



Afghanistan Reconstruction Trust Fund

ARTF Fiduciary Framework

London; 29 January, 2010

PFM Outcomes 2003 to 2009

In \$ USD '000,000s

FY to Mar 2003

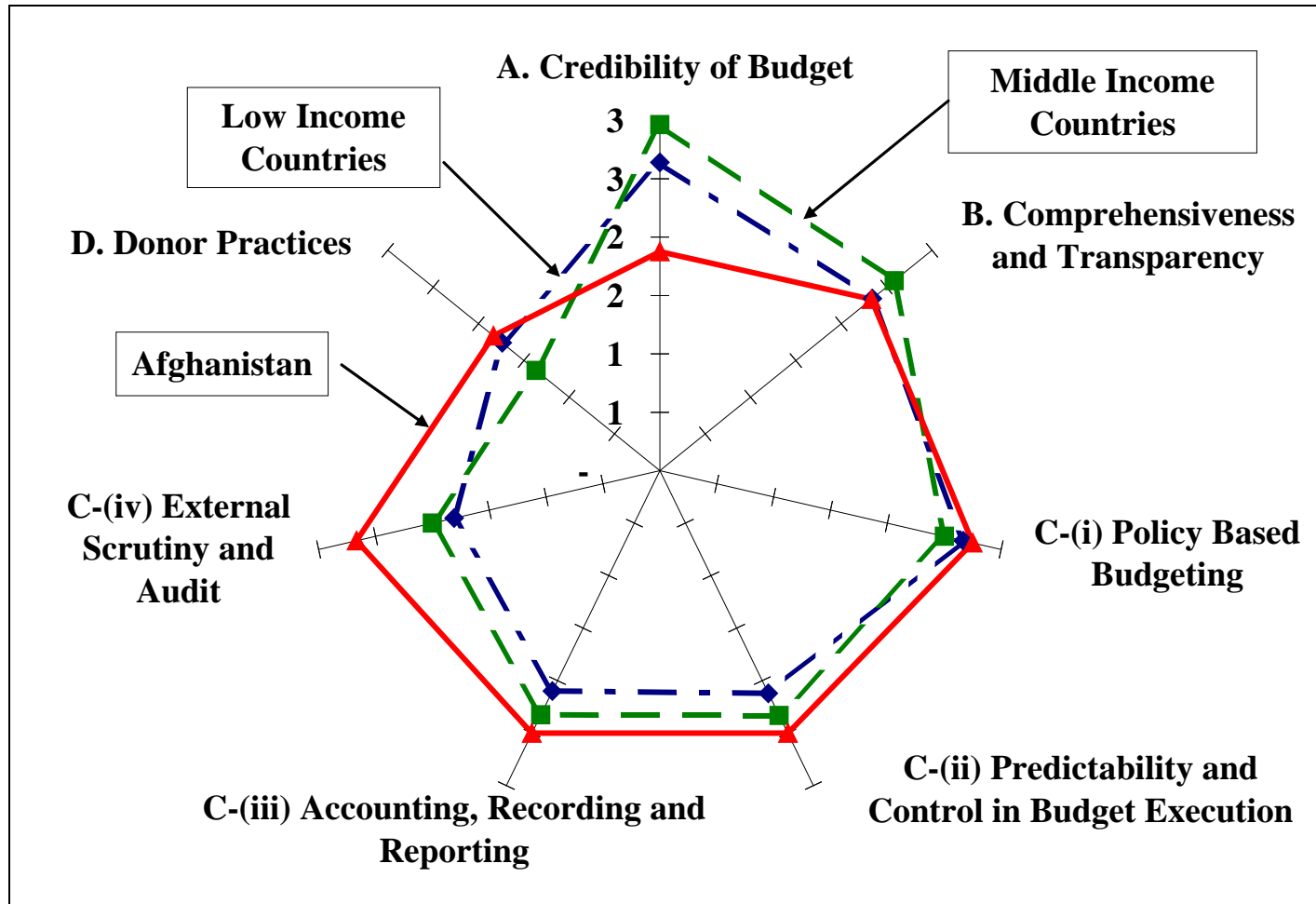
FY to Mar 2009

Domestic Revenue	131.0	871.0
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Development Expenditure	0.0	891.0
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ARTF Contributions	184.0	632.0
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Afghanistan's PFM Framework



