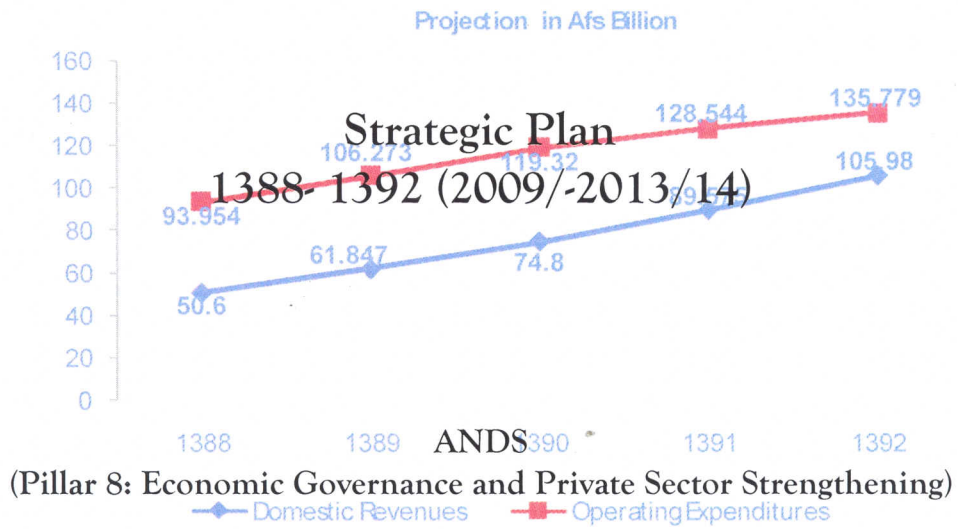




Islamic Republic of Afghanistan Ministry of Finance

Office of the Deputy Minister for Administration
Reform Implementation & Management Unit



Updated by: RIMU

Approved by: Finance Minister

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Table of Contents

I. INTRODUCTION/BACKGROUND	3
II. VISION AND GOALS	6
VISION:	6
MISSION:	6
GOALS:	6
III. CORE VALUES	7
IV. CORE OBJECTIVES	7
V. PROGRAMS, SUB-PROGRAMS AND ACTIVITIES	9
PROGRAM 1: PUBLIC FINANCE MANAGEMENT	12
1.1 <i>Government Budgeting</i>	12
1.2 <i>Treasury Operations</i>	14
1.3 <i>Policy Research & Analysis</i>	15
1.4 <i>Procurement Policy</i>	16
PROGRAM 2: REVENUE MANAGEMENT	17
2.1 <i>Tax Revenues</i>	17
2.2 <i>Customs Revenues</i>	19
PROGRAM 3: INSTITUTIONAL DEVELOPMENT	22
3.1 <i>Administration and Executive Support</i>	22
3.2 <i>RIMU</i>	23
3.3 <i>Human Resources Management</i>	24
3.4 <i>Property Management</i>	24
3.5 <i>Privatization of SOEs</i>	25
3.6 <i>Insurance</i>	26
PROGRAM 4: GOVERNANCE	27
4.1 <i>Chief of Staff</i>	27
4.2 <i>Internal Audit</i>	28
VI. ORGANIZATION STRUCTURE:	30
VII. ANNUAL PRIORITIES	31
VIII. RISKS AND MITIGATION MEASURES	33
ANNEXES:.....	34
A. STRATEGIC PLAN MONITORING AND EVALUATION FRAMEWORK	34
B: MEDIUM TERM FISCAL FRAMEWORK	34

I. Introduction/Background

The Ministry of Finance (MoF) has a clearly defined role serving the government and people of Afghanistan, in terms of mobilizing revenue and managing government finances. And a key priority for MoF is sound expenditure management and increased revenue mobilization to ensure fiscal sustainability.

To efficiently and effectively undertake these functions, MoF prepared a five year strategic plan in 1384 and noteworthy progress has been made in the past four years towards establishment of an effective and transparent public financial management system as well as in tax reforms and increased revenue mobilization. MoF developed and annually updates the Medium Term Fiscal Framework (MTFF) (Annex B) and Medium Term Budget Framework (MTBF), which went approved by the Cabinet and Parliament. As part of the MTFF, budget ceilings for the operating and development budget as well as revenue targets are set for the next five years 1388-1392, moving towards fiscal sustainability. MoF developed the Macroeconomic Framework, which is part of ANDS.

Moreover, the Strategic Plan Monitoring and Evaluation Framework was developed and is updated annually, performance indicators with annual targets (1388-1392), (Annex A) have been set and are being monitored. And, the Strategic Plan is updated in 1388 for the next five years. It is worth mentioning that the Strategic Plan will be reviewed and updated annually based on the needs.

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

Regarding the budget, as proper allocation of the budget helps economic development, creates employment opportunities, reduces poverty, supports private sector development, and improves people's living standard, MoF changed the trend of the traditional budgeting which was based on the needed resources to a modern and effective and efficient method through introducing program budgeting and provincial budgeting mechanisms focusing on the results and channeling more resources to the provinces and linking line ministries budget to ANDS priorities and objectives as well as to provincial development plans. While, previously provincial economic development was neglected and more than half of the budget was spent centrally resulting in poor service delivery in the province, and a negative perception in the provinces of the reconstruction process.

To make the financial management system more effective and efficient, MoF developed Afghanistan Financial Management Information System (AFMIS), which is being expanded to line ministries and provinces. Also MoF introduced the Verified Payroll Program under which all government employees shall be covered and salary bank accounts shall be opened to them, making

the system efficient and transparent. The new procurement law and regulations have been promulgated and institutional development of the line ministries procuring entities is underway to enable them to carry out stand alone procurement.

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

To ensure sufficient availability of resources, a high priority for the MoF is to significantly increase domestic revenues. MoF plans to increase revenues by improving revenue administration and enforcement and broadening the tax base, which is essential for reduction in reliance on international assistance and aid dependency. In the past four years, MoF has exceeded the IMF benchmarks in terms of revenues collection except for 1386 (2007/08) due to security issues and severe winter. Over the next five years, MoF intends to move towards fiscal sustainability and shall cover around 80% of its operating expenditures through the domestic revenues and the domestic revenues to GDP ratio is expected to reach 9.7% in 1392.

The Strategic Plan involves implementing numerous critical actions that will improve MoF's organizational structure, its management processes, capacity building, communications and the use of external technical assistance, and also have a significant impact on the next steps toward promoting good governance. In implementing the strategic plan, particularly in preparing the annual plans, more detailed human resource development and assessment of the required physical resources (buildings and equipment) will be undertaken. Capacity building of Ministry staff is an essential component of the plan. Recruitment is based on merit based criteria, and performance based human resource management, training and pay reform. The new Civil Servants Law passed in 1387 is supporting the Ministry and the other ministries in adopting these best practices for staff recruitment and management.

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

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

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

II. Vision and Goals

Vision:

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

Mission:

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

Goals:

The MoF broad goals are to:

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

III. Core Values

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

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

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

IV. Core objectives

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

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

Goals	Core objectives
Mobilizing revenue and managing Government finances	<ol style="list-style-type: none"> 1. Revenues are dynamically growing and collected in a fair manner, 2. Adequate, predictable external assistance is going through the national budget 3. The budget is realistic, based on a sound multi-year fiscal strategy, and implemented in a predictable manner
Supporting economic management and promoting economic growth	<ol style="list-style-type: none"> 4. The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy, 5. Government's high-level decisions take into account fiscal consequences, and 6. Legitimate economic activities of the private sector and

	individuals are facilitated, not hindered
Managing public wealth	7. Government's assets and liabilities are adequately tracked and managed, and 8. Procurement activities optimize use of public funds.
Promoting good governance	9. Information is available and transparently shared 10. Effective control and stewardship is exercised in the use of public funds so society is protected from corruption.
A best-practice leader within the Afghan public sector	11. Strategic focus on delivering services and achieving results, and 12. Professionally staffed with high standards of staff integrity.

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

As part of the process of finalizing the five-year strategic plan, clear performance targets are established for each indicator for the next five years 1388-1392 (Annex A) and they are related to departmental five-year strategic sub-plans/programs and sub-programs.

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

V. Programs, Sub-Programs and Activities

So as to have a systematic means towards attainment of MoF objectives and goals and to create a direct link between the inputs and outputs, the ministry piloted the program budgeting mechanism in 1387 (2008/09) at MoF. Under this approach, nine programs and twenty nine sub-programs and a number of key activities were identified. But for the 1388, MoF reviewed its Program Structure and in the light of the lessons learned from the last year program budgeting experiences, MoF changed its programs from nine to four (Public Finance Management, Revenue Management, Institutional Development and Governance) and fourteen sub-programs resulting to an effective program development, whereas previously there was one program for each department. This approach coordinates all the activities under the umbrella of programs, a basis for the achievement of the MoF objectives and goals and MoF related ANDS benchmarks. In line with the strategic plan objectives, each program has its own results indicators and annual targets, against which the progress of the programs/sub-programs is measured at departmental levels, which is specified in another document called “MoF Programs 1388 and Beyond.”

