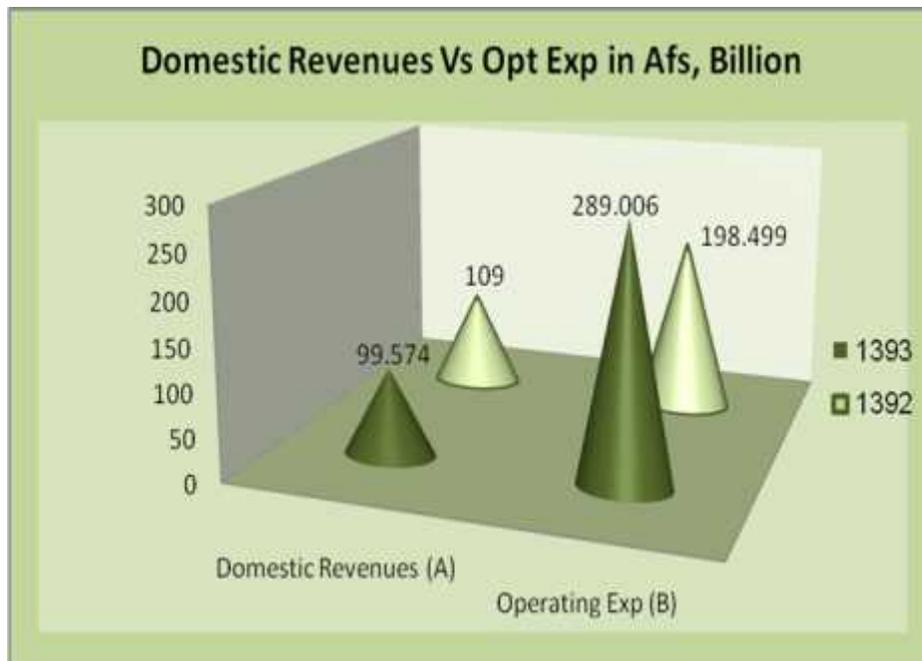




Islamic Republic of Afghanistan
Ministry of Finance
Office of the Deputy Minister for Administration
Reform Implementation & Management Unit

Annual Performance Review Report
FY 1393
On Strategic Plan



Submitted to: MoF Top Management

Submitted by: RIMU

Submission Date: 29 Dalw 1393

Table of Contents

| | |
|--|-----------|
| Executive Summary: | 3 |
| 1. Main Achievements | 6 |
| 1.1 Public Finance Management | 6 |
| Core Budget: | 6 |
| Core Budget Financing: | 6 |
| Core Budget Expenditures: | 7 |
| Treasury: | 10 |
| Fiscal Policy: | 10 |
| Procurement Policy: | 12 |
| 1.2 Domestic Revenue | 14 |
| Revenues: | 14 |
| Customs: | 15 |
| 1.3 Operati | 18 |
| Operation Support: | 18 |
| Asset Management: | 26 |
| Internal Audit: | 27 |
| 1.4. Government Policies Coordinati | 28 |
| Policies Coordination & Strategy Implementation: | 28 |

Executive Summary:

Ministry of Finance had remarkable performance towards realization of the annual targets in the FY 1393 particularly on the core budget revenues side; on the other hand, in terms of core budget expenditures, the core development budget expenditures remained low due to certain factors. Most of the other supporting and development activities were achieved as per the set targets in line with MoF strategy.

Domestic revenues both tax and non tax reached to Afs 99.574B for the FY 1393 showing a shortfall of 26% against the target of Afs. 133.84B for the FY 1393. Compared with annual target of Afs. 133.84B, it has completed 74% of it. Relative to revenues of last year, Afs 109B, it shows a decrease of 9%.

As a part of domestic revenues, customs revenues reached to Afs 44 8 B during FY 1393, showing a shortfall of 27% against annual target of 61.74 Billion. Relative to customs revenues annual target for 1393, Afs. 61.74B, it has completed 73% of it. Compare with its last year custom revenues shows a decrease of 9%.

Core budget/national budget for 1393 is Afs 453.597B(operating budget Afs 289.006B and core development budget Afs 164.591B).Compared to last year's core budget of Afs 360.388B (operating budget Afs 213.370B and core development budget Afs 147.018B), it shows an increase of 26%. The operating budget has increased by 35%, and core development budget shows an increase of 12%.

The execution rate of core development budget is 48% as end of the 1393 FY, while last year, it was 52%. This low execution rate of the core development budget is primarily due increasing of development budget and low capacity at ministries and government agencies in planning and executing projects. Also the costing done by line ministries is not realistic. On the other hand, the execution rate of operating budget is 79%, while last year it was 93% for the same period.

Domestic revenues covered 33% of the total operating expenditures as end of the year, whereas last year it had covered 55% of it.

It is worth mentioning that it depicts 13% decrease compared to the annual target for this indicator, which was 46%.

The MTBF a pre-budget document including approved budget ceiling and has been prepared and published online by September 2014. The allocations of budget resources are based on the MTBF/MTFF. ANDS/NPPs priorities has been incorporated in the budget formulation; progress

will be shown at the end of the year; For 1393, The 1394 BC1 and BC2 submissions are based on ANDS result frameworks.

All line ministries and provinces have online or batch access to AFMIS. AFMIS helpdesk system is fully functional, procedures being added for supporting other AFMIS modules too. Payroll also being considered.

During the FY 1393, PPU has assessed 10 line ministries(MRRD, MoPH, MoCI, MOD, MOI, MoCIT, MAIL, MoTBA, MoHE, Office of State Minister for parliamentary affairs) for Capacity Certification and standalone procurement. Out of these 10 LMs, 4 ministries (MAIL, MoD, MoCIT and Office of State Minister for parliamentary affairs) are fully certified for standalone procurement; however, GCMU of MoPH and ARAP of MRRD are already certified.

MoF 1393 taskheel reached to 8665 positions of which 1845 posts are Ajeers, which is almost 1.17% higher than the number of the tashkeel positions, 8565, in 1392.Regarding Training and Capacity Building ,during the FY 1393, a total number of 72 training programs conducted under which 1668 MoF employees (209 women and 1459 men) received the necessary trainings.

MoF programs were updated with consultation of MoF line department for next five years. MoF strategic plan was updated for the next five years in both English and Dari; its first draft was circulated for review and comments and receiving comments approved by DM for administration for the usage.1392 FY annual performance review report was prepared both in Dari and English in line with the strategic plan and uploaded in MoF website. Reporting templates and monitoring frameworks for 1393 with their indicators, baselines and benchmarks were reviewed and updated in line with strategic plan, which were put into use for data collection.

During the fourth quarter of 1393 FY, Afs 422. 66 Million has been paid to large Tax office account from tax and disbursement of Government industries which the total annual revenues generated reach up to Afs 1412.97 Million for the 1393 FY.

With reference to registration of government's properties, properties of 749 in capital as well as in Provinces which comprise apartments, buildings, electricity stations, mosques, restaurants and gardens have been registered in Fiscal Year 1393.

