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Making Budget and Aid Work
PROJECT INDEPENDENT FINAL EVALUATION

Award ID: 00047111

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FINAL DRAFT

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The evaluator has acted as independently as he could within the extremely constrained conditions, esp. too short time. As such, the evaluator considers his professional responsibility to express his views as fairly as he can on what he has heard, read and observed, recognizing that they might not fully align with what the stakeholders' managers and staff on both government and donor sides believe to be the true or full picture, or a correct interpretation.

MAKE BUDGET AND AID WORK

PROJECT FINAL EVALUATION

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List of abbreviations and acronyms

ACU	Aid Coordination Unit (Budget Department, Ministry of Finance)
AEWG	Aid Effectiveness Working Group
AFMIS	Afghanistan Financial Management Information System
AMD	Aid Management Directorate
AMP	Aid Management Policy
ANDS	Afghanistan National Development Strategy
ARTF	Afghanistan Reconstruction Trust Fund
ASI	Adam Smith International
CIDA	Canadian International Development Agency
DAD	Donor Assistance Database
DFID	United Kingdom Department for International Development
GoA	Government of Afghanistan
GoIRA	Government of Islamic Republic Afghanistan
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
IARCSC	Integrated Administrative Reform and Civil Service Commission
IMF	International Monetary Fund
JCMB	Joint Coordination and Management Board
LOTFA	Law and Order Trust Fund for Afghanistan
LM	Line Ministries
MOF	Ministry of Finance
MBW	Making Budgets Work (UNDP Project)
MBAW	Making Budgets and Aid Work (UNDP Project)
MOUSTAFIAT	Provincial Treasury
NDF	National Development Framework
NPP	National Priority Programmes

ODA	Official Development Assistance
PIP	Public Investment Programme
PMU	Programme Management Unit
PRR	Priority Restructuring and Reform
RRF	Result and Resource Framework
SAB/ASI	Strengthening Afghanistan's Budget Project (implemented by Adam Smith International)
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

Principle findings, conclusions and recommendations

Independent evaluation assessment¹: **Overall, the final evaluation considers project performance basically satisfactory although there remain fundamentally significant areas for improvements.** More specifically:

- **Relevance: *High (5)***
- **Effectiveness.** Overall: ***Met expectations (3)***. Namely:
 - Output 1: 2 out of 3 targets are met
 - Output 2: All targets are met
 - Output 3: A failure if evaluated accordingly to the original benchmarks set forth in the RRF (budget execution rate in relative term). Considering the delivery rate in absolute terms, there has been a major progress despite a significant inflation rate in the country during the past six years. See more details on p.28
 - Output 4: All targets are fully met
 - Output 5: All targets are fully met, some partly exceeded
 - Output 6: 2 out of 5 targets are not met. In total: Failure.

More s specific assessment is provided in **Table 4** in section II.1 below.

The project failure in achieving the targets regarding Output 3 (Budget execution) and Output 6 (Exit Strategy) can be partly attributed to unrealistic and unreasonable target settings as explained more in recommendation 6 (a) and lesson learned 4 and 5 (see below). In short, if they had not been that ambitious and more reasonable, the project could have been achieved them.

- **Efficiency:** In general ***basically met expectations (3)*** but at sub-national level: ***under expectation (3-)***.
- **Impact:**
 - On MOF: ***Met expectations (3)***²
 - On LMs: ***Basically met expectations (3)***
 - On sub-national level (Provinces): ***under expectation (3-)***³
- **Sustainability:**
 - Sustainability at enabling environment level⁴: ***Relatively high (4)***
 - Sustainability at organizational level⁵: ***Met expectations (3)***

¹ Definition of evaluation criteria can be found in respective sections of B.II

² Jobs done timely as required with increasing ownership, leadership, initiative and institutional capacity but retaining the capacity developed in individuals remains a huge challenge.

³ The impressions obtained during the visit to Panjshir were rather high. However, budget execution sees no improvement. There has been for quite some time a big gap (80-90%) between budget proposal by provinces and real amount they finally receive -. Responding to this reality MOF attributed this to “huge demand”. Demand is always far bigger than available (affordable) resources. This is not an issue. The issue may lie in weak capacity for budget formulation from provinces (usually a long wish list); and partly due to lack of policy guidance (the new provincial budgeting policy paper was drafted but not approved by the government in 2012 as well as due to insufficiency of technical support (e.g. absence of provincial development budget norms). Source: APR 2012. . In short: impact remains low although MOF asked to not just base on relative figure but perhaps also look at the absolute amount, which was around \$ 1 Bil. In 2007 but now (2012) increased to 7 Bil. Not wrong. But the evaluation compares the target set by the project with actual achievements.

⁴ Such as legal and institutional frameworks (PFM Road Map, numerous policy documents such as NPPs, Towards-self reliance, etc.)

- Sustainability at individual level⁶: *Basically met expectations but more could have been done* (3)

In conclusion, the project performance during the past 6 years can be considered as **basically satisfactory, meeting 16 out of 20 targets (80%)**⁷. For more details see **Tab. 4**. Without the MBAW project contributions, there would hardly be such impressive PFM achievements. Without the MBAW project support, it would be practically unrealistic for the MOF and the Government of Afghanistan to perform so successfully in delivering on its commitments vis-a-vis the donor community as has been the case in the past six years. The MBAW project has been embedded into MOF as its important integral part. In real terms, the MBAW has been significantly contributing in strengthening enabling, organizational and partly also individual capacity and paved the way for advancing PFM reform in the country through developing and continuously improving legal, institutional, organizational frameworks and systems (policies, regulations, processes, procedures, working instruments, databases, skills, etc.) for aid negotiation, coordination and management, and for policy setting for budget formulation and execution. These foundations are essential also for a sustainable and sound public finance management in the long run. The strong competencies of MOF's line managers who are relatively young and currently occupy majority of directorate departments and at senior management level (to a lesser extent) of MOF is an invaluable asset of the nation.

There remain considerably big areas for improvement, which have significantly limited the project impact and threatened its sustainability, esp. at individual level and challenge the sustainable exit strategy. Specifically: The project did not achieve all expected targets (4 out of 20 or 20%), including one target on budget execution rate, which is neither reasonable nor realistic to achieve as commented in other places of the report. It is noticeable that many targets have been met just recently – during the project extension (May 2012 – March 2013). This feature is similar to the SAB project funded by DFID and operated by ASI. Two of 4 unmet targets relate to the Exit Strategy, which has been and remains the main subject of lively discussion between the government and the donor community and which appears to have not been resolved. They will not be achieved even by end of June 2013. This challenges the recently agreed target to reducing the number of project financed staff every year by 15-20%. In any case, a more sustainable solution to strategically quit from this challenging situation could be: Move more strongly with clearly and reasonably defined results of the capacity development in MOF and LMs in regard to aid and budget issues as correctly outlined in the Capacity Development Plan 2012-2015 dated 10 June 2012

⁵ Process and procedures such as budget planning, formulation and allocation process, BC1/2, working instruments (handbook), etc.

⁶ The non-*tashkeel* staff being paid by the project (some 111 persons in June 2013)

⁷ The following targets have not been met: Output 1: Target 3 (MTEF); Output 3: Target 1 (budget execution rate - the only one target for this important output); Output 6: Target 1 (retaining young graduates in MOF); and Target 5: gradual reduction of project staff. These four targets are most influential on project effectiveness and importantly impact on project sustainability. Their weigh on overall project success is certainly much bigger than other targets. This means that if relevant weigh was used for respective targets, the final weighed score would be reduced and lower than 80%. However this conversion goes beyond the scope of this evaluation due to limited allocated time.

Summary recommendations for UNDP and MOF's consideration (full recommendations are presented in Part D: ways forwards, p.46+)

Recommendation 1: General approach. Steadily but firmly and consistently focused shift more towards value added approach as opposed to input substitution to help the GoA to cope with increasing challenges esp. over the Transformation Decade in a sustainable manner.

Recommendation 2: Exit strategy: To continue the recently renewed exit strategy aiming at successful taking over the salary payment by the Government;

Recommendation 3: Capacity development (CD)⁸: To continue to place CD activities (as opposed to individual training) at the heart of daily activities of key MOF's agencies in both budget and policy areas.

Recommendation 4: PFM technical issues: (a) To pay more balanced and focused support to remaining critically strategic issues: *aid coordination and aid effectiveness*⁹, *Citizen's Budget, and GRB*; (b) More focused and result-oriented support¹⁰ to the Parliament in regard to the national budget process. ; (c) Effectively mainstream GRB into the entire budget cycle. Consider recruiting one more international GRB's specialist to strengthen current GRB's capacity, etc.

Recommendation 5: TA coordination. Further strengthen TA coordination¹¹ across the Ministry using the mechanism and network being created and putting more efforts for further strengthening local capacity to reduce dependence on external inputs in the time to come.

Recommendation 6: Management project implementation such as: to improve the quality of project work-planning, work-reporting and monitoring to allow a clear reflection of the value added the project brings and contributes to improving the quality, efficiency and effectiveness of the works done by MOF and LMs.

⁸ Ministry of Finance, *Strategic Plan 1388 – 1392 (2009/-2013/14)*, pp. 33-34: "Placing and keeping capacity building at the forefront of MOF's agenda and priorities".

⁹Such as improving skills for aid data analysis; training donor's aid focal point on DAD use; training on legal issues related to Aid; evidence-based research works to generate primary data for prioritization of aid to respective sectors/NPPS; evidence-based research works to generate primary data for monitoring and evaluation of effectiveness of aid usage; training on benchmarking, indicators etc (Source: AMD's response to a mini survey conducted in early May 2013).

¹⁰ The engagement of some members of the Parliament (MPs) in project activities in the recent years trying to expose them to international knowledge, experience and best practices is a good start but not sufficient. MPs need to better understand the issues regarding the national budget process and especially provincial budgeting issues in order not only to help reduce potential conflict of interest, thus to facilitate the Parliament in timely approval of the budget presented by the Cabinet but also to effectively fulfill their mandated function in ensuring accountability over public money. To this end, a more focused support to the Budget Committee of the Parliament as highlighted in the quarterly report of the first quarter of 2013 is a right direction to move.

¹¹Actually coordination of Technical Assistance provided to the Budget Department was initiated since 2007 (APR 2007, p.10).

Lessons learned: (i) National ownership is key to success; (ii) Realistically and reasonably set project targets are essential for project stakeholders to successfully cooperate; (iii) Clear and common concept of Exit Strategy and closely related dimension – sustainability- is essential in fostering and maintaining government-donor partnership; (iv) Translation of strong political commitment into action remains a big challenge without really implementable measures esp. in regard to the Exit Strategy on both sides, donors and the government; (v) Clear understanding of trades-off between effectiveness on one side and efficiency, impact and sustainability on the other side is always a challenge, esp. in fragile context. While maximizing efforts to get job done to meet the urgent recovery and reconstruction targets (effectiveness), equal attention is required to ensure associated efficiency, impact and especially sustainability, in particular at individual level as explained above.

Success stories: (i) Establishment and fostering **the group of PFM advisors**, who have been supporting MOF and 13 LMs since mid-2012 providing technical advisory support and helping coach, train civil servants of the concerned LMs proves to be a good choice to help speed up budget execution rate in the short and long run; (ii) **OBI exercise**. Definitely this is a very encouraging success story, although still at embryonic status, but surely helps promote transparency and raise awareness among the community, thus potentially pushes pressures on accountability over spending of public resources from ‘demand’ side; (iii) **TA coordination**. Although this initiative has been realized just recently (first Q. 2013), it proves to be a correct and useful direction to move ahead. The frequency of bi-monthly meetings¹², the information shared at the meetings and the seriousness of follow-up on actions points agreed in the meetings, etc. could serve as a good example for reference.

¹² TOR for Technical Assistance Coordination Committee, p. 2/2.

A. INTRODUCTION AND METHODOLOGY

1. Country context.

a. General information.

Selected features of general nature and relating to the project evaluation include¹³: Population: 30.4 Mil. People, which is relatively small for a rather big total area of 652, 530 sp. km. The life expectancy is relatively low: 49.72 years. GDP: USD 29.74 bil. The literacy rate is extremely low: 28.1%; High unemployment: 35%; Inflation rate 13.8%. The administrative system is heavily centralized. There are 34 provinces. Decisions are made at central level. There are 25 ministries¹⁴ with Ministry of Finance's actual power in policy-making and allocation of resources.

The country is heavily dependent on external aids. Domestic budget revenue covers only 38% of total expenditure, 61% comes from grants (aid) and 1% debt. Budget revenue is quite low: USD 2.2 bil. accounting for 11% of GDP only despite its recent noticeable growth¹⁵; Budget expenditure: \$3.963 bil. thus making budget deficit 8.7 % GDP.

Obviously, in this context public finance management (PFM) reform is among key pre-conditions for donors to commit aid flows into the country.

b. Situation relating to aid and development.

The following text copied from the most recent World Bank's Paper "*Afghanistan: A Synthesis Paper of Lessons from Ten Years of Aid*", published on Jan. 24, 2013 gives some picture about aid and development in Afghanistan in the last decade:

- Virtually the entire development budget of Afghanistan is currently funded by donors.
- Afghanistan has received a large amount of aid from the international community since the fall of the Taliban and the establishment of the Transitional Islamic State of Afghanistan in 2002. Donors pledged an estimated \$90 billion of total assistance for the 10-year period 2002-2011¹⁶, split roughly equally between security and development assistance. An estimated \$57 billion has been disbursed or committed on development assistance during this period.
- All donor evaluations consider their respective activities to have been relevant or highly relevant based on their alignment with the government's plans and priorities.
- The government and civil society, on the other hand, give **low to moderate scores**¹⁷ to alignment based on the view that the development plan is by its nature all-encompassing and thus any donor initiative can be considered aligned to it. It concludes that "many

¹³ Data source: CIA World Fact book 2012 unless otherwise specified.

¹⁴ and other government institutions

¹⁵ Afghanistan's domestic revenue – from taxes, customs, and fees – last year (2012) amounted to AFN 99.4 billion, an increase of 23.5 percent from the previous year (2011), continuing an upward five year trend (Project Document MBAW – II, p. 6).

¹⁶ According to the DCR 2012, total donor commitments for Afghanistan as of July 2012 stand at USD 119 billion (DCR 2012, p. 9).

¹⁷ This and similar highlights in this section are made by the evaluator, not in the original text.

donors continue to follow their own agendas while claiming they are aligned with Afghan government priorities” (GOA 2010, 16).

- Sustainability of the projects and programs funded by aid is a concern in all the evaluations. ADB explicitly rates its program as “less than likely” to be sustained. The NORAD evaluation acknowledges that “sustainability has not been the most important concern for Norway and has often been sacrificed where higher priority is placed on other objectives” (NORAD 2012, 120). The donor also expresses concern about an overall reduction in funds for development by other donors where they have been linked to their own troops. The DANIDA evaluation concludes that there are no prospects of projects funded by Denmark to be financial sustainable in the absence of donor funding (DANIDA 2012, 35). The U.S. evaluation focuses on sustainability as one of its three most important concerns and concludes that addressing sustainability concerns should be central to the design of its future programs (US 2011, 4). Other evaluations have similar concerns although not expressed explicitly;
- The principal instruments for capacity building at the national level have included **putting in place laws and regulations for the functioning of the government, to develop and implement capacity for planning, budgeting, and financial management; introducing transparent and efficient systems of public procurement; and funding the civil service.**
- But in funding terms, the bulk of support has gone to the **provision of technical assistance and foreign and national experts.** In addition, most donors have built into their projects significant technical assistance for “capacity building” of civil servants. The amount committed by donors for capacity building has been substantial. The Ministry of Finance estimates that total donor support for capacity building (not including funding for civil service salaries) between 2002 and 2010 was \$6.45 billion (ADB 2012, 42).
- The most notable outcome of the donor support has been that the **basic systems of civil service functioning are in place.** The government also increased very low civil service salaries twice since 2002 by 25-40 percent (UNDP 2009, 45). **A merit-based system of civil service appointments is now in place** (DFID 2009, 3), although the government’s assessment still considers nepotism widespread (GOA 2010, 21). The other **major achievement is the implementation of a framework for public financial management (PFM).** The World Bank, which has taken a lead in this effort, concludes that **“Afghanistan’s PFM framework is better than would be expected for a country of this per capita income that started virtually from scratch ten years ago”** (IEG 2012, 31).
- Despite these positive outcomes, **the capacity of the government has remained weak according to most assessments.** Most ministries and agencies responsible for donor projects employ large numbers of Afghan and international contract staff who are paid salaries that are multiples of civil service salaries (according to UNDP, \$750 to \$35,000 per month). **Some donor agencies even resort to paying salary supplements to key civil servants.** The U.S. assessment reports some 40 Afghan civil servants working on its projects receive salary supplements ranging from \$3,000 to \$5,000 per month (US 2011, 22). Across all ministries, over 5,000 Afghan civil servants function as a “second civil service” whose enhanced pay is more than 11 times the highest rate for the civil service (IEG 2012, 180). In essence, there is a “parallel civil service” that has been running the government for 10 years after the start of the capacity building efforts. These numbers do not include more than 25,000 Afghan contract staff paid for by individual project funds. **This situation has distorted the civil service, with most capable Afghans opting for these contract jobs instead of working for the government.** Recruitment of competent

Afghans at high salaries by donors, nongovernmental organizations, and donor-funded contractors has further exacerbated the problem. As noted by the U.S. assessment, “**the donor practices of hiring Afghans at inflated salaries have drawn otherwise qualified civil servants away from the Afghan Government and created a culture of aid dependency**” (US 2011, 3). Despite most assessments sharing the same sentiment, few suggest any concrete proposals to deal with this issue.

c. Some important features and milestones

- **Afghan year:** 1383 = 22/3/2005-21/3/2006
 1384 = 22/3/2006-21/3/2007
 1385 = 22/3/2007-21/3/2008
 1386 = 22/3/2008-21/3/2009
 1377 = 22/3/2009-21/3/2010
 1388 = 22/3/2010-21/3/2011
 1389 = 22/3/2011-21/3/2012
 1390 = 22/3/2012-31/12/2012

To facilitate a smooth coordination and collaboration with the international community in regard to aid, recently the Government has decided to apply normal calendar in this area from 1391. Namely: fiscal year 1391 starts on 1/1/2013 and ends on 31/12/2013.

