

2012 POST-CONFLICT RECONSTRUCTION PROGRAMME
Building Capacity for a Brighter Future



UNITAR MUSTOFI FELLOWSHIP FOR AFGHANISTAN

In partnership with the Afghan Ministry of Finance

EXECUTIVE SUMMARY

INTERNATIONAL WORKSHOP

18 - 22 February 2012

HIROSHIMA, JAPAN



Hiroshima Prefectural
Government



The City of Hiroshima



Ministry of Finance
Islamic Republic of Afghanistan



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

**IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN**

FOREWORD

ABOUT UNITAR

The United Nations Institute for Training and Research (UNITAR), based in Geneva, is an autonomous body within the United Nations. UNITAR's mission is to deliver innovative training and conduct research on knowledge systems to develop the capacity of beneficiaries.

By virtue of the resonance of its location, the Hiroshima Office has an inherent strength in the areas of post-conflict reconstruction as well as the broader themes of international peace and security. The Office also serves a strategic role for the Institute by supporting its overall activities, and performing liaison functions with regional and national offices of other UN organizations, funds and agencies, diplomatic communities, as well as with partners in the research community and broader public and private sectors. To date, the Hiroshima Office has trained more than 5,000 international participants. In addition, it supports the Institute's goal of research on knowledge systems, exploring innovative and modern approaches for high-quality training, with the goal of being a centre of excellence, measured by international standards.

THE WORKSHOP

As part of its Fellowship for Afghanistan Programme, UNITAR was approached by the Ministry of Finance of Afghanistan to design and implement an international training course on Public Financial Management for staff of the Ministry and Chief Provincial Directors, known as Mustofis. Drawing on UNITAR's deep course content, its unique training methodologies and the experience of over 9 years training Afghan government officials through its Hiroshima Office, a tailored programme proposal was submitted. Following discussions between UNITAR and the MoF, the parameters and specific objectives of the workshop were defined and agreed upon and the Workshop took place between 18 and 22 February 2012 in Hiroshima, Japan.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

ACKNOWLEDGEMENTS

UNITAR would like to express its deep gratitude to:

- The Hiroshima Prefectural Government
- The City of Hiroshima
- The Chugoku Local Finance Bureau
- The Hiroshima Regional Taxation Bureau
- The Hiroshima branch of the Japan Customs Bureau
- The Hiroshima Peace Memorial Museum
- The people of Hiroshima
- The Ministry of Finance of Afghanistan

CREDITS

Executive Report written by:

- Berin McKenzie, Specialist, UNITAR

Executive Report revised by:

- Alex Mejia, Head, Hiroshima Office, UNITAR

www.unitar.org



unitar
United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

EXECUTIVE SUMMARY

The 2012 Workshop took place between 18 and 22 February 2012 in Hiroshima, Japan. Organised by the UNITAR Hiroshima Office, and supported by the Ministry of Finance of the Islamic Republic of Afghanistan, the Workshop stood as the inaugural session in a proposed Series aimed at further facilitating the learning of senior Ministry officials both from its offices based in Kabul and regional centers.

The location of the UNITAR Hiroshima Office, in this eternally resonant city also has resonance vis-à-vis the post-conflict reconstruction of a city, of a community and of a country. The story of Hiroshima since that fateful day in August 1945, of the tangible and intangible processes undertaken at a national, prefectural, municipal, community and personal level to transform the city serve to provide insight and hope to the Mustofi Fellows.



2012 WORKSHOP FOCUS

PUBLIC FINANCIAL MANAGEMENT

Following discussion with the Ministry of Finance, it was decided that the focus of the training would be not only on the fundamentals of Public Financial Management including Budget Planning and Revenue Management Best Practices, but also on ways and means to implement such training. Topics including Organisational Needs Assessment, Human Resources Management, Action Plan Development and Public Sector Leadership were also addressed so as to provide a comprehensive package outlining the roles and responsibilities of Finance officials at a global level.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

**IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN**

OBJECTIVES

The stated objectives of the session were for participants, by the end of the Workshop, to be able to:

- Have an enhanced understanding of government revenue, management, corruption and budget planning;
- Assess organisational needs, implement action plans and resolve conflict;
- Exhibit newly gained skills fundamentally important to leadership, the public sector and Human Resources Development.



www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

METHODOLOGY

INTERACTIVE LECTURES

Presentations were made both by UNITAR certified trainers as well as Resource Persons presenting on specific and detailed topics with the realm of Public Financial Management. These lectures were augmented by small group exercises and frequent questions from the floor, which served to contextualise the issues being examined.



AFTER-ACTION REVIEWS

Representing a key component of UNITAR's methodology in regards to this Session, the AAR takes place within groups. These groups discussed the main issues raised in the previous presentations, as well as the specific frames of reference as applied to these by participants. This interaction, which takes place with the input also of various Faculty members allows for discussions which incorporate differing cultural values, as well as differing, and sometimes competing, professional values.

