



Bringing the State Closer to the People: Deconcentrating Planning and Budgeting in Afghanistan

Nematullah Bizhan and Ferhat Emil
With Haroon Nayebkhail
July 2016



Afghanistan Research and Evaluation Unit and
German Federal Ministry of Economic Cooperation and Development
Issues Paper

Bringing the State Closer to the People: Deconcentrating Planning and Budgeting in Afghanistan

Nematullah Bizhan and Ferhat Emil

With Haroon Nayebkhail

July 2016



Funding for this research was provided by the German Federal
Ministry of Economic Cooperation and Development

ISBN	978-9936-628-24-3 (ebook)
Editor	Victoria Grace
Cover photos	(Top to bottom): Little girl at a clinic (by Monitoring, Evaluation, and Communication Project, BMZ, 2014-15); AREU consultation meeting (by Khalid Behzad, Project Assistant at AREU, 2015); Ruined wall; Public financial management workshop; (by Monitoring, Evaluation, and Communication Project, BMZ, 2014-15).
Publication Code	1614E

©2016 Afghanistan Research and Evaluation Unit and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

This publication may be quoted, cited or reproduced only for non-commercial purposes and provided that the authors and source are acknowledged. The opinions expressed in this publication are those of the authors and do not necessarily reflect those of the German Federal Ministry of Economic Cooperation and Development, AREU and GIZ. Some rights are reserved. Where this publication is reproduced, stored or transmitted electronically, a link to AREU's website ([www. areu.org.af](http://www.areu.org.af)) and GIZ (www.giz.de) should be provided. Any use of this publication falling outside of these permissions requires prior written permission of the co-publishers, the Afghanistan Research and Evaluation Unit and GIZ. Permission can be sought by emailing areu@areu.org.af or by calling +93 (0) 20 221 24 15.

About the Authors

Nematullah Bizhan is an Oxford-Princeton Global Leaders Fellow with the University of Oxford's Global Economic Governance Programme and a Visiting Fellow at the Australian National University's Crawford School of Public Policy. He has broadly published on the political economy of state building and state-society relations, development, aid effectiveness and budget reforms, comparative politics, post-conflict transition, and government accountability.

He has served as Afghanistan's Deputy Minister of Youth Affairs; the founding Director-General for Policy and Monitoring of the Afghanistan National Development Strategy; Head of the Secretariat for the Joint Coordination and Monitoring Board (JCMB); and acting Director-General of the Budget at the Ministry of Finance. He has contributed to Afghanistan's post-2001 major development and state-building initiatives as well as civil society initiatives.

Ferhat Emil is lecturer in the department of Economics at Ankara Bilkent University. He has worked at the Turkish Treasury in various positions with a focus on budgets (policy formulation, preparation, and execution), cash management, and foreign economic relations. He also worked as a consultant on projects for the United Nations Development Programme and United Nations Children's Emergency Fund and is the resource person of the Swedish Association of Local Authorities and Regions and a volunteer expert for the Financial Services Volunteer Corps. He has worked on various local governance projects in Turkey, Albania, Jordan, and Tunisia.

Emil's area of expertise covers fiscal transparency, public expenditure management, public budgeting, local government finance, capacity building in central/local authorities, citizen engagement in budgetary processes (participatory and thematic budgeting), multi-year investment planning and programming, and social expenditures.

Haron Nayebkhil is an economist. He has worked as a public financial management advisor and analyst with the Japan International Cooperation Agency, United States Agency for International Development, and Etisalat Telecommunications. He has assisted Afghanistan's Ministries of Agriculture, Irrigation and Livestock, Women Affairs, and Refugees and Repatriation in the areas of budget and policy formulation.

About the Afghanistan Research and Evaluation Unit

The Afghanistan Research and Evaluation Unit (AREU) is an independent research institute based in Kabul. AREU's mission is to inform and influence policy and practice by conducting high-quality, policy-relevant research and actively disseminating the results, and by promoting a culture of research and learning. To achieve its mission AREU engages with policy makers, civil society, researchers, and students to promote their use of AREU's research and its library, to strengthen their research capacity, and to create opportunities for analysis, reflection, and debate.

