



**Tokyo Mutual Accountability Framework (TMAF)**  
**Special Joint Coordination & Monitoring Board Meeting**  
**Joint Report**  
January 29, 2014 – Kabul, Afghanistan

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## ABBREVIATIONS AND ACRONYMS

AGO	Attorney General's Office
AIHRC	Afghanistan Independent Human Rights Commission
AML/CFT	Anti-Money Laundering and Combatting the Financing of Terrorism
ARTF	Afghanistan Reconstruction Trust Fund
DAB	Da Afghanistan Bank
DPs	Development Partners
ECTF	Economic Crimes Task Force
EVAW	Elimination of Violence against Women
FATF-APG	Financial Action Task Force Asia Pacific Group
FinTRACA	Financial Transaction and Report Analysis Center of Afghanistan
FSD	Financial Supervision Department of Da Afghanistan Bank
GIRoA	Government of the Islamic Republic of Afghanistan
HD	Hard Deliverable
HOO	High Office of Oversight and Anti-Corruption
IC	International Community
ICC-NHRIs	International Coordination Committee of National Human Rights Institutions
ICC-SCA	International Coordination Committee Sub-Committee on Accreditation
IEC	Independent Election Commission
IMEC	Independent Monitoring and Evaluation Committee
IMF	International Monetary Fund
JCMB	Joint Coordination and Monitoring Board
LTO	Large Tax Office
MDG	Millennium Development Goal
MLA	Mutual Legal Assistance
MoF	Ministry of Finance
MoI	Ministry of Interior
MoTCA	Ministry of Transport and Civil Aviation
MoWA	Ministry of Women's Affairs
MoU	Memorandum of Understanding
MSPs	Money Service Providers
MTO	Medium Tax Office
NPP	National Priority Program
OBI	Open Budget Index
PEFA	Public Expenditure and Financial Accountability
PGF	Priority Going Forward
SC	Supreme Court
SOM	Senior Officials Meeting
STO	Small Tax Office
TMAF	Tokyo Mutual Accountability Framework
WTO	World Trade Organization

## 1.0 BACKGROUND

A major milestone was achieved in the development history of Afghanistan when a new phase of partnership based on the principles of mutuality and accountability started between the Government of Afghanistan and the international community (IC) at the Tokyo Conference in July 2012. A new framework, the Tokyo Mutual Accountability Framework (TMAF), was introduced. The framework set out commitments (called indicators) for partners, with 16 Government indicators and nine international community indicators. Under the framework, follow-up mechanisms were also put in place to monitor progress at Senior Officials Meetings (SOMs) and review the structure of TMAF at ministerial meetings to be held alternately every year starting with SOM in 2013.

In the run-up to the first SOM on July 3, 2013, it was realized that different TMAF indicators have different timelines and some are to be achieved years ahead. For monitoring purposes the need for intermediate targets to be achieved by SOM (one year after the Tokyo Conference) was felt. Such targets were formulated in the form of sets of Hard Deliverables (HDs) for both the Government and the international community respectively and the SOM Joint Report was prepared on their basis. During reviews while writing the SOM Joint Report, it was found that both partners would require further work under certain HDs post-SOM. Therefore, sets of Priorities Going Forward (PGFs) for those HDs of both partners were included in the SOM Joint Report to guide and facilitate in achieving the remaining HDs post-SOM.

Success of SOM triggered discussions amongst the partners to have another mini-SOM during January 2014, before the presidential elections and the scheduled ministerial meeting later in the year, to take stock of progress and formulate guidance on TMAF for the new government. It was decided, therefore, to have a Special Joint Coordination and Monitoring Board (JCMB) Meeting on January 29, 2014 for this purpose. This report is the joint report of the Government of Afghanistan and the international community to be presented at the Special JCMB.

This joint report for the Special JCMB builds on the July 2013 SOM Joint Report and gives progress on all HDs/PGFs of both partners in a concise way and it also includes Next Steps and a Going Forward section. The Going Forward section is a broad development based picture of issues within TMAF and the Next Steps provide a series of activities, among others, under TMAF Annexes I and II to be taken further until the Ministerial Meeting in late 2014.

## 2.0 PROGRESS ON ANNEX I

### 2.1 AREA I: Representational Democracy and Equitable Elections

**TMAF Goal: Conduct credible, inclusive and transparent Presidential and Parliamentary elections in 2014 and 2015 according to the Afghan Constitution, in which eligible Afghan citizens, men and women, have the opportunity to participate freely without internal or external interference in accordance with the law.**

## Progress Post-SOM

### HD 1: Develop, by early 2013, a comprehensive election timeline through 2015 for electoral preparations and polling dates.

- **PGF 1:** *The Government remains committed to announcing the election timeline for the 2015 parliamentary elections in the near future.*
  - The Technical Committee constituted in January 2013 by the Independent Election Commission (IEC) to develop the timeline for the 2015 parliamentary elections is deliberating details of the timeline and will preferably release it at least one year prior to the election date.
- **Next Step 1:** The Government remains committed to announcing the election timeline for the 2015 parliamentary elections preferably at least one year prior to the election date.