STUDY TOURS

Underscoring the theoretical introductions and analysis presented, Study Tours form an integral part of the training methodologies utilised by UNITAR. Covered in later sections, the Study Tours examined the post-conflict reconstruction of Hiroshima, incorporating visits to the Peace Memorial Museum

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

and Park, as well as to the Naka Ward Incineration Plant – a unique example of public ownership and access.

Outlining the potential for tourism as a revenue stream, as well as culture as a method for national unity and growth, the group also visited Miyajima Island and its attendant Itsukushima Shinto Shrine.

Visits were also made to the Japan Customs Bureau, so as to discuss revenue gathering and security through this form, as well as to a local tax collection agency facility which had been specifically implemented for the busy end-of-financial year period.

PUBLIC SESSION

As part of UNITAR's community outreach policy, as well as to publicly acknowledge and thank the community which so graciously hosts the office – through the kind support of the Prefectural Government of Hiroshima – Public Sessions are routinely held at the UNITAR Hiroshima Office.

The Public Session coinciding with the Workshop was entitled *The story of Hiroshima and the post-conflict reconstruction of Afghanistan: What Parallels?*. Attended by over 50 people, the Session allowed for interaction between the Mustofi participants and the citizens of Hiroshima. Presentations were made by Mr. Alex Mejia, Head of the UNITAR Hiroshima Office for Asia and the Pacific, as well as by UNITAR's staff member in Kabul, Mr. Sabahuddin Sokout. Mr. Musa Kamawi, Head of Human Resources at the Ministry of Finance of the Islamic Republic of



www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

Afghanistan also gave his impressions, this being the third time he had visited Hiroshima. The moving stories presented, as well as the elements of hope and faith instilled by Hiroshima on the participants served to underscore the relevance of UNITAR's maintaining an Office in Hiroshima and of the foresight of the political leaders of Hiroshima Prefecture in their continued support of the Office.

TRAINING OF TRAINERS

A focus was made throughout the training sessions to relate the learning being facilitated to the realities on the ground in Afghanistan. In addition, each participant was empowered to recreate the training upon their return to their organisation in order to achieve a self-propagating legacy of skills development.



www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

DETAILED DESCRIPTION OF THE SESSION

CONTENT:

INTERACTIVE LECTURES

(i) *Public Financial Management: The Fundamentals: Alex Mejia, Head, UNITAR Asia Pacific*

The Session began with Mr. Mejia outlining the core objectives of a Public Financial System while describing the framework of such. The importance of macrofiscal discipline, the strategic allocation of resources and technical efficiency were introduced. Strategic planning was highlighted as a necessary part of any such process and incorporated the following areas of focus:



- Translating political priorities into implementation;
- Negotiating budgetary resources;
- Determine the size of any given budget;
- Assessing the feasibility of resources;
- Gaining approval and support;
- Maintaining balance between national and sub-national priorities.

This was followed by an explanation of Management vs. Operational control as well as common limitations, challenges and roadblocks that may impede implementation. Mr. Mejia expanded upon the themes of Government Budget Cycles and the boundaries of Financial Management Systems in an

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

attempt to outline the flow and best process practices which must be defined and adhered to for the effective management of public funds.

Taking into account the participants of the session, the focus then shifted to the roles and responsibilities of the national and sub national entities including the following examples;

- Budget design;
- Legislative oversight, involvement;
- Civil society oversight, participation;
- Debt sustainability analysis;
- Anti-corruption;
- Decentralization;
- Public-Private Partnerships;
- Monitoring and Evaluation;
- Long-term planning.

The principles of New Public Management and the changing role of the MoF – from a specifically Afghan perspective – were introduced and input was invited from all participants regarding the specificities as they exist both in Kabul and the provincial centers. Following this, an explanation was made regarding ways and means to improve Public Financial Systems, once again attuned to the particular nuances as being experienced by Afghanistan. In conclusion suggested performance indicators and ways of monitoring and evaluating both project implementation and reform policies were outlined.

(ii) Public Financial Management: Budget Planning: Alex Mejia, Head, UNITAR Asia Pacific

Taking place on the morning of the second day of the Workshop, the presentation on Budget Planning built upon the *Fundamentals* presentation of the preceding day. Mr. Mejia examined the budget planning process by outlining the development and implementation processes, as well as the relationships and roles that dominate in Public Financial Systems. Payment systems and methods for investigating, analysing, developing and implementing stronger and more reactive systems of Public Financial Management were outlined.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

The requirement and results chains of performance budgeting were utilised to underscore the importance of effectively delineating outputs and outcomes during the planning and integration process. Similarly, the differences between expenses and costs was outlined followed by a detailed description of Activity Based Costing (ABC) and its applicability to the Public Sector. This was coupled with discussions regarding Public Expenditure and Financial Accountability (PEFA) models and how they relate to the specificities of Afghanistan. Before an extended Q and A session, the organisational structure of the Ministry of Finance of Afghanistan was analysed with regard to the information delivered in the presentation so as to ascertain possibilities for interaction and collaboration within the Ministry itself.

(iii) Conducting an Organisational Needs Assessment: Berin McKenzie, Specialist, UNITAR Asia Pacific

As part of UNITAR's training methodology, presentations focused on the main themes of the Workshop are augmented by presentations empowering participants to both replicate the training delivered, as well as to analyse, and if necessary, implement the best practices as covered by UNITAR trainers.

