



Afghanistan

United Nations Development Programme Afghanistan

Making Budget & Aid Work

[01-July-2008 – 30-September-2008]

Quarterly Project Report [Third Quarter, 2008]



Project ID:	00056407
Duration:	60 Months May 2007 to April 2012
Component (MYFF):	Public Administration Reforms and Anti Corruption
Total Budget:	USD 7,541,170
Unfunded:	0.00
Implementing Partner:	UNDP
Responsible Party:	Ministry of Finance

Table of Contents

I. Implementation progress.....3

II. Project implementation challenges.....11

Updated project risks and actions.....11

Updated project issues and actions.....12

III. Financial status and utilization.....11

Financial status.....14

Financial utilization.....14

Annexes.....16

I. Implementation progress

COMPONENT 1: THE BUDGET IS COMPREHENSIVE, POLICY BASED, PREPARED IN AN ORDERLY MANNER AND SUPPORTIVE OF THE NATIONAL DEVELOPMENT STRATEGY

OUTPUT 1: STRENGTHENED BUDGET POLICY AND PLANNING PROCESSES

Revision and Update of Medium Term Budget Framework (MTBF)

The Medium Term Budget Framework (MTBF), which provides estimated budget ceilings for the next five years (1387- 1391), was revised in order to take into consideration the changing priorities of the line ministries and sectors. This important task was initiated by the project and was delivered in close consultation with the eight sectors of the budget department. The activity was introduced as part of budget circular no. 1 and involved the collection of a large amount of data from the line ministries and other departments. Although the first draft of the document was presented to the Ministry of Finance, the finalization and approval process will be taking place through the last quarter of the year.

Follow Up of Implementation of Budget Circular No. 1

Budget Circular no. 1 was issued through the project to all budgetary units in the end of June 2008. The timely implementation of deliverables and milestones introduced in this circular provides the basis for a sound and comprehensive budgetary process for financial year (FY) 1388. To ensure compliance and delivery, the project organized a three day workshop, which brought together the concerned authorities (directors and officers) from finance and planning departments of all line ministries. The workshop served as an opportunity to discuss critical milestones and provide a platform to share concerns and opinions regarding the process.

During this quarter, the project provided necessary technical guidance and support to the responsible staff in line ministries facing problems with implementation of the process and submission of the required information to the Ministry of Finance. The project, through its Budget Policy and Reporting Unit (BPRU), will continue to serve as a help desk for implementation of Budget Circular no. 1 during the last quarter of 2008.

Costing of the Budget Department's Strategy

To provide a realistic MTBF all budget entities were required to undertake costing of their priorities for the next five years. In this regard, the project, through the Budget Department, initiated the costing process, in coordination with the Reform Implementation Management Unit (RIMU), which will be carried out and completed in the coming month.

Discussions with IMF Mission

An IMF mission visited the Budget Department during September to conduct discussions on national budget performance, including the reporting on external budget. The project provided significant contributions to the preparations of the Budget Department for this mission. Among the contributions were the expenditure report of both core and external budgets and a presentation on the MTBF, which served as the basis for discussions at the meetings. The mission, which is part of the Poverty Reduction and Growth Facility (PRGF) review process, covered issues related to the budget process, budget implementation constraints and challenges and the Mid Year Review of FY 1387.

Finalization of the Fiscal Database

Through its support to the Fiscal Policy Unit (FPU), the project has completed developing a fiscal database. All data is extracted directly via the Afghanistan Financial Management Information system (AFMIS) terminal station that has been setup in the unit. It is a Microsoft Access database that allows for time series and detailed revenue and expenditure analysis down to the object code level. The database is now regularly updated and is used for different expenditures and revenues analysis as well as for the reports and publications within the unit and the MoF at large. It is

planned that with the installation of the Donor Assistance Database (DAD) portal, the reports generated from the database will be available online, allowing them to be accessed and utilized by a larger number of organizations.

