



*Empowered lives.
Resilient nations.*

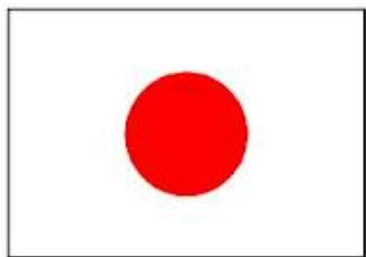
MAKING BUDGETS AND AID WORK

2013 SECOND QUARTERLY PROJECT PROGRESS REPORT

Donor Report - JAPAN



DONORS



Government of Japan



*Empowered lives.
Resilient nations.*

UNDP

PROJECT INFORMATION

Project ID:	00047111
Project Duration:	2007 – 2013
Project Duration (funded by the Government of Japan):	January 2012 – August 2013
Total Budget	USD5,500,000
Total Budget (funded by the Government of Japan):	USD 10,000,000
ANDS Component:	Good Governance
Contributing to NPP:	NPP1 PFM Roadmap
CPAP Component:	The state has improved ability to deliver services to foster human development and elected bodies have greater oversight capacity
Implementing Partner	Ministry of Finance
Responsible Parties:	Ministry of Finance and UNDP
Responsible Assistant Country Director:	Masood Amer
Project Manager:	Maiwand Akbari

ACRONYMS

AMD	Aid Management Directorate
AMP	Aid Management Policy
ANDS	Afghanistan National Development Strategy
AUAF	American University of Afghanistan
AusAid	Australian Aid
BCI	Budget Circular I
BCII	Budget Circular II
BU	Budgetary Unit
CBR	Capacity Building for Results
DAD	Development Assistance Database
DGB	Directorate General Budget of the Ministry of Finance
GEP	Gender Equality Project
GoA	Government of Islamic Republic of Afghanistan
GRB	Gender Responsive Budgeting
JCMB	Joint Coordination and Monitoring Board
LMs	Line Ministries
MAIL	Ministry of Agriculture Irrigation and Livestock
MBAW	Making Budgets & Aid Work
MIS	Management Information System
MoE	Ministry of Education
MoEc	Ministry of Economy
MoF	Ministry of Finance
MTFF	Medium Term Fiscal Framework
NPPs	National Priority Programmes
OBI	Open Budget Index
O&M	Operations and Maintenance
PB	Program Budgeting
PBU	Provincial Budgeting Unit
PFM	Public Finance Management
SBPS	State Budget Planning System
SOM	Senior Official Meeting
TMAF	Tokyo Mutual Accountability Framework
UNDP	United Nations Development Programme

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	1
II.	BACKGROUND	3
III.	RESULTS	5
	A. 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)	5
	B. OUTPUT 2: National Policy and Strategy Development and Coordination of External assistance aligned with Paris Declaration and ANDS implementation improved	11
	C. OUTPUT3: Improved Budget Execution and delivery management and sustainable Institutional capacity developed at MoF and Government Institutions.....	17
IV.	MONITORING AND EVALUATION	23
V.	GENDER SPECIFIC RESULTS.....	24
VI.	PARTNERSHIPS.....	24
VII.	ISSUES	25
VIII.	RISKS	27
IX.	LESSONS LEARNED.....	27
X.	FUTURE PLANS.....	28
XI.	ANNEXES.....	30
	ANNEX 1: FINANCIAL TABLE.....	30

I. EXECUTIVE SUMMARY

The project achieved all the remaining targets from its Annual Work Plan except the sub-national financing policy internal endorsement that is pending for consensus among the international donors community and within the Government of Islamic Republic of Afghanistan (GoA).

MBAW is thus building on its previous results in i) strengthening budget planning and management (output 1); ii) improving national policy and strategy development and coordination/management of external aid (output 2); and iii) increasing budget execution and supporting sustainable institutional capacity of the Ministry Finance (MoF) and line Ministries (LMs) (output 3). Achievements over this quarter have been commensurate in all outputs and the project exceeded to a large extent its target expectations over this quarter.

The project contributed a great deal of initiatives to changes in the field of Public Financial Management in the country, by notably streamlining and improving efficiency of budget cycle process and procedures. It also consolidated achievements from the previous quarter on the Aid Management Policy (AMP) towards a robust TMAF monitoring, while pursuing its efforts in the field of capacity development of the MoF at the enabling environment level and the organizational capacity development level of the LMs.

Aside from the routine functions of the MoF, supported to a lesser degree by the project, the project experts introduced, under output 1, new pilot LMs to critical PFM reforms (in Gender Responsive Budgeting, Operations & Maintenance, State Budget Planning System and Performance Monitoring) and improved collaboration between the MoF and BUs of LMs as well as the technical capacity of the BUs, translated by a very high percentage accuracy of BC I forms. The project in addition, greatly contributed to strengthening the micro-economic forecasting and modeling capacity of the DGB, critical for a sound budget planning process, by drafting several key fiscal analysis documents such as the working paper 'Fiscal rules in Afghanistan'

Output 2 achievements over this quarter in terms of aid effectiveness, management, coordination and alignment were significant in the Aid Management Policy implementation, thanks partially to the AMP working groups conducted and guidelines produced on alignment and 'on budget', and in the capturing of ODA alignment which was lagging behind. One additional NPP was also endorsed and intensive efforts were undertake to prepare for the Senior Official Meeting and review of TMAF achievements.

Furthermore, the project's revised approach on capacity development has started to pay off. On-the-job trainings played a crucial role in this success and at the same time contributed to increasing the organizational and individual capacities of LMs. To name just the training and capacity development efforts at the individual level, 789 people, mostly from LMs, attended capacity development events organized by the project (details in sections C of the report).

Finally, an external evaluation of the project took place over this quarter and albeit concerns on the exit strategy and sustainability aspects, which are intertwined with the

GoA capacity of absorption and fiscal constraints, the project performance was rated 'basically satisfactory', achieving 16 out of its 20 targets.

The project expected outputs are critical in light of transition and require ongoing support and technical assistance. Pursuing such efforts and initiatives as the ones reported under this quarter while consolidating gains achieved under the previous years and quarter is crucial for the GoA and for the MoF to deliver on its strategic objectives. As the project phase I is coming to an end by August 2013, it is of primary importance to secure funding for the next phase of the project. Recommendations from the external evaluation conducted are extremely useful in this regard as they provide a roadmap for a successful launch and implementation of MBAW phase II this coming September.

II. BACKGROUND

Since January, 2012, the project has made commensurate contribution to streamlining the budget processes and improving the PFM capacity of the MoF and GoA. The PEFA assessment findings that will be shared in the next quarter confirm these achievements and this trend.

In terms of aid effectiveness, coordination and management, the project contributions have been critical, translated by the endorsement of 21 NPPs to-date and a robust set of policy, procedures and M&E systems to monitor and evaluate alignment and harmonization rules reiterated at the Tokyo conference under the TMAF.

More recently, over the first quarter of 2013, MoF made noteworthy achievements in terms of the sub-national budgeting and streamlining of the national budget process, on aid effectiveness, the New Deal and TMAF implementation and on intensive on-the-job efforts towards capacity development within the MoF and LMs. One of the major developments was the early 2013 finalization and endorsement of the Aid Management Policy which is expected to play a major contribution towards meeting the TMAF commitments and towards improving aid effectiveness and aid management.