- **Important international conferences related to international aid to Afghanistan**

Table 1: International Aid Conferences

<i>No</i>	<i>Year</i>	<i>Place of Conference</i>	<i>Conference content</i>	<i>Document</i>
1	2001	Bonn	Agreement on Provisional Arrangements in Afghanistan Pending the Re-establishment of Permanent Government Institutions	
2	2004	Berlin	Continue operations by the International Security Assistance Force (ISAF); Establish five Provincial Reconstruction Teams (PRT); Support efforts to Disarm, Demobilize, and Reintegrate (DDR) armed elements within Afghan society; Uphold Rule of Law and judicial system measures;	Berlin Declaration 01 April 2004
3	2006	London		

4	2008	Paris	Reaffirmed the international community's political and financial support for Afghanistan's reconstruction.	Declaration
5	2010	London	More work to strengthen institutions; Continued improvement in relations with neighbouring nations; Further enhancing governance; Improved delivery of and access to justice; Further raise Rule of Law, Human Rights, and democratic principles under the Afghan Constitution	The Afghanistan Compact
6	2010	Kabul	Kabul process. 22 NPPs clustered into six groups	Kabul Conference 2010 Communiqué
7	2011	Bonn	Partnership between Afghanistan, the United Nations (UN), and the International Community from Transition to Transformation Decade (2015-2024)	Conference conclusions
8	2012	Chicago	NATO Summit on Afghanistan: security in transition period and beyond	NATO Summit Declaration
9	2012	Tokyo	Mutual Accountability Agreement between the Government and the donor community	TMAF-Tokyo Mutual Accountability Framework

2. Project background.

a. Project context.

The subject of this evaluation is the project named “*Making Budgets and Aid Work*” - MBAW (Hereafter, this will be referred to as “MBAW project”). In 2002 UNDP commenced its technical assistance support to MOF through the first project named “Make Aid Work” to provide national ownership of the aid coordination function within the Ministry of Finance given the country’s almost total aid dependency and scant information on investments being

made by donors This project concluded in March 2004 with the Berlin Conference and the end of the transitional arrangements.¹⁸

The second project in the series, *Making Budgets Work* (MBW) project played a lead role in helping to promote and coordinate the strategy and development process of the Government's embedded in Afghanistan's National Development Strategy (ANDS), which later has been specified in form of National Priority Programmes (NPPs).

The MBAW project represents a centrally focused technical support to MOF and LMs in partnership with other development partners, who have been engaged in the PFM area. Most notably is DFID, which co-financed the MBAW project together with other DPs such as Canada and Germany. In addition to co-financing the MBAW project, DFID also supported MOF through a separate project entitled "Strengthening Afghanistan's Budget" (SAB), whose first phase started in Dec. 2007 and completed in Nov. 2012. An independent evaluation of the SAB project was undertaken in March 2013, which basically considered project performance as successful, esp. during project extension. The evaluation report also pointed out important areas for improvements.¹⁹

Now briefly about project non-financing donors. Under umbrella project titled "Economic Growth and Governance Initiative" (EGGI), since 2009 USAID has also joined the donor community in delivering technical assistance to strengthen MOF's capacity in Revenue and Tax Policy, Revenue Reconciliation Database, Tax Administration, Programme Budgeting, Provincial Budgeting²⁰, etc. It should be noted that in the last two areas regarding programme and provincial budgeting, there have been a relatively good division of labor between EGGI's and UNDP's support in that USAID supports a team of 38 local national budget advisors ("local advisors") assigned to support in LMs Similar like UNDP, the World Bank commenced its support to MOF from very early years, 2002 providing complimentary assistance to help boost MOF's capacity in treasury, internal, external audit and esp. in undertaking policy advisory services such as Public Expenditure and Fiduciary Analysis (PEFA), Public Expenditure Review, etc. IEG – an independent evaluation group of the Bank conducted a programme evaluation of the World Bank in early 2013 during 2002-2011 and considered successful World Bank's efforts in "analytic and advisory activities and donor coordination through the Afghanistan Reconstruction Trust Fund through the Afghanistan Reconstruction Trust Fund"²¹.

The role placed on the third MBAW project was rather high "*to play a key role in developing capacity, processes, and systems to ensure effective implementation of the government*

¹⁸ Mid-term Report, Dec. 2010, p.8

¹⁹ Such as: "The national budget is still not comprehensive. The World Bank (2011) estimates that only around half of all public finances enter the budgetary process. Whilst the MoF improved the 'rules' of the budget, its application by line ministries continue to vary considerably. This is reflected by the still-low levels of budget execution (based on allocations at the beginning of the fiscal year); the government average is just over 50%". Source: SAB's Project Completion Review. Final version of April 2013, p. 9

²⁰ USAID Afghanistan, Fact Sheet. <http://afghanistan.usaid.gov>

²¹ IEG web-site 2013

*strategies outlined in the ANDS and Joint Coordination and Monitoring Board (JCMB) reports addressing challenges identified for improved public financial management”.*²²

As such, the project represents a good choice to respond to **national priorities**. Namely: the national budget is seen as the primary mechanism through which a number of key development principles can be promulgated, including fiscal discipline and sustainability, national security, provincial and social equity, poverty reduction, increased productivity and growth of the private sector, gender equality, poppy eradication, and the effective delivery of public service. The project thus aims at strengthening the National Budget processes as a comprehensive policy and decision-making mechanism for the Government of Afghanistan to be in a position to follow good macroeconomic management and promote efficient allocation of both domestic resources and large-scale international development assistance²³.

b. Project Description²⁴

Originally, the MBAW project includes **three programme components with a total of six planned outputs**, as outlined in Table 1, below. Initially project duration was from May 2007 to April 2012. At its expiration in April 2012, MOF and UNDP have assigned to the MBAW project additional tasks to support the NPP development and implementation of PFM Road Map, thus the project needs more time and resources to accomplish the newly assigned tasks. In addition, more time is also required for consultation among the concerned stakeholders regarding the formulation of a new project phase to ensure that the project is positioned in a way that supports MOF during the transition period and the preparation of the Transformation Decade and finally the make the required resources available for commencement of the new project phase. Based on the above-mentioned justification, MOF and UNDP have signed a project document extension (no-cost extension), extending the project duration until 30 June 2013. In short, total project duration is now 6 years (May 2007-June 2013).

At the request of the Minister of Finance, in October 2011, a Concept Paper was developed in order to provide enhanced support to the MOF, with specific focus on development and budget policy, planning and management; programme implementation and monitoring for basic service delivery on the national priorities; budget execution; aid coordination and aid management and effectiveness²⁵.

²² UNDP, Project Document, Making Budgets and Aid Work. May 2007, p. 12.

²³ Mid-term Report, Dec. 2010, p.10

²⁴ This section makes use of some parts of the MTR (Dec. 2010) in its original shape or slightly adjusted and/or updated

²⁵ MBAW Concept Paper October 2011, p. 5.

As a result, the ‘combined and extended’ project now composes of **three sub-projects**²⁶: (i) The original MBAW project; (ii) Afghanistan National Development Program (ANDP); and the newly added sub-project;

The sub-project one, i.e. the original MBAW project focusing on budget issues continues to be coordinated by the DG Budget. The ANDP is to be handled by DM/DG Policy. Practically speaking, the evaluation scope will be limited to assess project performance until end of the first quarter of 2013 only²⁷.

The project implementation is coordinated by the Ministry of Finance through its Budget Department (BD) and executed under a so-called direct implementation modality (DIM) by UNDP. A Human Resource (HR) plan of 2013 of the MBAW project showing the allocation of staff provided to key departments of MOF, including in the BD (74 persons), Policy Department (30), project management unit – PMU (17) as well as LMs (20) is shown on **Annex 3**. Although the project has been principally under DIM modality, national ownership has been gradually but significantly increased esp. since 2010 when MOF took over the responsibility for HR management and since 2012 also part of the procurement. This gradual and consistent policy helps shift project management towards NIM as MOF’s project capacity management progresses. A full description of each project component, reviewing progress and key achievements made against planned benchmarks (targets) as of end of March 2013 is provided as **Annex 1**.

Table 2: Components and outputs of the original MBAW Project Document

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
Output 2	Strengthened budget formulation processes
Output 3	Strengthened budget execution processes
Output 4	Strengthened and reformed budget monitoring and reporting
Component 2	Alignment of external assistance and improved aid effectiveness to support Afghanistan development goals and strategy
Output 5	Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy

²⁶ The term “*sub-project*” is used by the evaluator on purpose in order to avoid a potential confusion with the term “*component*” already used in the original project document of the MBAW project.

²⁷ At the time the Evaluator left the country early May 2013, official QPR of the Q1 of 2013 was not available yet.

Component 3	Sustainable institutional capacity built within MOF and other GoA institutions
Output 6	Sustainable institutional capacity built and retained within MOF and line ministries

It should be noted that the MBAW support to the Budget Department (partially financed through a DFID contribution to UNDP) has been complemented by the DFID-financed “Strengthening Afghanistan’s Budget and National and Provincial Levels” project, implemented by Adam Smith International (SAB/ASI). Although managed separately, both projects support the MOF’s Budget Department sharing responsibilities in technical advisory services, capacity development and at the same time supporting the MOF in performing line functions for the Budget Department necessitated by the PFM reform process.

In terms of alignment to **UN/DP’s mandate**, the project objectives (components) and outputs²⁸ fit well into overall United Nations Development Assistance Framework (UNDAF), whose outcome 2 reads: “By 2008, an effective and more accountable and more representative public administration is established at the national and sub-national levels, with improved delivery of services in an equitable, efficient and effective manner”²⁹.

Concerning Output Indicators of the UNDP Country Programme Action Plan (CPAP), it is obvious that the MBAW project aligns well through CPAD indicators. Namely:

Indicator 2.1: Percentage of aid flow channelled and disbursement tracked through Donor Assistance Database (DAD);

Indicator 2.5: An integrated, transparent and participatory national budget strategy and mechanism developed.

3. Evaluation scope, objectives, approach and methods, expected outputs and limitations

Evaluation scope and objectives

The **purpose** of the evaluation is for organization learning through lessons learned to be drawn from the project performance and recommendations for consideration in future interventions. Although for good reasons the formulation of a new project phase has reached the last step in the process, it was a very clear message from UNDP’s senior management that the lessons and recommendations to result from this evaluation will be made used in the process of project implementation including for project document revision and/or project work planning as required and appropriate.

²⁸ For the sake of consistency, the evaluation sticks to the terms originally used in the Project Document 2007. This means the project had three components, of which component 1 had 4 outputs, component 2 one output and the last component had one output, too. Recently the term “component” is changed to “outputs” and “outputs to “Activity Results”.

²⁹ UNDP, Project Document Making Budgets and Aid Work. May 2007, p. 3

The evaluation is to review and assess project performance according to major evaluation questions/criteria such as relevance, effectiveness, efficiency, impact, sustainability and partnership. The primary audience-users of the evaluation are UNDP and Ministry of Finance, as well as the donors with funding contributions to the project.

The **approach** employed in this evaluation is two-fold, including *backward* and *forward-looking*. The later is a backbone driving the entire process evaluation be it collection of primary data through interviews with focused groups and in-depth discussions, or review of secondary data obtained in various sources. This proves to be useful in generating findings and especially drawing lessons learned and recommendations that can serve for organization learning and for future programming as highlighted in the TOR.

Data sources compose of project documents, reports, and related materials from where to obtain *secondary data* through desk review. More importantly, there were stakeholders, donors and recipients and CSO, from where the evaluator could exploit *primary data* through interviewing focused groups and/or individual respondents.

Data collection and analysis procedures and instruments, stakeholder participation and ethical considerations

The **desk review** was conducted first in Hanoi from 8 to 11 April 2013 prior to the field trip to Kabul on 15 April 2013 to obtain secondary data from key documents shared with the evaluator by the Programme Unit of UNDP Afghanistan and to provide directions and guidelines for the preparation of interview guide for obtaining primary data. The desk review was going on during the field trip using a much bigger set of documents collected in the field. Annex 3 shows the list of reviewed documents. They include project related documents collected from UNDP Afghanistan and MOF, and other reference materials, which the evaluators obtained from different sources, notably those reviewing aid coordination and effectiveness by bilateral and multilateral development partners.

Collection of **primary data** was conducted in Kabul from 16 April to 2 May through direct interactions with concerned stakeholders in Kabul and in one province (Panjshir) as time and security conditions were very strict. The project stakeholders included donors and government beneficiary agencies (national counterparts).

On donor side, the evaluator first met with UNDP's senior management and with the Programme Unit. Then he met with the representatives of the donor who co-finance the project including Japan and Canadian Embassy. No interview could be arranged with German Embassy as there is practically no one in the Embassy who still has a sufficient memory about the project as the Embassy discontinued their financing in 2012. DFID considered that there should be sufficient for the evaluator to review the report, which resulted from an independent final project evaluation undertaken just early this year. The evaluator also met and discussed evaluation issues with non-financing donors active in PFM, namely: the World Bank, ASI and US Treasury's Advisors and USAID.

On recipient side, focus group meetings were arranged with Aid Management Directorate and with PFM Advisors and representatives of the concerned LMs. In addition, in-depth interviews were conducted with Director General Budget, two Deputy Minister Finance and Policy, with Director of Fiscal Policy Unit and with Director of Finance and Accounts of

Ministry of Agriculture, Irrigation and Livestock. In the area of aid coordination and aid effectiveness, physical follow-up meetings were required but could not be materialized due to the workload of the two interviewees. Thus, questionnaires were prepared and sent for their further feedback. On due time, the interviewees responded. Extensive interviews were also conducted with project staff including with the Acting Manager and the International Advisor for Capacity Development and with the senior PFM Advisor. The interaction with a focused group³⁰ of Panjshir province was also important for evaluation as the evaluator could understand better the dynamics and relationships of central and sub-national levels in preparation and approval of provincial budget proposal and impact of project training activities on their regular work. For more details see **Annex 2** – Persons met.

The Programme Unit of UNDP Office tried its best to arrange an interview with Integrity Watch (IW), which has been engaged in the Open Budget Index (OBI) and Citizen's Budget exercises arranged by the project. Unfortunately, due to unavailability of IW's senior management, the interview could not be materialized.

At the beginning of each interview or focused group discussion, the evaluator briefly introduced the purpose and major issues to be covered in the interview/discussions and how the working session is to be held including short remarks to inform the participants about measures taken to ensure impartiality and protect the rights and confidentiality of informants. The evaluator also stressed the needs to repeatedly verify and validate the collected data to enhance their reliability and that inputs from the respondents would be continuously needed in the entire process.

The above arrangements greatly facilitated the evaluation process to be highly participatory, from where the evaluator could obtain rich and fresh information on various issues concerning project formulation and implementation, from both sides, i.e. 'supply' (donors) and 'demand' side (recipients). The missing interview with the Integrity Watch does not have a significant impact on the quality of the evaluation.

At the end of the field visit and quick data processing, the evaluator prepared brief summary reports to reflect preliminary findings and recommendations and shared with the stakeholders in two separate debriefing sessions for their review and feedback in order to verify and validate the data. One session was held with MOF's stakeholders and with project officers on 1 May 2013 in the MOF. The other was arranged with UNDP staff on 2 May 2013 in UNDP Office. The participants provided useful feedback inputs, which are incorporated in this report.

Evaluation criteria and methodology

In line with TOR requirements, the final evaluation focused on the six key evaluation criteria including: relevance, efficiency, effectiveness, impact, sustainability and partnership. To this end, the original result frameworks (RF) associated with the project document (2007) was

³⁰ Apart from the Head of provincial financial department, there were mainly 8 trainees, who attended project training on provincial budgeting and related activities in the last few years.

made full use. There have been some changes in the project reporting format which UNDP introduced in 2012³¹.

When it comes to evaluation methodology, a comprehensive approach has been employed. Namely the evaluation looked at the above-mentioned six criteria from all three inter-related levels of capacity development as per UNDP definition about capacity development assessment. This includes enabling environment, institutional (organizational) and finally individual level. This approach proved to be useful for the evaluation in this specific (post-conflict) situation in Afghanistan to get a real picture of the extent to which the criteria are met, where the third capacity level is heavily distorted due to underdeveloped labor market.

Evaluation limitations

The evaluation has seen no shortcomings of the methodology described above. Perhaps the only factor that slightly constrained the depth of the interviews was too short time³² in the field and relatively short time allocated for interviews by some respondents due to their heavy workload (the DM Finance, Director of Aid Management). To overcome this limitation, as said above, the evaluator followed-up by questionnaire and other means, which are helpful.

³¹As said earlier, “component” is now replaced by “Output”, “Outputs” by “Activity Results”. In addition, in APR format from 2012, there is any longer tabular format comparing progress against targets and baseline (Results Matrix – RM) as before. APRs from 2012 focus on analysis of results. RMs are now presented in QPRs.

³² Total time allocated for this final evaluation is about five weeks as opposed to 1.5 months allocated for the MTR.

B. EVALUATION FINDINGS AND RECOMMENDATIONS

I. Project design.

1. Strong points:

- In general, project objectives and outputs have been and remain **relevant** to government policies and priorities, as well as to UNDAF and UNDP CPAP in the reporting period. MOF's Senior Management and staff have spoken highly on project role and contribution thus enabled MOF's in fulfilling its mandated function as today, which did not exist before.
- The most important indication showing project relevance is that in fact the project has been **practically embedded into MOF's structure and partly in 13 concerned LMs**³³ as an integral part of their organizations. In practice, it is hardly to distinguish the project from MOF/LMs as it has played a major role in furthering PFM reform as illustrated through selected deliverables in the most recent time, to which the MBAW has provided significant contributions, as follows³⁴:
 - Budget hearings held with all LM to discuss budget submissions by LMs since the FY 1392
 - National budget prepared, supportive of the national development strategy reflecting pro-poor policies
 - Fiscal Annex for Tokyo International Conference on Afghanistan Finalized. Annex covers medium and long term macroeconomic outlook, revenues, grants and expected expenditures, serves as the basis for the upcoming Tokyo international conference on Afghanistan to absorb future donor commitments;
 - Public Financial Management (PFM) systems strengthened and implementation monitored to adhere to a range of policy benchmarks as outlined by International Monetary Fund (IMF)
 - Aid Effectiveness Unit SWOT (strengths, weaknesses, opportunities and threats) conducted, with need assessment report/findings, improvements noted (delegation, division of labour)
 - Comparative study, matrix developed as a common framework to manage progress toward objectives! commitments as provided/contained in New Deal, Tokyo Mutual Accountability Framework (TMAF), Presidential Decree and AMP frameworks
 - Budget execution report prepared and presented to top management, units, and LMs as aid for decision making, and as incentive for ministers to increase their expenditure rate
 - PFM Advisors deployed to eight LMs for "quick trouble shooting" assessment of problems in response to request from Deputy Minister Finance

³³Ministry of Education; Ministry of Higher Education; Ministry of Agriculture; Ministry of Public Works; Ministry of Rural Rehabilitation and Development; Ministry of Public Health; Ministry of Urban Development Affairs; Ministry of Mines; Ministry of Energy & Water; Ministry of Transport and Civil Aviation; Ministry of Information & Communication Technology; Da Afghanistan Breshna Sherkat (Afghan Electricity Enterprise); Kabul Municipality. This does not include MOF.