AREU was established in 2002 by the assistance community in Afghanistan and has a Board of Directors comprised of representatives of donor organisations, the United Nations and other multilateral agencies, and non-governmental organisations.

Specific projects in 2016 are being funded by the European Union (EU), the Overseas Development Institute (ODI), PROMOTE under the United States Agency for International Development (Tetra Tech-WLD), Security Governance Group (SGG), United States Institute of Peace (USIP), German Federal Ministry for Economic Cooperation and Development (BMZ), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, International Maize and Wheat Improvement Centre (CIMMYT), Netherlands Organisations for Scientific Research (NWO), and War Child UK-Afghanistan.



Foreword

Good governance is defined as how public institutions conduct public affairs and how they to manage public resources. The framework of good governance is firmly anchored in the third Sustainable Development Goal (SDG), namely “Developing the capacity of public and the government at the local level to cooperate in increasing welfare of the people.” Further, it is guided by the SDG’s objectives, one of which is “to develop on effective government within a democratic system, and to implement sustainable development principles through global partnership.” As Afghanistan is one of the 193 countries that are signatories of the United Nations framework to implement actions of the Rio Resolutions and Agenda 21 for real progress toward sustainable development, it is steadfast in its commitment to this initiative. This UN framework is operationalised in Afghanistan through the Governance Forum Afghanistan (“Govern4Afg”) programme.

The Govern4Afg, which is being launched by German and Afghan partners, is very timely, as it provides a platform for policy dialogue on governance topics in our country. Researchers and policymakers provide evidence-based inputs to foster dialogue aiming to strengthen development cooperation in the governance sector.

One of the six selected essential topics of the Govern4Afg for 2015-16 is “provincial planning and budgeting.” Thus, this paper addresses governance, planning, and budgeting in Afghanistan. It argues that excessive centralisation places Afghanistan in a position in which it neglects and underutilises subnational state entities. The paper argues that the existing subnational entities such as the Governors’ Offices, provincial and district departments, and elected Provincial Councils to have the potential to play a pivotal role in improving provincial budgeting and planning. The Afghan government should be committed in addressing the problem of excessive centralisation. Ultimately, it is for the Afghan government to provide and to improve service delivery for its citizens.

Further, this paper highlights the roles and functions of the Ministries in Kabul, the provincial and district line departments, and the elected Provincial Councils which are not clearly defined. This lack of clarity has unintentionally led to poor implementation, inadequate investment in the capacities of formal subnational institutions, and a waste of time and resources. It is therefore for the Afghan government to address this issue, which could potentially support good governance.

The role of the provincial and district departments in planning and budgeting processes is also unclear. Confusion exists about who should develop the provincial plans and budget, and how local priorities should be identified and incorporated into the national plan and budget.

The paper rightly argues that clear rules should be established for the allocation of ministerial budgets to the provincial department and that a functional review of new roles and responsibilities to be shared between central and provincial department should be conducted. Further, subnational accountability needs to be improved through improving the capacity and credibility of the Supreme Audit Office and Provincial Councils, and through increased parliamentary oversight.

The Afghan government is committed to reforms and improving planning and budgeting in the country. The new Provincial Budgeting Policy and forthcoming Subnational Governance Policy (SNGP) are new developments, which are encouraging. Through these reforms, an inclusive participation of the subnational institutions is expected, and the institutional roles and functions of the different entities are expected to be clarified.

Lastly, I hope that through platforms like Govern4Afg, more dialogues occur at the subnational level, because a better understanding of the issues of governance, planning, and budgeting is thought to strongly support the reform agenda of the Afghan government.



Nader Nadery
Chief Advisor to the President
Public and Strategic Affairs and
Ambassador-at-Large for Freedom of Expression
July 2016

Foreword

Govern4Afg (Governance Forum Afghanistan) as a dialogue platform supports policy reform and implementation in the governance sector of Afghanistan. Good governance, rule of law, accountability and transparency are of paramount importance for the development and stability of Afghanistan. The Afghan people need to regain confidence in state institutions, corruption needs to be fought effectively and reforms need to improve people's daily lives. It is not enough for reforms to be drafted on paper - their implementation needs to take place in the villages and towns of Afghanistan.