Regarding the overall situation of PFM in Afghanistan, the latest PEFA review, covering 2010-2012, portrays an optimistic overall picture as 11 indicators showed positive progress, (11 remains unchanged and 5 indicators declined). Besides, the recent high score of the GoA in the OBI index (59%) demonstrate also great progress in terms of increased transparency and accountability in Afghanistan. Substantial achievements of the GoA in these international benchmarks, recognized and praised also in the SOM, thus demonstrate the value-added of the technical assistance projects supporting the MoF and notably of the UNDP MBAW project that played a major contribution which is funded by the Government of Japan.

The support and technical assistance provided by the project to the MoF is therefore critical, especially given the current budgetary and fiscal constraints that the MoF is currently facing, due mostly to declining revenues.

The overall current fiscal situation of the GoA is a major challenge to achieve fiscal reliance by 2024, as stated under the TMAF. This quarter saw a major decline in revenue and tax collections, partly due to growing corruption and declining revenues collection in light of the elections. As a result, the Budget Department of the MoF had to drastically cut its expenditures by USD 250m, which has a negative impact on service delivery and on the capacity of the state to deliver public services.

On the NPPs and aid coordination and effectiveness fronts, serious funding gaps remain for most NPPs despite endorsement of 21 out of 22 NPPs and disagreements or diverging views on alignment and on budget definitions poses a serious threat to achieving the TMAF targets, hampering predictability, effectiveness and sustainability of aid. The project will thus be pursuing its efforts to provide the MoF with sound monitoring system and technical capabilities to measure current aid alignment and harmonization targets which seem to be

improving compared to last year but for which the MoF does not have yet any precise figure due to ongoing assessments.

The recent Senior Official Meeting (SOM) hold in July 2013 highlighted major achievements and ways forward to further make progress towards the TMAF objectives but serious bottlenecks remain and much awaited strategic reforms and political decisions are still expected to take place by both GoA and the international community. The principle of reciprocity stressed at Tokyo calls for both the GoA and the international development partners to meet their TMAF indicators, as pre-condition for a stable and peaceful transition.

III. RESULTS

A. 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)

The relevance of output 1 is still very high and critical to the GoA as it focuses on the national budget process which is crucial to the functioning of the state and delivery of public services. However, and as already mentioned in the Quarter 1 report, the ANDS has become outdated and the priority now is on alignment with NPPs, on 3 levels: policy, system and procedure levels; hence, the mention of 'supportive of the national development strategy' has become obsolete and should be replaced by the 'supportive and aligned with the National Priority Programs'.

Both activity results under this output remain highly pertinent as they focus on the national budget and the tools to improve forecasting, planning and implementing budgetary reforms and the public financial management of the Afghan core budget (ordinary and development). In light of transition, strengthening the MoF capacity to forecast, plan, manage and ultimately generate revenues (outside the project scope) while maximizing budget execution (at the heart of the project scope), is a strategic priority for the development partners and the GoA as formulated under the TMAF commitments.

1.1 Indicator:

- a) Number of budgetary units implementing Gender Responsive Budgeting
- b) Number of BC I forms submitted to MoF and reflecting national priorities

Project performance related to target 'a' under this activity result exceeded expectations as GRB was introduced to 2 additional Business Units (BUs): Ministry of Rural Rehabilitation and Development and Ministry of Agriculture, Irrigation and Livestock. It was previously initiated under Quarter 1 but the project experts, in collaboration with the UNDP Gender Equality Project, have completed all pre-requirements for effective rolling out of GRB to these 2 additional BUs. In addition, they jointly delivered with GEP trainers, a tailored training course to Gender focal points of all LMs (see details under output 3). A total of 6 LMs is thus now piloting GRB, compared to 4 last year. This reform is important as it aims to segregate gender budgeting data that will help the government analyze gender specific spending directed towards or benefiting Afghan female in light of increasing gender responsive allocations.

Regarding BC I form submission, quality, accuracy and alignment with national priorities, The Directorate General of the Budget (DGB) of the MoF adopted a new approach, under the initiative and assistance of the project experts, consisting of assessing informally BC I forms prior to submission from LMs. The project experts thus thoroughly reviewed and sent back comments to LMs prior to official submission. Out of all BC I 'draft' reports first submitted informally by the 56 BUs, approximately 20% were sent back with comments in order to best reflect the reality of the budget and the fiscal constraints forecasted for next year. The other 80% of the BC I forms were accurate and did not require any further adjustment. As far as alignment of NPPs is concerned, BC I forms submitted, as per the

analysis of the sector experts of the project, are 100% aligned with objectives of NPPs. However, alignment assessment at the deliverable level has not been conducted, mostly because NPPs deliverable mapping is not yet completed and concerns remain on the consistency and level of details of deliverable expectations from project and program perspectives.

As part of the national budget cycle and logical sequence following BC I submission, the budget ceilings recommendation paper was developed by the MoF under the technical assistance of the project experts, incorporating criteria for calculation of baseline and new activities in ordinary and development budgets ceilings. This document submitted and approved by Cabinet specifies recommended budget ceilings per LM, to be incorporated into the Medium-Term Budget Framework, and will be sent along with BC II forms in the next quarter. Following submission and analysis of BC I, ceilings are developed per LMs by the project and submitted to Cabinet for approval. It is a key budget planning step which results into LMs submitting BC II forms aligned with their respective ceilings, thus, taking decisions on their priorities and projects to be funded for the fiscal year ahead.

In addition to the above, the project experts spent considerable efforts on addressing the Operations and Maintenance (O&M) issues, by revising the O&M policy and reviewing progress with the 2 pilot LMs (Ministry of Education and Ministry of Health) for the development of norms and data generation from their MIS systems. This revised O&M policy and the pilot-based introduction of simplified norms-based budgeting, within the revised O&M policy, is expected to improve quality of the project costing from LMs and ultimately ensure that O&M costs are accurately planned and integrated into development projects, hence positively impacting on the budget execution rates.

Moreover, the State Budget Planning System (SBPS) was rolled out, over this quarter and for the first year, to 8 pilot LMs and the project experts conducted numerous meetings, presentations and trainings including technical preparation and design of manuals to ensure smooth implementation of SBPS in the selected pilot LMs. Project PFM Advisors also received comprehensive trainings as they will be key focal points for these 8 pilot LMs and will be responsible for providing technical assistance and guidance which should thus ease the pilot LMs implementation of this reform and thus ensure quality control. This new reform aims to move towards a paperless budget allotment system and thus improve efficiency.

1.2 Indicators:

- a) Number of budget performance reports**
- b) Number of fiscal bulletin produced**
- c) Number of sub-national financing consultations/meetings**

The first Quarter Budget Performance report was developed by the project, covering 19 pilot LMs. This 1392 first quarter report is primarily used as an internal document and it reviews the level of expenditures, delivery of outputs and performance variances of the 19 BUs and provides practical recommendations to improve their budget execution capacity and foster service delivery at the sub-national level. The report points out the lack of coordination between the departments, low capacity of the line ministry officials to prepare realistic financial plans and budget reports, limited capacity of local contractors, government bureaucracy and intense security in some parts of country as major challenges for delivering service at the national and sub-national levels. It also suggests to improve and ensure that adequate coordination mechanisms exists within the departments of the pilot LM, to improve monitoring and MIS functions and to provide focused support to the LMs as well as to further integrate parallel service delivery structures and units while enhancing political commitments at the senior management level.