Under the Office of Chief of Staff, During The Fiscal Year 1393, management meetings have been held regularly, 27 Presidential Decrees, 623 Presidential Orders and 45 decisions of Cabinet were followed up for execution. Additionally, number of 4923 letters were prepared in this period.

According to NPP financing committee's action plan, the five selected NPPs (1- ARD cluster – Agriculture NPP 2- PSD cluster- E-Afghanistan 3- Governance cluster- Sub-national local governance 4- HRD cluster – Higher Education !- ID cluster- Industry Extractive) have been analyzed for funding and are ready to be presented to donors.

Arrangements and preparation for London Conference were undertaken. Priorities and Reforms for Government of Unity were translated and transformed into priorities for Transformation decade. Realizing self-reliance a paper for London Conference was prepared and presented to the Conference on 3-4/December 2014. The next step would be to hold a Senior Officials' meeting in mid-2015 to revitalize the TMAF process and layout an implementation plan to follow up government and international community mutual commitments.

1. Main Achievements

1.1 Public Finance Management

Core Budget:

Core budget/national budget for 1393 is Afs 453.597B (operating budget Afs 289.006B and core development budget Afs 164.591B). Compared to last year's core budget of Afs 360.388B (operating budget Afs 213.370B and core development budget Afs 147.018B), it shows an increase of 26%. The operating budget has increased by 35%, and core development budget shows an increase of 12%.

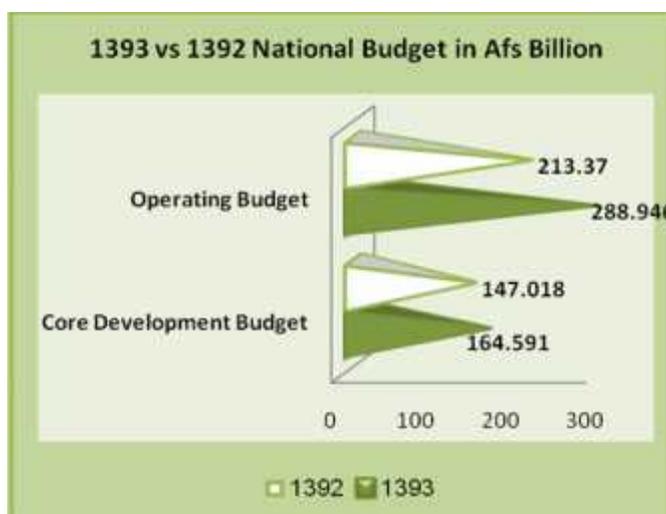
Figures in Afs Billion:

| Fiscal Year | Operating Budget | Core Development Budget | Total |
|-------------|------------------|-------------------------|---------|
| 1393 | 289.006 | 164.591 | 453.597 |
| 1392 | 213.37 | 147.018 | 360.388 |

Source: Budget Department

The share of operating budget in the core budget for the 1393 FY is 64 % as it depicts 5% increase than last year which was 59%.

However, the share of the core development budget in the core budget indicates 5% decrease compared to that of last year. Core development budget as % of core budget is 36%, while last year, it was 41% as reported.



Core Budget Financing:

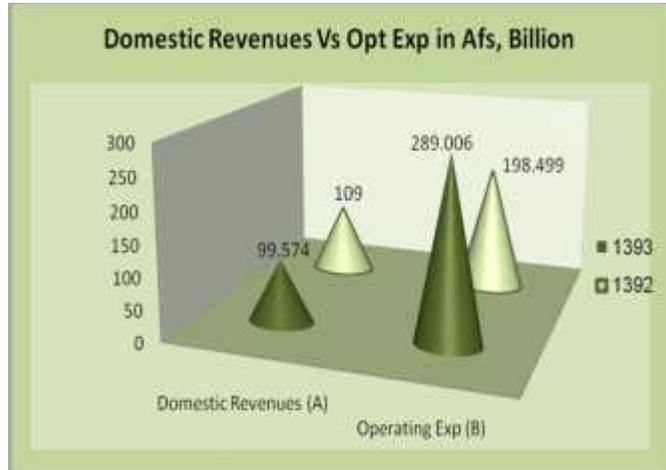
Related to the core budget financing, domestic revenues covered 22% of it in 1393 while the short fall of 78% covered by donors' assistance to core budget. Compared to operating expenditures, domestic revenue covered 34% of it.



% of Operating Expenditures Covered by Domestic Revenues

Domestic revenues covered 33% of the total operating expenditures as end of the year, whereas last year it had covered 55% of it.

It is worth mentioning that it depicts 13% decrease compared to the annual target for this indicator, which was 46%.



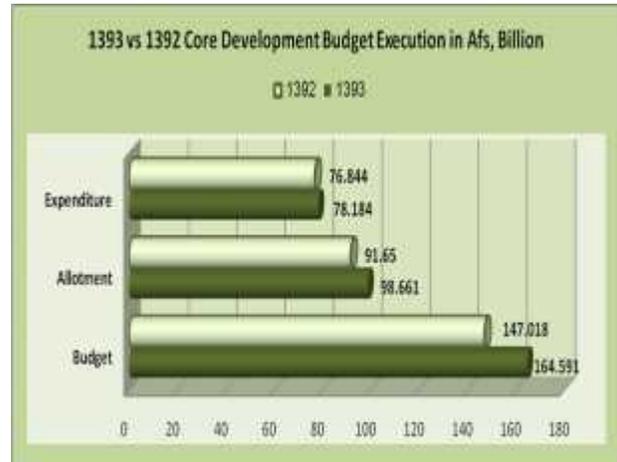
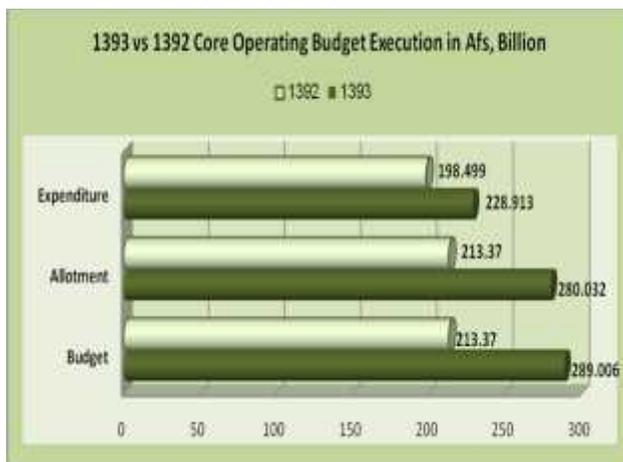
Figures in Afs. Billion:

| Year Fiscal | Domestic Revenues (A) | Operating Exp (B) | A/B |
|-------------|-----------------------|-------------------|-----|
| 1393 | 99.574 | 289.006 | 34% |
| 1392 | 109 | 198.499 | 55% |

Source: AFMIS/Revenue & Budget Departments

Core Budget Expenditures:

The execution rate of core development budget is 48% as end of the 1393 FY, while last year, it was 52%. This low execution rate of the core development budget is primarily due to increasing of development budget and low capacity at ministries and government agencies in planning and executing projects. Also the costing done by line ministries is not realistic. On the other hand, the execution rate of operating budget is 79%, while last year it was 93% for the same period.



