAW is helping MoF conduct important donor meetings and develop policies like the CDCs and Aid Management Policy which will improve ODA flows in line with national priorities.

## ISSUES

### ▪ **Absorptive capacity may limit the potential for achievement:**

While the operating budget execution rates remain high, the development budget execution increased over the past year, but was only around 51 percent, largely due to capacity constraints, unrealistic budgets, donor earmarking, and funding delays. These challenges while being addressed through the PFM road map implementation plan and targets still persist. This is mainly because budget execution varies across LMs and improving budget execution requires building capacity across LMs and better project preparation and management. The “maintaining progress” scenario assumes a significant improvement in absorptive capacity (10 percent annually) in line with the Kabul Communiqué PFM target. Whether aid is on or off-budget, delivery could be limited by capacity constraints or lack of suitable instruments on donors’ side. The main bottlenecks on the budget execution are:

- Late approval of the budget by parliament in April 2012
- Low capacity of the line ministries and private sectors responsible for implementing the projects.
- Security problems on the implementation of the infrastructure projects like road, dam, power etc.
- Prolonged investigation by the anti corruption organizations during the procurement process for project implementation slowing the budget execution rate
- Poor disbursement of funds by the donors

### ▪ **Mitigation Measures:**

With constrained fiscal space, the GoA through MoF is channeling public investment to focus on primary drivers of growth, enable and leverage private sector investments, sequence and prioritize NPPs for maximize impact. This implies making strategic investments to leverage the resource sector for broader economic growth.

## 3. FUTURE PLAN

- Improving Budget Execution rate of LMs
- Placement of PFM Advisors in LMs
- Planning and organizing for Results Based Management Training by UNDP Bangkok Office
- Study tour to OECD , Malaysia, Turkey
- implementation plan for capacity development and exit strategy

### III.ANNEXES

#### A. ANNEX 1: FINANCIAL TABLE

Donor	REVENUE					EXPENSES AND COMMITMENTS				BALANCE
	Commitment (a)	Total Received (b)	Total Receivable c=(a-b)	Carry Over (d)	Total Resources e (b+d)	Cumulative Expenses as of Mar 2012 (f)	Total Expenses (Apr - Jun 2012) (g)	Commitments (h)	Total Expenses & Commitments i = (f + g+h)	Balance j=(e-i)
Japan	10,000,000	10,000,000	-	-	10,000,000	1,056,018	1,384,847	-	2,440,865	7,559,135
<b>Grand Total</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>10,000,000</b>	<b>1,056,018</b>	<b>1,384,847</b>	<b>-</b>	<b>2,440,865</b>	<b>7,559,135</b>

Note:

i) Cumulative expenses as of march 2012 is actual (column f)

ii) Expenses reported for the accounting period of April to June 2012 is provisional.

iii) Income received in currency other than USD is approximated to USD based on UN- Operational Rate of Exchange applied.

## B. ANNEX 2: EXPENDITURES BY OUTPUT

Project Output	2012 Budget (AWP)	Expenses (April-June 2012)	Cumulative Expenses (Jan-Jun 2012)	Delivery Rate
Output 1 (Output ID 00081414) Improved Budget planning and management (The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)	1,313,294	227,351	486,193	37%
General Management Service (GMS) Fee (7%)	91,931	15,915	34,034	37%
<b>Sub-total Output 1</b>	<b>1,405,225</b>	<b>243,266</b>	<b>520,227</b>	<b>37%</b>
Output 2 (Output ID 00081415): National Policy and Strategy Development and Coordination of External assistance aligned with Paris Declaration and ANDS implementation improved	2,263,000	411,142	769,210	34%
General Management Service (GMS) Fee (7%)	158,410	28,780	53,845	34%
<b>Sub-total Output 2</b>	<b>2,421,410</b>	<b>439,922</b>	<b>823,055</b>	<b>34%</b>
Output 3 (Output ID 00081439): Improved Budget Execution and delivery management and sustainable institutional Capacity developed at MoF and Govt. institutions	5,176,500	457,030	644,759	12%
General Management Service (GMS) Fee (7%)	362,355	31,992	45,133	12%
<b>Sub-total Output 3</b>	<b>5,538,855</b>	<b>489,022</b>	<b>689,892</b>	<b>12%</b>
Output 4 (Output ID 00056407): Technical Assistance and Management Cost (Project Support Costs)	593,000	198,727	381,020	64%
General Management Service (GMS) Fee (7%)	41,510	13,911	26,671	64%
<b>Sub-total Output 4</b>	<b>634,510</b>	<b>212,638</b>	<b>407,692</b>	<b>64%</b>
<b>Grand Total</b>	<b>10,000,000</b>	<b>1,384,847</b>	<b>2,440,865</b>	<b>24%</b>