The objective of the platform is to foster policy dialogue between Afghan and German 'Drivers of Change' in the field of good governance. Researchers and policy-makers from both countries provide evidence-based input to foster high-level dialogue and consultation in the governance sector. Thus, policy discussions are undergoing a reality check. Ultimately, the platform serves as a vehicle for the implementation of the BMZ Country Strategy for Afghan-German Development Cooperation 2014-2017.

Following upon the successful kick-off workshop in early 2015, six topics (Provincial Planning & Budgeting, Gender Responsive Budgeting, Mineral Governance, Subnational Governance, Civil Society and Civil Service Reform) were selected for in-depth dialogue according to Afghan and German priorities. In the course of 2015, research teams from both countries provided expertise and facilitated discussions between experts and practitioners through several open dialogue panels and other consultation methods, and prepared issue papers with recommendations for policy dialogue.

BMZ is expressing its wish that these issue papers are fostering further discussion in Afghanistan and will enhance donor engagement in the sector.

On this issue paper

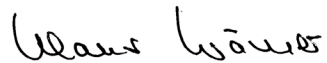
The issue paper on Provincial Planning and Budgeting in Afghanistan, presented to the public in July 2016, examines public financial management processes and stakeholders. Due to the absence of a clear subnational governance framework, initial reforms with regard to public financial management focused on strengthening the central government. This approach fails to effectively identify and finance local priorities, to build local capacity and increase local participation.

The researchers consider a long term approach in which the subnational framework is clearly defined and government functions are shifted from central level to the provinces. The redistribution of competences needs to be accompanied by extensive capacity building and strengthening of accountability measures. Key recommendations identified by the research team are:

- Clear identification and distribution of roles and authority between ministries and departments in Kabul and provinces;
- Gradual implementation of reforms to promote vertical budgetary deconcentration in a phased manner;
- Strengthening of subnational accountability mechanisms.

In the course of Govern4Afg research and dialogue rounds on provincial planning and budgeting, assessments of new policies, interviews and high-level policy dialogues were conducted. Consolidating the dialogue and research, this Govern4Afg issue paper presents practical measures to improve provincial planning and budgeting. The issue paper was informed by and feeds into the work of the Regional Capacity Development Programme (RCD) of the German Cooperation, as the latter has the objective of developing the capacity of the provincial and district administrations in six Northern Afghan provinces.

It will serve as a basis for further dialogue not only within the Govern4Afg context but also between government institutions of Afghanistan, inside the donor community and academia. A broad dissemination of the issue paper will foster discussions and policy reforms on and between various levels. Govern4Afg will resume discussions in the course of 2016 along with newly identified topics.



Klaus Krämer
Head of Development Cooperation
Embassy of the Federal Republic of Germany
Kabul
July 2016

Acknowledgements

The authors wish to thank the Afghanistan Research and Evaluation Unit and Gesellschaft für Internationale Zusammenarbeit for their generous support to make this project happen. The interviewees in Afghanistan were generous to share their views on the existing planning and budgeting processes in the country. Government departments and donors kindly shared the primary sources needed for this study. The Kabul Dialogue participants (October 2015) assessed and commented on the initial findings of this issues paper. The authors also wish to thank Professor Michael Daxner, Senior Political Advisor for Govern4Afg, and the anonymous reviewers of this paper who provided constructive feedback on the initial draft.

The authors thank all of those who contributed to this project. To name but a few here: Yama Nadir, Deputy Minister for Policy and Technical, Independent Directorate of Local Governance; Ismail Rahimi, Deputy Minister of Technical Affairs, Ministry of Economy; Wais Barmak, Director General of Afghanistan National Disaster Management and former Minister of Rural Development and Rehabilitation; Abdul Mansoor, Head of the Provincial Budgeting Unit, Ministry of Finance; Abdul Muqtadar Nasary, Director of Policy and Planning, Independent Directorate of Local Governance; Abdul Baqi Bopal, Director General of Municipal Affairs, Independent Directorate of Local Governance; Faraidoon Shariq, Project Manager of Govern4Afg, Afghanistan Research and Evaluation Unit—all made a valuable contribution to this study. As some of the contents of this paper may be judged controversial by certain readers, the authors decided not to mention the names of the individuals involved. The content of this paper is the exclusive responsibility of the authors.