Core Development Budget Expenditures As End of FY 1393:

| Fiscal Year | Budget | Allotment | Expenditure | % Exp of the Budget | % Exp of the Allotment |
|-------------|---------|-----------|-------------|---------------------|------------------------|
| 1393 | 164.591 | 98.661 | 78.184 | 48% | 79% |
| 1392 | 147.018 | 91.65 | 76.844 | 52% | 84% |

Source: AFMIS/Budget Department/ in Afs Billion

Operating Budget Expenditures As End of FY 1393:

| Fiscal Year | Budget | Allotment | Expenditure | % Exp of the Budget | % Exp of the Allotment |
|-------------|---------|-----------|-------------|---------------------|------------------------|
| 1393 | 289.006 | 280.032 | 228.913 | 79% | 82% |
| 1392 | 213.37 | 213.37 | 198.499 | 93% | 93% |

Source: AFMIS/Budget Department/ in Afs Billion

The MTBF a pre-budget document including approved budget ceiling and has been prepared and published online by September 2014. The allocations of budget resources are based on the MTBF/MTFF.

ANDS/NPPs priorities has been incorporated in the budget formulation; progress will be shown at the end of the year; For 1393, The 1394 BC1 and BC2 submissions are based on ANDS result frameworks.

For 1394 Budget Preparation, a 12 months' Time Table (starting from 21 Dec 2013 – 20 Dec 2014) is prepared and approved by budget committee and currently being implemented.

For FY 1394-95 and 96 budgeting, a new budgeting mechanism will be implemented. Since the provincial budgeting policy is not approved yet, but all 34 provinces have submitted their provincial proposals as part of contingency projects (USD 1 Million and 3 Million for less developed and developed provinces) into BC1 and BC2 for FY 1394 budgeting.

As per the approved budget time table, the national budget submitted to Parliament on 12 November. The Budget Statement which is a detail budget document will be submitted to the parliament 2 weeks after the approval of national budget.

The approved 1393 budget is uploaded on the website on time (immediately after approval by Parliament) and circulated to the line ministries/departments and provincial Mustofiats. The 1393 budget statement, the citizen budget, the budget calendar and budget planner are also posted on the budget department website. 1394-96 statement has been published online.

For FY 1394-95 and 96 budgeting, a new budgeting mechanism will be implemented. The new mechanism is prepared based on lessons learned and new provincial budgeting policy paper drafted. For FY 1394, all budgetary units will submit their budget with provincial breakdown.

For 1393 6 ministries has submitted their budgets gender sensitive for 1394, 6 ministries will submit their budgets covering for GRB.

Aid Coordination:

Follow up has been done by the Government of Afghanistan (GoA) but however some of the donors were not available due to their engagement in various activities and new political shifts. The process was also postponed due to the presidential election and political transitions.

The DCD meetings were conducted for (19) bilateral donor's namely ADB, Australia, Canada, Czech Republic, Denmark, EU, Finland, France, Germany, Italy, Japan, Netherlands, Norway, South Korea, Sweden, Switzerland, UK, UAS, World Bank which .

This year the DCD were also conducted with the (17) UN agencies. According to the tentative plan all the DCD's were assumed to be completed by August 24, 2014 but however it took longer and the DCD's were finished by September 24 due to the various landmark events like presidential election, set up of new administration, non-availability of the donor's data on time, rescheduling of the DCD's date by donors, security reasons and large number of the donors.

Head of Agencies meetings were held in Khyber Hall of MoF in months of October, November and December, 2014. Two meetings are held every month to update the international community on different issues of progress, sharing information and concerns.

A new amendment No. 1 for the project of "Strengthening Provincial Administration and Delivery Program (SPAD) was signed between the GoA, Department for international Development (DFID) and Embassy of Denmark in December, 2014. The purpose of the new amendment is to extend the project for further 3 months (March-Jun, 2015) where the project to be implemented in full and as far as possible the expenditures paid in full by 21st March 2015. A total value of the project is USD15.7M.

MoU valued of was signed between the GoIRA and Her Majesty the Queen in Right of Canada. The program will strengthen emergency relief and disaster response capacity of the Afghan Red Crescent Society (ARCS) project valued at \$15.25 Million over four years (April 2013 to March 2017).

Also MoU worth US\$9.41M has been drafted and will be signed between the GoIRA and Her Majesty the Queen in Right of Canada very soon in January 2015. The program will support the Afghan children specially girls from 2014 to 2017 throughout the country.

Additional Financing for the SEHAT Project after receiving a request from the Ministry of Public Health for allocating an additional USD227 Million to the project.

DFP or WB worked with the World Bank as the ARTF Administrator to inform the ARTF Management Committee that the next tranche of US\$100Million for the National Solidarity Program III (NSP) will be transferred by December 20, 2014.

Treasury:

Bank transactions on operating budget reconciled daily but finalized on a monthly basis. Reconciliations on Development Budget completed within 30 days of month end. Financial statements and cash flow projections have been issued timely. The total number of ordinary budget payments processed during FY 1393 stands to 222,050 and also 15700 development budget payments processed.

Payments processed within two business days during the period for operating budget maintained and printing of checks for development budget payments are done within 3 days for Afghan currency and 5 days for foreign currency for non-delinquent payments

Qatia for FY 1392 have been audited and submitted to the Parliament in time. Asset recording and accounting procedures are in final stage. First draft of the Asset recording procedures has been prepared and is under review. The final version is expected to be approved during the first quarter of FY 1394. The connectivity problem between DAB and Treasury Department (MOF) has been resolved. The testing is expected to be started in the first quarter of 1394.

Common Wealth Debt Reporting and Management System (CSDRMS) has been installed and the advisor conducted the essential training to respective employees.

All line ministries and provinces have online or batch access to AFMIS. AFMIS helpdesk system is fully functional, procedures being added for supporting other AFMIS modules too. Payroll also is being considered.

About 560,000 Employees are currently being paid through Verified Payroll Process – salary deposited to employee bank account.

Fiscal Policy:

Under the Fiscal Policy Dept (FPD), Macroeconomic framework is developed for 1394 budget and medium term. MTFE is updated for 1394 budget which also includes projections for the medium term. Also, MTFE write up completed and submitted to DGB Directorate.

During the fourth quarter of FY 1393 fiscal database was updated once. The 8th, 9th and 10th economic bulletins were prepared and published. Also, Third quarterly bulletin template prepared and ready for writing up. Revenue projections are done for the 1394 pr -budget report and revised for the 1394 official budget.

Macro Framework Model: FPD team worked together and completed the macro framework model in consultation with CSO and DAB, this model will help FPD to do macro indicator forecasting, the outcome from MFM macro assumptions will help us to do our revenue and expenditures estimates. However, before this, FPD used IMF macro assumptions for revenue and expenditures projections. This model is built in excel spread sheet which is a standard model used by IMF and WB.