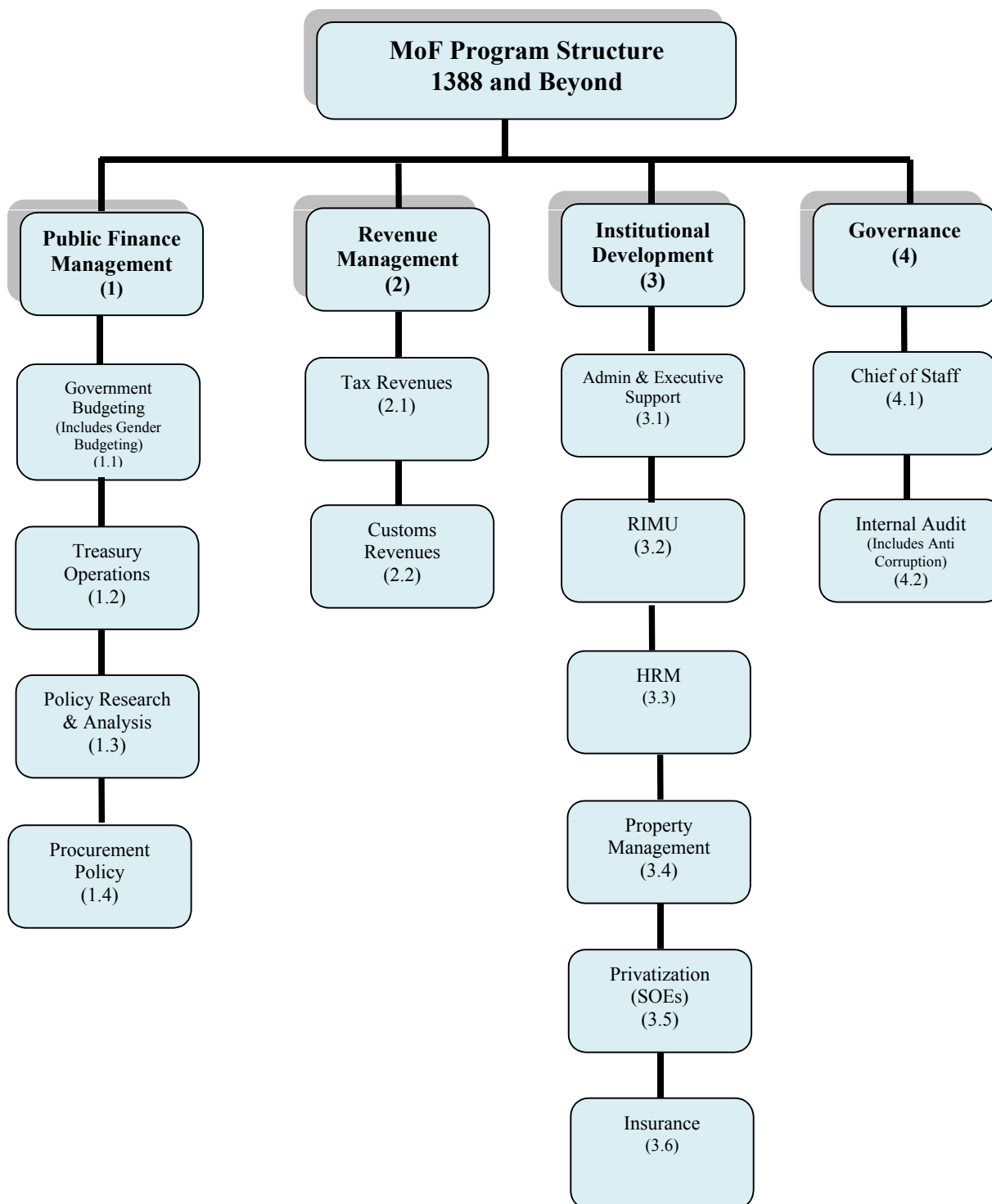
MoF Programs and Responsible Departments

Programs	Responsible Department
1. Public Finance Management 1.1 Government Budgeting 1.2 Treasury Operations 1.3 Policy Research & Analysis 1.4 Procurement Policy	1.1 Budget Department and GBU 1.2 Treasury Department 1.3 FPU 1.4 PPU
2. Revenue Management 2.1 Tax Revenues 2.2 Customs Revenues	2.1 Revenue Department 2.2 Customs Department
3. Institutional Development 3.1 Admin & Executive Support 3.2 RIMU 3.3 Human Resources Management 3.4 Property Management 3.5 Privatization of SOEs 3.6 Insurance Affairs	3.1 Admin Department 3.2 RIMU 3.3 HRM Department 3.4 Property Department 3.5 SOE Department 3.6 Afghanistan Insurance Authority
4. Governance 4.1 Chief of Staff 4.2 Internal Audit	4.1 Minister’s Office 4.2 Internal Audit Department

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

Strategic Objectives	Programs
1. Revenues are dynamically growing and collected in a fair manner	2. Revenue Management
2. Adequate, predictable external assistance is going through the national budget 3. The budget is realistic, based on a sound multi-year fiscal strategy, and implemented in a predictable manner 4. The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the national development strategy, 5. Government's high-level decisions take into account fiscal consequences,	1. Public Finance Management
6. Legitimate economic activities of the private sector and individuals are facilitated, not hindered	2. Revenue Management
7. Government's assets and liabilities are adequately tracked and managed,	2.Public Finance Management (Treasury Operations) 3.Institutional Development (Property Management and Privatization of SOEs)
8. Procurement activities optimize use of public funds	4. Public Finance Management (Procurement Policy)
9. Information is available and transparently shared	1. Public Finance Management (Government Budgeting, Treasury Operations, Procurement Policy) 2. Institutional Development (RIMU)
10. Effective control and stewardship is exercised in the use of public funds so society is protected from corruption.	1. Public Finance Management (Treasury Operations) 4. Governance (Internal Audit)
11. Strategic focus on delivering services and achieving results,	4. Institutional Development (RIMU)
12. Professionally staffed with high standards of staff integrity.	3. Institutional Development (RIMU and HRM)

Programs Structure:



Program 1: Public Finance Management

The key role of the Program is policy based budgeting which is supportive of the national development strategy, budget execution and accounting and reporting. The program will ensure that the budget is realistic and comprehensive, based on a sound multi-year fiscal strategy and implemented in a predictable manner. The program will also focus on establishment of an effective and transparent public financial management system both at central and provincial level resulting in increase of the external assistance through the core budget.

Sub-Programs	Activities
1.1 Government Budgeting	1.1.1 Budgeting & Execution
	1.1.2 Budget Reform
	1.1.3. Aid Coordination
1.2 Treasury Operations	1.2.1 Treasury Operations
	1.2.2 Central Account Transactions -Debt Management
	1.2.3 Mustofiats, Line Ministry and Provincial Finance Management
1.3 Policy Research & Analysis	1.3.1 Fiscal Policy and Macro-Economic Analysis, Revenue Policy Advice and Analysis
1.4 Procurement Policy	1.4.1 Procurement Policy Affairs

1.1 Government Budgeting

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

Strengthening the National Budget process, which is the central coordination mechanism for the allocation of funds to all core Government functions, is one of the most important priorities of the Government and the Sub-Program is primarily responsible for strengthening the National Budget process. The National Budget process also aims to establish confidence among international development partners to channel their resources through the National Budget.

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

Activities	Sub-Activities	Narratives
1.1.1 Budgeting and Execution	1.1.1.1 Budget Formulation	Circulars, Ceilings, Budget Decree, Budget Hearings, Mid-Term Review, Cabinet, Parliament Approval, Medium Term Expenditure Framework (MTEF) and Budget (MTBF) Framework, Budget Policy Formulation/ANDS/Costing
	1.1.1.2 Budget Execution	Allotment Control, Donor Funding, Monthly, Quarterly, Annual Reporting, Commitment/Obligation Management
	1.1.1.3 Budget Reporting	Monitoring and Evaluation, Ministerial Performance, IMF-HIPC trigger
	1.1.1.4 Investment Policy and Evaluation	Project Investment Reviews
1.1.2 Budget Reform	1.1.2.1 Program Budgeting Reforms	Program Budgeting, Budget Policy Analysis, Budget Integration
	1.1.2.2 Provincial Budgeting Reforms	
	1.1.2.3 Gender Budgeting	Gender analysis in the formulation of the budget and allocation of resources, its impact on women and men
1.1.3 Aid Coordination	1.1.3.1 Aid Coordination	Facilitation of donor meetings and government dialog; Aid Effectiveness Working, Consultation Groups, JCMB and ADF.
	1.1.3.2 Aid Information Management	Management of Grants/ Loans, Donor Profiles, Update of Donor Assistance D-Base, Donors' Financial Review (September/March)
	1.1.3.3 Aid Effectiveness	Paris Declaration/Afghanistan Compact survey every other year, Development of Aid Policy and aid strategy. conducting studies on different themes of aid effectiveness (TA, Program-based approach)

