

## United Nations Development Programme Afghanistan

### Making Budgets and Aid Work (MBAW)

#### Third Quarter Project Progress Report – 2010



Workshop delivered to Balkh Province Officials on Provincial Consultation process

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## Making Budgets and Aid Work Project Donors

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## Acronyms

<b>ACU</b>	<b>Aid Coordination Unit</b>
<b>AFMIS</b>	<b>Afghanistan Financial Management Information System</b>
<b>AMD</b>	<b>Aid Management Directorate</b>
<b>ANDS</b>	<b>Afghanistan National Development Strategy</b>
<b>AWP</b>	<b>Annual Work Plan</b>
<b>BC1</b>	<b>Budget Circular No 1</b>
<b>BC2</b>	<b>Budget Circular No 2</b>
<b>BEU</b>	<b>Budget Execution Unit</b>
<b>BIRU</b>	<b>Budget Integration and Reform Unit</b>
<b>CoA</b>	<b>Charts of Account</b>
<b>CPAP</b>	<b>Country Programme Action Plan</b>
<b>DAD</b>	<b>Development Assistance Database</b>
<b>DFID</b>	<b>Department for International Development (UK)</b>
<b>DFR</b>	<b>Donor Financial Review</b>
<b>FPU</b>	<b>Fiscal Policy Unit</b>
<b>GoA</b>	<b>Government of Afghanistan</b>
<b>HLCAE</b>	<b>High Level Committee on Aid Effectiveness</b>
<b>IFIs</b>	<b>International Financial Institutions</b>
<b>IMCs</b>	<b>Inter Ministerial Committees</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>LM</b>	<b>Line Ministry</b>
<b>MBAW</b>	<b>Making Budgets &amp; Aid Work</b>
<b>MCP</b>	<b>Management Capacity Programme</b>
<b>MIS</b>	<b>Management Information System</b>
<b>MoF</b>	<b>Ministry of Finance</b>
<b>MTBF</b>	<b>Medium Term Budget Framework</b>
<b>MTFF</b>	<b>Medium Term Fiscal Framework</b>
<b>NDF</b>	<b>National Development Framework</b>
<b>ODA</b>	<b>Official Development Assistance</b>
<b>OECD</b>	<b>Organization for Economic Co-operation and Development</b>
<b>PFEML</b>	<b>Public Finance &amp; Expenditure Management Law</b>
<b>PRGF</b>	<b>Poverty Reduction Growth Facility</b>
<b>PRT</b>	<b>Provincial Reconstruction Team</b>
<b>SBPS</b>	<b>State Budget Planning System</b>
<b>TA</b>	<b>Technical Assistance</b>
<b>TCC</b>	<b>Technical Coordination Committee</b>
<b>UNDP</b>	<b>United Nations Development Programme</b>
<b>UNDAF</b>	<b>United Nation Development Assistance Framework</b>
<b>UNAMA</b>	<b>United Nations Assistance Mission to Afghanistan</b>
<b>US</b>	<b>United States of America</b>
<b>WB</b>	<b>World Bank</b>

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## Executive Summary

The Public Financial Management Roadmap presented at the Kabul Conference in July was operationalized during the reporting quarter. The implementation plan was developed with achievable performance indicators. The plan has been developed to cover the short, medium and long term reforms needed to improve the PFM performances within the government institutions.

The Medium Term Budget Framework (MTBF) as pre-budget statement that links the spending plans to the overall government objectives and ensuring medium-term fiscal sustainability of budget decisions was developed during the third quarter. The MTBF includes the budget ceilings for all the government budgetary units. The budget ceilings serve as the total level of expenditure for a budgetary unit and each budgetary unit has to develop its annual budget within the given ceilings”.

The analysis for the Budget Circular No. 1 that includes all the budgetary unit’s requests for 1390 was successfully completed during the third quarter. The analysis highlighted if increases within the national budget are fiscally and economically justified.

The performance evaluation and programme development capacity of the line ministries were assessed during the third quarter. Based on the capacity need assessment a number of existing programme budgeting ministries would be graduated. The technical assistance (TA) provided to the graduated ministries through USAID financed project would be extracted. This methodology was a SWOT analysis of the ministries resulting in drastic changes in the approach of MoF and implementation of program budgeting within line ministries.

Programme budget implementation action plan stating different key functions and processes which line ministries have to perform keeping in mind the budget timetable and MoF timelines. This gradual and effective plan by budgetary units will help towards smooth and timely implementation for the year 1390. The implementation instruction or action plan was circulated to all the budgetary units both in Dari & English which is to be signed by top level management and sent back to MoF assuring agreement to the plan.

Third quarter included designing and formulating new integrated comprehensive Budget Circular No. 2 forms and instructions for the Year 1390. For the preparation of 1390 budget, Program Budgeting is being rolled out to all ministries/budgetary units. Therefore, for the preparation of 1390 budget only a single set of BC2 and associated budget submission forms are being issued to all ministries and budgetary units. All the budgetary units are obligated to submit their budget in form of programs.

Third quarter was a successful season for the provincial budgeting capacity development team. From early August to end of September comprehensive sessions were held for Balkh, Bamyán, Jawzjan, Kunduz, Nangarhar, Kunar, Laghman and Nuristan provinces. The objectives of these workshops were to involve provincial authorities in planning and budgeting processes at the provincial level through an open and consultative approach.

Outreach missions for Balkh, Kandahar, Bamyán, Panjsher, Nangarhar and Badghis PRTs were also held to improve the understanding and knowledge of PRTs on GoA planning and budgeting procedures and related PFM areas.

## Context

**Making Budgets & Aid Work (MBAW) project provides the essential support to the Budget Department of the Ministry of Finance to strengthen budget planning, implementation and monitoring processes. In addition, the project promotes the effective use of the national budget as a tool for coordination of international development assistance to the government of Afghanistan through implementing various activities that build on the outputs and outcomes of the project in line with the ANDS and UNDAF.**

**MBAW regards the National Budget as an agent through which a number of universal development principles can be promulgated, such as: fiscal discipline and sustainability, national security, provincial and social equity, poverty reduction, increased productivity and growth of the private sector, gender equality, poppy eradication and the effective delivery of public services.**

**The Afghanistan National Development Strategy (ANDS) which serves as the Government Strategy for Security, Good Governance, Economic Growth and Poverty Reduction underlines the need to strengthen the crucial role of developing a national budget as the government policy making instrument essential for achieving planned national development priorities.**

**The project aims at strengthening the National Budget processes as a comprehensive policy and decision making mechanism for the Government of Afghanistan to be in a position to follow good macroeconomic management and promote efficient allocation of the domestic resources as well as the International Development Assistance.**

