



Islamic Republic of Afghanistan
Ministry of Finance
Office of the Deputy Minister for Administration
Reform Implementation & Management Unit

Strategic Plan
1387- 1391 (2008/-2012/13)

ANDS
(Pillar 8: Economic Governance and Private Sector Strengthening)

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I. Introduction/Background

The Ministry of Finance (MOF) has a clearly defined role serving the government and people of Afghanistan, in terms of mobilizing revenue and managing government finances. To efficiently undertake these functions, the Ministry prepared a five year strategic plan in 1384 and much progress has been made in the past three years towards establishment of an effective and transparent public financial management system as well as in tax reforms and increase of the domestic revenues. MoF developed the MTFP and MTBF (Annex B), which has been approved by the cabinet and parliament. As part of the MTBF, budget ceilings for the operating and development budget as well as revenue targets are set for the next five years 1387-1391, moving towards fiscal sustainability. MoF developed the Macroeconomic Framework, which is part of ANDS. Moreover, the Strategic Plan Monitoring and Evaluation Framework has been developed; performance indicators with annual targets (1387-1391) have been set and are being monitored (Annex A). And, the Strategic Plan is updated in 1387 for the next five years. It is worth mentioning that the Strategic Plan will be reviewed and updated annually based on the needs.

To date, new laws and their regulations, Public Finance and Expenditure Management Law, Customs Law, Procurement Law and Income tax law, which provide the legal basis for MoF operations, have been adopted to regulate and simplify the procedures and create efficiency to the system; however, execution of these laws still remain challenging and much effort is needed to be made to efficiently and effectively implement these laws/regulations by establishing efficient mechanisms and building the capacity of the staff of MoF and line ministries in this regard.

Regarding the budget, previously provincial economic development was neglected. As a result, more than half of the budget was spent centrally resulting in poor service delivery in the province, and a negative perception in the provinces of the reconstruction process. Also, there was no link between inputs and outputs and budgets were formulated based on the resources needed not based on what output and outcome it will produce. Therefore, the Ministry of Finance intended to reverse that trend through program and provincial budgeting by channeling more resources to the provinces and linking line ministries budget to ANDS priorities and objectives as well as to provincial development plans. The expansion of both mechanisms has already started and shall be completed by 2010.

To make the financial management system more effective and efficient, MoF developed Afghanistan Financial Management Information System (AFMIS), which is being expanded to line ministries and provinces. Also MoF introduced the Verified Payroll Program under which all government employees shall be covered and salary bank accounts shall be opened to them, making the system efficient and transparent. The new procurement law and regulations have been promulgated and trainings have started to develop the line ministries on the new procurement methods as stated in the law and to enable them to carry out stand alone procurement.

Internal Audit manual was developed and intensive training on internal audit is being provided to audit staff of MoF and line ministries.

Pertaining to domestic revenues, MoF exceeded the IMF benchmarks in the past three years except for 1386 (2007/08) due to security issues and severe winter. Over the next five years 2008/2013, MoF intends to move towards fiscal sustainability and shall cover 100% of its operating expenditures through the domestic revenues. Also, the income tax law has been simplified and is awaiting Parliament approval and Large and Medium Tax Payers Offices have been established and operationalized. Regarding Customs, new customs legislations, regulations and procedures have been enacted to boost the custom revenues.

The Strategic Plan involves implementing numerous critical actions that will improve MOF's organizational structure, its management processes, capacity building, communications and the use of external technical assistance, and also have a significant impact on the next steps toward promoting good governance. In implementing the strategic plan, particularly in preparing the annual plans, more detailed human resource development and assessment of the required physical resources (buildings and equipment) will be undertaken. Capacity building of Ministry staff is an essential component of the plan. Recruitment is based on merit based criteria, and performance based human resource management, training and pay reform. The new Civil Service legislation passed in 1384 is supporting the Ministry and the other ministries in adopting these best practices for staff recruitment and management.

The Ministry Strategic Plan is part of the overall national development plan, and it has been outlined in key Government documents, including the Afghanistan National Development Strategy (2008) and the Afghanistan Compact (2006).

The five year strategic plan is structured in the following manner based on the Ministry's mandate:

1. **MoF Vision and Mission** have been defined which show the direction and destination of MoF, toward which the Strategic Plan is heading
2. **Five Goals** have been identified, which indicates the major attributes of MoF
3. **Core Values** are set, which are the attitudes and beliefs to uniquely pattern MoF organization culture and make the basis for the MoF vision and goals.
4. **Twelve objectives are defined to achieve the Ministry's five broad goals.** These objectives provide the basis for preparing the strategic plan outputs and outcomes in line with ANDS objectives. These outputs and outcomes provide the measurable indicators with performance targets, against which strategic plan progress can be measured.
5. **Nine Programs and Twenty Nine Sub Programs have been identified showing departments major tasks** (as result of the recent program budgeting mechanism expansion to MoF), these programs and sub-programs creates a systematic means towards attainment of the objectives of MoF.
6. **Key Activities have been identified under each sub-program**, which shows the operational and development activities of the departments
7. **MoF Organization Structure** is outlined to illustrate the command and reporting lines as well as to show relationships among the departments.
8. **Annual priorities** have been identified to prioritize the very important activities from among a wish list

II. Vision and Goals

Vision:

A stable financially secure and financially self-sufficient Afghanistan with a fiscally disciplined government and a ministry that is accountable and responsive to the needs of its clients.

Mission:

To be an agent of change and the voice of expertise in the fiscal matters of the country, in addition to, ensuring that international standards are met for procurement and financial management.

