



UNITED STATES
**DEPARTMENT OF
THE TREASURY**



Overview: GIRoA Budget Processes

Ghazni
May 6th, 2011

Overview

- GIRoA Budget and Local Governance Basics
- Show Me The Numbers
 - ▣ Afghanistan's Budget Structure
 - ▣ Development and Operating Budget Specifics
 - ▣ Recent Performance
- Lessons Learned & Contact Information
- Provincial Advisors Toolbox
 - ▣ Activities
 - ▣ Resources
 - ▣ Coordination = Sustainment

What is a Budget

A budget is a financial plan, which ties three elements together, the:

- ▣ Objectives, or what is to be achieved
- ▣ Estimated resources
- ▣ Estimated expenditures

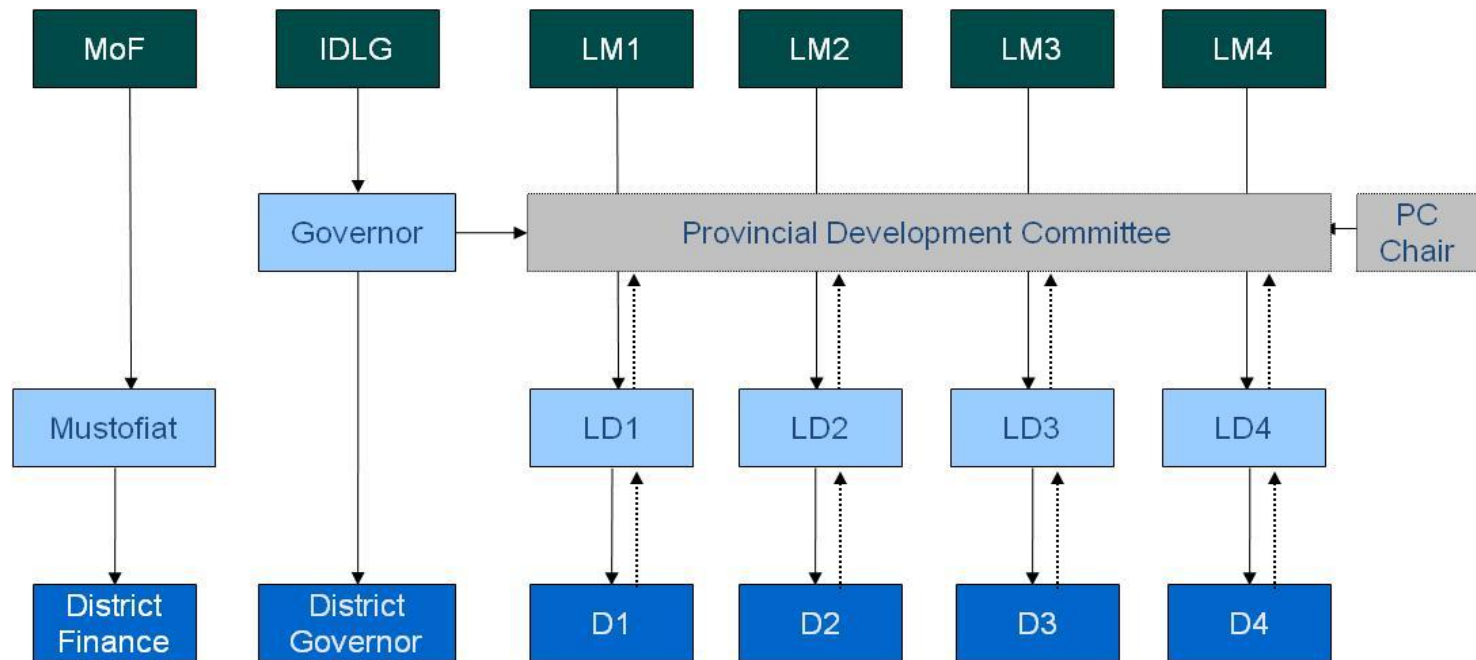
At the national level, the budget is used as a mechanism to:

- ▣ Define spending priorities
- ▣ Establish fiscal limits on expenditures to support program implementation
- ▣ Report on the use of public funds to determine if they achieved their intended purpose
- ▣ Manage the cash requirements to assure that funds are available when necessary

For budgetary units, the budget is used as a mechanism to plan, manage, and execute the budgetary resources allocated for a particular program or budgeted activity.

Periodic reports then show the extent to which budget execution supported the policy priorities established by Parliament in the National Budget.

GIRoA Governance Structures



Key Concepts

- All budgeting is done through central line ministries and line directors in the provinces participate in the budget formulation process
- The Governor is not elected; IDLG prepares a list of potential candidates, vets them, and forwards it to the President for selection. Governors are not confirmed by Parliament or the Provincial Council and cannot be removed, except by an act of President; DGs (some merit based hiring)
- The Provincial Council is the only elected body at the provincial level
- The Mustofiat is the provincial representative of the ministry of finance

GIRoA Budget Framework

Process	Who	Action
Budget Law	MoF, CoM, Parliament, President	Provides legal authority to spend public funds on programs
Allocations	LM	Establishes the accounting framework to facilitate control, monitoring, and reporting
Allotments	LM, MOF, Mustofyat	Gives permission to commit public funds to purchase goods and services to support programs
Execution	PD, LM	Procures goods and services to support programs
Voucher	PD, LM	Prepares the documentation package to support disbursement
Disbursement	MoF, Mustofyat	Pays
Reconciliation	Bank	Confirms payment
Audit	LM, CAO	Confirms processes followed

Putting a Project On-Budget

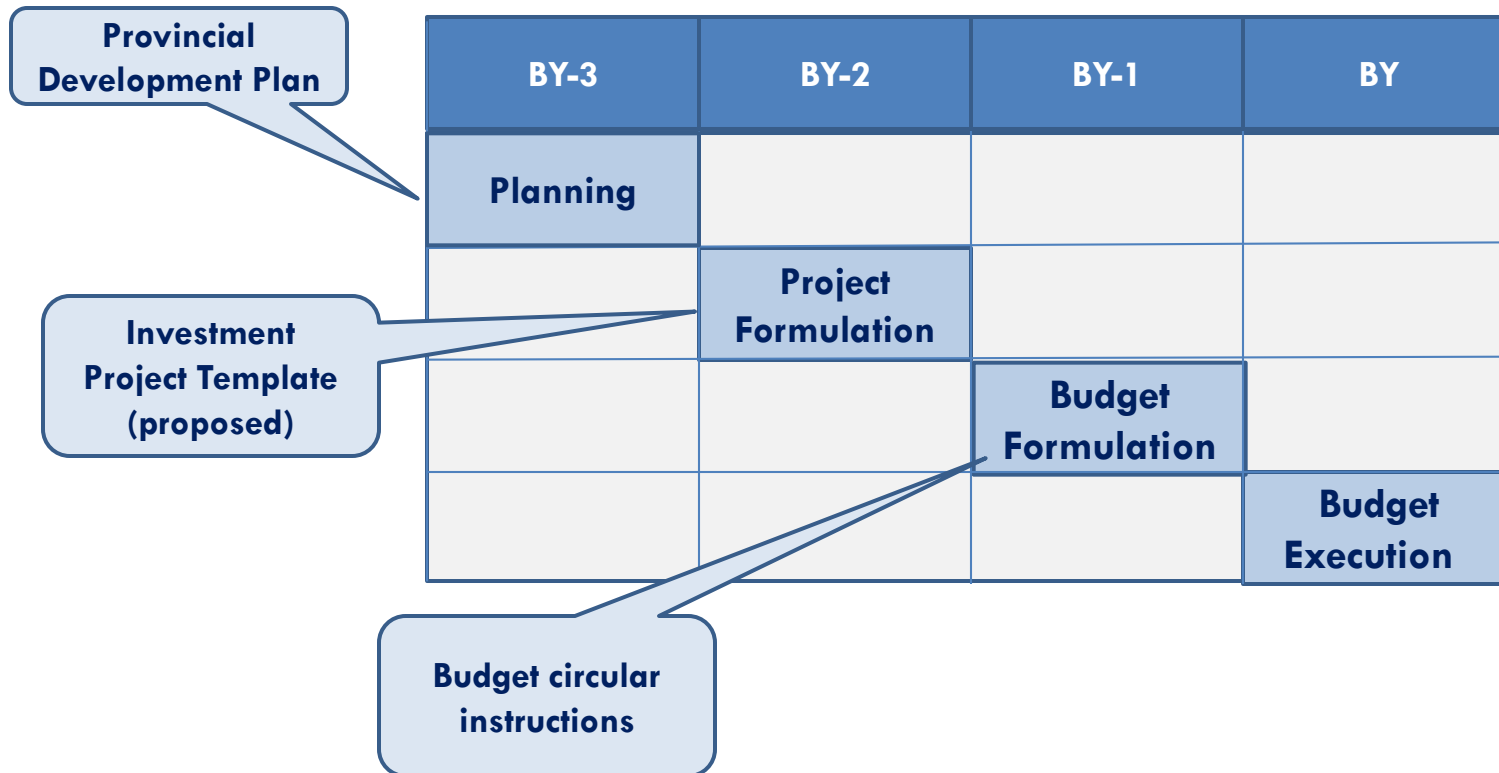
The Budget Committee has established criteria to put a project “on-budget:”

