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EGGI Budget Reform Retreat Report

Lessons Learned from 2010-2011 and Looking Ahead



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Overview

The USAID Economic Growth and Governance Initiative (EGGI) organized a one-day retreat on July 30, 2011 to review EGGI's performance in supporting the Ministry of Finance in budget reform implementation for 2010-2011 and to identify opportunities for the project to improve its budget reform support to the Ministry of Finance going forward. The purpose of the retreat was also to offer a forum for the EGGI Budget Reform Team to discuss its mission, scope of work, program activities and role in delivering the relevant project objectives for Year 3. The USAID/EGGI Program Management team and Ministry of Finance Budget Department officials participated in the one-day retreat with the Ministry of Finance counterparts providing feedback on the successes, challenges and areas of improvement identified during working group sessions.

The retreat was the first workshop organized by USAID/EGGI to discuss lessons learned from the projects 2010-2011 past experience with budget reform, and to involve Ministry of Finance counterparts in the discussion since the inception of USAID assistance to MOF in program budget reform in 2007 and provincial budgeting reform in 2010. The retreat program included welcome remarks



USAID EGGI Project COTR provides welcome remarks at the EGGI Budget Reform Retreat held July 30, 2011 in Kabul City

by the USAID COTR and EGGI Component Lead, a presentation on the EGGI project's Year 2 budget reform activities, and working group sessions to discuss lessons learned from Year 2 and how to better integrate the program / provincial budgeting reform activities for Year 3. About 50 EGGI senior management, national program and provincial budget advisors, USAID EGGI program management officials, and Ministry of Finance Budget counterparts participated. The agenda and participant list are attached as Appendix 1.

Lessons Learned

A key objective for conducting the retreat was for the EGGI Budget Reform Team (BRT) participants to reach a consensus on its Year 2 work achievements, challenges and areas for improvement for the project's Year 3 (2011-12). The BRT achieved this through facilitated working group discussions during the first half of the retreat program. Participants identified achievements, challenges and areas for improvement separately for program budgeting reform and provincial budgeting reform which are discussed below.

A. SUCCESSES

USAID/EGGI has supported the Ministry of Finance (MoF) in program budgeting reform implementation since 2007, primarily through embedded expatriate and national advisors providing on-the-job training, coaching and mentoring to Line Ministry staff. The overall objective has been to build capacity of Line Ministry staff to prepare and then execute their program budgets. Program budgeting reform is an important action to enable the Government to achieve fiscal sustainability in time through improved public financial management practices, including increased transparency and accountability in budgeting. USAID/EGGI has also supported the MoF in provincial budgeting reform since 2010, aiming to build capacity of select provincial line departments to prepare project proposals for the national budget process. Successful implementation of this reform at the subnational level will increase provincial input into the national budget process to better reflect local priorities, and improve communication and coordination between Line Ministries and their provincial departments on planning and budgeting activities.

During the Budget Reform Retreat, the BRT identified the key successes achieved in program budgeting and provincial budgeting reform to date including:

Program Budgeting Reform:

- Successful implementation of program budgeting reform across all budgetary units and submission of budget deliverables to MoF by Line Ministries generally on time
- Capacity building – (training, mentoring and coaching of GoIRA employees) through EGGI program budget advisors embedded in Line Ministries including providing training (coaching and on-the-job) for Line Ministry Program Budget Implementation Teams throughout the budget year
- Providing technical assistance to assigned budgetary units through EGGI embedded advisors in the preparation and submission of annual procurement and financial plans and quarterly performance and monitoring reports to improve execution of the annual budget
- Increasing knowledge of program budgeting reform in Line Ministries and empowering Ministry staff to take on responsibility and ownership for program budget reform implementation
- Graduation of eight Line Ministries from USAID/EGGI technical assistance (Ministry of Education, Ministry of Agriculture, Ministry of Economy, Ministry of Rural and Rehabilitation Development, Civil Service Commission, Ministry of Public Health, Ministry of Public Works, Ministry of Energy and Water)
- Greater Afghanization of program budgeting reform implementation with USAID/EGGI national experienced program budget advisors assigned to supervise junior program budget analysts in program budgeting technical assistance

Provincial Budgeting Reform

- MoF with EGGI support conducted consultation and coordination training for 20 provinces with a total of 600 provincial officials participating in accordance with the Ministry's Provincial Budget Action Plan for 2010
- Ministry of Finance with EGGI support also conducted a series of three-day capacity building workshops for 14 provinces to build foundation level skills in public financial management
- EGGI assisted the MoF to organize a national provincial budgeting policy symposium in May, with over 500 national and provincial officials participating, to introduce MoF's new provincial budgeting policy approach

- EGGI supported MoF to begin rollout of the regional BC1 workshops in Bamyan and Jalalabad in July



One of four EGGI program budget team working groups discusses successes, challenges and areas for improvement for the budgeting workstreams during the July 30, 2011 Budget Reform Retreat held in Kabul City.