Goals:

The MOF broad goals are to:

1. Mobilize revenue and manage Government finances
 2. Support economic management and promote economic growth
 3. Manage public wealth
 4. Promote good governance
 5. Best practice leader within the Afghan public sector
-
- A. **Mobilizing revenue and managing Government finances** – especially budget revenue and expenditure operations, and the management and control of Government bank accounts and cash flows. Given the relatively low level of domestic revenue generation in Afghanistan, mobilizing progressively more revenue over time is a critical role of MoF.
 - B. **Supporting economic management and promoting economic growth** – most importantly the provision of policy analysis and advice on a range of economic policies and strategies, especially from the fiscal standpoint, with particular emphasis on supporting inclusive economic growth and development.
 - C. **Managing public wealth** – managing and advising the Government as a whole on issues involving the assets and liabilities of the Government, including a clear focus on policies and measures for achieving sustained improvements in public sector assets and liabilities.
 - D. **Promoting good governance** – acting as chief custodian of the public financial management system, combating corruption, ensuring and enhancing financial system integrity, and providing the leading policy and technical inputs for public finance laws, regulations, procedures, accountability structures, fiscal transparency, and quality assurance practices of public institutions.
 - E. **Best Practice Leader within Public Sector**-as chief custodian of the public financial system, MoF needs to provide a powerful example to other government ministries and agencies in matters of efficiency, transparency and integrity of financial management, as well as in quality of policy analysis and professionalism in its advisory role to Government.

III. Core Values

The MoF vision and goals are also based on core values that all MoF staff should aspire to:

1. Loyalty to Afghanistan's Constitution and Respect for the law
2. Integrity
3. Impartiality
4. Service, result -oriented and teamwork culture
5. Fair and courteous treatment of the private sector and general public
6. Diligence in work and pursuit of excellence
7. Diversity and gender-sensitivity
8. Commitment to accountability and transparency

It is expected that all MoF employees/advisors adhere to these values.

IV. Core objectives

The roles and attributes outlined above are very broad and to a large extent generic to any Ministry of Finance. Thus they need to be translated into specific objectives, progress toward which can be monitored and assessed. Therefore, in the Strategic Plan twelve core objectives are identified to achieve the Ministry's five broad goals. These objectives provide the basis for preparing the strategic plan outputs and outcomes. The outputs and outcomes provide the measurable indicators against which strategic plan progress can be measured, which are in line with ANDS objectives. The five broad goals which define the MOF main roles and responsibilities and the core objectives to achieve each goal are outlined in Table 1 below.

Core Objectives to Achieve MOF Goals (Main Roles and Responsibilities)

Goals	Core objectives
Mobilizing revenue and managing Government finances	<ol style="list-style-type: none"> 1. Revenues are dynamically growing and collected in a fair manner, 2. Adequate, predictable external assistance is going through the national budget 3. The budget is realistic, based on a sound multi-year fiscal strategy, and implemented in a predictable manner
Supporting economic management and promoting economic growth	<ol style="list-style-type: none"> 4. The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy, 5. Government's high-level decisions take into account fiscal consequences, and 6. Legitimate economic activities of the private sector and individuals are facilitated, not hindered
Managing public wealth	<ol style="list-style-type: none"> 7. Government's assets and liabilities are adequately

	tracked and managed, and 8. Procurement activities optimize use of public funds.
Promoting good governance	9. Information is available and transparently shared 10. Effective control and stewardship is exercised in the use of public funds so society is protected from corruption.
A best-practice leader within the Afghan public sector	11. Strategic focus on delivering services and achieving results, and 12. Professionally staffed with high standards of staff integrity.

As mentioned, the objectives are in turn associated with concrete, monitorable indicators against which progress toward the objectives can be assessed, and which can be shared internally as well as with stakeholders and most importantly the public.

As part of the process of finalizing the five-year strategic plan, clear performance targets are established and regularly updated for each indicator for the next five years 1387-1391 (Annex 1) and they are related to departmental five-year strategic sub-plans/programs and sub-programs.

In this regard, the MOF Reform Implementation and Management Unit (RIMU), in addition to its other mandated tasks, is responsible for the development and updating the Strategic Plan M&E Framework and monitoring the timely implementation of the Strategic Plan accordingly.

V. Programs, Sub-Programs and Activities

So as to have a systematic means towards attainment of MoF objectives and goals and to create a direct link between the inputs and outputs, the ministry piloted the program budgeting mechanism for 1387 (2008/09) and beyond. Under this approach, nine programs and twenty nine twenty sub-programs and a number of key activities were identified. The approach coordinates the activities under the umbrella of programs, a basis for the achievement of the MoF objectives and goals.

MoF Programs and Responsible Departments

Programs	Responsible Department
1. Government Budgeting	Budget Department and Gender Budgeting Unit
2. Policy Research & Analysis	Fiscal Policy Unit
3. Public Finance Management	Treasury Department
4. Revenues	Revenue Department
5. Customs	Customs Department
6. SOEs	SOE Department

7. Internal Audit	Internal Audit Department
8. Admin & Executive Support	Admin & Property Departments and RIMU
9. Office of the Minister	Minister's Office, PPU and Afghanistan Insurance Authority

MoF Programs and their links with the Core Objectives to achieve them

Objectives	Programs
1. Revenues are dynamically growing and collected in a fair manner,	4. Revenues 5. Customs 2. Policy Research & Analysis
2. Adequate, predictable external assistance is going through the national budget 3. The budget is realistic, based on a sound multi-year fiscal strategy, and implemented in a predictable manner 4. The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy,	1. Government Budgeting 2. Policy Research & Analysis 3. Public Finance Management
5. Government's high-level decisions take into account fiscal consequences,	2. Policy Research & Analysis
6. Legitimate economic activities of the private sector and individuals are facilitated, not hindered	4. Revenues 5. Customs
7. Government's assets and liabilities are adequately tracked and managed,	3. Public Finance Management 6. SOEs
8. Procurement activities optimize use of public funds	9. Office of the Minister (9.4 Procurement Policy)
9. Information is available and transparently shared	1. Government Budgeting 3. Public Finance Management 8. Admin & Executive Support 9. Office of the Minister
10. Effective control and stewardship is exercised in	7. Internal Audit

the use of public funds so society is protected from corruption.	3. Public Finance Management 8. Admin & Executive Support
11. Strategic focus on delivering services and achieving results, and	8. Admin & Executive Support (8.4 RIMU)
12. Professionally staffed with high standards of staff integrity.	8. Admin & Executive Support (8.4 RIMU)

MoF programs, sub-programs with key activities to achieve the Core Objectives are outlined below.