The Organisational Needs Assessment presentation was adapted from training materials utilised by management consultants Lamb and Lamb in the course of the UNITAR Hiroshima Fellowship for Afghanistan programme.

An Organisational Needs Assessment stands as a systematic means by which to analyse the key concerns and its requirements of an organisations customers and stakeholders. They assist in garnering



www.unitar.org



unitar
United Nations Institute for Training and Research



UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

useful information regarding the unmet needs of these stakeholders, as well as gaps between the reality and goals of organisational performance results. In addition, they assist in defining the training and development needs of employees in general.

Mr. McKenzie urged participants to think about their organisations as open-socio technical systems in that they exist within particular settings and environments and are constantly interacting with and being influenced by these environments and stakeholders. In this manner they can be considered “open” with the social aspects being such elements as leadership, organisational structure, performance and reward systems and the like, with technical aspects being those non-human or technological elements which make up the organisation.

An in-depth analysis was presented regarding differing types of needs assessment namely Strategic, Tactical and Operational. Comments and examples were invited from the floor so as to contextualise these elements with regard to Afghanistan and its unique structure at present – this led to useful interaction between participants from differing geographical locations within the country.

Important elements to consider while undertaking such an assessment were outlined including clarifying the scope of the assessment amongst all stakeholders at the start of the process, as well as defining who will have access to results and how these results will be used. This was followed up by a step-by-step delineation of the pre-assessment, assessment and post-assessment phases. Ways and means of conducting such an assessment were outlined, and once again input was requested from participants so as to ascertain the reality of these vis-à-vis Afghanistan.

Finally an analysis of how to analyse the data collected was also outlined with a particular focus on ensuring information was available for successors. In addition, the development of effective reporting which could serve to see such assessment replicated within the organisation.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

(iv) *Fundamentals of Human Resources Management (HRM)*: Musa Kamawi, UNITAR Honorary Faculty Member

Mr. Kamawi, a graduate of UNITAR's Fellowship for Afghanistan programme, as well as a subsequent Coach and Mentor for the same programme began the presentation by explaining that HRM represents an Organization's methods and procedures for managing people so as to enhance motivation and skills, as well as any activities that serve to enhance the organization's ability to attract, select, retain and motivate people.

Mr. Kamawi stressed that all managers are essentially HR managers and he outlined the common results that extend from poor HR choices made by managers. The reverse of this was the positives and the benefits that may be brought to an organisation by effective human resource decisions made by trained and empowered managers. The presentation then focused upon managers understanding that Human Resources must be seen as simply that: a resource that must be invested in in order to provide benefit. The tendency to make HR a focal point of cost cutting was a an issue highlighted for discussion.

The competitive advantage as available through a committed and trained staff was highlighted as a commodity, an asset and one which took simple strategy to the more effective strategy implementation. Following this an examination was made of the seven practices of high performance work systems, as well as the importance of aligning both organisational strategy and HR.



www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

The external influences that act upon HR were then introduced, these include;

- Economic conditions;
- Legal requirements and constraints;
- Demographics;
- Technology.

During the presentation several of the Mustofi fellows posed questions relevant to their specific departments – leading to further analysis of the current state of HR in Afghanistan.

(v) Revenue Management Best Practices: Alex Mejia, Head, UNITAR Asia Pacific

This presentation by Mr. Mejia examined revenue sources and the evolution of the revenue management framework, as well as common mistakes and difficulties encountered in such. The indirect and direct sources of revenue for Ministries of Finance was introduced, including tax revenue vs. non-tax revenue.



Concepts of Revenue Management and the levers related to them were introduced, including;

- Data Collection;
- Segmentation;
- Forecasting;
- Optimization;
- Dynamic Re-evaluation.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

Following this, an in-depth outline of Customs and Taxation Competencies was delivered, having been linked to organisational objectives. The differing types of duty to be collected were also outlined with a particular focus on those relevant for Afghanistan at this stage of its reconstruction process.

The common mistakes and difficulties encountered within the realm of revenue management include;

- Economic Efficiency versus Political Feasibility versus Equity;
- Preliminary Estimates versus Real Revenue;
- Infrastructure;
- Abuse, including corruption, malpractice, loopholes and tax havens;
- Efficiency vs. Value.

These were discussed once again in great detail with regard to the context and realities in Afghanistan in an interactive session which allowed for peer-peer exchange amongst the Mustofi present.

(vi) Public Sector Leadership – The Fundamentals: Berin McKenzie, Specialist, UNITAR Asia Pacific

Mr. McKenzie began the presentation by outlining the need for leadership within the public sector. While such leadership has always been necessary, increasingly the public service worldwide is undergoing a transformation whereby the need for governance within public institutions is increasing the need for effective and empowered leadership. In particular this is important where there exists a gap between



www.unitar.org



unitar
United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

the culture of a given public service and the interest of the public which it is tasked to serve.