³⁴ Source: Project Factsheet Oct. 2012 published on the web-site of the Directorate General Budget, MOF unless otherwise stated.

- Public Expenditure Management Peer Assisted Learning (PEMPAL) network bridged for expenditure management professionals in various governments in the Europe and Central Asia (ECA) region. These professionals will benchmark their PEM systems against one another and pursue opportunities for ‘peer’ learning knowledge transfer

2. *Weak points:*

- Some project outputs and benchmarks (targets) are too ambitious and unreasonably set. **Table 3** below attempts to document this showing that two out of the six outputs are neither relevant nor realistic. They are: Output 5 and 6. At target level, the budget execution rate has also been considered as irrelevant unrealistic.
- Not clear about project actions to make the targets more realistic even during the most recent years³⁵. In this regard, also not clear project efforts in updating project initial log-frame - Results Framework during the past years.
- Not clear about project views/attempts to revise/update project objectives/outputs to align better with MOF’s goals and the reforms required through the PFM roadmap launched in July 2010 as correctly recommended in the MTR.
- No mention about gender/ GRB in the Project Document 2007
- Some indicators are wrongly defined. Example 1. “MOF and line ministries staff have sufficient capacity to apply GFS and coding; Example 2: Reduced number of coding errors” (Project RRF 2009, performance indicators for Output 3). Correct indicators should look like: 1. Number of MOF and LMs’ having sufficient capacity to apply GFS and coding; 2. Number of coding errors

Table 3: Degree of relevance and feasibility of project outputs and targets

<i>Outputs and Targets (benchmarks)</i>		<i>Relevant & Realistic</i>	<i>Relevant but less realistic</i>	<i>Irrelevant and unrealistic</i>
<i>Output 1: Strengthened Budget Policy And Planning Processes Linked To ANDS Priorities</i>		x		
	• MTBF/MTEF developed by 2008 based on ANDS	x		
	• MTBF introduced for 1387 for those sectors that costings are available	x		
	• MTEF introduced for 1388 or 1389 budgets for those sectors that costings are available	x		
<i>Output 2: Strengthened Budget Formulation Processes</i>		x		

³⁵ E.g. the baseline in 2011 APR still talked about a delivery target of 75% of development budget.

	• LM's compliance with budget calendar and national priorities		x	
	• Improved compliance with ceilings provided under MOF's guidance in budget submissions		x	
	• Introduction of program budgeting to all ministries by 2009.	x		
	• Introduction of provincial budgeting to all provinces by 2009		x	
Output 3: Strengthened budget execution processes		x		
	Budget execution rate: 75% by 2008 (for 1387)			x
Output 4: Strengthened and reformed budget reporting and monitoring		x		
	Twice yearly fiscal reports produced	x		
	Budget Performance Reports regularly produced	x		
	Key budget benchmarks monitored in a comprehensive manner	x		
Output 5: Improved alignment and effectiveness of aid to support Afghanistan development goals and strategy				x
	• GoA aid policy developed by March 2008		x	
	• Six ³⁶ priority benchmarks on Aid Effectiveness regularly followed, monitored and reported	x		
	• Aid Effective Monitoring Matrix regularly updated and incorporated in a regular	x		

³⁶ This should be five, not six: "In February 2005, the International Community came together at the Paris High-Level Forum on Aid Effectiveness to improve the quality of aid and its impact on development priorities and to support partner country efforts to strengthen development performance. The International Community formulated **five principles on Aid Effectiveness which are Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability**; and twelve indicators to assess the progress of the five benchmarks" (Source: UNDP web-site, Kabul, Nov. 2011).

	fiscal and budget reporting			
	<ul style="list-style-type: none"> 50% of technical assistance are coordinated (2010) 	x		
Output 6: Sustainable Institutional Capacity Built And Retained Within MOF And LMs		x		
	1. 15 graduates recruited and retained within MOF annually on Taskeel/PRR	x		
	2.Capacity building exercises undertaken in cooperation with other initiatives	x		
	3.Regular coordination meeting between TAs/donors organized and work plan to support the Budget Department shared/developed	x		
	4.Increased skills and capacity by civil servants and young graduates in budget process and aid coordination with the on-the job training;	x		
	5.Number of project staff reduced (77 staff (May 2007-April 2008), 61 staff (May 2008-April 2009), 47 staff (May 2009 -April 2010), 27 staff (May 2010-April 2011), 13 staff (May 2011-April 2012)	x		

II. Project performance

1. Effectiveness

Effectiveness is understood in this report as the extent to which the project has been able to deliver on expected objectives and outputs.

Assessment by the Senior Beneficiary - MOF's Senior Management: *"I rate project performance "successful" if not even "highly successful"*. Without the MBAW, there would not be well-functioning MOF as today. MOF's success in the PFM reform process in the last several years can be largely³⁷ attributed to the MBAW project, the rest to other TA projects³⁸.

³⁷ He gave some indicative attributions as follows: MBAW-65%; ASI-25%; EGGI-10%.

³⁸ Mr. Mohammad Mustafa Mastoor, Deputy Minister for Finance, MOF answered the interview of the evaluator conducted on 30 April 2013 in MOF

UNDP website (2012) cites the following statements: *“The Ministry of Finance has established a credible and transparent budget system that enables donors to coordinate their own investment in alignment with development needs and priorities.*

More specifically it lists major achievements which the MBAW project has been able to deliver:

- Assisted the Ministry of Finance to launch the **Public Finance Management (PFM) Roadmap** in July 2010, which improves budget execution, strengthens the budget and increases accountability and transparency. The Open Budget Index measures Afghanistan's PFM rating, which has jumped from 8% (2008) to 22% (2010)³⁹.
- Developed and implemented **Program Budgeting** across all line ministries. The budget integration process serves as an essential instrument to link the budget with national priorities.
- Supported fiscal sustainability through the signing of a debt relief program worth \$16 billion USD and a Memorandum of Economic and Financial Policy.
- Developed an Operational Guide that will increase GoIRA ownership of the development agenda as per Paris Declaration Aid Effectiveness Principles. The document was produced in response to donor partner requests, and provides concrete measures used to enhance the effectiveness of projects.
- In order to achieve sustainable institutional capacity development, organizational restructuring has occurred within the Budget Department, and extensive capacity development programs have been initiated and implemented based on needs assessments.
- **Provincial budgeting policy** developed to set a mechanism for better integration of the provincial priorities into national budget and facilitate communication between central line ministries and their provincial departments
- Capacity of provincial departments enhanced for greater participation in provincial budget formulation and execution
- National Priorities and clusters aligned with ANDS priorities strengthening linkage between the ANDS/NPP coordinating structures and the national budget process
- Introduced Gender Responsive Budgeting to address issues and achieve outcomes that match the objectives of the ANDS. Seven ministries have been trained on a pilot basis to prepare a budget that incorporates the GoIRA's gender equality policy”.

The above general assessment gives some broad picture of project contributions to the PFM reform in the country by the insiders (the MOF and UNDP).

The independent evaluation provides an objective and evidence-based assessment by comparing achievements made against the targets set at the outset (see **Table 3** below).

Table 4: Detailed assessment of MBAW project effectiveness

³⁹ This has seen a further sharp increase to 59% in 2012.

Outputs/benchmarks	Assessment
<i>Component 1 - The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy</i>	
Output 1: Strengthened budget policy and planning processes linked to ANDS priorities	
Overall assessment: <u>Two out of three targets are met.</u> MTEF target was planned in 2007 but not materialized.	
<u>Benchmark 1:</u> MTBF/MTEF developed by 2008 based on ANDS	Met with some delay
<u>Benchmark 2:</u> MTBF introduced for 1387 ⁴⁰ for those sectors that costings are available	Met with some delay
<u>Benchmark 3:</u> MTEF introduced for 1388 or 1389 budgets for those sectors that costings are available.	Unmet
Output 2: Strengthened budget formulation processes: <u>All targets are met.</u> Two key achievements include: Developed and implemented Program and Provincial Budgeting across all line ministries although with some delay (second half of 2010 as opposed to 2009 as planned). The budget integration process serves as an essential instrument to link the budget with national priorities	
<u>Benchmark 1:</u> Line ministry compliance with budget calendar	Met with some delay
<u>Benchmark 2:</u> Improved compliance with ceilings MOF's guidance in budget submissions	Met with some delay
<u>Benchmark 3:</u> Introduction of program budgeting to all ministries by 2009.	Met with some delay (2010)
<u>Benchmark 4:</u> Introduction of provincial budgeting to all provinces by 2009	Met with some delay (2010)
Output 3: Strengthened budget execution processes: Did not meet the originally set benchmark – budget execution in relative manner. However, measured in absolute amounts of money spent, there has been clearly a big progress despite a relatively high inflation rate in the past six years.	
Budget execution rate in relative terms (%) has been set in the original RRF and remains constantly used in all AWP's and APR's to date as the only indicator to measure budget execution processes although it appeared to be less relevant for quite some time. This prompts the evaluator to assess the progress in achieving the target based on this indicator first before suggesting alternative considerations.	
Practically speaking, this rate has not been improved in relative (%) term since project start till the time of this evaluation early May 2013). All efforts put into improving budget	

⁴⁰ 2009

Outputs/benchmarks	Assessment
<p>planning and formulation process in MOF and related 13 LMs facilitated by the project have not been adequately translated into improving budget execution rate in relative term. The highest execution rate was achieved last year (2012). If converted into a full calendar year it would be around 53-54%, which is almost more or less at same level as set forth for 1385 in the Project Document (54%)⁴¹.</p> <p>Looking at budget delivery picture from the other angle - in absolute terms, the budget execution has been tremendously increased from around USD 1-2 billions at project start (2007) to about USD 7 billion recently, which shows a very sharp budget execution progress (350% over 6 years) and corresponding considerable budget delivery capacity, which can be largely attributed to the MBAW project. Having said that one should not ignore the inflation factor which makes the picture in money term a bit distorted since inflation rate in Afghanistan during the past six years has been relatively high although if reflected in USD its margins may be a bit more restricted⁴².</p> <p>Nevertheless, the evaluator considers this indicator irrelevant to be used as the only measure of project effectiveness as it goes far beyond the scope of control by the MOF, not mentioning about the MBAW project and that both indicator and target deserve some refinement (e.g. to measure the progress made only in development budget rather than to cover the entire budget and also in absolute volume) although meeting this indicator remains critical for the Ministry of Finance and LMs.</p>	
Benchmark 1: Budget execution rate: 75% by 2008	Unmet until recently
<p>Output 4: Strengthened and reformed budget monitoring and reporting: <i>The set targets are fully met.</i> Thanks to MBAW's contributions (among others), MOF and LMs achieved some impressive achievements, most notably: (a) OBI score sharply increased from 8% in 2008, 21% in 2010 and surpassed the target set for 2012 (40%) and achieved 59%. Thanks to this, Afghanistan ranks among few countries scoring highest within developing countries; (b) Citizen's Budget developed and published in both Dari and English that contributes to improving citizen's understanding about and participation in the budgetary process. Although there remain some shortcomings to be overcome in the near future, where the MBAW should have some key role, this initial success helps improve the trust of donors and citizens in the Government in the context of rampant corruption in the country nowadays.</p>	
<u>Benchmark 1</u> : Twice yearly fiscal reports produced	Met
<u>Benchmark 2</u> : Budget Performance Reports regularly produced	Met
<u>Benchmark 3</u> : Key budget benchmark monitored in a comprehensive manner	Met
<p><i>Component 2: Alignment of external assistance and improved aid effectiveness to support Afghanistan development goals and strategy</i></p>	
<p>Output 5: Improved alignment and effectiveness of aid to support Afghanistan</p>	

⁴¹ Project Document (2007), p. 9

⁴² More detailed assessment of this factor goes beyond the scope of this evaluation.

Outputs/benchmarks	Assessment
<p>development goals and strategy: <u>All targets are fully met and some partly exceeded esp. in regard to aid effectiveness monitoring and reporting:</u></p> <ul style="list-style-type: none"> • Actually the Government's first Aid Management Policy (AMP) was developed as part of the ANDS in 2007. For Tokyo Conference (7/2012) it was required to substantially revise the AMP to reflect the changes occurred at national and international levels and also to take into consideration the lessons learned during the ANDS's implementation. In addition, it was also important to reflect the global aid effectiveness initiatives such as the Busan Partnership for effective development cooperation and the New Deal for engagement in Fragile States⁴³. Thus, the APM was finally revised and endorsed in Dec. 2012. • DAD historical data clean-up and report may take longer than anticipated but this goes beyond MOF's control partly due to lacking donor data on DAD online, thus the DAD is unable to provide accurate and up-to-date information on Development Assistance. • The five principles on Aid Effectiveness which are Ownership, Alignment, Harmonization, and Managing for Results and Mutual Accountability are regularly followed, monitored and reported through project inputs to the various conferences as documented in Table 1. Most notably are the recent events such as Kabul (2010), Bonn, Chicago and esp. Tokyo Conferences. The efforts are partly reflected in periodic DCRs (the latest published in 2012). These five principles are centrally documented in the AMP. <p>All technical assistance to the DG Budget is now fully covered through a newly established TA coordination committee (TACC) headed by the DG Budget</p>	
• <u>Benchmark 1</u> : GoA aid policy developed by March 2008	Met
• <u>Benchmark 2</u> : Aid Effective Monitoring Matrix regularly updated and incorporated in a regular fiscal and budget reporting	Met
• <u>Benchmark 3</u> : Six ⁴⁴ priority benchmarks on Aid Effectiveness regularly followed, monitored and reported	Met
<u>Benchmark 4</u> : 50% of technical assistance are coordinated (2010)	Met with some delay
<i>Component 3: Sustainable institutional capacity built within MOF and other GoA institutions</i>	
<p>Output 6: Sustainable institutional capacity⁴⁵ built and retained within MOF and line ministries: <u>Unsatisfactory</u>. Two most important targets regarding retaining the recruited and trained project staff and their gradual transfer to the DGB have not met. Despite the enormous efforts taken by the MBAW project esp. in the last two years. The set targets are focused and relevant but remains far to be realistic and reasonable and somehow narrowly defined as they merely concern with individual level of capacity development process, while</p>	

⁴³ DCR 2012, p. 42

⁴⁴ This should be five, not six: "In February 2005, the International Community came together at the Paris High-Level Forum on Aid Effectiveness to improve the quality of aid and its impact on development priorities and to support partner country efforts to strengthen development performance. The International Community formulated five principles on Aid Effectiveness which are Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability; and twelve indicators to assess the progress of the five benchmarks" (Source: UNDP web-site, Kabul, Nov. 2011).

⁴⁵ The term "Institutional capacity" is somehow unclear. Perhaps in this case the idea was about **individual capacity** rather than "institutional", which has a quite different meaning.

Outputs/benchmarks	Assessment
other two dimensions are equally if not even more important.	
<u>Benchmark 1:</u> 15 graduates recruited and retained within MOF annually on Taskeel/PRR	Failed
<u>Benchmark 2:</u> Capacity building exercises undertaken in cooperation with other initiatives	Met
<u>Benchmark 3:</u> Regular coordination meeting between TAs/donors organized and work plan to support the Budget Department shared/developed	Met with substantial delay
<u>Benchmark 4:</u> Increased skills and capacity by civil servants and young graduates in budget process and aid coordination with the on-the job training	Met
<u>Benchmark 5:</u> Number of project staff reduced (77 staff (May 2007-April 2008), 61 staff (May 2008-April 2009), 47 staff (May 2009 -April 2010), 27 staff (May 2010-April 2011), 13 staff (May 2011-April 2012)	Failed

Overall unsatisfactory performance pertaining to Output 3 and 6 can be to a larger extent attributed to unrealistic and unreasonable targets. If they had been more realistic and better defined, they could have been achieved. Actually budget execution (Output 3) rate goes well beyond the scope of influence by the MOF as LMs although they are key drivers of the execution but it would not be well fair to hold them entirely accountable to the delivery. Similarly, output 6 remains far to be implementable even under today's circumstances. The Capacity Building for Results Programme (CBR) and a regulatory and harmonization framework known as National Technical Assistance (NTA) document which has been recently approved reflect the complexity of issues at present.

Keeping the project context and these development perspectives in mind, the evaluator feels fair to rate the project overall performance as **basically satisfactory**.

2. Project Efficiency (Value for Money)

In this evaluation, efficiency refers to the relationships between the inputs invested in project activities and outputs produced by them. Ideally this should be assessed by a quantitative method comparing input-output ratio of this project with other comparable projects in similar conditions. Such a comprehensive and scientific way is far to be feasible in this evaluation for a number of obvious reasons: (i) Too short time allocated for this evaluation. This factor constrains the meaningful collection and productive analysis of project financial data⁴⁶; (ii) Constrained and unsecure conditions in Afghanistan at present make everything more and more expensive than elsewhere and practically there would be no comparable basis for fair judgements.

⁴⁶ For example: the evaluator obtained some project financial data (limited to some representative years only) just 2 days before completion of the field visit and in the form that still requires further work to digest to arrive to meaningful figures that can serve for evaluation purpose. This is partly due to complexity of the Atlas system.

To overcome the above constraints, the evaluator undertook a more practical way for assessment of efficiency by asking the question: **if there exists any other (alternative) way to carry out project activities and produce same project outputs with lesser expenses?**

Looking at things this way, the evaluator could consider how efficient project resources have been mobilized and made used for typical and major project activities such as mobilization of human resources (international vs. national professional personnel), training activities (domestic vs. overseas), method of conducting training activities (TOT vs. large group training; self-learning vs. training; etc.). The following observations have been made on the basis of the above-mentioned approach.

a. Strong points (selected)

- Consistent and firm move towards increasing the utilization of local professional inputs and gradually replace international inputs where possible and relevant. The senior management of the Ministry of Finance confidently talked that today basically Afghans can do the work which required external inputs ten years ago. The example of forming the team of local PFM Advisors who have become “change agents” in MOF and 13 LMs is very telling in this regard.