### HD 2: The Government engages in a consultative and transparent process for all upcoming senior IEC appointments, which results in the selection of qualified and well respected IEC senior appointees, so they have broad support.

- **PGF 2:** *Once the relevant legislation has been passed, the Government will engage in a consultative and transparent process for senior IEC appointments, aiming to select qualified and well respected appointees.*
  - IEC commissioners were appointed on July 29, 2013 following a process of consultation after the passing of the new Law on Structures, Duties and Authorities of the IEC.
- **PGF 3:** *The comprehensive election timeline, operational plan and budget developed for the 2014 presidential and provincial council elections will be signed by the IEC commissioners on their appointment.*
  - IEC commissioners have approved the comprehensive election timeline, operational plan and budget for the 2014 presidential and provincial council elections.
- **Next Step 2:** The Government ministries will coordinate and work closely with the IEC and IECC to ensure timely, credible, inclusive and transparent conduct of the 2014 presidential and provincial council elections as per the electoral laws.

### HD 3: The Government actively supports the implementation of a legislative framework to be passed by the National Assembly by June 2013. The framework is to meet international standards and include an impartial, credible and independent electoral complaint resolution mechanism.

- **PGF 4:** *The Elections and Structural Laws are currently in the process of being passed by the national assembly. The President is committed to signing the laws immediately after Parliament's approval, which is expected before Parliament goes into recess in the third week of July 2013.*
  - Both the Law on the Structures, Duties and Authorities of the IEC and the Independent Election Commission Law have been passed by Parliament on April 14, 2013 and July 15, 2013 respectively. The President signed and enacted the Law on Structures, Duties and Authorities of the IEC on July 17, 2013 and the Independent Election Commission Law on July 20, 2013.

**HD 4: Government Ministries coordinate and work closely with the IEC to help ensure timely and successful implementation of the IEC's: i) voter registration plan which complements e-tazkera; ii) Operations Plan which includes security planning, capacity building, fraud mitigation and inclusive voter outreach.**

- Voter registration is progressing as per plan and it is estimated that cards will be issued to almost four million eligible voters. The process has already ended in districts and villages, but registration will continue in provincial capitals until two weeks before the elections. To date, a total of 3.3million voter registration cards have been distributed. Improved security and anti-fraud features are highlights of the cards. The operations plan was developed and shared with the international community on April 7, 2013 along with a commensurate budget forecast. This includes security planning to enable the largest number of voters to participate in the elections. In addition, a Fraud Mitigation Plan was released on May 18, 2013. A public outreach campaign commenced on May 19, 2013 with radio and TV public service announcements to be followed by billboards, establishment of a call center, and direct voter education through provincial level consultations and deployment of 800+ civic educators.

## **2.2 AREA II: Governance, Rule of Law and Human Rights**

**TMAF Goal: Improve access to justice for all, in particular women, by ensuring that the Constitution and other fundamental laws are enforced expeditiously, fairly and transparently; ensure that women can fully enjoy their economic, social, civil, political and cultural rights; fight against corruption, including strengthening counter-narcotics efforts; and improve the capacity of state institutions.**

### **Progress Post-SOM**

**HD 5: Collect the asset declarations forms from High Ranking Government officials (per Article 154 of the Constitution), and publish them on the High Office of Oversight (HOO) website to be available for the public and mass media. Declared assets will continue to be verified based on Afghan law and HOO capacity.**

- **PGF 5:** *HOO will expedite verification of the remaining asset declarations.*
  - Under Article 154 of the Constitution there are 39 senior government positions whose asset declarations are required to be registered, published, and verified upon arrival and departure from office. The current total number of asset declarations registered and published is 44 of current and former government officials. Furthermore, the HOO has verified the assets of 28 senior government officials under Article 154 of the Constitution while 11 are in-progress. In 2013, the HOO collected two asset declarations, two declarations were published and 23 were verified. The procedure of verification stipulates that if a new complaint or information is received after verification, the HOO is obliged to start another round of verification.
- **Next Step 3:** HOO will continue to expedite verification of the remaining asset declarations of high ranking government officials and gather and verify declarations once these officials leave office, as per Article 154 of the Constitution. The HOO will undertake the next round of collections, publications and verifications of asset declarations as per the law.

**HD 6: AIHRC Commissioners are appointed in accordance with Article 11 of the AIHRC Law and Paris Principles, and drawing on consultation with cross-section of civil society organizations. The appointment process will enable AIHRC to retain its 'A' accreditation by the International Coordination Committee of National Human Rights Institutions (ICC-NHRIs).**

- **PGF 6:** *The Afghan Government remains committed to meeting the standards of the appointment process for human rights commissioners in accordance with Article 11 of the AIHRC Law and Paris Principles, and to retaining its "A" accreditation status by the ICC-NHRIs.*
  - The ICC Sub-Committee on Accreditation (ICC-SCA) reviewed the status of AIHRC on November 18, 2013. The ICC Bureau of National Human Rights Institutions is expected to release their decision based upon the ICC-SCA's recommendation and the subsequent response of the AIHRC in late January. The Government has taken an important step in adding a recurrent budget line to the national budget in support of the AIHRC, which has been approved by the Parliament.
- **Next Step 4:** The Afghan Government remains committed to supporting the AIHRC to retain its "A" accreditation status in line with relevant upcoming ICC recommendations and remain a credible, effective and independent human rights institution.