1.2 Treasury Operations

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

Activities	Sub-Activities	Narratives
1.2.1 Treasury Operations	1.2.1.1 Payment Processing, Banking and Cash Management, Financial Reporting and Management of Audit Process	Cash Management, Reconciliation, General Ledger, Financial Controller Operations. Payment processing for line ministries, transfer of cash to provincial expenditure accounts and recording provincial expenditures. Managing sweeps of provincial revenue accounts, and recording of provincial revenues. Liquidity reporting (daily, weekly, monthly, annual financial reports, and accounts). Cash Management Committee, Financial Statement and Audit Committee.
	1.2.1.2 AFMIS Functionality and Operations	AFMIS Budget, Asset and other module upgrades. AFMIS Information Technology Architecture, AFMIS functionality requirements.
	1.2.1.3 Operations Support to the Treasury	Consultancy advice and support provided to the Treasury Department in the conduct of 1.2.1.2 and 1.2.1.3 Capacity building for staff executing Treasury operations.
1.2.2 Central Account Transactions - Debt Management	1.2.2.1 Debt Service Payments	Debt Service Payments (Recording, Analysis, Payment).
	1.2.2.2 Debt Monitoring and Negotiations	IMF/World Bank/Other Negotiations, Debt Restructuring, Debt Monitoring, Recording and analysis. Obtain debt relief for Afghanistan so that debt service saved in future years can be used for other spending priorities by the government.
1.2.3 Mustofiats, Line Ministry and Provincial Finance Management	1.2.3.1 AFMIS Roll-out to Line Ministries and Provinces	Roll-out to Mustofiats and Line Ministries.
	1.2.3.2 Verified Payroll Project (VPP)	Rolling-out government payroll system to line ministries and provinces, capacity building, employee registration/verification.
	1.2.3.3 Financial Management Business Process	Accounting and financial procedures to Mustofiats/line ministries; implementing business process in Mustofiats/budgetary units.

1.3 Policy Research & Analysis

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

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

Activities	Sub-Activities	Narratives
1.3.1 Fiscal Policy and Macro-Economic Analysis and Revenue Policy Advice and Analysis	1.3.1.1 Macro-economic and Fiscal Analysis	MTFF, Public Expenditure Analysis, IMF Tracking, Budget Preparation (Ceiling), Analysis of all policy decisions having fiscal implications to ensure fiscal sustainability over the medium term.
	1.3.1.2 Special Projects	Pay and Grading, Pension Reforms, Analysis of Fiscal Impact of Public Administration and Other Reforms, ANA, ANP
	1.3.1.3 Ministerial Briefings	Special Briefings for H.E. Minister and Deputy Minister
	1.3.1.4 Revenue Policy Advice	Comprehensive legislative base for revenue policy and administrative reform. Enactment of basic legal and regulatory framework consistent with international standards and linked to the development of policy studies and reports prepared by the Revenue Program. Revenue and Tax Policy, Non-Tax, Other analysis.
	1.3.2.2 Revenue Forecasting and Reporting	Reliable revenue forecasting to feed into the MTFF.

1.4 Procurement Policy

The key role of the Sub-Program is procurement institutional development and national capacity building for procurement. The Sub-Program focuses on development of procurement legal framework and procurement management information system and capacity building.

Activities	Sub-Activities	Narratives
1.4.1 Procurement Policy Affairs	1.4.1.1 Legal and Regulatory Framework	Policy and professional development by prescribing policies, rules of procedures, standard documents and formats and proposing improvements in procurement practices and undertake procurement performance monitoring. Analyze and report on impact of procurement reform.
	1.4.1.2 Procurement Monitoring and Information System	PPU website, PMIS E-Procurement, and other Reforms
	1.4.1.3 Line Ministries and Sub National Government Procurement Department Restructuring and Development	Procurement departments' institutional development and restructuring, capacity development and institutionalizing capacity certification process

Program 2: Revenue Management

The key role of the Program is to manage and collect revenues. The Program focuses on enforcement of tax and customs laws and regulations, collection of tax and non tax revenues, tax reform and custom reform.

Sub-Programs	Activities
2.1 Tax Revenues	2.1.1 Taxpayer Services
	2.1.2 Revenue Processing
	2.1.3 Taxpayer Compliance
	2.1.4 Tax Reform
2.2 Customs Revenues	2.2.1 Increase in Revenue, Expedited Clearances, and Communications.
	2.2.2 Legal Reforms and Law Enforcement.
	2.2.3 Business Partnership and Communication.
	2.2.4 Trade Facilitation
	2.2.5 HR Reforms and Capacity Building

2.1 Tax Revenues

The key role of the Tax Revenues Sub- Program is to efficiently and transparently administer and enforce the tax regulations, improve tax compliance and collect tax and non tax revenues.

Activities	Sub-Activities	Narratives
2.1.1 Taxpayer Services	2.1.1.1 Tax Enquiry and Rulings Assistance	Educate the Afghan community on the need for revenue mobilization for the central government and build grass roots community confidence in a fair and honest revenue administration.
	2.1.1.2 Tax Form and Information Provision	Development of simple and easy to comply with tax forms with instructions.
	2.1.1.3 Taxpayer Appeals	Timely and impartial mechanisms for the review of revenue decisions and the resolution of disputes.
2.1.2 Revenue Processing	2.1.2.1 Taxpayer Registration	Simple taxpayer identification process
	2.1.2.2 Tax Payment and Tax Form Processing	Rapid tax form processing. Revenue systems and procedures that minimize the costs of compliance, increase business

		confidence and certainty about taxation affairs and maximize their ability to voluntarily comply.
	2.1.2.3 Tax Refund Claim Processing	Accurate and rapid tax refund processing.
	2.1.2.4 Non-Tax Revenue Collection	Reviewing and assisting line ministries with non-tax revenue collections
2.1.3 Taxpayer Compliance	2.1.3.1 Non-Filing of Tax Forms and Taxpayer Identification	Effective and diverse set of enforcement responses in order to improve the level of compliance in the taxation system and manage the highest risks to non-compliance
	2.1.3.2 Non-Payment of Tax Liability and Enforcement Action	Improved tax receivable collection and debt aging. Fair and equitable enforcement action.
	2.1.3.3 Tax Auditing	Improved tax auditing to ensure improved voluntary compliance
2.1.4 Tax Reform	2.1.4.1 Legal Reform	Simplification of income tax law. Introduction of modern tax code
	2.1.4.2 Administrative Reform	Establishment of additional Medium Taxpayer Offices. Progressive implementation of SIGTAS tax computer system

2.2 Customs Revenues

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

Activities	Sub-Activities	Narratives
2.2.1 Increase in Revenue, Expedited Clearances, and Communications.	2.2.1.1 Automation of Declaration Processing System	Faster Cargo processing clearance times, documentation, transit and processing at major stations through ASYCUDA DPS & Transit roll-out. Reduction in tax fraud, Enhanced customs controls, ASYCUDA Training, MIS Reporting for ASYCUDA, IT Procurement, Cross-Border Data Exchange.
	2.2.1.2 Institutional Support Unit	Budget unit to support the making of new budget and follow-up the expenditure throughout the year. The international customs unit to coordinate the SAARC, CAREC, WCO etc. related issues.
	2.2.1.3 Restructuring and reform of Valuation Unit ACD, Procedures Improvement, Warehousing Procedures enactment & invitation to Private sector	Valuation Data base, Introduction of Valuation Best Practices, Introducing Warehousing Procedures.
2.2.2 Legal Reforms and Law Enforcement.	2.2.2.1 MIS and Revenue Reporting Procedures	Customs, duties and taxes, Receivables management and monitoring, Prosecution, Improved investigations along with DPS at these stations.
	2.2.2.2 Legislative and Policy	Customs code revision, legislation finalization, procedures for supporting automation, Operational changes for enforcement and Audit. Appeals unit operational procedures & administrative setup to be formulated by core ACD staff. More procedures for new operational requirements such as warehousing etc.
	2.2.2.3 Development of Post release Audit Structure into main regional Customs Houses.	Operational of regional PCA/ Audit teams and start of audit in regions in consultation of Head quarters.
	2.2.2.4 Increased and improved enforcement activities.	Effective and diverse set of enforcement responses in order to improve the level of compliance in the customs system and manage the highest risks to non-compliance, anti-smuggling reforms, borderline

		surveillance, Weapons and equipment availability, establishment of an intelligence unit, establishment/ make operational Centralized Risk Management Unit at ACD, Improved operational procedures of enforcement and powers to ACD enforcement wing.
2.2.3 Business Partnership and Communication.	2.2.3.1 Customs Brokers program registration and training.	Support to improve customs operations.
	2.2.3.2 Developing Bonded Carrier and Warehousing System	Registration of warehousing public & Private and pilot introduced at two major customs stations. An effective mechanism for logistics chain development with help of PPP with private sectors. Development of public private partnership to develop warehousing and bonded carriers industry with legislative and logistic support of ACD.
	2.2.3.3 Business Partnership communication & networking with business	Web site development and other effective communication channel to get feed back and support from private / business sector for value added services. Communication and consultation with trade for reforms policies, help line, web site development, hot-lines, media unit, ombudsman program and dispute resolution mechanism.
2.2.4 Trade Facilitation.	2.2.4.1 Business Process Re-Engineering and Roll-Out of All Modules of ASYCUDA	Internationalization of ASYCUDA operation + introduction of new complimentary module of ASYCUDA at places where DPS already rolled out. RMS committee formed and RMS tested at one pilot site where DPS is operational. Full roll-out of all modules of ASYCUDA nation-wide, Internalization of ASYCUDA operations and MIS reporting, ACD ICT plan implementation, Introducing RMS in Automation.
	2.2.4.2 Transit Corridor Improvement Implementation of ASYCUDA transit module. Implementation of ASYCUDA international transit module, Implementation & introduction of bonded carrier system.	Implementation of ASYCUDA transit module at Spin Boldak & Zarang. Implementing International transit on one more rout (Islam Qala, Herart Kabul, Hairatan) along with bonded carrier system for developing international transit and logistics chain. Deployment of Transit modules at all transit stations, TIR