**In order to better link ANDS 's strategic objectives and policy priorities with the annual budget and prioritize the available funds where they are most needed, in 1385 the Government of Afghanistan decided to introduce programme budgeting. The importance of programme budget implementation has also been recognized by the International Monetary Fund (IMF), with the introduction of programme budget being one of the key benchmarks for the IMF's Poverty Reduction Growth Facility (PRGF) programme. Provincial budgeting was also introduced in early 1385 as part of the budget integration and reform initiatives made by the Ministry of Finance since it is essential to ensure that provincial inputs are facilitated and included in the budget process, an issue often debated by the Parliamentarians.**

**Improving coordination and effectiveness of development assistance in line with the ANDS priorities and the principles of the Paris Declaration is a further aim of the project. To this end, the project continued to support improved coordination of donor activities through a number of high-level coordination mechanisms and other aid monitoring instruments.**

**The project constantly seeks to provide technical guidance and information to the budget, finance and planning directorates of the line ministries as well as other institutions. However, there are still capacity constraints which require further work, particularly to ensure that capabilities and skills of the national staff are further enhanced and that the exit strategy is adhered to and a mechanism is established that will facilitate the transfer of knowledge and experience to the civil servants in the Ministry of Finance and to other line ministries where the project is rigorously working.**

## Implementation Progress

### **Component 1: Policy Support (The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)**

#### **(1.1) Strengthened Budget Policy and Planning Processes linked to ANDS priorities**

Public Financial Management (PFM) Road Map presented by GoA at the Kabul International Conference sets the PFM reform objectives for MoF and all engaged financial institutions. PFM Road Map translated into activities and actions with targeted timelines were part of the post conference efforts. Areas related to the Budget Department i.e. Budget Formulation, Budget Execution, Fiscal Sustainability and more effective aid management are given considerable attention for further improvements. The developed action plan outlines the short to medium term approaches and timeline for MoF to complete. Instant actions are taken already that will be highlighted as part of the third quarter report.

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Aligning the national budget with the ANDS priorities and results framework and fragmentation of development projects in spite of so many efforts still remains a significant challenge for the Afghan Government. At Kabul International Conference on Afghanistan, the government presented its national priority programmes (Bankable Programmes) to its development partners. The proposed programmes adjust governments' efforts with the ANDS/PRSP objectives and priorities to the extent possible. The integration of these national priority programmes into the budget processes were successfully attempted earlier as stated in the second quarter report. Detailed developing and designing of the programmes are still underway. MTBF based on the national priorities including the budget ceilings for all the budgetary units is developed during the reporting period.

**The Medium Term Budget Framework (MTBF)** as pre-budget statement is “an approach to budgeting which links the spending plans to the overall government objectives. MTBF is essentially a tool for ensuring medium-term fiscal sustainability of budget decisions, i.e. for setting budget priorities that can be funded from available resources. The purpose of MTBF as pre-budget statement is to deliver preliminary draft budget that contains assessment of existing budget policies and new funding priorities for the coming period. It sets initial budget ceilings for each budgetary unit based on which units can prepare detailed budget submission. The budget ceilings serve as the total level of expenditure for a budgetary unit and each budgetary unit has to develop its annual budget within the given ceilings”.

Budget ceilings recommendation paper as a policy document parallel to MTBF is developed and approved by the cabinet. The paper presents detailed analysis of BC1 submissions including the estimated revenue. The paper proposes ceiling calculation methodology to be used by MoF for 1390 budget.

Budget ceilings both for Recurrent (Operational) and Development Budget that serve as the ultimate control document for budgetary units on what their expenditure levels are were approved by the Budget Committee and Council of Ministers. The ceilings are arranged code-wise for the Operating Budget and as total for Development Budget. Budget ceilings were

calculated using agreed approaches for baseline budgets and budgets for new spending initiatives. In addition calculations are done based on agreed principles that take into consideration historic execution rates of each line ministry and their capacity to implement the project.

New fiscal pressures as part of the 1390 budget planning that includes security, Pay and Grading and Teachers' salary expenditure were analyzed. Detailed costing was done for the Pay & Grading reform and security sector for the year 1390 through consultative process engaging all the relevant stakeholders. Security cost sustainability for Afghan National Police that is mostly financed through UNDP LOTFA project were reviewed. There are concrete demands from the development partners to GoA for taking over some of the financed cost by donors. Policy analysis papers with many scenarios and alternatives were proposed to the MoF senior management for taking over the security costs by GOA.

During the third quarter the following documents were reviewed that have fiscal implications and policy advices and support to the GoA relevant officials:

- 1) Pension law development,
- 2) Salary scale review for Ministry of Foreign Affairs' staff at Afghanistan embassies and
- 3) Overtime payment rules and regulations

The support including reviews to the above processes aims at controlling fiscal and budgetary disciplines and implications. The efforts by the project experts enabled the Ministry of Finance to avoid any commitments that will have dismal fiscal and budgetary implication and undermine the sustainability of the effective budgeting practice.

Third quarter also includes efforts for integration of municipalities and state owned enterprises budget into the national budget planning process. Collections of municipal historic data projections including revenue and expenditure and incorporating the analyzed data into the MTBF for ten largest municipalities were attempted. The efforts continue with the engaged departments of IDLG. Developing forms and mechanisms for the data collection are also included in on-going practices.

## **(1.2) Strengthened Budget Formulation Processes**

**1390 Budget Circular One (BC 1).** Consultation and coordination with the ANDS team took place right after Kabul Conference to integrate the Bankable (National Priority) programmes into the BC1 and BC2 processes. In order to align budgetary resources with line ministry ANDS results frameworks and to translate ANDS priorities into budgets, BC1 was developed and distributed to all budgetary units. The purpose of this circular was to 1) ask all budgetary units to provide their priorities, 2) cost those priorities for the year 1390-1392 and 3) identify results (outputs) expected to be produced with the requested funds. The BC1 submissions from budgetary units are used as a basis to assess and identify priority government policies that can be funded from available resources and determine budget ceilings. These ceilings are contained in the Pre-Budget Statement adopted by Cabinet in mid September 2010 and form the basis for Budget Circular Two.

Comprehensive workshops and trainings for providing the BC1 submissions were conducted for all the budgetary units' planning and finance departments. The number of government officials trained at these events exceeds five hundred budget and finance staffs.