**HD 7: MoWA, MoI and AGO coordinate to produce a detailed report on the application of the EVAW Law in each province. The report should include: the number of VAW cases brought to the police, disposition of each case (whether prosecuted or not) and the outcome of the prosecuted cases. The data collected should be made public and serve as a baseline for future analyses of EVAW law implementation.**

- **PGF 7:** *MoWA, MoI and AGO will continue to coordinate to produce a detailed report on the application of the EVAW Law in each province. The report will include the number of VAW cases brought to the police, and the disposition and outcome of each case. The data collected will be made public and serve as a baseline for future analysis of EVAW Law implementation.*
  - The EVAW Law Implementation Report was prepared by MoWA in collaboration with AGO, SC, MoI, and AIHRC. The report covers 32 provinces and includes 4505 VAW cases for 1391 (2012/13) brought to agencies concerned with EVAW law including police and prosecution and their outcome. The draft report was shared with the 5+3 donors on January 27, 2014. Work has already started on planning to further strengthen a database for VAW case.
- **Next Step 5:** The Government will continue to support the implementation of the EVAW Law and will work to address concerns and recommendations identified in the EVAW Law Implementation Report. This includes making a concerted effort to increase collaboration between relevant ministries and improve its coverage and quality in future reports.
- **Next Step 6:** The Government will work with donors and other stakeholders to develop a database of EVAW law cases.

## 2.3 AREA III: Integrity of Public Finance and Commercial Banking

**TMAF Goal: Improved integrity of public financial management and the commercial banking sector.**

### Progress Post-SOM

**HD 8: Based on the March 2013 MoF letter in response to the Monitoring & Evaluation Committee (MEC) enquiry, action is taken to implement relevant recommendations by Da Afghanistan Bank (DAB) and other affected institutions and all relevant institutions. Government will take all possible steps to additionally recover Kabul Bank stolen assets.**

- **PGF 8:** *Continued progress on resolving the Kabul Bank issues, including IMEC recommendations and asset recovery. The Supreme Court is expected to assign the appeals case to judges and a date for the hearing will be announced soon.*
  - As of December 31, 2013, the Kabul Bank process has led to cash recoveries of US\$174.9 million out of an initial \$825 million USD that could rise to \$935 million USD. Moreover, assets with a Kabul Bank Receivership-estimated value of \$80 million USD have been acquired and an additional \$180 million USD have been committed for repayment by the debtors, although actual recoveries may vary based on market prices and actual repayments. Mutual Legal Assistance (MLA) requests have been sent to six foreign jurisdictions to recover international assets and efforts are continuing. The process awaits follow up efforts to address certain deficiencies in some cases, with the AGO responsible for action, and is awaiting responses from recipient jurisdictions in other cases. Four additional requests for MLAs have been prepared to be sent to jurisdictions where funds are believed to have been transferred. The Government and the Central Bank responded to the recommendations of IMEC for the second time in mid-November and December 2013 respectively. In March 2013, the Kabul Bank Special Tribunal found the accused principals guilty and further ordered the arrest and prosecution of, among others, additional Kabul Bank shareholders. In November 2013, the Appellate Court required AGO to explain its decision to not charge other shareholders. No additional indictments have been issued and AGO states that its investigations continue. The Kabul Bank case has been assigned to appeals judges and the case is under process in the Kabul Court of Appeals as the initial convictions were not deemed sufficient by the Government. A number of preliminary appeals hearings have been held since September 15, 2013.

A second bid to privatize New Kabul Bank was approved by the Cabinet in August 2013 after the first round did not result in any qualified bids. The second tender offer for sale was advertised from September 3, 2013 to December 16, 2013 resulting in two bids. The evaluation committee of New Kabul Bank privatization evaluated the financial and technical capabilities of bidders on December 29, 2013. The final outcome of the tender will be announced after Cabinet ratification and approval, DAB approval, and satisfactory completion of the closing conditions by the selected bidder.
- **Next Step 7:** The Government will continue to make progress on resolving the Kabul Bank issues including asset recovery and the appeals case.

## **HD 9: Implement and remain on track with the government program supported by the International Monetary Fund (IMF).**