	Introduction of improved sealing procedure.	implementation, Establishment of Transit Management Unit
	2.2.4.3 Infrastructure and Equipment i) infrastructure development, procurement of equipment and development of laboratories.	<p>i) Start of work in Khost customs station, ii) feasibility study for Waish, procurement of land and making of design.</p> <p>iii) completion of Sher khan Bandar.</p> <p>iv) Basic structure of Hairatan completed (Phase One).</p> <p>v) laboratories at HQ made operational after fitting fixture. Laboratories at Jalalabad and Herat to be constructed and equipment to be purchased.</p> <p>Vi) Procurement of cargo handling equipment & weigh bridges for customs stations.</p> <p>vii) truck parking at Kabul customs to be cemented.</p> <p>Viii) Construction of Patan Customs Station.</p> <p>All above projects target the improvement Infrastructure at inland customs stations and borders, etc., Construction of ICDS and regional headquarters, inventory management and maintenance , structure for cargo handling and surveillance equipment</p>
2.2.5 HR Reforms and Capacity Building	2.2.5.1 HR Policy Reform, Redesign of ACD, Training	HR policy reforms and redesign of ACD administrative directorates, Wages and rewards reforms, Training policy, training schedule, National and International trainings, Establishment of a modern, Customs Training Institute, Integrity reforms & Policy)

Program 3: Institutional Development

The key role of the Program is planning and executing administrative reforms, restructuring, change management, monitoring and evaluation of the strategic plan progress, managing and developing human resources and providing best possible support services to MoF through reducing overlaps and improving high priority service delivery through reforms and creating standardized system of employment with high standards of staff integrity. The Program also focuses on provision of administrative support activities creating a conducive and enabling work environment. Additional tasks of the Program are privatization of SOEs and Non-SOEs, Property Management and establishment a viable insurance sector.

Sub-Programs	Activities
3.1 Administration and Executive Support	3.1.1 MoF Budgeting and Accounting
	3.1.2 General Admin Services
	3.1.3 Mustofiats Reconstruction
3.2 RIMU	3.2.1 Reform Implementation and Management
3.3 Human Resources Management	3.3.1 Organization Development and Recruitment, Performance appraisal and Record keeping
	3.3.2 Training & Development
	3.3.3 Employee relations
3.4 Property Management	3.4.1 Liquidation of stated owned un-licensed banks, Valuation and sale of National Bank and Pashtany Banks surplus assets
	3.4.2 Recovery of MoF immovable assets under dispute
3.5 Privatization of SOEs	3.5.1 Financial Management Reporting
	3.5.2 Privatization and Divestment (SOEs)
	3.5.3 Non-SOE Privatization
3.6 Insurance	3.6.1 Insurance Affairs

3.1 Administration and Executive Support

The key role of the Sub-Program is to coordinate and prepare the budget of MoF, provide general admin support services and carry out mustofiats reforms activities.

Activities	Sub- Activities	Narratives
3.1.1 MoF Budgeting and Accounting	3.1.1.1 Finance, Budgeting, Planning, Accounting and Financial Management Reform and MISFA	Budgeting, Accounting, Payment processing, Asset Management, AFMIS for MoF
3.1.2 General Admin Services	3.1.2.1 IT, Procurement, Transport, Repair & Maintenance and Cleanliness services	All types of procurements of MoF, asset maintenance, IT services, sales and auctions , Transport services,
3.1.3 Mustofiats Reconstructions	3.1.3.1 Mustofiats repair and reconstruction	Construction and repair of Mustofiats, mustofiats residential buildings, establishment of internet,
	3.1.3.2 Mustofiats link with HQ through internet	

3.2 RIMU

The key role of the Sub-Program is to lead and coordinate the reform and restructuring process, lead and facilitate the implementation of PRR and Pay & Grading, strengthen the Human Resources Management Department, establish results-based M&E system, monitor and evaluate strategic plan and programs progress, monitor TA and PACB and PFMR Projects and manage the admin and finance affairs of PACB and PFMR Projects.

Activities	Sub-Activities	Narratives
3.2.1 Reform and Implementation and Management	3.2.1.1 Administrative Reforms 3.2.1.2 Monitoring and Evaluation	Reforms: reform, restructuring and change management, lead and Facilitate implementation of PRR and Pay and Grading, Strengthening Human Resources Department, PACB & PFMR projects administration, financial management, M&E: Establishing a results based M&E system, developing reporting templates, periodic monitoring of MoF Strategic plan/ programs, and TA. Evaluate intended results and warn of the deviations, Annual Performance Review, PACB & PFMR projects coordination and monitoring

3.3 Human Resources Management

The key role of the Sub-Program is to manage and develop human resources and provide best possible support services to MoF through reducing overlaps and improving high priority service delivery through reforms and creating standardized system of employment with high standards of staff integrity.

Activities	Sub-Activities	Narratives
3.3.1 Organization Development, Recruitment, Performance Appraisal and Record Keeping	3.3.1.1 Organizational Structure design, Human resources planning, Recruitment 3.3.1.2 Performance Appraisal 3.3.1.3 Record keeping and database	Organization structure design, HR planning, job analysis and description, career management, recruitment and selection, placement and transfer, redeployment and retrenchment, pay and grading policy, Performance appraisal, record keeping, pay and allowances, attendance and leave, retirement, resignation, death
3.3.2 Training & Development	3.3.2.1 Needs assessment and planning 3.3.2.2 delivery and evaluation	Training needs analysis, formulation of training plan, delivery, evaluation
3.3.3 Employee relations	3.3.3.1 Communications, employee welfare, discipline and appeals	Communication between management and employees, employee association, welfare issues, discipline and ethics, grievance handling

3.4 Property Management

The key role of the Sub-Program is to recover, register and lease or sell the MoF immovable assets which are under dispute, to liquidate the stated owned un-relicensed banks, and to sell the surplus assets of National Bank and Pashtany Banks.

Activities	Sub-Activities	Narratives
3.4.1 Liquidation of stated owned un-relicensed banks, Valuation and sale of National Bank and Pashtany Banks surplus assets	3.4.1.1 liquidation affairs 3.4.1.2 valuation, sell and auctions	Liquidation of Mortgages and Constructions Development Bank, Industrial Development Bank and Agriculture Development Bank, Sells and auctions of surplus assets
3.4.2 Recovery of MoF immovable assets under dispute	3.4.2.1 data collection, registration, sell/rent	Data collection, verification, registration, sell, rent of immovable assets of MoF

3.5 Privatization of SOEs

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

The Government seeks to promote the private sector as the engine of economic growth and the key to Afghanistan's long-term development and poverty reduction. The Government is committed to expanding the private sector through the efficient and rapid transfer of State-Owned assets into private ownership. Such transfers shall take place in an open, fair, and transparent manner with the objectives of maximizing sales revenues balanced against employment preservation and creation and encouragement of investments and technological development. Social Safety Net Program was approved by the Cabinet of Ministers on 21st Nov 2005. This program has two components, (1) Severance Payment benefits to redundant employees and, (2) re-training.

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

Activities	Sub-Activities	Narratives
3.5.1 Financial Management Reporting, Monitoring and Evaluation	3.5.1.1 Financial Controller Activities	Financial status of the SOE by presenting annual financial plans and quarterly reports, approval of payments, request for financing, entering into new contracts, monitoring of bank accounts, income and expenditure control, assets and liabilities management
	3.5.1.2 Financial Management Oversight	Monthly, Quarterly SOE (CF, BS, IS), Registration, Monitoring
3.5.2 Privatization and Divestment (SOE)	3.5.2.1 Restructuring	Identify SOEs that are not economically or financially viable, propose their liquidation, privatization or restructuring; assess assets and liabilities, realize assets, cancel liabilities and dissolve SOEs. Severance payment and offering re-training to the redundant employees of targeted SOEs.
	3.5.2.2 Liquidation / Privatization	Establish priorities of divestment program, valuation, proposal preparation.

	3.5.2.3 Legal and Policy Reform	State owned enterprise law.
	3.5.2.4 Social Safety Net	Assist SOE in Restructuring/liquidation.
3.5.3 Non-SOE restructuring/ Privatization	3.5.3.1 Restructuring and Divestiture Plan	Restructuring / Divestiture Plan Submitted to Finance Minister for approval, then to cabinet and parliament
	3.5.3.2 Privatization of Non-SOEs	Establish priorities of divestment program, valuation, proposal preparation, etc.

3.6 Insurance

The key role of the sub-program is to establish a viable Afghanistan insurance sector.