Nematullah Bizhan
Ferhat Emil
Haroon Nayebkhil
July 2016

Table of Contents

About the Authors.....	i
About the Afghanistan Research and Evaluation Unit	ii
Forewords	iii
Acknowledgements	vii
Acronyms.....	xi
Glossary	xii
Executive Summary.....	1
1. Introduction.....	3
1.1 Methodology and structure	5
2. Provincial Planning and Budgeting: Conceptual Framework	6
2.1 Governance, subnational governance and decentralisation	6
2.2 Decentralisation and subnational fiscal dynamics: Some observations	7
2.3 Budgeting and governance	9
3. Provincial Planning and Budgeting in Afghanistan	14
3.1 Fiscal deconcentration and provincial budgeting	14
3.2 Options for deconcentrated provincial budgeting: vertical versus horizontal budgetary models	14
3.3 Afghanistan’s national and subnational budgeting and planning	16
3.4 Budget formulation and execution	17
3.5 Budget formulation and the provinces.....	18
3.6 Budget approval and the provinces	21
3.7 Budget execution and provincial implications	21
3.8 Audit process	23
3.9 Initiatives of the government and international organisations to improve provincial planning and budgeting	24
3.10 Development planning and Afghanistan’s planning system.....	25
4. National and Subnational Planning in Afghanistan	28
4.1 Municipalities: A different trend in planning and budgeting	29
4.2 Provincial Budgeting Policy	30
5. Conclusions: Shortcomings and Recommendations	33
5.1 Excessive centralisation.....	33
5.2 Blurred institutional roles.....	34
5.3 Consensuses and disagreements	36
5.4 Limited capacity	37
5.5 Accountability deficit.....	38
5.6 Recommendations.....	39
Appendices.....	41
Bibliography	43

Maps

Map of Afghanistan	x
--------------------------	---

Figures

Figure 1: Vertical versus horizontal fiscal deconcentration	14
Figure 2: Afghanistan planning hierarchy, 2006-08	28
Figure 3: Development planning hierarchy and provincial coordination in Turkey	42