Medium Term Fiscal Framework (MTFF) Update

The project, through its Fiscal Policy Unit (FPU), reviewed the structure and format of the Medium Term Fiscal Framework (MTFF) and developed a new template for FY 1388. Under the revised format, the MTFF contains fiscal policy objectives and a set of integrated medium-term macroeconomic and fiscal targets and projections. The revised MTFF seeks to improve linkages between the annual budget and the priorities of the ANDS. The first draft of the revised MTFF has been developed and will be discussed with the Budget Department before it is disseminated to the line ministries by end of October 2008.

New Pay and Grading Structure

The project, through its Fiscal Policy Unit (FPU), has been working on analyzing the new Pay and Grading structure. During the reporting period, the project has prepared different scenarios and conducted analysis on the fiscal implications of the Pay and Grading system.

The FPU has been working with other departments in the MoF, the Civil Service Commission (CSC) and the World Bank and provided comments on the mechanism and the draft implementation plan. The unit has also been working to advise the leadership of the Ministry of Finance on this process and presented several briefing papers to H.E Minister of Finance and the Deputy Minister for Finance.

In addition, the unit has developed the final costing for the Pay and Grading and shared its findings with the IMF mission. The costing will be finalized after the negotiations expected to take place between the IMF team and the Ministry of Finance during October 2008.

OUTPUT 2: STRENGTHENED BUDGET FORMULATION PROCESSES

New Budget Mechanism implemented

Four budget committee meetings were held in the last quarter. The fourth budget committee meeting approved a number of projects with a total cost of USD 11.9 million to be included in the approved national budget. In terms of financing, USD 10.79 million was allocated from the contingency funds and the remaining USD 0.995 was added from donor contributions to the core development budget. The project, through its Budget Policy and Reporting Unit (BPRU), completed all the necessary paper work based on the inputs and decisions from the committee members. Details of the projects are provided in the table below.

Budget Committee Meetings			
Sector	Code	Project	USD (m)
Good Governance & Rule of Law			
Ministry of Justice	AFG/085901	Construction of 6 Prison	0.4
Ministry of Justice	AFG/0814701	Construction and repair of Pul-e-Charkhi Prison	0.7
President Office	AFG/0810501	Construction of Bulding 2	0.4
Infrastructure			
Ministry of Urban Development	AFG /0806301	Capacity building for Fresh Arcitechts	0.2
Ministry of Urban Development	AFG /0805901	Land for Teachers	0.4
Ministry of Urban Development	AFG/0832401	Survey and studies of Old Ghazni City	0.1
Ministry of Urban Development	AFG/0806301	Capacity building for Fresh Arcitechts	0.2
Minsitry of Energy and Water	New	Scolar energy for souther provinces	0.8
Ministry of Public Works	AFG/0808801	Construction and repair of Pul-e-Charkhi Prison	0.9
Ministry of Public Works	AFG/0522201	Design and construction of Kunduz Khulm road (100km)	1.0
Security			
Ministry of Foreign Affairs	AFG/0525201	Purchase and constructions for embassies and counsulates	3.0
Ministry of Interior	AFG/0814201	Construction of prisons for Kabul Police Dept	0.5
Health			
Ministry of Health	AFG/0812101	Aids and Human smuggling awareness	0.5
Social Protection			
Ministry of Refugees	AFG/ 0642601	Services for newly constructed townships for returnees	1.5
Economic Governance & PSD			
Audit Office	AFG/0611801	New building construction	0.7
Ministry of Finance	AFG/0727601	Establishment of Budget Information System	0.5
Grand Total			11.782

Data for Mid Year Budget Review (FY 1387) compiled

The Mid Year Budget Review (MYBR) is the semi-annual update of the national budget, which provides an opportunity to review the financial delivery and expenditure status and make resource allocation adjustments. The MYBR process will be conducted as an internal review exercise by the Ministry of Finance within the month of October 2008. The exercise will take stock of the actual expenditures incurred by all budget entities during the two quarters of FY 1387. It will also estimate budget needs for the remainder of the year.

During the reporting period, the MBAW project, through its Budget Policy and Reporting Unit (BPRU), designed a new template/format for the collection of data from all the eight sectors on recurrent and core development budgets. The data is currently being analyzed and a final report will be submitted to the Budget Committee for approval by mid October 2008.