Activities	Sub-Activities	Narratives
3.6.1 Insurance	3.6.1.1 Insurance Affairs	Development of the insurance laws for the investors and create a culture of marketing and simple insurance procedures promoting dependence on insurance. Creation of insurance forms, promoting use of insurance, insurance companies monitoring.

Program 4: Governance

The key role of the Program is to provide economic and policy guidance, assist implementation of the reforms within ministry and carry out internal audit of MoF business practices.

Sub-Programs	Activities
4.1 Chief of Staff	4.1.1 Minister's Office Affairs
4.2 Internal Audit	4.2.1 Internal Audit Strategy and Policies
	4.2.2 Internal Audit Plan Formulation, Execution, Reporting, Follow Up and Working Papers
	4.2.3 Inspection and Investigation

4.1 Chief of Staff

The Minister's Office Affairs Sub-Program conducts a wide-range of tasks. It is responsible for effective internal and external communications of the MoF services and deliverables, effective Secretariat Services and Administrative functions and Protocol, contracts management, economic and policy guidance and support for Finance Minister, and assistance in the implementation of government reforms within the Ministry. This work is largely tracked internally as it does not generally produce quantifiable outcomes, instead it relates to processes within the Ministry and the provision of guidance to support the Minister and the Ministry. Thus, these benchmarks are not as concrete as other divisions of MoF.

Activity	Sub-Activities	Narratives
4.1.1 Minister's Office Affairs	4.1.1.1 Minister's Office Affairs 4.1.1.2 Contracts Management	Efficient and effective internal and external communications of the MoF services and deliverables, effective Secretariat Services and Administrative functions and Protocol, economic and policy guidance and support for Finance Minister, and assistance in the implementation of government reforms, and Contracts Management

4.2 Internal Audit

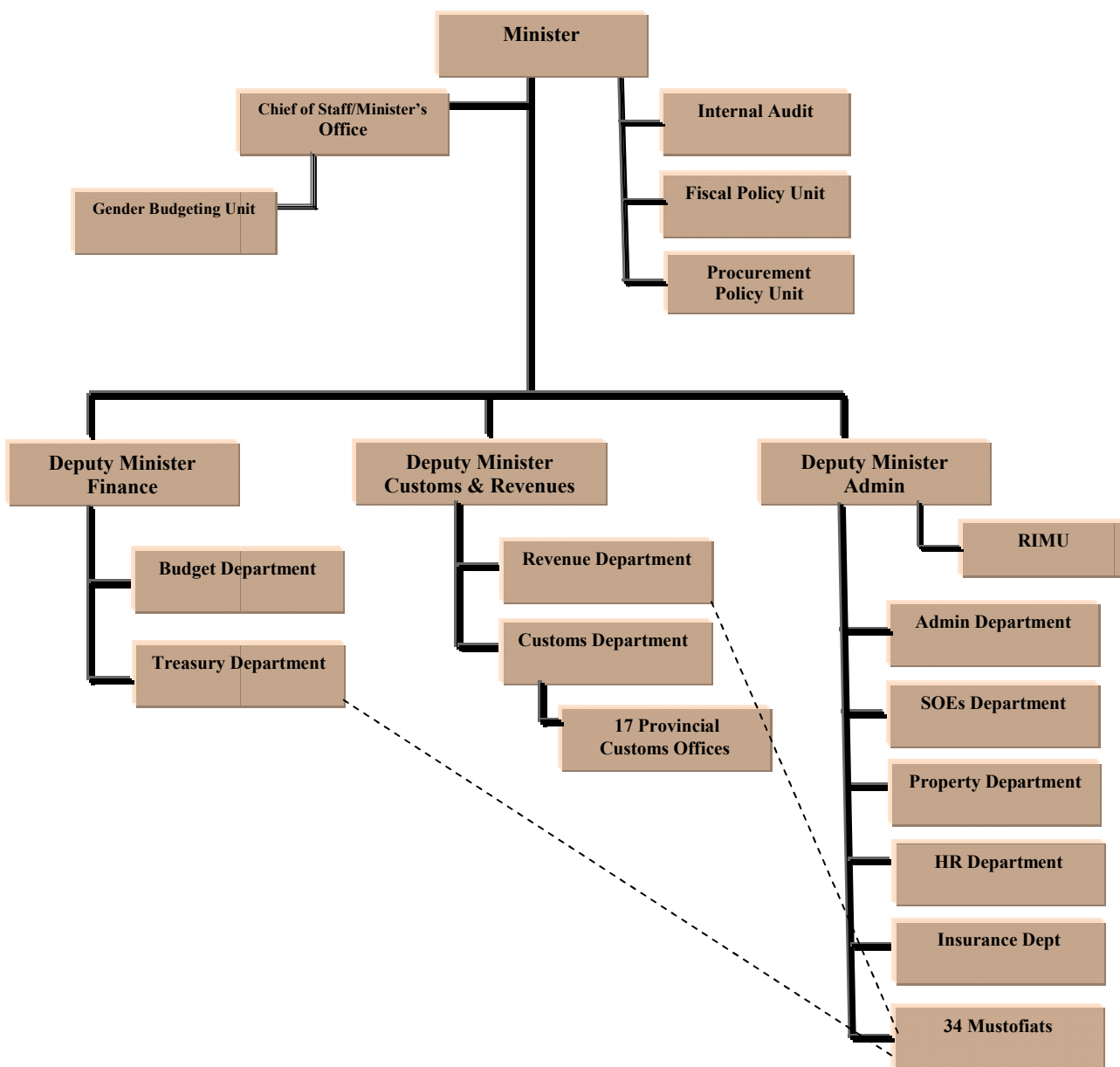
The key role of the Internal Audit Sub Program is to develop and implement audit procedures in line with Government policy.

Activities	Sub Activities	Narratives
4.2.1 Internal Audit Strategy and Policies	4.2.1.1 Internal Audit Education Programs and Professional Associations	Identify the requirement of Accounting and Auditing Training in the Govt. Ministries as per need basis, Review existing training course and develop training materials for the ATP, Facilitate to formulate the laws for Regulating the professional accounting practices in Afghanistan and establish a Professional Accounting Body, Facilitate for obtaining Professional Certification courses, Conduct CAT training (Introductory, Intermediate and Advance level), Conduct English language training
	4.2.1.2 Institutional Development	Prepare Human Resources Development Plan for IAD/MoF, Equip departmental library with more facilities, Establish and operate the library as a well managed resource centre by deputing a person as a librarian, Develop computer environment in the IAD/MoF, Procurement of Furniture and Equipments
	4.2.1.3 On-the-Job Training (OJT) Programme	Provide OJT on Revenue Audit for the Auditors of the Internal Audit Department of MOF, Provide OJT on Audit through Controllers in the government agencies for the Auditors of the Internal Audit Department of MOF
	4.2.1.4 Strengthening the IA capacity in line Ministries	Continue ongoing OJT on Internal Audit in Ministry of Defense, Identify the requirement of OJT in the Govt. Ministries as per need basis
	4.2.1.5 Strengthening the IT enabled audit	Conduct IT training, Conduct IT Audit Training, Conduct Training on IT Audit Manual, AFMIS, ASYCUDA and Payroll Audit training
	4.2.1.6 Internal Audit Policies and Standards	Update the Internal Audit Manual and Handbook, internalize specific audit manuals for Customs, Revenue and Mustofiat, Develop Procurement, and Project audits Manual, Conduct Training and Workshops on different manuals developed
	4.2.1.7 Audit follow-up	Develop follow-up procedure and framework for the internal audit, Conduct training on Follow-up audit
	4.2.1.8 Post Quality Review	Develop Post Quality Review system in Audit works, Conduct training on Post Quality Review system
	4.2.1.9 Enhancing Performance Audit in practice	Provide intensive training on Performance Auditing, Expansion of Performance Audit in practice
4.2.2 Internal Audit in the Government Agencies	4.2.2.1 Audit Planning	Periodic and Entity level audit plan
	4.2.2.2 Audit Execution	Revenue, Expenditures, Procurement, and Treasury system audit

	4.2.2.3 Audit Reporting	Individual Audit reports, Periodic Reports, Management Letters and report for the special tasks
	4.2.2.4 Audit Follow up	Follow up of recommendations made in the previous audit report, maintenance and update of follow up records
4.2.3 Inspection and Investigation	4.2.3.1. Strengthening the Fraud Investigation Unit of the IAD	Hire a Fraud Investigation Manager, Establish a well functioning FIU and conducting the Fraud Investigation activities
	4.2.3.2 Specific Urgent Interventions	Urgent Intervention as needed

VI. Organization Structure:

The Ministry of Finance has 11 Main Departments (Budget, Treasury, Revenues, Customs, SOEs, Internal Audit, Admin, HR, Property, Minister’s Office and Afghanistan Insurance Authority), 4 Units (Fiscal Policy, Procurement Policy, Reform Implementation and Management and Gender Budgeting). At provincial level, it has 34 Mustofiats each one having 3 Units (Treasury, Revenues and Admin). Additionally, there are 17 Provincial Customs Offices directly under control of the Customs Department. The recent changes to the MoF Organization structure are the establishment of the HR Department and the placement of the Fiscal Policy and Procurement Policy Units and the Internal Audit Department under the Minister. As per the needs, the Organization Structure could be further reviewed and amended.