1. Government Budgeting

The key role of the Program is to prepare, coordinate and oversee the execution of a balanced financial plan and budget that reflects Government policies and priorities. It is responsible for monitoring budget implementation and performance at national level, and coordinating development partner budget support.

The Program will ensure that the budget is realistic, based on a sound multi-year fiscal strategy, and in line with country's economic and social growth priorities, and implemented in a predictable manner. Further strengthening the National Budget process, which is the central coordination mechanism for the allocation of funds to all core Government functions, is one of the most important priorities of the Government. The Program is primarily responsible for strengthening the National Budget process. The National Budget process also aims to establish confidence among international development partners to channel their resources through the National Budget.

The Program will strengthen improved public expenditure management through the introduction of program and provincial budgeting reforms. The reforms will improve transparency and accountability of the budget process and enable efficient allocation of the public resources in accordance with the country's highest priorities, as defined in the ANDS and ministerial strategies and reflecting the actual needs of the provinces, through integration of the operating and development budget and implementation of the program based budgeting and greater involvement of the provinces in the process.

Sub-programs	Activities	Narratives
1.1 Budgeting and Execution	1.1.1 Budget Formulation	Circulars, Ceilings, Budget Decree, Budget Hearings, Mid-Term Review, Cabinet, Parliament Other Guidelines
	1.1.2 Budget Execution	Allotment Control, Donor Funding, Monthly, Quarterly, Annual Reporting, Commitment/Obligation Management
	1.1.3 Monitoring and Evaluation	Ministerial Performance, IMF-HIPC Triggers
	1.1.4 Medium Term Expenditure Framework (MTEF) and Budget (MTBF) Framework	Budget Policy Formulation/ANDS/Costing
	1.1.5 Investment Policy and Evaluation	Project Investment Reviews
1.2. Budget Reform	1.2.1 Program Budgeting Reforms	Program Budgeting, Budget Policy Analysis, Budget Integration
	1.2.2 Provincial Budgeting Reforms	
1.3 Aid Coordination	1.3.1 Aid Coordination	Facilitation of donor meetings and government dialog, Aid Effectiveness Working and Consultation Working Groups, Oversight Committee, Coordination with line ministries
	1.3.2 Aid Information Management	Management of Grants/ Loans, Donor Profiles, Update of Donor Assistance D-Base, Reporting against compact benchmarks, September/March Reviews,
	1.3.3 Aid Effectiveness	Bi-Annual Survey of Donor Procurement, Monitoring / Scoring of Paris Declaration/Afghanistan Compact, Development of Aid Policy.

2. Policy Research and Analysis

The key role of the Program is to prepare a macroeconomic framework that leads to a reliable fiscal policy framework. The Program will analyze government policy that have fiscal implications and devise fiscal policy within a sustainable and affordable framework that leads to economic development, employment creation, improvement in services delivery and poverty reduction.

The Program will assist the Government ensure improved transparent financial management at the central and provincial level through establishing and meeting benchmarks for financial management agreed with and jointly monitored by the international community. A key objective in line with improved government accountability is increased donor external assistance into the core budget.

Sub-Program	Activities	Narratives
2.1 Fiscal Policy and Macro-Economic Analysis	2.1.1 Macro-economic and Fiscal Analysis	MTFF, Public Expenditure Analysis, IMF Tracking, Budget Preparation (Ceiling), Analysis of all policy decisions having fiscal implications to ensure fiscal sustainability over the medium term.
	2.1.2 Revenue Analysis	Revenue and Tax Policy, Non-Tax, Other analysis.
	2.1.3 Special Projects	Pay and Grading, Pension Reforms,

		Analysis of Fiscal Impact of Public Administration and Other Reforms, ANA, ANP
	2.1.4 Ministerial Briefings	Special Briefings for H.E. Minister and Deputy Minister
2.2 Revenue Policy Advice and Analysis	2.2.1 Revenue Policy Advice	Comprehensive legislative base for revenue policy and administrative reform. Enactment of basic legal and regulatory framework consistent with international standards and linked to the development of policy studies and reports prepared by the Revenue Program.
	2.2.2 Revenue Forecasting and Reporting	Reliable revenue forecasting to feed into the MTFP.

3. Public Finance Management

The key role of the Program is to develop and provide systems and procedures to support budget execution and management of Afghanistan's financial operations.

Sub-Program	Activities	Narratives
3.1 Treasury Operations	3.1.1 Payment Processing, Banking and Cash Management, Financial Reporting and Management of Audit Process	Cash Management, Reconciliation, General Ledger, Financial Controller Operations. Payment processing for line ministries, transfer of cash to provincial expenditure accounts and recording provincial expenditures. Managing sweeps of provincial revenue accounts, and recording of provincial revenues. Liquidity reporting (daily, weekly, monthly, annual financial reports, and accounts). Cash Management Committee, Financial Statement and Audit Committee.
	3.1.2 AFMIS Functionality and Operations	AFMIS Budget, Asset and other module upgrades. AFMIS Information Technology Architecture, AFMIS functionality requirements.
	3.1.3 Operations Support to the Treasury	Consultancy advice and support provided to the Treasury Department in the conduct of 3.1.1. and 3.1.2. Capacity building for staff executing Treasury operations.
3.2 Central Account Transactions - Debt Management	3.2.1 Debt Service Payments	Debt Service Payments (Recording, Analysis, Payment).
	3.2.2 Debt Monitoring and Negotiations	IMF/World Bank/Other Negotiations, Debt Restructuring, Debt Monitoring, Recording and analysis. Obtain debt relief for Afghanistan so that debt service saved in future years can be used for other spending priorities by the government.
3.3 Mustofiats, Line Ministry and Provincial Finance Management	3.3.1 AFMIS Roll-out to Line Ministries and Provinces	Roll-out to Mustofiats and Line Ministries.
	3.3.2 Verified Payroll Project (VPP)	Rolling-out government payroll system to line ministries and provinces, capacity building, employee registration/verification.
	3.3.3 Financial Management Business Process	Accounting and financial procedures to Mustofiats/line ministries; implementing business process in Mustofiats/budgetary units.