## C. ANNEX 3: ACTIVITY

### 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	DESCRIPTION OF RESULTS/ACHIEVEMENTS	% OF PROGRESS RATE/DELIVERY
Activity Result 1.1: Strengthened budget policy and planning processes linked to ANDS priorities	1391 National Budget Finalized and 1391 Citizen's Budget published	100%
	MBAW is helping prepare the MTBF jointly with MoF's Fiscal Policy Department and Budget Policy Unit which covers a broad spectrum of overall medium term budget and fiscal envelop for 1392-1394. The MTBF is taking into account the policy priorities and macro-economic considerations and contingencies that provide MoF an indicative overall budget ceiling for the next fiscal year from the beginning of the budget formulation process in April 1392.	The MTBF and MTFF have been further revised  MTBF for 1392-1394 being prepared
	MBAW provided support in reviewing and revising the Budget Circular II forms and shared them with BUs for final comments. MBAW was also involved in preparing the baseline for the 1392 budget ceilings and identifying new activities of operating and development budget. The budget ceilings of all BUs and contingency funds are compiled and will be incorporated in the MTBF.	Forms and guidelines being improved and prepared. On finalization to be shared with BUs
Activity Result 1.2 Strengthened budget formulation processes	MBAW facilitated the internal Lessons Learnt Provincial Budgeting Workshop for MoF and Provincial authorities. The workshop will focus on what has worked and areas of improvement which can be readily incorporated into plans for the upcoming 1392 fiscal year. The main outputs will be outlined for the 1392 pilot Line Ministries based on working group consensus points.	40% of trainings schedule for this quarter delayed and as a result no CBT took place
Activity 1.3: Strengthened budget and fiscal policy monitoring and reporting	During the month of June, FPD has coordinated with the IMF and World Bank team in Washington to discuss critical fiscal issues (Revenues & Expenditures outlook during transition and beyond that) and how they will impact Afghanistan in the Transformation decade. Much of the fiscal pressure assumptions are outlined in World Bank informative report – 'Transition in Afghanistan: Looking Beyond 2014'.	Ongoing

	MBAW has provided support to FPD and in close consultation with Deputy Minister Finance, the department revised and finalized the Ministry of Foreign Affairs' new request for the Afghan foreign mission wages bill increase for the FY1391 to be incorporated in the current fiscal year budget, this is going to be approved soon. This is part of FPU's role in carrying out pay and grading reform analysis.	100%
	With TA from the MABWP, FPD worked closely with the Tokyo task force team (Minister's office and Policy department) and developed a fiscal annex which covers the medium and long term macroeconomic outlook, revenues, grants and expected expenditures for the upcoming Tokyo International Conference on Afghanistan to absorb the donor commitments in the future. Several meetings were held with the MoF task force team. Fiscal annex is completed and finalized	100%
	To improve fiscal transparency of the Budget formulation and planning process and the Open Budget Index indicator, MBAW supported the translation of the 1391 National Budget and Citizen's Budget in English, Dari and Pashto. The documents are now published on <a href="http://www.budgetmof.gov.af">www.budgetmof.gov.af</a> and can be easily accessed by the public.	ongoing