BC1 template, forms and a ministry-specific analysis questionnaire for data analysis and submissions were developed. The template asks the budgetary units to provide concrete justifications for huge increases in their 1390 planned requirements and to provide descriptive information for the new initiated projects. As part of the effective budget planning practice, new initiative by analyzing the submitted budget requests for 1390 took place. The analysis highlights if:

- increases more than 5% compared to baseline info are justified;
- the project list is provided for all requested baseline;
- the development and operating costs relating to each initiative been identified;
- the new initiatives make a contribution to government policies on pro-poor, gender, or other cross cutting issues;
- data reconciled and consistent with the SBPS fed figures;

The idea behind the above analysis was to strengthen the budgetary units' capacity to forecast their budget in accordance with their actual needs and development strategies rather than ad-hoc and traditional budgeting basis. Furthermore, the practice enables the budgetary units to be accurate and precise during budget planning and formulation. The submitted data for BC1 requirements were reviewed and the FMIS, i.e. SBPS, is customized accordingly to receive the data. This is indeed a great achievement during the quarter as the computerized data analysis and reports minimizes the level of errors.

**1389 Mid Year Budget Review.** Poor planning and programme development is a major challenge for the government to overcome for effective budget formulation and execution. The midyear budget review exercise provides an opportunity for the MoF and line ministries to review the budget performances for the first two quarters of 1389. Operating budget expenditure percentage is satisfactory as it mostly finances the civil servants' salary. However, the low budget expenditure for the development budget is a major concern for the GoA. The midyear budget review exercise is underway with focusing on the below points:

- Identify projects that need fund adjustments either to include new development commitments or to decide on carry forward to 1390;
- Review of the development projects to exclude completed projects from the national budget decree;
- Exclude projects that are either not funded or preliminary phases such as feasibility studies are not done yet;
- Review projects with the low execution rate and recommend necessary actions to improve the project performances;

To cover the concerned areas, a midyear review template covering the above objectives is developed. The template intakes data from the budgetary units for revisions and proposals to be included for the 1389 midyear review process. Initial data on unavailability of funds from donors, completed projects and projects put on halt are collected from line ministries. In addition, preparing the financing table for the national budget and identification of the budget deficit for previous years is also part of the exercise. The budget deficits for the previous years were identified through extensive analysis as some of the donor's pledged

commitments were not translated into disbursements. In addition, planned disbursements were also not deposited into the GoA's Treasury account.

### **Programme Budgeting**

The PFM Road Map considers the programme budget implementation as the only tool to align the development projects to the ANDS results framework. The programme budgeting also aims to properly cost the development projects and to efficiently utilize the available resources. The programme budget rollout plan covers all the GoA budgetary institutions for 1390 budget planning process. The programme budget guidelines was agreed and approved by the council of ministers during the third quarter. The guidelines enable MoF to fully replace the traditional budgeting practice with the new reform i.e. Programme Budgeting for 1390 budget proposals.

The programme budgeting implementation indeed needs high capacity at the national level. To meet the capacity requirement, comprehensive trainings were delivered during the month of July for all the newly introduced budgetary units resulting in training of more than 575 line ministries' staffs. The training focused on programme budgeting objectives and outcomes.

**Circulate Cabinet Endorsement Letter on Programme Budget.** The programme budgeting reform that was introduced in 1386 with three pilot ministries lacked political support from top government officials. The lack of interest and support by the line ministries made it difficult for the MoF to achieve the target objectives effectively on time. To overcome this challenge, a programme budget concept note was developed in the second quarter which as a policy reform document was introduced to the council of ministers where it was endorsed.

The Cabinet endorsement and approval was circulated to all financial and budgetary institutions during the third quarter. The circulation has now backed the efforts of the MoF for gaining more support at the highest government level. This will support the overall budgeting practice to go in line with the ANDS requirements.

**Capacity assessment of line ministries.** Proper monitoring mechanism for effective programme budgeting implementation reform is a key. The performance evaluation and programme development capacity of the line ministries were assessed during the third quarter. Based on the capacity need assessment a number of existing programme budgeting ministries would be graduated. The technical assistance (TA) provided to the graduated ministries through USAID financed project would be extracted. This methodology was a SWOT analysis of the ministries resulting in drastic changes in the approach of MoF and implementation of program budgeting within line ministries.

Programme budgeting reform led by MBAW started in 1386 with a number of donors' financed projects technical and financial support. The support included technical expertise to assist the MoF both in providing technical trainings, expertise in formulating policy and procedures, and coaching and mentoring of government employees. Technical assistance teams were assigned in each ministry and budgetary unit implementing programme budgeting. The key functions of the advisory teams are to create capacity within the LMs and pave the way for smooth implementation of the reforms.

Since 1390 budget planning process, all budgetary units (54 budgetary institutions) are covered under the umbrella of Programme Budgeting; there was a need to evaluate the current capacity level of the existing line ministries and identify successful ministries for <sup>1</sup>graduation. The graduation was in form of extractions of TA teams from the line ministries. Following are the ministries fulfilling the criteria set for graduation and to receive graduation certificates in the upcoming program budget steering committee.

- Ministry of Public Works
- Ministry of Agriculture and Irrigation
- Civil Service Commission
- Ministry of Economy
- Ministry of Transport and Civil Aviation

The programme budgeting team evaluated the technical assistance strategy and assignment and provided input for the betterment of the reform and efficiency of the Programme Budgeting mechanism and approach. In addition, introductory meetings were held with all budgetary units for initial discussions on implementation strategy.

**Programme Budget Preparation and Expenditure System.** Budget Preparation and Expenditure Tracking (BPET) is a key financial management information system (FMIS) facilitating line ministries in 1) preparation of budget, 2) tracking of budget expenditures, 3) costing, and 4) reporting. It has been observed that the ministries using BPET has been immensely successful implementing Programme Budgeting reform, therefore in the last steering committee meeting on programme budgeting MoF agreed to provide fund for the line ministries to purchase the software. It was decided to reevaluate the BPET database latest version which was designed by the contractor with some new features and applications. Project experts assisted the evaluation team and brought key amendments in the database.

**Program Budget Implementation Action Plan 1390.** Programme budget team drafted an action plan stating different key functions and processes which line ministries have to perform keeping in mind the budget timetable and MoF timelines. This gradual and effective plan by budgetary units will help towards smooth and timely implementation for the year 1390. The implementation instruction or action plan was circulated to all the budgetary units both in Dari & English which is to be signed by top level management and sent back to MoF assuring agreement to the plan.

**Integration Instructions endorsement by the cabinet for Finance and Planning Departments (Operating & Development Budget).** The fragmentation of budget planning processes within the line ministries and inefficient utilization of government and limited aid resources is a challenge for effective budgeting. Therefore, a guideline for the integration of functions for Finance and Planning departments at the ministry level was developed in the second quarter. However it was not approved by the cabinet due to lack of clarity at the cabinet level. To obtain the approval, a detailed presentation was given to the Minister of Finance explaining the objectives and outcomes of the reform. The instruction is now resubmitted for cabinet approval that will be justified and presented by MoF Minister.

