

## **Annex 2: Instructions for Pro-Poor Pilots (For Identification of Their Pro-Poor Spending within BC2 Submission Process of 1391 Budget)**

These instructions are for pro-poor pilots to complete the form for Identification of the Pro-poor Spending within the BC2 Submission Process for the 1391 Budget

### **Pilots for this year:**

Ministry of Education (MoEd)

Ministry of Public Works (MoPH)

Ministry of Labor Social Affairs Martyrs and Disabled (MoLSAMD)

**Specific Form for Pilots:** A Specific Form has been developed to be completed by these pilot ministries. The Form, which is part of the BC2 process, is distributed to the pilot ministries together with this Instruction Note, as an Annex to regular BC2 Instructions and Forms.

## **1. Background**

### **1.1. Introduction**

The Government of Afghanistan has initiated implementation of its first National Development Strategy (ANDS). The main objective of this strategy is poverty reduction. Based on the ANDS Poverty Profile, the Government has developed priority poverty reduction policies within each ANDS sector strategy. As the Budget is the main instrument for implementation of the ANDS, the MoF has introduced a new initiative to identify and track the pro-poor spending within the Budget process with aim to:

- support implementation of the ANDS poverty reduction policies, and
- based on international obligations to report on annual basis to the IMF on how much the Afghanistan Budget is pro-poor

This Instruction Note is the part of the BC2 process. Its purpose is to provide guidance to the pilot ministries which are selected to be pilot ministries for the implementation of this new initiative within the preparation of the 1391 Budget.

The pro-poor piloting started in 1389 with several key ministries that had more contribution in terms of poverty reduction. In 1390, pro-poor budgeting started as pilot phase. Ministry of Education (MoEd) and Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD) were the first two pilot ministries. This year this initiative will be rolled out to Ministry of Public Health, making it three pro-poor pilot ministries.

### **1.2. Basic Elements of the Increased Pro-Poor Spending Approach within the Budget**

The poverty assessment that has been initiated under the ANDS preparation will serve as a basis for identification of pro-poor activities/expenditures within the budget submissions of the budget users. Currently, the MoEc leads the Government action to formulate sector

related priority poverty reduction policies based on the regular NRVA survey. In line with this effort, the line ministries will be required to develop its own poverty reduction policies and to integrate them into its budgets. The standard Afghanistan's budget process will be used to identify and track the pro-poor budget allocations at the level of activities, projects and sub-programs. In 1390, this new initiative will be piloted within the MoEd, MoSAMD and MoPH.

## **2. Instructions for Completion of the Specific Form for the Pilot Ministries**

### **2.1. Requirement for All Ministries/Budgetary Units**

Generally, budget submission process is instrumental for identification of pro-poor spending of line ministries. In line with this, the BC2 Form 1391 has already been adjusted to include poverty reduction as additional cross cutting issue. Within the BC2 Form, all budget users are required to identify programs that will contribute to reduction of poverty.

### **2.2. Requirements for Pilot Ministries**

The pilot ministries will first be required to develop its own most priority poverty reduction policies in line with the Poverty Assessment based on the NRVA surveys. In line with this, the pilot ministries will integrate these policies into its budget proposals for the 1390 and will within the BC2 regular Forms identify activities, projects, sub-programs and programs that would support their implementation.

Specific form is designed to specifically identify these pro-poor expenditures. After identification of their pro-poor activities and required cost/expenditures (for the Development and Operating Budgets), and filling regular B2 and all other forms, the pilot ministries will need to identify the expenditures and insert them into the Specific Form at the level of Sub-programs and Projects and for both, Operating and Development Budgets.

The figures for all sub-programs and the projects will need to be totaled (at end of Specific Form) to identify how much of the entire budgets proposals of these pilot ministries are pro-poor.

Finally, the pilots will need to provide within the Specific Form short explanation/justification on how the identified projects will contribute to poverty reduction.

## **3. Support to the Pilot ministries**

MoF/BPU will provide advisory support to pro-poor pilots on how to identify their pro-poor spending and how to integrate them into the BC2 and Specific Form.

For additional information and support, please contact: Budget Policy Unit, General Directorate Budget, Ministry of Finance (MoF)