Public Financial Management Roadmap (PFM) Roadmap Implementation Seminar
15 May 2011, Kabul Serena Hotel
Draft Minute

Chair: Deputy Minister for Finance, Mustafa Mastoor
Participants: Parliament (Budget and Finance Commission), Government (Ministries of Finance, Economy and Mines), Media (National TV), Donors (USAID, DFID, IMF, WB) and UNDP.¹

The seminar had two main agenda. The first one was to bring together a small group of influential, reform-minded individuals from inside and outside government in order to establish the PFM reform group, called Kabul PFM Reform Group. The second one was to discuss on the contents and aims of the PFM reform and progress with implementation, and to discuss ways of maximizing the chances of successful, sustainable PFM reforms in Afghanistan.

HE DM Mastoor welcomed the participants and explained that PFMR was developed in consultation with all the stakeholders. It was then endorsed at the last year’s Kabul International Conference (July 2010) as a National Priority Programs (NPPS). He stated that PFMR aims to improve the government's performance and accountability by strengthening budget planning and execution, enhancing fiscal responsibility and building human capacity. Therefore, the PFMR sets out a three-year reform program to strengthen the budget process (improving the linkage of budget with policy), improve budget execution, and to increase transparency and accountability.

HE Mastoor mentioned that significant progress has been made in implementing the PFMR. Thus the PFMR progress reports since August 2010 has been encouraging. Following the endorsement of PFMR a three years master action plan for implementation developed and a monitoring mechanism established for tracking the progress and to addressing the bottlenecks.

In addition, activities to strengthen budget formulation and budget execution progressing well, but still needs to shift the focus from monitoring the process to results. Furthermore, headline measure for transparency (Open Budget Index score) likely to be fulfilled early than the due date. Despite the progress that has been made there has been limited success to improve transparency and accountability due to delays in external audit. Moreover the capacity building measures are likely to be behind the schedule. However, still there are challenges in the area of budget execution as the ministry of finance is dependent on the other agencies for the implementation of the budget.²

At the end of his presentation HE Mastoor reminded the participants that they could play a very important role as PFM reform allies, while having a persistent interaction among the group members and the ministry of finance through the newly established unit, PFMR Delivery Unit under the office of Deputy Minister for Finance. Finally. He also raised three questions for discussion in the Seminar such as: 1) How to ensure

1 Also IARCSC, ACSF, AREU, Afghanistan Chamber of Commerce and Industries (AACHI), and DFID were invited, but they did not show up in the Seminar.
2 For detail see PFMR implementation and monitoring, annex I.

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reforms are sustainable, 2) What can others here do to support reform? And 3) what are the Implications of the “Transition” – and what urgent work required now to ensure accurate macroeconomic forecasts (monetary and fiscal).

Main discussions and outcomes:

The PFMR reform agenda were welcomed and the Seminar participants appreciated the achievements. They also agreed on the importance and centrality of the PFMR for the development of Afghanistan. Therefore, they welcomed the idea of having a PFMR reform group who should advocate for the PFMR reforms in Afghanistan.

The need for coordination between the ministries of finance and economy was highlighted for the success of the reform process. In addition, the donors were called for providing necessary fund for the PFMR reform implementation.

The participatory natures of the PFMR, which put emphasize on the role of provinces and MPs in the planning and budgeting process were much welcomed.

It was noted that since ANDS was prepared, the poor linkage between budget and policy has remained as one of the major problem. It was also highlighted that the changes the Parliament propose in the budget to the ministry of finance leaves less chances for the consultation that should take place with the budget committee. Therefore they cannot properly assess the economic impact of the new changes in the budget.

It was also discussed that there is lack of awareness on the National Assembly's role both inside the government and among the donors. For example when the budget is coming to the Lower House it does not mean for the Parliamentarians to reject the budget, in most cases the delays are due to lack of awareness inside the Parliament on the budget process or the lack clarity in the budget itself. Hence there is still a high demand to build the capacity of the MPs on the budget process, where the government and donors can play an instrumental role. It was proposed that the focus should remain on building a sustainable capacity, so after withdrawal of the donors fund, and TAs, there should not be shortage of capacity.

Additionally it was discussed that there is need for reforms in the Public Financial Management Law, where MoF should take the necessary steps. Media is not happy about the ongoing reconstruction process, in particular about the quality. Also, it seems that the centralized financial law has made the public institutions lazy and to not remain fully accountable for their own activities. If they have their own revenue to fund their activities this can improve the efficiency and accountability.

It was also noted that the role of the MPs are crucial in budget process, therefore the MPs should further get involved in the budget formulation process, so this can ease the budget approval by the Parliament.

Recommendations:

Parliamentarians

- When they review the national budget, make sure that it meets the country's policy objectives. This includes making sure it is fiscally sustainable.
When they hold Ministers to account throughout the year, check if they are achieving the results that they promised in the budget.

Make efforts to share the national budget with their constituents. Get them interested in what the Government is doing in their area.

Help their colleagues in Parliament to understand what the Government is trying to do to make the national budget achieve results for the country.

Civil society organisations

- Make sure they understand the contents of the budget, what Ministries promise and what they actually achieve.
- Help other civil society organisations to understand too. Tell them why the budget is so important.
- Act as a ‘translator’ for ordinary people, helping them to understand what the budget means for them.
- Hold the government into account by asking questions and providing feedback.

Donors

- Make sure that their funding is clearly linked to line ministry program structures, and use your TA to make sure that they are linked to Government policies.
- Make their funding discretionary, so that the Government can allocate it according to policy.
- Make their funding predictable.
- Help spread the message that the budget is the annual and medium-term plan for the country. Convey this:
  - To all the people in your organisations, not just PFM people.
  - With civil society, where you interact with them. Civil society needs to hold the Government to account when you leave.
  - With provincial actors.

The Seminar Participants:

- Should support the PFMR reform, they can be called Kabul PFMR Reform Group
- The next meeting would be called in August 2011