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<sup>1</sup> Term graduation used for those ministries who are able to implement PB without Technical assistance support

**Support to Budget Implementation Team In the line ministries.** After the June/July trainings on programme budget implementation, the line ministries formed their Budget Implementation Teams. The team is comprised of key technical staff from the line ministries, MoF and technical assistance provided by USAID and some senior officials of the line ministries. Programme budget team attended preliminary meetings discussing several key issues such as:

- Programme budget Implementation Action plan 1390;
- Program Structure of the line ministries (assist and advise new line ministries in developing program structure for 1390 budget and revise & improve existing program budgeting ministries program structure;
- Programme budgeting implementation instruction that was endorsed by the cabinet in the second quarter;

Discussion and consultation meetings with the line ministries and BIT also included programme structure developments. Program Structure is the key component of program budget. It reflects the main major service areas of a budgetary unit and it's the entity for developing budget as per main function of a budgetary unit. During the reporting period programme budgeting team had several consultations with all the budgetary units advising them regarding their structures and instructing new ministries to develop program structures as per their strategy and Tashkeel. The programme budgeting team succeeded to finalize 80% of the budgetary units' program structures by end of the third quarter.

**Detailed costing trainings.** Due to limited national resources, it is vital that proper planning of financial resources be carried out. The accurate costing for 1390's National Budget activities should be carried out and financial resources prioritized. The workshop materials for both operating and development budget costing that were developed early third quarter are comprised of presentations having different exercises/examples. This exercise would enable the budgetary units to cost their budget properly and realistically.

**Budget Circular Two (BC2).** Third quarter included designing and formulating new integrated comprehensive BC2 forms and instructions for the Year 1390. For the year 1390 all the budgetary units are obligated to submit their budget in form of programs. The newly designed forms and instructions were shared with all the respective units within the budget department for comments and inputs. Amendments were brought as per the review by the Budget Department.

BC2 is designed to provide guidance to all ministries and budgetary units on the preparation of the integrated 1390 Budget, and to ensure a consistent presentation of budget proposals across all parts of the GoA. To achieve this, budget submissions must be made within the timescales specified in the circular, and should reflect an equitable allocation of resources among provinces and districts, also considering adequate inclusion of gender aspects and marginalized and vulnerable groups.

In previous years, there have been two versions of BC2 and two sets of budget submission forms – one for program budget pilot ministries/budgetary units and one for non-pilot ministries/budgetary units. For the preparation of 1390 budget, Program Budgeting is being rolled out to all ministries/budgetary units. Therefore, for the preparation of 1390 budget

only a single set of BC2 and associated budget submission forms are being issued to all ministries and budgetary units. The purposes of this BC2/1390 are to:

- provide guidance to ministry/budgetary unit on the form and content for preparing 1390 budget submission;
- provide formats for the presentation of budget request (submission) for the 1390 fiscal year (including budget forecasts for 1391 and 1392);
- seek ministry's/budgetary unit's detailed 1390 budget submissions aligned with ANDS results,
- advise ministries/budgetary units on integration of the operating and core development budgets;"

The BC2 instructions includes pro-poor budgeting requirements and have integrated the gender as one of the cross cutting issues for 1390 expenditure planning. Initial discussions are started to include environment as another cross cutting issue for 1391's budget planning. The BC2 forms and instructions in two languages i.e. Dari and English were circulated by early September to all the budgetary units.

**Budget Circular Two Trainings.** Right after the BC2 distribution to the line ministries, comprehensive trainings were held late September to provide trainings on BC2 forms, instructions, costing methodology and submissions. Presentations on MTBF, Gender sensitive Budgeting and Pro-poor expenditures were also delivered to the line ministries' representatives. More than 400 government officials including finance and planning directors were trained.

The budgetary units were divided into three groups as per sectors. Each group was invited to Ministry of Finance and provided detailed presentations regarding different aspects of BC2. The packages, handouts and CDs containing the soft copies of the BC material and presentations were prepared by programme budgeting team and later in workshops provided to all ministries and budgetary units. Gender response budgeting workshop was also held with the technical support from UNDP Gender Equality Project for MOF budget officers and line ministries budget focal points. In addition follow up and on the job trainings were provided to the Budget Implementation Teams by the relevant Budget Department sectors managers on programme budgeting implementations.



*Workshop on Budget Circular No. for 1390 Budget Preparation (Page 13)*

## **Provincial Budgeting**

During the second quarter significant efforts were made on preparing the Provincial Budgeting Unit for the implementation of different reforms and objectives at the provincial level. The provincial budgeting action plan was further enriched in the third quarter and was associated with the business plan for the Budget Department. One of the major objectives for the provincial budgeting rollout plan is consultation and coordination with different stakeholders and relevant organizations.

To keep the momentum, the detailed monitoring framework for the said objective is developed. The monitoring framework is used for planning and evaluation purpose. In addition, the intensive capacity development component of the provincial budgeting is also integrated into the updated log frame. Developing the training materials as well as the translations into local language was also done by mid third quarter.

## **Coordination and Consultation**

IDLG developed the Sub National Governance (SNG) policy and it was recently approved by the cabinet. One of the major focus areas is sub-national planning and finance where the provincial budgeting team need to closely work with IDLG to achieve the objectives. Coordination effort for achieving the target objectives is an on-going process with all the relevant stakeholders.

Consultation sessions were held with World Bank Sub-National Governance, Planning and Finance advisor and IDLG to look for ways of improving sub-national financing, procurement, planning and as a result service delivery. Sessions included coordinating Budget Department's activities with the IDLG. In addition improving sub-national efforts and avoiding duplication of activities by the Budget Department and IDLG were also outlined. It is agreed that existing provincial budgeting plan is designed to help implementation of SNG policy. Open discussions were also held with Sub National Planning Team from IDLG and questions were answered on various aspects of public financial management and budgeting.

During the third quarter, the provincial budgeting team also initiated conversations with Ministerial Sector leads to prepare for Ministerial Consultation and Coordination which is expected to be completed in early October and will include nine ministries i.e. MAIL, MRRD, MoE, MoPW, MoH, MoJ, MoF, MoWE and MoT.

## **Provincial Budgeting Consultation**

Third quarter was a successful season for the provincial budgeting team. From early August to end of September comprehensive sessions were held for Balkh, Bamyan, Jawzjan, Kunduz, Nangarhar, Kunar, Laghman and Nuristan provinces. The objectives of these workshops were to involve provincial authorities in planning and budgeting processes at the provincial level through an open and consultative approach. Provincial authorities were guided on how to get their priorities incorporated and financed through core or external budgets. These consultation mechanisms will be utilized as a forum to put an end to existing problems and complaints about development projects as well as operational budget issues and also to create the most efficient and effective provincial budgeting process possible.

Outreach missions for Balkh, Kandahar, Bamyan, Panjsher, Nangarhar and Badghis PRTs were also held to improve the understanding and knowledge of PRTs on GoA planning and budgeting procedures and related PFM areas.



