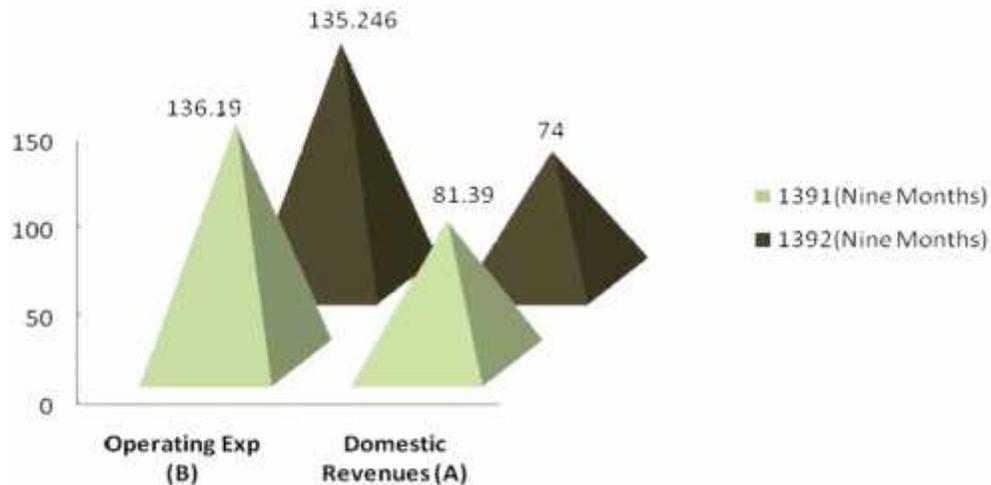




**Islamic Republic of Afghanistan**  
**Ministry of Finance**  
**Office of the Deputy Minister for Administration**  
**Reform Implementation & Management Unit**

**Nine Months Performance Review Report**  
**FY 1392**  
**On Strategic Plan**

**Domestic Revenues Vs Opt Exp In Afs.Billion**



**Submitted to: MoF Top Management**

**Submitted by: RIMU**

**Submission Date: 13 Aqrab 1392**

# Table of Contents

- Executive Summary: ..... 3**
- 1. Main Achievements ..... 5**
  - 1.1 Public Finance Management ..... 5**
    - Core Budget: ..... 5
    - Core Budget Financing: ..... 5
    - Core Budget Expenditures: ..... 6
    - Treasury: ..... 8
    - Fiscal Policy: ..... 9
    - Procurement Policy: ..... 9
  - 1.2 Domestic Revenues ..... 11**
    - Revenues: ..... 11
    - Customs: ..... 13
  - 1.3 Operation ..... 15**
    - Operation Support: ..... 15
    - Asset Management: ..... 23
    - Internal Audit: ..... 23
  - 1.4. Government Policies Coordination ..... 25**
    - Policies Coordination & Strategy Implementation: ..... 25

## **Executive Summary:**

Performance of Ministry of Finance in the nine months of the fiscal year 1392 was significant. In particular, core budget revenues realization was close to expectations; however, in terms of core budget expenditures, the core development budget expenditures was lower due to some known factors. Most of the other supporting and development activities were achieved in line with the set targets.

Domestic revenues both tax and non tax reached to Afs 74 B as at the end of nine months of 1392 showing a shortfall of 8% against the IMF target of Afs. 80.9 B for the nine months. Compared with annual IMF revised target of 1392, Afs. 114.2 B, it has completed 65% of it. Relative to nine months revenues of last year, Afs. 81.39 B, it shows a decrease of 9%.

Customs revenues reached to Afs 36.1 B in the nine months of the year, showing a shortfall of 12% against the nine months target of Afs. 41.1 B. Compared to last year's nine months customs revenues, Afs. 35.84 B, it shows an increase of 0.7%. Relative to customs revenues annual target for 1392, Afs. 54.8, it has completed 66% of it.

Core budget/national budget for 1392 is Afs 358.244 (operating budget Afs 206.585B and core development budget Afs 151.659B). Compared to last year's core budget of Afs 265.321B (operating budget Afs 157.971 B and core development budget Afs 107.350 B) as indicated in the nine months of last year, it shows an increase of 35%. The operating budget has increased by 31%, and core development budget shows an increase of 41%.

The execution rate of core development budget is 28% for the nine months, while last year, it was 50% for the same period. This low execution rate of the core development budget is primarily due to 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 65%, while last year it was 86% for the same period.

Related to the core budget financing, domestic revenues is projected to cover 32% of it in 1392 while the short fall of 68% shall be covered by donors' assistance to core budget. Compared to operating budget, domestic revenue shall cover 55% of it. In the nine months of the 1392FY, it covered 55%.

Macroeconomic framework was developed for 1393 budget statement. MTFE was updated for 1393 Pre-budget and 1392 budget / budget statement. MTFE also includes projections for the medium term. Revenue projections have been done for the 1393 pre-budget report and for the 1392 budget statements.

Transactions on operating budget is reconciled daily but finalized on a monthly basis. Reconciliations on Development Budget is completed within 30 days of month end.

PPU assessed 7 Line Ministries (MRRD, MoD, MOIC, MAIL, MoI, MCN, MoWA) for Capacity Certification and standalone procurement. Out of these 7 LMs, MoD, MoI, MCN, MoWA are certified for standalone procurement, MAIL, which was certified in the past, is decertified hence

MAIL is obliged to process its procurement according to PPU circular through ARDS. PPU's recommendations and findings have been communicated to these non-certified organizations in relation to their procurement proceedings in order to improve those deficiencies and get prepared for certification in the near future.

MoF 1392 proposed taskheel reached to 8565 positions of which 1811 posts are Ajeers, which is almost 0.2% higher than the number of the tashkeel positions, 8550, in 1391. In training and development area, 83 training programs were conducted and 1804 staff were trained.

Regarding Monitoring and Evaluation of the Strategic Plan, MoF 1391 annual performance review report, 1392 1<sup>st</sup> quarter and semi annual reports were prepared both in Dari and English in line with the strategic plan and uploaded in MoF website. MoF TA report was also updated.

During the Nine month of 1392, Afs 1.166 billion was paid to Large Taxpayers Office account from tax and other obligations of Stated Owned Enterprises (SOE). Also, during this period, SOE Department has collected Afs. 9.1million from SOEs as rent, profit and other obligations and deposited them to SoEs bank account.

With reference to registration of government's properties, properties of 2040, including 840 in capital (Kabul) and 1200 properties in provinces which comprise apartments, buildings, electricity stations, mosques, restaurants and gardens have been registered during the first six months of fiscal year 1392. Also 6 properties were contract through auction process based on decision number (39).