Fiscal Rules Modeling: A fiscal rules modeling was carried out for Afghanistan. This model is an initial step toward fiscal rules regime, which will bring more accountability into the budget making process. It will also help in achieving the fiscal sustainability of Afghanistan.

Open Budget Survey OBS-2015: FPD worked with IBP team and provide constructive and valid comments and suggestions for 2015 budget survey, this survey budget and budget related documents which published during past two years. The main objective is how government budget is transparent and open to the public to evaluate government expenditures.

Medium Term Fiscal Framework: Revised and updated MTF for the FY 1394 based on new macro assumptions and policy changes, this was agreed between FPD & ARD. The revised target for revenue and expenditures was agreed with IMF and ARD.

Revenue Analysis: A macro-economic and revenue brief was prepared depicting the economic impact of revenue shortfall which was revised for IMF discussion in Dubai, thus, the revenue target was revised and its decided that at the moment Afghanistan is not ready to implement Value Added Tax for 1394 fiscal year, the implementation for this new tax measure will take some preliminary stages before implementation.

CGE Model: FPD conducted different analysis on simulation of CGE model to assess the government expenditures on revenue performance.

Revenue Performance: FPD regularly carries out revenue performance analysis based on both – economic categories and by agencies. It assesses the progress of target revenues and actual collection which was regularly reported to Deputy Minister for Finance.

1394 MTBF: FPD contributed to the main section of MTBF documents for the FY 1394 which is available in budget website, FPD team provide inputs and did analysis on Macroeconomic Outlook, Fiscal Outlook and Strategy, Revenue and Expenditures Forecast and Analysis.

1394 Budget Statements: FPD team drafted the input for 1394 budget statement, FPD team contribute to the main chapter of the statements which includes Global & Regional Economic Outlook, Fiscal Strategy & Outlook, Expenditure Performance & Outlook.

Fiscal Reports: During fourth quarter, FPD team finalized third Quarter Fiscal Bulletin of 1393 which will be uploaded in budget site shortly, at the same time monthly economic reports for the 8th, 9th and 10th month's reports for 1393 produced and published in English, Dari and Pashto languages. These reports available in the budget web page. Meanwhile, the 11^h monthly and 12th monthly data has been extracted and the template is currently being updated. In addition, for improving the analytical side of fiscal reports, Risk analysis has been introduced to fiscal bulletins and is going to be used in next quarterly bulletin.

Procurement Policy:

All LMs and Independent directorates at central level have operational procurement units with PRR. However on provincial level, there are not well be established operational procurement unit therefore PP has drafted the Institutional Development report and a proposal for a standard and required operational procurement units within provinces and waiting for the MoF approval.

During the FY 1393, PPU has assessed 10 line ministries (MRRD, MoPH, MoCI, MOD, MOI, MoCIT, MAIL, MoTBA, MoHE, Office of State Minister for parliamentary affairs) for Capacity Certification and standalone procurement. Out of these 10 LMs, 4 ministries (MAIL, MoD, MoCIT and Office of State Minister for parliamentary affairs) are fully certified for standalone procurement; however, GCMU of MoPH and ARAP of MRRD are already certified. PPU's recommendations and findings have been communicated to the non-certified organization in relation to their procurement proceedings in order to improve those deficiencies and get prepared for certification in the near future. None of provinces are assessed for the certification as ARDS is not functional in the provinces.

In addition, MoM and MoF have been reviewed; however, none were recommended to be certified for stand-alone procurement.

Regarding training and necessary skills, In FY 1393 a total number of 1794 employees have been trained as: (Central Basic: 377, Central Intermediate: 169, Central PMIS: 160, Special Courses: 203, Provincial Basic: 428 and Provincial intermediate: 457). Also circular # 56 has been issued.

During FY 1393 around 19 Civil Servants have been recruited in different positions under the approved tashkeel. Transfer of knowledge and on the job training is under process.

In FY 1393, 467 public bidding opportunities and 1414 awarded contracts information are published in PMIS website. Also at the same time, a number of 4922 procurement plans and a number of 1118 procurement monitoring have been uploaded on PMIS website.

During the FY 1393, Appeal and Review Committee received and reviewed 29 complaints/cases of violation of Public Procurement Law and Rules of Procedure in procurement proceedings by bidders. Out these, 12 cases have been decided by the committee and the result of which has been published on the PMIS website and is accessible to the public and 6 cases are under process.

1.2 Domestic Revenues

Revenues:

Domestic revenues both tax and non tax reached to Afs 99.574B for the FY 1393 showing a shortfall of 6% against the target of Afs. 133.84B for the FY 1393. Compared with annual target of Afs. 133.84B, it has completed 74% of it. Relative to revenues of last year, Afs 109B, it shows a decrease of 9%.

Figures in Afs Billion:

| Domestic Revenues as of End of FY 1393 | | | |
|--|--------|--------|---------------|
| Fiscal Year | Plan | Actual | % of the Year |
| 1393 | 133.84 | 99.574 | 74% |
| 1392 | 114.1 | 109 | 96% |

Source: AFMIS/Revenue Department

Figures in Afs Billion:

| Domestic revenues on quarterly basis FY 1393 | | | | |
|--|-------|--------|------------------|---------------|
| Quarter | Plan | Actual | % of the Quarter | % of the Year |
| First | 29.44 | 23.38 | 79% | 18% |
| Second | 30.78 | 24.3 | 79% | 18% |
| Third | 33.46 | 23.24 | 69% | 17% |
| Fourth | 40.16 | 28.66 | 71% | 21% |

Source: AFMIS/Revenue Department



During the FY 1393 five procedures were developed which includes Revenue Forecasting, charts of Accounts, Qatia Preparation, Revenue Reconciliation, RTAS procedures and Revenue Analysis and Reporting.

For 1393, the plan was to implement the AFMIS roll-out in the provinces but so far the work is not started, it may be implement in the 1st Quarter of 1394.

For 1393, the GRPD was supposed to develop an implementation plan for AFMIS rollout to 5 ministries due to some problem this target was transferred to next year and its implantation will be started in 1st quarter of 1394. The GRPD will implement the AFMIS rollout with support of Treasury and Revenue Departments.

Regarding to capacity building, training needs have been reviewed and additional training has been provided to client services staff, and increased guide material has been made available to client service areas. Work has commenced on a review of existing guidance material and development of further material. Also Tax Administration Law was reviewed by ARD Legal Committees.

Domestic Revenues as % of Operating Expenditures:

Domestic revenues covered 43% of the total operating expenditures as end of the year, whereas last year it had covered 55% of it. It is worth mentioning that it depicts 13% decrease compared to the annual target for this indicator, which was 46%.