Consultation workshop conducted for Nangarhar, Nooristan, Laghman and Kunar officials on Provincial Budgeting

Consultation and Coordination exercise was also held early September for Kunduz province. The event was organized by the provincial budgeting team and was attended by representatives from Kunduz province. The purpose of the workshop was to present the MoF's provincial budgeting action plan and consult with key provincial line directors for improved coordination and communication between the Ministry of Finance, line ministries and provinces on provincial budgeting and public financial management issues. Provincial Budgeting Team led the Ministry of Finance delegation in presenting the provincial budgeting action plan, discussing the priority projects initiative, and consulting with provincial government officials to better understand current challenges in provincial budgeting. About 35 representatives from Kunduz line directorates, general finance, economy, and provincial councils attended the one-day workshop.

**Regional Conferences.** With the support from USAID technical assistance project, preparatory work and coordination was done for Regional Command North (RCN) conference on Provincial Budgeting for eight Northern provinces. RCN conference on provincial budgeting was held in Mazar-e-Sharif where presentations and orientation on all aspects of PFM were presented. Open and round table discussion was also held with provincial authorities and bottlenecks were identified and lessons learned noted for forthcoming conferences. The conference was warmly welcomed by all provincial authorities where direct dialogue helped to solve problems ahead of service delivery and operation at local level and that it was a

productive initiative taken to find ways for enhancement of service delivery and satisfying local authorities.

**Communication.** The provincial budgeting team continued to establish strong communication links between IDLG, World Bank, USG, ISAF, USAID, DFID, US Embassy and other international organizations through regular consultation and coordination. Improvements in the communication system among the relevant stakeholders and Budget Department have indeed made it easier for all to achieve the shared objectives more efficiently. In addition, government ownership and representation for the efforts undertaken by the development partners are more highlighted.

The provincial budgeting action plan with its timeline is also shared and communicated to the different stakeholders i.e. Regional Commands and US embassy for provision of required assistance at the provincial level. Efficient communications also paved the way for next PRTs and Afghan official's joint regional conferences. Continued efforts were made to further strengthen communication between donors and PRTs and get off budget information particularly for CERP programme into government information system. In addition more attempts are made to refine methods for including security related spending (CERP, CSTC-A, etc) into the Development Assistance Database. The transfer of CERP data into the DAD was arranged with the support from AMD. Tracking log is now created for open issues related to the transfer of project related data to the DAD system. Completed and distributed the IJC policy letter on development effectiveness which requests IJC units to adhere where possible, to GoA Operational Guide: Criteria for Off Budget Development Finance.

ISAF's participation in the Paris Declaration review process currently underway at MoF is also now ensured. Input by the Provincial Budgeting Team was provided for an AFMIS PRT user's guide currently being created by Treasury and which should be distributed in October.

In addition, coordination with RC (E) began to have a broader scope also including "CERP as a Budget concept". The provincial budgeting team conducted OTA Treasury deep dive session with IJC to improve their understanding of GIROA budgeting and finance processes and procedures.

During the third quarter, conversations with IJC were also initiated to discuss options for hosting Provincial Development Plans on ISAF related websites.

**Support to District Delivery Programme (DDP).** DDP initiative is largely supported by USAID mission in Afghanistan. USD 40 million is committed for the first phase of the project to finance the planned projects. However, budget execution remains a challenge for efficient and effective programme implementation. Therefore regular meetings and sessions are held with the concerned line ministries to identify the problems and take actions towards address them. Allotment and budget execution processes are regularly presented to the LMs and technical groups to make progress toward implementation of the programme. In addition hardship policies under the DDP activities were also reviewed and required feedback was provided to the MoF officials.

Presentation was also delivered on provincial budgeting action plan and activities as well as on DDP program and budget execution on provincial level to the USAID mission. DDP implementation and the way forward were also discussed with IDLG senior management.

**Norm Development.** Communication is continued with Ministry of Education (MoE) to develop standards or norms for allocation of resources to programmes among the provinces. Ministry of Education will very soon develop the draft document that will be shared with provincial budgeting team for agreement and finalization.



Working groups discusses provincial budget integration into the National Budget

## **Strengthened Budget Execution Processes**

### **Supplementary Budget**

Poor planning and programme development is causing the GoA to have the supplementary budget prepared on annual basis. On the other hand on time information on real commitments by the development partners is also not provided. This causes the line ministries and MoF to not properly estimate their cash flows. Therefore more than 40% of the national development budget is carried forward from current to next fiscal year.

Budget balance carry forward template of 1388 to 1389 budget was developed early third quarter by the Budget Policy Unit in consultation with the IT section. The template is designed and made consistent with the SBPS system. In addition, the SBPS is further customized to capture the actual expenditure generated from AFMIS to provide the budget department with the actual budget balance.

The supplementary budget preparation started early third quarter. The process included reconciliation of the actual expenditure and allotments and finding the exact budget balance to be carried forward. The practice included all the 54 budgetary units that had development budget projects. Supplementary budget is prepared as an annex to the national budget and is approved by the council of ministers (cabinet). Supplementary budget will guide budgetary units on the amount of money carried forward from the previous year. The supplementary budget document has been circulated to all the budgetary units.

**1389 Budget Execution Performance.** Budget Execution Conference was held in early third quarter and primarily to address the concern of the low budget execution performance for the first five months of the fiscal year and to provide awareness to the participant Ministers on the challenges and problems exist.

The conference indeed proved to be very productive for the Budget Department as the interest and engagement of high government officials were attracted. Follow up meetings by Minister of Finance, Deputy Finance Minister and Budget Department team continued throughout the quarter. The 10 largest ministries were visited by MoF Minister and BD team. Deputy Minister also led some of the middle budget execution rated ministries to encourage for better budget performances and find out the bottlenecks and obstacles and to address them on time.

3,113 budget allotment requests with the value of around USD 355 million were approved by the Budget Execution Unit by the end of the third quarter. The increased number of requests proves the fragmentation of the development projects and poor capacity at the line ministries to properly budget and plan.

Based on the MoF management's decision, Fiscal Policy Unit prepared an analytical detailed report on "Domestic Revenue Performance and Budget Execution rates during the first half of 1389" for the cabinet. The report was presented by MoF minister with the purpose to request the cabinet ministers to continue with the monitoring of the budget execution rates for the remaining of 1389 fiscal year. The report also requested the cabinet to ensure 1390 budgets are set at a realistic level to encourage the budget execution for 1390.

Budget execution enhancement efforts included creating control levels within the Budget Department. to the controls aim to ensure budget requests are in line with the national

budget document and ANDS results framework and reduce the number of errors for the budget requests made by the line ministries. In addition, the Budget Execution unit controls the alignment of payment documentations with the agreed standards.