B. CHALLENGES

While the BRT has achieved notable successes in support of MoF to implement program budgeting and provincial budgeting reform, there still are significant challenges that impact the pace at which these budget reforms can be adopted and carried out by the Government (central Line Ministries / Agencies and provincial line directorates). During the Budget Reform Retreat workshop, the BRT identified key challenges that need to be addressed to ensure Government has capacity to successfully implement these reforms for future sustainability. Key challenges identified include:

Program Budgeting Reform

- Frequent changes in staffing of Line Ministry Program Budget Implementation Teams during the fiscal year which often involves turnover of technical staff and/or transfers of staff to other departments or lack of interest or full ownership of PBIT members in preparation and implementation of program budgets
- Lack of coordination and communication among MoF and Line Ministries regarding program budget deliverables which includes MoF not communicating directly with Line Ministries and tight deadlines given to Line Ministries by MoF particularly for key documents
- Internet connection problems in Line Ministries which impacts adversely on communication
- Low capacity of Line Ministry staff in computers, IT, economic knowledge
- Less number of experienced EGGI team members assigned to budgetary units due to internal staff turnover each year

Provincial Budgeting Reform

- Delays in conducting provincial budgeting workshops according to the schedule due to funding or logistical issues mean that the provinces have to rush to submit proposals

- Difficult security situation in the Southern and Eastern Regions which makes it more difficult to conduct workshops and make individual visits to line directorates in provinces outside the regional base for workshop follow up
- Lack of communication and coordination between provincial line directorates and their respective line ministries on planning and budgeting activities
- Lack of public financial management information in the provinces and general low capacity of provincial officials in public financial management

C. AREAS FOR IMPROVEMENT

After considering the successes and challenges, the BRT then discussed the areas for improvement to ensure capacity is developed within the Line Ministries for program budget reform for sustainability. The areas for improvement are important to discuss and agree to be undertaken with MoF which has overall responsibility for program budget reform implementation.

Program Budgeting Reform

- The Line Ministries can work to stabilize the Program Budget Implementation Team to ensure members participate actively and are engaged and select permanent tashkeel staff rather than contracted staff for PBITs in each Line Ministry
- MoF can allow sufficient time for Line Ministries / Agencies to complete budget submissions and other related deliverables
- MoF can improve coordination among the Line Ministries through coordination meetings, increased email communication, and more active involvement of MoF Sector Managers in the budget activities of the line ministries within their sectors. For example, for better coordination, conduct monthly meetings between EGGI advisers, Line Ministries, MoF Budget Reform Unit
- Update technology to support and better equip budgetary units (provided sufficient funding for technology support)
- Training courses can be conducted in computer skills for budget and finance staff of Line Ministries to improve their basic computer skills
- MoF can convene a general meeting with all Ministers, Deputy Ministers and Director Generals of Finance to discuss strategic and policy issues related to program budget reform and operational policy or reactivate the Budget Steering Committee to meet more regularly throughout the year not just during the budget preparation process

Provincial Budgeting Reform

- Continue to deliver intensive capacity building training programs in budget execution to provincial officials involved in budgeting and planning to build foundation of knowledge and skills in PFM
- Develop annual training plan at the beginning of the year for the provincial budgeting reform program and update as needed to be used as the roadmap for the year for scheduling and conducting provincial budgeting training events
- For BC1 and BC2 pilot program, MOF, Line Ministries and EGGI can continue to conduct technical training for pilot provincial line directorates and also work closely together in providing technical assistance to trained officials in preparing BC1 and BC2 submissions under the pilot program

After presentations and discussions on the success, challenges and areas for improvement, the MoF Budget Department Managers provided their feedback to the EGGI budget reform teams. Naweed Niaz, Manager, MoF Budget Reform Unit, remarked that he agreed with most of the challenges raised by the working groups yet noted that many of the challenges are beyond the MoF's control to resolve



MOF Budget Reform Unit Manager provides feedback on working group presentation of success, challenges and areas for improvement for the budget workstreams going forward at the July 30, 2011 Budget Reform Retreat held in Kabul City

and will take considerable effort and time by MoF, Line Ministries and EGGI program budget teams working together to resolve. Najimullah Qasimi, MoF Provincial Budgeting Manager noted that the MoF with EGGI support conducted consultation and coordination training workshop provincial officials and donors in provinces to improve coordination and knowledge about provincial budgeting reform in the provinces. Regarding areas for improvement, coordination between donor and provincial officials should be strengthened, and successful implementation of provincial budgeting will require securing donor funding commitments for provincial budget proposals. He also pointed out that public awareness campaigns are also very important for all budget reforms.