- Completion of project preparation and documentation
- Completion of feasibility study (if required) and project design
- Completion of procurement plan, cost, and time estimation
- Readiness of contract for signature
- Donor (for non-discretionary projects) and Budget Committee agreement

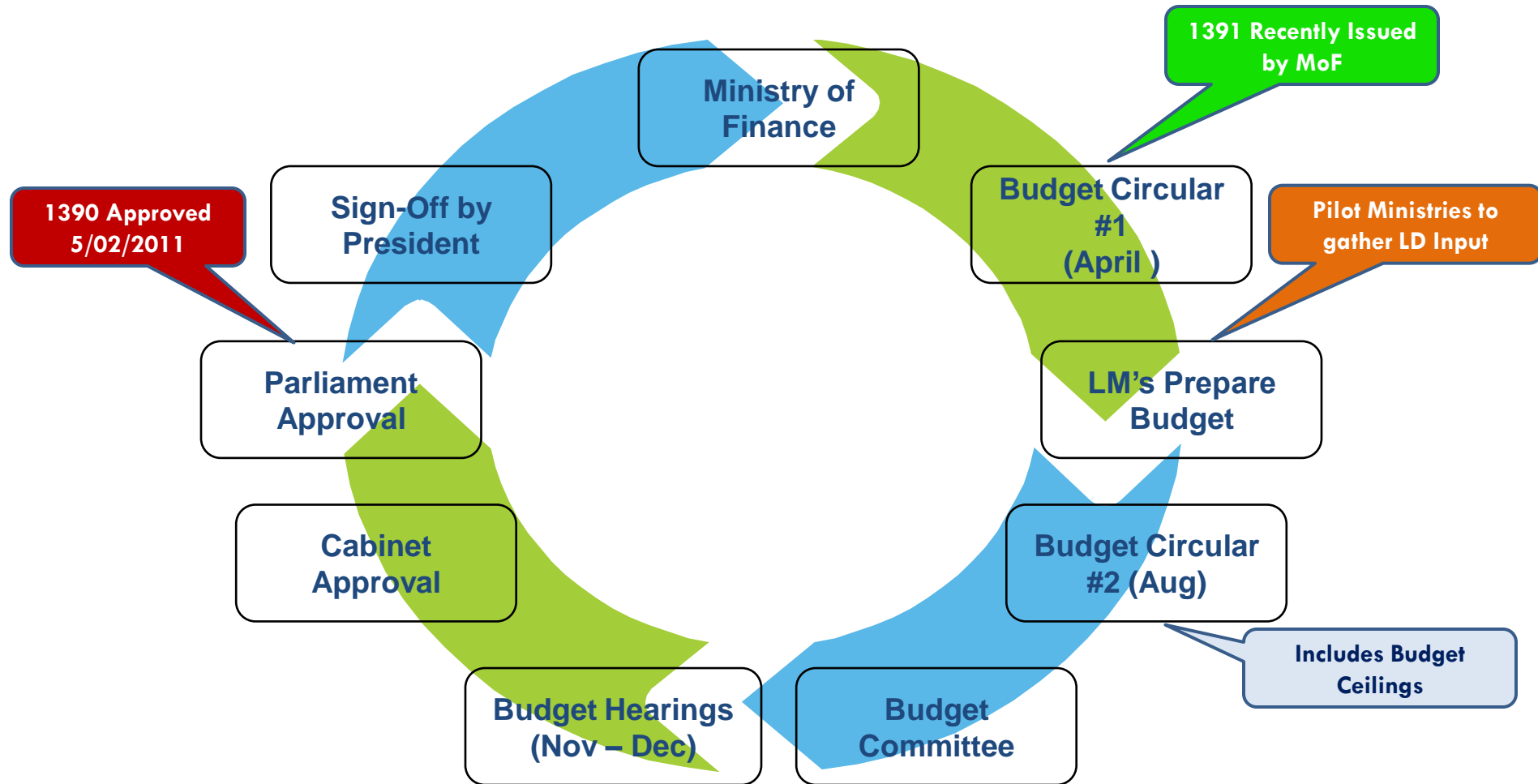
Working with provincial directors to “jumpstart” project documentation, and to obtain commitments from donors, will smooth the process.

Idea to Implementation

The complete budget cycle, through initial planning to budget execution, is a multi-year process.

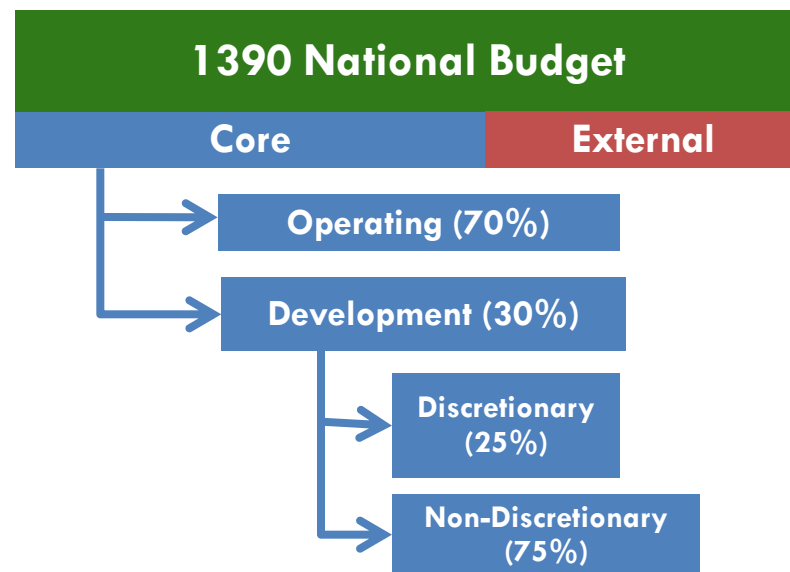


Budget Formulation Cycle/Timeline



GIRoA 1390 Budget

- The national budget is a political and strategic document
- Focuses on achieving ANDS goals and delivering services to the people
- Includes both core and external budgets
- Provinces are NOT budgetary units
- Funded through combination of domestic revenues and donor contributions