VII. ANNUAL PRIORITIES

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

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

General:

- Meeting IMF, WB and PRGF benchmarks

Public Financial Management:

- Updating the accounting manual
- AFMIS development and roll out to all ministries and provinces
- Training on AFMIS to line ministries and provinces
- Payment of all government employees under the Verified Payroll Program
- Development of MTEF and updating of the MTFF
- Expansion of the Program Budgeting Mechanism to all ministries and other independent administrations
- Expansion of the Provincial Budgeting Mechanism to all provinces
- Integration of operating and development budget through program budgeting
- Expansion of Gender Budgeting mechanism to all ministries and other independent administrations
- Effective aid coordination mechanism in place
- Implementation of the new Procurement Law
- Institutional Development of the line ministries procuring entities
- Capacity Building of all line ministries, independent administrations and provinces on procurement enabling them to carry out stand alone procurement
- Development of e-procurement and PMIS

Domestic Revenues:

- Execution of the Tax Reforms
- Computerization of the taxation system

- Expansion of the LTOs and MTOs to the provinces
- Amending the Customs Code
- Implementation of ASYCUDA in all Customs Points
- Expansion of the Customs Broker System
- Customs Infrastructure development and equipping all the customs points

Institutional Development and Governance Reforms:

- Reform and Reconstruction of Mustofiats
- Reform of all Customs
- Internal Audit capacity development
- Divestment of SOE's
- Completion of the PRR at HQ, Mustofiats and Customs Points
- Implementation of Pay & Grading System
- Capacity Building in different relevant fields
- Equipping all MoF offices at center and provinces

VIII. RISKS AND MITIGATION MEASURES

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

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

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

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

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

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

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

Annexes:

A. Strategic Plan Monitoring and Evaluation Framework

B: Medium Term Fiscal Framework

**Ministry of Finance
Reform Implementation & Management Unit
Monitoring & Evaluation
Strategic Plan M&E Framework**

Goals	Objectives	Relevant Programs/ Sub-Programs	Performance Indicators	Type of Indicator	Data Source	Baselines			Benchmarks				
						1385	1386	1387	Benchmark 1388	Benchmark 1389	Benchmark 1390	Benchmark 1391	Benchmark 1392
1. Mobilizing Revenue and Managing Government Finances	1. Revenues are dynamically growing and collected in a fair manner	2. Revenue Management (2.1 Tax Revenues 2.2 Customs Revenues)	1. Domestic revenues as % of total operating expenditures in core budget (fiscal sustainability)	Impact	Budget Dept	66.7%	66.30%	59%	53.9%	58.2%	62.7%	69.7%	78%
			2. Domestic revenues increase in line with budget estimates	Outcome	Revenue Dept	Afs. 28.788 B	Afs.33.668 B	Afs. 41.5 B	Afs. 50.6 B	Afs. 61.847 B	Afs. 74.8 B	Afs.89.575 B	Afs. 105.98 B
			3. Total domestic revenues as % of legal GDP	Outcome	Revenue Dept/FPU	8.2%	7%	6.9%	7.3%	7.9%	8.5%	9.1%	9.7%
			4. % of core budget shortfall covered by external assistance	Outcome	Budget Dept	74%	76%	75%	67%	62%	58%	53%	47%
			5. Cost of collection as a % of revenues collected	Outcome	Revenue Dept	N/A							
	2. Adequate, predictable external assistance is going through the national budget	1. Public Finance Management (1.1 Govt Budgeting)	6. % of total external assistance going to the core budget	Outcome	Budget Dept	54% (with carry forward)	44% (with carry forward)	27% without carry forward (34% with carry forward)	37% (without carry forward)	40% (without carry forward)	49% (without carry forward)	50% (without carry forward)	
			7. Proportion of donor assistance through Core Budget compared to proportion through External Budget.	Outcome	Budget Dept	54% through core budget, 46% through external	44% through core budget and 56% through external	27% % through core budget, 73% through external (without carry forward)	37% through the core budget and 63% through the external budget	40% through CB and 60% through EB	49% through CB and 51% through EB	50% through CB and 50% through EB	
	3. The budget is realistic, based on a sound multi-year fiscal strategy, and implemented in a predictable manner	1. Public Finance Management (1.1 Govt Budgeting, 1.2 Treasury Operations and 1.3 Policy Research & Analysis)	8. Core budget increases in line with total budget estimates, value of operating budget, value of core development budget	Outcome	Budget Dept	Core Budget Afs. 110.244 B (OB Afs. 44.2 B and DB Afs. 66.044 B)	Core Budget Afs. 142.292 B (OB Afs. 55.1 B and DB 87.192 B)	Core Budget Afs. 167.93B (Operating Afs. 73.83 B and core development budget Afs.94.1 B)	Core budget Afs. 153 B (OB Afs. 93.954 B and DB Afs. 59.058 B)	Core budget Afs. 162.038 B (OB Afs. 106.273 B and DB Afs. 55.765 B)	Core budget Afs. 177.873 B (OB Afs. 119.320 B and DB Afs. 58.553 B)	Core budget Afs. 190.025 B (OB Afs. 128.544 B and DB Afs.61.481 B)	Core budget Afs. 200.334 B (OB Afs. 135.779 B and DB Afs. 64.555 B)
			9. % of operating budget (expenditures) covered by domestic revenues	Outcome	Budget Dept	66.2%	66.30%	59%	54%	58%	63%	70%	78%
			10. % of core budget executed	Outcome	Budget Dept	71%	70%	68%	85%	90%	92%	94%	95%
			11. % of operating budget executed	Outcome	Budget Dept	98%	92%	95%	100%	100%	100%	100%	100%
			12. % of core development budget executed	Outcome	Budget Dept	53%	56%	49%	65%	70%	75%	80%	85%
			13. % of gap between budget allotments and expenditures	Outcome	Treasury Dept	The gap between allotment and expenditure for 1385 was: Overall – 12% Development – 20% Operating 3%	The gap between allotment and expenditure for 1386 was: Overall – 11.5% Development – 17% Operating 4%	The gap between allotment and expenditure is : Overall 11% , Development – 17% Operating – 5%	8% or less	8% or less	8% or less	8% or less	8% or less
			14. Multi –year perspective in fiscal planning, expenditure policy and budgeting	Output	Budget Dept/FPU	MTFF introduced	Introduced MTBF, MTFF updated and MTBF approved by parliament	MTFF is updated	Fully adopt MTFF/ MTBF/ MTEF	Fully adopt MTFF/ MTBF/ MTEF	Fully adopt MTFF/ MTBF/ MTEF	Fully adopt MTFF/ MTBF/ MTEF	Fully adopt MTFF/ MTBF/ MTEF
			15. Allocation of all budget resources based on the MTFF and MTBF	Output	Budget Dept	Operating budget is based on MTFF	Operating budget is fully based on MTFF. Development budget is partially based on MTBF	Achieved	Budget allocations will be based on MTFF/MTBF	Budget allocations will be based on MTFF/MTBF	Budget allocations will be based on MTFF/MTBF	Budget allocations will be based on MTFF/MTBF	Budget allocations will be based on MTFF/MTBF
			16. # of ministries where AFMIS is operational	Output	Treasury Dept	AFMIS not available in any Line Ministries or Mustofiat.	AFMIS rolled out to 4 Line Ministries (MoEd, MRRD, MoC and MoF)	14 Ministries	AFMIS rolled out to all line ministries				
			17. # of Mustofiat where AFMIS is operational	Output	Treasury Dept	AFMIS not available in any Mustofiat.	3 Mustofiat	12 Mustofiat	22 Mustofiat	33 Mustofiat	All		
4. The budget is comprehensive, policy-based, prepared in an orderly manner, and supportive of the National Development Strategy	1. Public Finance Management (1.1 Govt Budgeting)	18. Timeliness of budget approval: (a) Cabinet (b) Parliament	Output	Budget Dept	submitted to cabinet by mid Jan and to parliament by feb 5th	Submission to Cabinet by mid Jan, to Parliament by Feb 5th. Approval by Cabinet by end Jan, by Parliament by 21st March	Submitted to Cabinet by mid Jan, to Parliament by Feb 5th. Approval by Cabinet by end Jan, by Parliament by 21st March	Submission to Cabinet by mid Jan, to Parliament by Feb 5th. Approval by Cabinet by end Jan, by Parliament by 21st March	Submission to Cabinet by mid Jan, to Parliament by Feb 5th. Approval by Cabinet by end Jan, by Parliament by 21st March	Submission to Cabinet by mid Jan, to Parliament by Feb 5th. Approval by Cabinet by end Jan, by Parliament by 21st March	Submission to Cabinet by mid Jan, to Parliament by Feb 5th. Approval by Cabinet by end Jan, by Parliament by 21st March	Submission to Cabinet by mid Jan, to Parliament by Feb 5th. Approval by Cabinet by end Jan, by Parliament by 21st March	
		19. Orderliness and participation in the budget formulation process	Output	Budget Dept	Compressed budget timetable	9 month budget table issued and budget hearing committee held	9 month budget table issued and budget hearing committee held	9 month budget table issued and budget hearing committee held	9 month budget table issued and budget hearing committee held	9 month budget table issued and budget hearing committee held	9 month budget table issued and budget hearing committee held		
		20. ANDS priorities incorporated in budget formulation.	Output	Budget Dept	Some attempts made	I-ANDS priorities partially integrated (ANDS 3 sectors cost)	ANDS 4 sectors costing done and 3 is in progress	ANDS priorities 100 % incorporated in the budget	ANDS priorities 100 % incorporated in the budget	ANDS priorities 100 % incorporated in the budget	ANDS priorities 100 % incorporated in the budget	ANDS priorities 100 % incorporated in the budget	
		21. # of ministries with program budget mechanism	Output	Budget Dept	3	7	13	All ministries	All budgetary units	Appropriations	Appropriations	Appropriations	
		22. # of provinces with provincial budgeting mechanism	Output	Budget Dept	3	10	18	26	34				
2. Supporting economic management and promoting economic growth	5. Government's high level decisions take into account fiscal consequences	1. Public Finance Management (1.3 Policy Research & Analysis)	23. % of Cabinet decisions for which a fiscal assessment is available as and when required	Output	FPU	100%	100%	100%	100%	100%	100%	100%	
			24. Customs Procedures simplified	Output	Custom Dept	23 Customs procedures and 19 Guide lines drafted and approved	Transit procedure, Exemptions procedure and Inland Transit procedure redesigned. TORs for working of MVTs , International Customs and audit prepared	Amended Customs Act sent to MOJ	Procedures and laws to support automation and MOU with other government bodies	ongoing legislative and procedural support to accelerate reforms operations of ACD			
6. Licitimate													