The need for normalisation and acceptance of rules as shown by leaders throughout an organisation was stressed as a means by which to effectively harness resources at a national level, as well as to reflect the values of society in the public sector itself.

From a provincial perspective it is important that leadership can be shown at a local level, rather than an overt reliance in central management. The need for local initiative, adaptability and capacity was outlined, as was the reliance of economic development on such.

Leadership nurtured and exhibited throughout an entity leads to enhanced management capacity and organisational performance and it is imperative that it be incorporated into Human Resources Management and planning.

In addition, the need for Public Sector leaders to understand the economic, political, social and ecological dimensions of globalization, as well as the institutions of governance is imperative. In a related sphere the ability to strategically envision the financial, political, and economic environments in which government operates was stressed as a prerequisite to effective public sector management.

The importance of vision and, crucially, the implementation of that vision was also shown as being key to leadership in the Public Sector. The presentation concluded with an examination of the future of Public Sector leadership, as well as an exercise in effective listening – a crucial skill for any leader.

(vii) Local Government Vision and Autonomy: Yasuo Hashimoto, Chief of International Affairs, Hiroshima Prefectural Government

Mr Hashimoto, a long-time supporter of UNITAR and representative of the Hiroshima Prefectural Government began the Presentation by providing the attendant Mustofi with an overview of Hiroshima Prefecture. The population of the

www.unitar.org

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

Prefecture stands at 2.9 million with a land area of 8,500 sq. kms. The total budget of the Prefecture stands at USD 12 billion with a Public Service staff of 6017, a drop of 2075 in the last 11 years.

Mr. Hashimoto went on to explain the seniority and lifetime employment systems of Japanese public service, as well as linking the importance of a strong public service in regards to Hiroshima's post-conflict reconstruction and that of Afghanistan.

Using Singapore as an example, Mr. Hashimoto traced the history of the city and its relative levels of corruption. The success of Singapore as a state was contributable to the following inputs, of which a Public Service which encouraged and rewarded strong leadership was a key part;

- Clean and Efficient Government;
- Vision and Execution;
- A combination of hard work, a strong and determined leadership;
- Enlightened economic policies;
- Political stability;
- A culture which encourages thrift and learning;
- Social mobility.

Utilising examples of regional issues facing Japan, Mr. Hashimoto outlined a move toward local autonomy and a related need for strong and flexible regional leadership in the Public Service. The negative effects of a concentration of power in the capital was evidenced as one of the key reasons behind the current move toward decentralisation and the



www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

subsequent emphasis on local administration. In order to increase efficiency and move away from duplication, Japan has undertaken a concerted series of municipal amalgamations with the number of municipalities reducing from 3232 in 1999 to 1719 in 2012.

The planning and coordination processes undertaken within local government in Japan were then outlined, in particular the rigorous consultation that is undertaken as a means to identify and avoid conflict. Related to this are the abilities of leaders to effectively listen and to sort out issues and understand the position of counterparts. Following an outline of the future of Public Service in Japan, Mr. Hashimoto concluded by stating that professional Civil Servants had:

- Eyes, which can see society as a whole system
- Ability, which can bring and coordinate change
- Heart, so as to be able to understand and support residents

Mr. Hashimoto also stressed that it was key that members of the public service remain cognisant of the fact that they work for society and are paid out of taxpayers' money.

(ix) Action Plan Development: Berin McKenzie, Specialist, UNITAR Asia Pacific

Mr. McKenzie started the presentation by stating that an action plan can be seen as a "road map" for implementing activities addressing an identified priority issue. It must have a clearly defined start and finish and is issued to provide structure, focus, control to the project in question. Action Plans can be analysed using the so-called "SMART" approach whereby they should be assessed as to whether they are:

- **Specific**
- **Measurable**
- **Achievable**
- **Realistic**
- **Time-bound**

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

Key to beginning the action plan process is establishing a problem statement, which serves to outline the need for an action plan. A goal is then established through the execution of a Situation and Gap Analysis – essentially seeing “where we are” and comparing that to “where we want to be” then defining the steps and requirements to get there.



The perils of producing a “paper exercise” were spelled out, in particular with regard to the demoralising impact this could have on teams in general. It is always important to continually ascertain as to whether the plan was realistic, achievable and effective. To assist this, an explanation was made of defining indicators throughout the process, as well as breaking down the action plan into activities, which are then further divided into tasks.

Milestones were introduced as important points at which to examine the action plan as a whole. In addition, milestones serve as opportunities for the teams involved to reflect and gain satisfaction on achievements to date.

It is important to also raise awareness and therefore support for the projects, as well as maintaining a strict coda for monitoring, evaluation and reporting. Potential bottlenecks, which must be identified and have resolution measures agreed upon before the project launches included:

- Competing priorities that might threaten support for the Action Plan;
- A lack of awareness about the topic or issue;
- Contradictory or duplicative mandates (or lack of a mandate).