The evaluator feels strongly convinced about moving this way as he has been very impressed by individual capacity of a big number of civil servants at the level of line managers who have been directly benefiting from UNDP project phases to whom he spoke to for their strong confidence, analytical skills, which ones would hardly meet that often in least developed or developing world, including in his own country (in PFM area). This is really a big asset for Afghan’s future.

- Most recent actions taken by the MBAW project trying to help the DGB institutionalize and systemize capacity developments activities through the initiatives such as (i) **Learning and development policy**, which was developed and put into pilot use first within DGB and potentially possibly wider in the MOF. If succeeds, this would potentially bring much more sustainable capacity development returns as compared to traditional training approach as has been applied relatively wide to date. Its obvious merit is also that it links staff learning initiatives with their career development of individuals, promotes RBM approach, cost-sharing and staff term commitment to the organization as has been used in some international organizations; (ii) **Capacity Development Cell (CDC)**: Again, this is a new but very promising initiative of the MBAW project as it attempts to help the DGB institutionalize and systemize CD activities as opposed to ad-hoc, piecemeal and spontaneous training activities as have been seen to date in almost all TA projects all over the world . The CDC has primary objectives as follows: i) To centralize and coordinate CD activities within the Budget Department, ii) Further align DGB capacity development efforts with performance, personal development and job requirements as well as with the DG Budget Units’ annual targets and priorities; and iii) Provide a fair and transparent incentive program within the Budget Department. Would be useful to draw some initial experience to learn after half-year pilot implementation by end of June 2013; (iii) **HR database** is a comprehensive designed HR database which allows to track capacity development events and centralizing HR data of staff, including performance reviews, contract details, ToRs, etc.

- Project Induction Handbook contributes to strengthening organizational capacity

a. Weak points (selected)

- The recently developed CD plan still seems rather **resource-intensive** and **less clear about South-South approach** thus questions about feasibility of its realization and long-term sustainability.
- In addition, the CD plan seems to pay less attention to the enabling environment while gives much more focused considerations to two other capacity levels (mostly to individual level, less on institutional-organizational level). Successful implementation of the Transformation Decade would certainly require a conducive macro-economic and governance framework (both legal and institutional), which the MBAW and other TA projects can support and facilitate.
- Difficult to justify cost-efficiency for sending big number of participants⁴⁷ for overseas training and/or exchange missions for issues, which would not probably bring big corresponding value added such as on OBI. Same for missions to OECD. Four missions to OECD seem to be a bit excessive. At the same time, it seems that insufficient efforts have been spent on facilitation activities⁴⁸ to help gradually build domestic capacity for PFM training in the time to come on top of physical construction.
- A big number of provincial staff trained over the past few years⁴⁹ Not clear **results** and **impact** of these great training efforts on improving sub-national capacity gaps (e.g. if and how they relate to relatively poor and almost-no-improvement in budget execution rate in some typical sectors such as education, health, infrastructure etc.) given (i) the heavily centralized admin. system; (ii) Lack of baseline/TNAs and of achievements made to date, etc.

3. Project impact

Unlike effectiveness and efficiency, which the project has a full control, impact goes far beyond the project reach. According to the World Bank's Independent Evaluation Group (IEG), impact evaluation is the systematic *identification of the effects positive or negative, intended or not on individual households, institutions, and the environment caused by a given development activity such as a program or project.*

This cause-and-effect evaluation between the interventions (the MBAW project) and outcomes (impact) is a complex exercise and cannot be dealt with in a professional manner within the time constraint mentioned above. Rather, the evaluator tried to employ a practical way, which is described in theory as **retrospective impact evaluations**. Namely to compare existing outcome indicators with the expected ones which were indicated at the time the project document was formulated. Specifically: to compare three most typical indicators relating to budget and aid management: alignment of external aids to NPPs; the rate of external aids channeling and tracking through the national budget system and lastly the budget execution rate, which the evaluator considers an outcome indicator rather than a project output indicator. One more indicator is the extent to which MOF performs its

⁴⁷ E.g.: The CD plan contains a study visit to South Korea in regard to OBI for a mission of 60 senior MOF officials.

⁴⁸ Such as feasibility study, development of training programme and curriculum, preparation of lecturers, etc.

⁴⁹ APR 2012 figures provide a very interesting indication: provincial trainees account for almost 80% of all trainees to date.

mandated tasks today as compared to the time before the project (in 2007). And this last indication of project impact on MOF's performance has been resulted from project inputs to improving policy, legal and organizational framework. Actually the World Bank's paper cited earlier also employed a similar assessment approach. Namely: Quotes "The principal instruments for capacity building at the national level have included putting in place laws and regulations for the functioning of the government, to develop and implement capacity for planning, budgeting, and financial management; introducing transparent and efficient systems of public procurement; and funding the civil service"⁵⁰. Unquotes.

As such, the evaluation arrived at a diversified picture about project impact as detailed below:

Table 5: Project impact on budget, aid and capacity development

<i>Agency</i>	<i>Impact indicators</i>	<i>Performance</i>		<i>Project impact</i>
		<i>Before project</i>	<i>After project</i>	
MOF	Budget planning, formulation and approval by the Parliament	Limited	Substantially strengthened	High
	Policy framework for aid mobilization, management, coordination and harmonization	Limited	Substantially strengthened	High
	Aid alignment	Very low	Very low	Low
	Gender responsive budget	None	Low	Low
13 LMs	Budget planning and drafting	Limited	Importantly strengthened	Moderate
	Budget execution	Around 50-54%	Around 50-54%	Low
Provinces	Budget drafting and execution	Around 50-54%	Around 50-54%	Low

4. Project sustainability

Similar like impact above, sustainability is evaluated from different perspectives as shown in the table 5 below.

Table 6: Project sustainability regarding budget, aid and capacity development

<i>Sustainability elements</i>	<i>Degree of meetings the reform needs</i>	<i>Project sustainability</i>
1. Legal and institutional framework for budget planning, formulation and execution nation-widely	Basically meets	High
2. Same for aid mobilization, management,	Basically meets	High

⁵⁰“Afghanistan: A Synthesis Paper of Lessons from Ten Years of Aid”

coordination and harmonization		
3. Organizational framework (business processes, procedures, technical instruments guidelines, manuals, norms, database, relationships, etc.)		High
4. Human resources (tashkeel and non-tashkeel workers who would potentially retain within the government civil service payroll upon donor funding dried)	Almost none	Low

5. Partnership

Partnership is key to succeed, esp. in this project not only in terms of project cost-sharing but more so in the sense of trust and credibility of the Government, donors and other stakeholders. Table 6 below attempts to capture the partnership status before and after the project completion.

Table 7. Project partnership before and after completion

<i>No</i>	<i>Partners</i>	<i>Before</i>	<i>After</i>
1	With MOF	Good	Substantially improved, esp. in the recent time
2	With concerned LMs and other concerned agencies	Normal	Significantly improved
3	With the Parliament	Normal	Improved
4	With CSO (e.g. the Integrity Watch)	Normal	Improved
5	With project co-financing donors	Normal	Normal (X)
6	With other donors (WB, IMF, ADB, OECD, etc.)	Normal	Improved
7	With GEP project	Normal	Normal (XX)

Notes:

(X): There has been some degree of frustration on some co-financing donors resulting from infrequency of Project Board meetings, project reporting shortcomings, etc.

(XX) There could have been more result-oriented cooperation/collaboration between the MBAW and the GEP project in GRB-related issues. Perhaps human capacity impedes this. That's why the project could consider strengthening this. See more in 'Ways forward'.

6. Success stories

1. Establishment and fostering **the group of PFM advisors**, who have been working in 13 LMs since mid-2012 providing technical advisory support and helping coach, train civil servants of the concerned LMs. They have been also trained and are gradually becoming PFM local trainers. This contributes to sustaining the PFM capacity in the country.
2. **OBI exercise**. Definitely this is a very encouraging success story, although still at embryonic status, but surely helps promote transparency and raise awareness among the

community, thus potentially pushes pressures on accountability over spending of public resources from ‘demand’ side.

3. **TA coordination.** Although this initiative has been realized just recently (first Q. 2013), it proves to be a useful direction to move ahead. The frequency of bi-monthly meetings, the information shared at the meetings and the seriousness of follow-up on actions points agreed in the meetings, etc. could serve as a good example for wider reference. Surely, as commented in other places of the report, the project should strengthen the coordination capacity esp. as the advisory inputs given by the US Treasury will expire shortly.

III. Project management

1. Project execution, decision-making process and oversight (Project Board)

- The project Document (2007) specified “This MBAW will be implemented over five years by the UNDP under DIM modality”. To facilitate smooth coordination among the main stakeholders and effective, efficient and transparent utilization of the inputs made available to the project, the parties agreed to form a Project Board (PB). PB composes of Senior Supplier (UNDP ACD), Executive (UNDP Sr. DCD) and Senior Beneficiary (MOF DG Budget), the major financing donors (GTZ, DFID, and CIDA before 2012. In 2012 Japan joined in, while all other donors: GTZ, DFID, and CIDA discontinued their presence).

Altogether the PB did have some 10 physical meeting as opposed to some 20 expected meetings. Apart from the frequency issue of PB’s meetings, other aspects of PB’s performance look quite acceptable (e.g. transparency and participation: decision-making process of the PB involving all stakeholders incl. donors in the process; minute taking and sharing with donors basically in time).

The execution and decision-making process appeared to have been smooth except for some minor frustration among some donor resulting from inability of arranging PB’s physical meetings as frequent as expected. Both MOF and UNDP’s responsible officers confirmed to the evaluator the necessity of maintaining quarterly meetings despite the fact that only some half of the meetings could be materialized. Extra efforts (email exchanges, bilateral meetings, etc.) seems to had been taken trying to maintain the consultative process involving the stakeholders in major decision-takings in cases when physical meetings could not be arranged due to extremely big workload of major PB’s members. However it was difficult for the evaluator to track the records since 2007 due to time constraints and filing obstacles. The situation seems to have been clearly improved since 2012.

2. Project work planning.

Basically annual work plans (AWPs) follow UNDP's required format, which has been changed in 2012 and resulted in some changes of terms used in AWP compared to the original Project Document of 2007⁵¹.

What remains important to be improved includes:

- Clearly separate activities to be undertaken and results to be obtained that are genuinely project “babies” from what will be achieved as a result of MOF's own efforts and of other related interventions (ASI, EGGI, US Treasury, etc.).⁵²
- Such a clear cut is required⁵³ to allow a **fair articulation** of contributions towards the PFM reform process of individual projects. Obviously this is not an easy task but there is no other choice to improve funding mobilization for the project;
- Some minor technical errors: in some cases wrong presentation of indicators/ confusions with targets, confusions on baseline, etc.

3. Project reporting, monitoring and evaluation

Strong points:

- Project serious and persistent attitude and efforts to reporting, monitoring and evaluation. Many MTR's recommendations have been considered at the highest level (Project Board's meetings) and relevant follow-up actions have been taken such as improving quality of PB's meeting minutes, CD, etc. The professional approach employed by the UNDP office in relation to the independent final evaluation is also highly regarded⁵⁴.
- The project maintains a series of progress reporting; monthly, quarterly and annual progress reports (MPRs, QPRs, APR). The monthly and quarterly reports are more detailed and track progress against baseline and targets, while the APRs provide a professional analysis of achievements.
- In general, APRs look good. The narrative analysis made under every component is very useful in providing an up-to-date picture of progress made in the subject area, thus enables readers to catch the picture.
- Project expenditure breakdown by components (currently named as “outputs”) is useful to relate input to outputs (results) being achieved and shows RBM approach. Same can be said about breakdown of expenditure per donor.
- Clear improvements made in regard to quality of APRs considering the MTR recommendations
- In general, training reports are good. Some of them of a very high quality, esp. those reflecting results of study tour missions abroad such as in Dubai, OECD, etc.

⁵¹ Objectives are now converted into **Outputs**; Outputs to **Result Activity** etc.

⁵² To this end, it may require to consider a comprehensive and thorough review of key activities among concerned projects in order to enhance their complementarity and improve division of labor among the actors, best based on MOF's priorities and corresponding comparative advantages of each donor. The bi-monthly TA coordination meetings and associated TA matrix compiled and regularly updated are good start but far to be sufficient. The review should lead to a revision or re-arrangement of activities of concerned projects as necessary and appropriate. Naturally, this essential exercise should be led and owned by MOF and supported by MRAW project. Clearly, the above exercise is very challenging and requires strong political commitments.

⁵³ E.g. comments of the Canadian Embassy in the interview conducted on 2 May 2013

⁵⁴ There could have been more time allocated for this “final” stock-taking.

- Field trip reports basically meet the required quality. Some confusion appears in description of baseline between indicators and targets. Inconsistencies are found here and there
- Risk log is compiled in every progress report including both APRs and QPRs.

Weak points

- There appeared some degree of inconsistency and/or inaccuracies in APRs. Example: APR 2011, p. 5 still kept reporting “...development of the *Medium Term Fiscal Framework (MTFF)* and *Medium Term Budget Framework (MTBF)*”. Actually these frameworks were developed and put into use since the beginning of the project (APR 2007, p. 13)⁵⁵.
- Breaking project expenditure into line items such as project personnel (national and international), training (in-country and domestic), sub-contracting services (e.g. research works) would be desired esp. as an extremely high portion of project expenditure goes for salary and to travel and training activities. UNDP may consider this in regard to APR format to facilitate improved transparency of project expenditure. Not everyone can easily access to and understand UNDP Atlas system, which remains even challenging to UNDP staff.
- Some training reports, esp. in regard to provincial budgeting lack objective training evaluation forms to reflect trainee’s feedback immediately once the training event is over. Overcoming this weakness is one important step to improving the reliability of training reports compiled by staff of the Provincial Budget Unit. In addition, there are extensive cuts and pastes in such reports. More creative analysis of training events would be highly desirable given that relatively big resources have been spent on training at provincial level (e.g. 2,800 trainees).
- The quality of English presentation of some of the above-mentioned training reports is another challenge.

4. Project budget utilization

The financial figures as shown in APRs suggest important remarks as follows:

- On average, project yearly budget has been **USD 4.38 Mil.**
- On average, project yearly spending has been **USD 3.5 Mil.**, thus the average delivery rate is **80%**, which is relatively good considering general project delivery situation elsewhere.
- In general, **2011 saw a relatively highest delivery rate** considering highest budget allocation except for 2012, when the budget allocation was too excessive.

⁵⁵ APR 2007, p. 13 wrote: “A *Medium Term Fiscal Framework (MTFF)*, which was first initiated about two years ago, has become operational and integrated with the medium-term budgeting process. The *MTFF* includes operating budget ceilings for all line ministries. In collaboration with the Revenue Department, domestic revenue projections covering the current year and the following four years were prepared and regularly updated. The Fiscal Policy Unit and the Budget Department incorporated these forecasts into the *MTFF*”.

- Project reporting on financial data before 2011 could have been more consistent with breakdown into components (outputs) to enable input-output analysis.

5. Project communication

Strong points

- MBAW project supports in the formulation and maintaining the portal of the DG Budget which publishes up-to-date information and news regarding all aspects of budget and aid enabling readers not only in the country but also around the world to easily get access to budget-related information. Reportedly⁵⁶ the project also produced a big volume of printed materials and kept on UNDP web-site for communicating to a wider audience, including success stories.

Weak points:

- The MBAW project Factsheet has not been updated since Oct. 2012, when major decisions have been taken, esp. to extend project duration. In addition, it would be worth considering placing MBAW project window on MOF's web-site or at least to have some link to the project from this master web-site. Currently the web-site is placed on DG Budget website, which gives a bit limited access to overall picture.

This Factsheet may confuse readers as it wrote “*Impact: MBAW aims to establish an effective, more accountable, more representative transparent public financial administration at the national and sub-national levels, with impact measured as improved line ministry service delivery*”⁵⁶. Actually the MBAW project cannot replace the role of the Ministry. Rather it can only assist, support and facilitate. Such confusions can be avoided by a correct presentation esp. in such important communication channels like Factsheet.

- As of early May 2013, UNDP web-site has not been updated to capture project progress made in 2012.
- Relatively low awareness about project outputs among key financial officers of the LMs
- Poor presentation of the Citizen's Budget in the sense it captures non-Afghans in cartoons. In addition, the Dari language may not be easily accessible to all ordinary citizens given the very low literacy as indicated in the section on country context. In addition, it might be helpful to consider audio publications in two major languages, Dari and Pashto.
- Gender does not seem to have been well mainstreamed into daily thinking and actions of major project stakeholders. Some indications: majority of project APRs/QPRs

⁵⁶ The evaluator was told that these materials were removed as time passed

shows merely men; No obvious progress in regard to increasing the portion of female civil servants in MOF, which currently has the lowest ratio (6.5%) as opposed to some 20% on average in other LMs⁵⁷.

IV. Lessons learned.

1. National ownership is key to success. The relatively successful project implementation during the past 6 years has proved this. National ownership has been seen not only as *means* to achieve project results but more so as *ends* of all development cooperation. Although the project was directly implemented by UNDP under the direct implementation modality (DIM), it has been fully integrated in the structure of the Budget Department within the Ministry of Finance. The latter has been taking the lead role in implementing the activities, while UNDP CO provided required support for smooth implementation of project activities in terms of recruiting national staff (until early 2011 only), accessing international TA, procurement of equipment and supplies and sharing good practices. The project has been directed by Project Board, co-chaired by MOF's senior management and DCD of UNDP with representation from DFID, CIDA and GTZ. The shift to LOAs materialized in late 2010 gives more **flexibility** for MOF in using human resources which is essential for the MOF to respond to unexpected challenges which often occur in fragile situation like in Afghanistan today. It is obvious that exercising national ownership should go hand-in-hand with corresponding responsibility, capacity, leadership and commitment to meet corporate accountability requirements.