**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	DESCRIPTION OF RESULTS/ACHIEVEMENTS	% OF PROGRESS RATE/DELIVERY
Activity Result 2.1 Alignment of and improved coordination of External Funding in line with Paris Declaration, Kabul Communiqué to support ANDS implementation	The MBAW is supporting the Aid Management Directorate (AMD) through its technical staff to take forward the New Deal commitments at the National and Global Level. To this end the Project's technical staff working in the Directorate have participated in two in the G7+ meeting in April 2012 in New York with the UN Peacebuilding Support Office (UN-PBSO) and the International Peace Institute (IPI) Policy Forum.	30%
	In the second quarter of 2012, 14 Financing Agreements were negotiated and signed between MoF and the Donors Agencies.	100% ongoing
	MBAW provided support to AMD in coordinating, organizing and conducting one round of development cooperation dialogues (DCDs) with select donors to help MoF capture ensure that donors channel at least 50% of resources on-budget and adhere to 80% alignment of off-budget resources with national priorities and improve mutual accountability responsibilities and ensure steady flow of Overseas Development Assistance to Afghanistan for implementation of NPPs.	100%
	The 1st quarter portfolio review was conducted with the ADB by ACU with support from MBAW. The portfolio review is a tool of strengthening mutual accountability. In addition, this gives an opportunity to identify challenges and bottlenecks impeding the progress of the projects.	100% and ongoing
	The engagement of various Public Financial Management Technical Assistance Projects in the Ministry of Finance and poor inter project coordination raises concern of duplication and ineffective utilization of financial and human resources.	80%
	The AMD has successfully developed, published and disseminated the first quarterly newsletter sharing news, updates and analysis on aid related issues relevant to Transition and Transformation decade.	100%
	With support from the MABWP Project through the ICT team embedded in the IT Unit of MOF, an upgrade to the <b>Development Assistance Database (DAD)</b> has been completed by MoF to respond to the requirements set out by the donor community in 2011. This upgraded version (6.0) includes simplified data entry forms, better integration with the	40%

	State Budgeting & Planning System (SBPS) and a simplified reporting tool.	
	In this quarter 3 additional Working Group (WG) meetings was organized by AMD that is technically supported by MBAW, to further revise and finalize the Aid Management Policy. Given the recent international commitments for aid management, MoF initiated the working group meetings adopting an extensive stakeholder process.	70%
Activity Result 2.2: The prioritization of the ANDS sectors achieved through the formulation of the NPPs	With TA from the MBAW, MoF held the Private Sector community Representative meeting as a run up to the Tokyo Conference. MBAW Private Sector Development Cluster Advisors participated in this meeting held in Khyber Hall, Ministry of Finance.	The following NPPs were endorsed reducing the number of remaining NPPs to only six: 1. Local Governance Program 2 Facilitation of Sustainable Decent Work through Skills Development and Employment Policies for Job-Rich Growth 3. NPP5: Health for All Afghans 4. NPP4: Urban Management Support Program 5. NPP4: Strengthening Local Institutions Program
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	With TA from the MBAW, Agriculture and Rural Development Cluster Advisors worked on the development of the new NPPs to merge the water component with the Environmental Conservation (EC) component.	
	Inter-ministerial meeting chaired by H.E senior Minister regarding the district and village councils. Resolving the issue of district and village councils is one of the Pre-Tokyo indicators presented by donors at the Governance forum. Ministry of Agriculture, IDLG, IEC and office of oversight on Afghanistan constitution are the key stakeholders. The meeting was held on 09 <sup>th</sup> of May 2012.	
	4th Consultation meeting held on NPP 4 (Local Governance) at the IDLG between donors and Project National Advisors working in the Governance Cluster. Representatives from DFID, World Bank, USAID, AUSAID, Japan Embassy and UNAMA attended the meeting. Presentation was given by IDLG regarding the recent changes made to the NPP 4 and updated the donors and the Project's staff.	
	At this meeting the following the NPPs and Papers were presented for an endorsement in principle by the international community which will see a formal endorsement at the 19 <sup>th</sup> Joint Coordination and Monitoring Board. MBAW through its technical staff in collaboration with other donor driven technical assistance projects, facilitated, coordinated and finalized the remaining NPPs.	
Activity Result 2.6: The Policy Department developed enhanced capacity to facilitate preparation and implementation of the NPPs, manage and coordinate the ANDS (including NPPs) process, implementation and results		
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	For this quarter the reports highlight challenges and way forward relating to donor funding, budget execution, NPP implementation. These 120 monitoring reports can be accessed at the following website which is supported by the MBAW: <a href="http://www.thekabulprocess.gov.af">www.thekabulprocess.gov.af</a>	Ongoing 120 day rolling reports received