- **PGF 9:** *Remain on-track with the IMF Program.*
  - The Government has made progress on a significant number of its commitments under the IMF program. Capacity constraints and legislative drafting and review issues contributed to slippage in meeting some IMF benchmarks in late 2012 and 2013. The last IMF Board review occurred in June 2012. The Government has made progress on its reform agenda under the IMF program since SOM, including completion of several benchmarks, such as the submission of the Tax Administration Law to Parliament after its passage by the Cabinet; on the Border Management Model; and transfer of eligible taxpayers from the Small Taxpayers Office (STO) and Medium Taxpayers Office (MTO) to the Large Taxpayers Office (LTO). Furthermore, the Memorandum of Understanding (MoU) amongst FinTRACA, the Financial Supervision Department (FSD) of DAB, and competent law enforcement agencies is at a very advanced stage and the benchmark set by the Economic Crimes Task Force (ECTF) for the Criminal Law Review Working Group to include categories of economic offences in the new consolidated Penal Code was met by December 2013. Preliminary reports suggest that the domestic revenue and reserve money growth will fall slightly short of their quantitative targets. Economic slowdown due to transition and reduction in imports, in particular, has affected customs revenues. The prior action requiring submission of FATF-compliant AML/CFT laws to Parliament has not yet been met. MoF and DAB officials met with IMF staff in December 2013 to take stock of progress under the program and set the reform agenda for 2014. It is intended that progress and the way forward will be presented at the IMF Board in early 2014.
- **Next Step 8:** The Government will implement and continue to make progress with the program supported by the International Monetary Fund.

## **HD 10: Implement Public Financial Management Action Plan and improve the management of public funds as measured by Public Expenditure and Financial Accountability (PEFA) assessment by 20% by June 2013.**

- Based on the methodology agreed upon between the Government and development partners, PEFA scores have improved by 28.65% against the TMAF benchmark of 20%. Although PEFA assessments are not measured in terms of percentage, comparing the 2013 PEFA assessment with that of 2008, the 2013 PEFA assessment results reveal that ten indicators improved by an order of magnitude of 18 steps and that five indicators declined by an order of magnitude of ten steps, while 12 indicators remained the same. This results in an eight net step improvement to the Afghan PFM systems from the 2008 PEFA assessment to the one conducted in 2013.

## **HD 11: Raise the transparency of public funds measured by the Open Budget Initiative (OBI) to more than 40% by June 2013.**

- Afghanistan's OBI score rose by 38 points to 59 in 2012 (from a score of 21 in 2010 and 8 in 2008). The score of 59 significantly surpasses the target of 40% agreed under TMAF – an indicator of government's transparency in its budgeting.

**HD 12: Implement the recommendations from the Financial Action Task Force Asia Pacific Group regarding anti-money laundering and combating terrorist financing (AML/CFT) as per the timeline recommended by IMF.**

- In response to the Financial Action Task Force's recommendations, measures have been taken to strengthen the organizational and institutional set up of the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA). FATF-compliant laws have not been submitted to or passed by Parliament by the December 31, 2013 deadline. The slow pace of progress on AML is due in part to capacity constraints and legislative drafting and review, and a low level of understanding of AML issues. To increase FinTRACA's capacity, the new organizational structure holds 44 members compared to 21 before the restructuring. The hiring of competent individuals is taking place expeditiously as FinTRACA has hired six new staff in Kabul and four in provinces (Kandahar, Paktia, Mazar-e- Sharif). FinTRACA has started expanding the registration of Money Service Providers (MSPs) in areas where the security situation allows, including 33 in Kandahar (up from 12), 12 in Kunar, and six in Paktia. Moreover, dedicated software has been developed for MSP reporting, currently being used by more than 270 MSPs in Kabul, Herat, Balkh, Nangarhar and Kunduz.
- **Next Step 9:** The Government will expedite the passage and enactment of FATF-compliant AML/CFT laws.

**2.4 AREA IV: Government Revenues, Budget Execution and Sub-National Governance**

**TMAF Goal: Improve the Afghan Government's revenue collection and capacity of line ministries to develop and execute budgets accountable to, and incorporating, local needs and preferences.**

**Progress Post-SOM**

**HD 13: Develop a provincial budgeting process for FY1393 that includes provincial input into the relevant ministries' formulation of budget requests, linked to a provincial planning process in which provincial councils have their consultative roles.**

- **PGF 10:** *The Government will circulate a draft provincial budgeting policy within the Government and to the international community in the near future, with a clear plan for consultations aiming to lead to finalization by the end of 2013.*
  - The Government has circulated a draft provincial budgeting policy within the Government and the international community. The policy was consulted with stakeholders including donors, line ministries, sub-national institutions and civil society. The plan of consultations leading to the finalization of the policy has been implemented. The policy is now submitted to the Cabinet for approval.
- **Next Step 10:** The Government will continue to work on the provincial budgeting policy leading to its approval by the Cabinet and subsequent development of the guidelines and implementation of the policy, linked to a provincial planning process in which provincial councils have their consultative roles.

## 2.5 AREA V: Inclusive and Sustained Growth and Development

**TMAF Goal: Achieve inclusive and sustained growth through a focus on human development, food security, private investment, and decent work and employment opportunities and the improvement of ranking in the human development index.**

### Progress Post-SOM

**HD 14: Prepare an analysis of 1392 budget that shows adequate resource allocations to achieve Afghanistan's Millennium Development Goal (MDG) targets for health, gender, education, environment and food security.**

- The Government, with support from international partners, has already made substantial progress towards achieving its MDGs, including in the sectors of education and health. Further progress depends on stability, strong regional cooperation and sound domestic policies. Currently, the Government is implementing its development strategy through National Priority Programs (NPPs), into which the MDGs have been integrated, but which require adequate domestic and external financing. The NPPs focus on sustainable economic growth, job creation, and revenue generation. Analysis of the 1392 budget shows that 95% of the health sector budget was allocated to the relevant health MDG goals, 6% of the total national budget to gender empowerment and gender mainstreaming, 93% of the education budget to the education MDGs, 0.06% of the total national budget to the environment sector, and 54% of the agriculture sector budget to food security.
- **Next Step 11:** The Government will work with donors to ensure adequate resource allocations to achieve Afghanistan's Millennium Development Goal (MDG) targets for health, gender, education, environment and food security. The complete outstanding analyses will be shared with the international community.