2. Realistically and reasonably set project outputs and targets are essential for project stakeholders to successfully cooperate. Two examples: (i) The national PFM reform targets set in the Project Document 2007 - at the outset (targets for 2008: 80% of aid flows and disbursements tracked through DAD; 50% of bilateral/multilateral funds through the national budget) are two ambitious); (ii) The project RF set a target for budget execution rate: 60% for fiscal year 1385 (operation budget execution at 88%, development budget at 44%);

3. Common and proper concept of Exit Strategy and closely related dimension – sustainability - is essential in fostering and maintaining government-donor partnership. It seems that to date there has been a rather narrow concept and a bit too simplistic understanding of sustainability in regard to this project. Attention has been given mainly to individual capacity and somehow underestimated the two other also very important dimensions of capacity, which are decisive for sustainability. Namely: capacity at enabling environment and organizational levels. Surely human capital is the most important factor. Thus, it is true that as soon as donor financing for tashkeel and non-tashkeel positions in MOF and to a lesser extent in LMs discontinues, PFM's progress would collapse. This is true but it does not necessarily give a full picture of sustainability. Even in case the PFM process would be substantially affected, important capacity elements still remain there, relatively long, for years. First, that are policy, legal and institutional frameworks (MTFF, MTBF, MTEF, PFM Road Map, NPPs, improved national budget process and procedures, sub-national governance and financial policy framework, AMP, etc.), which have been developed and improved significantly with the contributions of the MBAW project. Thanks to them,

⁵⁷ CSO, 2012

currently Afghanistan's PFM reform systems and progress can challenge that of any other least developed or even highly developing country; Second: improved organizational capacity (simplified procedures for budget allocation through improved BC 1, 2, new working instruments such as handbook, manual, Citizens Budget, sharply improved OBI, etc.); Third, the contingent of senior and line managers in today's MOF agencies is at least as qualified as in any other developing country. They are highly professional, highly motivated and very confident and working with great interest and commitment for the PFM reform process in the country. Their English professional proficiency is also a pleasant surprise to many foreign professionals. They are relatively young professionals, thus represent the future of Afghanistan. That kind of capacity would remain much longer in the Ministry, eventually also in the country; Last but not least, exit does not only mean packing and going away. In its most constructive meaning in such a fragile context like here, this should also mean to help the Government cope with increasingly newly arising mandates and tasks posing by the recovery and development process of the country.

4. ***Translation of strong government's political commitment into action remains a big challenge without realistically implementable measures esp. in regard to the Exit Strategy.*** The Exit Strategy was launched since 2006, before the MBAW project still but remains unclear how to get out from this difficult situation. More actions are required to realize government's strong commitment in engaging the trained staff on board in line with the recently launched capacity development initiatives.

C. CONCLUSIONS.

Overall, the project performance during the past 6 years can be considered as **basically satisfactory, meeting 16 out of 20 targets (80%)**⁵⁸. For more details see **Tab. 4**. Without the MBAW project contributions, there would hardly be such impressive PFM achievements which make Afghanistan well competitive nation among developing countries. Without the MBAW project support, ones would not imagine how the MOF and eventually the Government of Afghanistan could perform as well as they have been performing in the last few years and delivering on its commitments vis-a-vis the donor community as of today. The MBAW project has embedded into MOF as its important integral part. Together with important contributions from other TA projects of similar nature, the MBAW has been in the forefront in helping the MOF build the enabling and organizational and partly also individual capacity and paved the way for advancing PFM reform in the country through developing and continuous improving legal, institutional, organizational frameworks and systems (policies, regulations, processes, procedures, working instruments, databases, skills, etc.) for aid negotiation, coordination and management, and for policy setting for budget formulation and execution. These foundations, which are even more advanced as compared to a number of developing countries⁵⁹, are essential not only for aid mobilization, coordination and budget management at the moment but surely and perhaps even more importantly also for a sustainable and sound public finance management in the long run. Last but not least, the professional capacities embedded in a relatively big contingent of line managers who currently occupy majority of directorate departments and to a lesser extent also at senior management level of MOF, who are relatively young, is an invaluable asset of the nation.

There exist significant areas for improvement. Namely: There are 4 unmet targets which are most important esp. in terms of progress (effectiveness) and sustainability. They include one target on budget execution rate, which is neither reasonable nor realistic to achieve as commented in other places of the report. Two out of the 4 unmet targets relate to the Exit Strategy (e.g. failure in retaining young graduates and gradual reduction of project staff and corresponding increase of civil servants in DGB and other key institutions of MOF). This issue remains the main subject of lively discussion between the government and the donor community and which does not seem to be resolved in the near future. The above shortcomings significantly limit project impact and threaten its sustainability, esp. at individual level and challenge the sustainable exit strategy. This challenges the recently agreed target to reducing the number of project financed staff every year by 15-20%. A more practical and sustainable response to this long-standing and challenging issue is to successfully and timely implement the Capacity Development Plan for the period of 2012-2015 developed in mid June 2012.

⁵⁸ The following targets have not been met: **Output 1:** Target 3 (MTEF); **Output 3:** Target 1 (the only one target for this important output); **Output 6:** Target 1 (retaining young graduates in MOF); and Target 5: gradual reduction of project staff.

⁵⁹ Such as Viet Nam, China, etc.

At the same time it would be worth of mentioning that many targets have been accomplished just recently – during the project extension (May 2012 – March 2013). This is similar to the SAB project funded by DFID and operated by ASI.

D. WAYS FORWARD

Key recommendations for UNDP and MOF's consideration:

Recommendation 1: General approach. Steadily but firmly and consistently focused **shift more towards *value added*⁶⁰ approach as opposed to input substitution** to help the GoA to cope with increasing challenges esp. over the Transformation Decade. This would require extensive joint efforts of MOF, UNDP and other funding donors to define which areas could help bring most meaningful value added and how to go about this. The suggested examples in the footnote⁶¹ only serve for illustration purpose.

Recommendation 2: Exit strategy:

- To strongly continue the renewed exit strategy which has been agreed between MOF and UNDP and is being implemented⁶²;
- Support MOF in undertaking an application research on how best the GoA should strategize spending its expenditure for civil servant payrolls in a decade time from now when donor aids discontinue (i.e. upon the Transformation Decade) to recruit and retain the necessary qualified human resources in the public sector given that the labour market has been heavily distorted recently due to the application of temporary incentive measures to attract and keep qualified people to help MOF and the Government respond to the pressing tasks. This, among others, would eventually end up with sticking to principle formula, meaning to relate payment for civil service to domestic budget revenue/GDP;
- Implement the long-term capacity development strategy as recommended below. This is a correct solution to the Exit Strategy though it requires strong commitment and leadership.

⁶¹ Examples for illustration purpose: **1. For MOF:** (i) Consider development and application of **Central and Provincial Budget Index** (CBI, PBI) to strengthen the linkages between public expenditures spent and the volume and quality of (basic) service delivered to Afghans. Together with PEFA⁶¹ and other analytical works done by international donors, this will help the GoA (through the MOF) strengthen monitoring and control over budget execution and hold LMs and provincial governors accountable for the resources spent. This would supplement to the sub-national governance and financial policy being developed by MOF. So far not sufficient attention has been given on this '*demand*' side, mainly on '*supply*' side. Eventually this can also significantly contribute to combating corruption in the country⁶¹; (ii) Continue and deepen the work being carried out on macro-economic forecast and projections to considerably substantiate the medium-term frameworks being promoted relatively strongly in the country; **2. For LMs:** (i) To carry out research to help increase the quality of sector development strategies to better reflect the interest and needs of Afghans, esp. of the poor – essential to ensure the real value of applying medium-term frameworks (MTFF, MTBF, MTEF) already rolled out across the board; (ii) Similarly, efforts could be spent to undertake research to generate more evidences for effective implementation of the endorsed NPPs.

⁶² E.g. to gradually reduce the complimentary pay for MBAW personnel every year by 15-20%. Are you sure? Reducing number of staff OK but not reducing salaries....

Recommendation 3: Capacity development (CD)⁶³: To continue with placing CD activities (as opposed to individual training) at the heart of daily activities of key MOF's agencies in both budget and policy areas as being properly initiated by the project most recently. This is still a long way to go but it is doable and sustainable solution to exit. More specifically:

- Apply a systematic and RBM approach in CD activities as being introduced by the project recently. If necessary and appropriate, at relevant time to consider revision of the current CD plan to cope with *capacity gaps of MOF* and in key LMs to be imposed by the Transformation Decade (2025)⁶⁴. This should be followed by a *mid-term review* (say 2015) to assess the progress made against the baseline and targets and update on the targets towards 2025. Internalize capacity for coordinating CD activities aiming at MOF's self-reliance in the time to come. In the short run, international advisory inputs in this special area are still useful;
- Institutionalize training activities and minimize ad-hoc training arrangements. In parallel with the efforts which should be actively taken to prepare for the establishment of a national training institution⁶⁵ (e.g. feasibility study, followed by development of training curriculum, preparing lecturers, arrangement of premises, etc.), preference might be given to enhance South-South ties including twinning arrangements with relevant PFM professional institutions in the region such as PemPal⁶⁶, Asian Development Bank's Institute, and/or with the National Institute for Public Finance and Policy of India, etc.). Other training options (OECD, HQs of WB, IMF, etc.) would be also considered as alternatives if needed and relevant but should be minimized in the long run for their low value for money (low cost-benefit ratio), esp. upon the Transformation Decade when aid resources will be basically dried;
- Persistently continue with **training of trainers approach** and **minimize large group esp. in overseas missions**⁶⁷;
- **Clearly distinguish policy exchange visits which should mainly involve policy makers from those merely technical activities, where technicians are to be engaged.** Each group should have its own purpose. Mixing participants harms cost-efficiency.
- Effectively **link individual training with staff performance appraisal and cost-sharing arrangements** across MOF's key departments as currently being properly initiated;

Recommendation 4: PFM technical issues.

- To pay more balanced support to remaining critically strategic issues: *aid coordination and aid effectiveness*⁶⁸, *Citizen's Budget*, and *GRB*.

⁶³ Ministry of Finance, *Strategic Plan 1388 – 1392 (2009-/2013/14)*, pp. 33-34: "Placing and keeping capacity building at the forefront of MOF's agenda and priorities".

⁶⁴ The current CD plan has been developed on the basis of some assessment conducted in 2012. This recommendation refers to a longer-term strategy to help MOF and the GoA meet the challenges imposed by the self-reliance strategy.

⁶⁵ The current CD plan names it as Center of PFM Excellence

⁶⁶ Public expenditure management peer-assisted learning network;

⁶⁷ Such as a planned study visit to South Korea in regard to OBI for a mission of 60 senior MOF officials.

⁶⁸ Such as improving skills for aid data analysis; training donor's aid focal point on DAD use; training on legal issues related to Aid; evidence-based research works to generate primary data for prioritization of aid to respective sectors/NPPS;

- More focused and result-oriented support⁶⁹ to the Parliament in regard to the national budget process. To pro-actively and consistently involve the Budget Committee of the Parliament as early as possible in the national budget process to improve their capacity for scrutiny which would eventually result in timely appropriation of budget by the Parliament as well as in a more effective oversight role over budget execution to ensure that budget delivery meets key policy priorities, incl. pro-poor and GRB requirements⁷⁰.
- Effectively mainstream GRB into the entire budget policy, formulation and implementation including in NPPs by strengthening coordination with the UN WOMEN's and UNDP GEP project. Consider recruiting one International GRB's specialist for the MBAW project to work closely with the current national Gender Budget Policy Specialist (GEP);
- To deepen the initial efforts put into Citizen's Budget and esp. to increase its quality to better reflect the images of Afghan Citizens, men and women and effectively communicate to them given a relatively low literacy rate at present and languages spoken by different ethnic groups.

Recommendation 5: TA coordination: Further strengthen TA coordination⁷¹ across the Ministry using the mechanism and network being created and putting more efforts for further strengthening local capacity to reduce dependence on external inputs in the time to come.

Recommendation 6: Management project implementation:

- *Improve the quality of project work-planning, work-reporting and monitoring* to allow clearly reflection of the *value added* the project brings and contributes to improving the quality, efficiency and effectiveness of the works done by MOF and LMs by (i) clearly separating them from what are being done or expected to be done as results of their regular work. Such kind of *fair attribution* is critical not only to donors, esp. those who co-finance the project, but perhaps more importantly for MOF's senior management in their efforts delivering on Government commitment to the Exit Strategy developed by MOF, agreed with the donor community and launched in 2006; and (ii) continue consistent comparison of progress made against the baseline and targets set for the reporting period as properly exercised from APR 2012⁷²; (iii) Ensure good quality of analysis of issues and risks log in quarterly and annual reporting in order to follow-up seriously on implementing of those which were raised earlier before raising new ones.
- *Substantially improve the quality of project target setting to mitigate unrealistic and unreasonable targets by clearly separating project activities* which should have a merely

evidence-based research works to generate primary data for monitoring and evaluation of effectiveness of aid usage; training on benchmarking, indicators etc (Source: AMD's response to a mini survey conducted in early May 2013).

⁶⁹ The support to the Parliament to date in forms of exposure to international knowledge, experience and best practices is good but not sufficient and perhaps a bit scattered.

⁷⁰ This recommendation partly makes use of some idea contained in the draft QPR of the first quarter of 2013

⁷¹ Actually coordination of Technical Assistance provided to the Budget Department was initiated since 2007 (APR 2007, p.10).

⁷² This refers to APR 2011, which provides a tabular format (for the last time as UNDP reporting format was changed after that) that compares the process with targets and baseline. However, the comparison is far to be consistent.

facilitative and supportive role from mandated and regular work of the MOF and concerned LMs in regard to budget and aid.

The APR 2012 seems to suggest using a better target for measuring progress of budget execution: a) Shift to **measuring delivery of development budget** as opposed to overall budget (composing both development and operation budget); and b) to measure **in absolute terms, i.e. amount of money** spent instead of total budget allocated. While this suggestion still has some limitations such as it is a normal practice everywhere that measure achievement made should be mainly compared to the set target, not against the achievements made in the past, this way has a strong point in that practically speaking, there is nothing to do with operation budget as this actually composes of payroll for civil servants, operation expenses, logistics etc., which can be very easily spent.

Achieving sustainable PFM capacity within the MOF and LMs is considered by DFID's independent evaluators as "unrealistic given that capacity levels were very low at the outset and that the capacities can neither be developed nor retained without salary incentives for national staff"⁷³.

- *Introduce a sound M&E system and tools* to feasibly monitor measure and evaluate project impact at the level it really controls⁷⁴.
- *Add one more table in APR to document relationship between project inputs and outputs by line items* (salary, travel, training domestic and abroad, sub-contracts, etc.) given the fact that not everyone, including financing donors, can easily access to and understand Atlas spreadsheets and that the project has spent very little on research/survey activities, which would bring value added. This has been also brought up in the mid-term review report. This might require UNDP to check the reporting format⁷⁵;
- *Pay more focused attention to improve communication* within MOF, between MOF and LMs⁷⁶, with donors⁷⁷ and with the public at large⁷⁸, including from gender equality perspectives⁷⁹.

⁷³ DFID's independent project completion review "Strengthened Afghanistan's Budget", Final version April 2013, p.6.

⁷⁴ This follows a similar suggestion of APR 2012.

⁷⁵ It was explained to the evaluator that the current APRs (e.g. 2012) follows strictly UNDP reporting format.

⁷⁶ There is a limited but clear indication collected at the meeting with a focused group representing LMs on Sunday, 21/4/2013 showing relatively low awareness of financial officers of LMs about key project achievements/deliverables such as budgeting handbook/manual, Citizen Budget, OBI, AFMIS, etc.

⁷⁷ UNDP web-site at early May 2013 still contains un-updated progress of MBAW project

⁷⁸ The project publication such as Citizen's Budget is far to be friendly to Afghans. Cartoons reflect people who are not Afghans. The Dari language may not be accessible to majority of the community given larger portion speaks Pashto. In addition, literacy rate is rather low (34%). Other form could have been considered such as audio or DVD disks, etc.