made, based on monitoring results	In collaboration with donors and cluster coordinating ministries, the Project's Cluster Advisors are working on the prioritization of the NPP budget linked to the deliverables at the sub-national level and sequencing of activities linked to each deliverable.	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.	For this quarter, a draft Newsletter has been prepared sharing information on the Government's preparation for the Tokyo Conference, the importance of the NPPs and how they will contribute towards peace, economic growth and stability during the Transition and Transformation period. Upon review and finalization it will be published on the <a href="http://www.thekabulprocess.gov.af">www.thekabulprocess.gov.af</a> website and the link shared widely with NGOs, CSOs, development partners and government counterparts.	Ongoing



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

ACTIVITY RESULT	DESCRIPTION OF RESULTS/ACHIEVEMENTS	% OF PROGRESS RATE/DELIVERY
Activity Result 3.1: Strengthened Budget Execution Processes and enhanced budget execution delivery	The total operating budget is Afs 157 billion for FY 1391, AfS 63 billion (40%) has been allotted and the actual expenditure up to end June is Afs 35.9 billion, which is counting as 23% of the total operating budget. The total development budget for FY 1391 is \$ 2,240 million, out of this \$ 562 million (25%) has been allotted by MoF to the ministries, which the total expenditure so far is \$135 million which is counting six percent of the total development budget.	Ongoing
	Weekly and monthly monitoring of budget execution has been regularly ongoing and these reports are made available to the public through the <a href="http://www.budgetmof.gov.af">www.budgetmof.gov.af</a> website. On a regular basis, MBAW coordinates with ministries providing technical guidance and consultation in expending the budget.	Ongoing
	MBAW is placing PFM Advisors in select LMs to help in policies/strategy development for improvement of budget execution performances and delivery management, develop capacity of LMs/institutions and help them in budget preparation and execution process, provide direct mentoring and on the job training/coaching for LM officials and oversight activities and ensure facilitation of knowledge building and knowledge sharing focusing on capacity development. Out of 15 positions we have successfully placed 11 PFM advisors. It is yet to be decided in which Line Ministries they will be placed	Ongoing
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	In an effort to improve budget execution rate of Line Ministries, MBAW is placing PFM Advisors in select line ministries to help in policies/Strategy 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 and ensure facilitation of knowledge building and knowledge sharing focusing on capacity development.	80% complete and ongoing
	As part of the capacity development plan, the Project's Capacity Development Advisor is taking a lead on the finalizing the Masters of Business Administration course to be delivered by the American University here in Kabul. The course will be mainly for MoF and project staff interested to further develop their skills in finance and management related topics	Ongoing

## D. ANNEX 4: RISK LOG

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Management response	Owner	Submitted, updated by	Last Update	Status
1	Donor funding to reduce after 2014 impacting stability and economic growth and infrastructure a	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 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

2	Challenges to Transition and Transformation. Analytical work for the Bonn Conference (Dec 2011) projected a persistent financing gap after the 2014 transition, as expenditures grow faster than revenues.	April 2012	Economic and Social	Continued funding gaps for security, challenges on Government absorptive capacity affecting budget execution rates and delivery mechanism for aid after 2014, need for progress with governance reforms and institution building and fiscal sustainability – will impact negatively the Transition phase. These could limit prospects for the private sector investment, economic growth, job creation and poverty reduction and inclusiveness.	The approach the MBAW 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 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.	MoF and Government	April 2012	June 2012	Ongoing
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3	Poor coordination and collaboration among Capacity Development Plans of Donors supporting MoF	January 2012	Organizational	Multiple and uncoordinated 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 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 in close consultation with the Budget Department and Donors is ensuring that existing and future capacity development plans are well aligned and with each other	Budget Department	January 2012	March 2012	
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## D. ANNEX 5: ISSUE LOG