Programme Budget Capacity Building continued

Through it support to the Budget Integration and Reform Unit (BIRU) the MBAW project, in collaboration with the USAID funded Capacity Development Programme (CDP), has organized and delivered comprehensive programme budget training for 17 line Ministries. The training has been delivered in form of 3-day workshop sessions for about 25 people from each of the 17 pilot ministries during the month of July.

Furthermore, the MBAW project developed a Strategy for Quality Programme Budget Submission Insurance, to be used by MoF Sector Focal Points. This helps in assessing the quality of the submissions by providing guidance and feedback on the work performed by line Ministries involved in developing programme budgets. Moreover, the project organized a number of internal meetings with Sector Focal Points to discuss and coordinate the progress in developing the 1388 programme budgets.

The MBAW project has also supported MoF to organize and chair a number of meetings with the pilot Ministries Programme Budget Implementation Teams, coaching them on developing their action plans, programme structures and narratives.

In addition to the above, the project also organized two Technical Committees in early August and mid September with all pilot ministries, attended by directors of policy, planning and finance to discuss progress and issues related to programme budget development.

Programme Budget Instructions and Guidelines Developed

Supported by the MBAW project the BIRU issued the 1387 First Quarter Performance Report Circular to 7 existing pilot Ministries. Upon receipt of the reports the MoF, with the assistance of the project, analysed the submissions and developed an action plan for necessary improvements for the next period.

In early July, the project supported BIRU and the MoF issued the Programme Budget Instruction No 1, instructing all pilot Ministries to commence activities on preparation of the 1388 programme budget. The instruction is accompanied by guidelines for designing programme budget structures and supporting narratives. It also has a ToR for programme budget implementation teams, a programme budget handbook and an action plan.

BIRU, with the support of the project, finalized the Programme Budget Submission forms (Excel spreadsheets), which will be issued to pilot ministries along with the Programme Budget Circular No 2 in October 2008.

The BIRU/MoF prepared Programme Budget Costing instructions to be issued along with Programme Budget Circular No 2 in October. BIRU also organised and delivered a costing training to the Sector Managers of the Budget Department. Furthermore the BIRU/MoF organized the first Steering Committee with all 17 pilot ministries to discuss on finalize the first phase of the 1388 programme budget preparation process (the programme budget structure and narratives).

Intensive Training on Provincial Budget Conducted

As per the training of trainers (TOT) schedule, three intensive training events were conducted in the Balkh, Nangerhar and Kandahar provinces. The training for the remaining seven provinces is expected to be completed by end October 2008. The training were attended by Directors of the Provincial Departments, finance managers, finance officers of the Mustofiats and other stakeholders including Provincial Reconstruction Teams (PRTs) representatives. The outcome and recommendations of the trainings is reflected in the report on provincial intensive trainings developed by the project (see: www.budgetmof.gov.af)

Provincial Budget Orientation Programme Completed

The ongoing orientation programme on Provincial Budgeting in 10 provinces is completed. Based on the pre-arranged roll-out strategy of the provincial budgeting pilot an additional eight new provinces (Kunduz, Takhar, Jawzjan, Parwan, Wardak, Paktiya, Khost, Helmand) have been included. These provinces are being prepared to adopt provincial budgeting from FY 1388 and complete the orientation programme scheduled for the end of October 2008.

In line with this, orientation workshops were conducted in Kunduz, Parwan, Takhar and Jawzjan provinces during the reporting period. The orientation was attended by provincial officials and international actors at the provincial level. The participation of the Governors or their high ranking representatives demonstrated their interest and support for the process.

OUTPUT 3: STRENGTHEN BUDGET EXECUTION PROCESSES

Implementation of the second quarter of the 1387 National Budget corresponds with the third quarter of the MBAW project implementation. During the second quarter, the budget execution was slightly off-track in terms of the development budget compared to the estimates, while the operating budget expenditure was delivered as planned. This decrease can be attributed mainly to the worsening security situation in some parts of the country, hampering the implementation of key development projects. Budget implementation in programme format is another reason, as it requires some time for the line ministries to fully operationalize the new mechanism.