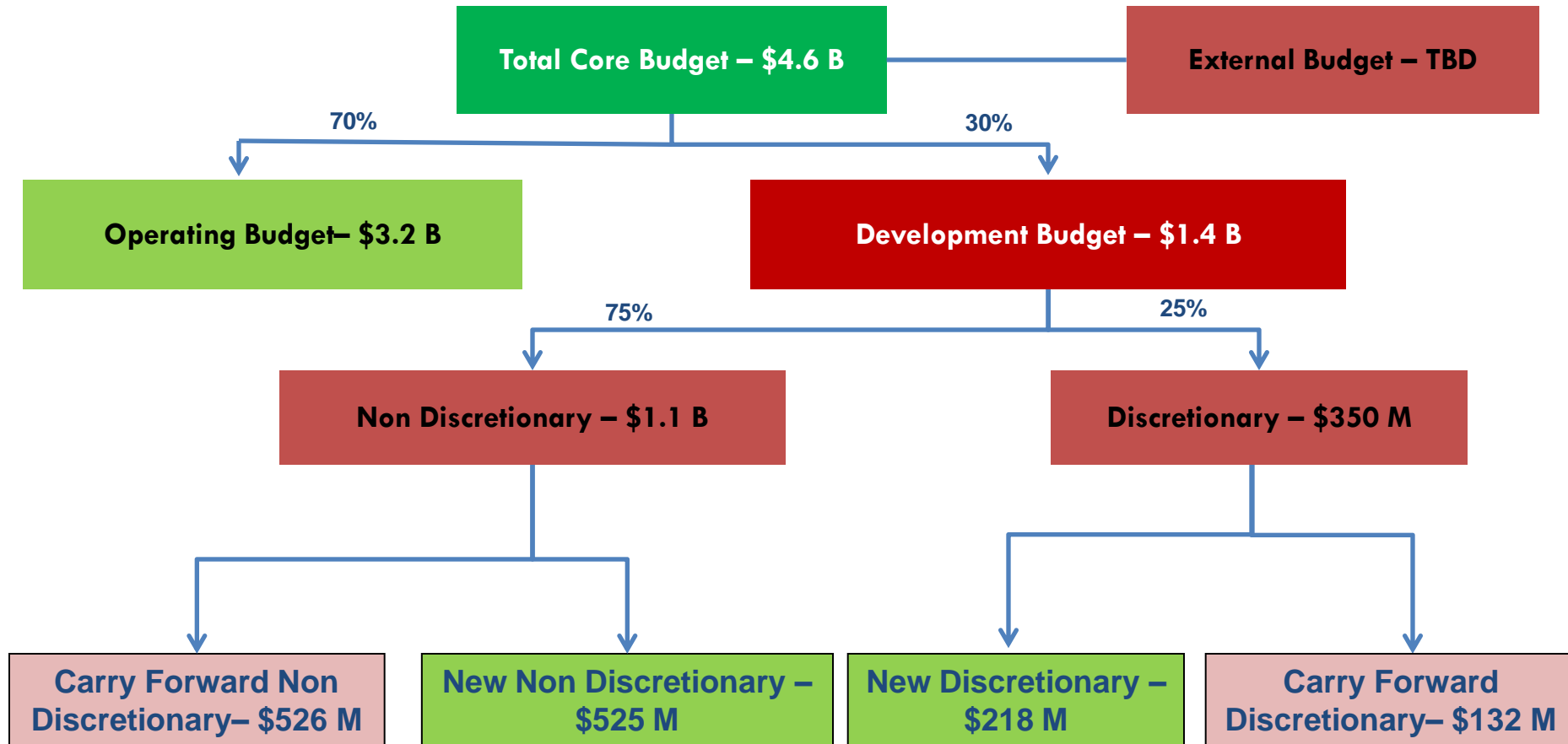


External budget includes all donor funding outside of the GIRoA budget process; Estimates of external funding are between \$6 - \$16 Billion USD

Budget Summary 1388-1390

Budget	Categories	Comments	1388 (millions)	1389 (millions)	1390 (millions)
Core	Ordinary Operating (Recurrent)	<ul style="list-style-type: none"> Salaries Operating expenses Disbursed through quarterly allotments to provincial Mustofiats from Line Ministries 	\$1868	\$2397	\$3192
	Development (capital)	<ul style="list-style-type: none"> Donor funding through the Afghanistan Reconstruction Trust Fund Disbursed through MOF central treasury to central line ministries (portion spent in provinces) Discretionary projects identified through consultative process Non-Discretionary projects are earmarked by donors 1390 includes carry forwards 	\$478 \$ 1804	\$475 \$ 1562	\$1401
	Total	• Total core budget	\$4150	\$4434	\$4593
External	Development	<ul style="list-style-type: none"> Disbursed by donors outside of Afghan budget Not necessarily tied to local priorities Negative impact on fiscal sustainability 1389 = amount included in the budget statement (actual amounts expected to increase) 	\$3380	\$1051 (included in the budget statement)	TBD

1390 Budget Estimates (Actuals will be provided within the week)

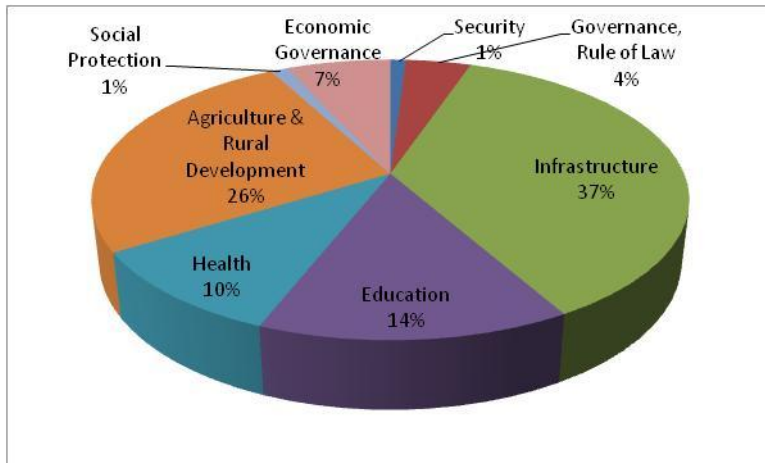


Source: MoF 2nd Draft Budget to Parliament

Core Budget – By Sector

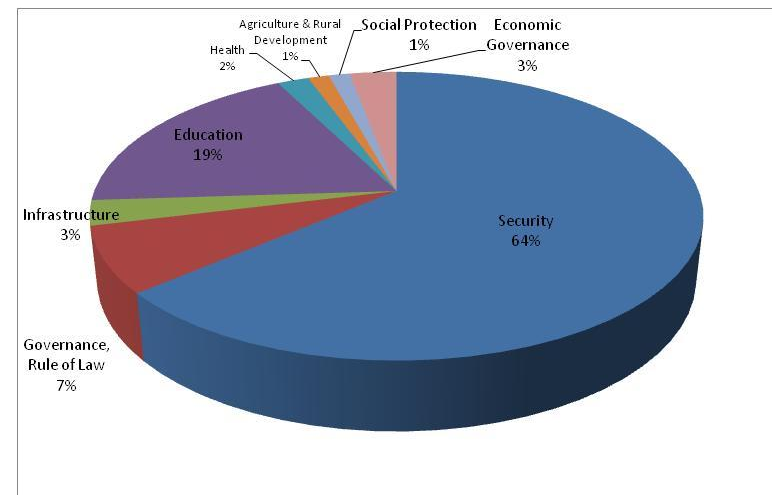
Development spending creates future obligations to support the asset