**HD 15: Prepare a plan by June 2013 that shows Afghanistan will achieve accession to the World Trade Organization (WTO) by the end of 2014.**

- Afghanistan launched its WTO accession process in 2004. The last three years have witnessed major progress on all aspects of the WTO accession process. An action plan was prepared by June 2013. Additionally, Afghanistan has made significant progress on bilateral negotiations with interested countries.
- **Next Step 12:** The Government will continue to work towards achieving accession to the WTO by the end of 2014.

**HD 16: Establish Road and Civil Aviation Institutions by June 2013.**

- **PGF 11:** *The Government plans to establish the Road and Civil Aviation institutions by the end of 2014.*
  - The Civil Aviation Law has been passed by Parliament and enacted. A Civil Aviation Institute has been established with a separate budget for FY1393 and a general director has been appointed. The proposal for the Road Authority was developed by the Ministry of Public Works (MoPW) and

has been approved by both the Economic Sub-Committee of the Cabinet and the Cabinet. Work to establish the Road Authority is in progress.

- **Next Step 13:** Subsequent to the establishment of the Civil Aviation Institution, the Government will continue to take measures to strengthen its functionality.
- **Next Step 14:** The Government remains committed to implement its plan to establish the Road Authority by the end of 2014.

### **HD 17: Encourage investment in the extractive industry by approving a mining law that meets international standards.**

- **PGF 12:** *The Mining Law is approved by the Cabinet and is currently with the Parliament. The Government will work with Parliament for the expeditious passage of the law.*
  - The Government has been pursuing and working with the Parliamentary Commission on the Environment and Natural Resources to expedite review of the Mining Law before the Parliament. The Commission has completed its own review and has now circulated the law to other concerned commissions for their comments.
- **Next Step 15:** The Government expects that Parliament will pass the submitted Mining Law expeditiously. Implementation of a mining regime that meets international standards will encourage investment in the extractive industry.

## **3.0 PROGRESS ON ANNEX II**

### **Introduction**

The thrust of the international community's TMAF commitments under Annex II is to provide long-term support to Afghanistan in exchange for the Government meeting agreed reforms in order to support the country's self-reliance. Donors remain committed to this mutual agreement and continue to provide exceptional levels of aid to Afghanistan. Since Tokyo, donors have been providing substantial amounts of aid to Afghanistan. Donors remain committed to aid effectiveness through measures such as reporting donor assistance information in the Development Assistance Database (DAD), providing 50% of aid on-budget, aligning 80% of aid to NPP deliverables, and a range of other areas detailed below.

Our joint efforts are supporting the Afghan Government achieve results, but there is more to do to increase the pace of change to improve aid effectiveness. As the Government and donors jointly prioritized Annex II efforts in these aforementioned areas following the SOM, both partners commit to take forward steps on other Annex II Hard Deliverables to also enable progress in these areas. Donors remain committed to taking the TMAF forward as an enduring framework for achieving development outcomes throughout the Transformation Decade.

The section below provides an assessment of progress achieved since Tokyo against HDs and PGFs since the last SOM in July 2013.

## Progress Post-SOM

**GOAL 1: International Community commits to directing financial support towards Afghanistan's economic development through the Transformation Decade.**

**HD: 1.1 By June 2013, each Development Partner officially confirms its Tokyo commitments or projections from 2012 to end 2015.**

- All donors provided confirmation of their Tokyo commitments or projections from 2012 to the end of 2015 prior to the July 2013 SOM. For some donors, this commitment is subject to the approval and appropriation of funds from their respective legislative branches of government.

**HD: 1.2 Each Development Partner updates its aid information in the Donor Assistance Database (DAD) by June 2013 and annually thereafter.**

- **PGF 1:** *Development partners commit to working with the Ministry of Finance to resolve the technical issues, which will support further improvement in the quality of aid information in the DAD.*
  - Technical and other issues related to the DAD were identified and discussed between the Government and development partners (DPs). The Government provided the following three options to facilitate data capturing: online DAD, offline DAD, or an Excel reporting template.
- **Next Step 16:** DPs remain committed to update their aid information in the DAD annually. The Ministry of Finance and DPs will ensure to allocate sufficient capacity in continuing to populate and improve the quality of information in the DAD, based on the bilaterally agreed data capturing option, including a mechanism to verify data before it is made public on the DAD.
- **PGF 2:** *Development Partners will continue to register information in the DAD in accordance with the Budget Calendar to inform the budget preparation and reporting processes.*
  - 21<sup>1</sup> out of 24 DPs provided full or partial information for the DAD. In total the data provided by donors for the DAD represents around 98% of aid disbursed in 2012. The Government also provided the appropriate timeframe for data provision based on the Budget Calendar.
- **Next Step 17:** DPs that have not provided data for FY2012 will work bilaterally with MoF to ensure data for FY2012 is provided in the DAD online or offline preferably by the end of February 2014.
- **Next Step 18:** DPs will provide data for FY2013 through the online DAD, offline DAD, or an Excel reporting template.
- **Next Step 19:** DPs continue to work with the Ministry of Finance to resolve the technical issues, which will support further improvement in the quality of aid information in DAD.
- **Next Step 20:** DPs will continue to register information in the DAD, annually, in accordance with this TMAF commitment. DPs are open to negotiating the appropriate due date for this information so as to better align with the Budget Calendar and to inform budget preparation and reporting processes.