During this quarter, the recurrent and development budget expenditure reached 47% and 17% respectively. In real terms, total expenditure equaled US\$ 993 million or 28% of the total budget. This can be translated to US\$ 616 million of recurrent and US\$ 377 million of developmental expenditures. However, total expenditure for the same quarter of the FY 1386 (2007-08) stood at US\$ 891 million or 33% of the total budget. A comparison with the previous year indicates that there has been a 10% increase in total expenditure from FY 1386 (2007-08). Details of expenditure performance by development and operation budget for the second quarter of FY 1387 (2008-09) is available at www.budgetmof.gov.af

OUTPUT 4: STRENGTHENED AND REFORMED BUDGET MONITORING AND REPORTING

1386 Budget Performance Report

During the reporting period, the Budget Performance Report (BPR) for FY1386 was finalized by the project. The BPR provides total expenditures for the fiscal year and compares it with actual revenue and donor assistance provided to both operating and development budgets. It also provides an analysis of the activities carried out during the year and highlights some of the critical challenges and issues MoF and line ministries have faced during implementation of their related activities. The report also provides an account of the donor funding reported as channeled through the external budget as well as donor pledges, including those announced in the recent Paris conference.

The QATYA (end year account), which provides a summary of total expenditures by ministry and account codes and year-end balance is provided as an annex to this report. The report was prepared in close coordination with different departments and sectors in the Ministry of Finance.

1386 Financial Statement

The project supported the audit team from the External Audit Office to review the financial statement for FY 1386 prepared by the Treasury Department. The main contribution of the project was to help explain the budget process (planned and actual budget for ministries) and respond to technical questions and queries regarding the execution of the national budget. The final audited statement is expected to be released during the last quarter of the project.

MoF Fiscal Bulletin

The project has published the Fiscal Bulletin for the last three quarters of solar year 1386. The slight delay in dissemination of this report was due to the decision by FPU to regenerate the output tables after Treasury had fully reconciled all public finance accounts and posted late AFMIS entries from the provinces. In line with one of the principles driving programme budgeting, the presentation of the tables has integrated the operating and development core budgets. Also, tables have been prepared according to the IMF's Government Financial Statistics (GFS) 2001 methodology.

Expenditure Planning and Monitoring

During the reporting period, expenditure monitoring was regularly undertaken by the Budget Department to assess and review execution of the national budget. This involved implementation of the recently developed Expenditure Planning and Monitoring Tool (EPMT) and regular meetings between the budget analysts and the heads of planning and finance department's in the line ministries to verify expenditures against established targets and thus identify obstacles to expenditure that require corrective actions by the MoF. This exercise has helped the MoF to ensure that allotted budgets are being utilized efficiently by the spending agencies and that there is a sound internal control and accountability mechanism in place.

COMPONENT 2: ALIGNMENT OF EXTERNAL ASSISTANCE AND IMPROVED AID EFFECTIVENESS TO SUPPORT AFGHANISTAN DEVELOPMENT GOALS AND STRATEGY

OUTPUT 5: IMPROVED CO-ORDINATION OF EXTERNAL FUNDING IN LINE WITH THE PARIS DECLARATION, AFGHAN COMPACT AND ANDS

Aid coordination, aid information management and aid effectiveness continues to be an important output of the project. Some of the major accomplishments of the Aid Coordination Unit (ACU) in the third quarter of 2008 include:

Paris Conference Follow Up

ACU conducted an extensive follow up of the Paris Conference during the third quarter of 2008. The main objective of the follow up was to re-confirm the pledges announced in Paris and to discuss the mechanisms for the delivery of pledges. As a result of these bilateral meetings ACU has found that from USD 21.4 billion announced in Paris USD 15 billion was new funds while USD 6.4 billion constituted reiterations from previous conferences.

ACU has continued the exercise to clean up the DAD and to improve the quality of the data to the extent possible. The data of each donor recorded in DAD has been analysed by each focal point and presented to the larger group for discussion. The analysis was then shared with relevant donor(s) and corrective measures have been taken. This exercise will continue until the discrepancies in DAD have been solved.