**Reform Implementation & Management Unit
Monitoring & Evaluation
Strategic Plan M&E Framework**

Goals	Objectives	Relevant Programs/ Sub-Programs	Performance Indicators	Type of Indicator	Data Source	Baselines			Benchmarks				
						1385	1386	1387	Benchmark 1388	Benchmark 1389	Benchmark 1390	Benchmark 1391	Benchmark 1392
	activities of the private sector and individuals are facilitated, not hindered	2. Revenue Management (2.1 Tax Revenues 2.2 Customs Revenues)	25. Tariff amendment as per WCO system	Output	Custom Dept	Nil	Tariff is amended as per WCO revised 2007 version only pending for the approval and printing.	The tariff 2007 revised and all the changes and decrees included and approved by the Finance Minister	corporation of 1387 changes				
			26.Simplification of income tax law	Output	Revenue Dept	Nil	under work	Approved by Parliament	plementation of the new law				
			27. Abolition of "nuisance taxes"	Output	Revenue Dept	Nil	under work	Approved by Parliament	as above				
3. Managing public wealth	7. Government's assets and liabilities are adequately tracked and managed	1. Public Finance Management (1.2 Treasury Operations) 3. Institutional Development (3.3 Property Management, 3.5 Privatization of SOEs)	28. % of all assets registered, including valuation and location and verified by audit.	Output	Treasury Dept	0% of assets registered centrally.	Ten pilot licenses for Asset Module procured. Draft configuration documented, but requires further consultation to finalize.	MOF is entering asset data pertaining to assets owned by the ministry into AFMIS (FreeBalance) Asset systems. Excel/Access based model will be developed for other	Revised asset management procedure released.	Full collection of Asset data for all budgetary unit	Fixed Asset information published in final Budget reconciliation report (Article 58 PFEML		
			29. # of SOEs divested	Output	SOE Dept	12	19 SOEs divestment in progress, 70%	21 SOEs with 50% progress	31	41	48	52	56
			30. # of stated owned un-licensed banks liquidated	Output	Property Dept	3 banks, MCB, ADB, IDB (50%)	Mortgages and Constructions Bank 85 %, Industrial Development Bank 95 % and Agriculture Development Bank 80 % has progressed.	MCB and IDB 98%, ground work for ADB completed	MCB and IDB 100%, ADB 95%	ADB 100%			
	8. Procurement activities optimize use of public funds	1. Public Finance Management (1.4 Procurement Policy)	31. # of line ministries and provincial offices of line ministries conducting stand-alone procurement	Output	PPU	Nil	7	7 Ministries are currently completing applications for PRR status.	7 targeted ministries and 6 provinces	14	21	all	all
			32.Percentages of contracts subject to competitive bidding	Output	PPU	N/A	N/A	Monitoring system being developed makes provision for collecting of information procurement method wise	system developed	85%	85%	85%	85%
			33.New public procurement law and regulations promulgated and under implementation	Output	PPU		New procurement law and regulations and procedures in place and promulgated	SBDs developed	issuance of circulars and guidelines	issuance of circulars and guidelines	issuance of circulars and guidelines	issuance of circulars and guidelines	issuance of circulars and guidelines
4. Promoting good governance	9. Information is available and transparently shared	1. Public Finance Management (1.1 Govt Budgeting, 1.2 Treasury Operations) 4. Governance (4.1 Minister's Office)	34. MoF website is available and updated	Output	Minister's Office/media dept	Website available	Website available but not updated	available not updated	updated	updated	updated	updated	updated
			35. Timely publication and public accessibility of budget documentation	Output	Budget Dept	Nil	MTFF and budget documentation was incorporated in budget statement which was published on web.	Published in website after approval	Immediately after approval by the Parliament the budget document is posted on website and circulated among different ministries/ departments	Immediately after approval by the Parliament the budget document is posted on website and circulated among different ministries/ departments	Immediately after approval by the Parliament the budget document is posted on website and circulated among different ministries/ departments	Immediately after approval by the Parliament the budget document is posted on website and circulated among different ministries/ departments	Immediately after approval by the Parliament the budget document is posted on website and circulated among different ministries/ departments
			36.Quality and timeliness of in-year budget reports	Output	Budget Dept	1384 end budget report completed.	1385 Performance reports published within 6 months	Previous year budget performance report issued within 6 months	Previous year budget performance report issued within 6 months	Previous year budget performance report issued within 6 months	Previous year budget performance report issued within 6 months	Previous year budget performance report issued within 6 months	Previous year budget performance report issued within 6 months
			37.Timeliness of core budget audited financial statements submission to Parliament	Output	Treasury Dept	Deadline for submission of Qatia Core Budget Statements met in SY 1384.	Submitted by 20 Subola	Submission by 30 Sunbola	Submission by 30 Sunbola	Submission by 30 Sunbola	Submission by 30 Sunbola	Submission by 30 Sunbola	Submission by 30 Sunbola
			38.Timeliness and regularity of data reconciliation	Output	Treasury Dept	Except of TSA the bank rec's months out of date	All bank rec's completed qrtly within 30 days.	All bank rec's completed monthly within 30 days.	All bank rec's completed monthly within 25 days	All bank rec's completed monthly within 15 days	Implementation of Auto Reconciliation System	Real-time reconciliation	Real-time reconciliation
			39.Regular publication of opportunity and outcomes of public contracts	Output	PPU	N.A	N/A	The website under development is making provision for this	80%	85%	90%	100%	100%
	10. Effective control and stewardship is exercised in the use of public fund so society is protected from corruption	4. Governance (4.1 Internal Audit) 1.Public Finance Management (1.2 Treasury Operations)	40. # of internal audit reports on the findings of internal control systems and procedures, financial and accounting systems , MoF asset and procurement.	Output	Internal Audit Dept	31	65	99	76	87	100	115	
			41. % of audit findings with written management response (follow up)	Output	Internal Audit Dept	0%	10%	83%	90%	100%	100%	100%	
			42. # of employees paid under VPP	Output	Treasury Dept	86,000	100,000	350,000	375,000	390,000	405,000	420,000	435,000
			43. # of Mustofiats and Customs linked with the MoF headquarter through the installation of computers & IT equipment	Output	Admin Dept	Nil	12 (5 Mustofiats and 7 Customs)	24 (15 Mustofiats and 9 Customs) totally 20 mustofiats and 16 Customs	18 (14 mustofiats and 4 customs) totally 34 mustofiats and 20 customs				
	11. Strategic focus on delivering services and achieving results	3. Institutional Development (3.2 RIMU)	44. # of departments with five year strategic plan	Output	RIMU	Nil	All	All	All	All	All	All	
			45. results-based M&E systems in place	Output	RIMU	Nil	in place and maintained	in place and maintained	in place and maintained	in place and maintained	in place and maintained	in place and maintained	
			46. strategic plan M&E framework in place	Output	RIMU	Nil	developed	updated	updated	updated	updated	updated	updated

Reform Implementation & Management Unit
Monitoring & Evaluation
Strategic Plan M&E Framework

Goals	Objectives	Relevant Programs/ Sub-Programs	Performance Indicators	Type of Indicator	Data Source	Baselines			Benchmarks				
						1385	1386	1387	Benchmark 1388	Benchmark 1389	Benchmark 1390	Benchmark 1391	Benchmark 1392
5. A best practice leader within the Afghan public sector			47.# of progress/monitoring reports produced	Output	RIMU	Nil	4	6	6	6	6	6	6
	12. Professionally staffed with high standards of staff integrity	3. Institutional Development (3.2 RIMU, 3.3 HRM)	48.% of staff PRRed in HQ, Mustofiat and Custom points	Output	HR Dept/RIMU	32%	61%	44%	100%				
			49.% of staff hired under pay and grading	Output	HR Dept/RIMU	Nil	Not started yet	Nil	40%	70%	100%		
			50. # of trainings conducted	Output	HR Dept	43	47	86	57				
			51. # of staff trained	Output	HR Dept	564	1653	1126	1540				