During the nine months of the year, management meetings have been held regularly, 17 Presidential Decrees, 700 Presidential Orders and 38 decisions of Cabinet were followed up for execution. Additionally, letters were prepared. Also arrangement of press conferences, invitation of media, publishing of press release and news releases are the main activities that are executed by Media Office.

MoF Development Budget execution rate is 38% as at the end of nine months of the year. 24 projects were designed and are in the implementation stage of which, 4 projects are delayed.

Under the Office of DM for Policy, 21 out of 22 NPPs have been endorsed. Also, after one and half year's discussions with the line ministries and donors, the governance cluster was able to finalize the NPP 5 (Law and Justice for All programs).

# 1. Main Achievements

## 1.1 Public Finance Management

### Core Budget:

Core budget/national budget for 1392 is Afs 358.244 (operating budget Afs 206.585B and core development budget Afs 151.659B). Compared to last year’s core budget of Afs 265.321B (operating budget Afs 157.971 B and core development budget Afs 107.350 B) as indicated in the nine months of last year, it shows an increase of 35%. The operating budget has increased by 31%, and core development budget shows an increase of 41%.

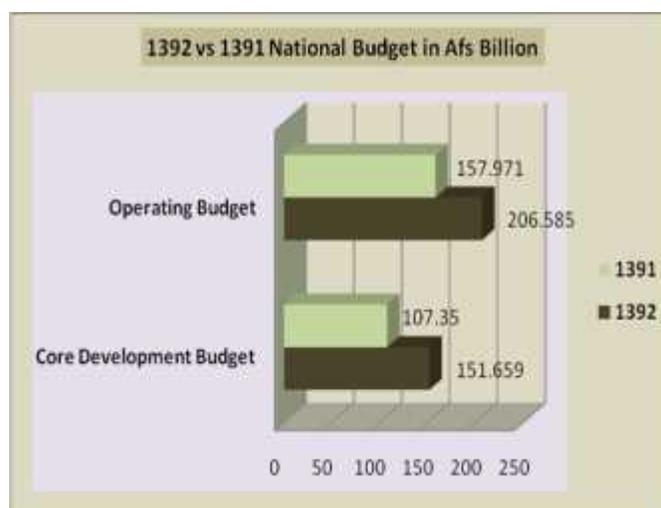
Figures in Afs Billion:

Fiscal Year	Operating Budget	Core Development Budget	Total
1392	206.585	151.659	358.244
1391	157.971	107.350	265.321

Source: Budget Department

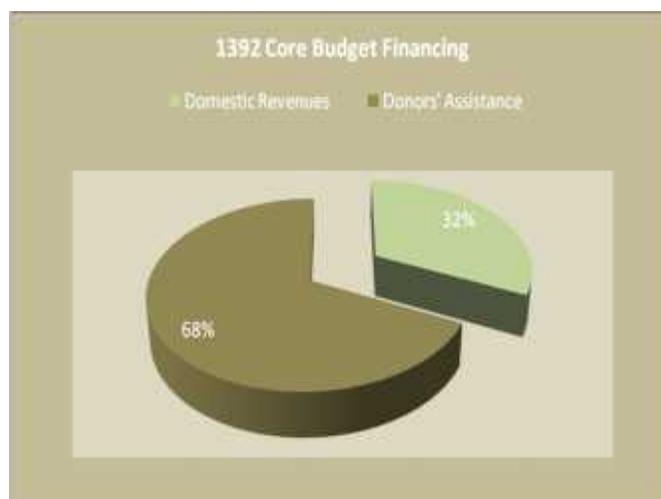
The share of operating budget in the core budget has decreased as compared to that of last year. Operating budget as % of the core budget is 58 %, while last year it was 59% as reported in the nine months.

However, the share of the core development budget in the core budget has increased as compared to that of last year. Core development budget as % of core budget is 42%, while last year, it was 40% as reported in the nine months.



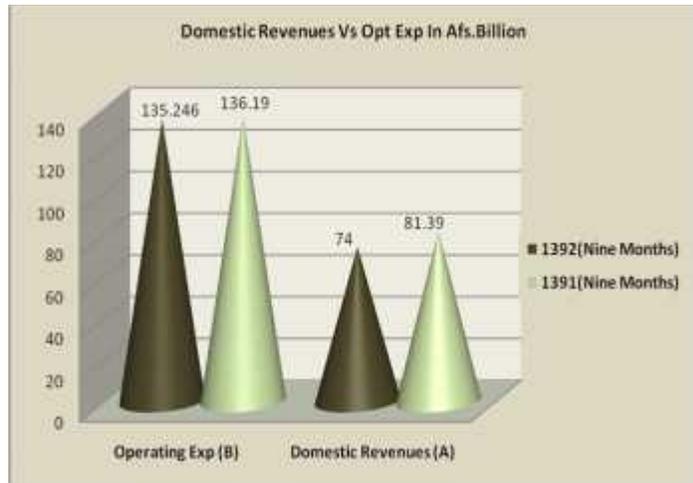
### Core Budget Financing:

Related to the core budget financing, domestic revenues is projected to cover 32% of it in 1392 while the short fall of 68% shall be covered by donors’ assistance to core budget. Compared to operating budget, domestic revenue shall cover 55% of it.



## % of Operating Expenditures Covered by Domestic Revenues

Domestic revenues covered 55% of the total operating expenditures in the nine months of the year, whereas last year it had covered 60% of it for the same period. It is expected that it shall cover around 55 % of the total operating expenditures by the end of the year.



Figures in Afs. Billion:

Fiscal Year	Domestic Revenues (A)	Operating Exp (B)	A/B
1392(Nine Months)	74	135.246	55%
1391(Nine Months)	81.39	136.190	60%

Source: AFMIS/Revenue & Budget Departments

## Core Budget Expenditures:

The execution rate of core development budget is 28% for the nine months, while last year, it was 50% for the same period. 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 process is accomplished by line ministries is not realistic. On the other hand, the execution rate of operating budget is 65%, while last year it was 86% for the same period.



### Core Development Budget Expenditures in the Nine Months:

Fiscal Year	Budget	Allotment	Expenditure	% Exp of the Budget	% Exp of the Allotment
1392	151.659	55.828	41.917	28%	75%
1391	107.350	65.494	53.431	50%	82%

Source: AFMIS/Budget Department/ in Afs Billion

### Operating Budget Expenditures in the Nine Months:

Fiscal Year	Budget	Allotment	Expenditure	% Exp of the Budget	% Exp of the Allotment
1392	206.585	167.469	135.246	65%	81%
1391	157.971	156.043	136.190	86%	87%

Source: AFMIS/Budget Department/ in Afs Billion

The MTBF a pre-budget document including the budget ceiling and MTFE is prepared and approved from the Cabinet in June. MTFE for a pre-budget document is also prepared with MTBF. The MTBF including MTEF and Budget Ceilings is approval. The allocations of budget resources are based on the MTBF/MTFE.