4. Revenues

The key role of the Revenues Program is to efficiently and transparently administer and enforce the tax regulations, improve tax compliance and collect tax revenue.

Sub-Program	Activities	Narratives
4.1 Taxpayer Services	4.1.1 Tax Enquiry and Rulings Assistance	Educate the Afghan community on the need for revenue mobilization for the central government and build grass roots community confidence in a fair and honest revenue administration.
	4.1.2 Tax Form and Information Provision	Development of simple and easy to comply with tax forms with instructions.
	4.1.3 Taxpayer Appeals	Timely and impartial mechanisms for the review of revenue decisions and the resolution of disputes.
4.2 Revenue Processing	4.2.1 Taxpayer Registration	Revenue systems and procedures that minimize the costs of compliance, increase business confidence and certainty about taxation affairs and maximize their ability to voluntarily comply.
	4.2.2 Tax Payment and Tax Form Processing	Improved debt aging and rapid tax form processing.
	4.2.3 Tax Refund Claim Processing	Accurate and rapid tax refund processing.
	4.2.4 Non-Tax Revenue Collection	Improved debt aging
4.3 Taxpayer Compliance	4.3.1 Non-Filing of Tax Forms and Taxpayer Identification	Effective and diverse set of enforcement responses in order to improve the level of compliance in the taxation system and manage the highest risks to non-compliance
	4.3.2 Non-Payment of Tax Liability and Enforcement Action	Improved tax receivable collection and fair and equitable enforcement action.
	4.3.3 Tax Auditing	Improved tax auditing to ensure improved voluntary compliance

5. Customs

The key role of the Customs Program is to efficiently and transparently administer and enforce the customs regulations, and collect customs revenue.

Sub-Program	Activities	Narratives
5.1 Increase in Revenue, Expedited Clearances, and Communications	5.1.1 Automation of Declaration Processing System	Faster Cargo processing clearance times, documentation, transit and processing at major stations through ASYCUDA DPS & Transit roll-out. Reduction in tax fraud, Enhanced customs controls, ASYCUDA Training, MIS Reporting for ASYCUDA, IT Procurement, Cross-Border Data Exchange.
	5.1.2 Institutional Support Unit	Tariff Research Unit, International Customs Unit and Integrity Unit at ACD for support activities in operations, Revenue Monitoring and Forecasting, Minimizing revenue leakages/corruption in ACD operations.
	5.1.3 Valuation Data Base, Procedures Improvement, Warehousing	Valuation Data base, Introduction of Valuation Best Practices, Introducing Warehousing Procedures.

5.2 Legal Reforms and Law Enforcement	5.2.1 MIS and Revenue Reporting Procedures	Customs, duties and taxes, Receivables management and monitoring, Prosecution, Improved investigations.
	5.2.2 Legislative and Policy	Customs code revision, legislation finalization, procedures for supporting automation, Revenue policy and administrative reform, legal unit and related procedures development, system of arbitration and appeals.
	5.2.3 Audit and Post Audit	Audits, establishment of post release audit and post clearance audit, reform of internal audit directorate.
	5.3.4 Enforcement and Voluntary Compliance	Effective and diverse set of enforcement responses in order to improve the level of compliance in the customs system and manage the highest risks to non-compliance, anti-smuggling reforms, borderline surveillance, Weapons and equipment availability, establishment of an intelligence unit, establishment/ make operational Centralized Risk Management Unit at ACD, Improved operational procedures of enforcement and powers to ACD enforcement wing.
5.3 Business Partnership and Communication	5.3.1 Customs Brokers and other Programs	Support to improve customs operations.
	5.3.2 Develop Warehousing System	Development of public private partnership to develop warehousing and bonded carriers industry with legislative and logistic support of ACD.
	5.3.3 Business Partnership	Communication and consultation with trade for reforms policies, help line, web site development, hot-lines, media unit, ombudsman program and dispute resolution mechanism.
5.4 Trade Facilitation	5.4.1 Business Process Re-Engineering and Roll-Out of All Modules of ASYCUDA	Full roll-out of all modules of ASYCUDA nation-wide, Internalization of ASYCUDA operations and MIS reporting, ACD ICT plan implementation, Introducing RMS in Automation.
	5.4.2 Transit Corridor Improvement	Deployment of Transit modules at all transit stations, TIR implementation, Establishment of Transit Management Unit
	5.4.3 Infrastructure and Equipment	Infrastructure at inland customs stations and borders, etc., Construction of ICDS and regional headquarters, inventory management and maintenance unit, Customs Training Institute, structure for cargo handling and surveillance equipment

6. SOE

The key role of the SOE Program is to develop and implement Government SOE policy, strategy and regulations for divestment of approved SOEs and financial management oversight.

The Government seeks to promote the private sector as the engine of economic growth and the key to Afghanistan's long-term development and poverty reduction. The Government is committed to expanding the private sector through the efficient and rapid transfer of State-Owned assets into private ownership. Such transfers shall take place in an open, fair, and transparent manner with the objectives of maximizing sales revenues balanced against employment preservation and creation and encouragement of investments and technological development. Social Safety Net Program was approved by the Cabinet of

Ministers on 21st Nov 2005. This program has two components, (1) Severance Payment benefits to redundant employees and, (2) re-training.

Key Program objectives include identifying SOEs that are not economically or financially viable, proposing their liquidation, privatization or restructuring; assessing their assets and liabilities, realizing assets, cancelling liabilities and dissolve SOEs, severance payment and offering re-training to the redundant employees of targeted SOEs.

