

ROLE OF CIVIL SOCIETY IN PROVINCIAL BUDGETING IN AFGHANISTAN

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THE ROLE OF CIVIL SOCIETY IN PROVINCIAL BUDGETING IN AFGHANISTAN

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
CSO	Civil Society Organization
EPD	Equality for Peace and Democracy
GoA	Government of Afghanistan
IB	International Budgeting
IWA	Integrity Watch Afghanistan
MoF	Ministry of Finance
OBS	Open Budget Survey
PFM	Public Financial Management
PB	Participatory Budgeting
PDPs	Provincial Development Plans
PSPs	Provincial Strategic Plans
SIGAR	Special Inspector General for Afghanistan Reconstruction
TMAF	Tokyo Mutual Accountability Framework
USAID	United State Assistance for International Development
WB	World Bank

EXECUTIVE SUMMARY

As the primary policy tool of the Afghan government, the national budget should reflect the basic needs of the people at provincial and district levels. Civil society is a bridge between the people and the government, and this is a tool that can be used to convince the government to align its policies with the needs of the people at a subnational level. This is the norm in most countries that have an effective provincial budgeting system. Unfortunately in Afghanistan, due to the deficiency and low level of domestic revenues, the government does not have a provincial budgeting arrangement. Though there have been some government attempts to address this dearth, most of them have failed.

In the past 13 years, the government implemented two provincial budgeting pilot policies. The first took place in 2007, and the second was implemented after the evaluation of the first policy in 2011. The first pilot policy focused on three ministries (the Ministry of Rural Rehabilitation and Development; the Ministry of Agriculture, Irrigation, and Livestock; and the Ministry of Education) in three provinces (Kandahar, Balkh, and Panjshir). The policy concentrated on the provincial governors' offices and provincial directorates; however, it paid little attention to line ministries at the center. The revised policy in 2011 was extended to 34 provinces (rather than the three provinces initially targeted in the 2007 policy) and also added an additional ministry (the Ministry of Public Health), as well as an institution called the Independent Directorate of Local Governance (IDLG) to the draft. The 2011 policy was abruptly cancelled due to a misunderstanding between senior leadership of the Ministry of Finance and the United States Agency for International Development (USAID) – the donor of the project.¹ After the failure of the second policy, the fate of provincial budgeting remained undecided until 2013.

As a result of the Tokyo Mutual Accountability Framework (TMAF) in 2012, the Afghan government was urged to design a new provincial budgeting policy. This new policy, designed in 2013, has numerous strengths, including comprehensiveness and policy clarity. It also gives an oversight role to the CSOs and facilitates their monitoring authority. CSOs, however, claim that the assigned role is not enough, meaning they are not actually involved in the provincial budgeting process. It is important to note that, so far, the policy has not yet been approved by the Cabinet.

In order to come up with an effective provincial budgeting policy for Afghanistan, the study of successful budget policies in other contexts is necessary. In this research, the cases of South Korea and India have been examined. In 2012, the Open Budget Survey (OBS) scored South Korea 92 percent in terms of public engagement in the budget process, which is an exceptional global case. The Korean CSOs had a significant role behind public engagement in their country's budget process. Similarly, in South Asia, the same survey scored India 17 in terms of public engagement in the budget process. Although India's score overall is very low on the global scale, it is still the highest score in the entire South Asian region.

In examining the role of civil society in provincial budgeting in Afghanistan, a total of 78 interviews were conducted in four of the regional representative provinces, including Kabul, Herat, Balkh, and Nangarhar.

¹ The USAID claimed that Ministry of Finance cancelled the program because USAID made a decision to hire additional staff without obtaining clearance from the ministry.

The informants were government officials, CSOs, donors, and members of the general public. The respondents confirmed the important role CSOs can play in aligning the basic needs of people at the local level with the national policies of the government. CSO representatives, however, demanded more engagement regarding budget formulation and implementation and emphasized that the mere act of oversight is not enough.

The respondents additionally highlighted the CSOs' need for increased awareness about the provincial budgeting process and the high level of capacity building in this area. Government officials interviewed for this research pointed out that since the establishment of Karzai's administration almost 13 years ago, the CSOs have not had a chance to work on provincial budgeting, as they were mostly occupied by projects regarding human rights, gender, and advocacy issues. Another obstacle in engaging CSOs in the budget process is the pessimistic perspective of Provincial Councils (PCs) toward CSOs, considering their current status and activities. Some PC members stated that the CSOs have forgotten their actual civic responsibility. These pessimistic opinions reflect more of a competition between CSOs and PCs than an accurate representation of the voice of the people at a provincial level.

In sum, the centralized budget system, lack of capacity in government organizations (especially at the subnational level), negative perceptions of the Provincial Councils about the current activities of the CSOs, and the low level of awareness of CSOs about the provincial budgeting process are the main challenges preventing CSOs from being more engaged in the budget process. Additionally, lack of access to information and a very low level of interviewees' knowledge about provincial budgeting were also found to be main hindrances from collecting enough data on the topic.

This research suggests an enactment of a financial and administrative decentralized system, and it proposes the reevaluation of the legal definition of the CSOs' role in provincial budgeting. The research also recommends awareness and capacity building for the government and CSOs and highlights the importance of an increase in the amount of discretionary aid to Afghan government. Finally, this study invites all the actors involved in the budget process to pay close attention to South Korea and India and to consider the lessons learned from these two cases.

1 INTRODUCTION

1.1 Overview

The annual budget is the primary policy tool of the government used to ensure optimal development outcomes, and it should reflect the needs of people at both national and local levels.² Provincial budgeting as part of the National Budget is the allocation of resources by line ministries to the provinces after consultation with provincial authorities and an assessment of local needs.³ Currently, Afghanistan does not have budgeting arrangement at provincial level due to budget deficiency and low level of revenues of the country. Therefore, the National Budget is expected to include all the priorities of the country, considering the budget limitations plus overall revenue and donors' funds to Afghanistan at the center, provincial and even district levels. Unfortunately, the National Budget does not reflect all the needs of people at provincial, local and grass-root levels.

In most countries, civil society, as an organized form of community of citizens, plays the role of a bridge between people and government. Civil society carries the voices and needs of marginalized and poor citizens to the government and tries to convince the government to align its policies with the needs of the people. In many countries, in order for the budget to be effective and reflect the needs of citizens, the civil society plays a major role in connecting citizens to the government. As a result, service delivery outcomes at local level is improved by participation of the civil society in the overall budget process.⁴

Afghanistan still does not have a provincial budgeting system. In the past, the government implemented two provincial budgeting pilot policies. The first one took place in 2007, whilst the second one was implemented after an evaluation of the previous one in 2011. However they both failed⁵ due to reasons which will be discussed in the following sections. Nevertheless, in order to have an effective and transparent budget, provincial budgeting is a must. During the Tokyo Conference in 2012⁶, the pressure

² R Ahmad and E T Weiser, *'Fostering Public Participation in Budget-Making: Case Studies from Indonesia, Marshal Islands, and Pakistan'*, Asian Development Bank, Manila, 2006.

³ Ministry of Finance, *'Provincial Budgeting Policy Draft'*, Provincial Budgeting Unit, Ministry of Finance, Kabul, 2013.

⁴ J Heimans, *'Strengthening Participation in Public Expenditure Management: Policy Recommendations for Key Stakeholders'*, OECD, Paris, 2002.

⁵ Special Inspector General for Afghanistan Reconstruction (SIGAR), *'Provincial Budgeting'*, Special Inspector General for Afghanistan, Kabul, 2014.

⁶ Tokyo Mutual Accountability Framework (TMAF) held on July 8, 2012 in Tokyo. The Afghan government and donors reaffirmed their partnership in economic growth and development of Afghanistan through TMAF. The donors reaffirmed to align 80 per cent of their aid with the National Priority Programs (NPPs) and channeling 50 per cent of their development assistance through the national budget of Afghanistan, http://iwaweb.org/tmaf/news001_tmaf.html, accessed February 5, 2015.

of international community forced the Afghan government to draft a new policy on Provincial Budgeting.⁷

What is the role of civil society, as a bridge between people and the government, in provincial budgeting? This and following questions guide us through this research:

- What role is civil society playing and what role does it intend to play in the provincial budgeting process?
- What is the level of civil society's awareness and its capacity to engage in the provincial budgeting process?
- What are the perspectives of provincial governments/provincial councils regarding the role of civil society in provincial budgeting?
- What are the challenges associated with improving the CSOs and local community participation in regard to provincial budgeting?