Furthermore, 6 new pilot LMs (MoJ, MoM, MoFA, MoIC, MoAN, MoRR) were introduced to the performance monitoring reform implementation.

Besides training delivered to the pilot LMs, which are detailed under the output 3, senior official commitment from the MoF and the pilot LMs was facilitated and secured by the project experts in order to smoothen the introduction of this reform. Implementing this reform helps the MoF and the GoA to monitor performance and progress of LMs. The mid-year performance reports are then shared with Parliament to exercise its oversight role on the LMs performance. Issues of this mid-year report are also discussed at the political level in Cabinet. Consequently, the performance reporting is a critical tool to monitor performance of LMs and to hold them accountable for their performance and results.

While the second Quarter report is under progress, the MoF assisted by the project has already issued directive to the 25 pilot LMs to better develop their semi-annual performance reports. Furthermore, discretionary and non-discretionary development budget performance of the 15 largest Budgetary Units was initiated which aims at analyzing bottlenecks of these BUs and thus, better address challenges to budget performance.

The Fundamental Importance of transparency and accountability in the national budget process

Following a series of workshops on open data; Afghan Journalists, various university students and Central Statistics Organization staff members learnt about the Open Budget Index and fiscal transparency in Afghanistan. The MoF presented achievements in fiscal transparency during past decade and participants learnt how to locate key documents, published by the project at the MoF Budget Department, enhancing access to information and increasing knowledge in public domain on issues of public financial management.



*Training course organized on OBI to the CSO staff
(Photo Credit: World Bank Afghanistan)*

The rolling out of the performance monitoring reform and the above recommendations from the report demonstrate the importance of technical assistance provided by the project. Although the suggested recommendations remain a challenge for the MoF and LMs, a number of initiatives and efforts have been undertaken by the project experts to improve budgetary performance of LMs over the past months, notably in terms of coaching provided and improvements of the communication and coordination channels between the MoF and LMs.

Regarding target 'b', the project completed over this quarter the Annual Fiscal Report for 1391 as well as the first Quarter fiscal bulletin for 1392 and the monthly bulletins for February and March 2013, all available on the MoF website at www.budgetmof.gov.af. In addition to meeting the project targets, the project also completed critical assessments, forecasting and modeling such as the pension scheme for both civilian and military civil servants assessment, the 1393 revenue modeling for the pre-budget statement, or the draft 1393 Medium-Term Budget Framework, the latter providing macroeconomic outlook, fiscal strategy and revenue and expenditure analysis. They have also been working on a critical working paper on "Fiscal Rules in Afghanistan", looking at viability of formulating a set of fiscal rules in Afghanistan, which has become a primary concern for the MoF and the GoA given the recent revenue shortfall and fiscal constraints, particularly in light of transition. These reports and fiscal analysis help the MoF to forecast expected revenues and expenditures, to better plan, match and manage budget revenues and expenditures of the and ultimately to improve service delivery.

In terms of sub-national budgeting consultations, target 1.2 c of this output, it was already reported under the last quarter that over 10 consultations were organized. To-date, the sub-national financing policy is still pending for MoF senior management comments and approval; hence, this target is only partially met. Whereas additional consultations and presentations on the provincial budgeting policy were organized by the project over this quarter with AusAid, ISAF, selected Governors and the WB, full scale external stakeholders consultation process is expected to begin following endorsement of this policy by the MoF, but there is no consensus yet on the 'adequate' sub-national governance and financing models for Afghanistan, including diversity of views within and between the GoA and the development partners.

To conclude, the project met all its targets under this output aside from the sub-national budgeting policy which has not yet been approved. It must be noted that some activities conducted by the project experts include routine functions such as upgrading DAD/SBPS, BC I data entry, reviewing of LM expenditures and carry forwards, etc. and that key steps of the budget cycle are by definition core functions of the MoF. Such functions are however critical to the national budget and can simply not be undertaken by government positions given the current absorption and financial capacity of the MoF. The project is nonetheless assisting the DGB of the MoF with creating and justifying new tashkeel positions in the organizational structure of the DGB for next year and is hoping to gradually transfer some of its staff to tashkeel positions, under the World Bank CBR top-up scheme. Additionally, some functions and responsibilities that have already been successfully transferred to tashkeels will no-longer be needing support from the project.

Below is a snapshot of where MBAWP is in relation to its annual targets after Q2

2013 Baseline	2013 Annual Targets	Q2 Planned	Q2 Actual	Comments
1.1 a) Gender Responsive Budgeting piloted in 4 budgetary units	a) Gender responsive budgeting introduced in additional 1 budgetary unit	GRB rolled out to 5 BUs	Exceeded - GRB rolled out to 2 additional Bus, thus total of 6 BUs piloting GRB reform.	
b) BC I forms submitted from all Line Ministries and 60% of them reflecting policy priorities	b) BC I forms are processed on time and 65% of them reflecting national priorities	All BC I forms are processes on time and 65% of them reflect national priorities	Met – BC I forms were processes on time and 100% of them are aligned with NPPs at the policy level	Alignment with NPPs has only been conducted at the policy level. Besides, BC I forms were submitted first informally and checked for consistency and exactness by the project experts before submission to ensure quality and accuracy.
1.2 a) Budget Performance report published on a monthly basis	a) One Budget performance report published on a monthly	1 st quarter Budget Performance Report published	Met - 1st quarter budget performance report published on the MoF website	Budget Performance reports are published quarterly and not monthly.

2013 Baseline	2013 Annual Targets	Q2 Planned	Q2 Actual	Comments
	basis			
b) Fiscal bulletin published quarterly	b) 1st quarter fiscal bulletin published	1391 Annual Fiscal Report completed and translated and 1 st quarter fiscal bulletin published on the MoF website	Met – Annual Fiscal Report for 1391 and 1st Quarter fiscal bulletin for 1392 published	Additional monthly fiscal bulletins finalised and published (covering February and March 2013)
c) No sub-national financing policy and no mechanism	c) 10 sub-national financing consultations conducted and provincial budgeting policy internally approved	At least 5 consultations conducted and draft sub-national policy endorsed by MoF senior management	Partially met – 20 consultations conducted over the first 2 quarters of 2013 (14 reported under Q1) and 6 under this quarter	Sub-national budgeting policy still pending MoF senior management internal approval

B. OUTPUT 2: National Policy and Strategy Development and Coordination of External assistance aligned with Paris Declaration and ANDS implementation improved

The scope and relevance of this output is slightly outdated as previously mentioned in the Quarter 1 report as the NPPs and the TMAF gradually became the primary tools and reference documents for national policy and external aid coordination and implementation. In line with the recent international agreements and commitments from Afghanistan, the project has thus been supporting the GoA with the Busan New Deal and with monitoring and coordinating TMAF implementation.

Activity results under this output are thus partially obsolete as they both focus on the ANDS expiring this year and the project has moved towards facilitating alignment and harmonization rules, as prime priorities under this output, as well as towards supporting aid coordination, aid effectiveness and the NPP process in light of improving implementation of intertwined national policies and matching fiscal strategies which should pave the way for a stable and sustainable transition.