Financial protocol for facilitating the financial arrangements of District Delivery Program was also drafted and negotiated with different stakeholders. This aimed to speed up and ease the process of allotment requests and transfer and reporting by IDLG. In addition a workshop was conducted engaging the relevant parties to provide information on the budget execution processes and develop the capacity of the relevant staff.

On the job trainings on allotment procedures to the line ministries were also provided during the third quarter. The sector managers also continued their support provided to LMs for better coordination with donors to review the donor financed projects e.g. ARTF/WB to overcome the project's challenges. Communication with security and LOTFA donors for paying their commitments and financing security sector expenditures also continued throughout the quarter. In addition, fund raising efforts are underway for the unfunded development projects that are part of the national budget. Most of the consultations included requests and encouragement to donors to channel their funds through the core budget. The budget team also acted as liaison with Treasury Department to address the problems with the budget execution.

During the third quarter, the budget team also provided considerable technical and administrative advices to MoF top officials on sectors' project related issues. The SBPS system also was made customized to capture the allotment data. It's now updated with the latest information on the issued allotments. Financial and procurement plan templates were also updated to align with the actual budget performances.

MoF Budget team also helped the line ministries with their recruitment of technical and financial experts and procurement processes to further improve the projects implementation and budget executions.

### **(1.3) Strengthened Budget and Fiscal Policy Monitoring and Reporting**

Food and security cost analysis for Afghan National Police based on LOTFA phase 6 project document was developed during the third quarter. The analysis paper developed by the Fiscal Policy Unit proposes alternative options for the GoA to take over the related security cost in the short and long term.

The ADB Country Performance Assessment (CPA) on Afghanistan's fiscal and macroeconomic targets in medium term was reviewed by the Fiscal Policy Team and inputs as per the GoA fiscal strategy and sustainability were provided. The ADB CPA report will be out soon.

**Open Budget Index (OBI).** As stated in the PFM Roadmap that was presented to the Kabul Conference, Afghanistan's rating in the OBI has to improve by 30% for 1390 by improving communication across government bodies, as well as with civil society organizations. This will further improve the budget formulation transparency for the GoA. Therefore the PFM Roadmap was translated into action plans with achievable objectives and activities during the third quarter to achieve the target objective.

Extensive efforts started within the Budget Department and Fiscal Policy unit to improve the Afghanistan's rating for Open Budget Index (OBI). Fiscal reports for 1388 and 1389 and Pre-budget statement for 1390's budget were prepared in the third quarter. The FPU coordinated the OBI initiative where according to 2010 survey Afghanistan's score improved to 21 percent (only 8 percent in 2008 survey). This indeed is a great achievement for the GOA and MBAW.

The Fiscal Policy Team also coordinated and finalized new IMF document i.e. Memorandum of Economic and Financial Policy for the new program (Extended Credit Facility) which is likely to be approved by IMF board. The new structural benchmarks set in the above document are also incorporated in TCC Matrix. TCC matrix that's now managed by FPU enables MoF to track the progresses made with reference to the International Financial Institutions benchmarks. Third quarter included two times TCC meetings where updates and progresses on achieving the benchmarks were provided by the relevant departments.

An introductory Macroeconomic Policy Coordination Working Group (MEPCWG) meeting was held with Da Afghanistan Bank (DAB) for the first time. This working group is responsible for increased coordination between the two agencies (MoF and DAB) on macroeconomic, fiscal and financial policies.

## **Component 2: Aid Coordination and Effectiveness (Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy)**

### **(2.1) Alignment and improved coordination of External Funding in line with Paris Declaration, Afghan Compact to support ANDS Implementation**

**Aid Coordination.** Third quarter was indeed a busy time for the Aid Coordination team. During the reporting period, more than twenty financing agreements, development cooperation agreements and country programme documents with development partners were reviewed, analyzed and signed. The review process makes sure the development agreements 1) address aid effectiveness principles, 2) are aligned with GoA rules and regulations (e.g. tax policy, procurement policy, etc.) and international agreements and 3) are in line with the ANDS results framework. Total values of agreements signed exceed USD 500 million.

Aid Management team also provided policy advice and briefs to MoF Minister and Deputy Minister on several issues and occasions. The aid management team also undertook following efforts for better aid coordination and effectiveness.

1. The aid coordination team successfully conducted the 6<sup>th</sup> policy dialogue between Government of Afghanistan and Japan. Aid Coordination Officers facilitated a preparatory meeting with line ministries and Kabul Municipality for the Policy dialogue.
2. Early third quarter working workshop was conducted with German Embassy on two German innovative regional funds for 46 million Euro where representatives from all the relevant government organizations were present.

3. Aid coordination team negotiated the finalization of Italy's country program for 2011-12 with Government of Italy. The country programme addresses the development areas that were proposed in the negotiation process. In addition discussions with the Italian Cooperation Office (ICO) on Italian General Cooperation Agreement that outlines Italy's engagement areas in Afghanistan also initiated during the reporting quarter.

4. Memorandum of Understanding (MoU) signed in Iran Summit in July was followed-up for delivering the mutual commitments and an action-plan was developed for the implementation of the MoU.

5. Aid Management department held training sessions and meeting with PRTs in RC (W) and discussed aid management policies and procedures with Government officials.

6. Joint midterm review of the DAFA (Development Assistance Facility for Afghanistan) with AusAID started. DAFA is the Australian Government's mechanism to provide bilateral support to the reconstruction of Afghanistan. The review is underway and the final report will be out soon.

7. Aid Management Team also finalized the list of priority programs and projects with Line Ministries. This list has been proposed to Government of Japan for consideration and funding.

8. Follow up with development partners on data entry into DAD continued.

9. Video conference negotiations were held with ADB on With-Holding Tax that is a pending issue for the last few months. The negotiations enabled the ADB to understand the Afghan Tax Policy and procedures better.

10. The 1st World Bank Portfolio Review for was chaired by MoF Minister followed by a technical and practical workshop. The conference included the 10 largest development budget spending ministries that make up 80% of the national development budget. The conference was held 2010 was facilitated. The review aims to evaluate the performances of the projects financed by WB and address the challenges projects are faced with.

**1390 Budget Financing.** Aid Management Team facilitated the 1390 budget formulation meeting with traditional core donors and few interested external donors. 1390 budget preparation meetings were held with individual donors and line ministries on donors planned on-budget contribution to line ministries' projects in the next FY.

**Aid Effectiveness.** Start of the third quarter was the high priority for the International Kabul Conference preparation. Aid Management team successfully completed the Public Finance Management Roadmap operational plan for "Operational Guide off Budget". It focuses on development assistance implementation mechanism that was presented in Kabul Conference.