Core Development Budget By Sector



Source: 1390 draft budget

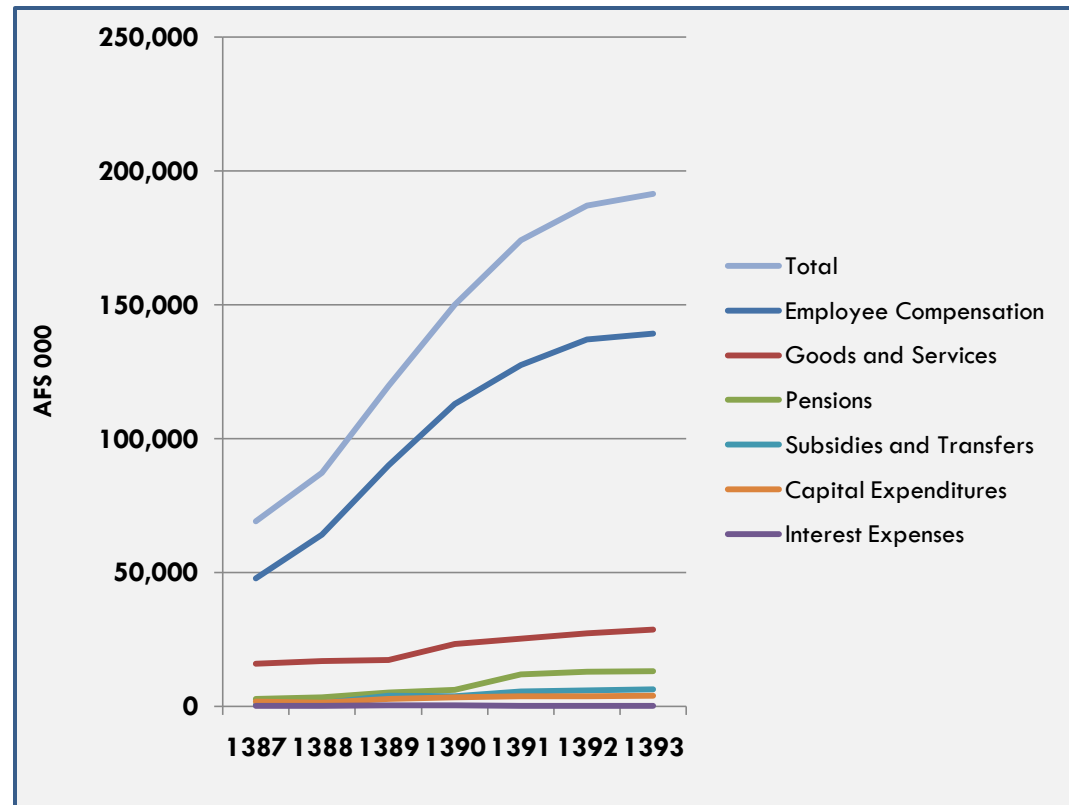
Core Operating Budget By Sector



Source: 1390 draft budget

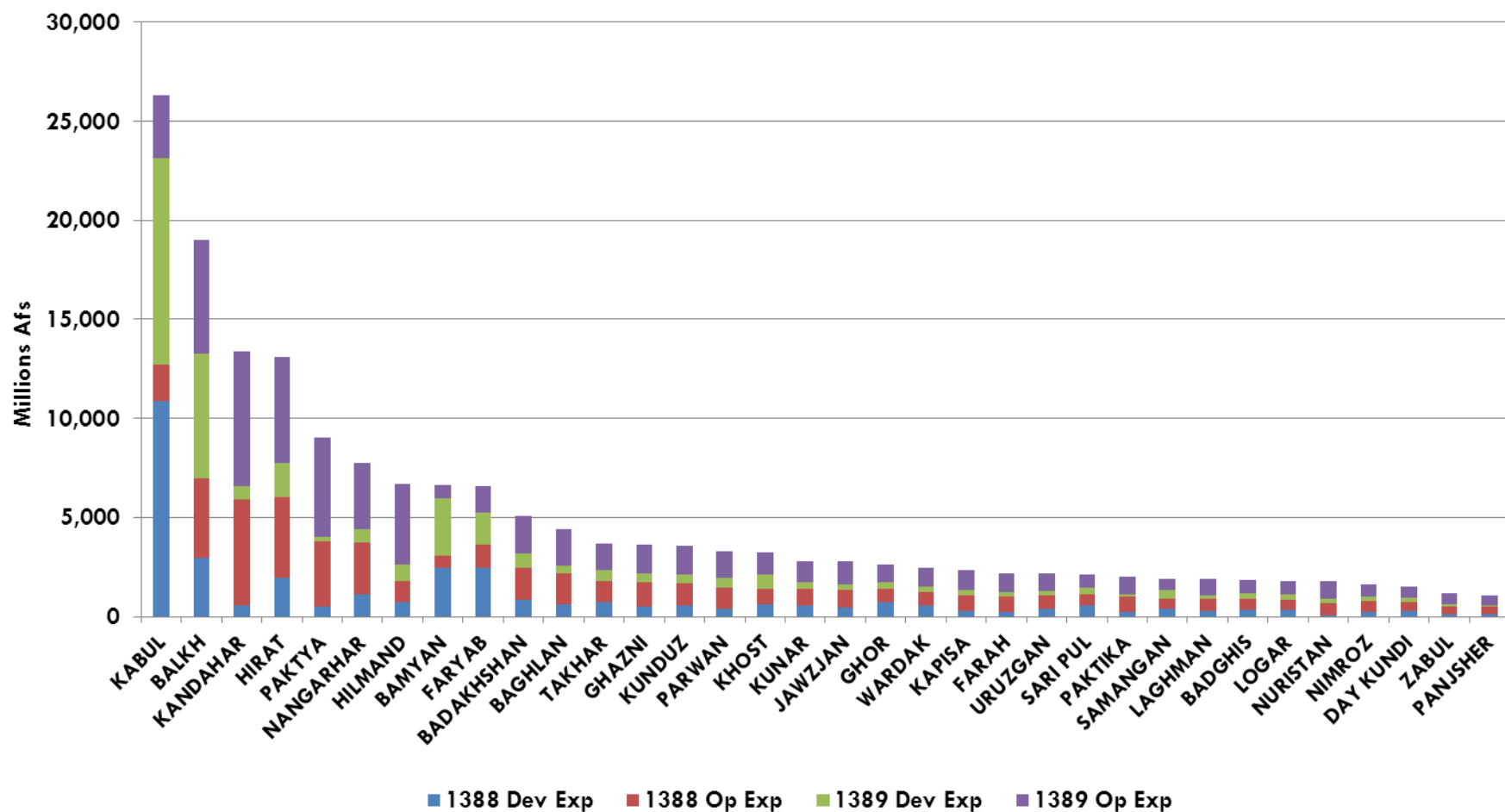
Operating Budget – Driven by Salaries

- Up over 30% from 1389 to 1390
- Employee compensation accounts for over 70% of the operating budget
- Majority of all growth in the operating budget is from employee compensation (primarily teachers, ANA/ANP and pay and grade reform)
- Maintenance costs are insufficiently covered in the budget