2.1 Indicators:

a) Joint Coordination Management Body (JCMB) endorsed the Aid Management Policy (AMP)

b) Tracking and monitoring system in place to capture ODA alignment

As previously reported in the last quarter, the Aid Management Policy was endorsed and the project pushed forward a key number of follow-up activities and critical steps in order to “support and accelerate the achievement of Afghanistan’s vision to move towards increasing self-reliance by 2024 and “attain sustainable economic growth and development and fiscal self-reliance from Transition through the Transformation Decade”¹, namely:

- AMP implementation workshop with civil society and development partners organized, aiming to discuss and take forward the 11 priority actions matrix of the AMP. This workshop helped to reach an agreement on the main priorities and expected targets to be achieved under the AMP by 2013, in full consultation with development partners and CSOs. These priority actions will be further discussed in the AMP working groups;
- Third AMP working group meeting held where comments from the AMP matrix were received from members to be integrated into the consolidated version;
- ‘On budget’ and alignment concept notes and guidelines drafted in order to clarify the understanding and conditions of the GoA on these issues;

¹ Tokyo Declaration, Partnership for Self-Reliance in Afghanistan, From Transition to Transformation, July 8, 2012.

- Number of New Deal strategic documents and briefing notes such as the New Deal Task Force ToRs finalized, identifying areas where the GoA would need support and assistance from the UN and lead donors agencies. It is hoped that the GoRA will agree on conducting the fragility assessment in the next quarter, thanks to the contributions and efforts from the project experts;
- Development Cooperation Dialogues organized from May 16 to June 19, with 24 individual donors in view of reviewing progress and challenges within their respective portfolio (main conclusions from these dialogues will be shared in the next quarter report);
- Senior Official Meeting prepared, including the draft report on the TMAF progress review.

This quarter was therefore extremely eventful for the project aid coordination and management experts as well as for the Policy cluster experts. Without their technical assistance, commensurate progress towards improved aid coordination and effectiveness would not be achievable and the MoF would not be able to manage and coordinate external assistance nor to ensure its monitoring role of the TMAF commitments as agreed with the development partners.

Capturing ODA alignment and measuring alignment is at the heart of the AMP and TMAF commitments. Although limited results have been achieved so far regarding monitoring of ODA alignment, mostly because of a lack of baseline data, the project experts distributed a questionnaire to all donors during this quarter. According to their respective self-assessments, 86% of their portfolios are aligned at the policy level with NPPs (based on questionnaires received from 17 donors). Analyzing donors' portfolio at system and procedure levels has nonetheless not been undertaken as it is a very lengthy process, although it is required under the GoA understanding of alignment. It is expected that the AMP working group will be looking into these concerns of alignment from the 3 level perspectives and that joint alignment assessments will be conducted over the next quarter between individual donors and the MoF.

The AMP implementation's development

Following the endorsement of Aid Management Policy and organization of three Working Group Meetings, the AMP working group ToRs was finalized and the participants were briefed on the government's preferred on-budget modalities. Similarly, the working group members thoroughly discussed the prioritized matrix, actions and indicators. In addition five guidelines have been developed for the AMP implementations: 1) On Budget Guideline, 2) Alignment Guideline, 3) Development Financial Agreements, 4) Financial Agreement Guidelines and 5) guideline on Joint Assessment.



*AMP working group 2nd meeting
(Photo Credit: Ahmad Ali Fakhri, MBAW)*

Within the remit of monitoring and measuring ODA alignment, the project also delivered training courses on the Development Assistance Database (DAD) to major donors. As of

June 2013, about 70% of the total aid disbursements of 2012 have been recorded in the DAD thanks to the recent contributions and efforts from the project and notably the joint data entry and collaboration between major donors such as the USAID and the project team.

Moreover, the project experts are currently piloting and coordinating an alignment assessment exercise undertaken by the LMs on their on-budget donors funded projects. Findings from this assessment will help to compare self-assessment alignment from donors' perspective with the LMs understanding of actual alignment as beneficiaries of donors funded projects.

These 3 initiatives running in parallel provide building blocks for measuring and monitoring ODA alignment which is a major contribution and success for the project and the MoF. The AMP working group, supported by the project team, will be playing a leading role in this process, in view of ensuring consistency of alignment and most importantly, to reach a consensus from the donors community and the GoA on the alignment definitions as well as funding priorities under NPPs which remain for most underfunded.

2.2 Indicators

- a) Tokyo Mutual Accountability Framework (TMAF) action plan and M&E system in place**
- b) Number of National Priority Programs (NPPs) approved and sources of funding identified**

As elaborated in the above section, the project designed a set of mechanisms and a robust framework to monitor the TMAF indicators, accompanied by initiatives and policy instruments, M&E system, technical working groups as part of the AMP, and policy guidelines to monitor the TMAF commitments. The AMP is in fact a major policy to monitor progress against the TMAF.

In preparation of the SOM, held early July 2013, the project organized over 30 meetings and consultations with LMs and development partners over this quarter, in order to measure and monitor TMAF commitments. Results of this exercise are presented under the TMAF SOM joint report, highlighting current status and achievements. Further details of the SOM joint report and meeting will be shared in the next quarter report but it was reported by the media that TMAF progress from the government side has been limited. Nonetheless, TMAF indicators related to Public Finance Management and transparency were met (area 3 "Integrity of Public Finance and Commercial Banking", indicators 3 and 4 related to the PEFA and OBI), for which the project experts embedded within the MoF highly contributed to this success and can therefore claim joint ownership and achievements with the MoF.

As far as the NPPs are concerned, one additional NPP was approved over this quarter: "Law and Justice for All", under the Governance clusters which led to 21 NPPs being currently approved out of 22. The "Transparency and Accountability" NPP remains problematic and it is not expected to be endorsed anytime soon. This target was thus fully met over this quarter and further work was carried out by the project team to identify and review progress on NPPs hard deliverables as part of the TMAF process and to address funding issues of NPPs via notably the establishment of technical working groups led by the clusters

lead LM, for which ToRs have been by now finalized by the Policy Department of the MoF with technical assistance of the project.

To summarize, all targets under this output were met over this quarter and additional results were achieved to further improve national policy and strategy development and to measure and monitor alignment and the TMAF commitments and progress. Assessment exercises regarding monitoring alignment are still undergoing and will deserve particular attention over the next quarter as alignment is critical to the TMAF process to guarantee sustainable transition and donors commitments pledged at Tokyo.