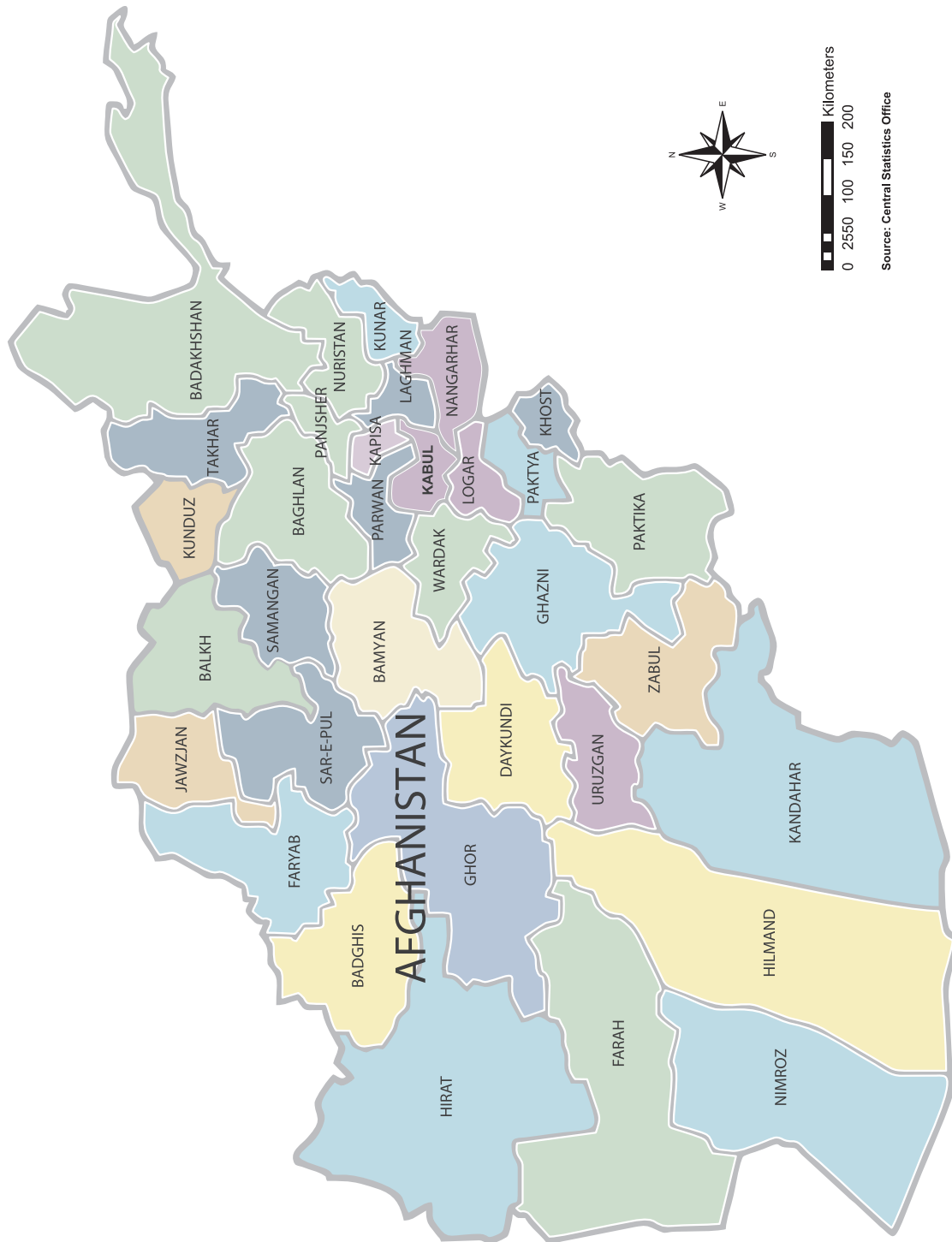
Tables

Table 1: Principles of public financial management for good governance	10
Table 2: Budget calendar 2016.....	19

Boxes

Box 1: Different forms of decentralisation	7
Box 2: What is a province?.....	12
Box 3: Primary and secondary budgetary units	16
Box 4: Implications of the fragmented budget structure on provincial budgeting	17
Box 5: Afghanistan's public financial management system and the principles of good public financial management—A brief assessment	24
Box 6: Capacity development with the GIZ/RCDF project	25
Box 7: Challenges in decentralised planning and urbanisation	26
Box 8: Provincial Budgeting Policy (2015).....	31

Map of Afghanistan



Acronyms

ANDS	Afghanistan National Development Strategy
AREU	Afghanistan Research and Evaluation Unit
BC1	Budget Circular 1
BC2	Budget Circular 2
BMZ	Federal Ministry for Economic Cooperation and Development
CDC	Community Development Council
DDC	District Development Council
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
I-ANDS	Interim Afghanistan National Development Strategy
IDLG	Independent Directorate of Local Governance
JCMB	Joint Coordination and Monitoring Board
KI	Key informant
KII	Key informant interview
MCs	Municipal Councils
MAIL	Ministry of Agriculture Irrigation and Livestock
MoE	Ministry of Education
MoEc	Ministry of Economy
MoF	Ministry of Finance
MRRD	Ministry of Rural Rehabilitation and Development
NGO	Non-governmental organisation
NSP	National Solidarity Programme
PBP	Provincial Budgeting Policy
PC	Provincial Council
PDC	Provincial Development Committee
PDP	Provincial Development Plan
PLD	Provincial Line Directorate
RCDF	Regional Capacity Development Fund
SAO	Supreme Audit Office
SNGP	Subnational Governance Policy
USAID	United States Agency for International Development

Glossary

<i>Jirga</i>	Council of elders convened on an <i>ad hoc</i> basis to address local problems
<i>Mustofiat</i>	Provincial Financial Directorate of the Ministry of Finance
<i>Safayee tax</i>	Tax imposed on residents by municipalities for city services
<i>Shura</i>	An Arabic word for consultation, mostly refers to Community Council
<i>Volayat</i>	Province

Executive Summary

The new political order arising in Afghanistan after the fall of the Taliban regime in late 2001 paved the path for reforming governance practices along with planning and budgeting. This process, however, initially focused on strengthening the central government and ensuring centralised processes for planning and public financial management. The fragmentation of state institutions and the loose institutional link between Kabul and the provinces might have further encouraged the government to excessively centralise the governance processes to extend the reach of central government and curb the power of strong local actors. Yet such an approach also had adverse implications. It has undermined the ability to effectively identify and finance local priorities, build local capacity, and increase local participation in the planning and budgeting processes. Indeed, it is a challenge to maintain the right balance between centralisation and decentralisation in Afghanistan, a situation that has also been observed in other fragile contexts.