For 1393 Budget Preparation, a 12 months' Time Table (starting from 21 Dec 2012 – 20 Dec 2013) is prepared and approved by budget committee and currently being implemented.

As per the approved budget time table, the national budget will be submitted to the cabinet on 14 October and to the Parliament on 6 November. The Budget Statement which is a detail budget document will be submitted to the parliament 2 weeks after the approval of national budget.

For 1393, as per the approved Budget Timetable, the Mid-Year Review is prepared by end of June 2013 and is approved by cabinet and Parliament in end August.

The approved 1392 budget is uploaded on the website on time (immediately after approval by Parliament) and circulated to departments (PLDs) under this mechanism. For 1393-94-95, A new budgeting mechanism will be implemented. The new mechanism is prepared based on lessons learned and new provincial budgeting policy paper drafted.

For 1392, all budgetary units submitted their budget with provincial allocation. For 1393, All budgetary units have submitted their budget with provincial breakdown.

For 1391, 4 pilot ministries<sup>1</sup> have been included in the (GRB) Gender Responsive Budgeting mechanism. By end 1391, 13 Gender budget cells have been established Within the planning

<sup>1</sup> MoEd, MoHE, MoPH, MOLSAMD

departments of 13 line ministries. For 1392 budget, all ministries were reported that how their programs impact gender equality. For 1393 2 more ministries the MRRD and MAIL is also included which make the total of 6 ministries covering for GRB.

In 1391, two high levels meeting on Aid Effectiveness were contacted, the first was conducted in March and the second was in September 2012. High level meeting on aid effectiveness are not holding anymore, instead, all relevant activities are discussed in the weekly meeting organizing by Policy Department of MoF.

The 1392 budget statement, the citizen budget, the budget calendar and budget planner are also posted on the budget department website. The 1392 Mid Year Review is also posted on the website.

For 1392, all budgetary units were submitted their budget with program budgeting mechanism. For 1393, all budgetary units submitted their budget with program budgeting mechanism.

For 1391, 5 pilot ministries<sup>2</sup> have been submitted their budget with Provincial Budgeting Mechanism. For 1391, only 5 pilot ministries have been covered in provincial budgeting mechanism. These pilot ministries have covered all 34 provinces in this mechanism, but due to lack of fund one out of 4 LMs could implement this program in 1391. For 1392 another 3 pilot ministries covered all 34 provincial line

### **Treasury:**

Bank transactions on operating budget are reconciled daily but finalized on a monthly basis. Reconciliations on Development Budget is completed within 30 days of month end. Credits in TSA is recorded on a daily basis. Reconciliations of revenue transactions is completed within 20 days of month also reconciliations are done on a monthly basis.

Financial statements and cash flow projections are issued on time. Asset Policy has been approved. Draft guidelines have been prepared and being translated. Timeliness of the core budget audited financial statement submission to Parliament has been maintained. Regarding Verified Payroll Program, the number of registered government employees has reached over 710 thousand.

Related to loans, meetings concluded with Bulgarians and final agreement has not been signed yet, while Russian loans are expected to be finalized in Oct 2013

The Treasury's primary Data Center work is over 60% complete. Once it becomes fully operational, system downtime due to power outage and such other factors will be almost completely prevented.

Contract for Treasury's Emergency Operations Site has been awarded and work has commenced (Backup Data Center). This site will take over in case something happens to the

---

<sup>2</sup> MoEd, MoPH, MRRD, Mail, IDLG, MRRD and MAIL.

primary Data Center. Switchover from the primary site to the backup site is designed in such a way that it should happen in a matter of minutes.

### **Fiscal Policy:**

Under the Fiscal Policy Unit, Macroeconomic framework was developed for 1393 budget statement. MTFE is updated for 1393 Pre-budget and 1392 budget / budget statement. MTFE also includes projections for the medium term. Revenue projections have been done for the 1393 pre-budget report and for the 1392 budget statements.

Fiscal Database is updated 4 times. Monthly Economic Paper for 2<sup>nd</sup> and third months' has been produced. First quarter 1392 fiscal bulletin has produced. And also Annual Fiscal Report for the year 1391 published.

During the quarter in consideration, the FPD developed a debt sustainability analysis model, the results of the model suggests that whether the current level of debt is sustainable or not, and whether the country is in a position to borrow further debts by cross checking the Debt to GDP ratio, Debt to Export ratios, Debt Services to Revenue ratios and etc with other those of highly and less developed countries, the debt is then taken from bilateral and multilateral financial institutions to finance its future development projects, mainly, mega infrastructure development projects. Furthermore, multiple scenarios were tested in this analysis, along with different sensitivity analysis.

The contingency projection includes pension projections and pension for martyrs and disables projections, pay and grading projections and etc. these projections will be reflected in the national budget. And the national budget will be made on the basis of these contingency codes.

First draft of macroeconomic forecasting model has been prepared and this will be expended further once all the required and reliable data collected, this model will be used together with Reviews for the macro variables forecasting in coming months.

Revenue Model updated as per the IMF recommendation for the FY1393 pre budget statement based on new macroeconomic assumptions and new tax measures, also to achieve the revised revenue target for the year 1392.

### **Procurement Policy:**

During 3rd Quarter of 1392, PPU assessed 7 Line Ministries (MRRD, MoD, MOIC, MAIL, MoI, MCN, and MoWA) for Capacity Certification and standalone procurement. Out of these 7 LMs, MoD, MoI, MCN, MoWA are certified for standalone procurement, MAIL, which was certified in the past, is decertified hence MAIL is obliged to process its procurement according to PPU circular through ARDS. PPU's recommendations and findings have been communicated to these non-certified organizations in relation to their procurement proceedings in order to improve those deficiencies and get prepared for certification in the near future.

Also during last three quarters of 1392 Procurement Policy Unit (PPU) of Ministry of Finance trained a number of 991 trainees in different training programs both at central and provincial levels

During 3rd quarter of 1392, Procurement Policy Unit (PPU) of Ministry of Finance prepared and issued both the English and Dari versions of SBD for Non-consultancy Services via Circular # 50, uploaded its soft copy on PPU website. PPU also worked with MoJ on finalization of amendment of PPL. 5 Circulars has been issued during the 3rd quarter 1392 and in total 55 circular have been issued.

During 3rd quarter of FY 1392, a number of 320 procurement plans and a number of 174 procurement monitoring have been uploaded on PMIS website. Totally around 6,452 procurement plans and 1082 Monitoring have been uploaded on the PMIS website. 502 firms/bidders have directly registered themselves in the system. And overall 1,112 firms/contractors have been registered in PMIS system by procuring entities.