Integrating Program and Provincial Budgeting Reform Activities

The Program Budget Reform work is primarily implemented by the MoF Budget Reform Unit (supported by DFID/ASI) and the Budget Department Sector Coordination Unit (supported by UNDP) while the Provincial Budgeting Reform work is implemented by the MoF Provincial Budget Unit. For the 1391 budget process, the MoF initiated a provincial budgeting pilot with five Line Ministries / Directorates (Agriculture, Education, Rural and Rehabilitation Development, Public Health and Local Governance) and their provincial directorates to prepare priority project proposals for Line Ministry / MoF consideration. The provincial budgeting pilot program has been a mechanism to better integrate the two reform work streams. However, more needs to be done. Integration of the two work streams is important for more effective implementation of program budgeting at the provincial and subnational level over the medium term.

As such, during the retreat, five working groups (with both program and provincial budgeting reform team members) were formed after the lunch break to discuss ways to better integrate the program and provincial budgeting reform work streams. MoF Budget Department officials also assisted in facilitating the working group discussions during this segment of the retreat.

Key points raised and recommendations for integrating the two workstreams included:

- Monthly coordination meetings can be held between EGGI Program Budgeting and Provincial Budgeting Teams when the provincial budgeting officers are in Kabul for their monthly coordination meeting with Ministry of Finance
- For Year 3, the EGGI Program Budget Team can support the provincial budgeting reform team by involving the provincial budgeting staff in program budgeting trainings conducted in Kabul, sharing relevant program budgeting reform materials, assisting with reviewing budget proposals from provincial line directorates before forwarded to Line Ministries and Ministry of Finance for consideration
- EGGI program budget advisors and Line Ministry representatives can support the provincial budgeting officers in conducting program budget trainings and other budget related trainings in the provinces
- The EGGI provincial budgeting team can share with the program budgeting team information gleaned from provincial training workshops and coordination with provincial line directorates on provincial needs to help ensure local priorities are reflected in the national budget during the budget preparation process. The EGGI provincial budgeting team can also play a role in improving communication from Central Ministry to provincial officials on planning and budgeting activities.
- For the next budget cycle, the Ministry of Finance and Line Ministries should prepare a more flexible timetable for submission of budget preparation forms from provincial line directorates to take into consideration that varying level of capacities and difficulties provinces face in preparing budget circular responses (BC-1 and BC-2). This is important to ensure that budget circular responses and project proposals prepared by provincial line directorates are reviewed by the program budget implementation teams of Line Ministries participating in the pilot provincial budgeting programs.
- The provincial budgeting team can continue to conduct trainings and provide information to provincial line directorates on how budgets are prepared centrally in Line Ministries
- Line Ministry program budget implementation teams can be more involved in reviewing provincial line directorate BC1 and BC2 submissions for the MoF provincial budgeting pilot
- MoF should appoint a technical group consisting of MoF, Line Ministry, and EGGI program / provincial budgeting staff to observe and evaluate provincial budgeting activities.

For EGGI Project Year 3 and the 1392 budget process, more will be needed to better integrate the two workstreams through the implementation of the second year of the provincial budgeting pilot and program budgeting reform implementation centrally for the seventh year. EGGI will work closely with the relevant Ministry of Finance Budget Department to do so.



EGGI Provincial Budgeting Team discusses successes, challenges and areas for improvement during the Budget Reform Retreat working group session

Conclusion and Next Steps

The Budget Reform Lessons Learned workshop provided an opportunity for the USAID/EGGI budget reform team (program budgeting reform and provincial budgeting reform teams) to openly discuss the successes, challenges and areas for improvements with feedback and participation from USAID and Ministry of Finance Budget Department. To effectively address the challenges and then areas for improvement will have to involve Ministry of Finance and the Line Ministries with assistance from EGGI national advisors. This will to a certain extent involve building capacity within the Ministry of Finance to better address managing the budget process and improving coordination and communication between Ministry of Finance and the Line Ministries regarding program budgeting reform implementation. EGGI's role is to help identify the challenges and areas for improvement with other donors and implementing agencies providing support to the Ministry of Finance Budget Department to assist in capacity building of the Department. This is important as EGGI moves to graduate Line Ministries from direct assistance and the Ministry of Finance gradually assumes more responsibility for providing support to Line Ministries in program budget reform implementation.