1.2 Methodology

The methodological approach of the research is based on a triangulation technique of data collection. It is the use of more than two methods of data collection and is accordingly based on comparative research.⁸ Here, the triangulation method included data collected through the comparison of Afghanistan with cases of India and South Korea. It then explored and analyzed Afghan governmental policy papers as well as secondary researches on provincial budgeting. The main source of information that was utilized to answer the research question was primary data collected through interviews with key informants.

The research explores examples of the countries where a successful involvement of civil society plays a significant role in budget transparency and provincial budgeting. After identifying the specific countries, parameters were set for adopting those experiences in Afghanistan. Recently, the Open Budget Survey (2012) reported that South Korea and India have recorded great success in both budget transparency and increased the role of civil society in provincial budgeting. Therefore, this research carried out a comparative analysis with South Korea and India in which public participation in budgeting is very strong.

Secondary data collection for this research relies on the documents and policy papers provided by the Afghan Ministry of Finance (MoF), the reports of civil society organizations (especially the four-year

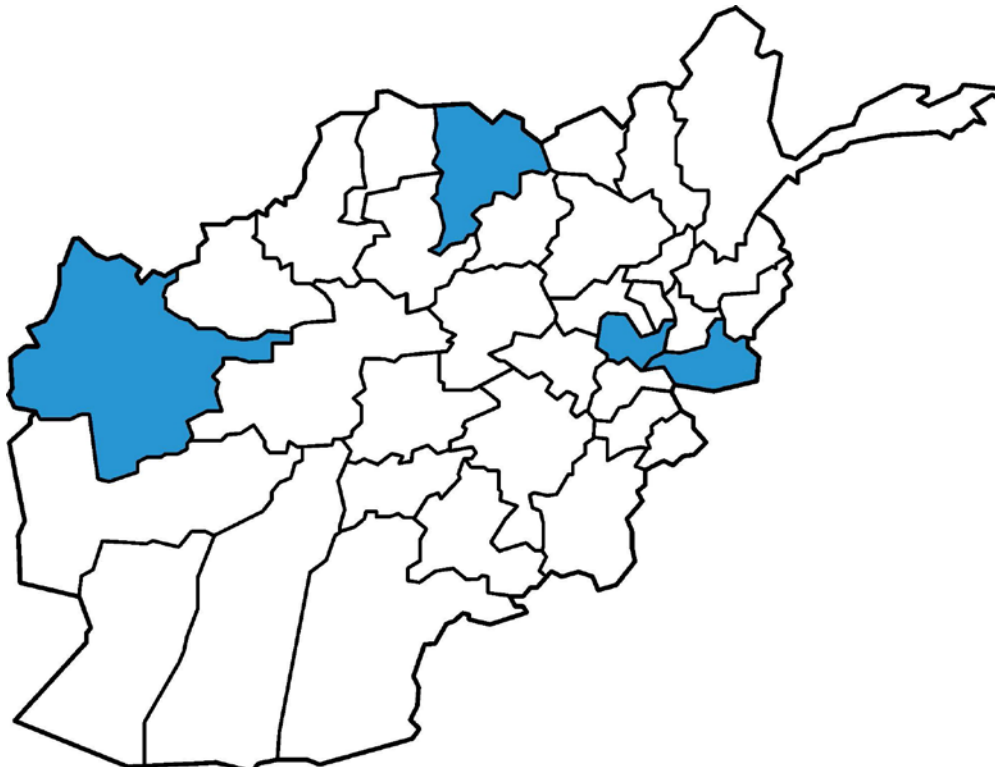
⁷K Katzman, *'Afghanistan: Politics, Elections, and Government Performance'* Congressional Research Service, 2015.

⁸A Hussein, 'The Use of Triangulation in Social Sciences Research: Can Qualitative and Quantitative Methods be combined?' *Journal of Comparative Social Work*, 1 (8), 2009.

budget review reports by Equality for Peace and Democracy [EPD]]⁹, donor reports (particularly a section of the Special Inspector General for Afghanistan Reconstruction [SIGAR], reports on provincial budgeting) and scholarly articles on the role of civil society in provincial budgeting.

The primary data was collected through semi-structured interviews, focus groups, and non-participant personal observations.¹⁰ The researcher visited four regional representative provinces: Balkh, Herat, Kabul, and Nangarhar (see Figure 1.1). The semi-structured interviews were conducted with provincial government administrations¹¹, Civil Society Organizations (CSOs), donors¹², and the general public.¹³

Figure 1.1 Provinces Surveyed in Afghanistan



Note: The provinces where research was conducted are colored blue.

⁹ EPD is an Afghan Civil Society Organization located in Kabul. EPD has been conducting the review of the national budget throughout the last four years.

¹⁰ The researcher participated in provincial budgeting, national anti-corruption day, and money laundering and provincial budgeting workshops organized by Integrity Watch Afghanistan (IWA). Information gained from the workshops are used in this research too.

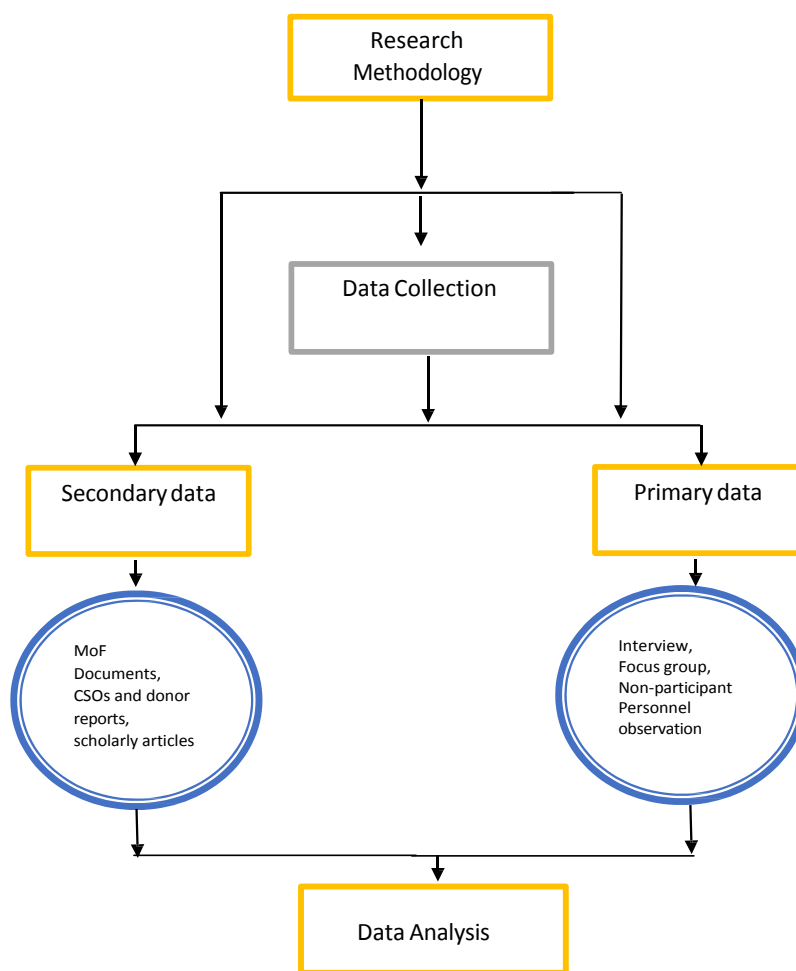
¹¹ Provincial government administrations in each of the provinces within this research included the Directorate of Economy, Mustofiats, Municipalities, Directorate of Rural Rehabilitation & Development, and the Governor Office.

¹² Donors' organizations interviewed for this research included British Embassy, USAID, and GIZ.

