

Annex 6
PFM Design Mission
Meetings with Uruzgan Provincial Directorates
July 7-9, 2011

	Directorate of Economy	Directorate of IDLG	Directorate of Education	Directorate of Health	Directorate of Agriculture
Person interviewed	Mr. Ghulam Farooq, Director	Mr. Jalil, Provincial Financial Director of IDLG	Dr. Mikhail, Director Farid Moulah, Finance Officer	Eid Muhammad, Deputy Director	Haji Muhammad, Director Taj Muhammad, Finance Officer
Budget appropriation					
Participation in the budget preparation process	There is no formal process for participation; Director goes to Kabul several times a year to ask for additional funding; Central ministry has not yet granted any of the requests.	Every November, IDLG sends request to the directorate asking about the required funds for the next year; there are usually negotiation between IDLG and PGO on the size of the budget, but the budget has an increasing trend every year.	MoPH does not involve provincial directorates in the budget preparation process; the allocated budget does not take into account changes in prices or increase in the number of PRR staff (staff with higher salary range).	At the end of each fiscal year, directorate prepares budget request and submits it to MoEd; MoEd approves the budget, usually at the requested level; budget is broken down by main programs of MoEd; the communication, however, happens in February, meaning after MoEd's budget	At the end of fiscal year, MAIL invites all directorates to Kabul to discuss budget issues; budget is broken down by main programs of MAIL; the communication, however, happens in February, meaning after MAIL's budget has already been approved by Cabinet.

				has already been approved by Cabinet. ⁱ	
Availability of information on the approved budget	Directorate does not receive information on the annual budget, but only on the quarterly allotment ¹ for operating budget;	Directorate does not receive information on the annual budget; Directorate receives information on the quarterly allotment for operating budget; the information is usually late, sent at the end of quarter, and directorate cannot spend the budget in the meantime.	Directorate does not receive information on the annual budget; Directorate receives information on the quarterly allotment for operating budget; information is usually received on time, at the beginning of each quarter.	Directorate does not receive information on the annual budget; Directorate receives information on the quarterly allotment for operating budget; information seems to be timely, received at the beginning of each quarter.	Directorate does not receive information on the annual budget, but only on the quarterly allotment (for operating budget); the information is usually late, sent at the end of quarter and directorate cannot spend the budget in the meantime.
Allowed flexibility within allotted budget	No flexibility is allowed. Once allotment is received from the central ministry, Moustufi ² requests	No flexibility is allowed. IDLG sends allotment broken down at the level of sub-codes; Directorate has no	No flexibility is allowed. Once allotment is received from central ministry, Moustufi requests	No flexibility is allowed. Once allotment is received from central ministry, Moustufi requests	Flexibility is allowed. the central ministry has provided letter to the Moustufi, stating that directorate has the authority to

¹ Allotment is the quarterly dotation of budget and effectively presents authorization to spend the money. Allotment is given for code 21 (wages and salaries), code 22 (goods and services), code 221 (utilities) and code 25 (acquisition of assets), in the amount of 25% of the approved annual budget.

² Moustufiat is provincial line directorate of the Ministry of Finance; Moustufi is director of the Moustufiat.

	directorates to allocate it among sub-codes ³ ; Directorates are not able to change the allocation during the quarter, resulting in their inability to effectively spend the budget.	ability to change the allocation during the quarter, resulting in its inability to effectively spend budget.	directorates to allocate it among sub-codes; Directorates are not able to change the allocation during the quarter, resulting in their inability to spend the budget.	directorates to allocate it among sub-codes; Directorates are not able to change the allocation during the quarter, resulting in their inability to spend the budget.	change allocation of funds between sub-codes during the quarter.
Availability of development budget	Directorate has no development budget; Governor has presented PDP to Ministry of Economy ⁱⁱ but no feedback has been received so far	N.a.	Development budget at the provincial level is managed by NGOs; provincial directorate does not know how much money is being spent in Uruzgan.	Directorate has development budget, but the budget is managed by EQUIP Project staff; Directorate has no information on the size of EQUIP's budget.	Directorate has no development budget; However, MAIL and MoF promised USD 500,000 of development budget for 1391, as a part of provincial budget reform.
Budget execution					
Management and monitoring of the development project	N.a.	N.a.	Directorate is only responsible for monitoring implementation of the projects, but have no role in	Monitoring is done by EQUIP team.	It is not clear if MAIL has any projects in Uruzgan and who manages them.