Despite major achievements in the areas of public financial management in general and budgeting in particular, in the absence of a clear subnational governance framework, a number of uncertainties and ambiguities exist in the process of identifying priorities and resource allocation. In particular, excessive centralisation, blurred institutional roles, limited capacity, and accountability deficit pose major challenges, which are exacerbated by the adverse economic impact of the triple transition (economic, political, and security), especially since 2014 with the sharp decline in foreign aid and the waning attention to reform the state. To offset the negative impacts of this transition and allocate the state's scarce resources more effectively, the planning and budgeting system should be reformed to bring the state closer to the people by addressing the demands of local populations and their pressing needs.

The planning and budgeting processes of the Afghan government, with the exception of municipalities given their limited autonomy, are highly centralised. State institutions exist at central, provincial, and district levels, but they are poorly utilised, thus making effective resource allocation and service delivery much more difficult. The implementation of projects is often done by using funding from donor entities, non-governmental organisations (NGOs), or other sources, but often by bypassing government processes, which, despite facilitating the rapid delivery of projects, adversely affects the sustainability and efficiency of both the projects and institutions. Off-budget aid and high centralisation have negative implications for service delivery, implementation monitoring, and downward accountability.

Since the adoption of the Bonn Agreement in 2001 and the Afghan Constitution in 2004, different actors have debated about the deconcentration of certain state functions as envisaged in the constitution, although no significant progress has been recorded to date. Nevertheless, the recent inception of the National Unity Government and the effects of the transition have created a momentum to revisit the prospects, among others, for a deconcentration of the planning and budgeting processes. President Ashraf Ghani's commitment to allocate 40% of the central government budget to the provinces demonstrates the need to deconcentrate some authority to the provincial state institutions and empower subnational institutions to effectively plan and execute their budget. This deconcentration of the planning and budgeting processes seems challenging, although it is more realistic than more ambitious and aggressive forms of devolution. A long-term approach is thus necessary in which the subnational framework is clearly defined, government functions are shifted from the centre to the provinces, a holistic programme of capacity building is implemented, and downward accountability is strengthened.

In an effort to address such problems, the 2015 Provincial Budgeting Policy (PBP) and forthcoming subnational governance policy emphasise the deconcentration of planning and budgeting processes. However, in the case of PBP, the roles of state institutions are not well defined, and the direction and implementation of the policy is still vague and dependent on other policies and laws that should be adopted by different ministries and departments. Initial assessments show that the forthcoming subnational governance policy may suffer from similar issues.

To improve service delivery, Afghanistan needs to deconcentrate the planning and budgeting processes. Because of the involvement of many different stakeholders, such as the executive and legislative branches as well as the limited state capacity, reforms should be gradually implemented to promote vertical budgetary deconcentration in a phased manner; horizontal budgetary deconcentration should only be considered as a long-term option if appropriate accountability mechanisms are in place. In so doing, the government should clearly identify the different roles and authority of ministries and departments in Kabul and the provinces as well as the coordination mechanisms for planning and budgeting. It should also build the capacity of Provincial Line Directorates (PLDs). To overcome the challenges of corruption and wastage, subnational accountability mechanisms should be strengthened. Effective planning and budgeting is pivotal to service delivery and development, as these processes have the capacity to shape the prospects of Afghanistan and its state legitimacy.