¹³ The general public referred in this research included university (private and public) students and lecturers from economic departments in the research provinces.

A total of 78 stakeholders were interviewed¹⁴ at their respected offices between November 25 and December 20, 2014. The key informants were approached using the Snowball-sampling technique.¹⁵ The semi-structured interview questionnaire was also used in focus group sessions. Six to eight people participated in four of the focus group interviews arranged in Nangarhar, Kabul, Herat, and Balkh provinces.

Figure 1.2: Schematization of Research Stages



Source: Developed by researcher, December 2014

¹⁴ List of interviewees is submitted to research unit of Integrity Watch Afghanistan.

¹⁵ R M Lee, 'Researching Sensitive Topics', defined Snowball-sampling as one of the types of non-probability sampling used for populations which are difficult to reach, 1993. Bruce L Berg, 'Qualitative Research Methods for the Social Science', stated that the basic strategy of snowballing involves first identifying several people with relevant characteristics and interviewing them or having them answer a questionnaire. These subjects are then asked for the names of other people who possess the same attributes, 2004, p. 33.

2 CIVIL SOCIETY IN AFGHANISTAN

2.1 Overview

On December 9, 2004, the Afghanistan planning minister, Ramazan Bashardost issued a warning that 1,935 Non-Government Organizations (NGOs) operating in Afghanistan should close down within a month. In his opinion, NGOs were unaccountable and lacked legal status within Afghan law.¹⁶ Contrary to this, the president's office denounced the threats of closing down NGOs and promised to regulate and support them.¹⁷ A few days later, a new NGO law was ratified, marking a huge stride forward for the legitimacy and visibility of Afghan CSOs.¹⁸

The institutional form of Civil Society refers to a wide array of non-governmental and non-profit organizations that have a presence in public life. NGOs are an important component of CSOs, established and normally registered groups that are independent, impartial, and neutral agencies and which provide relief, rehabilitation, reconstruction, and/or development assistance.¹⁹ In Afghanistan, CSOs include community councils of elders (Shuras), religious institutions, cultural circles, professional associations, and non-profit and non-government assistance organizations.²⁰ However, NGOs make the backbone of CSOs. Many observers use the term NGO and civil society interchangeably, whilst criticizing the role NGOs play in the family of CSOs in Afghanistan.²¹

This has not always been the case. Prior to 2001, the Taliban²² did not allow any activities of most CSOs, especially the ones focusing on human, women, and children's rights. There were only a few NGOs working alongside United Nation (UN) agencies (the World Food Program and the United Nation High Commissioner for Refugees) in humanitarian assistance. Prior to the Taliban regime, these same humanitarian (and mainly international) NGOs worked during the civil war (1992-1996), as well as during the Russian occupation (1979-1989) of Afghanistan.²³

With the fall of Taliban in late 2001 and the subsequent establishment of a democratic state, the CSOs, and primarily the NGOs, flourished in every corner of the country. As of March 2013, there were 2,198 NGOs registered with the Ministry of Economy (MoE) of Afghanistan – 1,905 of them local and 298

¹⁶ A B Saeed, 'I Will Place Flowers on the Graves of Foreign Workers of NGOs of Golden Times', Ariana News, Kabul.

¹⁷ Z Mohaqeq, 'Karzai's office rejects planning minister's shutdown of NGOs', e-Ariana, Kabul.

¹⁸ M Farrand and M. J. Zamba, 'Civil Society Steps Up in Afghanistan', Counterpart International-USAID, Kabul.

¹⁹ E Jelinek, 'A Study of NGO Relations with Government and Communities in Afghanistan', Agency Coordinating Body for Afghan Relief, Kabul.

²⁰ A D Beers, 'Overview of Civil Society Organizations in Afghanistan' Asian Development Bank, Manila, Philippines, 2009.

²¹ This is how Counterpart International interchangeably uses NGOs and Civil Society. Ramin Nouroozi (directors of community and policy engagement at Counterpart International) describes these second-generation NGOs as the bridge between the people and their government, see M Farrand and M J Zamba, 'Civil Society Steps Up in Afghanistan', Counterpart International-USAID, Kabul.

²² The Taliban ruled Afghanistan from 1996-2001.

²³ Beers, 2009.

International, with NGOs delivering a variety of services to Afghan people at both national and sub-national levels.²⁴

2.2 Areas of Operation

In spite of a tensed security situation and nowadays funding challenges in Afghanistan, CSOs have gone far beyond providing humanitarian assistance – something they initially had to do during the war. Since 2001, NGOs have extensively increased the scope and areas of their activities. The fields of activities of NGOs are now included the political economy of aid. According to a Counterpart International report, which is the leading donor and supporter of CSOs in Afghanistan, half of the CSOs (out of 156) on its payroll are engaged in gender mainstreaming. Education, programs for youth, and the promotion of human rights are among the top functions of these organizations.²⁵

Though there has been a flux in rural-urban migration in the last decade, villages attract more attention of CSOs than do urban centers. Education and gender mainstreaming projects are mostly implemented in rural areas, while there are more health service education campaigns in the cities. Issues like infrastructure and rehabilitation, youth programs, religious activities and operating water and irrigation systems are almost equally divided between the cities and villages.²⁶

Kabul is the center of CSOs, with 38 percent having their central offices here. Such a number of organizations in the capital shows centralization of CSOs, but this is justifiable because Kabul is the capital. What is alarming, however, is that 91 percent of all CSOs in Afghanistan are located in only six out of thirty-four provinces: Balkh, Nangarhar, Ghazni, Herat, Kunduz, and Kabul.²⁷

2.3 The Challenges of

2.3.1 External Challenges: Security and Funding

No doubt, security and funding are the two major external impediments to sustainability and progress of NGOs. However, there are equally crucial internal challenges to the performance of these organizations. Nobody in the civil society communities has forgotten Ramazan Bashardost, the minister of planning, who threatened to shut down all NGOs due to "unaccountability" and "illegitimacy" in 2004.

While that was certainly not a long-term solution to accountability and regulation of NGOs, it really made a point about financial management and the legal status of these organizations. Luckily, the issues

²⁴ A Ehsan, *'Non-Governmental Organizations Self-Regulatory Mechanism'*, Counterpart International-USAID, Kabul, 2013.

²⁵ C Charney, L H. Danielian, S. Flowers, I Novikova and D Smeltz, *'Assessment of Civil Society in Afghanistan'*, Counterpart International-USAID, Kabul, 2011.

²⁶ Ibid.

²⁷ Ibid.

of legitimacy were solved after the NGO law ratified in 2004, resulting in accountability now being partly guaranteed by the mechanism that requires NGOs to report to the MoEcon. However, this does not mean that NGOs have entirely carried out their social responsibility.

2.3.2 Internal Challenges: Provincial Budgeting

At present, the context-insensitive activities of NGOs have received little attention. Civil Society has partly forgotten that they are in and for Afghanistan²⁸, which creates questions about the work CSOs are doing for the people of Afghanistan. For example, this country is at war now, and there are 1.5 million drug addicts.²⁹ How many CSOs are working in areas of conflict-resolution and treatment of addiction? Afghanistan is ranked as one of the four most corrupt countries in the world.³⁰ Are the issues of good governance and transparency a main concern of CSOs? Afghanistan's political and economic governance system is highly centralized. What has Civil Society done for decentralization? Afghanistan lacks provincial budgeting. How many CSOs are doing something that urges the government to accelerate its provincial budgeting?

To our disbelief, in an interview with researcher a senior member of Supporting Organization for Afghanistan Civil Society (SOACS) in Herat stated, "We are not aware of provincial budgeting policy design and mechanisms."³¹ A majority of the CSOs in Nangarhar province said they only recently heard about the draft of a provincial budgeting policy but did not know how this policy was designed by the government without including the ideas of civil society from a provincial level.³² This research found that only one CSO, the Equality for Peace and Democracy (EPD), is engaged in the budgeting process. Arguably, there is not a single CSO with the sole objective of working toward provincial budgeting. Afghanistan, 13 years after the establishment of a new government, still does not have budget arrangement at the local level.