Related to public bidding and awarded contracts around 582 public bidding opportunities and 844 awarded contracts information are published in PMIS website.

During 3rd Quarter of FY 1392, Appeal and Review Committee reviewed 12 complaints/cases of violation of Public Procurement Law and Rules of Procedure in procurement proceedings by different entities and bidders. Out these, 3 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.

During 3rd Quarter of FY 1392, Procurement Policy Unit (PPU) of Ministry of Finance received a number of 11 cases of violation of Law and misrepresentations by bidders for debarment and reviewed the cases of violation and finally debarred the following two construction companies (Bidders) from participating in public bidding opportunities for the period of one year, the remaining cases of violation and misrepresentations are under process:  
Bakhter Afghan Construction Co. LTD, and Shufai Construction Co. LTD.

The list of debarred bidders is circulated to all procuring entities and referred their cases to Attorney General Office (AG) for further prosecution. List of all debarred bidders are published on PPU website and is accessible to the public

## 1.2 Domestic Revenues

### Revenues:

Domestic revenues both tax and non tax reached to Afs 74 B as end of nine months of 1392 showing a shortfall of 8% against the IMF target of Afs. 80.9 B for the nine months. Compared with annual IMF target of 1392, Afs. 114.2 B, it has completed 65% of it. Relative to nine months revenues of last year, Afs. 81.39 B, it shows a decrease of 9%.

Figures in Afs Billion:

Domestic Revenues as at the End of Nine Months				
Fiscal Year	Plan	Actual	% of the Quarter	% of the Year
1392(Nine months)	80.9	74	91%	65%
1391(Nine months)	87.97	81.39	92%	92%

Source: AFMIS/Revenue Department

Figures in Afs Billion:

Domestic Revenues on Quarterly Basis FY 1392				
Quarter	Plan	Actual	% of the Quarter	% of the Year
First	22.3	21.71	97%	19%
Second	28.3	24.83	88%	22%
Third	30.3	27.46	91%	24%



Source: AFMIS/Revenue Department

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 55% of the total operating expenditures in the nine months of the year, whereas last year it had covered 60% of it for the same period. Similarly, it is expected that it shall cover around 55 % of the total operating expenditures by the end of the year.

Figures in Afs Billion:

Domestic Revenues vs Operating Expenditures as at the End of Nine Months			
Fiscal Year	Domestic Revenues (A)	Operating Exp (B)	A/B
1392	74	135.246	55%
1391	81.39	136.190	60%

Source: AFMIS/Revenue & Budget Departments

### Domestic revenues as % of legal GDP:

It is projected that domestic revenues to GDP ratio shall reach to 11% by the end of the year.

Fiscal Year	Plan	Actual	% of the Year
1392	11%	-	-

Source: FPU

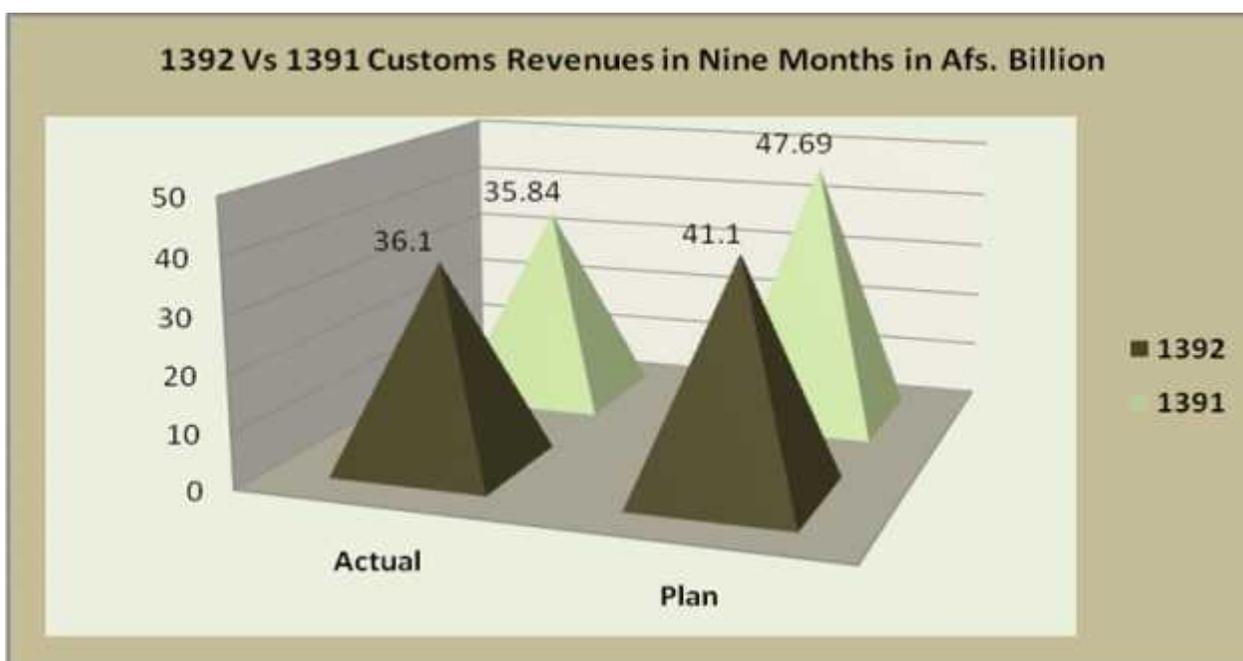
## Customs:

Customs revenues reached to Afs 36.1 B in the nine months of the year, showing a shortfall of 12% against the nine months target of Afs. 41.1 B. Compared to last year's nine months customs revenues, Afs. 35.84 B, it shows an increase of 0.7%. Relative to customs revenues annual target for 1392, Afs. 54.8, it has completed 66% of it.

Figures in Afs. Billion:

1392 Customs Revenues including 2% Tax on Imports as at the End of Nine Months				
Fiscal Year	Plan	Actual	% of the nine months	% of the year
1392	41.1	36.1	88%	66%
1391	47.69	35.84	75%	75%

Source: Customs Department



Related to Manifest Procedure, it has been finalized after approval and has been sent to various custom houses for implementation. The duplicate mechanism procedure is finally finalized after approval and being sent to customs houses for implementation. Regarding to construction work has been done in the number of custom centers in the center and provinces.