Below is a snapshot of where MBAW is in relation to its annual targets after Q2

2013 Baseline	2013 Annual Targets	Q2 Planned	Q2 Actual	Comments
2.1 a) AMP drafted	a) AMP endorsed	At least AMP working group meeting organized to finalise and agree on the 2013 AMP target and priority actions	Met - AMP already endorsed in last quarter	3 working group meetings conducted and organized by the MBAW team
b) No Data on ODA alignment available	b) Tracking and monitoring system in place to capture ODA alignment	Donors alignment self-assessment questionnaires analyzed and monitoring system in place to track ODA alignment	Met – ODA alignment measuring and monitoring initiatives initiated. 3 parallel assessments exercises undergoing to measure and monitor alignment NPPs hard deliverable mapping completed	70% of the total aid disbursements of 2012 have been recorded in the DAD in June 2013. 86% of 17 donors projects portfolio aligned with NPPs (according to self-assessment)

2013 Baseline	2013 Annual Targets	Q2 Planned	Q2 Actual	Comments
2.2 a) TMAF principles endorsed at Tokyo and AMP under revision	a) TMAF action plan and M&E system designed and agreed by donors and developing partners	TMAF M&E system agreed and in place and at least 20 consultations conducted with development partners and LMs to evaluate and monitor progress on TMAF indicators in view of the SOM meeting	Met – Over 30 consultations organized and TMAF SOM joint report drafted	July 2013 SOM presented progress and challenges in TMAF indicators achievements
b) 16 out of 22 NPPs are endorsed	b) 20 out 22 NPPs endorsed	21 out of 22 NPPs endorsed	Met - 21 NPPS endorsed out of 22	1 remaining NPP not endorsed: Transparency and Accountability

C. OUTPUT₃: Improved Budget Execution and delivery management and sustainable Institutional capacity developed at MoF and Government Institutions

This output remains highly relevant and budget execution and service delivery are at the core of the MoF priorities. Furthermore, developing organizational and enabling environment capacities of the MoF and LMs has become, since 2012, a primary focus of the project, highlighted by the recent external evaluation findings. Overall, the MoF organizational capacity and especially of the DGB department is high, although largely staffed and supported by technical assistance projects including this project, but efforts have been strengthened over this quarter to improve capacity of the MoF tashkeel staff and numerous on-the-job trainings were delivered to the LMs.

The focus of the project over this quarter is on the PFM enabling environment driven by the MoF, supported mostly by the project contributions towards design of strategic policy documents such as the draft Public Private Partnership policy package, than on the organization capacity level of the MoF. MoF improvements over this quarter at the organizational level capacity are substantial and the rolling out of SBPS is an excellent example of improving budget execution process and efficiency. The project in addition conducted regular budget execution review meetings with the LMs in order to timely address challenges of budget execution. Capacity development efforts of the project moreover concentrated, on the organizational capacity of the LM and BUs, having introduced, for example, integrated measures to facilitate coordination and collaboration within LMs which are expected to improve budget execution. Finally, the project contributed to the individual capacity development of LMs, via delivering extensive on-the-job trainings to LMs (see details in the table below) and for which the project intends to develop in the coming weeks a comprehensive on-the-job training policy coupled with a solid monitoring and recording system.

- 3.1 Indicators**
- a) Percentage increase of development budget execution rate in selected 14 LM**
 - b) Percentage accuracy of financial plans submitted by the 14 supported LM**

To-date (as of July 2013), a total of 5386 allotment have been issued, for both operating and development budgets, which corresponds to a large volume processing increase compared to last year as a total of 5980 allotments were issued during last fiscal year. A total of 2213 allotment forms of the development budget were successfully issued by the project team over this quarter, resulting into a 15% increase of expenditure from last quarter. At the same period last year (2nd quarter of the budget fiscal calendar year), the expenditure rate only improved by 10%. This is a substantial improvement that can be successfully granted to the project staff for their ongoing efforts. In terms of the core budget, budget allotments and special codes adjustment forms were accurately processed leading to an increased expenditure rate of 39% from last quarter, compared to 31% from last year at the same fiscal calendar period.

The increase of budget execution rates compared to last quarter for both core and development budgets are mainly due to numerous initiatives from the MoF and the project:

- Review meetings conducted by LMs or by sectors (for example Health and Infrastructure sectors) in order to best address bottlenecks and challenges;
- Budget execution report timely presented and discussed with top management of LMs;
- Monitoring and regular reviews of large projects to smooth and ease the budget execution process;
- Workshops with LMs organized, aiming to identify solutions for speeding up allotment and expenditures process;
- On-the-job training and 'classroom' training courses provided to LM (see below for details);
- Key PFM Advisors' role as focal points within LMs providing technical support to ensure accuracy of the submission of their respective financial plans.

The above activities led to tangible results in the budget execution rate of LMs compared to the last quarter. The annual month by month comparison is illustrated in the below diagram:



As shown above, the cumulated execution rate is down by 4% compared to last year at the same period of the budget cycle but it is expected that the cumulated rate will be much higher in the next quarter, thanks to the mid-year performance review to be discussed at Cabinet and the Parliament, as the mid-year review to be organized in July between the MoF and LMs should help to solve and overcome identified bottlenecks and challenges.

As previously reported in the last quarter, financial forms of the 13 LMs were 100% accurate thanks to the technical assistance and on-the-job coaching provided by the project's PFM Advisors. The other financial plans from the 44 BUs were on average 90% accurate which makes an aggregated 95% overall accuracy of financial plans. Last year, accuracy was estimated at 70-75%. The reasons for this major achievement above the project work plan targets are similar to the ones reported for the 100% accuracy of the submitted financial plans of the 13 LMs under the last quarter. The revised approach from project's sector experts and PFM Advisors now embedded within sectors, to guide and assist the BUs along the allotment and expenditure process and to provide assistance to LMs in the design, preparation and submission phases of the required forms, paid off in terms of quality and

accuracy of financial plans submission. The PFM Advisors are not only playing a checking and supervision function from the MoF side but are truly guiding the LMs through the budget allotment and execution process using on-the-job support and trainings as successful tool to improve technical capacity of the BUs and accuracy of the submitted financial plans.

3.2 Indicators:

a) number of training courses, coaching to LMs and peer to peer exchanges organized

Supporting the enabling environment and organizational capacity development is at the core of the project investments and efforts. In this quarter, the project achieved substantial gains on this front. The project experts have been converging efforts and various initiatives, as explained above, to help strengthen the MoF and the LMs' capacity by focusing on the enabling environment of the MoF and the organizational capacity of the LMs. It should be noted that creating enabling environment and strengthening organizational capacity are intertwined and should be worked on hand in hand in order to ensure sustainable capacity development.

On-the-job trainings are used as a main tool to improve technical capacity at the organizational level of LMs. However, the project's efforts in this direction need to be supported by a coherent and harmonized policy and M&E system, which is currently being drafted and will be implemented over the next quarter. The table below illustrates some of the on-the-job initiatives but many more are still not recorded by the project and do not depict a comprehensive picture. It is however expected that the on-the-job training policy and M&E system will be endorsed over the next quarter and will thus help to adequately record all on-the-job trainings delivered by the project.

Capacity development efforts from the enabling environment perspective of the MOF include drafting of a comprehensive Public Private Partnership package of policy and legislation in order to introduce this new initiative across the GoA, the draft sub-national financing policy in order to improve service delivery models, dissemination to donors of policy guidelines and concept notes on alignment and "on budget", adapted coordination mechanisms between MoF and LMs, and budget cycle processes revision and ongoing streamlining of procedures, to name just a few examples.

Budgetary Units to prepare high quality BC I submission for FY 1393

Along with the Budget Circular I training course, project experts prepared guidelines and checklists as tools to analyze and design a realistic BCI submission for FY1393. Line Ministries are thus able to submit high quality BCI forms for FY 1393 that are realistic and based on the instructions and guidelines circulated by the MBAW/MoF.