The participants also discussed conducting similar retreats in January / February after the 1391 national budget is developed and sent to the Cabinet for approval, and again in July / August 2012 after the annual program budgeting training program is conducted and the second year of the pilot provincial budgeting program is initiated. The immediate next step is to submit this Lessons Learned Report from the Budget Reform Retreat to USAID and Ministry of Finance.



One of four EGGI program budget team working groups discusses successes, challenges and areas for improvement for the budgeting workstreams during the July 30, 2011 Budget Reform Retreat held in Kabul City.

Appendix

Budget Reform Retreat Agenda
July 30, 2011
Serena Hotel, Kabul City

Time	Activity
8:30 – 9:00	Registration
9:00 – 9:30	Team Building Exercise
9:30 – 9:45	Opening remarks – Susan Coleman, USAID COTR, Michael Dunn, EGGI Component 1 Team Lead
9:45 – 10:30	Workshop Objectives, Agenda, EGGI Budget Reform Presentation - Marcia Occomy, EGGI Budget Reform Team Lead
10:30 – 10:45	Tea Break
10:45 – 12:00	Working Group Sessions on Lessons Learned (Success, Challenges, Areas for Improvement)
12:00 – 12:30	Group Presentations
12:30 – 14:00	Lunch / Prayers
14:00 – 15:00	Recap of working group discussions and Ministry of Finance feedback
15:00 – 16:15	<ul style="list-style-type: none"> • Working group sessions to discuss integrating program budgeting and provincial budgeting work • Presentations on working group results
16:15 – 16:30	Wrap Up - Marcia Occomy, EGGI

**Budget Reform Retreat Workshop
Attendance List**

1.	Susan Coleman, EGGI COTR	USAID
2.	Amanda Fong, EGGI Alternate COTR	USAID
3.	Masoud Hashimi	MOF, Budget Reform Unit
4.	Naweed Niazi	MoF, Manager- Budget Reform Unit
5.	Najimullah Qasimi	MoF, Manager, Provincial Budget Unit
6.	Abdul Momin Mansoor	Provincial Budget Unit
7.	Michael Dunn, Component 1 Team Lead	EGGI
8.	Marcia Occomy, Budget Reform Team Lead	EGGI
9.	Abdul Tawab Wardak, Cluster 1 Program Budgeting Supervisor	EGGI Program Budgeting Cluster 1
10.	Asmar Asmir, Program Budgeting Advisor(Ministry of Justice)	EGGI Program Budgeting Cluster 1
11.	Abdul Khali Rafi, Ministry of Women's Affairs	EGGI Program Budgeting Cluster 1
12.	Tawfeeq Azimi, Ministry of Energy & Water	EGGI Program Budgeting Cluster 1
13.	Masoud Dawoudzai, Supreme Court, Ministry of Labor and Social Affairs	EGGI Program Budgeting Cluster 1
14.	Nargis Mohammadi, Ministry of Justice	EGGI Program Budgeting Cluster 1
15.	Hamid Rahman, Attorney General's Office	EGGI Program Budgeting Cluster 1
16.	Mohammad Hanif Hamati, Control and Audit Office	EGGI Program Budgeting Cluster 1
17.	Farid Ahmad Noori, High Office of Oversight and Anti-Corruption	EGGI Program Budgeting Cluster 1
18.	Aziz Ahmad Rodiwal, IDLG; Central Statistics Office	EGGI Program Budgeting Cluster 1
19.	Mobeen Safi, National Olympic Committee	EGGI Program Budgeting Cluster 1
20.	Mohammad Haroon Nayebkhail	EGGI Program Budgeting Cluster 1
21.	Ferishta Stanekzai, Ministry of Mines	EGGI Program Budgeting Cluster 2
22.	Dawood Shah Niazi, Ministry of Mines	EGGI Program Budgeting Cluster 2
23.	Ahmad Fawad Niazi, Office of Administrative Affairs	EGGI Program Budgeting Cluster 2
24.	M. Qasim Ghaffari, Ministry of Transport; Ministry of Hajj & Religious Affairs	EGGI Program Budgeting Cluster 2
25.	Khalid Rahman, Ministry of Border and Tribal Affairs; Directorate of Kuchies	EGGI Program Budgeting Cluster 2
26.	Farangees Haideri, Geodesy and Cartography Office	EGGI Program Budgeting Cluster 2
27.	Shabnam Bidar, Geodesy and Cartography Office	EGGI Program Budgeting Cluster 2
28.	Bahar Radmanish Hussein, Office of Disaster Preparedness Management	EGGI Program Budgeting Cluster 2
29.	Nematullah Ameree, Ministry of Foreign Affairs	EGGI Program Budgeting Cluster 2
30.	Khalid Betani, Cluster 3 Program Budgeting Supervisor	EGGI Program Budgeting