Related to the capacity development, 22 days training were conducted for 50 officers in the ASYCUDA+ DPS area in nine months of 1392 so far at Afghanistan Customs National Academy. And also 6 officers have been trained in the field of IT training of the ASYCUDA project the system of Linux Installation, Java Installation Windows Installation Tomcat web server installation ENEX Installation. ASYCUDA Introduction Training for 48 Customs officers from

different Customs and ASYCUDA World international transit T2 training for 23 customs officers from Hairatan and Torkham Custom transit officers and brokers at Customs Academy were provided.

The ASYCUDA system for registering and logging of the Customs Miscellaneous payment and enhancing ASYCUDA report is successfully installed, trained and executed at the KIA , Kunduz, Herat, Balkh and Nangrahar ICDs. Kabul, Kandahar, Torkham, Andkhoy is done as well.

The Customs Operation in Naibabad Railway station Balkh Province has started, and the Balkh ASYCUDA system has been re- configured to address the remote examination of goods in Naibabad Examination Yard.

ASYCUDA SAD, T1 and related table data entry manuals are prepared in details and have been disseminated to all Customs offices to be utilized by Customs brokers and officers. This will enable ACD to have better monitoring of Customs clearance process and at the end of the day with goods and statistics and Audit.

### 1.3 Operation

#### Operation Support:

#### Admin, Finance and Projects Coordination

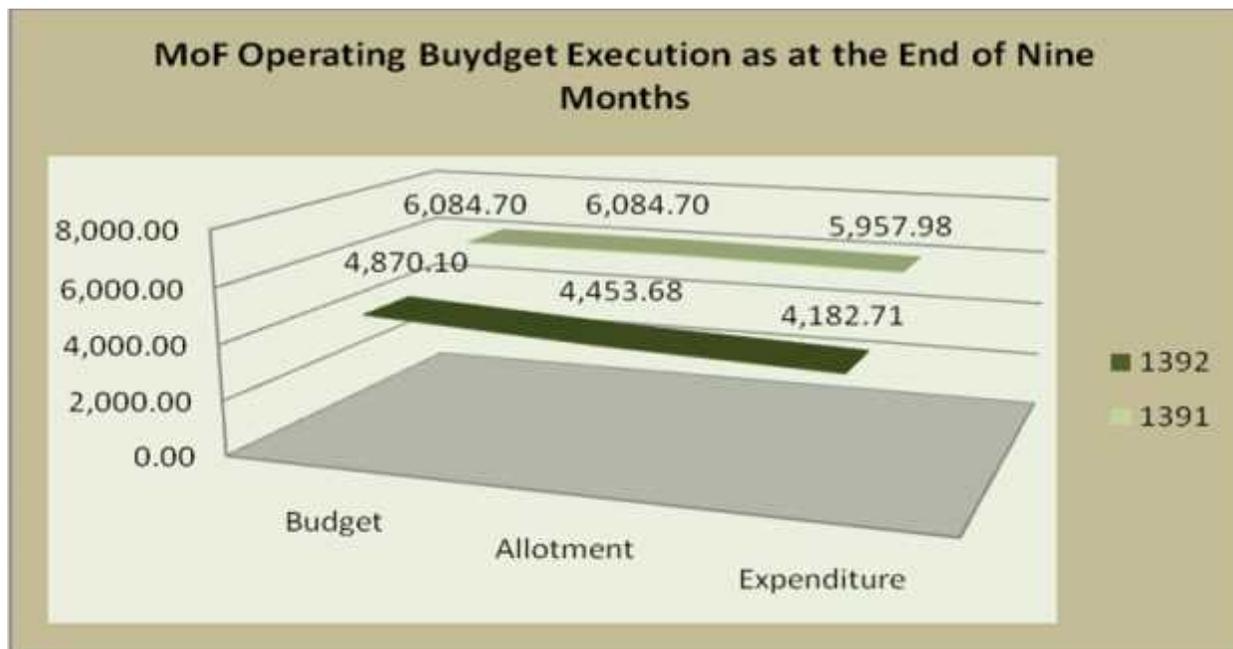
#### MOF Budget Execution:

The 1392 operating budget of the Ministry of Finance is Afs 4,870.10 m, of which Afs. 4,453.68 m, allotments have been issued and Afs. 4,182.71 m has been spent as end of nine months of 1392. Operating budget execution is 86%.

Figures in Afs Million:

MoF Operating Budget Execution as at the End of Nine Months					
Fiscal Year	Budget	Allotment	Expenditure	% Expenditure of the Budget	% Expenditure of the Allotment
1392	4,870.10	4,453.68	4,182.71	86%	94%
1391	6,084.70	6,084.70	5,957.98	98%	98%

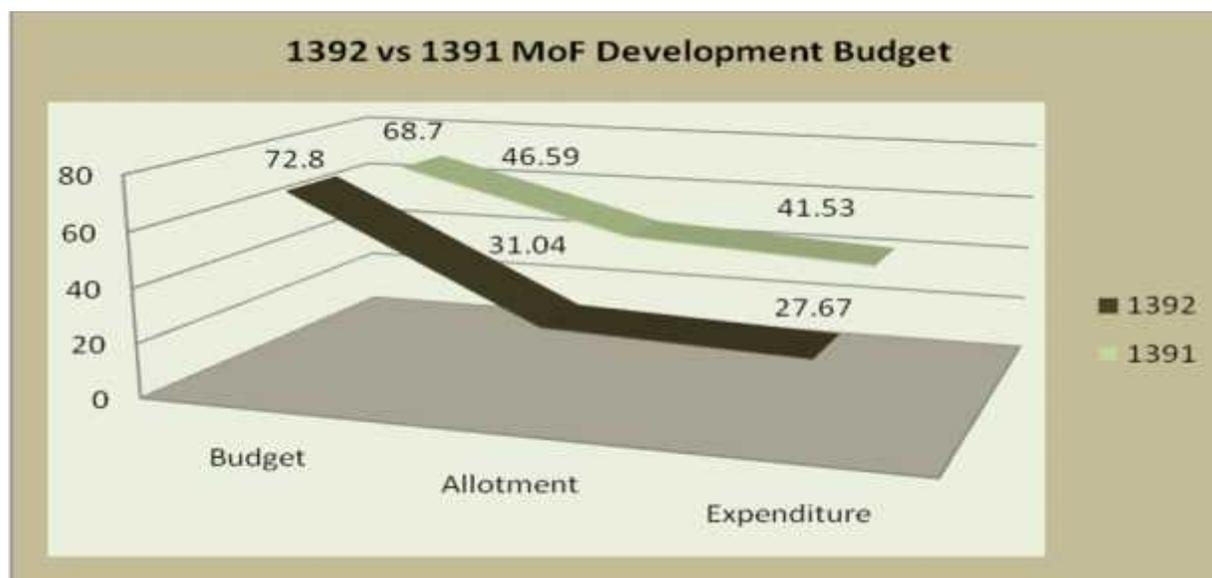
Source: Budget Department



MOF core development budget execution rate is 38%, in the months of the current year while last year it was 60% for the same period.