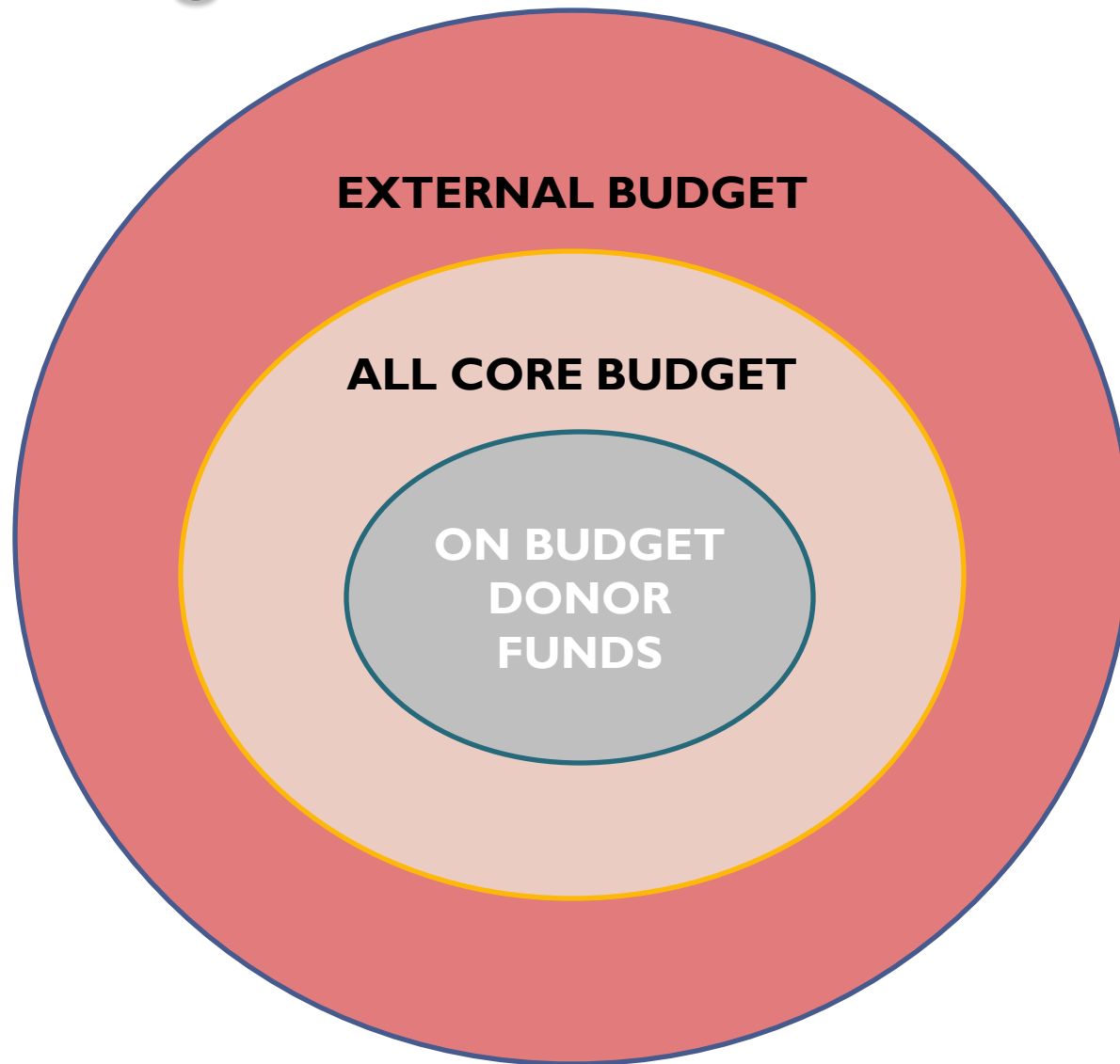
TRANSPARENCY INTERNATIONAL CPI SCORE AND RANKING OF AFGHANISTAN

Year	No. of Countries	Ranking of	CPI Score* (10: highly clean, 0: highly corrupt)
2005	159	117	2.5
2007	180	172	1.8
2009	180	179	1.3