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

(x) *Transparency and Anti-corruption* Alex Mejia, Head,
UNITAR Asia Pacific

Mr. Mejia started the presentation by outlining the fact that countries with high-quality Public Finance Management (PFM) systems have lower perceptions of corruption. In addition, the lower the rate of corruption, the higher the likelihood of detection when it does occur. The presentation then examined types of corruption, including “grand” corruption which tends to occur during budget formulation, as well as that which occurs during:

- Public procurement;
- Revenue administration;
- Budget Accounting and Reporting;
- External Audit and Oversight.

Throughout this introduction and analysis both red and yellow flags – items and approaches that should arouse suspicion and should have an institutionalised response system in place were outlined. In addition, ways to counter these were discussed utilising real world examples.

International norms and best practices for developing an organisational culture which rejects corruption and graft were also introduced. Particular focus was given to areas in which the Ministry of Finance has responsibilities and discussions were undertaken which examined the realities as they exist in Afghanistan and the options or practices that exist in an effort to counter this.

Throughout the presentation the negative aspects of corruption were linked back to the presentations given throughout the week.

CONTENT:

BEST PRACTICE SHARING

(i) Hiroshima Prefecture Financial Division

A representative of the Hiroshima Prefectural Financial Division attended the Workshop and delivered a session outlining the

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

major roles and responsibilities of the Division. They include:

- Supporting the operation of each division from the aspect of budgeting;
- Considering together with each division, and compiling budgets so as to bring benefits to Prefectural citizens;
- Compiling budgets and managing their execution



- considering the actual status, challenges, direction of country, and roles and responsibility of other bodies;
- Assuming a role as an overall window of the Prefectural Assembly.

The organisation of the Division was outlined thus:

- Division Manager
- Administration Group (4 members)
- Planning and Investigation Group (4 members)
- Fund Administration Group (4 members)
- Budgeting Team (5 members)

The major activities of the Section include:

ADMINISTRATION GROUP

- Summarizing the agenda for the Prefectural Assembly;
- Overall arrangement related to the supervision of prefecture-funded entities;
- Management of rents and fees;
- General affairs of Finance Department.

PLANNING AND INVESTIGATION GROUP

- Budget formation;
- Preparation of budgeting documents and press release

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

materials;

- Analysing financial status of concerned parties;
- Management of central government taxes allocated to local governments.

FUND ADMINISTRATION GROUP

- Local bonds (leveraging, redemption, negotiation with financial institutions, etc.);
- Fund management;
- Public accounting institution, etc.

BUDGETING TEAM

- Review budget drafts and executions/managements of divisions;
- Release financial status report to public;
- Account settlement statistics, etc.

The Budget Formation and Execution process were outlined in the following manner

ORIGINAL BUDGET: Before the start of each fiscal year, the annual budget for the new fiscal year is formed. A decision is reached at the Prefectural Assembly in February before execution.

SUPPLEMENTARY BUDGET: Usually undertaken four times a year, in June, September, December, and a final one at the end of the financial year.

(ii) Hiroshima Prefecture Taxation Division

The representative of the tax division outlined Tax Administration in Hiroshima in a presentation which led to very relevant questions being raised by the Mustofi members.

REGIONAL TAX

Prefectural Tax is a resource for education, welfare, the fire department, medical care, and disposal of waste incurred by municipalities or prefectures. The framework of prefectural tax is regulated by the Local Tax Act, with the National Government drafting and finalizing the Act. Local Governments then administrate Prefectural Tax by complying with the Act.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

In addition, Prefectures report regarding the tax income annually and the National Government amends the Act based on this report from each prefecture.

Tax Administration in the Prefectural Structure was introduced, with the representative outlining that the authority of the Governor for tax

matters is generally delegated to the Directors of each Prefectural Tax Office. An outline was then given regarding staff numbers and responsibilities indicating that there are 359 people within the Prefectural office who are employed under the rubric of taxation.

The relationship between the Prefectural Offices and the National Tax Authority was explained with cooperation between the two entities highlighted, and in particular becoming crucial during the end of the fiscal year. In addition both offices give lectures on the importance of taxation towards elementary and junior high school students.

The relationship between the Prefectural Government, the Municipal Government, the Legal Affairs Bureau and the Police was also outlined indicating strong lines of communication and collaboration between all entities.

TRAINING SYSTEM

In order to raise the competency of staff, Hiroshima Prefecture published an "Agenda for Hiroshima Prefecture Human Resources Capacity Development" in March 2002. This is to "raise morale and develop capacity of the staff, as well as foster potential successors through on the job training." The Prefectural Tax Division Office, in order to develop capacity and train employees, creates on-the-job training and the like



www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

**IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN**

in accordance with this Agenda

An in-depth examination was then carried out with regard to:

- the classification of tax;
- the determination of tax obligations;
- the right to tax;
- the duty to pay;
- tax collection methods;
- the democratization of taxation.

An analysis was made in the difference between Japanese and Western thoughts on taxation. Compared to western countries, the perception of taxation is different among Japanese people. In western countries the view that tax should be something that a person pays oneself is strong, but in Japan there is still a strong feeling that tax is taken by the authorities. As a result, education programmes about the importance of declaring and paying tax are undertaken at junior and middle schools to change people's thinking regarding tax. Also, examinations of tax declarations are undertaken and measures are done to ensure that tax is paid correctly and on time.