In addition, aid effectiveness monitoring framework has been prepared after an extensive internal discussion. The framework is owned by aid management team and will be implemented soon. It contributes highly to the agenda of aid effectiveness in Afghanistan. Based on the log frame, a six-month work plan was developed for the Aid Effectiveness Unit

to help the unit personnel understand what the unit is expected to perform and achieve. As the Aid Effectiveness unit is newly established, an Inception Report was developed detailing the unit's objectives, structure, current practices, planned activities and resources needed. This document is a good tool for the unit personnel as well as the senior management to better understand the unit's mandate and objectives.

The Aid Management Policy prepared in 2007 was revised and shared with stakeholders for comments. The Aid Policy will be a guide tool for the development partners as well as for the GoA on aid management and coordination.

An internal capacity assessment survey within the Aid Management Department (AMD) was conducted. A capacity development concept note is developed on the capacity development needs. The assessment identified the capacity gaps within AMD and proposed different training and capacity development approaches e.g. study tours to other aid depended countries that can help the AMD personnel fill the gaps and build their professional competencies.

**Paris Declaration Monitoring.** Aid Management team facilitates and supports the process of Paris Declaration Evaluation. The literature review for the Paris Declaration evaluation phase II has been completed by the consulting firm. The evaluation is now in the stage of interviews

### **Component 3: Capacity Development (Implementation of Exit Strategy to develop sustainable capacity within the GoA)**

#### **(3.1) Sustainable Institutional technical capacity developed and retained within the public finance sector, particularly within the Ministry of Finance and Line Ministries**

**Business Plan Development.** Budget Department's Business Plan is one of the key priorities in which every department and unit is expected to provide their planned activities for the period of 18 months. Each department has compiled and prioritized its activities. The PFM Roadmap action plan is incorporated into the department's business plan.

In addition, mapping of all the activities carried by the Budget Department is underway. The mapping will be aligned with the business plan. Business plan review sessions and activities mapping were held with the department management team with the technical support from SAB/ASI project.

**PFM Capacity Assessment.** The PFM Roadmap presented at Kabul Conference is a medium term approach for the GoA to reform its public financial management systems. A technical coordination committee is established within the Budget Department that includes donors' and IFIs representatives. The Coordination Committee is also supported by the United States Treasury Department. The PFM assessment for the largest development budget spending ministries is proposed.

During the third quarter, the sector manager co-chaired the Line Ministries capacity assessment working group for finalizing the ToR of assessors and capacity assessment oversight committee.

**Budget manual finalization for the Budget Department is underway. The revised budget manual has been prepared in four volumes. The manual includes all the processes, forms and procedures used by the Budget Department.**

**In addition, the Public Finance and Budgeting regulation review has started. The Budget Department team is reviewing the regulations to further simplify the procedures and enhance the PFM performance of the government.**

**Budget Department “Tashkeel” revision is also in the process. The revision took place from the start of the quarter. The new budget department structure will address some of the existing challenges that are in place with staffing and capacity.**

**State Budgeting Planning System (SBPS) & Development Assistance Database (DAD). During the third quarter, the SBPS and DAD were customized to further improve the computerized system for the Budget Department including Aid Coordination by:**

- 1. Uploading and importing actual expenditure from AFMIS filtered by project number, donor code, location code and expenditure major code. This enables the Budget Department to generate actual Budget Balance carry forward reports;**
- 2. Filtering list of projects that are completed/suspended or ongoing;**
- 3. Importing and capturing BC1 submissions and generating draft budget ceilings;**
- 4. Providing informative and analytical reports for 1389 Mid Year Budget review based on the Budget Policy requirements;**
- 5. Development of allotment entry form with different control levels that provides automatic reports of the allotment status and balance;**
- 6. Improvements in the monitoring and consistency of the data within the systems;**
- 7. Developing ad-hoc reports engine;**
- 8. Creating importing facility from PRT/IJIC/NATO databases to the DAD;**
- 9. Replacing old servers with advanced, fast servers with greater storage capacity;**
- 10. Developing the interlinkages with AFMIS and providing comprehensive trainings on AFMIS reporting for the sectors and Budget Department Units;**

## **Challenges**

### **Risks**

**Security:** Deteriorating security situation within the country have impacted on the budget execution targets for 1389, through hampering development activities in particular in the provinces. .

**The provincial budgeting is not rolled out to most of the southern provinces. Some of the provinces i.e. Kunar, Nooristan, and Daikundi were trained at the nearest safe province.**

**Technical/Capacity:** Capacity constraint in financial management remains a significant challenge for the GoA at the national and sub-national levels. This has caused the government and line ministries in particular not to link the budget with the ANDS and national priorities. Identifying qualified experts in financial management at the central level has proved to be difficult, and at the provincial level is likely to be even more challenging.

Programme Budgeting Implementation addresses the budget alignment with ANDS. Therefore, continued on the job training and consultation are provided to the line ministries. In addition, comprehensive technical workshops were delivered within the third quarter on National Budgeting for 1390.

**Budget Reforms:** Centralized budget formulation and execution mechanism has remained a challenge for rolling out the provincial budgeting exercise at the sub-national level. Ignoring the provincial authorities in the budget formulation practice by the line ministries has uninspired the sub-national governance bodies to be part of the efficient and effective budget execution exercise.

During the forth quarter, provincial budgeting workshop for the central ministries are planned to encourage the provincial budgeting reform implementation. The workshop will also provide an opportunity to review and finalize the provincial budgeting manual.

**Aid Coordination:** Lack of information and poor cooperation from the donors on the multiyear commitments and disbursements does not support a sound budget formulation mechanism by the government; since the development projects are fully financed by donors.

The Donor's Financial Review to support the 1390's National Budget planning will be started by early November 2010. The DFR will provide an opportunity to the GoA for aligning the external resources with the national priorities.

## Major Issues

**Human Resource:** Recruitments by UNDP generally take longer than six months as the candidates with the required UNDP standards can not be found or most of the time the candidates declines due to the lengthy processes.

1. Recruitment of the finance officer has taken more than ten months. This has caused so many problems with the payment processing as well as with the budget revisions and access to ATLAS. 2. Mid Term Review consultant recruitment is another problem the project is facing. The recruitment process for the MTR consultant has taken more than a year now.

**Cash deficit:** UNDP provided its track fund to the project to mitigate the risk of cash deficit for 2010 project activities. The project was not able to start resource mobilization due to the delay with the Mid Term Reviewer recruitment until the end of third quarter. The exit strategy must be agreed before any resource mobilization is planned for the project that will be developed by the MTR consultant.

## Lessons Learned

**Provincial Budgeting:** The provincial budgeting consultation and intensive capacity development workshops started at the beginning of third quarter. As the inputs received from the provincial authorities cannot be incorporated in the 1390's budget process, the budget

calendar will be revised to accommodate the above concern for the next year. The workshops will be held beginning of the 1390 year to allow for the provincial departments' participation in into the budget process.