*The Director General of the MoF Budget Department presenting introductory remarks to the participants of the BC I workshop
(Photo Credit: Ahmad Ali Fakhri, MBAW)*

On the organizational capacity development of LMs, the project experts provided on-the-job training to develop technical capacity of BUs of LMs on budget planning, submission of financial and allotment forms. To effectively provide the technical support, a collaborative working methods and approach has been adopted towards the LMs which had a tendency in the past to regard and consider the MoF only as a “sermonizer” only, often taking decisions that did not reflect concerns and priorities of the LMs without much collaboration and inclusive stakeholders engagement. This collaborative approach is progressing well, thanks to the project experts. The table below details the project’s main capacity development initiatives although as explained above; many on-the-job training courses are not accounted for, due mostly to a poor tracking and monitoring of on-the-job trainings that should however be solved by the endorsement and implementation of the future on-the-job trainings policy and M&E system:

<i>Capacity development initiative</i>	<i>Target group</i>	<i>Content</i>	<i>N. of participants</i>	<i>N. of female</i>
On-the-job trainings	Finance and Planning departments of 13 LMs	BC I	39	
	Selected 6 LM BUs tashkeel staff	Budget formulation process	24	
Training courses	MoF infrastructure sector staff	Infrastructure NPPs and development budget projects presentation	10	
	MoD tashkeel	BC I and BC II	50	
	AusAid project Advisors to be embedded within LM	PFM reforms and Program Budgeting	16	
	MoF procurement directorate	Public procurement law	17	8
	ARD sectors LM	SBPS	10	
	BUs of LMs	Gender Responsive Budgeting	50	
	6 new pilot LM of the Performance monitoring reform	Performance monitoring	52	2
	LM	BC I	320	26
	Focal points from donors agencies	DAD	30	
	MoF budget execution directorate	SBPS and DAD	30	
Workshop	University students	Open data, OBI , accountability and transparency principles (organized by the World Bank but the project collaborated)	28	5
	Journalists		31	6
	Central Statistics Office		52	9
Peer-to-peer exchange	DMs for 16 LM and MoF Policy Department staff	Malaysian PFM and national policy system and best-practices	30	2

<i>Capacity development initiative</i>	<i>Target group</i>	<i>Content</i>	<i>N. of participants</i>	<i>N. of female</i>
		Total	789	58

Number of female participants in the above events remains very low (7.35% recorded) and very often not recorded. The project capacity development team will ensure that the percentage of women participation is systematically recorded in the future by organizing awareness sessions with the MoF, insisting that participation of women is key to sustainable capacity development efforts. A robust M&E system will also be developed

One peer-to-peer exchange in Malaysia was organized over this quarter and the project finalized preparation for the 2nd Malaysian study visit to take place at the end of August, which will include MoF representatives. Sixteen Deputy Ministers participated to the first peer-to-peer exchange in Malaysia at the end of May 2013, aiming at sharing best-practices from the Malaysian government on PFM reforms implementation and learning from practical and successful experience of the Malaysian Ministries in matching national priorities and policies with budget and public finance management. An additional peer-to-peer exchange preparation was also concluded for a study visit early September in Turkey on sub-national governance and budgeting, in collaboration with UNDP Turkey country office. The main purposes of these 3 peer-to-peer exchanges organized by the project are for the selected participants to learn from different countries experience and best-practices in PFM and apply these lessons-learned in their work environment.

Targets under output 3 were largely met over the first and second quarters. The project capacity development team will keep on strengthening its efforts towards developing capacity of the MoF and LMs from the enabling environment and organizational capacity perspectives. The project management also plans to transfer selected project staff performing line functions of the MoF to tashkeel positions under the World Bank Capacity Building for Results scheme and therefore implement its exit strategy and reduction of staff on the project payroll. It is crucial for the project to meet donors' expectations in terms of the exit strategy and to assist the MoF in gradually absorbing technical assistance staff, while further concentrating on the PFM reforms agenda and meeting the TMAF commitments of alignment and harmonization which are regarded by the GoA as pre-requisites of smooth transition.

Coordinated capacity development events at the MoF

Example of the biweekly events calendar initiated by MBAW and disseminated within the MoF. It helps the MoF staff to know and plan the major events organized by the MoF and thus increase visibility of the project supported capacity development initiatives.



Below is a snapshot of where MBAW is in relation to its annual targets after Q2

2012 Baseline	2012 Annual Targets	Q2 Planned	Q2 Actual	Comments
3.1 a) 1391 official execution rate is 49%	a) Overall LM execution rate improved by 10% compared to March of last year	Budget execution rate improved by 10% from last quarter	Met - Budget execution rate improved by 15% from last quarter (Q1)	Budget execution cumulated rate (from first 6 months of budget fiscal year) however down by 4%.
b) 70% accuracy of the 14 LM financial plans	b) Finalized submission of financial plans from LMs with above 80% accuracy	All financial plans submitted and analyzed, with above 80% accuracy	Met – Average 95% accuracy	New approach taken from the project consisting of guiding and assisting BUs with their financial forms submission paid off.
3.2 a) 2800 people were trained over 2012 (including participants to peer to peer exchanges)	a) 1 peer to peer exchange organized and a minimum of 6 training courses organized targeted to MoF and LM	1 peer-to-peer exchange organized and a minimum of 6 training courses organized	Met - 1 peer to peer exchange organized in Malaysia and 789 individuals attended capacity development initiatives of MBAW (via 10 training courses, on-the-job trainings, workshops and peer-to-peer exchanges)	Preparation of additional study visits in Malaysia (end August 2013) and Turkey finalized

IV. MONITORING AND EVALUATION

A decentralized independent project evaluation of the project took place over this quarter. The evaluation covers the project's period of from May 2007 to April 2012. Below is a summary of the evaluation's key findings:

Overall, the final evaluation considers project performance satisfactory although there remain fundamentally significant areas for improvements. The ratings as per the evaluation criteria are:

- **Relevance:** High
- **Effectiveness.** Overall: Met expectations. Namely:
 - Output 1: 2 out of 3 targets are met
 - Output 2: All targets are met
 - Output 3: A failure if evaluated according to the original benchmarks set forth in the project's Results and Resources Framework (budget execution rate in relative term). Considering the delivery rate in absolute terms, there has been a major progress despite a significant inflation rate in the country during the past six years.
 - Output 4: All targets are fully met
 - Output 5: All targets are fully met, some partly exceeded
 - Output 6: 2 out of 5 targets are not met. In total: Failure.

The project failure in achieving the targets regarding Output 3 (Budget execution) and Output 6 (Exit Strategy) can be partly attributed to unrealistic and unreasonable target settings. If they had not been that ambitious and more reasonable, the project would have achieved them.

- **Efficiency:** In general basically met expectations but at sub-national level: under expectation.
- **Sustainability:**
 - Sustainability at enabling environment level: Relatively high
 - Sustainability at organizational level: Met expectations
 - Sustainability at individual level: Basically met expectations but more could have been done
- **Impact:**
 - On MOF: Met expectations
 - On LMs: Basically met expectations
 - On sub-national level (Provinces): under expectation

In conclusion, the project performance during the past 6 years can be considered as basically satisfactory, meeting 16 out of 20 targets (80%).