Source: Budget Dept/ 1388 National Budget

	Integrated Budget MTF								
	1384	1385	1386	1387*	1388	1389	1390	1391	1392
	All figures are in millions of Afs unless noted								
Domestic Revenue	20,660	28,719	33,645	40,100	50,600	61,847	74,800	89,575	105,980
Tax Revenues	14,035	21,500	25,350	30,137	38,318	47,238	57,555	69,284	83,147
Taxes on income, profits, property and capital gains	2,621	6,737	8,249	9,696	10,315	12,137	14,110	16,339	19,081
Taxes on international trade and transactions	9,446	11,563	13,194	15,016	16,149	19,901	24,608	30,017	36,243
Domestic Taxes on Goods and Services	1,771	2,397	2,977	4,268	10,030	13,085	16,400	20,143	24,596
Other taxes	197	804	930	1,157	1,824	2,115	2,437	2,785	3,227
Non Tax Revenues	6,624	7,219	8,295	9,963	12,282	14,609	17,245	20,291	22,833
Donor Assistance Grants (to operating budget)	16,878	19,192	23,209	28,797	42,570	42,814	42,888	40,775	38,672
ARTF (recurrent window)	13,580	14,947	14,462	14,090	13,000	11,700	10,400	9,100	7,800
LOTFA (including ANP fuel payments)	3,298	3,723	7,146	8,176	19,811	17,804	16,814	15,824	14,833
Other grants (pay reform for ANA and supported by CSTC-A and Teacher's salary Top-up for 1387)	0	523	1,602	6,530	9,758	13,310	15,674	15,852	16,038
Donor Assistance Grants (core development budget)	31,663	55,934	75,838	100,967	104,397	104,354	101,229	94,237	83,347
Surplus From Operating Budget	0	4,990	6,287	0	0	0	0	1,207	2,234
ARTF (Investment Window)	6,014	8,950	13,972	25,033	16,073	15,345	15,345	15,345	15,345
CNTF	291	1,450	1,800	1,915	23	23	23	23	23
LOTFA	146	100	0	0	0	0	0	0	0
JNPGA	1,795	0	1,000	1,318	2,080	2,080	2,080	2,080	2,080
WB-IDA (New Financing)	3,638	13,850	11,400	13,034	15,398	15,398	15,398	15,398	15,398
US Monetization Grants	582	0	300	1,036	312	312	312	312	312
PSIB	3,880	0	4,000	0	0	0	0	0	0
ADB	0	6,850	3,750	9,555	6,990	6,990	6,990	6,990	6,990
Other Donors	2,660	5,579	7,466	9,835	4,768	4,768	4,768	4,768	4,768
Carry over grants from previous year	12,659	19,155	32,150	39,241	58,753	59,438	56,314	49,321	38,432
Core Development Expenditure	22,243	35,170	48,172	50,580	53,110	55,765	58,553	61,481	64,555
Operating Expenditure	33,675	42,976	50,585	73,829	93,954	106,273	119,320	128,544	135,779
Compensation of Employees	20,626	26,518	33,564	48,378	66,058	73,657	82,071	87,138	89,469
Goods & Services	7,088	12,353	12,670	17,485	18,414	21,538	24,043	26,928	29,388
Subsidies & Transfers and Other expenditures	1,555	406	461	3,400	3,411	4,525	4,716	4,810	5,409
Pensions	1,659	1,954	2,368	3,060	4,029	4,083	5,795	6,680	8,073
Capital expenditure	2,385	1,576	1,415	1,006	1,641	1,866	2,095	2,341	2,613
Interest payments and principal repayments	362	169	107	500	400	604	601	648	827
Total Core Budget Expenditure	55,918	78,146	98,757	124,409	147,063	162,038	177,873	190,025	200,334
Afghanistan National Development Strategy (Excluding contingency expenditures)	54,257	78,146	98,757	106,195	122,343	128,883	135,313	141,303	147,425
Security	16,049	20,323	24,828	29,506	40,034	41,585	43,442	44,985	46,624
Governance, Rule of Law and Human Rights	3,557	4,775	6,296	7,866	7,931	9,943	11,495	12,687	13,657
Infrastructure & Natural Resources	8,095	20,094	26,205	24,226	21,915	33,433	43,824	51,542	57,517
Education	8,254	10,561	13,131	17,754	23,362	21,165	20,068	19,538	19,419
Health	2,215	3,359	3,738	4,287	6,714	5,497	4,115	3,254	2,748
Agriculture and Rural Development	11,203	13,061	16,961	16,347	14,030	8,877	5,836	3,901	2,713
Social Protection	2,658	3,387	3,961	1,503	2,395	4,055	3,251	2,764	2,494
Economic Governance and Private Sector Development	2,227	2,586	3,637	4,704	5,961	4,329	3,281	2,631	2,253
Contingency fund for development projects	0	0	0	2,165	2,344	1,377	803	434	204
Core budget balance (excluding grants)	-35,258	-49,427	-65,112	-84,309	-96,463	-100,191	-103,074	-100,450	-94,354
Core budget balance (including grants)	13,282	25,699	33,935	45,454	50,504	46,977	41,043	34,562	27,666
Core budget balance (including grants, loans, and sale of Govt assets)			45,468	57,533	58,485	62,852	47,519	40,021	34,441
Financing									
Operating budget balance (including grants) ²	3,863	4,936	6,269	-4,932	-784	-1,612	-1,633	1,806	8,873
Development budget balance (including grants) (development grant & loan carry forward)	9,419	20,764	27,666	50,386	51,288	48,589	42,676	32,756	18,793
Overall budget balance (including grants)	26,882	34,942	44,562	50,886	69,529	68,493	62,627	53,230	38,432
Sale of non-financial assets	..	2,306	99	4,103	40	8,360	40	40	40
Loans									
Principal repayments	141	391	209	209	209	257	444
Disbursements	9,736	11,386	11,575	8,367	8,151	7,724	6,645	5,676	7,180
Treasury Single Account									
Change in Government balances	906	-439	-534	6,958	-1,384	2,103	9,357
Discretionary balance (end of year) ³	..	10,038	10,840	10,401	9,866	16,824	15,440	17,543	26,900

Memorandum items

Real GDP growth (%)	16.1%	8.2%	11.5%	3.4%	7.4%	7.5%	7.1%	7.0%	6.9%
Inflation (year-on-year; %)	12.3%	5.1%	13.0%	28.2%	6.0%	5.8%	5.4%	5.0%	5.0%
US dollar / Afghani exchange rate (period average)	48.5	50.0	50.0	51.0	52.0	52.0	52.0	52.0	52.0
Compensation of employees incl. P&G as % of operating expenditure	61.3%	61.7%	66.4%	65.5%	70.3%	69.3%	68.8%	67.8%	65.9%
Compensation of employees incl. P&G as % of Domestic revenue as % of operating expenditure	99.8%	92.3%	99.8%	120.6%	130.6%	119.1%	109.7%	97.3%	84.4%
Domestic revenue as % of total operating revenue	61.4%	66.8%	66.5%	54.3%	53.9%	58.2%	62.7%	69.7%	78.1%
Domestic revenue as % of GDP	55.0%	59.9%	59.2%	58.2%	54.3%	59.1%	63.6%	68.7%	73.3%
Compensation incl. P&G as % of GDP	6.4%	7.5%	7.0%	6.6%	7.3%	7.9%	8.5%	9.1%	9.7%
Operating budget as % GDP	6.4%	6.9%	7.0%	8.0%	9.6%	9.4%	9.3%	8.9%	8.2%
Operating budget balance (excluding grants) as % of GDP	10.5%	11.1%	10.6%	12.2%	13.6%	13.6%	13.6%	13.1%	12.4%
Operating budget balance (including grants) as % of GDP	-4.0%	-3.7%	-3.5%	-5.6%	-6.3%	-5.7%	-5.1%	-4.0%	-2.7%
GDP in millions of Afs	1.2%	1.3%	1.3%	-0.8%	-0.1%	-0.2%	-0.2%	0.2%	0.8%
Donors grants as % of GDP	322,231	385,489	478,421	605,329	688,693	783,907	879,212	982,266	1,096,516
Donor loans as % of GDP	-2.5%	-3.5%	-4.6%	-6.6%	-7.3%	-7.9%	-8.5%	-9.1%	-9.7%
	3.0%	3.0%	2.4%	1.4%	1.2%	1.0%	0.8%	0.6%	0.7%

* 1387 expenditure figures reflect the mid-year review budget, not projected outcome

1. Figures for the outer years (1389-92) figures are

strictly indicative.

2. Surpluses would be diverted for development

3. Treasury Single Account balances, as recorded by AFMIS on Hoot 29th (March 20th), excluding donor and transfer accounts, and subtracting total outstanding