S/N	Type	Date Identified	Description	Status/Priority
1	Organizational	June 2012	<p><b>Provincial Budgeting Trainings not aligned with Budget Calendar:</b></p> <p>The Project's team working closely with the Provincial Budgeting Unit is strained in an effort to implement and complete the provincial budgeting training events on time in this quarter. In addition, outreach visits to line departments to assess whether previous training skills have been successfully transferred and that provincial departments are more capable of preparing budgets in line with budget circulars and ceilings, is not undertaken regularly. As a result of the above two challenges, provincial authorities will have inadequate skills to prepare comprehensive budgets for 1392 due to the untimely roll out of the training. Provincial departments will not be able to prepare the required budget proposal within an indicative ceiling before being submitted to the relevant line ministry.</p>	High
2	organizational	April 2012	<p><b>Poor implementation and awareness of Program Budgeting Reform</b></p> <p>The program budgeting approach rolled to all Line Ministries in 1390 aims among other things at integrating development and operating expenditures related to achieving program objectives. Implementation of the program budgeting is a technically demanding reform and needs to be better executed. The few positive results have not delivered significant outcomes and the impact of pilot program budgeting has not been very positive. Line Ministries demonstrate the ability to cope with basic budgeting tasks currently and continue have poor knowledge of this reform and need greater capacity development to understand its implementation. Lack of awareness and weak capacity of Line Ministries is something that should have been recognized from the onset.</p>	High
3	organizational	April 2012	<p><b>Greater clarity on Busan New Deal</b></p> <p>The 'New Deal' is still in its infancy (approved November 2011), which presents an opportunity for the Government to shape it the way it wants its implementation to be in</p>	High

			Afghanistan. However, the lack of clarity on how it is to be implemented imposes some limitations. The Government should be clear on how it proposes to deal with the New Deal and take a cleared stand with the development partners. In addition, development partners have emphasized the importance of committing to and incorporating greater reference to peace-building and state-building goals (PSGs) as the core concepts of the New Deal.	
4	Organizational	June 2012	<p><b>Need to strengthen Mutual Accountability Framework:</b></p> <p>There is some ambiguity over the exact nature of the MAF. Will it be a comprehensive framework for all commitments (past, present, and future) or a narrow, focused document to ensure that Government acts on key commitments including aid effectiveness? Yet another challenge is that a mechanism of gauging, monitoring, and evaluating success or failure of MAF needs to be identified. What actions would be taken if one side fails in its commitments? How would the articles of the MAF be implemented? One way would be to establish some clear indicators to gauge the degree of success or failure.</p>	High
5	Organizational	May 2012	NPPs have been established on existing Line Ministry projects and new development initiatives. Some NPP projects are on budget and some are off-budget. The projects that are linked to the existing Line Ministry projects are mainly off budget – this raised serious challenges in monitoring the devolution of funds for NPP activities. With poor regulatory and institutional framework and policies, no oversight mechanism, it is challenging to monitor whether donors funds are being effectively and accountably used for NPP implementation.	Medium



## G. ANNEX 6: GRANT AND LOAN

- Non project grant aid (NPGA 2011) of USD 34million between GoA and Embassy of Japan
- A grant agreement for the Project for Improvement of East-West Arterial Road and Community Road in Northern Area of Kabul" amounting to USD 30.4million
- A grant agreement for Rehabilitation and Expansion of Aircraft Parking Aprons at Kabul International Airport between GOA and Embassy of Japan for the value of USD 24million.
- MBAW for Improvement of the Bamyán Airport" amounting USD 15. 2million between GOA and the Government of Japan.
- A grant agreement for improvement of the Kabul University" amounting to USD 8.1million between GOA and Government of Japan
- Amendments to the "Italian Support to Afghan Microfinance and Enterprises-ISAME project" and support to Agriculture project between MOF and the European Union
- ARTF grant 40 million for Justice Sector Delivery project
- IDA Grant 125 million for Afghanistan Rural Access project
- MoU on Training to Border police between EU Security Cooperation Organization, Afghan MoI and Tajikistan was reviewed and feedback provided to MoFA
- Agreement for Renewable Energy Program, Bamyán was negotiated and finally signed with New Zealand
- Memorandum of Agreement for the Jumhuriat Hospital between AKDN and GoA has been negotiated and discussed with the stakeholders. This is still to be finalized.
- SAARC agreement for the support of the MoPH was reviewed and negotiated with SAARC
- The agreement for the support of Kholam Kunduz road project was negotiated between Kreditanstalt für Wiederaufbau Bank (KfW) and the Ministry of Finance