Figures in Afs Billion:

| Fiscal Year | Domestic Revenues (A) | Operating Exp (B) | A/B |
|-------------|-----------------------|-------------------|-----|
| 1393 | 99.574 | 228.913 | 44% |
| 1392 | 109 | 198.499 | 55% |

Source: AFMIS/Revenue & Budget Departments

Domestic revenues as % of GDP:

Domestic revenues to GDP ratio reached to 8.2%, which the projection was 10.7%.

| Fiscal Year | Plan | Actual | % of the Year |
|-------------|--------|--------|---------------|
| 1393 | 10.70% | 8.2% | 77% |

Source: FPU

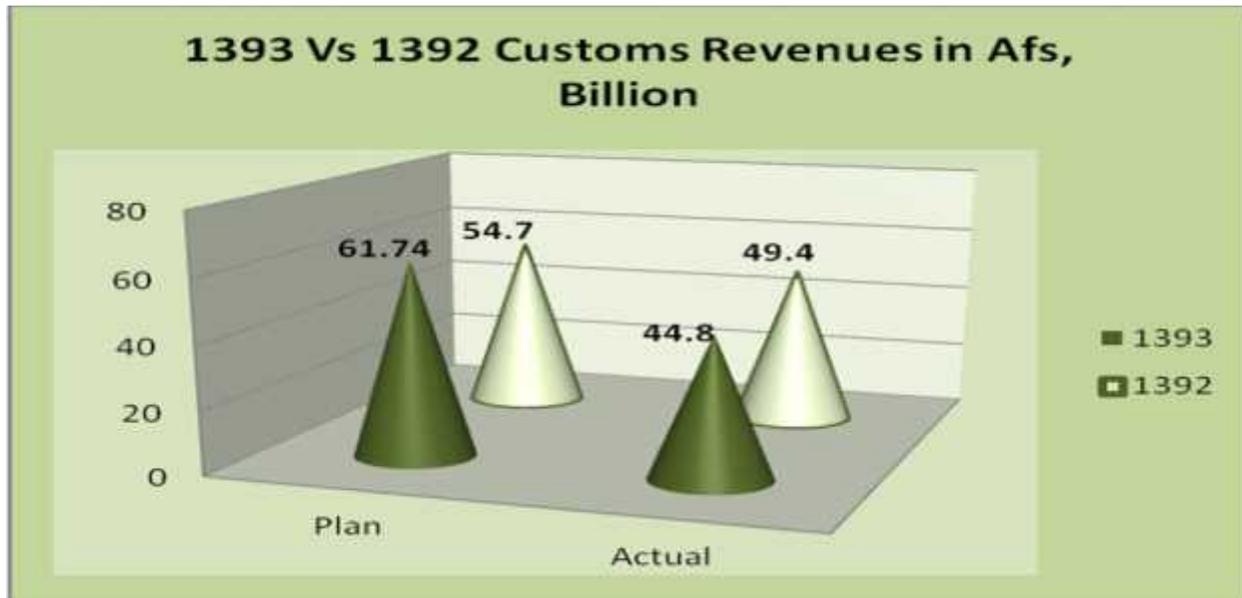
Customs:

As a part of domestic revenues, customs revenues reached to Afs 44 8 B during FY 1393, showing a shortfall of 27% against annual target of 61.74 Billion. Relative to customs revenues annual target for 1393, Afs. 61.74B, it has completed 73% of it. Compare with its last year custom revenues shows a decrease of 9%.

Figures in Afs. Billion:

| Customs Revenues including 2% Tax on imports as at the End of FY 1393 | | | |
|---|-------|--------|---------------|
| Fiscal Year | Plan | Actual | % of the year |
| 1393 | 61.74 | 44.8 | 73% |
| 1392 | 54.7 | 49.4 | 90% |

Source: Customs Department



The total revenue realized through MVTs in the 4th quarter of fiscal year 1393 is 28.7 Million AFS. The total reports from the provinces are not finalized so far.

Post Clearance Audit (PCA) has realized 2.0 million AFS so far in 4th quarter of 1393 the total reports from the provincial custom houses are not finalized.

Regarding to construction work, Construction of Car Parking Kabul ACD HQ, Khost Linking Road, Nimroz truck parking and Nimroz Warehouses have been completed and work is going on Torkham fiber optic cabling and Civil Works, Generator & Electrical Housing in Kabul ICD, ACD Facilitation Center are in progress.

Also, 152 customs officers from various departments of customs and customs houses have been trained in the (fourth Quarter of 1393) at ANCA. Some of 50 customs officers have acquired trainings and attended workshops under various topics abroad in the fourth quarter 1393.

In addition During FY 1393, to that ASYCUDA project supporting of ACD ASYCUDA - Management in daily Customs operations and reporting the implementation of RM Customs

offices 7 major Custom (KIA, Kabul ICD, Jalal Abad ICD, Balk ICD, Herat ICD, Kandahar ICD and Kondoz ICD have been completed.

A new computerized system called exemption module has been implemented as pilot phase at ACD exemption department which is used to monitor, control and cover all the exemption procedures through automated system.

ASYCUDA Central Team has continued to maintain technically and functionally the operation of the ASYCUDA DPS in 13 computerized ACD sites across the country.

AW Selectivity control page training was arranged in the ASYCUDA Training center and 14 officers were trained. Also, AW Selectivity control page was arranged for KIA 20 officers at ASYCUDA Training Center for 2 days. Meanwhile AW Selectivity control page training was held for the Nangarhar ICD, Torkham BCP officers, Herat ICD officers, Islam Qala officers and Torghondi officers at ASYCUDA Training center.

AW valuation module (AW VM) which uses valuation tools for better control of values in Customs Now has been implemented as a pilot phase in Kabul, Nengarhar and Kandahar ICDs, and currently 26315 TCS codes are operational in the live server.

All 6 Custom departments (Kabul ICD, KIA ICD, Jalalabad ICD, Bakh ICD, Herat ICD), which are currently using risk management system fully supported by ASYCUDA team, additional practical training carried over to Customs officers and brokers.

ASYCUDA World detail Web Reports are developed and being used by Customs branches. These reports are related to Revenue, DPS, Selectivity, Manifest, Transit and valuation. For time being more than 130 Web Base reports are ready for Customs use in AW system.

1.3 Operation

Operation Support:

Admin, Finance and Projects Coordination

MOF Budget Execution:

The 1393 operating budget of the Ministry of Finance is Afs 4002.6m, of which Afs. 3940.94m, allotments have been issued and Afs. 3811.62m has been spent as of end of fiscal year 1393.