⁷⁹ Covers of some APRs are not really gender sensitive as they show merely men;

ANNEX 1: MBAW PROJECT ACHIEVEMENTS

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 LINKED TO ANDS PRIORITIES
Expected project contribution	As per the MBAW project document, integration of the ANDS into the mid-term budget process is seen as key for the successful implementation of the ANDS, with the national budget becoming the primary tool for prioritization and reform. The MBAW project thus was expected to provide support to the MoF in reflecting ANDS sector priorities/costing in budget documentation, with the development by 2008 of a <i>Medium Term Budget Framework</i> (MTBF) as well as a <i>Medium Term Expenditure Framework</i> (MTEF). The project also was to provide support to organize the <i>Mid-Year Review</i> more systematically so as to inform and adjust the budget planning process. The project also was to provide coordination support to the Fiscal Policy Unit to help it identify key issues and to organize training for MoF staff on policy development.
Performance indicators/benchmarks	<p><u>Indicators</u></p> <ol style="list-style-type: none"> 1. Number of medium term fiscal framework developed; 2. Budget following medium term fiscal framework. <p><u>Benchmarks:</u></p> <ul style="list-style-type: none"> - MTBF/MTEF developed by 2008 based on ANDS - MTBF introduced for 1387 for those sectors that costings are available - MTEF introduced for 1388 or 1389 budgets for those sectors that costings are available
Progress/Achievement	<p><u>Overall assessment: Almost all targets are met except for MTEF target which was planned in 2007 but not materialized.</u></p> <p>Detailed review by year showing project contributions is as follows:</p>

Component 1	The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy
2007	<ul style="list-style-type: none"> • MTFF became operational and integrated with the medium-term budgeting (MTBF) process. • MTBF pilot introduced. Initiated costing exercise in three sectors (Health, Education, and Roads); • Programme budgeting introduced in 3 pilot ministries (Health, Education, and Rehabilitation and Rural Development) with Programme Budget Manual along with an Action Plan; • The provincial budgeting pilot extended to cover ten provinces in 1386 in conjunction with three Programme Budget pilot ministries; • The mid-year budget review process continued in late September, as scheduled, covering relevant selected ministries rather than full covered as in previous years. • The Budget Committee hearings held with all line ministries and budgetary units to discuss and review expenditure proposals for the 1387 Budget Process. • Budget Integration Steering Committee, comprising of the pilot ministries' Deputy Ministers and representatives of the Tashkeel Office and Civil Service Commission, and chaired by the Deputy Minister of Finance, was formed. The initial meeting was held in July 2007, at which occasion members adopted the ToR for the Steering Committee. The Steering Committee has been meeting on a monthly basis, with the aim of monitoring and discussing the progress achieved in implementing the programme budget in the pilot ministries.
2008	<ul style="list-style-type: none"> • MTBF included as part of 1387 Budget Circular, providing estimated 5-year budget ceilings. The MBTF also included information on Pro-Poor spending initiatives, thus enabling the MoF to provide comprehensive data on pro-poor allocations and spending within the 1390 budget, key to tracking Afghanistan's progress against both the ANDS and Afghanistan's Millennium Development Goals (MDGs). • Handbook of Provincial Budgeting in Afghanistan posted on Ministry's website in both English and Dari versions (with later posting of the Pashto version). A Training of Trainers (TOT) programme on Provincial Budgeting was successfully completed in April 2008. • Budget Department's Fiscal Policy Unit rolls out Fiscal Database to provide time series and detailed revenue and expenditure analysis

Component 1	The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy
2009	<ul style="list-style-type: none"> • Introduction of Budget Circular 1 to improve overall budget processes and planning, including alignment of budget priorities with ANDS and sector priorities • Revised MTBF with estimated budget ceilings for 1389-1393; revised MTFF with fiscal policy objectives and as set of integrated medium-term macroeconomic and fiscal targets and projections
2010	<ul style="list-style-type: none"> • Programme budgeting implemented in all 52 Government ministries and agencies. Budget Department/MBAW staff develop budget integration guidelines (manual) to bring together recurrent (operating) and development budgets to help give a clearer picture of what is being achieved through expenditure of government resources. Two of four chapters of a “Programme Budget Handbook” distributed • Preparation and distribution of a provincial budgeting policy paper with aim of: i) sustainable capacity development at the sub-national level, ii) provincial resources allocation process, and iii) consultation and coordination with PRTs and other development partners. • Support to ANDS Unit/line ministries in the development of “Clustered Bankable Programmes” to be integrated into the budget process as national priority programmes • Introduction of Gender Responsive Budgeting with support of Promotion of Opportunities for Women’s Governance and Socio-Economic Empowerment Project (POWGSEEP/UNDP) for incorporation in 1390 budget “to include and reflect gender sensitivity as a cross-cutting theme” • MABW staff contribute to the preparation of the MoF’s Public Financial Management Roadmap directed to further strengthening of the national budget as the key vehicle for effective delivery of key priority outcomes, improved budget execution, and increased accountability and transparency
2011	<ul style="list-style-type: none"> • The MBAW helped in designing, planning and costing of the 22 NPPs; • The 2011 budget statement included a detailed outlook of the Afghan government fiscal economic framework • Public Financial Management (PFM) Road Map further revised and improved; • Pro-poor budgeting improved to reflect poverty reduction strategies • MTBF and MTFF revised and adjusted in line with ANDS priorities and predicted resources and applied for budget process • Budget ceilings prepared taking into account policy priorities

Component 1	The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy
	<p>and macro-economic considerations and Budget circulars and guidelines (1&2) developed</p> <ul style="list-style-type: none"> • Budget Circular No 1 (National Budget Formulation Guidelines/instructions), its forms and checklists were revised to integrate reporting on Pro-poor spending of the line ministries and improving integration of the most prioritized poverty reduction policies and programs within the budget proposals • Medium Term Expenditure Framework (MTEF) which was expected to be introduced gradually from 1389 onwards has not been materialized but no explanation was given in any APR
2012	<ul style="list-style-type: none"> • From 2012, the Afghan fiscal year changes to normal calendar year to facilitate harmonization of national budget and aid planning, monitoring reporting with that of donors • Budget processes and procedures further streamlined, changes introduced under the PFM Roadmap further improved and effectively implemented • BC I and BC II forms were revised • Comprehensive MTFF and MTBF further improved, integrating key macro-economic figures and projections, thus considerably helping towards preparing a 'realistic' budget; • Medium-term macro economic projections refined and integrated into the budget formulation process to better reflect the fiscal outlook and expected revenues; • Program budgeting has been rolled out to all LMs aligning spending plans with programs and sub-programs; • Budgetary Units (BUs) were provided with updated budget ceilings based on the absorptive capacity of BUs, as forecasted under the MTBF; • MBAW introduced poverty reduction analysis within three LMs and piloted GBR within four selected LMs; • MBAW project supported MOF's Provincial Unit in (i) drafting and paving a way for endorsement of a sub-national policy governance and financing policy in order to ensure effective service delivery models at sub-national level; (ii) piloting provincial budgeting in the Ministry of Education;
QI/2013	<ul style="list-style-type: none"> • MBAW provided inputs to MOF/LMs in conducting: (i) 14 sub-national financing consultations with: World Bank, IDLG, ASGP, Governors, Mostufis, ISAF Joint Command on sub-national governance and Senior Minister on District Coordination Councils; (ii)

Component 1	The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy
OUTPUT 2	STRENGTHENED BUDGET FORMULATION PROCESSES
Expected project contribution	<p>The MABW project was to further assist line ministries to understand and apply the new core development budget mechanism. In addition, the project was to strengthen the role of the MoF to have inclusive budget consultations resulting in improved budget outcomes. Integration of operating and development budgets was to be strengthened through ordinary budget processes and the expansion of the programme budgeting pilot to other line ministries, with including support to their restructuring and operation in formulating an integrated programme-based budget. The project also was to support increasing participation of provincial stakeholders in the development of line ministry budgets. The project also was to provide support for economic analyses and other evaluative techniques to improve project/programme development and selection.</p>
Performance indicators/benchmarks	<p><u>Performance indicators:</u></p> <ul style="list-style-type: none"> • Timely submission of quality budget to the Parliament and its approval • Number of line ministries within pilot successfully producing program based budget proposals • Number of line ministries within pilot successfully incorporating significantly greater provincial participation in budget formulation <p><u>Baseline:</u></p> <ul style="list-style-type: none"> • Decompressed budget calendar was introduced for 1386 budget preparation. Budget ceiling exercise was introduced for 1386 budget preparation. Some line ministries request unrealistic budget despite its low execution capacity. • Integration of operation and development budget into preparation process is still weak. Program budgeting to tackle this is introduced in three ministries in 2006. • Low and uneven budgetary allocation across 34 provinces. Data and system to capture budget allocation and spending over provinces has not yet been established. Pilot provincial budgeting is introduced in three provinces in 2006. Workshop to orientation to Moustofiat and budget units was organized in 2006 • Template for project/program appraisal is being introduced under

	<p>the new budget mechanism. Economic analysis skills are weak.</p> <p><u>Benchmarks:</u></p> <ul style="list-style-type: none"> • LM's compliance with budget calendar • Improved compliance with ceilings MOF's guidance in budget submissions • Introduction of program budgeting to all ministries by 2009. • Introduction of provincial budgeting to all provinces by 2009.
Progress/Achievement	<p><u>Overall assessment: All four targets are met.</u> Two key achievements include: Developed and implemented Program and Provincial Budgeting across all line ministries with some delay (second half of 2010 as opposed to 2009 as planned). The budget integration process serves as an essential instrument to link the budget with national priorities. Details of achievements by year showing project contributions are as follows.</p>
2007	<ul style="list-style-type: none"> • Budget Circular (BC) 1 requires ministries to provide information on new spending initiatives for the coming three-year period, linked to ANDS priorities and benchmarks as foundation for MTBF budget ceilings; • Quarterly performance reporting circulars have been developed and issued by the Ministry of Finance • Piloting of programme and provincial budgeting in key ministries • Budget Department/MABW project staff work with the ANDS, the Independent Administrative Reform and Civil Service Commission (IARCSC) and Tashkeel Office to design a new organizational structure for the ministries corresponding to programme budget and integrated budget requirements. Such work results in October 2007 issuance of Budget Integration Instructions • Collaboration with USAID Capacity Development Programme in the development of a database that pilot ministries can use internally for preparing programme budgets, track expenditures by programme, and monitor and report against performance
2008	<ul style="list-style-type: none"> • Introduction of the "supplemental development budget" allowing that part of the development budget which remains unspent at the end of the fiscal year to be carried forward in the form of a supplement to the approved budget. The 1387 supplemental development budget, totalling \$US 788.56 million, was approved in June 2008, increasing the total core 1387 development budget to Afs 108,836 million or some \$US 2.18 billion. • MBAW and USAID CDP staff deliver comprehensive programme budget training for 17 ministries
2009	<ul style="list-style-type: none"> • Implementation of the MTBF, roll-out of programme budgeting to additional key ministries, roll-out of provincial budgeting to additional provinces, the costing of sector strategies, and the development of a template for projects to be included in the

	<p>development budget. MABW project staff assisted several ministries to revise their program budgets based on agreed ceilings and also to refine their objectives and performance targets.</p> <ul style="list-style-type: none"> • Program budget documents included as an annex to the 1388 National Budget Decree, used as supplementary information for briefings with the National Assembly, and posted on the MoF website
2010	<ul style="list-style-type: none"> • Budget integration guidelines/manual developed to bring together recurrent (operating) and development budgets so as to give a clearer picture of what is being achieved through expenditure of government resources • Preparation of provincial budgeting policy paper with aim of sustainable capacity development at the sub-national level; consultation with PRTs and other development partners • Introduction of gender-responsive budgeting for incorporation in 1390 budget to “include and reflect gender sensitivity as a cross-cutting theme” • Programme budgeting manuals cover planning, designing, budgeting, costing, executing, and performance reporting. Manuals revised to include gender responsive budgeting, provincial budgeting, and inclusion of pro-poor spending with the priority development programmes.
2011	<ul style="list-style-type: none"> • The Budget Statement document detailed spending per programmes and their outputs, fully in line with the GoA priorities; • The project provided technical assistance in undertaking training and capacity development workshops for over 500 government officials who learnt how to prepare budget costing based on the BC I template; • The BC II guidelines were prepared and shared with all relevant LMs • The MBAW assisted LMs to incorporate gender benchmarks from the ANDS and the National Action Plan for Women (NAPWA) into their budgets for 1390 and beyond. For 1390/91, seven line ministries (MoE, MoHE, MoPH, MoA, MRRD, MoLSA and MoF) were selected on a pilot basis to demonstrate the benefit of gender responsive planning and budgeting. • The key GRB achievements for 2011 were: • GRB Instructions incorporated in BC II to all BUs for 1390/91 budget preparation, and also the GRB indexes are integrated in BC II form; • GRB index integrated in forms prepared: (i) Presentation on GRB was delivered for parliamentarians in a workshop entitled “Gender in Practice Workshop for Members of Parliament” in March 2011 at the Afghanistan Parliamentary Institute, with technical assistance from the UNDP GEP; (ii) GRB brochure

	<p>is prepared, printed and disseminated among key stakeholders;</p> <ul style="list-style-type: none"> • Roll-Out of Gender Responsive Budgeting (GRB) Initiative (40%) • Comprehensive training workshops conducted for pilot ministries to implement program budgeting based on Budget Circular I & II • Comprehensive training on provincial budgeting with hands on exercises conducted • Budget hearing mechanisms, formats and submissions prepared for better program-based budget hearings
2012	<ul style="list-style-type: none"> • In 2012, for the first time the budget articulates the needs of provinces in four key sectors: Education, Health, Rural Development and Agriculture • For the first time, the national budget, prepared with MABW project's contributions, was approved by Cabinet at its first hearing. • Supporting guidelines and trainings were delivered in order to speed up and streamline the BC submission processes;
QI/2013	<ul style="list-style-type: none"> • BC I forms are processed on time and 65% of them reflecting national priorities; • All concerned LMs (13) covered by the PFM Advisors submitted their respective financial plans with 100% accuracy

Component 1	The budget is comprehensive, policy based, prepared in an orderly manner, and supportive of the national development strategy
OUTPUT 3	STRENGTHENED BUDGET EXECUTION PROCESSES
Expected project contribution	<p>In order to promote improved budget execution, the MABW project was to assist the MoF and line ministries to strictly apply International Monetary Fund (IMF) budget classifications and to keep coding errors at a minimum. The project also was to improve understanding of Afghanistan Financial Information System (AFMIS) functionality with regard to budget execution and monitoring as well as strengthening the MoF's allotment and contract management functions. Overall, the MABW project was expected to enhance information exchange and support problem solving on budget issues and progress between MoF and line ministries.</p>
Performance indicators/benchmarks	<p><u>Performance indicators</u></p> <ul style="list-style-type: none"> • Budget execution rate • MoF and line ministries staff have sufficient capacity to apply GFS and coding; Reduced number of coding errors

	<p><u>Baseline:</u></p> <ul style="list-style-type: none"> • Budget execution rate: 60% for 1385 (operation budget execution at 88%, development budget at 44%) <p><u>Benchmark:</u> Budget execution rate: 75% by 2008 (for 1387)</p>
Progress/Achievement	<p><u>Overall assessment:</u> <u>Failure.</u> <i>Budget execution has <u>not</u> been practically improved in relative (%) term since project start till its end (early 2013). All efforts put into improving budget processes planning and formulation process in MOF and LMs have not been adequately translated into improving budget execution rate in relative term.</i> It should be noted that while this indicator goes far beyond the scope of control by the MOF, not mentioning about the MBAW project, thus it is not relevant to use it for measuring project progress and that both indicator and target deserves some refinement (measure the progress made in development budget and also in absolute volume), meeting this indicator remains a big challenge for the Ministry and LMs despite systematic and. Nevertheless, it would be good for MOF to discuss with LMs to arrive at a much more realistic budget. Details of achievements by years showing project contributions are as follows:</p>
2007	<ul style="list-style-type: none"> • Hiring of additional MBAW-financed Budget Officers to serve as focal points for all primary budgetary units in line ministries • Upgrading of Afghanistan Financial Management System (AFMIS) allows line ministries to track expenditures by programmes, including sub-programmes and activities, resulting in improved monitoring and reporting of budget performance
2008	<ul style="list-style-type: none"> • No specific achievements for this component noted
2009	<ul style="list-style-type: none"> • BIRU/ASI consultants revise 1388 Chart of Accounts and provide training to line ministries • Preparation by BIRU of new Allotment Instructions to all pilot ministries to improve financial planning, commitment, and obligation controls. • Continued training of line ministry and provincial government staff on programme and provincial budgeting
2010	<ul style="list-style-type: none"> • Additional revisions to Chart of Accounts to highlight pro-poor and donor expenditure requirements • Unspent balance of 1388 line ministry development budget integrated into 1389 budget and made available in early 1389 for on-time and continued execution of donor funded-projects • Identification of top 50 projects, accounting for 70% of overall development budget, for biweekly review by line ministries and budget units so as to identify and resolve bottlenecks with report to Council of Ministers • Improvements in Budget Department allotment process and

	<p>internal controls results in approval of more than 800 allotment requests totalling \$US 457 million.</p> <ul style="list-style-type: none"> • Development of Financial and Procurement Plan templates (to be submitted by central line ministries at the beginning of the budget year) to help track ministry expenditure performance as well as better cash flow, particularly to discretionary financed projects.
2011	<ul style="list-style-type: none"> • Regular reporting of fiscal developments and trends introduced and published in MoF fiscal bulletin
2012	<ul style="list-style-type: none"> • Budget execution rate increase to 50% from 49% in the previous year. While this cannot be entirely attributed to the MBAW project, this certainly shows some increased impact of the project resulting from important contributions mentioned under Output 2 (budget formulation) as other conditions were remained without major changes.
2013⁸⁰	<ul style="list-style-type: none"> • The first target to improve budget execution rate by 10% per year (compared to March of last year) in all 14 LMs has not been achieved. The actual rate achieved was 5% as last year (2012). This can be partly attributed to the change from the Islamic year when first quarter covers March-April-May (normally in the first quarter of the calendar year due to winter conditions, budget execution is always lower than a normal quarter). However, one can argue that such difficulties should have been known before setting the targets. Here one comes back to “square number one” the traditional story of “50% achievement” despite the creative efforts to increase the delivery rate as elaborated in the QPR⁸¹. • The second target on improving the accuracy of the submitted financial plans by LMs was almost met and the 13 (out of 14)⁸² LMs where project PFM Advisors were embedded submitted their 100% accurate financial plans. Thanks to the day-to-day coaching and technical assistance provided by the PFM Advisors, supported by the recently introduced monitoring template and mandatory reporting under the responsibility of the Internal Budget Committees, these 13 LMs submitted to the MoF accurate plans and above all should, in the future, be able to better monitor their progress against their approved financial plans on a monthly basis using this new template.

⁸⁰ Due to the changes made to the original project document of the MBAW project, in QPR of I/2013, this is reported under “Output” 3, which is in fact under “Component” 3 as per the original Project Document. The evaluator considers that the most appropriate location of this result is here under the original Output 3 for its technical content (Budget execution”). For the elements relating to CD activities, they will be considered under the original Output 6. Similar approach should be applied in other places as well without further explanation.

⁸¹ E.g.: New changes have been introduced to allotment request (B27), project coding (PCS) and transfer adjustment (B23) forms. Additionally, on-the-job training was provided to LMs which should help in reducing the number of errors in allotment and payment request hampering their budget execution and service delivery (Source: QPR, I/2013, draft version)

⁸² This is a guess made by the evaluator and needs to be re-checked with the PM as the QPR does not provide a clear picture on this.