<sup>1</sup> Australia, Canada, Denmark, The Netherlands, European Union (EU), France US, Italy, Japan, UK, Germany, Norway, Poland, South Korea, Sweden, Turkey, Czech Republic, Switzerland, India, the World Bank (WB), and the Asian Development Bank (ADB)

**HD 1.3 By December 2013, each Development Partner finalizes its Development Framework Agreement (DFA) or equivalent (the format to be agreed by MoF) to reconcile donor assistance with government development priorities, make aid more predictable and to confirm mutual accountability.**

- **PGF 3:** *Development Partners without DFAs yet in place commit to continuing efforts to have DFAs or equivalent in place by December 2013.*
  - 13 DPs out of 24 have DFAs in place of which eight<sup>2</sup> were concluded prior to the Tokyo Conference (July 2012) and five<sup>3</sup> between the Tokyo Conference and SOM (July 2013). Six<sup>4</sup> DPs are currently engaged in discussions with the Government.
- **Next Step 21:** DPs without DFAs (or equivalent) in place, will conclude their DFAs through a negotiation process with the Ministry of Finance, including involving other relevant ministries and based on the Guidance Note on DFAs already provided by the Government preferably by the next ministerial meeting.

**HD. 3.1 By June 2013, and annually thereafter, each Development Partner routes 50% of its aid through the National Budget.**

- **PGF 4:** *Development Partners remain committed to provide at least 50% of aid on-budget consistent with the Tokyo Mutual Accountability Framework.*
  - Donors and the Government have agreed on a definition for on-budget and associated guidelines subject to DPs providing information on humanitarian assistance, as outlined in the on-budget guidelines.
  - Based on the on-budget guidance, DPs and the Government confirmed that a substantive percentage of donor aid (including humanitarian aid) and of development aid (excluding humanitarian aid) was delivered on-budget in FY2012.
  - 10<sup>5</sup> out of 24 DPs channeled at least 50% of their aid on-budget in FY2012.
- **Next Step 22:** DPs<sup>6</sup> that have not provided at least 50% of their aid on-budget in FY2012 and FY2013 remain committed to meeting the said target, in accordance with the London, Kabul and Tokyo conference agreements.
- **Next Step 23:** DPs commit to provide information on humanitarian assistance as outlined in the on-budget guidelines, once finalized.
- **PGF 5:** *Development Partners commit to working with Government to resolve any remaining constraints to putting more aid on-budget, including fiduciary risk and funding modality issues.*

<sup>2</sup>WB, Canada, EU, Australia, Italy, US, China, and France

<sup>3</sup>ADB, UK, Denmark, Finland, and Czech Republic

<sup>4</sup>The Netherlands, Norway, Germany, EU, India and Japan

<sup>5</sup>Spain, Italy, Denmark, ADB, WB, UK, Japan, EU, Finland, The Netherlands

<sup>6</sup>US, Germany, Australia, Canada, Norway, Sweden, France, India, Poland, UAE, Turkey, Switzerland, Czech Republic

- **Next Step 24:** DPs and the Government will work together, also bilaterally, to address constraints to putting more aid on-budget, including fiduciary risk and funding modality issues.
- **Next Step 25:** DPs will work together with the Government to further strengthen capacity to manage on-budget funding by enhancing and streamlining the procurement process, bolstering control systems, increasing internal audit capacity, and strengthening the Supreme Audit Institution.
- **PGF 6:** *Development Partners will also work with Government and Trust Fund Administrators to further support the effectiveness of on-budget support through Trust Fund mechanisms.*
  - Substantial work has been done on improving results reporting of the ARTF.
- **Next Step 26:** DPs will work with the Government and Trust Fund Administrators to further support effectiveness of on-budget support through trust funds mechanisms.
- **Next Step 27:** DPs will work with the Government and Trust Fund Administrators to streamline trust fund procedures to improve on-budget mechanisms for the financing of NPPs, preferably by the next TMAF ministerial meeting.
- **PGF 7:** *Development Partners commit to work with the Afghan Government to ensure that the balance between different on-budget modalities for aid delivery is consistent with international assessments of capacity e.g. PEFA, Open Budget Index and others.*
  - 75% of on-budget assistance is channeled through the Trust Funds and the remaining 25% is through the bilateral on-budget modalities.
- **Next Step 28:** Going forward DPs will work collectively and bilaterally with the Afghan Government to ensure that the balance between different on-budget modalities for aid delivery is consistent with international assessments of capacity, including considering the recent progress made by the Government as illustrated by the PEFA and OBI assessments and the on-budget constraints that need to be addressed.