Figures in Afs Million:

| MoF Operating Budget Execution as at the End of FY 13 | | | | | |
|---|----------|-----------|-------------|---------------------|------------------------|
| Fiscal Year | Budget | Allotment | Expenditure | % Exp of the Budget | % Exp of the Allotment |
| 1393 | 4,002.60 | 3,940.94 | 3,811.62 | 95% | 97% |
| 1392 | 5,898.06 | 5,898.06 | 5,715.15 | 97% | 97% |

Source: Budget Department

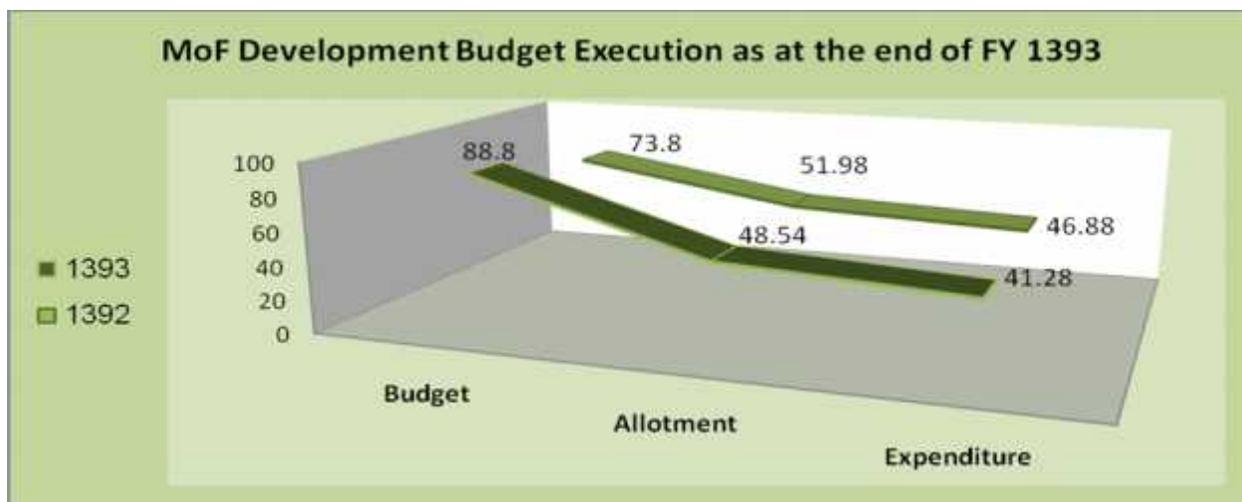


MOF core development budget execution rate is 46%, as end of FY 1392 while last year it was 63.5% for the same period.

Figures in USD Million:

| MoF Core Development Budget Execution as at the End of FY 1393 | | | | | |
|--|--------|-----------|-------------|---------------------|------------------------|
| Fiscal Year | Budget | Allotment | Expenditure | % Exp of the Budget | % Exp of the Allotment |
| 1393 | 88.8 | 48.54 | 41.28 | 46% | 85% |
| 1392 | 73.8 | 51.98 | 46.88 | 63.50% | 90% |

Source: Budget Department



General Admin Services:

Related to general admin service, during FY 1393, 85% timely procurement process has been implemented. Regarding allotments, in total 66% of allotments have been executed timely in fourth of FY 1393.

Payments have been made based on the obtained allotments; it shows 100% processing of payment. Related to the working condition at MoF offices, MoF's offices were equipped with suitable equipments.

Projects Implementation Unit (PIU)

The PIU is responsible for facilitating accelerated project execution and development budget under the Ministry of Finance. The projects are hosted in different departments of the Ministry of Finance, but coordinated by the Unit. In the year 1393, there are 23 projects under the Development Budget. With PIU efforts, the following are their respective performance in the 1393 FY

APRP and RIMU projects managed to execute their work in line with their action plans. In the same line, the MBAW, PPU and ATP did fairly well towards their action plan. On the least is the Human Resources Department which did not really do well on its long and short term capacity development projects. It should be noted that five projects did not report anything on physical progress of the projects. This is worrisome because the Ministry of Finance adopted the programme Budgeting Framework, where all projects are expected to demonstrate results which should be in line with their budget expenditures.

Human Resources Management:

Taskheel:

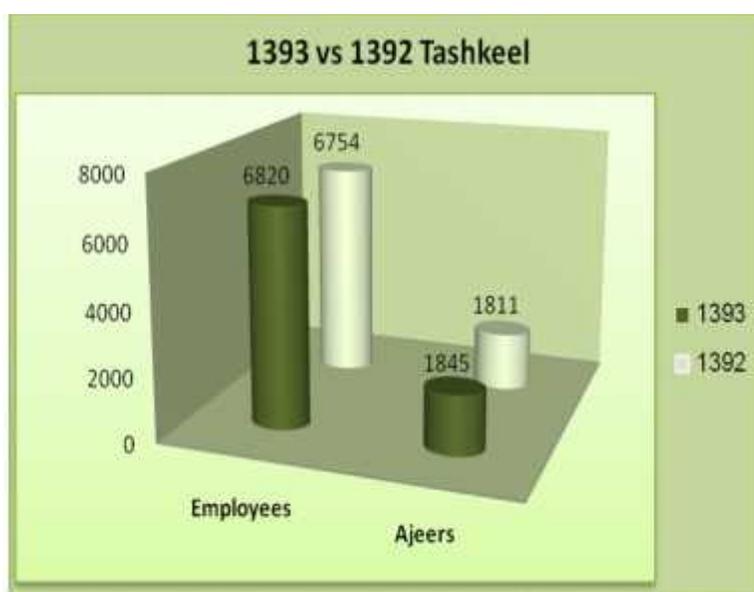
MoF 1393 taskheel reached to 8665 positions of which 1845 posts are Ajeers, which is almost 1.17% higher than the number of the taskheel positions, 8565, in 1392.

| Year | Employees | Ajeers | Total |
|------|-----------|--------|-------|
| 1393 | 6820 | 1845 | 8665 |
| 1392 | 6754 | 1811 | 8565 |

Source: MoF HRMD

Ministry of Finance 1393 Tashkeel within 8665 positions

approved. In order to have a thorough review of the MoF organization structure and job descriptions in line with civil service policies, a team comprised of representatives of IARCSC and HRMD are working rigorously on the revision of the overall MoF organization structure and job descriptions with around 80% to date. The process shall reduce the overlaps and create a more effective organization structure with standardized job descriptions.



Recruitment:

In the field of recruitment, implementation of Pay & Grading (P&G) system is going smoothly with a rapid pace and there has been significant progress to date. Since the beginning of the Program in 1388, more than 92% of the tashkeel positions have been filled under the Pay and Grading System. It is worth mentioning that all the recruitment is done as per the civil servants law meeting civil service standards.

Performance Appraisal:

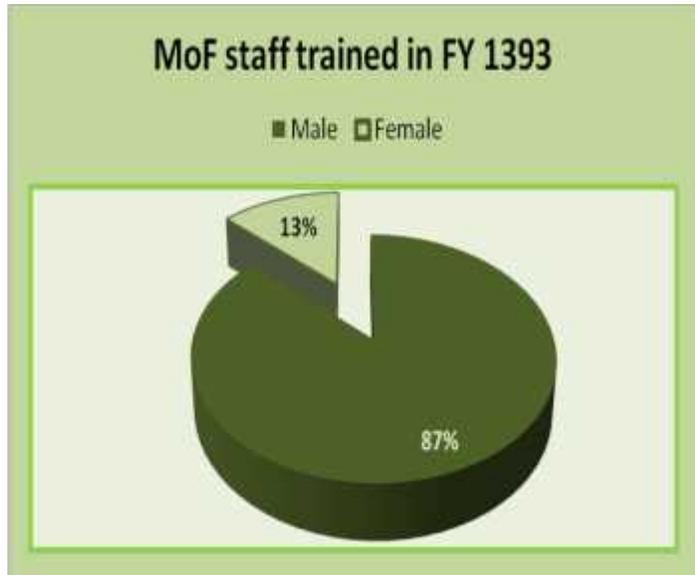
During FY 1393, a number 3734 performance appraisal forms have been sent based on annual plan performance appraisal, out of which a total number of 2810 employees have gone through

performance appraisal process and recorded in HRMIS. The remaining 924 forms are under process.