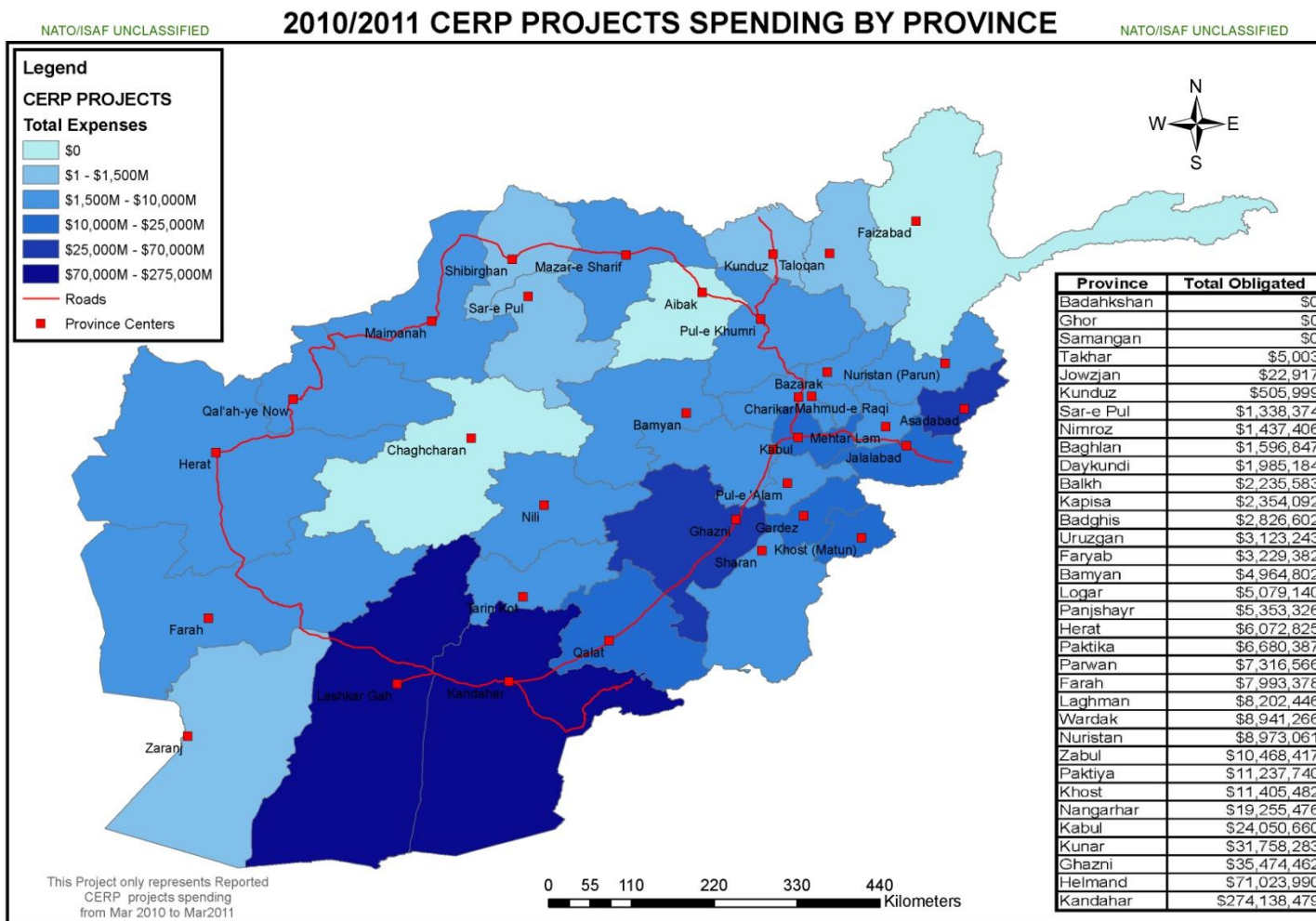


Provincial Expenditures 1388-1389

Total Core Budget Expenditures 1388 - 1389

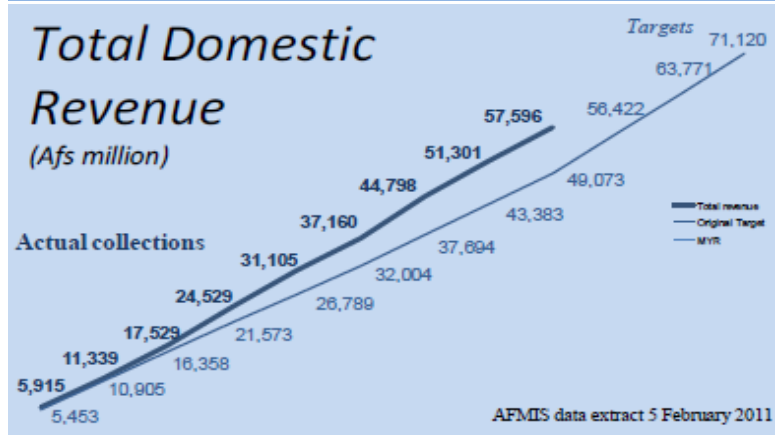


Provincial CERP Spending

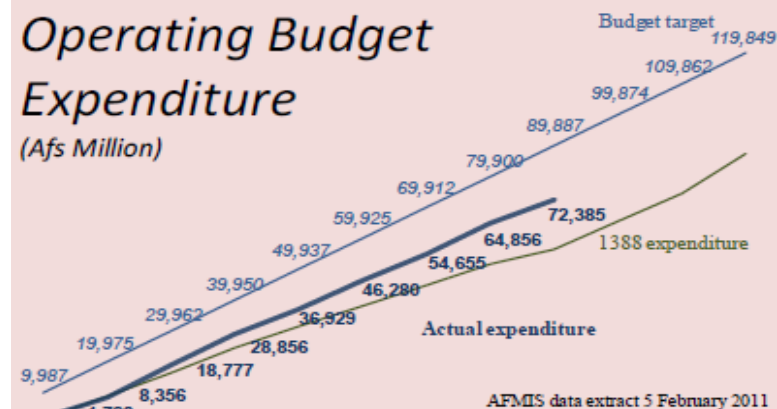


Recent Performance Data

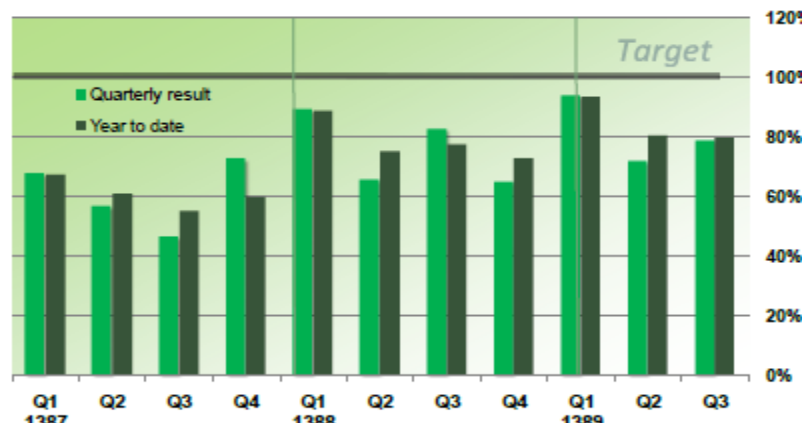
Revenue



Operating Budget

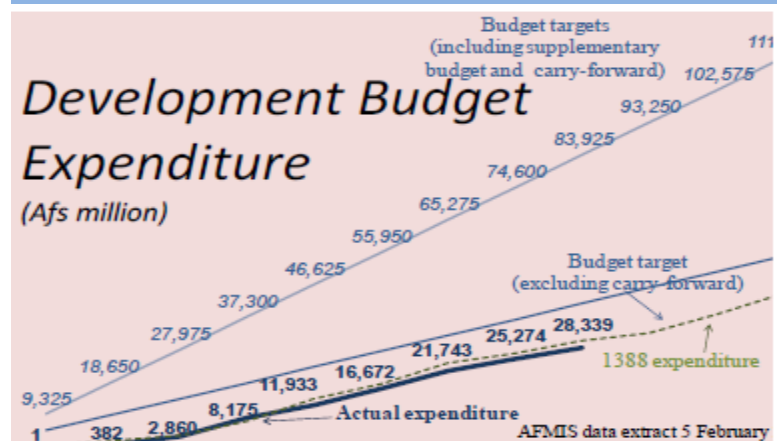


Fiscal Sustainability

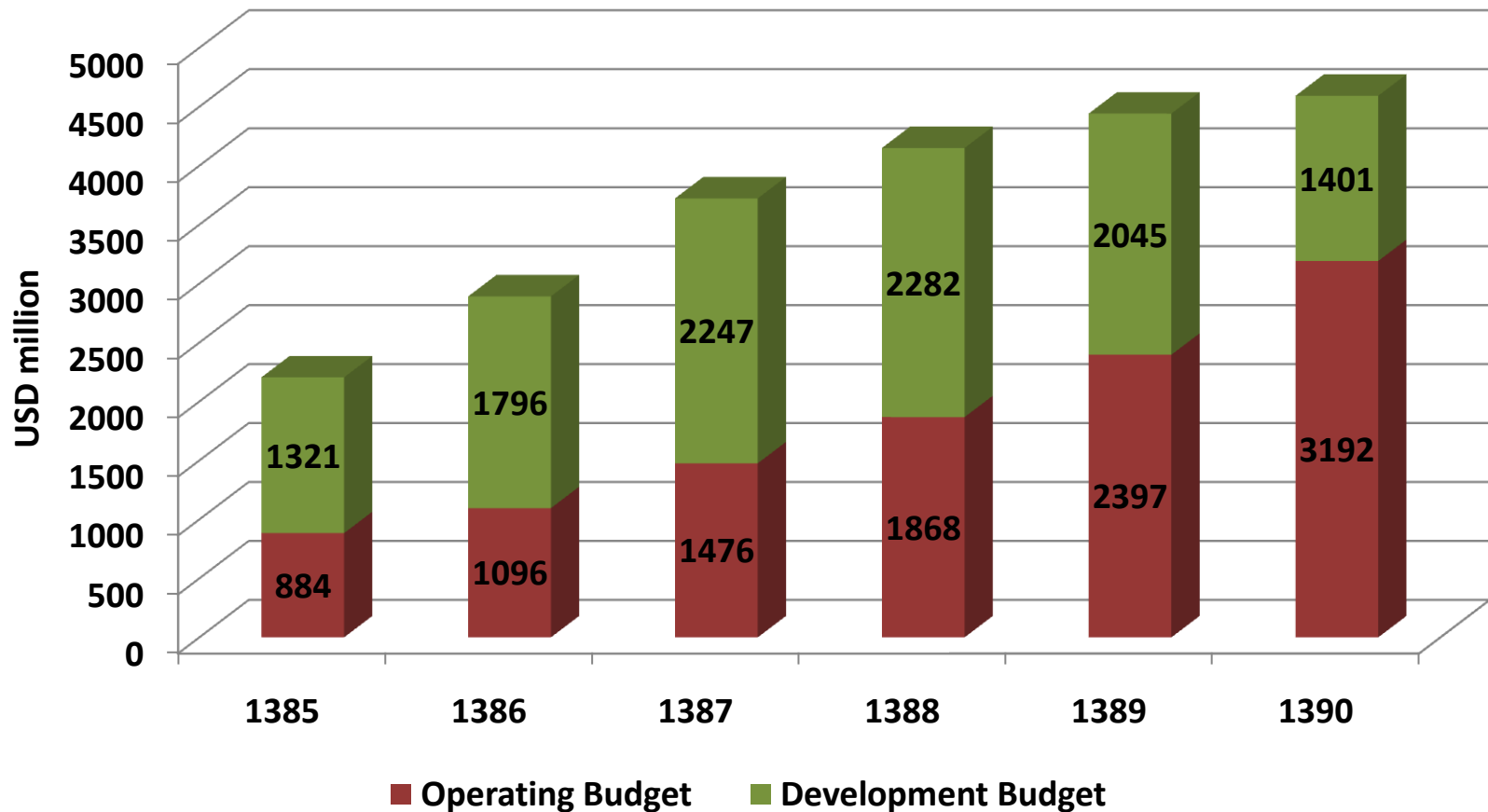


Source: Ministry of Finance (Q3 Fiscal Bulletin)

Development Budget

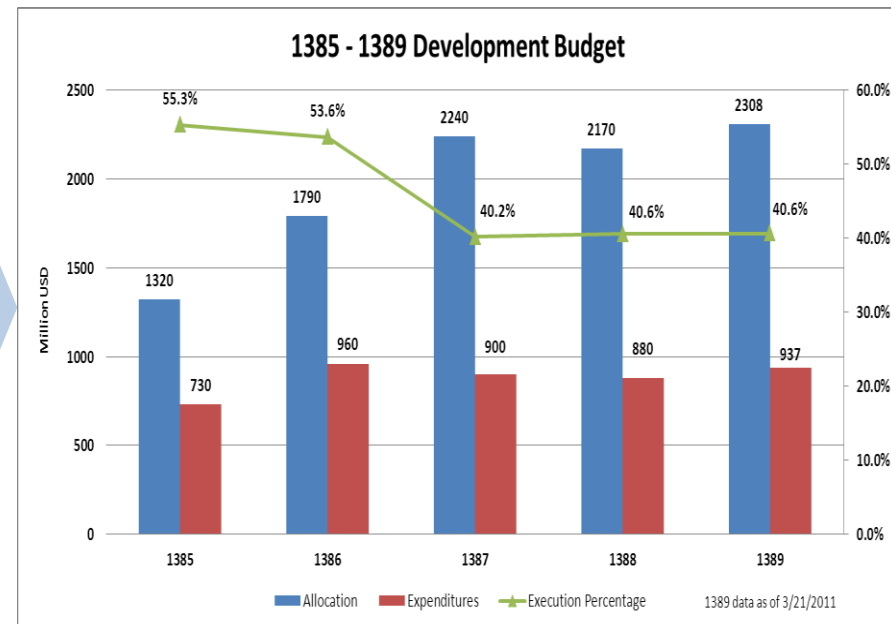


Core Budget (1385-90)



Historical Budget Execution

- ❑ **Delays in budget approval by Parliament**
- ❑ **Poor procurement planning at the provincial and ministerial level (results in late start)**
- ❑ **Communication problems; Provinces unaware of projects in the province**
- ❑ **Limited monitoring on project progress/issues**
- ❑ **Multi-year projects budgeted within one year**
- ❑ **Lack of qualified contractors and other supply chain issues**

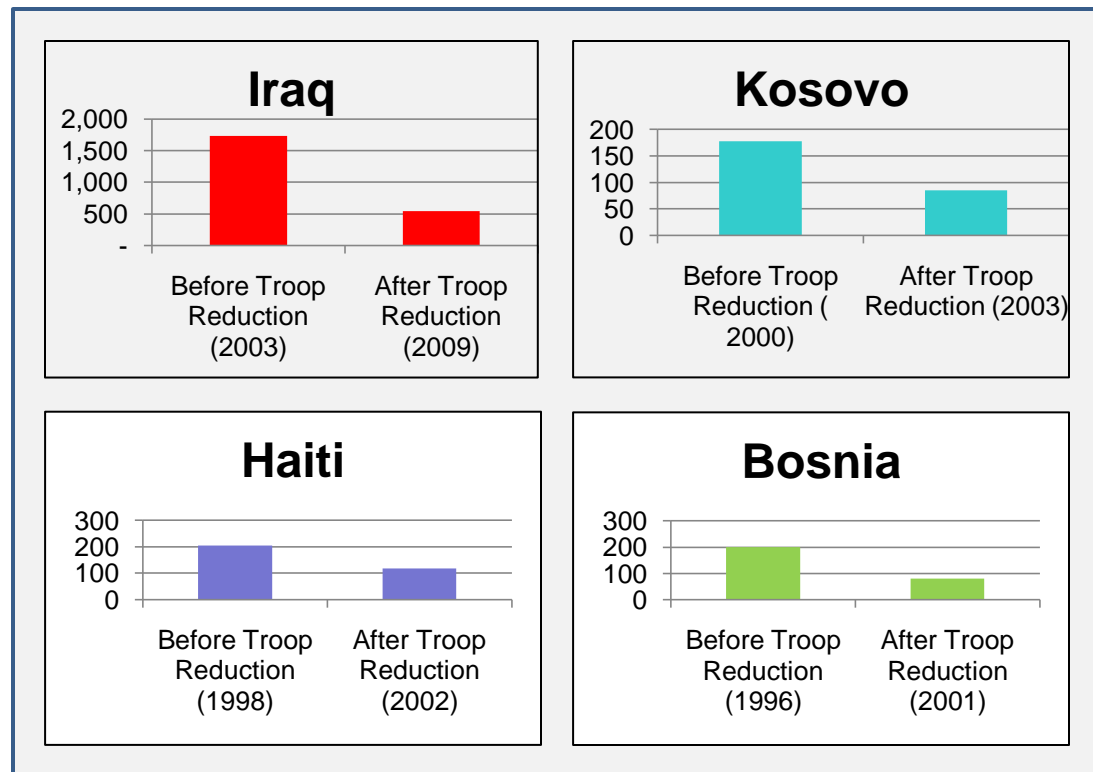


Sustainment Impacts

- The ability of GIRoA to sustain projects is based upon timely information to estimate the fiscal requirements to support programs
 - ▣ On-budget development projects:
 - Conforms with ANDS, sectoral, and ministerial objectives
 - Generally aligns with Constitutional obligation to assure balanced development and equitable distribution of resources
 - Three year window: budget year, plus two
 - Identifies fiscal impact of staffing and operational support
 - ▣ Off-budget:
 - Supports donor's policy objectives, not necessarily GIRoA's
 - Increases risk of duplication of projects at the local level
 - Does not conform with GIRoA standards for projecting support requirements
 - Delays funding for sustainment

Recent Case Studies

- Following the withdrawal or significant reduction in troop levels, Iraq, Kosovo, Haiti, and Bosnia saw significant decreases in development assistance levels
- When troops transition out, the government must be able to stand up
- ***Technical and professional competency must be built so the local government can operate (using their own systems and procedures) when PRTs and the international community transition***



Source: USAID

“Trusted Partner”

- Corruption among government officials does not necessarily extend to GIRoA’s ability to control, monitor, and report on public expenditures.
- The World Bank reported at the London Conference:
 - ▣ Although corruption in Afghanistan is widespread and the institutional arrangements for combating corruption are weak, even ineffectual.
 - ▣ Afghanistan’s fiduciary framework—laws, regulations, and practices—protects against the misuse of funds **PLACED ON BUDGET**.
- Of official assistance,
 - ▣ One-third is on-budget and subject to government-wide controls
 - ▣ The balance is off-budget and is outside the legal and regulatory framework of GIRoA.