1. Introduction

The planning and budgeting processes of the Afghan government, except for the municipalities given their limited autonomy, are highly centralised. State institutions exist at central, provincial, and district levels but they are poorly utilised, thus making effective resource allocation and service delivery much more difficult. The implementation of projects is often done by using funding from donor entities, non-governmental organisations (NGOs), and other sources, but often by bypassing or declining government processes, which affects the sustainability of projects and programmes and limits the government's ability to formulate its policies through the national budget. To offset the adverse economic effects of the transition along with the decline in foreign aid and economic growth, effective resource allocation for the realisation of the local population's needs is crucial. In this respect, planning and budgeting along with people's participation are pivotal in order to ensure the effective allocation of scarce resources and fund priorities.

The National Unity Government's explicit objective is to strengthen subnational planning and budgeting. As a consequence of the absence of a clear subnational governance framework, a number of uncertainties and ambiguities exist. It will be extremely challenging for the provincial authorities to spend, as stated by President Ashraf Ghani, 40% of the national budget.¹ Thus, President Ghani envisages that "...we are going to change the character of the national government. Forty percent of the national budget is going to go to the subnational governments directly, thereby changing the process that [currently] allows a transfer of money in a roundabout system."² The realisation of this objective requires a long-term approach in which a subnational framework is clearly defined, government functions are shifted from the central level to the provinces, a holistic programme of capacity building is implemented, and downward accountability is strengthened.

This study is part of a two-year project, the Governance Forum Afghanistan (Govern4Afg), which was launched by Afghan and German partners to establish a platform for policy dialogue on issues concerning governance in Afghanistan. The overall objective of this project is to provide resources and expertise for improved needs-based decision-making in the field of governance and contribute to overarching policy development and implementation aligned with the Afghan context and needs. Thus, this issue paper on provincial planning and budgeting contributes to the overall objective of the Govern4Afg by assessing the existing planning and budgeting mechanisms and by recommending key actions to improve planning and budgeting with the aim to ameliorate good governance in general and service delivery in particular.

The new political order arising after the fall of the Taliban regime in late 2001 paved the way for reforming governance practices along with planning and budgeting.³ The process initially focused on the recentralisation of planning and public financial management. The fragmentation of state institutions and the loose institutional link between Kabul and the provinces might have encouraged the government to excessively centralise the governance processes to extend the reach of central government and curb the power of strongmen in the provinces. Yet such an approach also had adverse implications. For example, it has undermined the ability to effectively identify and finance local priorities, build local capacity, and increase local participation in the planning and budgeting processes.

Nevertheless, since the adoption of the Bonn Agreement in 2001 and the Afghan Constitution in 2004, stakeholders have debated about subnational governance and provincial planning and budgeting. In different ways, the Afghanistan National Development Framework (2002), Securing Afghanistan's Future (2004), Interim Afghanistan National Development Strategy (2005-08), and Afghanistan National Development Strategy (ANDS, 2009-13) all encourage people's participation in the development process and a responsive budget to meet local

1 Ahmad Quraishi, "50 Major Promises Each by Abdullah and Ghani," *Pazhwak News*, 11 June 2014.

2 Sanjay Kumar, "Interview: Ashraf Ghani," *The Diplomat*, 2 October 2014.

3 Nematullah Bizhan, "Improving the Fragile States' Budget Transparency: Lessons from Afghanistan" (GEG Working Paper 2016/117, University of Oxford, 2016).

needs. In addition, the government initiated the National Solidarity Programme (NSP), which has become a major success in increasing local communities' participation in the design, implementation, and monitoring of local projects.⁴

Since 2006, the government has initiated several programmes to deconcentrate planning and budgeting within the Afghan constitutional framework in order to address the needs and aspirations of local populations. The Ministry of Finance (MoF) initiated a pilot provincial budgeting project in 2006. In addition, the Afghan government especially consulted the different stakeholders in the provinces when drafting the ANDS document. Through this process, the government prepared 34 provincial development plans (PDPs). However, despite these attempts, the level of success has been modest, and the government has not yet institutionalised such efforts because of its limited capacity and a lack of consensus among the government leadership. Afghanistan's planning and budgeting processes are thus highly centralised, institutional roles are blurred, the capacity of subnational departments is limited, and downward accountability is weak.