Training & Development:

Short term training Programs:

Regarding Training and Capacity Building ,during the FY 1393, a total number of 72 training programs conducted under which 1668 MoF employees (209 women and 1459 men) received the necessary trainings related to laws (customs law, civil service law, labor law and procurement law) Office management, Human Resource Management, Project coordination Management, Report writing, leadership, proposal writing, coordinating and filling system, group working, policy analysis, taxation, Interchange English language, time management ,planning, coordination,



performance appraisal, project management Academy training programs, monitoring and evaluation, management fundamentals, communications, risk management, conducting orientations program, computer programs such as Ms Excel, Ms word .

Major Achievements

- A number 20 MoF employees have been introduced for the second batch DPP program, which is currently in progress;
- A group of MoF employees comprised of 22 male and 5 female were sent to Dubai under UNITAR Fellowship training program.
- A number of 27 MoF employees have been sent for different overseas trainings out of which 9 were female candidates;
- 4 MoF employees have been sent for Masters program to Japan through JICA scholarships;

- A number of 8 other employees are sent for Masters Program to India through Ministry of Higher Education.

Reform Implementation & Management Unit (RIMU)

A: Strengthening Human Resources Management Department (HRMD)

The objectives of the RIMU under PFMR II Project are : i) to strengthen Human Resources Management Department and assist in implementation of administrative reform , ii) to assist MoF in monitoring and evaluation of the strategic plan and technical assistance projects and iii) to coordinate and provide operation support to PFMR Project. The activities carried out in this regard during the FY 1393 are as below:

MoF Questions Bank Book Dari version was finalized and printed. Its Pashto version is under review. Pashto version of the HR Policies Handbook was finalized and is under printing process. HRMD annual newsletter was developed in three English languages (Dari, Pashto and English) and published in MoF website.

Annual training plan and proposal was developed based on the TNA which went approved. Additionally, a specific TNA of the HRMD was conducted, a training proposal was developed which went approved by WB and its implementation will start in the coming quarters. Training materials are under development for the HRMD trainings.

In line with the training plan, 7 training programs were conducted in general management on different topics such as Proposal Writing, Project Management, Communication, Office Management, Filing System and etc here in Headquarter and 134 staff of different MoF Departments were trained.

In addition, a two-day orientation seminar was successfully held on 2nd and 3rd of Jada 1392 for total number of 30 graduate internees' of Kabul University introduced to Ministry of Finance for their internship period. Likewise, another two-day orientation seminar was successfully held on 19th and 20th of Dalwa 1392 for a total number of 24 graduate internees' of Kabul University.

For the HRMD shared services model implementation, Assistance provided to recruit a number of 30 new experts of SIGTAS and ACD Management Unit. Effective coordination has been maintained with the Headquarter. A comprehensive training plan was developed for ARD and ACD with consultation of their department heads and ARD training section.

A one-day training program in client services and code of conduct was conducted for STO 30 new recruited employee on 28 JADI 1392. Additionally, a three-day training program in training methodology (TOT) for SIGTAS and ARD/TD 7 trainers were conducted from 21 to 23 Dalwa 1392. Similarly, a one-day training program in data collection methods was conducted for STO 40 new required employee 19 Dalwa 1392.

During the 3rd quarter, 667 TNAs are trained in areas of proposal writing, project management and other administration. Also MoF's TA report was prepared.

During the 3rd quarter of 1393 one training program on Proposal Writing, Project Management, Office Management and Communication to 27 staff of Insurance, Budget, Finance & Account, National Programs Implementation, Policy, PPU, Chief of Staff, Administrative and HR Departments at HR Training Center was conducted. Also two training program on Fundamentals of Management, Time Management, Coordination, M&E and Filling System to 31 staff of HR, Audit, Treasury, National Programs Implementation, Media, Chief of Staff, Accounting & Finance, Government Enterprises, Insurance and PPU departments was conducted.

TNA has been completed for the fiscal year of 1393 and will be incorporated in the annual plan.

During the 4th Q of 1393 through technical support and efforts of RIMU and financial support of World Bank, a capacity building scheme for capacity building of HR directorate was designed to enrich the existing knowledge of HRMD personnel and equip them with extra relevant skills to perform their assignments and jobs more professionally.

The aforementioned capacity building scheme has been designed in three phase for MoF 86 employees which contains the following program which conducted in Spinzar Hotel, (Fundamentals of Reteam Building, Coordination, Effective Planning, Organizational Communication, Office Management, Delegation of Authority, Report Writing

Also in this period 3 training sessions which includes 15 topics (Fundamentals of Management, Coordination, M&E, Filling System, Time Management, Proposal Writing, Project Management, Office Management, Communication, Fundamentals of HR, Afghan Government Structure and Planning) were conducted for 1533 employees of MoF from (Administrative, Treasury, Budget, National Programs Implementation, Policy, Inspection, Procurement, Chief of Staff, HR, Insurance, Finance, Government Enterprises, Finance & Accounting, Media, PPU, Kabul Mastofiat, Audit, Properties, Provincial HR manager, Economics Faculty Kabul University and IT departments).

Related to HR Provincial Coordination, The Training Program/Coordination Workshop that was aimed at strengthening communication and coordination between Provincial Mustofiat and HQ, a general assessment of provincial HRM capacity, Introduction and training of Office Groove(a communication and coordination tool), and laws that govern HRMD Practices and Procedures was successfully conducted in five zones of the country.

The schedule of the Zones that have been covered so far, are as follow:

| | Zone | Venue | Date Held | Total No. of Participants |
|---|----------------|---------------------|--|---------------------------|
| 1 | East Zone | Ningarhar Mustofiat | 10 th -11 th Nov 2014 | 12 |
| 2 | North Zone | Bulkh Mustofiat | 18 th -19 th Nov 2014 | 13 |
| 3 | West Zone | Herat Mustofiat | 23 rd -24 th Nov 2014 | 13 |
| 4 | Southwest Zone | Kandahar Mustofiat | 16 th - 17 th Dec 2014 | 12 |
| 5 | Northeast Zone | Kunduz Mustofiat | 23 rd -24 th Dec | 12 |

B: Monitoring and Evaluation:

MoF programs were updated with consultation of MoF line department for next five years. MoF strategic plan was updated for the next five years in both English and Dari; its first draft was circulated for review and comments and receiving comments approved by DM for administration for the usage.

1392 FY annual performance review report was prepared both in Dari and English in line with the strategic plan and uploaded in MoF website. Reporting templates and monitoring frameworks for 1393 with their indicators, baselines and benchmarks were reviewed and updated in line with strategic plan, which were put into use for data collection. 1393 FY semi-annual and nine months performance reports were prepared both in English and Dari. The results framework for Office of DM for Admin was updated as well.