Capacity Building of ACU Staff

ACU has developed a three-month training programme for both ACU staff as well as other employees of the Budget Department. 10 members of the ACU and 17 employees of the Budget Department, mainly civil servants, are currently benefiting from the training programme. The training programme was initiated in August covering a variety of topics from aid management to aid effectiveness and public finance management.

In connection with the training programme, ACU has also developed a concept note for an exposure visit to Sri Lanka. The objective of the exposure visit is for ACU staff to learn from the experience of Sri Lanka on aid management and effectiveness. The exposure visit will be an added value to the ongoing efforts to build the capacity of ACU in order to improve aid coordination, aid management and effectiveness in Afghanistan. The concept note will soon be shared with donors for funding.

GoA & Donor Negotiations

ACU prepared the Afghan delegation for the Accra High Level Forum on Aid Effectiveness. MoF, who was leading the delegation, was fully briefed on issues related to aid management and aid effectiveness in Afghanistan.

ACU also prepared the participation of Dr. Anwar-ul-Haq Ahadi, Minister of Finance, at the JCMB meeting, which took place in Kabul, Afghanistan in September. This JCMB paid special attention to the ANDS alignment and aid effectiveness policies.

Within the Budget Department, the ACU took a lead in preparing the participation of the Afghan delegation at the Afghanistan Reconstruction Trust Fund (ARTF) Donor Meeting (September 11-12, 2008). The briefing was prepared for the Minister of Finance.

The ACU continued to support the Office of Ministers in reaching agreement on the ANDS Implementation Structure with other key officials within the Government and the donor community. The ACU prepared the funding proposal for the ANDS Implementation and Monitoring Structure that has been agreed between the Government and the donors at the Standing Committee on Social and Economic Development session on September 16.

ACU and USAID conducted a joint review of USAID's activities in Afghanistan. The portfolio review was led by the Minister of Finance and decisions have been made to improve alignment with ANDS

and government priorities. It was also decided that USAID will make sure that future decisions on the allocation of resources will be made jointly with the Government.

As a routine exercise, ACU prepared dozens of briefings to the Minister and Deputy Minister of Finance on different issues related to grants, loans, aid delivery and other issues.

COMPONENT 3: IMPLEMENTATION OF THE EXIT STRATEGY TO BUILD SUSTAINABLE CAPACITY WITHIN THE GOA

OUTPUT 6: SIGNIFICANT LEVELS OF TECHNICAL CAPACITY BUILT AND RETAINED WITHIN THE PUBLIC FINANCE SECTOR, PARTICULARLY WITHIN THE MINISTRY OF FINANCE AND LINE MINISTRIES

The exit strategy of the MBAW project was developed, discussed and amended by the project board and presented with the project document. Capacity building of the MoF staff (i.e., new graduates, existing civil servants and selected project staff that would be absorbed as Ministry staff) and provision of necessary support systems are the core ideas and main purposes of the strategy. The capacity building of the newly recruited graduates has already received due attention in the last couple of years.

In the third quarter of the current fiscal year, in addition to assigning the new graduates to the various sectors and units within the Budget Department to gain hands-on experience through mentoring, a wider capacity development approach to address the observed human and institutional capacity limitation and gaps of the Budget Department has been developed. To implement this, a concept note followed by a methodology and work plan has been designed and communicated to the relevant bodies in UNDP and the MoF.

The main idea of the capacity development (being the core component of the exist strategy) is to establish a comprehensive organizational capacity in the Budget Department and the MoF at large on the bases of an institutional capacity analysis, identify current strengths and gaps of the Budget Department, and propose possible interventions to scale up the service delivery capacity of the department.

As an initial step, a capacity analysis/assessment work will be carried out using the UNDP capacity analysis modalities and approaches. The assessment and gaps analysis will be carried out within the coming few weeks. Based on the gap analysis, the capacity development intervention is expected to establish baseline data and provide a basis for setting clear targets and provide improved systems and procedures, develop a training curriculum for building the knowledge and skills base (software) for the Budget Department to enable provision of sustained public services and help identify needed technical and structural changes (if required) and specific interventions to address areas of weak performance. In short the proposed capacity assessment will have two major components: a broader institutional capacity assessment and a human resources capacity assessment

In broader terms the capacity development strategy will help to facilitate a better programme and budget planning and implementation by the different Ministries with appropriate guidance of the MoF. The assessment and development of a set of capacity building interventions will be carried out by a consultant. The ToR for a period not exceeding three months has been drafted and communicated to the UNDP.