V. GENDER SPECIFIC RESULTS

Besides the introduction of the Gender Responsive Budgeting to two additional LMs and the organization of various capacity development activities of which 58 women were participants², the project has not been very active in promoting gender participation in the project nor in facilitating women empowerment within the core objectives and outputs of the project. This is mainly due to a very restricted number of female staff within the project and the MoF. Nonetheless, it has become apparent that the project needs to:

- Develop a consistent reporting system to monitor and record gender aspects at the project level;
- Continue providing technical assistance in collaboration with the UNDP's GEP project in implementation of the GRB pilot reform in the selected LMs;
- Further cooperate with the UNDP gender cluster in order to streamline gender within the project scope and activities; and
- Push the MoF and GoA to recruit more female staff within the PFM related units of the MoF and LMs although. However, based on the project's experience, recruiting qualified women with PFM expertise remains a challenge, and this issue probably need to be addressed at a much deeper grass-root level starting from supporting educational programs directed to women on PFM, developing women-specific internship programs at the MoF, and above all, supporting women's rights and empowerment within the Afghan society which is outside the scope of this project.

VI. PARTNERSHIPS

The project did not developed new partnerships over this quarter although it contributed to organizing a series of workshops targeted CSOs and students on the OBI aiming to enhance access to information and increase visibility and understanding of Afghans on accountability and transparency principles thoroughly applied by the MoF.

It is also expected that a Memorandum of Understanding will be signed between MoF and representatives of Afghan CSOs over the next quarter, facilitated by the project, in order to tightening relationships and collaboration and reinforcing the understanding and oversight roles of CSOs on the national budget process.

² As mentioned above, the number of female participants could be higher as many capacity development activities did not record gender disaggregated data of the participants.

VII. ISSUES

- **Uncertainty over sub-national governance and provincial budgeting arrangements (recorded January 2012)**

The project supported Provincial Budgeting Unit of the MoF to closely monitor all steps of preparation and policy development process in order to make course corrections and steer the process. In addition, further consultations with stakeholders are planned in view of reaching a consensus. Contingent plans were also designed when deterioration of security situation lead to delays and/or cancellation of training program delivery (such as grouping of provinces in more secure provinces or training venue to be held in Kabul which however increase substantially the costs).

The subnational financing policy is pending approval from senior management of MoF and is still, despite the stakeholders consultations meetings organized by the MBAW team, facing diverging views from both the donors community and from/within the GoA.

- **Parallel and fragmented service delivery models (recorded January 2012)**

The project has been assisting the MoF in gradually acquiring technical capacities in fiscal and macro-economic forecasting and analysis and the PFM Advisors are supporting the LMs with their capacity development and budget execution absorption capacities. This is an on-going issue that is at the core of the project objectives.

- **Funding gaps for NPPs implementation (recorded March 2012)**

Partly due to the declining interest from donors on the NPPs, some NPPs such as the governance ones are still struggling to secure funding. The project cluster experts organize and coordinate regular meetings with MoF, LMs, MoEc and the development partners to address this issue. The project will continue supporting MoF and development partners in their efforts.

In addition, identifying funding sources for NPPs is an on-going process which is being addressed by the project cluster experts by conducting regular meetings and consultations with development partners. The AMP working group meetings should also help to address this issue.

- **Limited fiscal resources against significant off-budget spending (recorded July 2012)**

This previously identified issue cannot be solved in the short term and is a long process. The project experts, however, contributed to the Self-reliance strategic contribution to the Tokyo declaration. MoF is also developing a sound fiscal forecasting and modeling capacity which is critical to tackle this issue.

Currently the MoF and GoA is facing serious decline of revenues which has a direct impact on the core budget allocations and future projects. The MBAW advisors and team is currently assisting the MoF in revising the budget, taken into account this new paradigm.

- **Implementing the exit strategy without undermining MoF capacities (recorded June 2012)**

This issue is being addressed by the capacity development plan of the project and close collaboration with the World Bank Capacity Building for Result project has been initiated in order to gradually transfer project staff under this scheme to the MoF.

It is expected that a minimum of 10 current project staff will be transferred to tashkeel and CBR by the end of the next quarter.

- **Difficulties in collecting data for sound fiscal forecasting and modeling (recorded February 2013)**

The Fiscal Department is highly dependent upon collection and reliability of data from other government agencies such as the Central Bank but the data/statistics collection and methodology capacity in Afghanistan remains very limited. The project fiscal experts are currently designing a database for macro forecasting models and the data collected and entered should be used as a baseline to forecast and to develop sound fiscal modeling.

However collecting reliable data and statistics in Afghanistan is a serious issue and can not be tackled by the MBAW project alone.

- **Lack of coordination between the MoF, the MoEc and other LMs on the NPPs and TMAF processes (recorded February 2013)**

Despite the efforts of the cluster Advisors in transferring technical expertise and know-how to the MoEc, the capacity of the MoEc remains low and duplication high. Further assistance and support should be envisaged for the MoE which is now playing a critical monitoring role in the implementation of the NPPs following Tokyo.

Besides, as NPPs are essential components of the TMAF commitments, MBAW experts from the Policy, the Aid Coordination and the Budget Execution departments have, over this quarter, intensified their collaboration in order to speak from one voice at the MoF and as examples, conduct joint assessment of alignment, develop policy guidelines, identify sources of funding for NPPs, and more generally facilitate coordination between the GoA institutions.

VIII. RISKS

- **Achieving the 50% on-budget (harmonization) rule and 80% NPP alignment rule (recorded January 2012)**

Monitoring of the alignment rule is being addressed as reported above but meeting this important TMAF benchmark depends largely on the donors commitment and implementation.

The onbudget harmonization rule remains at the core of MoF priorities, and MBAW experts are supporting the MoF with the streamling of the national budget process and procedures. Further collaboration between the Treasury and the Budget Departments of the MoF would also help.

- **Predictability of aid (recorded January 2012)**

The project, via its support to the Fiscal Department, Policy department and Budget Department of the MoF, is providing technical assistance to further link national priorities with the national budget and to build the capacity of these departments to analyse, forecast and model accurate macro-economic projections in order to better anticipate and address forthcoming challenges linked to projected fiscal constraints.

- **Collapsing projects into core functional assignments (recorded September 2012)**

The project is closely monitoring and implementing its capacity development plan, supporting the project exit strategy, and is ensuring that capacity development of the MoF is sequenced with fiscal capacities and resulting absorption capacity of the MoF, while exploring the options of tashkeel/CBR transfer of core functional staff.

- **Funding for the new phase of the project (recorded October 2012)**

There is still no written commitment from donors to support MBAW II 2013 – 2015.

IX. LESSONS LEARNED

- **Interaction with external stakeholders and development partners is key to the implementation of the AMP and the Provincial Budgeting Policy (previously reported under Quarter 1 but even more relevant in this quarter especially in regards to the TMAF commitments monitoring and recently organized SOM meeting)**

There is a need for improved cross-disciplinary interactions with internal and external stakeholders to accomplish the expected outputs and implementation of both the AMP and the Provincial Budgeting Policy. Advances, regular and continuous communications and discussions with development partners and key stakeholders in policy dialogues are key to effective implementation of new policies as they help to resolve bottlenecks and potential barriers.

- **Need for improved coordination with the Treasury and other MoF departments (previously reported under last quarter but of particular importance given the recent decline of revenues and repercussions on the national budget)**

As the MoF is facing serious revenue decline and fiscal constraints, the project should support the MoF in improving coordination and communication between the DGB and the Treasury department. Many options are available such as setting up a joint taskforce, regular coordination meetings, etc. but commitment and support from the MoF leadership is critical.