Additionally, MoF 1392 annual report was prepared and submitted to Office of Administration Affairs OAA. Furthermore, based on instructions of DM for Admin, a summary report of the last twelve years achievements were prepared and submitted to him.

During the 4th quarter the MoF 3rd quarter and 4th quarter progress report against CBR result framework prepared and submitted to CBR office. Also the RIMU 4th quarter performance report was prepared and submitted to PIU directorate. MoF 4th quarter progress report is under work.

C: PFMR II Project Coordination:

FY 1392 fourth quarter Financial Monitoring Report (FMR) and FY 1393 first and second quarters FMR were prepared and submitted to WB on time. Also the 3rd and 4th quarter FMR were prepared and submitted to WB.

PFMR II project revised costing was done for the extension to end of Dec 2015. Similarly, PFMR II project high level WP and results framework were updated for extension. The procurement plan has been updated in SEPA. Additionally, an excel report has been prepared and submitted to WB. Assistance was provided to audit of FY 1392 and issue was coordinated with all implementing units. The 1392 audit response was prepared and submitted to WB through an official letter.

The PFMR II project monitoring report effective from 22 June 2013 to 22 Sept 2014 has been prepared and was submitted to World Bank on time. And Day to Day advice has been given to project implementing units on operation issues and coordination has been strengthened with WB.

Office of the Chief of Staff Affairs:

During The Fiscal Year 1393, management meetings have been held regularly, 27 Presidential Decrees, 623 Presidential Orders and 45 decisions of Cabinet were followed up for execution. Additionally, numbers of 4923 letters were prepared in this period.

Arrangement of press conferences, invitation of media, publishing of press release and news releases are the main performances that are executed by Media Office. The Media documents of Internal events of the Ministry like workshops, seminars, signing ceremonies and press conferences are stored in safe archives of Ministry and the external media documents of other publications that are related to Ministry of Finance are also recorded and stored in archive.

MoF website has been maintained and regularly updated with up-to-date information inclusive of reports, plans, laws and etc.

Insurance Affairs:

Regarding to public awareness of insurance culture, General Directorate of Insurance used televised advertisements, web site (accessibility of data through internet to investors), billboard installation across the capital and four major cities (Balkh, Herat, Kandahar and Nangarhar), workshops and conferences conducted to attract investment on insurance Affairs.

During FY 1393, new insurance law draft, license dissemination plan have been completed. In terms of rules and regulations, new draft of insurance laws was completed. Health insurance regulation plan is under process, regulation of life insurance has been prepared and legislative sessions have been conducted between Directorate of insurance and Directorate of economics and finance of Ministry of Public health. Formats for financial reporting (balance sheet, revenue balance, circulated fund balance, balance changes in shareholders' right) were planned, designed and have been prepared.

Regarding the Monitoring of insurance companies, Milli Afghan insurance company, Insurance global and Afghanistan Insurance have been audited.

Asset Management:

Privatization:

During the fourth quarter of 1393 FY, Afs 422. 66 Million has been paid to large Tax office account from tax and disbursement of Government industries which the total annual revenues generated reach up to Afs 1412.97 Million for the 1393 FY. Also in the fourth quarter of FY 1393, SOE Department has collected Afs 8.931 Million from SOEs as rent, profit and other obligations and paid to SoEs bank account. Also 27 balance sheet of SOEs have been analyzed and audited.

Regarding privatization Five SOEs which was supposed to be liquidated and its personality changes to food industry based on ministries council's decision was rejected by Parliament of Afghanistan. Personality change of enterprise security to budgetary unit is under clean up and work is going on it. Revenues earned from privatization during current FY reaches to Afs 37 million.

Property Management:

With reference to registration of government's properties, properties of 749 in capital as well as in Provinces which comprise apartments, buildings, electricity stations, mosques, restaurants and gardens have been registered in Fiscal Year 1393.

The total revenue generated **till end of FY 1393** from properties leased and rented in capital (Kabul) as well as in provinces reached about Afs 482.64 million which was deposited in government's revenue account at the end of 1393FY.

Internal Audit:

Audit found AFs. 80,272,929 as Un-declared revenue during 3rd quarter audits & reported them to concerned authorities for collection. Audit teams deputed in 3rd quarter have not yet finalized their reports, so 4th Quarter figures, if any, will be reported in 1st quarter of 1394.

In 3rd quarter 1393 42 auditee's were planned to be audited among which 36 audits were initiated and 30 of the audit reports were sent back to the auditees for their management response. 06 audit reports are not yet finalized once done will be sent.

As of date, Audits for 4th quarter are not yet completed. Once audits are completed and reports are reviewed by QA committee they will be sent to auditees' for their corrective & preventive actions against the audit observations / recommendations.

Related to fraud investigation, out of 20 cases five of them were investigated and completed. ten cases were sent to related departments for the follow up purpose. Three cases were closed due to insufficient information/evidence and 2 remaining are under investigation..

Audit Information System "**DEBT Management System**" initiated in Budget Department of MoF.

During fourth Quarter of FY 1393, In total number of 149 employees participated in different programs like specialized training, bachelor and master program in which 106 employees were from IAD and 43 others were from other LMs IAD.

28 planned audits are initiated in following areas and are still in progress. Due to late initiation of audits in 4th quarter, they are still in progress and not yet completed.

1.4. Government Policies Coordination

Policies Coordination & Strategy Implementation:

According to NPP financing committee's action plan, the five selected NPPs (1- ARD cluster – Agriculture NPP 2- PSD cluster- E-Afghanistan 3- Governance cluster- Sub-national local governance 4- HRD cluster – **Higher Education** !- ID cluster- Industry Extractive) have been analyzed for funding and are ready to be presented to donors.

As per the NPP financing committee's action plan, the five selected NPPs as a pilot have been under process to analyze for funding disbursements and gaps. The process will be revitalized with the refreshed TMAF.

Arrangements and preparation for London Conference were undertaken. Priorities and Reforms for Government of Unity were translated and transformed into priorities for Transformation decade. Realizing self-reliance a paper for London Conference was prepared and presented to the Conference on 3-4/December 2014. The next step would be to hold a Senior Officials' meeting in mid-2015 to **revitalize the TMAF process and layout an implementation plan** to follow up government and international community mutual commitments.

Summary Second report from EAW law implementation was developed and shared with MoWA for review. In addition to the above activities, The London Conference documents (government paper and communiqué) were translated to Dari and Pashto by the ANDS team.

Assisted MoE, Mol, NDS and ISAF Joint Command in transfer and Closure of 347 bases as per the **directive of Decree# 5543 of H.E President through facilitation of Asset 1 Commission (ATC), Joint Basing Closure Working Group and Round Table Meetings.**

As a result of which the transparency and Accountability process will be and all movable and immovable military assets would be transferred to the government of Afghanistan.

During the period under reporting, accompanied the Asset Transfer Commission members during field visit to Kandahar Airport and Logar 4th trip as a result of which separate reports were presented to High Security Council, Base Closure Commission and President's office for taking necessary actions.