²⁸ Drawn from various interviews in Kabul, Nangarhar, Herat, and Balkh provinces, Nov-Dec 2014.

²⁹ C Chelala, *'Afghanistan's Legacy of Child Opium Addiction'*, The Japan Times.

³⁰ Tolo News, *'Afghanistan Fourth Corrupt Country'*, Tolo News, Kabul.

³¹ Interview with SOACS, Herat, December 2014.

³² Drawn from various interviews with CSOs, Nangarhar, December 2014.

3. PROVINCIAL BUDGETING

This section discusses the formulation of the national budget – both the actors involved and the process but the main objective is to explore the role of the provinces in the formulation of the budget. In the next section, this paper explores government initiatives to decentralize the budget and provincial budgeting specifically.

In the modern world, the state has two major responsibilities: maintain security and deliver services to the people. This is reflected in the Constitution of Afghanistan and obligates the state to maintain the security of its citizens and deliver effective and just services to its people.³³

The National Budget is the primary tool of service delivery. It is a reliable means to improve development outcomes and provide a focal point for discussion of people's priorities and the government's success.³⁴ With the transition of security and political authority to the government of Afghanistan since 2014, effective budgeting has become increasingly crucial to the development trajectory of the country. According to a research on the relationship of the Afghanistan budget and service delivery in 2014 by Rade, Thiessen, and Huber, the effectiveness of service delivery is directly connected to budget formulation.³⁵

The National Budget in Afghanistan has serious difficulties in meeting the requirements of an effective and service-delivery-oriented budget. Part of the difficulty is attributed to donors' non-discretionary method as a condition to deliver their aid commitment, in addition to political instability in the country. There is, nonetheless, another issue with the budget in Afghanistan: centralization of the budget system.³⁶

The formation of the national budget happens only in the capital by the MoF and line ministries, with little or no input from the provinces. There are independent/primary budgetary units in Afghanistan, which include 25 ministries, the judiciary, the National Assembly, the Office of Administrative Affairs and the Councils of Ministers Secretariat, and the recently established Office of Chief Executive Officer, as well as independent directorates, such as the National Security Directorate, the Independent Administrative Reform and Civil Service Commission, the Central Bank, and the Independent Election Commission, among others.³⁷ Only these independent budgetary units are authorized to present their proposed budget to the MoF. The 34 provinces and 398 districts are

³³ The Constitution of Afghanistan, 2004: Article 5 and 6.

³⁴ Ministry of Finance, '*National Budget 1389*', Directorate General Budget, Ministry of Finance, Kabul, 1389.

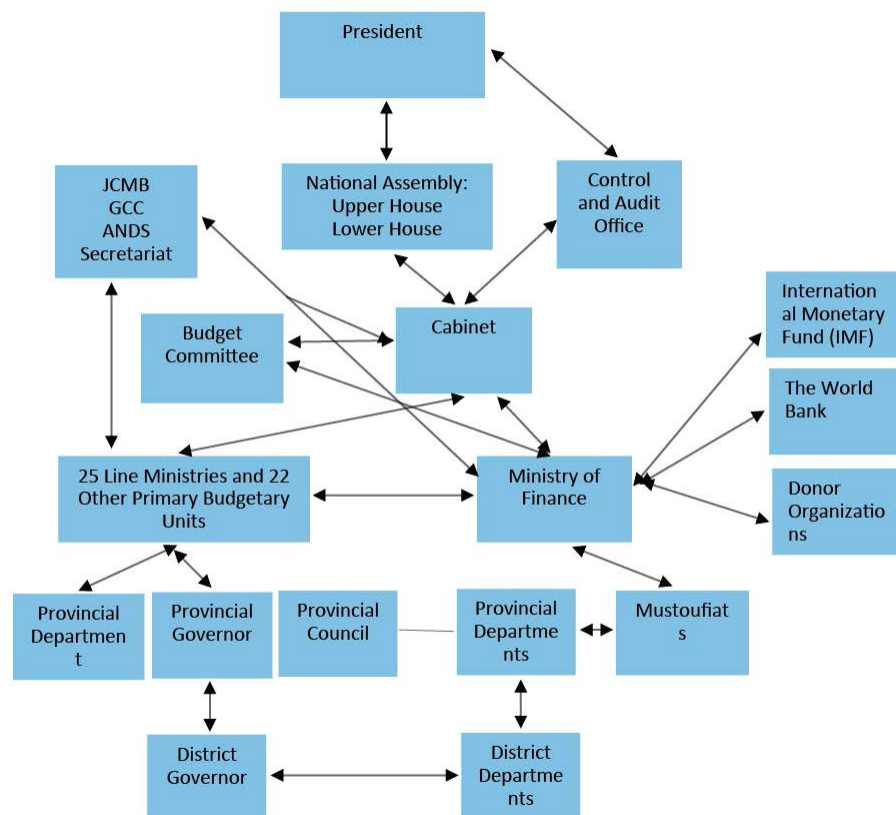
³⁵ M Rade, C Thiessen, and M S Huber, '*Building a Better Budget: Assessing National Budget Efficiency and Service Delivery in the Ministry of Education and Public Health*' Equality for Peace and Democracy, Kabul. 2014.

³⁶ World Bank, '*Intergovernmental Fiscal Relations and Subnational Expenditures in Afghanistan*', World Bank, 2008.

³⁷ Department for International Development (DFID), '*Expenditure Framework and Public Financial Management*', Afghanistan Public Expenditure Review 2010, Working Paper 3, DFID, 2010.

only extension to these large organizations in the capital and are thus fully dependent on their parent ministries and directorates in Kabul.³⁸

Figure 3.1 Institutional framework of the budget formulation process



Source: Retrived from DFID,
"Expenditure Framework and Public Financial Management(2010)

The budget formulation process starts in March, when the MoF distributes its First Budget Circular (BC-1) to independent budgetary units to include their proposed budget for the following year. After the evaluation of BC-1, the MoF sends the Second Budget Circular (BC-2) with budget ceilings in July to each ministry, independent directorates, and other budgetary units. Since a large portion of the budget is contributed by international donors, the MoF requests that the donor countries submit their commitment in May and consults them in July.³⁹

In August, a meeting of senior officials of the budgetary units are invited to the Ministry of Finance to justify their proposed budget. Considering the justifications given and the constraints of the treasury, the Ministry of Finance allocates the budget for all budgetary units. The budget draft goes to the

³⁸ Rade et al, EPD, 2014.

³⁹ Ministry of Finance, 'Afghanistan: Recent Budgeting Developments', OECD, Paris, 2012.

Cabinet in September for endorsement and is then forwarded to Parliament for final approval in November. It is then signed by the President and sent to the ministries and other budgetary units for execution.⁴⁰

Throughout this process, there is no compulsory mechanism to consult and include a minimum of inputs from the provinces during the budget formulation. At each province, there is a governor, the provincial line departments, and an elected Provincial Council. The governor is a political appointee selected by the President as the formal head of the provincial government but without much formal authority. Provincial line departments are accountable to their parent ministries and do not have any authority in the budget formulation process, and elected Provincial Councils lack the political clout to influence decision-making in the budget process.⁴¹

Players within the provincial government consult the people regarding their needs on an ad-hoc basis, but still the ministries and central government do not take their proposals into consideration. A government official from Nangarhar stated that “officials from central ministry listened to the provincial needs and demands, however, at the end of the day, their response and input was limited and final agreements were centrally dictated.”⁴² A CSO worker in Balkh explained, “The budget is not issued based on the needs of the sectors.”⁴³ This has raised doubts about the integrity of the senior officials in Kabul. Rade, Thiessen, and Huber reported in 2014 that many participants claimed that the central government officials are unwilling to deconcentrate authority for the reason that the budget provides them with opportunities for embezzlement.⁴⁴

3.1 Government Initiatives in Provincial Budgeting

Realizing that the budget does not meet the expectations of the people and, more importantly, increasing international pressure made the Afghan government take certain initiatives to address issues of centralization and budget ineffectiveness. From 2005 until the present date, the government has initiated several programs. Most of these have failed, though a few have ended with mixed results. However, there is not a successful government decentralization programs with universal recognition.