Trainings and Workshops

During the reporting period, the project conducted several 'learning hours'; time allocated to the provision of in-house presentations, seminars, workshops and on the job training. Besides the 'learning hours,' project staff participated in a range of overseas training and international conferences.

Project Staffing during the 3rd Quarter 2008

During the 3rd quarter, the project, in line with its proposed outputs and activities, filled three national positions and completed the process of recruitment for an international position of Aid Effectiveness Advisor, but was unable to find a qualified candidate for the position and therefore re-advertised for the second time. In addition to the new recruitments, five MBAW project staff resigned from their positions.

The project is recruiting for a few other positions, which will be finalized during the fourth quarter of 2008. These vacant positions are Aid Coordination Officer, Programme Budgeting Officer, Sector Manager, National Consultant for the Fiscal Policy Unit and a Provincial Budgeting and Reporting Officer.

II. Project implementation challenges

Updated project risks and actions

Ministry of Finance's commitment to implement the PRR process for the new graduate after a short probation period

The successful implementation of the exit strategy is a joint responsibility of the project and the Budget Department of the MoF. While the project is focused on building the capacity of the new graduates, the Budget Department is not fulfilling its part to implement the necessary requisites for retaining the new staff. More than six months on service, the graduates are still holding short-term contracts which make them vulnerable to leave MoF for other organizations. For instance from the first group of graduates two out of ten and from the second group five out of twenty has already left MoF and found employment with other national or international organizations.

Implementation of a simple programme budget structure across pilot ministries

The Ministry of Public Health, the Ministry of Agriculture, Irrigation and Livestock, the Ministry of Finance and the Ministry of Education have been requested and instructed to restructure their programme budget structure to make it more simple and straight-forward. While MoF and the Ministry of Agriculture, Irrigation and Livestock revised their structure according to MoF requirements, the Ministry of Public Health has made revisions opposite to those recommended by MoF (collapsing all service delivery programmes into one and expending supporting programmes), while the Ministry of Education still opposes any significant modification of their programme budget structure. If these ministries fail in doing so they will not be able to successfully implement programme budgeting in their ministries. The project has therefore prepared a memo for MoF raising the issue of the programme budget structure of these ministries with the recommendation that it should be discussed at the next Cabinet meeting.

Cabinet endorsement of the program budget reform

Many ministries have been complaining that although they have been investing significant efforts into preparing their programmes and integrating budgets, the focus of the Cabinet remains on the development projects. Ensuring Cabinet endorsement of the programme budget and involving senior management more in the process will be crucial for future commitment to this reform and its successful implementation across Government. The project has prepared the Programme Budget Endorsement Memo and is awaiting Cabinet endorsement.

Implementation of the Budget Integration Instructions

Budget Integration Instructions Phase Two is still pending Independent Administrative Reform and Civil Service Commission (IARCSC) approval. Failure to implement these instructions in the pilot line ministries will seriously jeopardize their ability to implement ANDS effectively, make the best use of the development projects and consequently prepare and execute programme budgets effectively. The project has therefore drafted a memorandum explaining the benefits and stages of implementation of budget integration and submitted it to IARCSC. A meeting with the senior management of IARCSC to resolve the issue will take place in early October.

Integration of the operating and development budgets

The main objective of programme budget implementation was to integrate operating and development budgets. However, achieving this result will widely depend on the ability of donors to lose specific requirement when it comes to development project implementation and controls.

Preparation of MTBF and budget ceilings

MoF is late this year with the preparation of the MTBF and budget ceilings. If ceilings are not prepared and issued in time, it will cause delays in budget preparation and result in programme budget submissions that are much higher than realistic ceilings. Consequently, Budget Hearings

will be focused on determining ceilings, rather than different policy choices, defying the purpose of programme budgeting.