**HD 3.2 By June 2013, and annually thereafter, each Development Partner aligns 80% of its aid to the National Priority Programs at least.**

- **PGF 8:** *Development Partners remain committed to align 80% of aid with the NPP deliverables.*
  - Many donors have made progress in aligning their development aid with the NPPs. However, differences in the interpretation of the term alignment mean that it is not possible to confirm the precise degree of alignment with NPPs. Further work will be jointly undertaken by the Government and development partners to verify alignment data, based on an agreed definition. The Government is keen that donors move further towards use of country systems and institutions.
- **Next Step 29:** DPs remain committed to align 80% of aid with the NPP deliverables.
- **PGF 9:** *Donors and Government will work together to verify alignment data based on an agreed definition.*

- Donors and Government have started discussions to reach an agreed definition on how the alignment of aid should be determined based on the draft Alignment Guidance issued by the Government, and bearing in mind agreements made at the Kabul, London and Tokyo conferences.
- **Next Step 30:** As an immediate priority, DPs and the Government will work together to finalize the alignment guidance note and use it to assess 2013 alignment data for the five priority NPPs by the next ministerial meeting. Once the alignment note is agreed and data is assessed, it will be discussed annually in existing bilateral mechanisms such as DCDs and portfolio reviews. The relevant technical line ministries will be consulted in this process.

### **HD 3.3 By June 2013, Joint Review of current and planned projects/programs conducted with each Development Partner to determine and agree on the level of alignment with NPPs.**

- **PGF 10:** *Based on agreed definitions, donors and Government will review the alignment performance of projects/programs in a prioritized manner i.e. focusing on large interventions.*
- **Next Step 31:** DPs and Government will review the alignment of large projects/programs once the definition is agreed upon.

### **HD 3.4 With effect from February 2013, Financing Agreements, or equivalent, (format, scope and applicability to be agreed by Development Partners, on a bilateral basis, with the MoF) for new on and off -budget projects signed with DPs.**

- **PGF 11:** *Development Partners without Financing Agreements commit to finalizing such agreements with the Ministry of Finance for all new projects from 2013 onwards, subject to bilateral discussions as indicated above.*
  - According to the MoF analysis, 21<sup>7</sup> DPs with total commitment of \$5.6 billion in FY2013 have signed Financing Agreements with MoF for projects with a total value of \$4 billion. This represents 72% of aid in FY2013 for which Financing Agreements have been signed with the Government.
- **Next Step 32:** DPs and the Government will continue working together to finalize Financing Agreements for new projects from 2013 onwards, subject to bilateral discussions.

### **HD 3.5 Joint Assessments, which meets donors and government standards, of fiduciary risks at major ministries for increased on-budget financing conducted by December 2013.**

- **PGF 12:** *Development Partners and Government will review the recently released Guidance Note for completion of this work by December 2013.*
- **Next Step 33:** DPs and Government will review and finalize the Guidance Note on Joint Assessments preferably by the ministerial meeting.

<sup>7</sup>Germany, Denmark, France, ADB, WB, UK, US, Australia, Japan, EU, Canada, Norway, Sweden, The Netherlands, Italy, Switzerland, Poland, Islamic Development Bank (IsDB), Spain, India, and Czech Republic

- **PGF 13:** *Development Partners commit to conduct joint assessments by December 2013.*
  - Following the release of the Guidance Note on Joint Assessments, the Government requested, on June 13, 2013, that DPs provide information on their on-going and planned assessments including joint assessments. This information is yet to be provided to the Government.
- **Next Step 34:** Development Partners commit to conduct joint assessments once the Guidance Note on Joint Assessments has been agreed.

**GOAL 3: The International Community commits to taking concrete steps to improve aid delivery consistent with partnership and global aid effectiveness principles.**

**HD 5.1 The AMP implementation plan including mechanism for joint review agreed by government and donors by June 2013.**

- **PGF 14:** *The Government of Afghanistan and Development Partners work together to finalize the AMP implementation plan as soon as possible.*
  - The Government has prepared and shared the AMP implementation plan, including its monitoring framework, with all DPs. DPs and Government will seek to prioritize key elements and ensure the process is complimentary and coordinated with TMAF discussions.
- **Next Step 35:** The Government of Afghanistan and Development Partners work together to finalize the AMP implementation plan as part of the TMAF-process.

**HD 6.1 By July 2013 each Development Partner prepares a plan, with the Ministry of Finance, to align 80% of its total aid to deliverables of NPPs**

- **PGF 15:** *Based on an agreed definition of alignment each Donor will develop plans with the Ministry of Finance to achieve 80% alignment.*
  - As a definition on alignment has not yet been agreed, donors are currently not developing plans to align a higher level of aid to the NPPs, although most donors consider that the 80% target has already been met. The alignment data is yet to be assessed by both sides.
- **Next Step 36:** DPs will continue working with the Ministry of Finance to keep their programs 80% aligned with the deliverables of the NPPs, following agreement on an alignment definition and joint assessment of alignment data.