Component 1	The budget is comprehensive, policy based, prepared in an orderly manner, and supportive of the national development strategy
Output 4	STRENGTHENED AND REFORMED BUDGET REPORTING AND MONITORING
Expected project contribution	Strengthened and reformed budget monitoring and reporting requires the timely production of reports focusing on budget impact on key development indicators, regular review of budget related benchmarks, and effective implementation and monitoring of related recommendations. The MBAW project was to contribute to strengthened MOF capacity to develop, in a coherent manner, quality fiscal reports, budget performance reports, and other reports against benchmarks. The project thus was expected to assist the MOF in introducing more fiscal reporting for the Minister, Cabinet, and donors so as to increase public awareness about services successfully delivered through the budget. The MBAW project also was to support the MoF in developing a template for regular fiscal reporting, developing a communication strategy and donor investment booklet, and widely disseminating budget-related information on the Ministry's website and during key events.
Performance indicators/benchmarks	<p><u>Performance indicators</u></p> <ul style="list-style-type: none"> • Number of fiscal reporting/year • Number and quality of benchmarks reported <p><u>Baseline 2007</u></p> <ul style="list-style-type: none"> • There are many budget related benchmarks by IFI, donor and GoA and not reported in a coherent manner • Weekly monitoring on reporting system for major 50 projects is in place • 1384 budget report was produced and presented to the Parliament for the first time <p><u>Benchmark</u></p> <ul style="list-style-type: none"> • Twice yearly fiscal reports produced • Budget Performance Reports regularly produced • Key budget benchmark monitored in a comprehensive manner
Progress/Achievement	<u>Overall assessment: The set targets are fully met.</u> Thanks to MBAW's contributions (among others), MOF and LMs could achieve some impressive achievements, most notably: (a) OBI score sharply increased from 8% in 2008, 21% in 2010 and surpassed the target set for 2012 (40%) and achieved 59%. Thanks

	to this, Afghanistan ranks among few countries scoring highest within developing countries; (b) Citizen's Budget developed and published in both Dari and English that contributes to improving citizen's understanding about and participation in the budgetary process. Although there remain some shortcomings to be overcome in the near future, where the MBAW should have some key role, this initial success helps improve the trust of donors and citizens in the Government in the context of rampant corruption in the country nowadays. Details of achievements by years showing project contributions are as follows:
2007	<ul style="list-style-type: none"> ○ 1385 Performance Report circulated to government agencies and donor partners ○ Launching of quarterly Fiscal Bulletin with information on most recent fiscal and budgetary developments, including execution rates and issues related to the budgetary process and its implementation
2008	<ul style="list-style-type: none"> ○ Project reports cite no specific achievements
2009	<ul style="list-style-type: none"> ○ Weekly monitoring of top 50 projects helps to address impediments to improved execution, including procurement, financial management, release of donor funds, and related issues
2010	<ul style="list-style-type: none"> ○ The 2010 Open Budget Initiative (OBI) scores Afghanistan at 21%, up from only 8% in 2008. Ministry pledges to increase score to 30% by – through enhanced dissemination of budget-related information and public outreach ○ Budget Department's Fiscal Policy Unit (FPU) launches a fiscal database with data extracted directly from AFMIS. The Microsoft Access database allows for time series and detailed revenue and expenditure analysis down to the object code level, allowing different expenditure and revenue analysis as well as ready generation of FPU and MoF reports and publications. Planned installation of a Donor Assistance Database (DAD) portal will allow on-line availability of database reports
2012	The 2012 Open Budget Initiative (OBI) scores Afghanistan at 59%, up from only 21% in 2010. Citizen's Budget produced
QI/2013	<ul style="list-style-type: none"> • One Budget performance reports published on a monthly basis

Component 2	Alignment of external assistance and improved aid effectiveness to support Afghanistan development goals and strategy
OUTPUT 5	IMPROVED ALIGNMENT AND EFFECTIVENESS OF AID TO SUPPORT AFGHANISTAN DEVELOPMENT GOALS AND STRATEGY
Expected project	Specifically, the MBAW project was to strengthen the role and capacity of

contribution	<p>the MOF in the following areas:</p> <ul style="list-style-type: none"> • Further address and monitor the Paris Declaration, Afghanistan Compact, and ANDS benchmarks; • Develop strategies and policies for attracting increased donor funding through the Core Budget by producing a donor investment booklet, and streamlining and improving transparency in external funding procedures; • Develop and apply harmonized and aligned financial reporting format between donors and GoA to capture both core and external budgets in a coherent manner; • Track aid flows effectively through refinements to and analysis of Donor Assistance Database (DAD) and conduct a system study between DAD and AFMIS so as to explore increased linkage between aid information and budget monitoring.
	<p><u>Performance indicators:</u></p> <ul style="list-style-type: none"> • % of aid recorded • % of aid disbursed for the government sector • % of donor funding through core budget • % of aid captured by DAD • % of coordinated technical assistance in Afghanistan <p><u>Baseline in 2007:</u></p> <ul style="list-style-type: none"> • PD survey was conducted in 2006, and the priority actions were developed. • AE WG, chaired by MoF, was established to address AE issues. • AE monitoring matrix was developed and six priorities have been identified • 11% of assistance are coordinated technical assistance (2006) <p><u>Benchmarks</u></p> <ul style="list-style-type: none"> • GoA aid policy developed by March 2008 • Aid Effective Monitoring Matrix regularly updated and incorporated in a regular fiscal and budget reporting • Six⁸³ priority benchmarks on Aid Effectiveness regularly followed, monitored and reported • 50% of technical assistance are coordinated (2010)
Progress/Achievement	Overall assessment. <u>All of four set targets are fully met; some even</u>

⁸³ This should be five, not six: "In February 2005, the International Community came together at the Paris High-Level Forum on Aid Effectiveness to improve the quality of aid and its impact on development priorities and to support partner country efforts to strengthen development performance. The International Community formulated **five principles on Aid Effectiveness which are Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability**; and twelve indicators to assess the progress of the five benchmarks" (Source: UNDP web-site, Kabul, Nov. 2011).

	<p><u>surpassed the expected level (e.g. aid effectiveness monitoring and reporting).</u> Having said that it is worth noting that the expected Output was too ambitious and far to be realistic. Aid alignment and effectiveness go far beyond the scope of project influence. It largely depends on Government and donors in delivering on their commitments of mutual accountability.</p> <ul style="list-style-type: none"> • Actually the Government's first Aid Management Policy (AMP) was developed as part of the ANDS in 2007. For Tokyo Conference (7/2012) it was required to substantially revise the AMP to reflect the changes occurred at national and international levels and also to take into consideration the lessons learned during the ANDS's implementation. In addition, it was also important to reflect the global aid effectiveness initiatives such as the Busan Partnership for effective development cooperation and the New Deal for engagement in Fragile States⁸⁴. Thus, the APM was finally revised and endorsed in Dec. 2012. • DAD historical data clean-up and report may take longer than anticipated but this goes beyond MOF's control as some donors are facing difficulties in data inputs and update into the DAD online, and the DAD is unable to provide accurate and up to date information on Development Assistance. • The five principles on Aid Effectiveness which are Ownership, Alignment, Harmonization, and Managing for Results and Mutual Accountability are regularly followed, monitored and reported through project inputs to the various conferences as documented in Table 1. Most notably are the recent events such as Kabul (2010), Bonn, Chicago and esp. Tokyo Conferences. The efforts are partly reflected in periodic DCRs (the latest published in 2012). These five principles are centrally documented in the AMP. • All technical assistance to the DG Budget is now fully covered through a newly established TA coordination committee (TACC) headed by the DG Budget. Specifically:
2007	<ul style="list-style-type: none"> • Action Plan addressing six key benchmarks of Annex II of the Afghanistan Compact presented to 2007 Afghanistan Development Forum • Aid Coordination Unit facilitates Peace Dividend Trust analysis of the local impact of external aid, directed to increased local procurement of goods and services • Development of Harmonized Reporting Format and timeline for donor reporting on development expenditures to feed into national budget timetable
2008	<ul style="list-style-type: none"> • Donor Financial Review addresses external funding gap for implementation of the ANDS, donor sector allocations, and distribution of donor funds to the core and external budgets • Aid Coordination Unit drafts Aid Policy for inclusion in ANDS

⁸⁴ DCR 2012, p. 42

2009	<ul style="list-style-type: none"> • Development of new ANDS-related aid coordination mechanism via three standing committees • Launch of on-line Development Assistance Database (DAD) with information on over 4,250 projects and programmes financed by more than 45 bilateral and multilateral organizations
2010	<ul style="list-style-type: none"> • Preparation of operational guidelines for externally managed ODA • Ongoing efforts to formalize Grant/Loan negotiation guidelines to introduce clarity in the respective responsibilities of the MoF and the Ministry of Foreign Affairs in regards international agreements with donors • Collaboration with newly-appointed MoF Deputy Minister Policy on ANDS implementation, aid coordination, and aid effectiveness matters
2011	<ul style="list-style-type: none"> • MBAW project provided inputs to (i) conducting eight Bi-monthly High Level Committee Meetings held on Aid Effectiveness (HLCAE); (ii) conducting joint portfolio reviews with major donors; (iii) conducting 11 Grant and Loan negotiations; • Donor Assistance Database (DAD) upgraded and enhanced to track aid flows effectively (60%); • System/database for tracking allotments and contracts developed and appropriately positioned within Budget Department and MoF relevant departments (65%); • Throughout 2011, comprehensive capacity development trainings were conducted for the Budget Department officials who have to work with the DAD and SBPS. On the job training and support was provided for donor partners as well as for government officials to enhance the quality and accuracy of the data and reports. Joint meetings with UNAMA and donors were held to further improve the quality of the existing data in the DAD; reviewed donors' problem with the system; and received comments for further improvement of the DAD. New mechanisms were developed to use the DAD as a more comprehensive aid management and reporting tool for the GoA and the civil society.
2012	<ul style="list-style-type: none"> • MBAW project helped MoF in concluding 72 negotiations over USD 1,594 Millions of grant and loan agreements, and in conducting six donors' portfolio reviews. • MBAW clusters⁸⁵ experts contributed to the preparation of a key government policy document "<i>Towards Self-Reliance</i>" which served as a roadmap for the Tokyo conference and the TMAF and to endorsing 16 NPPs out of 22. In addition, they also helped develop detailed implementation plans for these NPPs as tools to monitor and report against TMAF's achievements and commitments. • MBAW clusters experts involved in the groundwork of TMAF implementation and action plans, M&E system and indicators

⁸⁵ The 22 NPPs are grouped into six sectors. Namely: 1. Security; 2. HRD (Human Resource Development); 3. PSD (Public Service Delivery); 4. ARD (Agriculture and rural development); 5. Gov (Governance) and 6. ID (Industry).

QI/2013	<ul style="list-style-type: none"> • AMP endorsed • Tracking and monitoring system in place to capture ODA alignment • TMAF action plan and M&E system designed and agreed by donors and development partners • 20 out 22 NPPs endorsed
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Component 3	Sustainable institutional capacity built within MoF and other GoA institutions
OUTPUT 6	SUSTAINABLE INSTITUTIONAL CAPACITY BUILT AND RETAINED WITHIN MOF AND LINE MINISTRIES
Expected project contribution	The MBAW Project Document proposed an “Exit Strategy” to provide for the effective recruitment of young graduates and their capacity development through a combination of formal and on-the-job training. The “Exit Strategy” also envisaged a proper hand-over from project staff to civil servants so as to ensure seamless management of the budget process and aid effectiveness matters.
Performance indicators/benchmarks	<p>Performance indicators</p> <ul style="list-style-type: none"> • No of civil servants/young graduates in Budget Department • No of civil servants/young graduate on PRR • Capacity of civil servants/young graduate improved to carry out the budget process and aid coordination • Progressively decreasing number of project staff while project staff loss does not exceed desired level of attrition <p><u>Baseline:</u></p> <ul style="list-style-type: none"> • There are 25 civil servants and 76 project staff in the Budget Department. • Training was given on an ad-hoc basis, donor-driven and mostly for the project staff <p><u>Benchmarks:</u></p> <ul style="list-style-type: none"> • 15 graduates recruited and retained within MoF annually on Taskeel/PRR • Capacity building exercises undertaken in cooperation with other initiatives • Regular coordination meeting between TAs/donors organized and work plan to support the Budget Department shared/developed • Increased skills and capacity by civil servants and young graduates in budget process and aid coordination with the on-the job training • Number of project staff reduced (77 staff (May 2007-April 2008), 61 staff (May 2008-April 2009), 47 staff (May 2009 -April 2010), 27 staff

	(May 2010-April 2011), 13 staff (May 2011-April 2012)
Progress/Achievement	<p>Overall assessment: <u>Failure</u></p> <ul style="list-style-type: none"> • <i>Three of the five targets (benchmarks) are not met despite the enormous efforts taken by the MBAW project esp. in the last two years to address this capacity issue by a more comprehensive package of capacity development measures.</i> • <i>The set targets are focused and relevant but remains far to be realistic and reasonable and somehow narrowly defined as they merely concern with individual level of capacity development process, while other two dimensions are equally if not even more important.</i> Details of yearly achievements showing project contributions are as follows:
2007	<ul style="list-style-type: none"> • 10 young graduates recruited and assigned to different Budget Department units. Overall in 2007, the project filled 2 international and 23 national posts.
2008	<ul style="list-style-type: none"> • Provincial budgeting Training of Trainers (TOT) programme completed in April 2008. Budget Department's Budget Integration and Reform Unit (BIRU), in collaboration with the USAID-funded Capacity Development Programme (CDP), provides comprehensive programme budget training for 17 line Ministries in July 2008
2009	<ul style="list-style-type: none"> • 15 additional graduates recruited, but their appointment is delayed due to lack of office space in the Budget Department • 48 MBAW/Budget Department staff participate in regional and overseas training programmes facilitated by ADB, DFID, IDB, IMF, USAID/CDP, and the World Bank
2010	<ul style="list-style-type: none"> • Provincial budget training for remaining 14 provinces plus training (on Afghanistan's PFM laws and procedures) for PRTs
2011	<ul style="list-style-type: none"> • Budget Department website (www.budgetmof.gov.af) upgraded; • Preparations (selected international consultants) undertaken for a detailed capacity development and Exit Strategy for the project;
2012	<ul style="list-style-type: none"> • MBAW sectors and budget execution experts from the Budget Department: (i) provided coaching, training and technical assistance to the concerned 13 LMs; (ii) Developed capacity of the DGB Department to analyze, review and process the allotments to improve accuracy and timeliness; (iii) Continuously simplified budget execution procedures and provided on the job training on budget integration procedures for LMs, Sectors and Budget Execution Unit. Updated budget execution reports of improved quality (i.e. accuracy) have been made available to senior MoF management and regularly published online, which helped to take appropriate measures and decisions in order to address budget execution challenges in a timely and efficient manner. MBAW project provides technical support to the State Budget Planning System and AFMIS integration, enabling the Ministry in reviewing and assessing actual budget execution rates of LMs on a weekly basis. MBAW has been recognized by MOF as a key contributor in improvement of MOF's technical capacity to further the PFM reform. • As a breakthrough in project history, in 2012 MBAW project recruited and placed 20 PFM advisors in MOF and 13 LMs. This has

	<p>significantly contributed to increasing the execution rate of development budget thanks to their easy access to the senior management of both LMs and MoF.</p> <ul style="list-style-type: none"> • MBAW organized and delivered over 2012 training courses to over 2,800 individuals, of which 1,467 persons (52%) on provincial budgeting and 5% are female. The training was provided in various forms incl. TOT; • MBAW supported for the re-establishment of the Internal Budget Committee (IBC) and for its monthly reviews; • 2012 marks a new turn in terms of sustaining capacity development efforts. Namely: the MBAW has focused more on knowledge transfer, capacity development at the organizational and enabling environment levels. MBAW managers were assigned the responsibility to coach and provide on-the-job training to the civil servants working in their respective units, thus help gradually transfer technical capacities and delegate routine tasks to them.
<p>QI/2013</p>	<ul style="list-style-type: none"> • Learning and development policy developed and put into pilot use first within DGB and potentially possibly wider in the MOF. If the pilot succeeds, this would potentially bring much more sustainable capacity development returns as compared to traditional training approach as has been applied relatively wide to date. Basically this policy links learning initiatives with career development of individuals, promotes RBM approach, cost-sharing and staff term commitment to the organization as has been widely used in international organizations such as UNDP, DFID, WB, etc. • Capacity Development Cell (CDC): Again, this is a new but very promising initiative of the MBAW project as it attempts to institutionalize and systemize CD activities as opposed to ad-hoc, piecemeal and spontaneous training activities as have been seen to date in almost all TA projects all over the world . The CDC has primary objectives as follows: i) To centralize and coordinate CD activities within the Budget Department, ii) Further align DGB capacity development efforts with performance, personal development and job requirements as well as with the DG Budget Units' annual targets and priorities; and iii) Provide a fair and transparent incentive program within the Budget Department. Would be useful to draw some initial experience to learn after half-year pilot implementation by end of June 2013. • HR database a comprehensive HR database designed allowing to track capacity development events and centralizing HR data of staff, including performance reviews, contract details, ToRs, etc. As such this simple tool would significantly support the two initiatives mentioned above. • OECD Public Expenditure Management Peer Assisted Learning Budget Community of Practice (PemPal): MOF sent one person to attend an event ““Selected aspects of program budgeting and performance management” and tries to subscribe to this network, which should be strongly encouraged as it is far <u>more</u> cost-effective than purely physical attendance for obvious reason: every one, who is interested in

	self-learning can actually make use of the network without almost no cost.
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ANNEX 2: LIST OF PARTICIPANTS IN THE FINAL EVALUATION

No	Name	Designation	Organization	Email address
1	Alvaro Rodriguez	Country Director	UNDP	alvaro.rodriguez@undp.org
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9	Paul Sisk	Lead Financial Specialist	World Bank	psisk@worldbank.org
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23	Moh. Waheed Etabar	Director of Finance and Accounts	MOAIL	Waheed.etabar@mail.gov.af
24	Jawid Omer	Aid Coordination Manager	MoF	Jawid.omar@budgetmof.gov.af
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48	Agha Mir	Procurement Officer	MRRD	
49	Abdul Saboor	Director of development department	Department of Government enterprise	Sabor.tauhidi@yahoo.com
50	GhulamSediq	Director of Plan	Education Department	
51	Jamshid Ahmadi	Finance Officer	Department of agriculture	Y.jamshid@yahoo.com
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53	Gulzar	Finance Director	MOF	Mustafiat.panjsheer@yahoo.com