Lack of guidance from line ministries to provincial office on the budget process

It has been observed that the line ministries have not been able to provide adequate guidance to their provincial directorates for better provincial budget submissions. Neither have they provided any template/format for a regular progress reporting system that allows the inclusion of both physical and financial attainments along with the pertinent problems to be resolved. Separate training should be designed for the ministry-level officials in the future.

Lack of dedicated provincial units in line ministries

There is no sensible communication mechanism built into the line ministries and across the provinces for a regular/periodic flow of information. There is a need to establish Provincial Planning/Budgeting Units in the ministries to coordinate the entire provincial budgetary process.

Absence of standard criteria for resource allocation

Another challenge in the implementation of the provincial budgeting is the absence of standard criteria within the line ministries for resource allocation. The team is working with the sector coordinators and the relevant ministries to find a solution.

Worsening security situation

The worsening security situation is also making it difficult to reach some of the provinces hampering the ability of the project to provide needed training on particularly provincial budgeting to all relevant provinces. A more coordinated approach is being considered for a better outreach involving possible stakeholders, who can facilitate the process.

Updated project issues and actions

Inadequate internal capacity in the line ministers

Programme budget pilot ministries have faced difficulties preparing quarterly allotments and tracking expenditures by programmes in the provinces. Since most services are being delivered in the provinces the current form of reporting, where all expenditures in provinces are reported against only one programme, significantly distorts accuracy spending reports. The project is required to work with line ministries to build capacity in the provinces to increase understanding of programme budgets and implementing new systems. This is proposed to be done by organizing: (i) a workshop in October with provinces to receive their feedback on activities to be implemented in the provinces, and (ii) workshops on the quarterly basis with the provincial directorates, to explain them total and provincial allotments for the quarter by programmes, and training them in using new Chart of Account codes and new procedures and codes.

Currently allotment procedures are being used in MoF as a means of commitment controls disabling appropriate use of allotments, and limiting possibilities for implementing programme budget, which gives more flexibility to pilot ministries to spend money within one programme and integrating budgets. Revision of the operating and development budget procedures in the Budget Department and the development of new, harmonized procedures and budget forms is a necessary precondition for further work on programme budget and integrated budget implementation. Additional technical assistance is required to address the above issues and propose a solution.

Aid Coordination Unit capacity is continuously affected by staff turn-over and delayed recruitments

The staff constraints and turnover has been an issue with the ACU for a long time, but these issues had a considerable impact during the first and second quarter of 2008. New employees were recruited by the project management in order to approach this issue. But since these staff members are new and have no experience with Aid Coordination and Effectiveness it will take

some time for them to adjust and get familiar with the ACU operations. Since the ACU is a very key unit to many important decision making processes it is required that certain training be arranged in order to improve the capacity of this unit.

Considerable amount of time and capacity of the Aid Coordination is devoted to improve the quality of donor data

Data collection from the donors has also been a challenge for ACU. At times, some donors seem to not understand the importance of data sharing and transparency and thus are not efficient in sharing the information on their projects, which results in too many difficulties for ACU to identify where the money goes, what are the gaps and which sectors or provinces are over-funded and under-funded.

Many initiatives have been taken by the project to meet this challenge. The Donors' Financial Review and the Bilateral Portfolio Reviews can be mentioned as examples. In addition to these, the focal points are constantly coordinating with the donors to get accurate and up to date data from these and are always readily available to help the donor and development partner countries if needed.

Stronger support and back-up by the top-level management of the MoF is needed in order to enforce donor provision of the most up to date and timely data on the aid that goes through the external funding channels.

Provincial Budget trainings were off-schedule during the 3rd quarter

The trainings were expected to be finished at the end of September 2008 but due to some challenges faced by the provincial budgeting team, such as delay in the release of funds from UNDP and the lack of capable staff, the intensive training could not be conducted within the set deadline. However, based on the current plan all the training and orientation workshops will be conducted during the 4th quarter of 2008.