³ For example, within major code 22 (goods and services) sub-codes would include items such as: printing, stationery, travel, fuel, etc.

			managing funds.		
The process of salary payment	Directorate prepares payroll, based on the attendance sheet; Payroll is submitted to Governor for his signature; After Governors approval, payroll is submitted to Moustufiat – control office; Once controls are performed, Moustufiat sends request to MoF for approval and funds release; MoF releases funds to the local DAB bank account; Moustufiat issues cheque and submits to Governor for his signatures; After Governor’s signature Moustufiat issues cheque to the Finance Officer of the Directorate; Finance Officer collects money and distributes salaries.				
The process of purchase of goods	Directorate prepares purchase request (M3); This request is submitted to Governor for his approval; After Government signs it, the request is submitted to Moustufiat; Moustufiat first reviews the request (control office); Once controls are performed, Moustufiat issues cheque; The cheque is first signed by Governor, before Moustufiat releases the funds to the bank account; As a next step, Governor approves a 3 member committee (Directorate, Moustufiat and PGO representative); Committee goes to the market and makes purchase, signing the invoice; Directorate fills the assets registry form (M7) and equital form (M12); Invoice, along with asset registry and equital form is submitted to Governor for his signature; After governor’s signature, the forms are submitted to Moustufiat. This is where the process ends. This process is used for the purchases within USD 10,000 threshold. For any purchases above this threshold, open tendering process is conducted. ⁱⁱⁱ				
Expenditure monitoring					
Expenditure records keeping	Directorate does not keep records of expenditures (according to Moustufi)	Unknown	Directorate does keep records of expenditures	Directorate does keep records of expenditures	Directorate does keep records of expenditures
Accounts reconciliation with Moustufiat and frequency	There is no accounts reconciliation (according to Moustufi); Moustufi sends monthly	Unknown	Accounts are reconciled on monthly basis, based on the request sent by Directorate to	Accounts are reconciled on quarterly basis, based on the request sent by Directorate	Accounts are reconciled on monthly basis, based on the request sent by Directorate to

	reports to both Ministry of Finance and Ministry of Economy		Moustufi; after reconciliation Directorate sends report to MoPH and Moustufi to MoF.	to Moustufi; after reconciliation Directorate sends report to MoEd and Moustufi to MoF.	Moustufi; after reconciliation Directorate sends report to MAIL and Moustufi to MoF.
Access to the AFMIS⁴ or monthly expenditure reports	Only Moustufi has access to AFMIS; However, Moustufi is not sharing reports with the directorates; There does not seem to be capacity in the Moustufiat to generate reports form AFMIS; Moustufi was only able to share customized report, probably generated in Kabul and sent to him;				
Capacity building					
Regular training organized by the central ministry	The only time Directorate received any training on the PFM from either MoF or MoEc was the at the provincial symposium, held on May 17-18 in Kabul.	IDLG organizes 2-3 PFM trainings annually for the provincial directorates.	MoPH organizes occasionally workshops in Kabul to discuss different PFM and non-PFM related issues.	MoEd organizes 3-day PFM trainings for provincial directorates twice a year.	MAIL organizes PFM training for provincial directorates once a year.
Regular training organized by Moustufiat^{iv}	No training delivered	No training delivered	No. But MoF organizes occasionally trainings in Kandahar or Kabul for finance officers in budget related	No training delivered	No training delivered

⁴ AFMIS – Afghanistan Financial Management Information System is the official accounting information system used by Ministry of finance for expenditure recording, and rolled out to all central ministries and provincial moustufiats.

			issues; Last training was 2 years ago.		
Training received from external sources	Director received 5 day training on PFM, delivered at the Kabul University for Uruzgan officials (but Director cannot remember who organized it).	N.a.	N.a.	Save the Children organized 6-day budgeting and accounting training and GIZ organized 3-day accounting training last year; However, these trainings did not include Government procedures.	N.a.

ⁱ The information received from provincial directorate most likely serves as a basis for budget breakdown by province.

ⁱⁱ It seems that Uruzgan provincial authorities are following the outdated development budget approval process, when any development project was first approved by the Ministry of Economy before it was allowed to be included in the budget request submitted by the central line ministry to Ministry of Finance; However, since this process was too lengthy and dependent on Ministry of Economy's pro-activeness in the process, Budget Committee of the Cabinet has changed it in 2009. According to the new process, development budget is submitted by the Central Ministry to the Ministry of Finance, and Ministry of Finance consults Ministry of Economy on the eligibility of the project before budget is approved.

ⁱⁱⁱ Although legally Governor is not required to sign any of the financial documents, in Uruzgan, he signs 3 different documents at 3 stages of goods purchase process. This can significantly slow down the procurement process (in average it takes 2 months to conduct a single purchase). Moustufi is aware that there is no legal requirement for governor's approval, but thinks that Governor's involvement in the process grants greater controls against funds misappropriation.

^{iv} Moustufiat receive regular training from the Ministry of finance; However, Moustufi recognizes need for this training to be replicated to the line directorates, which does not seem to be the case currently.