This led to a discussion regarding tax revenue investigations and the measures taken for failure to pay. Overall the insight gained from the presentation, as well as the discussions which ensued during the Q and A session were deemed to be very satisfactory and enlightening by both the Mustofi present and the Japanese representatives themselves.

(iii) Hiroshima Prefecture Procurement Division

Representatives of the Hiroshima Prefecture Procurement Division delivered presentation which examined the roles and responsibilities of the division with regard to financial accounting procedures, requesting and finalising contracts and inspections, as well as the effective delivery of goods and services within the Prefectural Government.

Central to this is the separation of procedures into those performed by the Executive branch which has the authority to execute orders and the Accounting branch, which has the

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

authority to examine such. The flow of financial accounting at a regional level, and the built-in checks and balances was outlined and led to several questions from the floor.

Hiroshima Prefecture mandates that actions related to procurement, such as requesting, concluding contracts, and inspections, are performed by independent divisions. In this manner, separate commitments are pursued by each division and a mutual supervision function is ensured.

(iv) National Financial Bureau, Chugoku Regional Office

The office, it was explained, acts as a bridge between the local communities and the Ministry of Finance and the Financial Services Agency. The Chugoku Local Finance Bureau plays the role of smoothly implementing the work relating to the Ministry of Finance and the Financial Service Agency. This includes duties related to the national budget including surveys carried out to efficiently prepare and effectively implement the national budget. The content of such surveys includes:

- Use of budget;
- Whether the projects are implemented effectively;
- If not, what are the inhibiting factors;
- Whether the costs are appropriate.

The Bureau also stands available to provide financial loans to

local governments through funds raised through the financial markets by issuing invest-and-loan bonds. Such loans serve to improve living environment and welfare facilities including schools, hospitals, water and sewerage systems and social welfare facilities. Hiroshima City Hospital



www.unitar.org

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

**IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN**

was improved using such a mechanism. It also makes available small business financing and community-based financing to promote local vitalization.

The Bureau inspects, supervises and monitors:

- Life insurance agents, non-life insurance agents, small-amount short term insurance companies;
- Financial instruments business operators Banks, credit unions and credit associations;
- Financial instruments businesses;
- Moneylenders;
- Issuers of prepaid payment instruments;
- Transparency of private businesses.

In addition, the Bureau:

- Licences tobacco retailers and wholesalers;
- Registers salt manufacturers and wholesalers;
- Administers annual national examinations for certified accountants;
- Checks public and private financial institutions based on the Foreign Exchange and Foreign Trade Act;
- Inspects public/government financial institutions based on relevant laws and regulations;
- Inspects firms that deal in registered national bonds;
- Issues and collects registered national bonds for the bereaved families of the war dead;
- Coordinates for the effective utilization of public properties;
- Studies the usage of government buildings and houses for government employees;
- Facilitates coordination among different ministries and agencies for effective usage of national properties;
- Effectively locates offices in joint government buildings, abolishes or maintains the facilities for effective use of national properties;
- Leases and sells unused national properties (non-administrative properties) to be used for public and other facilities, such as schools, parks and public apartments;
- Leases national properties using the new "term land lease system" to effectively use national properties

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

- and to accommodate the needs of local communities;
- Sells old village roads and waterways;
- Conducts survey and analysis of the local economy;
- Conducts a "Business Outlook Survey" with results reported to the Ministry of Finance to be used for formulating effective financial policies. Results are also disclosed to the media and via the Ministry's websites to be widely used by local people.

The relationship between the Bureau and the Prefectural and Municipal governments was also outlined, as were the public relations actions of the Bureau and the Ministry as a whole.

CONTENT: *STUDY TOURS*

(i) Hiroshima Peace Memorial Museum and Park

In an effort to highlight the post-conflict reconstruction of Hiroshima, as well as the tangible and intangible policies and practices which go towards healing the wounds of war, all UNITAR participants are taken on a tour of the Hiroshima Peace Memorial Museum and Park.

Following a guided tour of the Park, highlighting the design and meaning as held by the local people, the Mustofi Fellows were welcomed by the Deputy Director of the Museum and given an overview of its operations. An audience was then held with a *Hibakusha* a survivor of the Atomic bombing who outlined his experiences on August 6 1945, as well as since that time. The Q and A session which followed led to some very relevant and timely comments regarding the post-conflict moment and the focus of policy at such a time. Fellows were then guided through the Peace Memorial Museum, before making a floral tribute at the Memorial Cenotaph for the Atomic Bomb Victims on behalf of the people and Government of Afghanistan. The impact of the Study Visit was discussed the following morning with various parallels drawn by participants regarding the future of Afghanistan.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

(ii) Miyajima Island

The visit to Miyajima Island – a World Heritage Site – served to outline the approach to culture as a revenue stream, as well as a touchstone for national identity and growth. Miyajima Island stands as a key destination for foreign tourists to Japan, but crucially also, is one of the most visited destinations by domestic tourists as well.