Figures in USD Million:

MoF Core Development Budget Execution as at the End of Nine Months					
Fiscal Year	Budget	Allotment	Expenditure	% Expenditure of the Budget	% Expenditure of the Allotment
1392	72.8	31.04	27.67	38%	89%
1391	68.7	46.59	41.53	60%	89%



Source: Budget Department

### Projects Implementation Unit (PIU)

MoF Development Budget execution rate is 38% as end of nine months of the year. Twenty four projects were designed and are in the implementation stage of which, 4 projects are delayed.

PIU has intended to consolidate the Supervision and Monitoring System of twenty four projects. Due to the fact that most projects do not have clear goals, objectives, outputs, outcomes and impacts, only 4 projects have been ascertained of the above, namely; Civilian Technical Assistance Programme (CTAP), Capacity Building for Results (CBR), Financial Sector Rapid Response Project (FSRRP), The Financial Sector Strengthening Project (FSSP)

The work is ongoing to finalize Performance Measurement Frameworks for all the projects and develop monitoring and reporting tools.

## Human Resources Management:

### Taskheel:

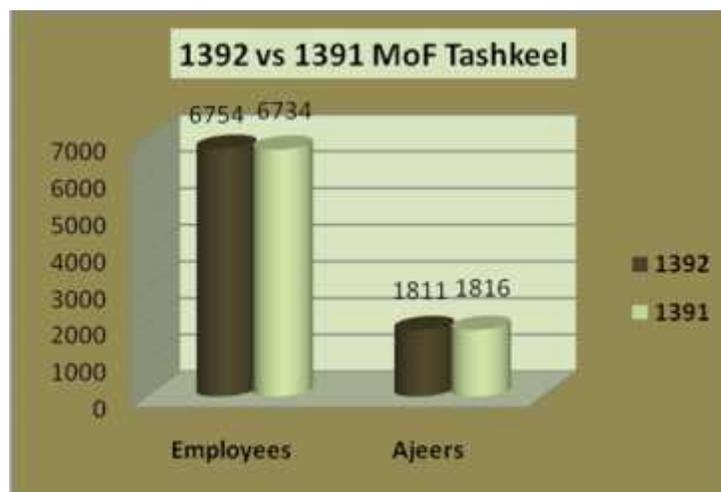
MoF 1392 taskheel reached to 8565 positions of which 1813 posts are Ajeers, which is almost 0.2% higher than the number of the tashkeel positions, 8550, in 1391.

Year	Employees	Ajeers	Total
1392	6752	1813	8565
1391	6734	1816	8550

Source: MoF HRMD

Ministry of Finance 1393 Tashkeel request was presented to the Office of Administrative Affairs and Council of Ministers secretariat on 6<sup>th</sup> August 2013. After discussion 8665 positions were approved for the fiscal year 1393.

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 90% 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.

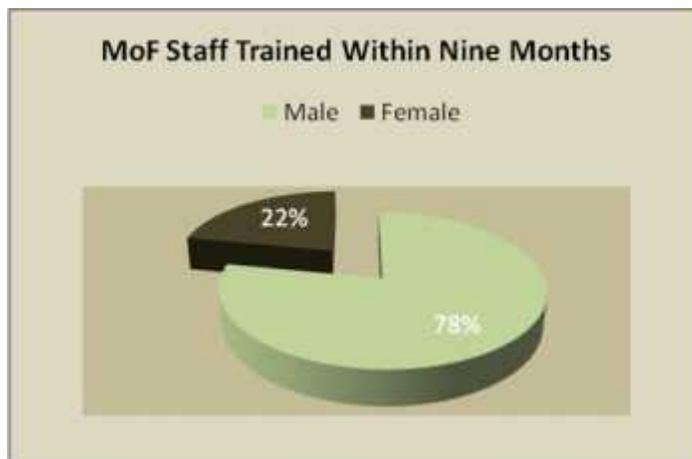
### Performance Appraisal:

During the nine months of the year 1392 a number 2875 performance appraisal forms have been sent for annual performance appraisal, out of which a total number of 1217 employees have gone through performance appraisal process and recorded in HRMIS.

## Training & Development:

### *Short term training Programs:*

Regarding Training and Capacity Building , during the past nine months of fiscal year 1392, a total number of 83 training programs were held under which 1804 MoF employees (396 women and 1408 men) received the necessary trainings related to National Customs Academy training programs, monitoring and evaluation, management fundamentals, communications, risk management, proposal writing, office management, leadership, conducting orientations program, computer programs such as Ms Excel, Ms word .



### *UNITAR Fellowship:*

A number of 26 MoF staff have been selected to participate in the seven-month professional fellowship program of UNITAR 2013 cycle. The program has already started and the participants were sent to Abu Dhabi for the first round of their workshop and the second round shall take place in Hiroshima, Japan. It is worth mentioning that earlier MoF hosted its first session, a five-day workshop, here in the HQ with 70 participants in total.

### Bachelor & Master Degree Programs:

HRMD introduced 20 staff of the MoF to different private universities for 4 years bachelor's degree program. Additionally, this year HRMD designed a scheme with UNITAR for Master Degree Program in Development of Policies and Practices under Graduate institute of International and Development Studies of Geneva. This program is for 12 consecutive months where 20 key position holders of MoF shall get education at master level. The program is conducted partially abroad and partially in country and consists of several research papers, projects, assignments and other group works.

### **HRMD Shared Service Model:**

HRMD Shares Services Model rolls out the HRMD operation functions to Revenue & Customs Departments, being away from the HQ. Under this model, effective HRM services have been provided to the Revenue and Customs Department in all areas of the HRM. In particular, assistance has been provided in review and revision of their organization structure and job descriptions in line with civil service policies and recruitment under pay and grading system. Likewise, technical assistance was provided in training needs assessment, development of the training plan and conducting various training programs accordingly there in Revenue & Customs Departments.

## **HR Development and Other Activities:**

### *Questions Bank Book and HR Policies Handbook:*

MoF Question Bank book has been finalized in Dari Language and shall be soon printed. Work is under way on finalization of its Pashto version. The Question Bank Book includes 2500 questions with their answers covering all technical and supporting areas of the MoF and will be a key tool in building the capacity of the staff. Similarly, HR Policies Handbook Pashto version is under development with 80% progress to date.

### *Video Conferencing Facility:*

In order to link MoF HQ internally with the provinces and externally with the globe, Video Conferencing facility has been installed initially in the HQ as a pilot project, where 6 other zones were the secondary target for this facility. Thus far, in addition to HQ, installations of the system has been done in the Heart, Kandahar and Nangarhar provinces and the remaining zones will be done before end of this year. Using this facility, HRMD of MoF had the honor to host the 2013 Hiroshima Fellowship for Afghanistan with participation of over 70 participants.