In 2005, Provincial Development Committees (PDCs) were established through a Cabinet decision to coordinate and manage provincial planning with the line ministries and were also responsible for Provincial Development Plans (PDPs).⁴⁵ The governor in each province was the chairman of the PDC. However, PDCs had no budgeting authority and did not play a proper role in budget formation at provincial level.⁴⁶ Many government officials reached an agreement that PDPs do not work efficiently. It

⁴⁰ Rade et al, EPD, 2014.

⁴¹ Ibid.

⁴² Interview with Government official, Nangarhar, November 2014.

⁴³ Interview with CSO worker, Balkh, December 2014.

⁴⁴ Rade et al, EPD, 2014.

⁴⁵ The Asia Foundation, *‘An Assessment of Sub-National Governance in Afghanistan’*, The Asia Foundation, San Francisco, 2007.

⁴⁶ M Jalal, *‘AID EFFECTIVENESS AT SUB-NATIONAL LEVEL: A Study of Provincial Development Committees, Provincial Coordination, Planning and Monitoring’*, Integrity Watch Afghanistan, Kabul, 2013.

was often referenced as a provincial “wish list” rather than a useful prioritization of the most critical development needs.⁴⁷

In 2006, the Provincial Budgeting Unit was established within the Ministry of Finance to develop provincial budgeting policies, capacity building, and channel provincial inputs into the national budget. However, the Provincial Budgeting Unit only works with the development side of the core budget, not the operational side. Since its establishment, the Provincial Budgeting Unit has developed overall three provincial budgeting policies, each in 2007, 2011, and, most recently, in 2013.⁴⁸

In 2007, for the first time the Ministry of Finance piloted a provincial budgeting program with three ministries: the Ministry of Agriculture Irrigation and Livestock (MAIL), the Ministry of Rural Rehabilitation and Development (MRRD), and the Ministry of Education (MoED). The pilot took place in three provinces: Kandahar (insecure), Balkh (stable and relatively with good capacity), and Panjshir (a newly established province).⁴⁹ The line directorates in these three provinces developed operating and development budgets based on ceilings provided by their line ministries.⁵⁰ They filled BC-1 and BC-2 in March and July respectively, the same way a ministry was filling these budget circulars for the Ministry of Finance. The line ministries allocated funds and delegated procurement authority to the provincial directorates. This policy was later extended to eighteen provinces and seven ministries.⁵¹ Despite leaving out half of the provinces, the 2007 policy failed.

The SIGAR report of 2014 considered the failure of the 2007 provincial budgeting policy as due to concentrating on the provincial governors’ offices and provincial directorates with little attention to line ministries at the center.⁵² DFID UK (Department for International Development) reported in 2010 that the failure was due to provincial officials preparing their budget based on local political agendas rather than on the actual needs of local people⁵³, but, “overall, the results of pilot provincial budgeting demonstrate that it is possible to improve the engagement of provinces.”⁵⁴

In 2011, the Provincial Budgeting Unit of the MoF developed a new provincial budgeting policy after evaluating the strong and weak points of the prior 2007 policy. The differences between the 2011 and 2007 policies were the inclusion of four ministries (MRRD, MAIL, the Ministry of Education, and Ministry of Public Health) and the Independent Directorate of the Local Governance (IDLG) in execution and extension of the 2011 policy to all 34 provinces.⁵⁵ The 2011 provincial budgeting policy was abruptly cancelled due to a misunderstanding between senior leadership of the Ministry of Finance and the

⁴⁷ H Marie, ‘Community involvement and the sustainability of PRT development projects in Afghanistan after transition’, Integrity Watch Afghanistan, Kabul, 2013.

⁴⁸ Rade et al, EPD, 2014.

⁴⁹ DFID, 2010.

⁵⁰ United State Agency for International Development (USAID), ‘Ministry of Finance 2011 Provincial Budgeting Pilot Lessons Learned Report’, Kabul, 2012.

⁵¹ DFID, 2010.

⁵² SIGAR, 2014.

⁵³ DFID, 2014.

⁵⁴ J M LePain, ‘Provincial Budgeting Pilot Project Outcomes: Policy and Guidelines for Pilot Project Second Phase’ Slide share (presentation), 2012.

⁵⁵ USAID, 2012.

United State Agency for International Development (USAID) – the donor to the project. The USAID claims that the MoF cancelled the program because of the decision by the USAID to hire additional staff without clearance from the ministry.⁵⁶

3.2 Draft of New Provincial Budgeting Policy 2013

Logically, the government had to develop a new provincial budgeting policy after the failure of the 2007 and 2011 policies. This necessity was accelerated when government officials returned from the Tokyo Mutual Accountability Framework (TMAF) conference in July 2012. One of the main conditions of donors at the Tokyo Conference was the decentralization of fiscal responsibility at the provincial level.⁵⁷ In July 2013, the Government of Afghanistan developed a new provincial budgeting policy.⁵⁸ Although, the 2013 policy draft has not been approved by the cabinet due to election disputes and lack of political will⁵⁹, it can be considered the first comprehensive policy structure developed by the Afghan government that outlines a cohesive provincial budgeting mechanism.⁶⁰

The new policy has three outstanding features: inclusiveness, comprehensiveness, and clarity. There will be four main actors involved at the provincial level: the provincial governor, the provincial council, the provincial line directorates, and provincial *Mustofiats*. These will be coordinated by the Public Financial Management (PFM) Committee with central line ministries and the Ministry of Finance. The PFM Committee is established by the MoF and headed by *Mustofiats*, sectorial directors from the Governor Office, the Director of Economy, a provincial budgeting specialist, and an observer from the Department of Women Affairs.⁶¹ The provincial actors will be used for the National Priority Programs (NPPs), PDPs, and Provincial Strategic Plans (PSPs) as source of knowledge.

The 2013 policy is very clear in assigning tasks to each province – a province is treated like a Primary Budgetary Unit as discussed in an earlier section of this research. The Ministry of Finance sends the First Budget Circular (BC-1) with guidelines and a timetable to central line ministries. Then the central line ministries send the budget circular to each province. The PFM Committee will then fill the circular and return it to line ministries. Then each line ministry will aggregate the provincial circulars and forward it to the Ministry of Finance. The process for the Second Budget Circular (BC-2) is more or less the same.⁶²

The new policy is technically sound and based on the lessons learnt from the two prior failed policies. Nonetheless, the establishment of the PFM Committee may add to an already complex provincial

⁵⁶ USAID, *‘Assessment of Afghanistan’s Public Financial Management Roadmap and Final Evaluation of the Economic Growth and Governance Initiative Project’*, USAID, Kabul, 2014.

⁵⁷ J Boex, *‘Exploring Afghanistan’s Subnational Fiscal Architecture: Considering the Fiscal Linkages between Villages, Districts, Provinces, and the Center’*, IDLG Policy Brief, Kabul, 2012.

⁵⁸ Katzman, 2015.

⁵⁹ Drawn from various interviews with CSOs in Kabul, Nangarhar, Herat, and Balkh, November-December 2014.

⁶⁰ Ministry of Finance, *‘Provincial Budgeting Policy Draft’*, Provincial Budgeting Unit, Ministry of Finance, Kabul, 2013.

⁶¹ Rade et al, EPD, 2014.

⁶² Ministry of Finance, 2013.

governance structure. What is still missing in the draft policy is the role of civil society. It is not only under-represented but also eliminated from a crucial stage of budget, i.e. budget formulation. The draft policy recognizes civil society as a stakeholder but urges civil society to limit its role in the oversight of the implementation of policy.⁶³ It is not clear on the mechanism of oversight and how, if flaws are detected by civil society, how it would be addressed by the government. Assigning such a minor role to civil society is a major drawback of the draft policy. In the next section, this paper will explore the role of civil society in the provincial budgeting process in India and S. Korea as an evidence that civil society can play a crucial role in successes of provincial budgeting.

⁶³ Ibid.

4. APPROACHES TO PROVINCIAL BUDGETING IN INDIA AND SOUTH KOREA

This section studies the role of civil society in the budget process from the perspectives of top-down and bottom-up models. The research has found that Korea and India using bottom up model have succeeded while Afghanistan's top down model to provincial budgeting has failed several times. In second part, we further explore the experience of civil society in sub-national governance in Korea and India to see what Afghanistan can learn from these successful cases.