Forms of Corruption

- Petty corruption / extortion
- Grand corruption
- Patronage
- Procurement corruption
- Financial leakages

Funding channels



ARTF Fiduciary Framework BUDGET CONTROLS

<div style="display: flex; justify-content: space-between; align-items: center;"> / <div style="text-align: center;"> Funding Fiduciary Arrangements </div> </div>	Domestic Sources	ARTF Recurrent Cost Reimbursement	ARTF Investment Projects
Government's Controls			
Budget Controls			
Appropriations approved by Parliament, controlled via AFMIS	√	√	√
Allotments approved by Budget Dept controlled via AFMIS	√	√	√
Contracts Control by Budget Dept so budget availability and against contract balance.	√	√	√

ARTF Fiduciary Framework TREASURY CONTROLS

Funding	Domestic Sources	ARTF Recurrent Cost Reimbursement	ARTF Investment Projects
Fiduciary Arrangements			
Treasury Controls			
Single Treasury Account	√	√	
Special Accounts per project reconciled to project expenditure statements.			√
Centralized Accounting and Payments (AFMIS)	√	√	√
Special Disbursement Unit review of Payments and Reporting of Investment Projects			√
On-line Reporting to HQ Executing Units	√	√	√
External Reporting on Fiscal Accounts posted to MOF Web site.	√	√	√

ARTF Fiduciary Framework

PAYROLL AND PROCUREMENT CONTROLS

Funding	Domestic Sources	ARTF Recurrent Cost Reimbursement	ARTF Investment Projects
Fiduciary Arrangements			
Payroll Controls			
Budgeted Staffing Caps (Tashkeel Control)	√	√	
Head Count Data Base	√	√	
Verified Payroll Controls	√	√	
Procurement			
Centralized Procurement oversight (RITES) (applies to all non-security recurrent costs)	√	√	√

ARTF Fiduciary Framework

AUDIT

Funding	Domestic Sources	ARTF Recurrent Cost Reimbursement	ARTF Investment Projects
Fiduciary Arrangements			
Auditing			
External Audit - Annual Qatia review (low standard)	X		
- Project Audit (high std)		√	√
Internal Audit	X	X	X

ARTF Fiduciary Framework

MONITORING AND DONOR SUPERVISION

Funding Fiduciary Arrangements	Domestic Sources	ARTF Recurrent Cost Reimbursement	ARTF Investment Projects
Independent Monitoring			
ARTF Monitoring (applies to all non-security recurrent costs)	√	√	
Donor Supervision			
Semi – annual Supervision		√	√
Low prior review thresholds		√	√
In-situ FM and Procurement staff		√	√

Concerns

- The amount and share of ineligible recurrent costs are rising
- Access by oversight bodies to insecure areas is decreasing

Historical Overview of RC Expenditure Trends

In \$ USD '000s

	SY1385	SY1386	SY1387
Ineligible ratio	17.1%	20.5%	24.4%
Expenditures submitted	428,487.0	502,721.0	674,859.0
Ineligible	73,484.0	102,897.0	164,629.0
Approved	355,003.0	399,824.0	510,230.0
Disbursed	270,000.0	276,000.0	316,000.0

Caveats

- Arrangements not designed to address bribe-taking or extortion
- As with all control systems, some loss may occur

Conclusion

- ARTF funds subject to government-wide controls
- Additional ARTF-specific controls applied by Government, Monitoring Agent and donors
- Approach's focus is on prevention rather than punitive measures
 - Which is in line with limited enforcement capacity of government