### *HRMD Newsletter*

With the purpose of creating awareness of the HRMD key policies, activities and achievements, HRMD has taken the initiative to develop and disseminate HRMD newsletters on regular basis. The first newsletter has been prepared in Dari, Pashto and English capturing the 1392 first six months key achievements and shall be soon printed.

### *MoF Annual Gathering:*

To review its performance, identify weakness and learn from the past experiences, MoF annual gathering was held on 15<sup>th</sup> and 16<sup>th</sup> May 2013 in Hotel Intercontinental, Kabul. The HRMD had the overall responsibility for leading, organizing and managing the workshop. In this work shop more than 300 senior staff of MoF from HQ and provinces participated.

## **Reform Implementation and Management (RIMU):**

### **A: Strengthening Human Resources Management Department (HRMD)**

In order to assist HRMD to review its performance in line with its strategic plan, a one-day performance review event of 1391 activities was held in the month of Hoot 1391 in Hotel Intercontinental in Kabul. In this gathering presentations were delivered by each section of HRMD. The gathering ended with a press- conference.

RIMU assisted HRMD in development and finalization MoF Questions Bank Book Dari version which is ready for print and its Pashto translation is under way. Pashto version of the HR Policies Handbook is under final review and soon will be printed. Succession planning policy has been drafted and is under review. Up to date materials on different activities and occasions

have been prepared and uploaded on HRMD webpage. Additionally, RIMU assisted HRMD in development of HRMD newsletter in Dari, Pashto and English covering first six months key achievements and are going to be printed soon.

Related to training & development (T&D), assistance was provided in conducting training needs assessment (TNA) for 1392, the report was provided and training plan and budget was development accordingly. In addition, a mechanism for monitoring and evaluation of the training programs was developed, which will be put into practice. Training materials have been prepared as well. In addition, to build the capacity of the T&D section, TNA was conducted, training plan was devised and development of training material is underway.

According to training plan, since the beginning of the 1392 FY, 17 training programs on different topics of management and law awareness including orientation sessions were conducted here at the HQ and 587 staff of MoF different departments have been trained.

Also, RIMU is assisting the IARCSC and HRMD team in reviewing and revising the MOF organization structure and coordinating with all MoF Departments.

Under the HRMD shared services model, assistance has been provided in maintenance of effective coordination with the Headquarter. TNA was conducted both at ACD and ARD, a three-day workshop was held in this regard and reports were prepared which were incorporated into MOF overall TNA report. Accordingly, training plans were devised. In addition, orientation program have been introduced and two sessions have been conducted, thus far, both for ACD and ARD. Inclusive of these two orientation sessions, in total 20 training programs were conducted since the beginning of the 1392 FY and 570 staff of ACD and ARDS have been trained in different management areas, making the total number of the staff trained both at HQ and ACD and ARD to 1157 and total number of the training programs to 37.

Also, two - one day HR management seminars were successfully conducted for total number of 103 provincial custom officers of 14th and 15th cycles in Afghan National Customs Academy on 2nd of Dalwa and 30th of Hoot 1391.

In addition, during the 2nd quarter, based on the request of the management, technical assistance was provided in conducting a 15 day full time workshop on SWOT analysis of ACD and accordingly work plans were developed for each unit under ACD.

#### **B: Monitoring and Evaluation:**

MoF 1391 FY annual performance review report, 1392 FY 1st quarter and semi annual and performance reports were prepared both in Dari and English in line with the strategic plan and uploaded in MoF website. The template of results framework for Office of DM for Admin was updated and regular reports have been prepared in line with it and submitted to HE DM for Admin. Additionally, MoF TA report was updated and submitted to HE DM for Admin.

Reporting templates and monitoring frameworks for 1392 with their indicators, baselines and benchmarks were reviewed and updated in line with strategic plan, which were put into use for data collection.

This is worth mentioning that during the 3rd quarter of the year the revenue reports were collected from Mustofiats and after analysis , they were submitted to the office of DM for Admin.

#### C: PFMR II Project Coordination:

The 1391 FY 3rd quarter and 1392 FY 1st and 2nd quarters financial monitoring report of the PFMR II projects was prepared and submitted to WB on time. Work is underway on development of the 3rd quarter report. As per the request of WB, a detailed revised costing of the PFMR II project was done for the years (2013- June 2016) and submitted to WB. Also, a budget of the project was prepared for the WB fiscal year- July 2013- June 2014.

PFMR II project 14th Steering Committee meeting was organized and the minutes prepared and distributed accordingly.

All necessary reports (Project Physical and Performance Monitoring Reports and Procurement Monitoring Plan, Reports and Post Procurement Review Action Plans) were prepared and submitted to the WB for the Project Mid Term Review. RIMU, also, coordinated prior review issues of the implementing units with the WB, assisted implementing units in project day to day operation issues and provided them advice and assistance as and when needed.

#### **Office of the Chief of Staff Affairs:**

During the nine months of the year, management meetings have been held regularly, 17 Presidential Decrees, 700 Presidential Orders and 38 decisions of Cabinet were followed up for execution. Additionally, letters were prepared.

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 the insurance sector, Afs 53.5 Million revenues were collected within the nine months of the year. Also, related to public awareness of insurance culture; brochures were distributed among the people, insurance guidelines have been prepared and different conferences were held in five major cities (Kabul, Herat, Balkh, Jawzjan and Nangarhar) and also a precise insurance survey was accomplished in respective mentioned provinces.

Regulations in health, vehicles, third person insurance, fire insurance, principle related to insurance companies' delegation for administration, investment regulation of insurance companies, civil responsibility insurance of employer, compelling fire insurance ' formats for financial reporting (balance sheet, revenue balance, circulated fund balance) were planned, designed and have been prepared. In addition, 4 targeted insurance companies were monitored.

## **Asset Management:**

### **Privatization:**

During the Nine month of 1392, Afs 1.166 billion was paid to Large Taxpayers Office account from tax and other obligations of Governmental Industries. Also, during this period, SOE Department has collected Afs. 9.1million from SOEs as rent, profit and other obligations and paid to SoEs bank account.

The SOE law has been amended and sent to MoJ for their review. The enterprises first draft law has been finalized by cooperation of Office of DM for Admin technical advisors and sent to MoF for approval. Regarding SOE's balance sheets, about 17 balance sheets have been analyzed, evaluated and approved in 1st quarter of 1392. Also, the SOE law has been amended and sent to MoJ for their review. About 10 enterprises sent information regarding their capital, properties and shares which were compiled and entered into the SOE database.