The services on offer and the relationship between tourist demand and preserving the sacred nature of the island was intended to highlight possibilities for the future in Afghanistan. In addition, Miyajima has served as somewhat of a testbed for a resurgence in national pride and identity, as well as the preservation of traditional craftsmanship. This has been evidenced in a movement over the preceding 10 years whereby particularly young people are returning from the cities they went to searching for employment to places such as Miyajima in an effort to reconnect with their roots. This has seen long-neglected houses taken over and sympathetically restored so as to provide accommodation for increasingly discerning tourists looking for the “real” Japan.

Discussions were also held vis-à-vis the importance or otherwise of a listing on the UNESCO World Heritage Site list and its impact upon cultural identity and understanding.

(iii) Customs and Tariff Administration, Chugoku Regional Bureau, Hiroshima Port

The visit to the Customs and Tariff Administration Office served to outline both Japan's Customs practices, and its contraband interdiction actions. In addition the visit served to once again highlight the lines of communication and responsibility as they exist between a national agency and its



www.unitar.org



unitar
United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

regional offices. Following an in-depth explanation of the Bureaus activities, participants were given a demonstration of the canine detection unit which operates out of Hiroshima port, followed by a Q and A session.

(iv) Hiroshima Naka-ward Incineration Plant

The Hiroshima Naka-ku Incineration plant is an award winning building designed by one of Japan's most respected architects. It stands as a unique example of public ownership and access. The plant, a USD500 million building which incinerates a large percentage of the waste of Hiroshima City, also incorporates a park and public atrium, which allows

for interaction with the community of Hiroshima. Free tours of the plant are also available on a daily basis so as to highlight the investment made by the City on behalf of its citizens.



(v) Hiroshima Tax Bureau, Hiroshima Tax Collection Center

The tax collection centre is located in a central and convenient location, and is a temporary pop-up facility which caters to the surge in demand for tax assistance and filing at the end of the financial year. Utilised by some 3000 people per day during this time, the centre streamlines the tax payment process and allows for people to pay in a timely and efficient manner. The tour was led by a representative of the Hiroshima Tax Bureau, who answered various questions posed by the Mustofi Fellows.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

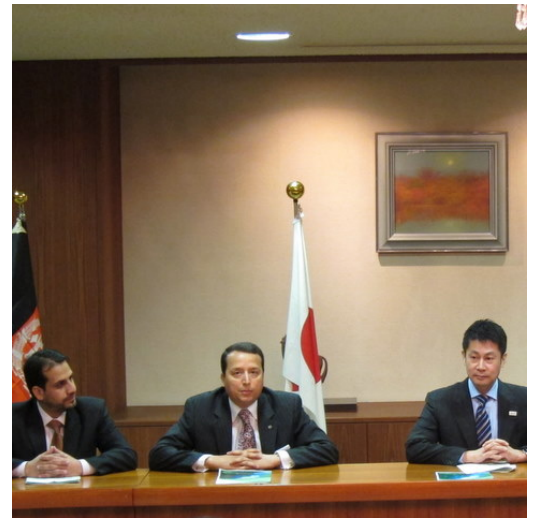
18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

COURTESY VISITS

The Honourable Hidehiko Yuzaki
Governor
Hiroshima Prefecture

A protocolary visit was made to The Honourable Hidehiko Yuzaki, Governor of Hiroshima Prefecture on the morning of Tuesday March 21. After thanking the Governor for the support shown to UNITAR by his administration, Mr. Alex Mejia outlined the activities of UNITAR in Afghanistan. An outline was then made of the Mustofi Fellowship and Mr. Musa Kamawi, Head of Human Resources at the Ministry of Finance of the Islamic Republic of Afghanistan was invited to make some comments. The Governor responded by welcoming the Fellows to Hiroshima and expressing his hope that they would return to Afghanistan as Ambassadors of Hiroshima and gain hope and faith for the reconstruction of their proud country.



The Honourable Atsuro Sasaki
Deputy Mayor
Hiroshima City

The visit to the Deputy Mayor of Hiroshima, Mr. Atsuro Sasaki, also took place on Tuesday March 21. The Deputy Mayor welcomed the Fellows and expressed his fervent hope that the



www.unitar.org



unitar

United Nations Institute for Training and Research



UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

IN ASSOCIATION WITH THE MINISTRY OF FINANCE OF THE
ISLAMIC REPUBLIC OF AFGHANISTAN

lessons shown by Hiroshima in regards to post-conflict reconstruction could be replicated in Afghanistan. He urged the participants to use their time in Hiroshima to learn as much as they could for the good of their country. Following Mr. Alex Mejia's comments and thanks to the Deputy Mayor for his kind words and support of UNITAR, Mr. Musa Kamawi once again made comment on behalf of the Fellows.

OUTCOMES

Overall, the relevance of the Session was deemed to be very good, particularly following in-depth discussions with the Fellows themselves, as well as representatives of the Ministry of Finance of Afghanistan.

The lectures, study tours and best practice sharing sessions helped to expose the Mustofi Fellows not only to cutting edge information in regard to Public Financial Management, but also to the tangible and intangible factors which contribute to effective post-conflict reconstruction.