Moving Forward

- On-budget support is preferred
 - ▣ Aligns with international commitments from London and Kabul Conferences
 - ▣ Requires coordination with line ministry and MoF, NOT JUST LOCAL COUNTERPARTS
 - ▣ Improves visibility in budgetary resource allocations across provinces
 - ▣ Synchronizes planning for development and planning for operations and sustainment
- Off-budget can be improved through
 - ▣ Visibility at the appropriate levels of government
 - ▣ Coordination to assure that standards are consistent with GIRoA practices
 - ▣ Reinforce coordination and communication between levels of government

Additional Lessons Learned

- ❑ Afghans must take the lead; at this point we cannot do it for them
- ❑ Legitimacy is the key to local governance
- ❑ Structural problems must be solved before human capital can have an impact
- ❑ Economic development is imperative if GIRoA is to be able to fund their long-term budget needs; ensure it is a priority
- ❑ Parallel structures can destroy value if not transparently implemented with GIRoA approval and buy-in
- ❑ Civ-Mil cooperation on all fronts is necessary to create a consistent and predictable message
- ❑ What we fund, and how we fund it, will have a long-lasting impact (positive or negative) and we must think through unintended consequences

Additional Resources and Contacts

□ Web Sites

- Ministry of Finance: www.mof.gov.af
- Donor Assistance Database: <http://dadafghanistan.gov.af>
- Ministry of Finance (Budget): www.budgetmof.gov.af
- Ministry of Finance (Treasury): www.treasury.gov.af
- Procurement Policy Unit: www.ppu.gov.af
- Independent Directorate of Local Governance (IDLG): <http://www.idlg.gov.af/IDLG/>
- CIMIC Web: <https://www.cimicweb.org/Pages/PRTConference2010.aspx>
- Ronna: <https://ronna-afghan.harmonieweb.org/Pages/Default.aspx>
- Peace Dividend Trust:
<http://www.peacedividendtrust.org/en/index.php?sv=&category=PDT%20Afghanistan&title=PDT%20Afghanistan>
- USIP: <http://www.usip.org/>
- Interagency Provincial Affairs (IPA) website:
http://www.intelink.gov/wiki/Portal:Afghanistan_Provincial_Reconstruction_Teams

Provincial Budget Unit (PBU)

- Dr. Najimullah Qasimi, Manager, Provincial Budget Unit, najimullah@gmail.com
- The PBU coordinates all Capacity Building Training (CBT) and Consultation and Coordination (C&C) events in each province
- Attendees include representatives from the Governor's Office, Provincial Council, Line Directors, District officials and others as necessary
- Provincial officials should coordinate these events without assistance from the PRT (except for very specific requests); PRT officials can potentially observe sessions



Additional Resources and Contacts

□ USG and ISAF Contacts

▣ Primary Contact



- Ms. Lynda Roades
- MoF PBU Advisor, lroades@otatreas.us
- Cell: (0) 796-146-157

- ▣ Mr. Kirk Schmidt, MoF PBU Advisor, kschmidt@otatreas.us, cell: (0) 702-591-559
- ▣ Ms. Rhonda Reinke, MoF Treasury Advisor, reinke@otatreas.us, cell: 706-797-200
- ▣ ISAF Joint Command
 - Ms. Najla Farzana, IJC Provincial Budgeting Advisor, Najla_Farzana@yahoo.com
 - Mr. Ryan Bates, Director of Ministerial Outreach, ryan.d.bates@afghan.swa.army.mil
 - Ryan can connect you to additional IJC embedded ministerial contacts including IDLG, MRRD, MoE, Afghan Civil Service Institute, MoTCA as well as others

MoF Advisors Toolbox

- ❑ MoF Website
- ❑ MoF Provincial SharePoint Site
- ❑ Provincial Financial Report
- ❑ AFMIS PRT Guide
- ❑ Guide to the Donor Assistance Database (DAD)
- ❑ How PRT's can help

MoF Budget Website

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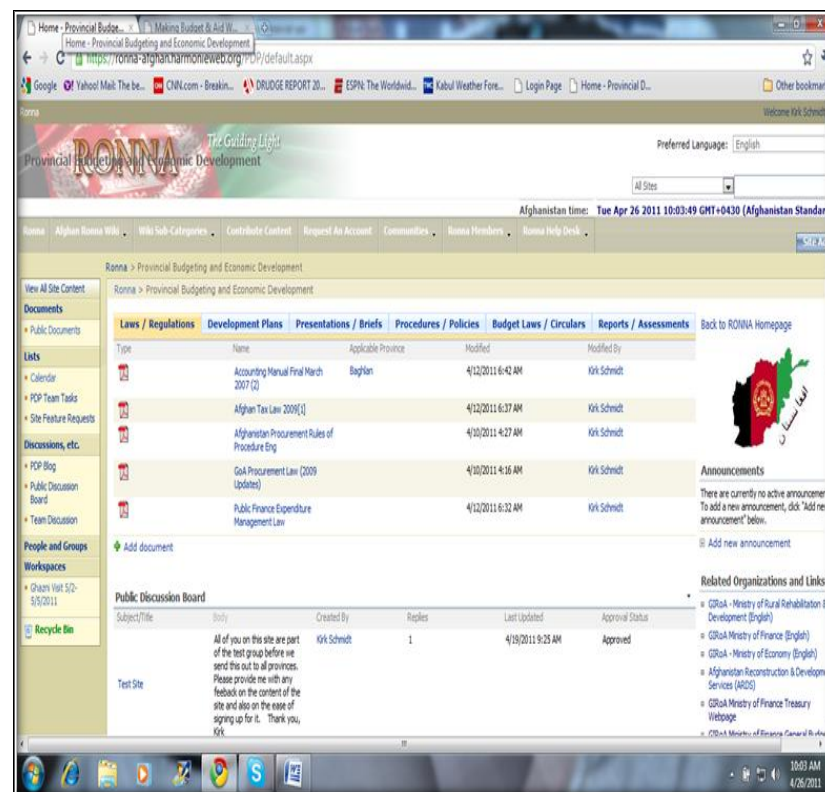
- **Website:**
www.budgetmof.gov.af
- ▣ Documents in English/Dari/Pastu
- ▣ Budget Laws, Circulars, Allotment & Execution Reports
- ▣ Currently fully operational



MoF Provincial SharePoint Site

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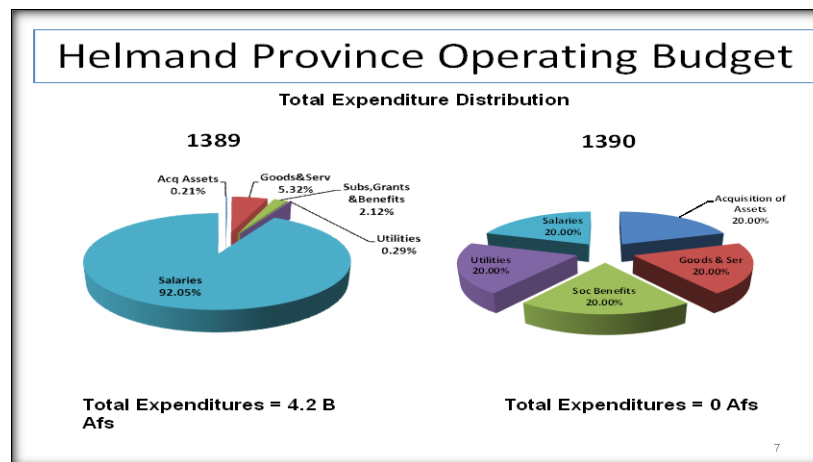
- **Provincial Budgeting and Economic Development** Sharepoint site: <https://ronna-afghan.harmonieweb.org/PDP/>
 - Designed for low band width users in the province
 - Provides relevant budget documents, PDP's, presentations, and current financial laws
 - Discussion board, calendar, and adobe connect to enhance communication between Kabul and the provinces
 - Have had soft launch of site, full launch after the Provincial Budget Symposium



Provincial Financial Overview Report

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- Designed to give an overview of the fiscal performance of a province; Comparing previous budget year to the current budget year
- Uniform look for all 34 provinces
- Initially targeted to the Governor's office; Coordination between PRT's and Governor's staff in preparing and analyzing the reports
- Currently populating budget information for all provinces. Will be rolled out at the Provincial Budget Symposium to Afghan attendees, subsequently, to PRTs and military civil affairs teams.