### **Property Management:**

With reference to registration of government's properties, properties of 2040, including 840 in capital (Kabul) and 1200 properties in provinces which comprise apartments, buildings, electricity stations, masques, restaurants and gardens have been registered during the first six months of fiscal year 1392. Also 6 properties were contract through auction process based on decision number (39).

The total revenue generated from properties leased and rented in capital (Kabul) as well as in provinces reached about Afs 182.39 million which was deposited in government's revenue account in the nine months of 1392FY. About 12 Government properties have been rented through property directorate.

### **Internal Audit:**

In the 1<sup>st</sup> quarter of the year 1392, a total of 31 units were audited. Audit findings with written management response were sent total auditees' for their corrective and preventive actions against the audit observations and recommendations.

Similarly, as per the audit plan of 2nd Quarter of Financial Year 1392, out of 40 only 36 departments of MoF were audited and reports were sent to the relevant entities for improvement and corrective actions. All 36 audits were conducted as per approved plan of IAD; four units were not audited during the quarter. The draft Audit Manuals of Performance, Procurement, Donor Funded Projects Audit and Post Audit Quality Review System is under the evaluation and compliance review. Also the Treasury, Budget & Process Audit Manuals is under the evaluation and compliance review.

As per the benchmarks of IMF & World Bank, the Internal Audit Department completed audits in the following five line ministries: Ministry of Foreign Affairs, Ministry of Economy, Ministry of Women Affairs, Ministry of Hajj Affairs and Ministry of Borders & Tribal Affairs

As per audit plan of 3<sup>rd</sup> Quarter of Financial Year 1392, out of 37 only 28 departments of MoF were audited & reports were sent to the relevant entities for improvement & corrective actions. All 28 audits were conducted as per approved plan of IAD, nine units were not audited during the quarter, but in addition 8 units were audited during the periods which were not included in the plan.. As of 2013-10-08, Audit findings with written management response for some of the reports have been sent to auditees' for their corrective & preventive actions against the audit observations / recommendations, however some of the reports are to be finalized as these reports are under progress and under the quality assurance review.

The draft Audit Manuals of Performance, Procurement, Donor Funded Projects Audit & Post Audit Quality Review System is under the evaluation and compliance review.

Treasury, Budget & Process Audit Manuals passed the compliance review and is under the process of finalization.

In the training area, Related to capacity building, during the first quarter, International Audit Adviser provided class room training for approximate 30 IAD staff on: Audit Sampling, Risk Assessment, Audit Sampling, Reconstruction of Audit Toolkits, Internal Control Systems, and Process Auditing & Internal Audit Checklists.

A five days training was conducted by USAID in US Embassy Kabul on "Fraud Awareness" for the FIU dept. staff. The FIU team carried out "Advance Fraud Investigation Training" in Singapore. The IT Audit staff received training on IT Auditing in India.

Similarly, in the second quarter, English language training for IAD staff is on-going in two phases, i.e. Beginner and Intermediate. The advance class has been completed. 5<sup>th</sup> batch of training is under progress.

During the 3<sup>rd</sup> quarter, the 5<sup>th</sup> batch of the English language training for IAD staff successfully completed in the month of Asad 1392, and 143 students were trained during the scission. Also Twenty eight (28) Internal Auditors are carrying out capacity development training in IADs in five State Administered Organizations on regular basis in the techniques for accomplishing an assessment, procedures for auditing revenue processes & conducting Risk Assessment in line ministries. The Second round of ATP-II training successfully completed, 58 internal auditors completed their training under this program.

Concerning fraud investigation activities, in the first quarter, total 12 cases were investigated .Out of all 12 cases referred to FIU for investigation, Only 01 case was directly & physically investigated by FIU staff, 11 cases were handled via direct correspondence with the relevant officials / In-charges of the convicted depts.

In the second quarter, a total 26 cases for investigation in the 2<sup>nd</sup> quarter of financial year 1392.

In the 3<sup>rd</sup> quarter, out of 23 cases were reported as under investigation of FIU, 05 cases were reported directly to the relevant officials / In-charges of the convicted depts., 03 cases were reported as being solved and 03 cases were reported being terminated due to lack of enough supporting and evidence. Reports of all completed cases have been submitted to the DG IAD.

## **1.4. Government Policies Coordination**

### **Policies Coordination & Strategy Implementation:**

Under the Office of DM for Policy, Twenty-one out of 22 NPPs have been endorsed. After one and half year's discussions with the line ministries and donors, the governance cluster was able to finalize the NPP 5 (Law and Justice for All programs). It was approved by the board of the donors and presented to the Standing committee on 29<sup>th</sup> of June-13 for the final endorsement.

#### *Post Senior Officials Meeting Preparation:*

TMAF Joint Technical Committee meeting was established under the lead of the General Directorate of Implementation National Programs, Deputy Minister of Policy, Ministry of Finance. This Technical Group has three sub-committees (EVAW Law Implementation,

NPP Financing / Implementation, Priorities Going Forward) to follow up on SOM (Senior Official Meeting) commitments

#### *EVAW (Element Violence against Women) Law Implementation Sub-Committee:*

Follow-up mechanism and plan established for violence against women related cases in order to generate baseline data, evaluate the actions taken in cases of violence that were referred to the police and develop a VAW database for institutional memory and follow-up with the assistance of UNAMA, JSSP and UN Women.

#### *NPP Financing/ Implementation Sub-Committee:*

Committee has been constituted with representation from the 5+3 donors, UNAMA, Ministry of Finance, and Ministry of Economy with a provision to invite any other concerned organizations and donors as needed to effectively coordinate and plan for NPP implementation in collaboration with concerned ministries owning NPPs in compliance with the 50/80/20 aid commitment agreed at the Tokyo Conference.

NPPs Financing Template and its ToRs have been developed and finalized through coordination between the MoF and MoEc.

*Hard Deliverables and Priorities Going Forward Sub-Committee:*

GIRoA and international community have tangible outputs against (Tokyo Mutual Accountability Framework) TMAF/SOM/hard deliverables. Both have agreed on a number of priorities going forward where a number of areas were identified to show progress against set indicators.

Decisions taken on intermediate targets for priorities going forward for the months of September and October in the meeting of the Technical Group on Planning on 14 September are reflected in annex I and annex II.

These annexes have been shared with LMs TMAF technical meeting at the deputy minister level on 25 September 2013.

Related to CTAP, it is worth mentioning that it has 49 TAs on board by the end of nine months 1392. The total recruitment during this quarter was 5 but the number does not show a progress because 5 TAs have completed their period of assignment and 3 TAs have resigned or have been terminated while 7 others have rejected the job offers.