- **Monitoring of TA projects under the DBG and TA coordination meetings are key to avoid overlap and duplications**

The DGB introduced under guidance and support from MBAW a technical coordination cell already recorded under last quarter. Three TA coordination meetings took place from last to this quarter. These meetings greatly help to understand other TA projects core focus and latest developments but it would also be recommended to assign government representative(s) from the DGB per donor project as focal point(s), in order to review and report on the progress on these donors funded projects and above all identify potential overlaps. Currently the Program Budgeting Unit supported by the project is tasked as TA coordination cell secretariat but resources are lagging behind to fulfill this role.

- **On-the-job trainings are a very effective tool to improve technical capacity of LM and tashkeel staff within the MoF**

The project recently started to heavily push forward on-the-job trainings as the preferred approach for capacity development at the individual and organizational levels. This approach has already demonstrated tangible results in terms of improved coordination between the MoF and LM and also in terms of technical capacity development of the BUs of LM with budget planning and execution processes and procedures. MBAW plans next to introduce a comprehensive on-the-job training policy and M&E system to further reap benefits of such an approach and consolidate gains.

X. FUTURE PLANS

The project will be consolidating gains from the previous quarters and focus on the following:

- Under output 1, the project will follow the budget calendar and efforts will mainly concentrate on i) providing assistance to the MoF with the BC II analysis, ii) preparing and organizing Budget Hearings and Budget Committee meetings, iii) pursue implementation and monitoring of introduced PFM reforms in pilot LMs, and iv) draft fiscal modelling and forecasts in order to best plan a 'realistic' budget;
- Under output 2, the project will mostly i) pursue the alignment exercises and assessments undertaken within this quarter, ii) implement the AMP agenda and activities as agreed, including organizing technical working group meetings, iii)

assist the GoA with the next steps of the Busan New Deal (the Fragility Assessment), and iii) carry on NPPs coordination and facilitation between clusters LMs and address funding gaps;

- Under output 3: the project management will be i) addressing sustainability concerns of the project and intends to decrease the number of staff by a minimum of 20 positions by next quarter. In addition, the project will be ii) processing allotments and providing on-the-job trainings to LMs in order to improve budget execution to an overall 35% by the 3rd quarter of 2013, iii) finalising the on-the-job training policy and M&E system in order to harmonize, set quality standards and monitor on-the-job trainings delivered by the DGB, iv) organize two additional peer-to-peer exchanges, and v) implement the project capacity development plan and monitor organizational capacity gains.

MBAW phase I will end in August 2013 and it is hoped that firm funding commitments will be made by donors for the next phase of the project. The project management team, the UNDP senior management from the country office and the senior management of the MoF are taking this issue very seriously and hope that funding will be secured as this project is of critical importance to the MoF and GoA.

XI. ANNEXES

ANNEX 1: FINANCIAL TABLE

Annex 1. Financial Table

Donor Name	COMMITMENT/ PREVIOUS YEARS RECORD				CURRENT YEAR - 2013					FUTURE EXPENSES		TOTAL RECEIVABLE		
	Commitment (a)	Revenue Collected 31/12/2012 (b)	Expenses 31/12/2012 (c)	IPSAS Adjustment (d)	Opening Balance E=(b-c+d)	Contribution Revenue (f)	Other Revenue (g)	Expenses (h)	Closing Balance I=(e+f+g - h)	Commitments (Unliquidated Obligations) (j)	Undepreciated of fixed Assets and Inventory (k)	(Future Due) L=(a-b-f)	(Past Due) (m)	Available Resources N=(i - j - k-m)
Japan	10,000,000	10,000,000	6,014,333	-	3,985,667			2,898,654	1,087,014	51,817		-	-	1,035,197
UNDP (Core Fund)	1,522,136	-	-	-	-	1,522,136		1,140,283	381,853	30,729		-	-	351,124
Grand Total	11,522,136	10,000,000	6,014,333	-	3,985,667	1,522,136	-	4,038,937	1,468,867	82,546	-	-	-	1,386,321

Note:

- i) The figures provided in the above statement are provisional; the final figures will be known once the 2013 mid-year closure exercise has been completed by end of August 2013.
- ii) Income received in currency other than USD is approximated to USD based on UN- Operational Rate of Exchange applied.

Annex 2. Expenses by Output

Project Output ID and Description	2013 Budget (AWP)	Expenses (Jan-Mar-2013)	Expenses (April-June-2013)	Cumulative Expenses (Jan-June)	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)	598,158	231,771	199,968	431,739	72%
Sub-total Output 1	598,158	231,771	199,968	431,739	72%
Output 2 (Output ID 00081415): National Policy and Strategy Development and Coordination of External assistance aligned with Paris Declaration and ANDS implementation improved	1,365,314	439,751	534,408	974,159	71%
Sub-total Output 2	1,365,314	439,750	534,408	974,159	71%
Output 3 (Output ID 00081439): Improved Budget Execution and delivery management and sustainable institutional Capacity developed at MoF and Govt. institutions	2,955,352	1,553,394	858,548	2,411,942	82%
Sub-total Output 3	2,955,352	1,553,394	858,548	2,411,942	82%
Output 4 (Output ID 00056407): Technical Assistance and Management Cost (Project Support Costs)	588,999	176,696	44,401	221,097	38%
Sub-total Output 4	588,999	176,695	44,401	221,097	38%
Grand Total	5,507,823	2,401,611	1,637,325	4,038,937	73%

Annex 3. Expenses by Donor

Donor Name	Project Output ID and Description	2013 Budget (AWP)	Expenses (Jan-Mar-2013)	Expenses (April-June-2013)	Cumulative Expenses (Jan-June)	Delivery Rates
Japan	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)	239,158	210,771	2,127	212,898	89%
	Output 2 (Output ID 00081415): National Policy and Strategy Development and Coordination of External assistance aligned with Paris Declaration and ANDS implementation improved	613,178	77,486	238,365	315,851	39%
	Output 3 (Output ID 00081439): Improved Budget Execution and delivery management and sustainable institutional Capacity developed at MoF and Govt. institutions	2,715,352	1,340,082	852,995	2,193,077	81%
	Output 4 (Output ID 00056407): Technical Assistance and Management Cost (Project Support Costs)	417,999	(29,174)	206,002	176,828	42%
Sub-Total		3,985,687	1,599,165	1,299,489	2,898,654	73%
UNDP (Core Fund)	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)	359,000	21,000	197,841	218,841	61%
	Output 2 (Output ID 00081415): National Policy and Strategy Development and Coordination of External assistance aligned with Paris Declaration and ANDS implementation improved	752,136	362,265	296,043	658,308	88%
	Output 3 (Output ID 00081439): Improved Budget Execution and delivery management and sustainable institutional Capacity developed at MoF and Govt. institutions	240,000	213,312	5,553	218,865	91%
	Output 4 (Output ID 00056407): Technical Assistance and Management Cost (Project Support Costs)	171,000	205,870	(161,601)	44,269	26%
Sub-Total		1,522,136	802,447	337,836	1,140,283	75%
Grand Total		5,507,823	2,401,612	1,637,325	4,038,937	73%