Helmand Development Budget

Budget Unit	Afs 000		1389 Allotment Execution%	1390	
	1389 Allotment	1389 Expenditures		1390 Allocation	1390 Allotment Expenditures
Ministry of Rural Rehabilitation and Development	554,637	460,963	83%	299,232	
Ministry of Education	230,978	158,047	68%	286,708	
Ministry of Public Health	163,878	155,821	95%	260,335	
Independent Directorate of Local Governance	48,623	33,647	69%	0	
Ministry of Energy and Water	9,796	768	8%	0	
Ministry of Finance	2,543	2,452	96%	0	
Administrative Affairs	1,896	1,896	100%	0	
Ministry of Agriculture	1,883	1,070	57%	55,220	
Attorney General	1,175	1,175	100%	0	
Ministry of Haj and Religious Affairs	767	767	100%	6,093	
Ministry of Interior	460	460	100%	0	
Ministry of Justice	453	417	92%	0	
Ministry of Communication	240	223	93%	0	
Central Statistics Office	0	0	#DIV/0!	4,700	
Ministry of Defence	0	0	#DIV/0!	23,531	

AFMIS Guide for PRT's

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- Afghanistan Financial Management Information System (AFMIS) is an automated general accounting, expenditure control, and reporting system.
- It is in use in all provinces in the *mustafyats* (MoF provincial offices).
- Provides an overview of the capabilities of the system for non-technical advisors.
- Includes useful examples of reports, with additional detail.
- Has had field input and will be officially released as part of the MoF Advisor's Toolbox post-Provincial Budget Symposium.

AFMIS Guide for Provincial Reconstruction Teams (PRT's)

Audience / Purpose

This Guide is intended for advisers working in Provincial Reconstruction Teams (PRT's). It is intended to support Capacity Building efforts working with Provincial Government Officials on Financial Management//Public Expenditure Management.

AFMIS contains information on current fiscal year/budgetary allocations and expenditures. This can be useful working with Government officials to understand current budgetary allocations through the Core Budget and baseline costs when working on operational efficiencies or new programs/projects.

The guide should be used to work with the Provincial Mustofiat to gain understanding of the nature of the budget and expenditures within the framework of the national agenda.

It is assumed that users of this guide have already undergone PRT Orientation Training, particularly the session on "Afghanistan's Budget Resources and the Provinces", as this presentation introduces terminology used in this guide.

Version

Version	Author	Approver	Release Date	Software
1	Megan Gray			FreeBalance Financial Accountability Module v 6.2
2	Rhonda Reinke			



The sun sets on another day connecting AFMIS in provinces. On-the-job training in use: AFMIS, in Paktiya Province during 2009.

From L-R: Paktiya Financial Officer Ghani Noorzad and AFMIS Rollout Officer Riaz Ahmad Zalmi

Guide to the DAD

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- Website: <http://dadafghanistan.gov.af>
- Sponsored by MoF's Aid Management Department
- User guide to assist non-technical advisors in using the DAD to generate reports on development projects in the province
- Currently being drafted.
- Will be released as part of the MoF Advisor's Toolbox after the Provincial Budget Symposium.

How Can PRTs Help? (General)

Activity	How Can PRTs Help?
Partner with Relevant LM and MoF	<ul style="list-style-type: none"> ▪ Create a strong relationship with relevant GIRoA officials (Governor, Provincial Council, Mustofiat, Line Directors, District officials, etc.) ▪ Ensure all activities are vetted with GIRoA (LMs and MoF) ▪ Work more with elected officials (Provincial Council)
Operate Using GIRoA Processes	<ul style="list-style-type: none"> ▪ Ensure all funding and capacity building is in line with GIRoA processes and procedures ▪ Operate within the GIRoA budget framework and ministerial programs ▪ Align activities with the Afghan National Development Strategy (ANDS) ▪ The Sub-National Governance Policy is not “law” . New sub-national financing mechanisms are being considered, but have not yet been implemented ▪ When in doubt, obtain input from the Ministry of Finance; they will have good ideas
Pursue Effective Aid	<ul style="list-style-type: none"> ▪ Align with the GIRoA Operational Guide for Off-Budget Financing ▪ All projects should be identified by GIRoA as priorities ▪ Obtain “sign-off” from the right individuals; Governors and Directors of Economy do not have the authority to accept projects, although they can sign off on completion of projects ▪ Only the Ministry of Finance has the authority to allow other entities to accept capital projects
Civ-Mil Cooperation	<ul style="list-style-type: none"> ▪ Ensure the RC, TF, PRT and other USG entities are implementing the same plan ▪ Coordinate LM and MoF agreement with plans and that they have “bought into” the process
Prepare for Transition	<ul style="list-style-type: none"> ▪ Enable GIRoA to implement budgeting polices and good governance practices in preparation for transition

How Can PRTs Help? (Specific)

Activity	How Can PRTs Help?	Required Documents
Document Familiarization	<ul style="list-style-type: none"> ▪ Become familiar with primary GIROA budget related documents and websites 	<ul style="list-style-type: none"> ▪ Public Financial Expenditure Management Law ▪ Procurement Law and Financial Regulations ▪ Budget and treasury circulars and other guidance ▪ COMIJC Aid Effectiveness policy letter ▪ Paris Declaration Assessment ▪ MoF Guide to Off-Budget Assistance ▪ Draft 1390 budget statement ▪ 1390 development budget (once completed)
Website Familiarization	<ul style="list-style-type: none"> ▪ Obtain logon/password access to all relevant databases prior to arriving in theatre 	<ul style="list-style-type: none"> ▪ Provincial Budgeting and Economic Development website (including Ronna in general) ▪ Donor Assistance Database
Mustofiat Interaction	<ul style="list-style-type: none"> ▪ Create a strong partnership with the Mustofiat ▪ Obtain detailed financial reports outlining the allocations and spending within the province 	<ul style="list-style-type: none"> ▪ DG of Treasury approval memo for provinces to release AFMIS information to PRTs ▪ Helmand case study example
Improve Provincial Development Plans (PDP)	<ul style="list-style-type: none"> ▪ Only fund projects on the PDP ▪ Provide assistance on PDP updating 	<ul style="list-style-type: none"> ▪ Provincial development plan for province ▪ Afghan National Development Strategy ▪ Kabul Conference documents
Budget Formulation	<ul style="list-style-type: none"> ▪ Work with LDs on budget formulation submissions (assign individuals to each LD) 	<ul style="list-style-type: none"> ▪ BC1 (and related forms) ▪ BC2 (and related forms) ▪ Template/checklist being created by MoF (timing TBD)

How Can PRTs Help? (Specific)

Activity	How Can PRTs Help?	Required Documents
Consultation and Coordination	<ul style="list-style-type: none"> Assist (when requested) with MoF training events in provinces Work with MoF advisors (OTA and IJC) to understand when PBU events will be taking place in your province Create strong links with OTA and IJC representatives 	<ul style="list-style-type: none"> If you are interested in an OTA visit once in theater, Lynda Roades can work with you on developing a concept note PBU1390 action plan outlining capacity building training events and consultation and coordination workshops
1390 Budget Execution	<ul style="list-style-type: none"> Facilitate budget execution of 1390 projects and programs Understand projects “on-budget” and their status per LD 	<ul style="list-style-type: none"> 1390 development budget (once completed) Reports generate for province through AFMIS
Sustainment	<ul style="list-style-type: none"> Ensure all projects are accompanied by an appropriate sustainment letter Sustainment letters should include related O&M costs 	<ul style="list-style-type: none"> Sustainment letters should be forwarded to appropriate central ministry officials
Understand Other Sources of Funding	<ul style="list-style-type: none"> Become familiar with other funding sources for provinces Ensure alignment with all of the above 	<ul style="list-style-type: none"> Performance Based Governor’s Fund (IDLG website)