The Fellows acquired new knowledge on provincial financial management as well as receiving practical advice on how to improve both performance within their own Departments, as well as in regards to communication between central and provincial units within ministries in general.

UNITAR once again thanks the Ministry of Finance of the peoples Republic of Afghanistan, the Prefectural Government of Hiroshima, the Municipal Government of Hiroshima, and the people of Hiroshima for making the inaugural Mustofi Fellowship such a success.

www.unitar.org



unitar

United Nations Institute for Training and Research

UNITAR

MUSTOFI FELLOWSHIP

18 – 22 February 2012 | Hiroshima, JAPAN

**IN COLLABORATION WITH THE MINISTRY OF FINANCE OF THE ISLAMIC REPUBLIC OF
AFGHANISTAN**

ANNEX: AGENDA



unitar

United Nations Institute for Training and Research



United Nations Institute for Training and Research



UNITAR Mustoffi Fellowship

18 - 22 February 2022

AGENDA



Hiroshima Prefectural
Government



The City of
Hiroshima



Ministry of Finance
The Islamic Republic of Afghanistan

TIME	Friday 17	Saturday 18	Sunday 19	Monday 20	Tuesday 21	Wednesday 22	Thursday 23				
09:00 - 09:30	<div>UNITAR logo</div> <div>(Thursday 16 February)</div> <div>SAFI 4Q247</div> <div>DEPART KBL: 10:30</div> <div>ARRIVE DEL: 21:00</div> <div>(Friday 17 February)</div> <div>CHINA EASTERN MU564</div> <div>DEPART DEL: 03:30</div> <div>ARRIVE SVG: 11:00</div> <div>CHINA EASTERN MU293</div> <div>DEPART SVG: 17:30</div> <div>ARRIVE HIJ: 20:10</div>	Rihga Royal Hotel to UNITAR Office	After Action Review <i>Berlin McKenzie</i>	After Action Review <i>Berlin McKenzie</i>	After Action Review <i>Berlin McKenzie</i>	CHINA EASTERN MU294 DEPART HIJ: 09:20 ARRIVE SVG: 09:50 CHINA EASTERN MU563 DEPART SVG: 21:00 ARRIVE DEL: 02:05 (Friday 24 February) SAFI 4Q248 DEPART DEL: 14:45 ARRIVE KBL: 16:00					
09:30 - 10:00		Workshop Opening <i>Alex Mejia</i>	Public Financial Management: Budget Planning (I) <i>Alex Mejia</i>	Revenue Management Best Practices <i>Alex Mejia</i>	Protocolary Meeting: Governor of Hiroshima Prefecture		Action Plan Development and Strategic Implementation <i>Berlin McKenzie</i>				
10:00 - 10:30		Public Financial Management: The Fundamentals <i>Alex Mejia</i>			TEA BREAK			Public Sector Leadership: The Fundamentals (I) <i>Berlin McKenzie</i>	TEA BREAK		
10:30 - 11:00										Public Financial Management: Budget Planning (II) <i>Alex Mejia</i>	Human Resources Management <i>Musa Kamawi</i>
11:00 - 11:30			LUNCH	LUNCH			LUNCH				
11:30 - 12:00	Study Tour I: Post-conflict Reconstruction	FERRY			Best Practice Sharing I: Hiroshima Prefectural Government Financial Division			Study Tour III: Customs and Tariff Administration Chugoku Regional Bureau Hiroshima Port	Best Practice Sharing V: National Financial Bureau Chugoku Region		
12:00 - 12:30										Peace Memorial Museum Orientation	Study Tour II: Provincial Tourism as a Revenue Stream
12:30 - 13:00			Atomic Bomb Survivor Testimony	Best Practice Sharing III: Hiroshima Prefectural Government Procurement Division			Study Tour IV: Urban Renewal at the Regional Level				
13:00 - 13:30	Peace Memorial Museum Visit	Organisational Needs Assessment <i>Berlin McKenzie</i>			ON THE ROAD			End of Programme*			
13:30 - 14:00									Floral Offering to the Victims of the Atomic Bombing	Protocolary Meeting: Deputy Mayor of Hiroshima City	
14:00 - 14:30			Peace Memorial Park to Rihga Royal Hotel								
14:30 - 15:00	FERRY										
15:00 - 15:30											
15:30 - 16:00											
16:00 - 16:30											
16:30 - 17:00											
17:00 - 17:30											

*Graduation Ceremony to begin at 18:00 at Rijo Kaikan. To be followed by Graduation Reception at 18:30

COLOUR KEY:

BEST PRACTICE SHARING

METHODOLOGICAL SESSIONS

STUDY TOUR

TRAVEL TIME

MEALS

PROTOCOLARY MEETING

LECTURES



United Nations Institute for Training and Research (UNITAR)
United Nations Mission, 5th Floor, 5-44 Motomachi, Naka-ku
Hiroshima 730-0011 Japan

Please contact us at hiroshima@unitar.org
Tel +81 (0) 82 511 2424
Fax +81 (0) 82 211 0511

Visit our website: <http://www.unitar.org/hiroshima>