4.1 Provincial Budgeting Process: Top-Down Vs Bottom-Up Approaches

4.1.1 Top-down Approach

Top-down approach is the design and implementation of policy by the central government. In this approach, provincial officials are an extension of the central government rather than independent bodies. The top-down approach emphasizes clear policy, chain of command, and a minimum number of actors in the implementation of policy. Parsons believes that for the implementation of any policy, the top-down approach is crucial to control communication and the allocation of resources in order to achieve goals based on the plan. This is because he believes that without maintaining a good chain of command, effective implementation of a policy is impossible. Parsons suggests that a good chain of command begins from the central government and should be in line with provincial development plans. He further suggests sufficient capacity to harmonize top-down coordination because officials at the bottom level are busy with daily activities.⁶⁴

To raise the level of efficacy in the preparation and implementation of a policy, top-down theorists claim the following are needed: a clear and consistent statement of the policy goals, a minimization of the number of involved actors, a limitation of the extent of change necessary, and a supportive institution to guarantee that the implementers sympathize with the new statute.⁶⁵

However, the top-down approach suffers from serious flaws in policy making, as well as significant weaknesses in implementation. In making policy, realizing the needs and demands of local people is inevitable. At the end of the day, a policy is for delivery of service to people, not an end to itself. On the other hand, the top-down model does not consider the contingencies and unexpected probabilities in the implementation of policy. In fact, the policy objectives in the top-down model are not reached as originally planned by top-level officials.⁶⁶ This approach places a small number of senior officials in the

⁶⁴ W Parsons, *'Public Policy: An Introduction to the Theory and Practice of Policy Analysis'*, Cheltenham, Edward Elgar Publishing, Ltd., 1995, p. 464.

⁶⁵ R E Matland, 'Synthesizing the Implementation Literature: The Ambiguity-Conflict Model of Policy Implementation', *Journal of Public Administration Research and Theory*, 1995, pp. 145-174.

⁶⁶ S M Barrett, 'Implementation Studies: Time for a Revival? Personal Reflections on 20 Years of Implementation Studies', *Public Administration* 82:2, 2004, pp. 249-262.

position of creating statute without considering the needs of the people and the contingencies of implementation.

Afghanistan is a recent example of a failure of the top-down approach in the field of subnational governance and provincial budgeting in particular. The provincial budgeting policies of 2007 and 2011 were designed at the center, without consulting the provincial officials. This research has discovered that provincial officials could not understand the objectives of a policy and tasks assigned to them from the center, because when making the policy provincial inputs were not taken into consideration.

4.1.2 Bottom-up Approach

The bottom-up approach is also called participatory budgeting.⁶⁷ In this approach, both officials and people at the provincial and grassroots level come up with policies and implement them. Proponents of the bottom-up approach state that putting the consideration of local people in the development of any national policy improves efficiency because local people can judge better than the policy makers who do not have sufficient information at the ground level. In contrast to top-down theorists, the proponents of the bottom-up approach believe that implementers at the grassroots level concentrate far more than central officials to better achieve the tasks they receive from the top.⁶⁸

Supporting the claims of the bottom-up approach, the bureaucratic street-level behavior model primarily developed by Lipsky in 1980 claims that street-level bureaucrats are the real policy makers, and they should make relations with each individual citizen at the provincial level while applying any policy in the country.⁶⁹

Still, the bottom-up approach suffers from at least two possible drawbacks in implementation, namely unaccountability and being taken over by the local political agenda. This research observed that when officials were asked to prepare operative and development budgets for their provinces during the 2007 provincial budgeting pilot in Afghanistan, it was found out that development proposals were based more on local political agendas than on the actual needs of people (see Section 3.1). Nonetheless, there are two successful examples of the use of a bottom-up approach in subnational governance by the CSOs in both India and S. Korea.

4.2 Civil Society Participation in Provincial Budgeting: The Case of South Korea and India

Beginning in the 2000s, participatory budgeting primarily evolved out of monitoring the activities of civil society in Korea. Monitoring was meaningful because the Korean government responded positively by

⁶⁷ Kaplan Financial Knowledge Bank, *'Top Down and Bottom up Budgeting'*, Kaplan Financial Knowledge Bank.

⁶⁸ C Liedl, *'Top-down vs. Bottom-up: Does a Top-down Approach Bear More Advantages than a Bottom-up Approach within the Implementation Process of Housing Security Projects?'* University of Twente (Bachelor Thesis), Netherlands, 2010-2011.

⁶⁹ M W Schiff and L A Winters, *'Regional Integration and Development'*, World Bank Publications, 2003.

providing more information to the people. With the election of Korea's former president Moo-Hyun Roh in 2003, the emphasis increased on fiscal transparency and public participation in the budget throughout the country. The president ordered meetings, public hearings, and internet polling at the provincial level in order to enable local community participation in budget formation and implementation.⁷⁰

The provincial budgeting process is quite simple in terms of structure in South Korea. A participatory budgeting research group along with a support group collect local residents' budget allocation proposals by meeting local people and civil group, and then they discuss the proposals made by local citizens. After consulting with experts and district councils to assess the importance and budget of the projects, then they select five of the project proposals and forward these to the central ministry for final approval.⁷¹

With the increasing collaboration between the people and the state, a variety of effective mechanisms were developed to engage the citizens in the budget process. According to Kang and Min (2013), there are six main mechanisms in Korea for the civil society's participation in provincial budgeting: (1) formalized "Open Discussion for the Public" (ODP); (2) meetings with local government officials by central government agencies and field trips; (3) a fiscal policy advisory meeting; (4) an Assembly Experts Hearing; (5) a budget waste reporting center; and (6) public participation in audits by the Board of Audit and Inspection (BAI).⁷²

The success of S. Korea was exemplary. In 2008, Open Budget Survey, a research outfit that assesses the budget in terms of transparency, gave 66 out of 100 for S. Korea. This increased to 71 in 2010 and 75 in 2012.⁷³ Moreover, in 2012, Korea scored 92 out of 100 for public engagement in the budget – the highest in the world⁷⁴ (See Figure 4.1).

India's story of subnational governance is not as successful as S. Korea. In 2012 India scored 17 out of 100 for participation of citizens in the budget process⁷⁵ (See Figure 4.1). On the other hand, in terms of budget transparency, India was given a score of 67 in 2010 and 68 in 2012 by Open Budget Survey.⁷⁶ There are lessons to be learned from India's case. One of the most important lessons is that in India the central government in Delhi did not respond as positively as in S. Korea to the participation of civil society and people in the budget process, and this reduced the level of success in regard to public engagement.

⁷⁰ J Hwang and D Song, 'Participatory Budgeting in Korea: A Focus on Participatory Budgeting in Yeonsu-Gu, Incheon', *International Strategy Center Research Paper 1*, 2013.

⁷¹ Ibid, pp. 6-7.

⁷² Y K Kang and S Y Min, 'Public Participation in the Budget Process in the Republic of Korea', The World Bank, 2013.