III. Financial status and utilization

Financial status

Table 1: Contribution overview [April 1, 2007 – March 31, 2012]

DONOR NAME	CONTRIBUTIONS		CONTRIBUTION BALANCE
	Committed	Received	
CIDA	3,902,086	1,950,652	1,951,434
DFID	5,000,000	1,254,647	3,745,353
GTZ	1,200,000	1,200,000	-
UNDP	154,000	154,000	-
TOTAL	10,256,086	4,559,299	5,696,787

Financial utilization

Table 2: Quarterly expenditure by activity [01/01/2008 – 30/09/08]

Activity	BUDGET [2008]	QUARTERLY EXPENDITURE	BALANCE	DELIVERY (%)
Activity 1 [Strengthened Budget Policy and Planning Processes linked to ANDS priorities]	170016	134639	35377	79%
Activity 2 [Strengthened Budget Formulation Processes]	723531	436309	287222	60%
Activity 3 Strengthened Budget Execution Processes]	102586	73069	29517	71%
Activity 4 [Strengthened Budget Monitoring and Reporting]	170234	63232	115711	37%
Activity 5 [Alignment of and improved coordination of External Funding in line with Paris Declaration Afghan Compact to support ANDS implementation]	323710	132378	107002	44%
Activity 6 [Sustainable institutional technical capacity built and retained within the public finance sector, particularly within the Ministry of Finance and Line Ministries]	178549	132378	191332	54%
Activity 7 [Other project costs]	1133866	96425	1037441	63%
UNDP GMS (based on donor agreements)	226,126	128,668	97458	57%
Total	3,004,258	1,788,310	1,215,932	60%

Table 3: Quarterly expenditure by donor [01/01/2008 – 30/09/08]

DONORS	ACTIVITY	2008 Budget	Q1 EXPENDITURES	BALANCE	DELIVERY RATE
	(as per approved budget)		01/01/08 - 30/09/08	as of 30/09/08	%
CIDA	ACTIVITY01: Strengthened Budget Policy and Planning Processes linked to ANDS priorities	47223	55248	-8,025	
	ACTIVITY02: Strengthened Budget Formulation Processes	93239	73800	19,439	
	ACTIVITY03: Strengthened Budget Execution Processes	6971	15014	-8,043	
	ACTIVITY04: Strengthened Budget Monitoring and Reporting	103057	35635	67,422	
	ACTIVITY05: Alignment of and improved coordination of External Funding in line with Paris Declaration Afghan Compact to support ANDS implementation	156809	75025	81,784	
	ACTIVITY06: Sustainable institutional technical capacity built and retained within the public finance sector, particularly within the Ministry of Finance and Line Ministries		7883	-7,883	
	ACTIVITY07: Other project costs	645056	347540	297,516	
GMS 7%		85,656	49,608	36,048	
Subtotal DONOR I		1,138,011	659,753	478,258	58%
DFID	ACTIVITY01: Strengthened Budget Policy and Planning Processes linked to ANDS priorities	122792	79391	43,401	
	ACTIVITY02: Strengthened Budget Formulation Processes	124456	136234	-11,778	
	ACTIVITY03: Strengthened Budget Execution Processes	95614	58055	37,559	
	ACTIVITY04: Strengthened Budget Monitoring and Reporting	67176	27598	39,578	
	ACTIVITY05: Alignment of and improved coordination of External Funding in line with Paris Declaration Afghan Compact to support ANDS implementation	142530	57352	85,178	
	ACTIVITY06: Sustainable institutional technical capacity built and retained within the public finance sector, particularly within the Ministry of Finance and Line Ministries	118823	41706	77,117	
	ACTIVITY07: Other project costs	488810	369269	119,541	
GMS 7%		94,435	62,541	31,894	
Subtotal DONOR II		1,254,636	832,146	422,490	66%
GTZ	ACTIVITY02: Strengthened Budget Formulation Processes	505835	226,274	279,561	
	ACTIVITY06: Sustainable institutional technical capacity built and retained within the public finance sector, particularly within the Ministry of Finance and Line Ministries	59,726	46,835	12,891	
	ACTIVITY07: Other project costs		991	-991	
GMS 7%		46,034	22,311	23,723	
Subtotal DONOR III		611,595	296,411	315,184	48%
Total		3,004,242	1,788,310	1,215,932	60%

Annexes