

Making Budget and Aid Work Project (MBAW)

2011 – 2015



MBAW supports the Ministry of Finance and relevant line ministries to strengthen budget planning and management, and policy and strategy development; this includes aid coordination, budget and sustainable capacity development for improved budget execution management for service delivery.

ANDS Pillar 2 and Kabul Communiqué Focus Area Governance, Rule of Law, and Human Rights

Proposed Budget
\$ 30 m USD

Resources*
7 mil USD

Implementing Partners
Ministry of Finance

Donors
Canada, Germany, UK



* As of 1 May 2011

Context

The national budget is considered the primary mechanism through which a number of key development principles are promulgated. The Ministry of Finance (MoF) is responsible for the management and execution of the national budget, and for coordination and implementation of the Afghanistan National Development Strategy (ANDS).

However, in Afghanistan, where donor funds are channeled through numerous outlets, the MoF faces considerable challenges to plan, manage, and execute the budget. The result is a lack of prioritization for projects, very little predictability of external assistance, and lack of coordination between parties.

A high priority for the MoF is to significantly increase domestic revenues through improved revenue administration, strengthened enforcement, and a general broadening of the tax base, all of which are essential to reduce Afghanistan's reliance on international assistance and aid dependency.

Situated within the MoF's Budget Department, MBAW provides essential support to the Budget Department to strengthen budget planning, implementation and monitoring processes, and to promote budget as a tool for coordination of international development assistance.

As such, MBAW supports the MoF to carry out reforms announced at the 2010 Kabul Conference, including the adoption of policies to strengthen the ANDS and a three-year Public Financial Management Roadmap.

Project Overview

The Ministry of Finance requires continued capacity development to achieve the outputs identified at the 2010 London and Kabul International Conferences on Afghanistan. In response, UNDP has merged its traditional capacity development support to MOF into a single UNDP project.

MBAW is focused on enhancing the link between the ANDS, National Priority Programmes and the national budget process, together with a concentrated effort to improve the MoF and line ministries' and budget execution processes. MBAW strives to build confidence among Afghanistan's international development partners to channel increased levels of external resources through the national budget.

The project conducts its work under the guidance of three components:

1. Budget Planning and Management

MBAW focuses on strengthening National Budget processes for the GoIRA to execute sound macroeconomic management practices and to promote efficient allocation of both domestic revenue sources and large-scale international development assistance. This is achieved through developing Medium Term Budget Framework, program and provincial budgeting reforms, technical assistance to the Budget Department and Aid Management.

2. Development Strategies and Policies

To implement the ANDS, UNDP has established a Department of Policy to oversee implementation plans and to facilitate working relationships. MBAW supports the Department of Policy, in conjunction with the Aid Management Unit, to track external assistance through the production of ANDS reports and reviews, focusing on ANDS implementation achievements.

3. Development Delivery Management and Sustainable Policy Framework Management capacity at the National Level

MBAW seeks to strengthen delivery management and enhance budget execution at MoF and line ministries. Overall, the goal is to develop sustainable institutional capacity and in this regard to help better delivery of infrastructure and services to the Afghan population.



Coverage of MBAW:
Kabul



A New Budget Process in Line with National Priorities

Program budgeting is a new instrument that links budget spending with national budget priorities. More importantly, it is an essential link between the Afghanistan National Development Strategy (ANDS) and budget operations of the government.

MBAW has helped the Government of Afghanistan to develop and implement program budgeting across all of its line ministries. Officially endorsed by Cabinet in July 2010, program budgeting has been rolled out to all 51 budget units; as such, program budgeting is now the official tool used to prepare and present the budget in Afghanistan.

In order to facilitate this shift in budget preparation, a great deal of time and resources were dedicated to providing training and support to budgetary units. Technical and departmental staff were trained in all aspects of the program budgeting process, as per the Program Budgeting Handbook. The result? An improved budget preparation process in which line ministries can appropriately estimate and realistically assign dollar figures to their projects for the upcoming financial year.

Fully in line with MBAW's mandate, program budgeting is an essential tool to realize ANDS results. The ability to align the budget with ANDS strategies requires further refinement to address overlaps observed between ministries during this initial process. Ministry-specific results frameworks should be drafted to better align their individual budgets with the ANDS. Not only will this result in an improved budget execution process, but a budget that responds to Afghanistan's development needs and priorities.

Key Results

- Assisted the Ministry of Finance to launch the Public Finance Management (PFM) Roadmap in July 2010, **which improves budget execution, strengthens the budget and increases accountability and transparency.** The Open Budget Index measures Afghanistan's PFM rating, which has jumped from 8% (2008) to 22% (2010).
- **Developed and implemented Program Budgeting across all line ministries.** The budget integration process serves as an essential instrument to link the budget with national priorities.
- **Supported fiscal sustainability** through the signing of a debt relief program worth \$16 billion USD and a Memorandum of Economic and Financial Policy.
- Developed an Operational Guide that will **increase GoIRA ownership of the development agenda** as per Paris Declaration Aid Effectiveness Principles. The document was produced in response to donor partner requests, and provides concrete measures used to enhance the effectiveness of projects.
- In order to achieve **sustainable institutional capacity development**, organizational restructuring has occurred within the Budget Department, and extensive capacity development programs have been initiated and implemented based on needs assessments.
- **Provincial budgeting policy developed** to set a mechanism for better integration of the provincial priorities into national budget and facilitate communication between central line ministries and their provincial departments
- **Capacity of provincial departments enhanced** for greater participation in provincial budget formulation and execution
- **National Priorities and clusters aligned with ANDS** priorities strengthening linkage between the ANDS/NPP coordinating structures and the national budget process
- **Introduced Gender Responsive Budgeting** to address issues and achieve outcomes that match the objectives of the ANDS. Seven ministries have been trained on a pilot basis to prepare a budget that incorporates the GoIRA's gender equality policy.

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