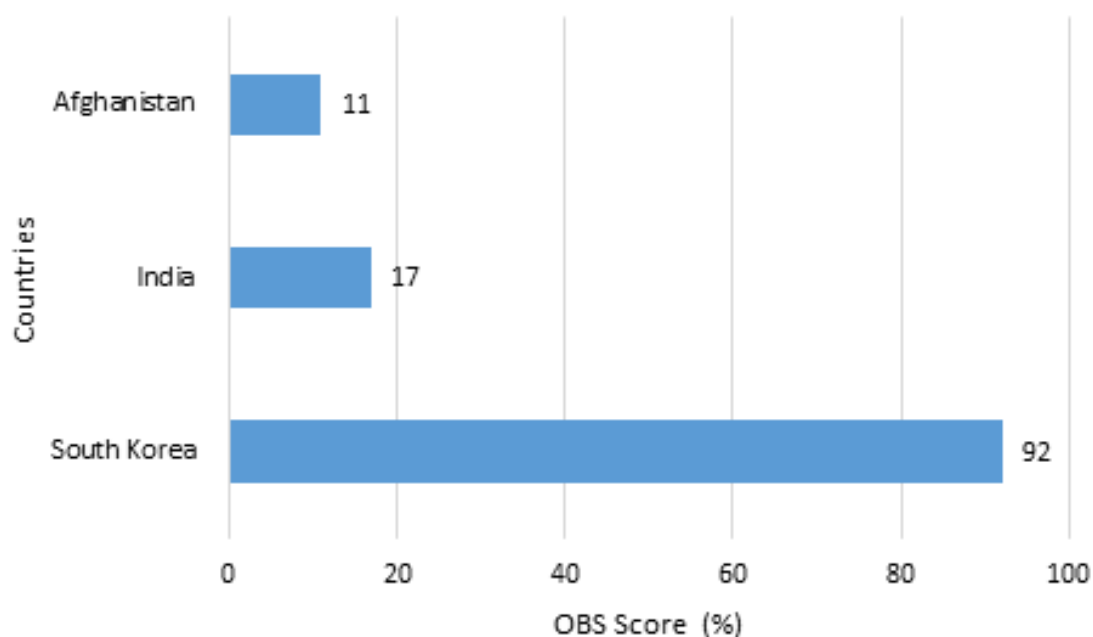
⁷³ International Budgeting Partnership, 'Open Budget Survey', International Budgeting Partnership, 2012, p. 5.

⁷⁴ Ibid, p. 55.

⁷⁵ Ibid, p. 54.

⁷⁶ Ibid, p. 50.

Figure: 4.1 Public engagements in the budget process



Source: Open Budget Survey, 2012 (pp.54-55)

The participation of civil society in the budget process first started in the state of Kerala in 1990s, following the case study of Brazil.⁷⁷ The main purpose was to engage civil society in provincial budgeting in order to address problems linked to provincial resources, such as incomplete decentralization and weak accountability.⁷⁸ More recently, for the first time in the country (particularly at provincial level), the Odisha Government has begun pre-budget consultation with various stakeholders, including state- level CSOs. In India there are certain challenges in participation and transparency of a budget. The most common challenges are: (1) lack of CSOs and local community literacy on budget issues; (2) the concept of civil society participation in provincial budgeting is not matched with that of other states in India; (3) CSOs perceive the budget work to be too technical; and (4) little time is given by the state for the CSOs to intervene at the enactment stage of the budget.⁷⁹

⁷⁷ A Fung and E O Wright, 'Deepening democracy: innovations in empowered participatory governance'. *Politics and society*, 29(1), London and New York, 2001, pp. 5-42.

⁷⁸ Y Sintomer, C Herzberg, and A Röcke, 'Transnational Models of Citizen Participation: The Case of Participatory Budgeting,' *Sociologies*, 14:30, 2012, pp. 70-116.

⁷⁹ 'The Budget Bulletin: A Newsletter on Budget Work in India', (n.d).

4.3 What Afghanistan Civil Society Can Learn from S. Korea and India

Why did using elements of both a top-down and bottom-up approach fail to succeed in Afghanistan? In the use of the top-down approach, the provincial officials could not understand the policy, thus the implementation fell short. While using elements of the bottom-up approach, local officials prepared a development budget that reflected the local political agenda rather than the actual needs of people.

Afghans have put the logic of success in provincial budgeting on its head. In *making* the policies for 2007, then 2011, and now the 2013 provincial budgeting policy, there is little or no input from the provincial officials regarding the expectations of people. When such policies are implemented, people feel something unnecessary is imposed on them from the top, and even many officials cannot understand the objectives of such policies.

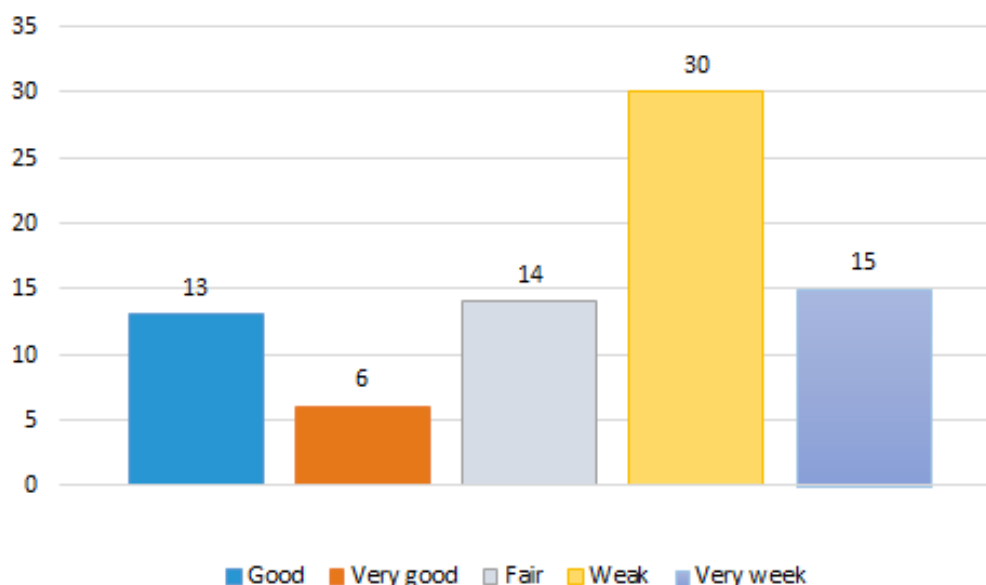
However, in *implementing* the 2007 and 2011 policy, the central government gave lots of power to provincial officials, like the authority to develop operatives and development in the form of BC-1 and BC-2. The officials ended up prioritizing those development projects that served their political interests.

Drawing from the experience of S. Korea and their use of a bottom-up approach, this logic has to be reversed. In *making* the policy, citizens, CSOs, and provincial officials should take the lead, and the central government should give enough space for these actors to develop a provincial budgeting policy that reflects the conditions of local people and provincial government structures. And in *implementing* the policy, it has to be based on a strict top-down approach to ensure discipline and accountability. Strong Monitoring & Evaluation (M & E) at the center can serve as a good mechanism to make sure the policies are implemented as envisioned.

5. CHALLENGES AND OPPORTUNITIES

Out of 20 civil society organizations interviewed in Kabul, Mazar-e-Sharif, Jalalabad, and Herat, only three were aware of something called provincial budgeting. This validated the Open Budget Survey (OBS) 2012 report in which Afghanistan was given 11 out of 100 for participation of citizens in the budget.⁸⁰ According to OBS, awareness, access to information, and citizens' engagement in the provincial budget process are the main mechanisms of improving a country's budget performance.⁸¹

Figure 5.1: Level of awarness



Source: Compiled by researcher, 2014

This research's findings show that lack of awareness about provincial budgeting is a serious challenge to civil society's participation in the budget process. This is especially observed in provinces outside Kabul (see Figure 5.1). For instance, in a focus group discussion with members of five CSOs in Nangarhar, the participants were asked if they have heard about provincial budgeting. The answer was no.⁸² The same exercise was conducted in Herat and Mazar-e-Sharif; only the representative from the Asia Foundation in Mazar-e-Sharif was aware of provincial budgeting. One participant said, "Lack of awareness is one of the main hurdles for us to easily answer your questions. We do not have yet any sufficient information about the formulation and structure of national and provincial budget."⁸³

It was not possible to have meaningful conversations with people who did not have basic information about the budget. The researcher, out of compulsion, had to provide information to the participants and

⁸⁰ International Budgeting Partnership, 2012, p. 54.

⁸¹ International Budgeting Partnership, 2012.

⁸² Focus group discussion, Nangarhar, November 2014.

⁸³ Focus group discussion, Balkh, December 2014.

then ask their opinions. Naturally, the participants repeated certain words of the researcher back to him.