**HD 7.1 Jointly identify funding modalities for National Priority Programs by September 2013**

- **PGF 16:** *Development Partners commit towards addressing priority NPP financing needs.*
- **PGF 17:** *Development Partners and the Government agree to review, for all endorsed NPPs, the on and off-budget funding modalities available and where needed start (or pursue) consultations on how to best coordinate NPP financing or establish new modalities.*
  - The Government has begun a pilot program on five NPPs to assess their financing needs and determine the appropriate financing modalities. DPs have conducted their own assessment of NPP alignment before SOM.

- **Next Step 37:** DPs look forward to working jointly with the Government as this process develops.

## 4.0 GOING FORWARD

As the above shows, both the Government and Development Partners have made sound progress on TMAF since SOM. It is crucial that this momentum is sustained as TMAF is a long-term commitment of both partners. Overall, it will be important to streamline discussions on TMAF to ensure focus on the priority issues that enable current and future Afghan Governments to effectively address its challenges, achieve stronger results for its people and improve the delivery and predictability of aid. Both the Government and donors recognize that they will do so in a challenging context moving through 2014 and into the Transformation Decade. Equally, donors and the Government acknowledge the centrality of mutual accountability in the TMAF, and that it will remain an enduring framework for engagement from transition to transformation.

The Government in partnership with the international community will have to continue to build upon the gains of the last decade in grounding representational democracy, improving governance at national and sub-national levels, addressing human rights issues, especially for women and girls, strengthening anti-corruption mechanisms including effective economic governance initiatives, ensuring the integrity of public finance, addressing economic challenges such as enlarging the revenue base, and inclusive, sustained growth and development. These efforts will collectively put Afghanistan on a solid path toward self-reliance.

Reaching a sustainable and self-reliant Afghanistan begins with an investment in its people and institutions. The Afghan people and their rights remain at the forefront as a priority and continue to be a requirement for the successful development of Afghanistan. Good Governance, the rule of law and respect for human rights will further enhance the legitimacy of and respect for the Government in the eyes of its population. It is therefore of paramount importance to improve access to justice for all, in particular women, by ensuring that the Constitution and other fundamental laws – such as legislation to eliminate violence against women - are enforced expeditiously, fairly and transparently and to continue to provide support to the AIHRC. It is also important that the capacity of state institutions, including in the justice sector, is supported and improved to ensure reliable service delivery to the Afghan people. This is to ensure that all Afghans, men and women, can fully enjoy their economic, social, civil, political and cultural rights.

A self-reliant Afghanistan can only stand on a stable economic foundation. Transition presents serious economic challenges for Afghanistan. Economic growth, pro-poor development, and job creation are important for poverty reduction– especially for the Afghan youth. In addition, an enhanced investment climate will be a major task that the Government and development partners should make efforts to address.

In order to support job creation, investment and trade, adequate infrastructure and an enabling legal and policy environment need to be strengthened, while taking simultaneously strong action against corruption.

In tandem with these efforts and in the spirit of mutual accountability, the international community will remain a committed partner in Afghanistan’s continued growth. This includes providing aid in the context of development priorities articulated in the National Priority Programs, making use of Afghanistan’s

fiduciary systems, conducting joint planning and assessments of programs and projects and improving transparency and medium term predictability of aid. Donor-Government dialogue should focus on effective and pragmatic implementation of National Priority Programs and addressing obstacles to effective aid delivery in Afghanistan.

As resources might become more limited, prioritization and improving efficiency and effectiveness of aid in order to maximize the benefits of development becomes crucial. Improved information on development results and transparency around aid will be increasingly necessary, especially to sustain funding commitments and periodically assess the relative effectiveness of program investments. Development partners will continue to work towards meeting their Tokyo commitment to channeling at least 50% of their development assistance through the national budget. The Government will work with development partners to address remaining constraints, including further strengthening the government absorptive capacity.

Regional economic cooperation remains critical to promote Afghanistan's long-term growth sustainability and fiscal self-reliance. As a land-locked country, Afghanistan needs to take advantage of its location as a land bridge between neighbors through greater physical and economic connectivity, enhancing regional trade and investment. Afghanistan, with the support of the international community, needs to continue to pursue a multi-track regional cooperation and integration process to engage with regional partners on a variety of common challenges and confidence building measures.

A robust approach to resolving these challenges will move Afghanistan further along the path toward self-reliance. With the achieved progress on TMAF outlined above and a special focus on the impediments to economic development and aid effectiveness, development partners and the people of Afghanistan can best use the opportunity of a new Afghan Government to reaffirm the approach to effective development programming to which the current Government has been committed. It will be important to do this on the basis of practical engagement, sustainable reporting processes, and focused dialogue to reduce obstacles to improved aid delivery and to honor our TMAF commitments. With this context in mind, pragmatic and sustained cooperation between donors, the Government, multilateral agencies and other stakeholders, including civil society and the private sector, is required to take forward progress on TMAF commitments in the run-up to and beyond the TMAF Ministerial Meeting.