**Budget Reforms:** Any reform within the GoA PFM system will have reactions from all the engaged stakeholders. As such it is recommended to start new reforms in the future through a consultative process at the management level and to obtain the endorsements from the cabinet. The case for programme budget implementation and integration of planning and finance departments were followed as above.

**Budget Execution:** The latest workshop on budget performance for 1389 at the ministers' level proved to be very productive for enhancing budget execution rates. For instance the budget execution rates for the Education and Rural and Infrastructure sectors increased by more than 10% in the reporting quarter. Therefore, such workshops and broader symposiums will be conducted in the future to gain more support from the top government officials. In addition focus will be made on practical working group exercises to develop the capacity of the participants.

## Future Plans

**1390 Budget formulations:** The efforts are underway for BC2 submissions and finalization. The fourth quarter will concentrate on 1390's National Budget formulation and finalization.

**Donor's Financial Review:** The DFR process will start by early November. The process will focus more on analysis of the information received from the donors to highlight the aid effectiveness and coordination efforts. In addition DAD review and further customization will be part of the 4<sup>th</sup> quarter efforts.

**Project Midterm Review:** The midterm review with the following aims would be started in the fourth quarter as well:

- Evaluate the project results
- Assessment of current Exit Strategy
- Overall assessment of the project to find the gaps
- Assess the relevance, effectiveness, efficiency, impact and sustainability of MBAW project.

**Project Strategic Plan:** The project strategic plan for the next five years with a complete resource mobilization plan and capacity development plan will be developed and finalized in fourth quarter.

## Financial Section

### Financial Section:

Table 1. Total Income and Expenditure

Donor	INCOME			EXPENDITURES			BALANCE	Remarks
	Total Commitment (approx US\$)	Total Received (approx US\$)	Total Receivable (approx US\$)	Total Cumulative Expenditures as of Dec 2009	Current Year 2010 (Cumulative) as of the current Quarter	Total Expenditures	Total Received minus Total Expenditures	
UK-DFID	5,070,994	3,617,384	1,453,610	2,392,365	1,433,337	3,825,702	(208,318)	Total Grant GBP 2,500,000
CIDA	4,089,980	2,612,143	1,477,837	1,895,536	(1,307)	1,894,229	717,914	Total Grant is CAN \$4,000,000
GTZ	611,615	611,615	0	898,581	(274,978)	623,603	(11,988)	Total Grant is EURO 945,000 (The agreement was initially with MBW. Unspent funds were transferred to MBAW).
UNDP	871,754	1,291,754	(420,000)	894,385	425,353	1,319,738	(27,984)	USD 871,754
<b>Total</b>	<b>10,644,343</b>	<b>8,132,896</b>	<b>2,511,446</b>	<b>6,080,867</b>	<b>1,582,405</b>	<b>7,663,272</b>	<b>469,624</b>	

- Note:
1. GTZ/SEAL project's fund reimbursed for an amount of USD 274,978 and accrued expenditure charged to UK-DFID budget.
  2. USD 420,000 income for 2010 includes short term loan from UNDP.

**Table 2. Expenditure by Major Outputs (2010)**

Project Output	Budget (AWP 2010)	Cumulative Expenditure as of the current Quarter	Delivery Rate*	Remarks
Output 1: Policy Support (The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)	902,900	365,684		
GMS	67,960	38,909		
<b>Sub-total Output 1</b>	<b>970,860</b>	<b>404,593</b>	<b>42%</b>	
Output 2: Aid Coordination and Effectiveness (Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy)	524,800	170,079		
GMS	5,925	16,889		
<b>Sub-total Output 2</b>	<b>530,725</b>	<b>186,968</b>	<b>35%</b>	
Output 3: Capacity Building (Implementation of Exit Strategy to build sustainable capacity within the GoA)	30,000	178,921		
GMS	-	12,701		
<b>Sub-total Output 3</b>	<b>30,000</b>	<b>191,622</b>	<b>N/A</b>	
Output 4: Technical Assistance and Management Cost (Project Support Costs)	429,300	767,388		
GMS	32,313	31,835		
<b>Sub-total Output 4</b>	<b>461,613</b>	<b>799,222</b>	<b>N/A</b>	
<b>Grand Total</b>	<b>1,993,198</b>	<b>1,582,405</b>	<b>79%</b>	

Note: \*Delivery Rate = Cumulative 2010 expenditure/2010 AWP budget

**Table 3. Expenditure by Donors (2010)**

Donor	Project Output	Budget (AWP 2010)	2010 Cumulative Expenditure as of the current Quarter	Delivery Rate*
UK-DFID	Output 1: Policy Support (The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)	902,900	516,929	57%
	Output 2: Aid Coordination and Effectiveness (Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy)	72,795	224,387	308%
	Output 3: Capacity Building (Implementation of Exit Strategy to build sustainable capacity within the GoA)	-	168,742	N/A
	Output 4: Technical Assistance and Management Cost (Project Support Costs)	429,300	422,944	99%
GMS		100,273	100,334	100%
<b>Grand Total</b>		<b>1,505,268</b>	<b>1,433,336</b>	<b>95%</b>
CIDA	Output 1: Policy Support (The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)	-		
	Output 2: Aid Coordination and Effectiveness (Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy)	-		
	Output 3: Capacity Building (Implementation of Exit Strategy to build sustainable capacity within the GoA)	-		
	Output 4: Technical Assistance and Management Cost (Project Support Costs)	-	(1,307)	
GMS				
<b>Grand Total</b>		<b>-</b>	<b>(1,307)</b>	<b>N/A</b>
UNDP	Output 1: Policy Support (The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)	-	55,754	N/A
	Output 2: Aid Coordination and Effectiveness (Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy)	446,080	13,670	3%

	Output 3: Capacity Building (Implementation of Exit Strategy to build sustainable capacity within the GoA)	30,000	10,179	34%
	Output 4: Technical Assistance and Management Cost (Project Support Costs)	-	345,750	N/A
GMS		-		
<b>Grand Total</b>		<b>476,080</b>	<b>425,353</b>	<b>89%</b>
GTZ	Output 1: Policy Support (The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy)	-	(207,000)	
	Output 2: Aid Coordination and Effectiveness (Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy)	-	(67,978)	
	Output 3: Capacity Building (Implementation of Exit Strategy to build sustainable capacity within the GoA)	-		
	Output 4: Technical Assistance and Management Cost (Project Support Costs)	-		
GMS		-		
<b>Grand Total</b>		-	<b>(274,978)</b>	

*Delivery rate	2010 cumulative expenditure/2010 AWP	1,981,348	1,582,404
=	budget		