Sub-Program	Activities	Narratives
6.1 Financial Management Reporting, Monitoring and Evaluation	6.1.1 Financial Controller Activities	Financial status of the SOE by presenting annual financial plans and quarterly reports, approval of payments, request for financing, entering into new contracts, monitoring of bank accounts, income and expenditure control, assets and liabilities management
	6.1.2 Financial Management Oversight	Monthly, Quarterly SOE (CF, BS, IS), Registration, Monitoring
6.2 Privatization and Divestment (SOE)	6.2.1 Restructuring	Identify SOEs that are not economically or financially viable, propose their liquidation, privatization or restructuring; assess assets and liabilities, realize assets, cancel liabilities and dissolve SOEs. Severance payment and offering re-training to the redundant employees of targeted SOEs.
	6.2.2 Liquidation / Privatization	Establish priorities of divestment program, valuation, proposal preparation.
	6.2.3 Legal and Policy Reform	State owned enterprise law.
	6.2.4 Social Safety Net	Assist SOE in Restructuring/liquidation.
6.3 Non-SOE Privatization	6.3.1. Restructuring and Divesture Plan	Restructuring / Divestiture Plan Submitted to Parliament.
	6.3.2 Privatization of Non-SOEs	Establish priorities of divestment program, valuation, proposal preparation, etc.

7. Internal Audit

The key role of the Internal Audit Program is to develop and implement audit procedures in line with Government policy.

Sub-Programs	Activities	Narratives
7.1 Internal Audit Strategy and Policies	7.1.1 Internal Audit Education Programs and Professional Associations	Creation/Implementation of Afghanistan Chapter of Institute or Internal Auditors, Development of Internal higher education programs, development of IA Library, MOF Audit Committee Formulation, Accreditation / Certification of Auditors, Afghanistan Audit Authority Collaboration
	7.1.2 Internal Audit Policies Formulation	Internal Audit Manual, Technical Manual (Parts 1 and 2), Training Workshops.
	7.1.3 Establishing Internal Audit Units in Provinces	Design and Implementation, Development of IT Audit Unit and Provincial Internal Audit Capacity.
7.2 Internal Audit Plan Formulation, Execution and Reporting	7.2.1 Internal Audits Reporting	Annual plan, periodic reports, management letter, confidential reports, Public Report.
	7.2.2 Internal Audit Execution	Revenue, Expense, Asset, Treasury Audits, review direct taxes, customs, etc., salaries procurement etc.

	7.2.3 Information Systems And Procedures Audit	Procedures Audit, Internal control systems conformity test, specific internal audit programs elaboration, Internal audit working papers (contents, codification, document, Justification).
7.3 Inspection and Investigation	7.3.1 Fraud Investigations	Development of Fraud Investigations unit, Fraud Investigations.
	7.3.2 Specific Urgent Interventions	Urgent intervention as needed

8. Administration and Executive Support

The Program aims to provide best possible support services to MoF through reducing overlaps and improving high priority service delivery through reforms and creating standardized system of employment with high standards of staff integrity. It also focuses on strategically delivering services focusing on capacity building, administrative reforms and monitoring and evaluation of the strategic plan

Sub-Program	Activities	Narratives
8.1 Management and Administration	8.1.1 Finance, Budgeting, Planning, Accounting and Financial Management Reform	Budget, Procurement accounts, Asset Management.
	8.1.2 General Management and Administration	General Administration and Management, IT
	8.1.3 Government Budgeting Administration	
	8.1.4 Fiscal Policy Administration	
	8.1.5 Procurement Administration	
	8.1.6 Public Finance Management Administration	
	8.1.7 Revenue Administration	
	8.1.8 Customs Administration	
	8.1.9 SOE Administration	
	8.1.10 Internal Audit Administration	
	8.1.11 HR and Capacity Building	
	8.1.12 Mustofiat Administration	General administration and IT, Construction of new facilities (e.g., Construction of Guest House for Bulkh Province, Mustofiat Reform (Equipment), HR Management, Construction of Administration Building, Vehicle Registration D-Base).
	8.1.13 Deputy Minister Office Support	Administrative Support Functions
8.2 Property and Management Support	8.2.1 MoF Real Property Management	Management of MoF Real Assets

8.3 Capacity Building (Skills Development)	8.3.1 Capacity Building	Information Technology and new work practices, appropriate policies procedures, standards for workforce development. Coordinate training within the MoF across all directorates, improving workplace performance, Implement in-house training in various competencies
	8.3.2 Government Budgeting	
	8.3.3 Fiscal Policy	
	8.3.4 Procurement	
	8.3.5 Public Finance Management	
	8.3.6 Revenue	
	8.3.7 Customs	
	8.3.8 SOE	
	8.3.9 Internal Audit	
	8.3.10 Mustofiat	
8.4 RIMU	8.4.1 Administration Reform	Consolidating PRR Results, Preparing/implementing decentralization plan of treasury, audit and procurement operations, increasing transparency in public procurement, implementing the first round of regarding, pay policy of MOF. Coordinating a capacity building program for national staff through a strengthened Human Resources Department implementing the first round of re-grading and pay policy with IARCSC, restructuring and change management, PACB & PFMR project administration and coordination.
	8.4.1 Monitoring and Evaluation	Establishing a results based M&E system, developing reporting templates, periodic monitoring of MoF Strategic plan/ programs, and TA. Evaluate intended results and warn of the deviations