Lack of awareness about provincial budgeting was also pervasive among the provincial government officials in (1) the Directorate of Finance; (2) the Directorate of Economy; (3) the Directorate of Rural Development; (4) the Municipality; (5) the Governor Office. Government officials interviewed in three provinces were also not well-aware of the provincial budgeting. Their knowledge of provincial budgeting was superficial and repeatedly referred to a general issue like decentralization. Lack of awareness of civil society about provincial budgeting was understandable, but the MoF has been conducting training for provincial officials since 2007.⁸⁴ In provinces like Balkh, there have been two rounds of a pilot project in 2007 and 2011.⁸⁵ Yet the research could not find significant difference between Balkh and other provinces. One can ask how much the trainings of the MoF have been successful?

The civil society organizations blamed the government for a lack of release of information and documents on budget in the public domain.⁸⁶ This claim of CSOs could have been true before the introduction of the Citizens' Budget. In 2010, the MoF introduced a new document called Citizens' Budget⁸⁷, a simplified digest of the national budget produced in a format that makes it easy for all citizens to understand the main features the government has planned for the financial year. This means that CSOs are not active in searching for information regarding the budget.⁸⁸ The Ministry of Finance does not seem to have a systematic public campaign to inform citizens and engage the CSOs in its activities.⁸⁹

Nonetheless, since the Afghan Government has taken steps to improve access to budget information with the introduction of the Citizens' Budget and a pre-budget statement, CSOs such as EPD's Afghans' Coalition for Transparency and Accountability (ACTA) and Integrity Watch Afghanistan's (IWA) Community-Based Monitoring (CBM) networks are helping to ensure government transparency and accountability.⁹⁰

For the last four years, an EPD-led coalition of CSOs in Afghanistan brought budget experts from the Ministry of Finance, budget commission members of the Parliament, donors, and civil society organizations in a common platform to discuss and exchange ideas on national budget formation and execution considering the basic needs of local communities at a provincial level.⁹¹ And this has been highlighted as a significant role that CSOs have played in the budget process. But such a systematic review of government policies in regard to decentralization and provincial budgeting does not exist.

⁸⁴ DFID, 2010.

⁸⁵ USAID, 2012.

⁸⁶ Drawn from various interviews in the research provinces, November-December 2014.

⁸⁷ International Budgeting Partnership, 2012.

⁸⁸ Interview with a government official, Ministry of Finance, December 2014.

⁸⁹ Drawn from various interviews in the research provinces, November-December 2014.

⁹⁰ Rade et al, EPD, 2014.

⁹¹ Equality for Peace and Democracy, <http://www.epd-afg.org/research/>, accessed February 17, 2015.

5.1 Perspectives of Provincial Government Officials and Provincial Councils

The government officials at provincial levels welcome the role of CSOs in provincial budgeting and other activities of the government. However, officials say that CSOs are not interested in budget issues; CSOs focus on human rights, gender and women's issue, education, and legal advocacy.⁹² Nonetheless, the work of the few organizations that work in budget transparency was appreciated. A government official in Mazar-e-Sharif praised the work of Integrity Watch Afghanistan in monitoring their projects. He said, "This has decreased the load of monitoring on us."⁹³

However, there is an implicit belief among government officials that CSOs should only be involved in monitoring and not in formulation or implementation of policies. And this has been reflected in the Provincial Budgeting Policy drafts. The 2013 Draft, which has been praised for its comprehensiveness, refers to civil society organizations as monitoring agents (see Section 3.2). There is no role for civil society in the formation and implementation of policies. Still, government officials wish to regulate the monitoring activities of civil society. A provincial budgeting expert said that in order to involve CSOs more effectively, it is better to create a law that regulates their participation in monitoring.⁹⁴

The most important challenge to civil society participation in provincial level is the Provincial Councils. These councils are elected representative of the people who monitor the activities and performance of the provincial government. That being said, CSOs also claim to represent the people. Research has found that Provincial Councils are pessimistic about the activities of civil society. A member of the Council in Nangarhar told this researcher that civil society is corrupt.⁹⁵ Another Provincial Council member from Balkh believed that these organizations are weak.⁹⁶ At best, members of provincial councils believe that CSOs are not doing what they should or that there is no space for CSOs until the legislature decentralizes the system. These negative opinions reflect more of a competition between CSOs and Provincial Councils to represent the voice of people.

An important internal challenge of civil society is its lack of capacity. In the last decade, the CSOs guided by the political economy of aid have focused their activities on human rights, gender issues, women's rights, education, and legal advocacy (see Section 2.2). The research has found that there are plenty of gender experts, legal officers, and educationists in the CSOs against the absence of people from an economic or finance background.

That aside, there are two crucial limits to meaningful provincial budgeting: centralization and non-discretionary aid by the donor community. Afghanistan has one of the most decentralized societies with one of the most centralized constitution in the world.⁹⁷ The Afghanistan government is so centralized in

⁹² Interview with government officials, Ministry of Finance, December 2014.

⁹³ Interview with Ghulam Rabani, Deputy Director-Directorate of Economy, Balkh, December 2014.

⁹⁴ Interview with government official, Governor Office, Balkh, December 2014.

⁹⁵ Interview with Provincial Council Member, Nangarhar, November 2014.

⁹⁶ Interview with Provincial Council Member, Balkh, December 2014.

⁹⁷ R D Lamb, *Governance and Militancy in Afghanistan and Pakistan*, Center For Strategic and International Studies, Washington, D.C., 2011.

the capital that a school teacher in remote villages is appointed by the Ministry of Education in Kabul and provincial officials do not have the power to legislate, raise taxes, spend at their own discretion, or hire civil servants.⁹⁸ The provincial offices are just an extension of the ministries and their independent directorates.

An equally practical issue is the non-discretionary condition attached to donor aid, in which the donor country tells the MoF to spend its money in a certain sector. In this Fiscal Year, 1394 (2014/2015), 71 percent of the national budget is funded by donors, and a total of 81 percent of the Afghanistan National Budget is a nondiscretionary development budget.⁹⁹ It is universally believed by the academic community and Afghan officials that until donor aid does not fall under the full authority of the Government of Afghanistan, provincial budgeting shall not materialize.

5.2 Recommendations

5.2.1 Decentralization

A coalition of civil society organizations should be established to coordinate the CSOs that work in the area of decentralization of governance in Afghanistan. Decentralization includes a wide range of areas such as financial, administrative, and legislative. The success of provincial budgeting depends on decentralization. The civil society should publish regular reports on the state's progress in decentralization. This will raise more publicity and push the government for reform. IWA and EPD could be the frontrunners of this initiative.

5.2.2 Awareness and Capacity Building

In order to build trust, a campaign has to be conducted to inform the CSOs in Afghanistan of the importance and significance of the national budget. Provincial CSOs should be involved in and informed of the importance of the budget. Both MoF and the CSOs should engage in this role. This will enlarge the coalition of CSOs struggling for a decentralized system in the country.

5.2.3 Non-Discretionary Aid

Non-discretionary aid by the donor community has made it very difficult if not impossible for the government to bring reform to the national budget process. The civil societies along with the National Assembly, can play an important role in convincing the international community to reduce the percentage of non-discretionary aid. Thus, if not all allocated monies, then the highest amount possible could be transferred to the government account and spent through national budget. To foster accountability and transparency, the government should develop its capacity to formulate a comprehensive, equitable national budget by involving CSOs and local governance. Until the majority of the budget is non-discretionary, provincial budgeting is meaningless.

⁹⁸ Interview with a government official, December 2014.

⁹⁹ Ministry of Finance, 'National Budget 1394', Directorate General Budget, Ministry of Finance, Kabul, 1394.

5.2.4 Defining the CSOs' Role in Provincial Budgeting Process and Implementation in Provincial Policy

The role of CSOs in Afghanistan's provincial budgeting should be defined and reflected in provincial budgeting policy. Clarifying their function in the provincial budgeting process and implementation will permanently eliminate any ambiguities that hamper CSOs effectiveness.

5.2.5 South Korea and India Forerunners

Afghanistan does not have to reinvent the wheel. India and South Korea are notably good examples to follow in terms of convincing the government (South Korea) and why the government does not get convinced (India). These countries have developed sophisticated mechanisms to insure accountability like Budget Waste Centers and Public Hearings. Such mechanisms can also be employed in Afghanistan.

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