ANNEX 3: MBAW's HR PLAN AS OF QI/2013

General Budget Department															
Project Management				Aid Management Directorate			Budget Policy & Reform Directorate		Budget Execution Directorate		ICT	Line Ministries	Fiscal Policy Unit	Deputy Minister for Policy Office	Deputy Minister for Finance
Deputy Project Manager/ Operation (1)	Finance Officer (1)	Project Manager (1)		Nt. Aid Effectiveness Expert (1)	Nt. Aid Coordination Expert (1)	Nt. Aid Reporting Expert (1)	Nt. Budget Reform Expert (1)	Budget Reform Specialist (2)	Security Sector Budget Expert (1)	Security Sector Budget Specialist (1)	Nt. ICT Expert (1)	Int. PFM & CD Advisor (Budget Execution) (1)	Sr. Fiscal Policy Analyst (2)	Strategic Communication Expert (1)	Strategic Communication Specialist (1)
Finance Officer (1)		Int. Capacity Development Adv. (1)	Int. Communication Advisor (1)	Aid Effectiveness Specialist (2)	Aid Coordination Specialist (1)	Aid Reporting Specialist (1)	Int. Sub-National Budgeting Expert (1)	Sub-National Financing/Budgeting Expert (1)	Budget Execution and Control Expert (1)	Budget Execution Specialist (3)	DAG/SP/SDG Database Specialist (1)	PPM/Budget Execution Specialist (19)	Fiscal Policy Analyst (2)	Monitoring & Evaluation Expert (1)	Monitoring Specialist (2)
Human Resources Officer (1)	Human Resources Associate (1)		Nt. Communication Officer (1)		Nt. Legal Advisor (1)		Int. Sub-National Budgeting Consultant (1)	Sub-National Budgeting Specialist (3)	Infrastructure Sector Budget Expert (1)	Infrastructure Sector Budget Specialist (1)	Web Design Specialist (1)	20	Revenue Policy Analyst (2)	Nt. Cluster Advisor PSD (2)	Nt. Cluster Advisor HRD (2)
Procurement Officer (2)	Operations Associate (1)		Communication Assistant to Min. Comm. Dept. (1)	14			Budget Policy Expert (1)	Budget Policy Specialist (3)	Health Sector Budget Expert (1)	18	ICT Specialist (2)		6	Nt. Cluster Advisor Governance (3)	Nt. Cluster Advisor ID (2)
Transport Dispatcher (1)	Office Cleaners (2)	5						Budget Policy Associate (2)	Governance & Rule of Law Budget Expert (1)		5			Policy Analyst (4)	Int. Cluster Advisor (3)
Drivers (18)		26						Budget Policy Based Reporting Specialist (2)	Economic Gov & Private Sector Budget Expert (1)					Database Specialist (1)	Nt. Cluster Advisor HRD (2) PAD (2)
							17		Education Sector Budget Expert (1)					Interpreter (1)	
									ARD Sector Budget Expert (1)					27	
									Social Protection Budget Expert (1)	Social Protection Budget Specialist (1)					
* Government Financed MCP Positions															
* UNDP Contract holders															

Project Manager	Government Counterpart	UNDP
Name: Ahmad Masood Kamal	Name: H.E. Dr. Omar Zakhilwal	Name: Alvaro Rodriguez
Signature and Date:	Signature and Date:	Signature and Date:

ANNEX 4. MAIN REFERENCE DOCUMENTS REVIEWED

MBAW Project Documents

MBAW Project Document, May 2007 and project document extension 18 April 2013

MBAW Quarterly Progress Reports 2007-2012 and draft QPR of first Quarter of 2013

MBAW Annual Progress Reports 2007-2012

MBAW Project Board's Minutes 2007-2012

MBAW Fact Sheets Oct. 2012

UNDP-Ministry of Finance Letter of Agreement, January 2010

MBAW Concept Note Oct. 2011

MBAW MTR, Dec. 2010

Gender Equality Project II

Selected training reports (as provided by UNDP):

-Report on the performance & programme budgeting (PPB), Dubai 25-29 Nov. 2012

-Training feedback report RBM and performance evaluation, 17-19 Feb. 2013

-TOR/LM's training on cost fundamentals, 2 April 2013

Project financial data for selected years of 2007, 2010 and 2012

MBAW HR Plan 8 April 2013

International advisor's reports (as provided by the MBAW project):

-Cluster Advisor (HDR) Report of 6 June 2012. Not clear if it was endorsed by the Project Manager

-Handover note by the reporting officer (no date given in the report). Not clear if it was endorsed by the Project Manager

-Urban Infrastructure report June 2012 – Final and endorsed

Ministry of Finance Documents

Public Financial Management Roadmap, 14 July 2010

Towards self-reliance: Strategic vision for the Transformation Decade, 8 July 2012

Development Cooperation Report 2012

NTA – National Technical Assistance Framework

Other Government of Afghanistan Documents

Tokyo Declaration, 2012

Kabul Conference 2011

Bon Conference 2011

Afghanistan. The London Conference, 28 January 2010. *Communiqué; Presentation of the Afghan Delegation to the Conference; Conference Outcomes, Contributions, and Participants*

Afghanistan. Communiqué, Kabul International Conference on Afghanistan, 20 July 2010. *A Renewed Commitment by the Afghan Government to the Afghan People, a Renewed Commitment by the International Community to Afghanistan*

Afghanistan. *Operational Guide: Criteria for Effective Off-Budget Development Finance* (proposal submitted to July 2010 Kabul Conference)

Paris Declaration 2008

Other Documents

DFID's Project Completion Report: "Strengthening Afghanistan's Budget (SAB) March 2013

CIA – The World Fact-book 2013

World Bank IEG's Impact evaluation

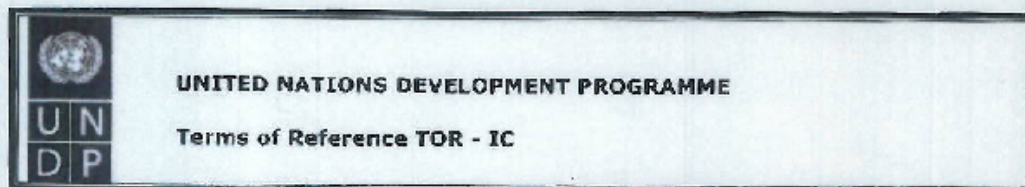
World Bank's Paper "Afghanistan: A Synthesis Paper of Lessons from Ten Years of Aid", published on Jan. 24, 2013

World Bank. *Afghanistan Public Financial Management Performance Assessment Executive Summary*, May 2008.

World Bank/DFID. *Expenditure Framework and Public Financial Management, Working Paper 3 for Afghanistan Public Expenditure Review 2010 Second Generation of Public Expenditure Reforms*. May 2010

World Bank's analytical works in Afghanistan, 2002-2011

ANNEX 5. TOR FOR PROJECT FINAL EVALUATION



TERMS OF REFERENCE

Final Evaluation Expert (International Consultant) For Making Budget and Aid Works (MBAW)

Duration: 4 weeks
Location: Kabul, Afghanistan
Start Date:

Organizational Context and Objectives:

UNDP Global Mission Statement:

UNDP Global Mission Statement:

UNDP is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 166 countries, working with national counterparts on their own solutions to global and national development challenges.

UNDP Afghanistan Mission Statement:

UNDP Afghanistan Mission Statement:

UNDP Afghanistan is supporting the Government to find innovative solutions to its development challenges based on the on-going Country Programme Document approved by the Executive Board for the period 2006 - 2009. A new Country Programme Document was approved by the Executive Board during September 2009 for the period 2010-2013. Key priority areas for UNDP assistance are in strengthening democratic governance, crisis prevention and recovery, and reducing poverty. UNDP is strengthening the institutional capacities of key national government and sub-national authorities which aim to enhance human security, human development, peace and stability in Afghanistan.

Background:

1. OBJECTIVE AND PURPOSE OF THE FINAL EVALUATION

The overall objective of this Final Evaluation is to review progress towards the project's objectives and outcomes, assess the efficiency and cost-effectiveness of how the project has moved towards its objectives and outcomes, identify strengths and weaknesses in project design and implementation, and provide recommendations on design modifications that could have increased the likelihood of success, and on specific actions that might be taken into consideration in designing future projects of a related nature.

In pursuit of the overall objectives, the following key issues will be addressed during the Final Evaluation of the project:

- Assess the extent to which the project achieved its overall objectives;
- Assess the extent to which the development objectives and outputs of the MBAW were achieved;
- Describe the management processes – how did project activities change in response to new conditions encountered during implementation, and were the changes appropriate?
- Review the clarity of roles and responsibilities of the various institutional arrangements for overall programme management and implementation and the level of coordination between relevant players;
- Review the implementation of the project monitoring and evaluation framework, systems and processes;
- Review the risk assessment and management of the project;
- Describe and assess efforts of stakeholders in support of the implementation of the project;

- Review and evaluate the extent to which project impacts have reached the intended beneficiaries
- Assess the likelihood of continuation and sustainability of project outcomes and benefits after completion of the project - analyse how far the system of exit policy in the project ensures the sustainability of the project benefits;
- Describe key factors that will require attention in order to improve prospects for sustainability of project outcomes and the potential for replication of the approach;
- Describe the main lessons that have emerged in terms of - country ownership/divinoness; State level cooperation, stakeholder participation and adaptive management processes;
- Critically analyse the financial arrangements, budget procedure and actual spending vs. budget expectations;
- To assess whether the inventory of the assets created out of the grants received in the project have been properly maintained and transferred to the beneficiaries.

Objective of the Assignment:

1. Areas of Assessment:

1.1 Overall assessment of the project (context and rationale) Relevance.

- To what extent are the project logic, concept and approaches appropriate and relevant to achieving the governments' policies and objectives?
- What were the intended results, supporting project/activities, inputs and processes required? Risks and assumptions considered?

1.2 Attainment of the projects objective; Effectiveness /Efficiency:

- Were necessary measures taken to ensure the effectiveness and efficiency of the project?
- To what extent has the project achieved its intended objective to date?
- Implementation strategy (operational plan, monitoring and evaluation)?
- Does the project have clearly identified specific and measurable objectives in the programme documents?
- To what extent have the project implementation processes been effective and efficient in achieving the overall objective?
- Have the project adapted to change, by adjusting the programme design and direction, when deemed necessary?
- Have the resources been mobilized and utilized efficiently?
- Is there an appropriate mechanism in place to monitor and assess the overall progress of the project?
- How have programme achievement and lessons learned been disseminated to the stakeholders?
- What are the immediate changes brought about by the project? Any specific evidence documented?
- What are the potential challenges that may prevent the projects from producing intended results?

2.3 Impacts (long-term effects):

- What are the potential impacts of the project?
- To what extent can the project expect to achieve the positive impacts based on project results observed at the moment?

2.4 Sustainability:

- To what extent are the project interventions sustainable?

2.5 Partnership/ cooperation:

- How effective were the partnership and cooperation aspects addressed?

2.6 Lessons learned and best practices:

- What are the best practices (if any)??
- What specific lessons (if any) can UNDP draw from the project experiences?

3 Evaluation Methodology:

- The evaluation methodology will be based on desk review, direct stakeholder consultations, and field mission if necessary. The review will ensure a participatory approach. It will gather information from all relevant groups/categories of stakeholders who are affected by the interventions of the project. In

addition, the review team will take the social, economic and security context into consideration while reviewing the project. This is important in as much as these factors affect the performance of the project in one way or the other.

- The review team will analyse existing documentation with particular attention to project document, various implementation plans, progress reports-both project and financial reports, mission reports and other official published/unpublished reports. Responsible/knowledgeable staffs in the project office and stakeholders, who have been involved in course of project implementation, should be consulted for in-depth information. They will consult local partners, other ongoing MoF projects, donor stakeholders.
- As the information gathered from the stakeholders can be construed as the most significant part for analysing the achievement of the project, the review team shall develop a robust review methodology such that various subsets of stakeholders will be consulted and adequate interaction will be made with them.

1. The Review Target Groups

The review team shall strive for collecting information from as many relevant stakeholders as possible in order to enrich the findings the review work. A provisional list of stakeholder groups that should be consulted during the review process is given below.

- Government of Afghanistan – MoF and its various departments at the centre and provinces if needed, other relevant ministries and line departments at central level, etc.
- Beneficiaries – Direct and indirect beneficiaries of projects
- International Organisations – UNDP, UNAMA, (governmental and non-governmental, commercial).
- Donors
- UNDP Country Office
- MBAW project staff
- Academics and other knowledgeable sources

2. Stages/phases of Review:

2.1 The final evaluation shall consist of the following stages/phases:

1. Desk review: The review team shall conduct desk review of published and unpublished reports, project progress reports, ProDoc for MBAW, MBAW Exit Strategy, and other reports relevant to the review purpose.

2. Meetings and consultations: The review team shall hold bilateral meetings and consultations with representatives of key stakeholders as UNDP, MoF, major bilateral donors and project management. The preliminary findings gleaned from the desk review will serve as basis for such meetings and consultation processes. A checklist for discussions during such meetings shall be prepared to guide the process in an organised manner.

3. Field missions: Field visits shall be construed as one of the most important components of the review works. The review team shall prepare a plan and checklist for discussions with various stakeholders at the field level.

4. Preparation of Review Report: A report shall be prepared in an appropriate format. A debriefing session shall be held to inform the representatives of the key stakeholders.

2.2 The review team shall provide the following reports:

A. Inception Report: An inception report should be submitted within 2 weeks of the commencement of the study. The inception report will outline the desk review undertaken, organisation of the research works including procedures to be undertaken to collect data and contacts made with different organisations for facilitating the works. This report will be required to present the evaluation methodology as succinctly as possible.

B. Debriefing Session: A debriefing session for the representatives of key stakeholders will be held after completion of analysis of information gathered through various sources. The Review team will report the

progress status, strengths and weaknesses of the project, recommendations for further improvement and probable next phase.

C. Draft Report: The draft report will be shared with UNDP and MoF including possibly at a stakeholder debriefing in the final week of stay in Kabul by the team. Stakeholder inputs will be solicited on the report. UNDP will provide comments in a week's period to finalise the report.

D. Final Report: Final review report shall be submitted after a week of the receipt of comments on the draft report.. The report shall provide a detailed analysis of the achievement of MBAW, strengths and weaknesses of project, recommendations for further improvement and recommendations for next phase.

Deliverables	Timelines
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i. Deliverables:

- Inception Report
- Draft Report
- Final Evaluation Report (Phase 1)
- PPT Presentation of evaluation report
- Evaluation purpose and scope
- Evaluation criteria and questions
- Evaluation Matrix

Detailed resource requirement tied to evaluation activities and deliverables

The review should be completed within 8 weeks and the reporting frame will be as follow:

- Planning for review assignment
- Desk Review
- Meetings/consultations
- Field missions
- Information collation and analysis
- Draft report submission

Final report submission and debriefing session

First Week
First Week
Second Week
Second Week
Third Week
Third Week
Forth Week
Forth Week

Education:	Master's degree related to a social science, preferably including PFM studies, development studies, public policy, public administration, evaluation or social research;
Experience:	<ul style="list-style-type: none"> • At least 10 years of working experience in evaluation and/or social research, with at least 5 years working with developing countries and a demonstrated understanding of the challenges and opportunities faced by post conflict countries • Strong analytical and research skills with sufficient understanding of survey design, quantitative/qualitative methods and data analysis; • Experience reviewing projects/programmes of UN agencies (preferably UNDP).

	<ul style="list-style-type: none"> • Familiarity with UN (preferably UNDP) evaluation guidelines and processes is a plus. • Experience on PFM related projects • Experience working with the UN and with multi-stakeholders: governments, NGOs, the UN/ multilateral/bilateral institutions and donor entities; • Outstanding interpersonal skills, teamwork, and competency to operate in a multi-cultural and diverse environment; • Public sector management experience in a post-conflict setting is preferred; • Familiarity with the region and the country are strongly preferred;
Skills:	<ul style="list-style-type: none"> • Excellent command of written and spoken English Knowledge of a local language would be an asset
Language Requirements:	Fluency in written and spoken English is required.
Facilities Provided by UNDP:	<ul style="list-style-type: none"> - Office space, communication equipment (phone (prepaid)), VHF radio, transportation from/to workplace and relevant line ministries and office. Assets shall be returned to the CO upon completion. - The IC shall be provided accommodation in MOSS cleared premises. The daily rent for a small room including three meals is \$90.0. The daily rent for a large room without meals is \$95.0. The large room rent does not include any meals. The meals can be purchased as \$6.0 for breakfast and \$12.0 for lunch or dinner.
Facilities to be provided by the IC:	Laptop
Technical Proposal	<p>The IC shall submit a short proposal describing his or her approach and methodology to achieve the deliverables under this assignment.</p> <p>The technical proposal shall be one page and not more than 800 words.</p>
Financial Proposal	<p>The IC shall provide its proposed effective daily rate based on five day working week. The fee rate shall be inclusive of per diem, fees, food incidental and any other expenses related to execution of the assignment.</p> <p>The IC shall also incorporate in his or her price the cost of medical evacuation insurance during the assignment period. This shall either be separately quoted or included in the effective daily rate.</p>
Evaluation Process:	<p>The contract will be awarded to the candidate who received the highest score out of a pre-determined set of weighted technical and financial criteria: Technical Criteria weight: 70% + Financial Criteria weight: 30%.</p> <p>Individual consultants will be evaluated based on Cumulative analysis.</p> <p>When using this weighted scoring method, the award of the contract should be made to the individual Consultant whose offer has been evaluated and determined as:</p> <ul style="list-style-type: none"> • Responsive/compliant/acceptable, and • Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation. <p>Technical Criteria weight: 70%</p> <p>Financial Criteria weight: 30%</p>

TECHNICAL EVALUATION CRITERIA:

- At least 15 years' relevant experience in management, programme and/or operation.
- Proven people management skills are required.
- Proven experience of mentoring, training and successful skill development programmes with international organizations
- Strong understanding and relevant experience in Human Resources
- Experienced at handling a portfolio of clients and able to demonstrate strong interpersonal and networking skills
- Experience in UNDP or UN System organization in both headquarters and country office settings, highly desirable.

Only candidates obtaining a minimum of 70 points in the Technical Evaluation would be considered for the Financial Evaluation.

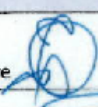


Documents to be included in the application (only 1 file can be uploaded):

All interested applicants should submit the following requirements. The following 4 documents should be merged in a standalone file including all them, since the online application submission does only permit to upload one file per application. Incomplete submission can be a ground for disqualification.

1. Brief expression of interest: a brief narrative on why you think you are qualified to undertake the consultancy.
2. A current and complete C.V. in English with indication of 3 references as well as the permanent e-mail and phone contact.
3. Duly completed UNDP Personal History Form (P11) that can be downloaded from http://europeandcis.undp.org/files/hrforms/P11_modified_for_SCs_and_ICs.doc
4. Financial proposal: Daily rate / Lump sum

Incomplete applications or applications received after the closing date will not be given consideration. Please note that only applicants who are shorted-listed will be contacted.

UNDP will cross check previous work experience and expertise.

Signatures- Job Description Certification		
Incumbent (if applicable)		
Name <u>Trinh Tran Dung</u>	Signature 	Date <u>09/04/2013</u>
Supervisor		
Name <u>Aminuddin Hameli</u>	Signature 	Date <u>10/04/2013</u>
Chief Division/Section		
Name <u>Masood Amer</u>	Signature 	Date <u>19/04/13</u>