9. Office of the Minister

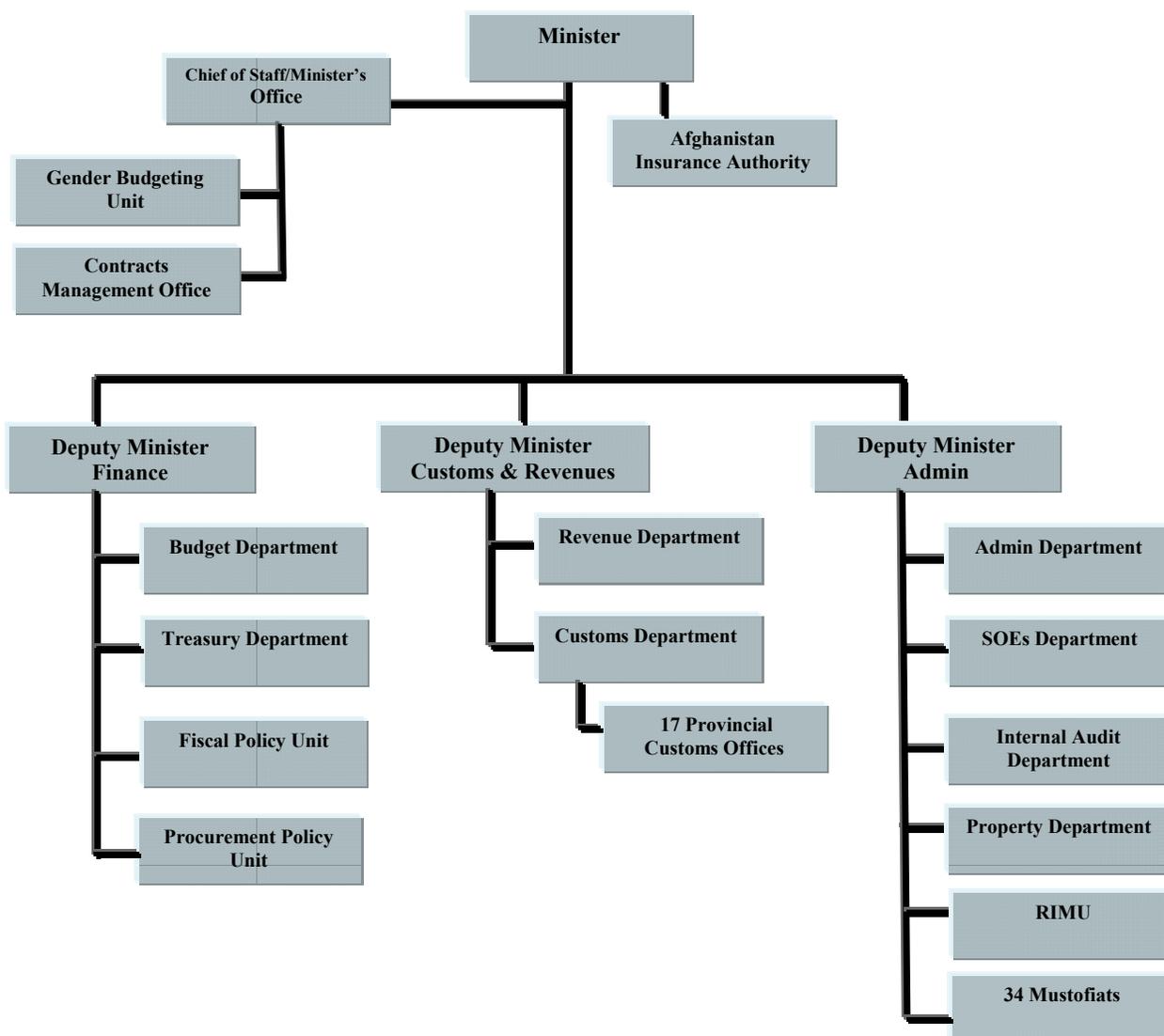
The key role of the Office of the Minister's Program is advice on fiscal and economic policy, development partner support and coordination, legal review and counsel to the Ministry, lead on key Ministry communications, efficient secretariat services and administrative and protocol affairs.

Sub-Program	Activities	Narratives
9.1 Chief of Staff Office	9.1.1 Chief of Staff Office	Efficient and effective internal and external communications of the MOF services and deliverables, effective Secretariat Services and Administrative functions and Protocol
9.2 Insurance	9.2.1 Insurance	Development of the insurance laws for the investors and create a culture of marketing and simple insurance procedures promoting dependence on insurance. Creation of insurance forms, promoting use of insurance, insurance companies monitored.
9.3 Anti - Corruption	9.3.1 Anti-Corruption	Close oversight of the MOF departments to eliminate corrupt business practices.
9.4 Procurement Policy	9.4.1 Legal and Regulatory Framework	Policy and professional development by prescribing policies and proposing improvements in procurement practices and undertake procurement performance monitoring. Analyze and report on impact of procurement reform.
	9.4.2 Procurement Monitoring and Information System	E-Procurement, and other Reforms

	9.4.3 Line Ministries and Sub National Government Procurement Department Restructuring and Development	Procurement department development and re-engineering.
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VI. Organization Structure:

The Ministry of Finance has 10 Main Departments (Budget, Treasury, Revenues, Customs, SOEs, Internal Audit, Admin, Property, Minister’s Office and Afghanistan Insurance Authority), 4 Units (Fiscal Policy, Procurement Policy, Reform Implementation and Management and Gender Budgeting) and Contracts Management Office at the Headquarter. At provincial level, it has 34 Mustofiats each one having 3 Units (Treasury, Revenues and Admin). Additionally, there are 17 Provincial Customs Offices directly under control of the Customs Department. Changes may occur in the organization structure to meet the future needs and demands. For example, HR Department will be created as independent directorate under Deputy Minister’s Office for Admin. For the time being, HR activities are carried out under the Admin Department.



VII. ANNUAL PRIORITIES

Achieving MOF's five-year strategic objectives requires a clear and sequenced roadmap with step by step annual priorities that will lead to the five-year goals. MOF expects to make meaningful progress toward all of its 12 objectives each year, but it is prioritizing its efforts in order to properly sequence the reform activities. Annual business plans for the Ministry and each Department are developed as part of the annual budget process for MOF, and these plans are based on the annual priorities, involving institutional actions (organizational structures, capacity development, internal management improvements), policy decisions (legal and regulatory reforms, technical improvements), and financial requirements that will contribute to these objectives.

The key priorities of the Ministry of Finance over the next five years are as below. The timeline for the implementation and roll out to the line ministries and provinces are set in the annual plans of the respective departments as well as can be found in the Annex A (Strategic Plan Monitoring and Evaluation Framework)

General:

- Meeting IMF, WB and PRGF benchmarks

Domestic Revenues:

- Tax Reforms (simplification of income tax law/ abolition of nuisance taxes)
- Computerization of the taxation system
- Implementation of ASYCUDA in all Customs Points
- Expansion of the Customs Broker System
- Tariff amendment as per the WCO Harmonized System
- Customs Infrastructure development and equipping the customs points

Public Financial Management:

- Update the accounting manual
- AFMIS development and roll out to all ministries and provinces
- Training on AFMIS to line ministries and provinces
- Payment of all government employees under the Verified Payroll Program
- Development of MTEF and updating of the MTFF
- Expansion of the Program Budgeting Mechanism to all ministries and other independent administrations
- Expansion of the Provincial Budgeting Mechanism to all provinces
- Integration of operating and development budget through program budgeting
- Expansion of Gender Budgeting mechanism to all ministries and other independent administrations
- Effective aid coordination mechanism in place
- Development of Debt Information Management System

Institutional Development and Governance Reforms:

- Implementation of the new Procurement Law
- Restructuring of the Procurement Units in line ministries/ independent administrations
- Capacity Building of all line ministries, independent administrations and provinces on procurement enabling them to carry out stand alone procurement
- Development of e-procurement and PMIS
- Reform and Reconstruction of Mustofiats

- Reform of all Customs
- Internal Audit capacity development
- Divestment of SOE's and Non-SOE's
- Restructuring of the main departments as needed
- Completion of the PRR at HQ, Mustofiats and Customs Points
- Establishment and implementation of Pay & Grading System
- Capacity Building in different relevant fields
- Equipping all MoF offices at center and provinces

VIII. RISKS AND MITIGATION MEASURES

In preparing the strategic plan a number of potential risks were identified, and risk management strategies have been prepared that would assist in managing and mitigate them. These risks are briefly summarized below:

Capacity building is at the heart of MOF's strategic planning as well as the entire national reconstruction agenda. There is however a risk of **time lags in developing capacity**, both institutional capacity and human capacity, which would seriously hinder implementation of the strategic plan. This risk can be mitigated by (i) placing and keeping capacity building at the forefront of MOF's agenda and priorities; (ii) regularly reviewing and monitoring progress in capacity building (based on concrete, easy to monitor indicators); (iii) emphasizing and clarifying with donors the centrality of capacity building, and that it must be mainstreamed in all projects in support of MOF, and not displaced by narrow project-related concerns; and (iv) realistically sequencing the reform agenda so as not to impose unrealistic burdens up-front.

A related, more specific risk is **difficulties in attracting and retaining qualified staff**. MOF's efforts to build human capacity are complicated in this regard by the fact that a significant number of staff have been paid directly by external TA, with this practice currently being phased out for the most part. As a result there are additional transitional risks associated with possible loss of talent as national staff positions previously funded by external TA are moved back onto the budget. The situation is further complicated by the likelihood that current very tight labor market conditions for top professional and managerial staff may be to some extent artificial (fueled in part by salary competition among the international assistance community) and temporary. Risk mitigation measures include: (i) continuing and moving ahead with interim public administration reforms so that qualified staff previously paid by external TA can be put back on the budget (based on their qualifications and competitive selection); (ii) improving the work environment for staff so that more than salary is a consideration in their decisions to join/remain at MOF; and (iii) developing on an accelerated basis training and staff development programs, so that staff perceive human capacity building and possible career development as significant aspects of their choice to join/stay at MOF. Such measures will also enhance MOF's ability to attract and retain qualified staff over the longer-term.

A key risk to successful implementation of the strategic plan is **capacity / physical / security constraints at the provincial level**. This level is where much of the client contact and service delivery work of MOF occurs, both with other parts of Government and with the private sector and public. Failure to improve effectiveness and service delivery at the provincial level would put at risk many of MOF's strategic objectives. While making improvements will need to be a long-term, sustained effort, and some of the risks e.g. associated with security are not under

MOF's control, the key will be reform and restructuring of the provincial Mustofiats, which will comprise an important part of the strategic plan at both Ministry and Department levels.

There is a risk that **the initial energy and enthusiasm of the employees will wane over time**, particularly during the implementation period. This risk must be addressed by (i) maximizing the participatory nature of the strategic planning and implementation processes; (ii) periodically (e.g. on a quarterly and annual basis) re-energizing the implementation process through management team meetings etc.; and (iii) developing positive feedback mechanisms to reward (at least through recognition) good work on strategic planning and management and punish the otherwise.

Another risk, which applies both to strategic plan implementation, is that of **adverse reactions and/or lack of support from donors**. Particularly with respect to certain aspects of the strategy like TA management and coordination, the Ministry's vision and objectives could fail to be realized due to lack of adequate donor buy-in and support. This calls for pro-active efforts to brief donors and discuss with them the MOF strategic plan. Regular information sharing and liaison with donors will be very important in this regard.

Problems in coordinating with other key government agencies constitute yet another risk to the success of MOF's strategic plan. If key ministries such as MOF and Ministry of Economy, the Independent Reform and Civil Service Commission and the Cabinet Office do not work well together, it will be much harder to achieve strategic plan objectives. Strengthening communications and clarity on accountability and mutual expectations will be central to mitigating this risk. Regular meetings with working-level counterparts in other key agencies that work with MOF, ongoing rather than just when there is a problem to resolve also will help in this regard.

Annexes:

A. Strategic Plan Monitoring and Evaluation Framework

B: Medium Term Fiscal Framework

Goals	Objectives	Performance Indicators	Type of Indicator	Data Source	Baseline 1386	Benchmark 1387	Benchmark 1388	Benchmark 1389	Benchmark 1390	Benchmark 1391
	10. Effective control and stewardship is exercised in the use of public fund so society is protected from corruption	# of internal audit reports on the findings of internal control systems and procedures, financial and accounting systems, MoF asset and procurement.	Output	Internal Audit Dept	65	Not Available	Not Available	Not Available		
		% of audit findings with written management response (follow up)	Output	Internal Audit Dept	10%	70%	90%	100%	100%	100%
		# of employees paid under VPP	Output	Treasury Dept	100,000	200,000	250,000	280,000	300,000	320,000
		# of Mustofiats and Customs linked with the MoF headquarter through the installation of computers & IT equipment	Output	Admin Dept	12 (5 Mustofiats and 7 Customs)	24 (15 Mustofiats and 9 Customs) totally 20 mustofiats and 16 Customs	18 (14 mustofiats and 4 customs) totally 34 mustofiats and 20 customs			
5. A best practice leader within the Afghan public sector	11. Strategic focus on delivering services and achieving results	# of departments with five year strategic plan	Output	RIMU	All	All	All	All	All	All
		results-based M&E systems in place	Output	RIMU	in place and maintained	in place and maintained	in place and maintained	in place and maintained	in place and maintained	in place and maintained
		strategic plan performance framework in place	Output	RIMU	developed	updated	updated	updated	updated	updated
		# of progress/monitoring reports produced	Output	RIMU	4	4	4	4	4	4
	12. Professionally staffed with high standards of staff integrity	% of staff PRRed in HQ, Mustofiats and Custom points	Output	Admin/RIMU	81% in HQ, 78% in priority mustofiats and 26% in custom points	100% in HQ, Mustofiats and Custom Points				
		% of staff hired under pay and grading	Output	RIMU	Not started yet	10%	40%	70%	100%	
		# of trainings conducted	Output	Admin Dept	47 trainings					
# of staff trained	Output	Admin Dept	1653	1073						

Medium Term Fiscal Framework (Operating Budget)						
Source: Budget Department						Total
	1387	1388	1389	1390	1391	87-91
Domestic Revenue	44,375	56,080	68,347	82,451	98,568	349,820
Tax Revenues						
Domestic Taxes	16,174	21,941	27,917	34,806	42,490	143,328
Taxes on international trade and transactions	18,418	22,138	26,944	32,577	38,413	138,490
Non Tax Revenues	9,783	12,002	13,486	15,068	17,665	68,004
Donor Assistance Grants (to operating budget)	23,722	24,116	22,250	22,250	22,250	114,588
ARTF (recurrent window)	13,822	13,500	13,500	13,500	13,500	67,822
LOTFA	7,650	8,750	8,750	8,750	8,750	42,650
Other grants	2,250	1,866	0	0	0	4,116
Total Operating Revenues	68,097	80,196	90,597	104,701	120,818	464,408
Operating Expenditure	65,360	76,688	81,489	88,187	95,413	407,138
Compensation of Employees	45,518	49,296	54,309	59,304	62,339	270,766
Goods & Services	11,714	18,085	18,142	20,251	24,722	92,914
Subsidies & Transfers and Other expenditures	3,550	4,411	3,769	2,992	2,336	17,059
Pensions	3,060	3,152	3,341	3,522	3,698	16,772
Capital expenditure	1,018	1,225	1,398	1,579	1,768	6,988
Interest	500	520	530	540	550	2,640
ANDS Structure	65,359	76,688	81,489	88,187	95,413	407,137
Security	28,944	31,698	33,399	35,106	36,782	165,930
Infrastructure & Natural Resources	1,669	3,209	3,594	3,772	4,241	16,485
Agriculture and Rural Development	1,135	1,347	1,408	1,468	1,525	6,883
Education	11,239	14,168	15,540	16,749	17,942	75,639
Good governance and rule of law	5,521	9,701	10,007	6,702	6,928	38,858
Health	1,378	1,519	1,689	1,840	1,997	8,424
Economic Governance & PSD	1,281	1,166	1,219	1,270	1,319	6,255
Social Protection	1,125	1,183	1,236	1,286	1,332	6,161
Others	13,069	12,697	13,397	19,994	23,347	82,503
Operating budget balance (excluding grants)	-20,985	20,609	13,142	-5,736	3,155	-57,318
Operating budget balance (including grants)	2,737	3,507	9,108	16,514	25,405	57,270
Memorandum items						
Real GDP growth (%)	9.3%	9.4%	8.4%	8.0%	7.2%	
Inflation (year-on-year; %)	10.2%	7.2%	6.0%	5.4%	5.0%	
Compensation of employees incl. P&G as % of operating expenditure	69.6%	64.3%	66.6%	67.2%	65.3%	
Compensation of employees incl. P&G as % of domestic revenue	102.6%	87.9%	79.5%	71.9%	63.2%	
Domestic revenue as % of operating expenditure	67.9%	73.1%	83.9%	93.5%	103.3%	
Domestic revenue as % of total operating revenue	65.2%	69.9%	75.4%	78.7%	81.6%	
Domestic revenue as % of GDP	8.4%	9.1%	9.7%	10.3%	11.0%	
Compensations incl. P&G as % of GDP	8.7%	8.0%	7.7%	7.4%	6.9%	
Operating budget as % GDP	12.4%	12.5%	11.6%	11.0%	10.6%	
Operating budget balance (excl grants) as % of GDP	-4.0%	-3.4%	-1.9%	-0.7%	0.4%	
Operating budget balance (incl grants) as % of GDP	0.5%	0.6%	1.3%	2.1%	2.8%	
GDP in millions of USD	10,524	12,300	14,089	15,995	17,970	70,877

1. Surpluses would be diverted for development projects.

Medium Term Fiscal Framework (Core Development Budget)						Total
(Afs million)						
Source: Budget Department	1387	1388	1389	1390	1391	87-91
Donor Assistance Grants (core development budget)*	65,912	79,507	96,566	110,014	129,105	481,103
	0	0	0	0	0	0
Total Core Development Expenditure	69,408	84,179	101,424	114,096	132,133	501,241
						0
ANDS sector	69,408	84,179	101,424	114,096	132,133	501,241
Security	675	1,831	2,322	2,662	3,146	10,636
Infrastructure & Natural Resources	28,240	35,577	42,025	48,614	59,160	213,616
Agriculture and Rural Development	19,556	14,465	18,699	19,588	19,072	91,380
Education	5,012	14,164	16,054	15,400	15,959	66,589
Good governance and rule of law	1,119	2,674	3,678	4,529	5,682	17,682
Health	2,866	5,113	6,637	9,356	12,303	36,274
Economic Governance & PSD	4,842	3,261	4,499	5,923	7,988	26,512
Social Protection	500	2,096	2,511	3,025	3,823	11,955
Others	6,597	5,000	5,000	5,000	5,000	26,597
						0
Development budget balance (excluding grants)	69,408	84,179	101,424	114,096	132,133	-501,241
Development budget balance (including grants)	-3,496	-4,672	-4,858	-4,083	-3,029	-20,138
						0
Financing						
Donor Concessional Loans (net)	3,496	4,672	4,858	4,083	3,029	20,138

* The figures includes surpluses diverted from the operating budget