While the Afghan Constitution gives municipalities some autonomy in terms of revenue collection, planning, and budgeting, they also suffer from a series of problems similarly to other government entities.⁵ The municipal system lacks a proper legislative framework, as is the case in other government units, and depends on Kabul for the approval of its budget, taxation rates, and staff. In addition, it suffers from accountability problems due to the absence of elected bodies. Municipalities only provide minimal services, because other government ministries and line departments provide the majority of services. The budget formulation and execution of municipalities also suffer from many deficiencies as evidenced by the low budget execution rate and a gap between projected and actual revenue collection. Participation is weak, and municipalities have limited motivation to collect revenues and remain accountable, for a variety of reasons that will be discussed later.

The current planning and budgeting practices along with the state structure put Afghanistan in a contradictory position. While government departments exist in Kabul, 34 provinces, and 376 districts (364 formal districts and 12 temporary districts), input from the provincial and district departments is not effectively sought or is rather neglected. Planning and resource allocation, including most appointments and procurements, are dealt with in Kabul. This process has had negative implications on service delivery, implementation monitoring, and accountability toward citizens. The ministries and departments in Kabul plan and allocate resources on behalf of PLDs. While such a mechanism may facilitate the design and implementation of some national projects, it does not fully utilise the capacity of state institutions in the provinces and districts as well as the local communities. Excessive centralisation thus undermines effective planning, budget allocation, and implementation monitoring as well as local ownership.

Evidence from other countries demonstrates that the issues associated with subnational reforms have proven to be complex. Thus, cautious and gradual legislative and policy reforms should be implemented in a consensus-oriented manner to improve provincial planning and budgeting. Afghanistan needs to deconcentrate the planning and budgeting processes. Because of the involvement of many stakeholders, such as the executive and legislative branches, as well as the limited state capacity, reforms should be gradually implemented to promote vertical budgetary deconcentration in a phased manner; horizontal budgetary deconcentration should only be considered as a long-term option if appropriate accountability mechanisms are in place. The government should clearly identify the roles and authority of the ministries and departments in Kabul and the provinces, and the coordination mechanisms for planning and budgeting should build the capacity of

4 Islamic Republic of Afghanistan, "Afghanistan National Development Strategy (ANDS), 1387-1391 (2008-2013)" (Kabul: ANDS Secretariat, n.d.); Interim Administration of Afghanistan, "National Development Framework (Draft for Consultation)" (Kabul: Afghanistan Assistance Coordination Authority, 2002); Transitional Government of Afghanistan, "Securing Afghanistan's Future: Accomplishments and the Strategic Path Forward" (Kabul: Government of Afghanistan, 2004); Sultan Barakat and Arne Strand, "Mid-Term Evaluation Report of the National Solidarity Programme (NSP), Afghanistan" (York and Kabul: The University of York and Ministry of Rural Rehabilitation and Development of Afghanistan, 2006).

5 On the role of municipalities, see Islamic Republic of Afghanistan, "The Constitution of Afghanistan," (Kabul: Government of Afghanistan, 2004).

provincial department. To overcome the challenges of corruption and waste, subnational accountability mechanisms should be strengthened.

1.1 Methodology and structure

This issue paper uses a qualitative research method. Based on key informant interviews (KIIs) conducted in Afghanistan, policy dialogues with different stakeholders, as well as the analysis of government documents and published and unpublished literature, this paper examines the existing planning and budgeting processes along with their stakeholders, and offers recommendations to improve these processes. It takes into account other studies conducted in the area of planning and budgeting and avoids trying to reinvent the wheel to the extent possible.

This issue paper first explores some of the lessons learned from decentralisation, planning, and budgeting in other countries.⁶ It then assesses the existing planning and budgeting processes and the relevant stakeholders in Afghanistan. Finally, the paper highlights the deficiencies in the planning and budgeting processes and provides some recommendations to strengthen provincial planning and budgeting in Afghanistan as a means to bring the state closer to the people.

⁶ This paper occasionally uses cases from Turkey. As a unitary state, Turkey stands between strictly centralist states that strive for some kind of decentralisation as Afghanistan and advanced economies that have long tradition of local government, especially in the municipal sector. With both a devolved municipal system as well as a largely deconcentrated provincial system, Turkey may be considered to be a source of reference, if not always the best, for Afghanistan.

2. Provincial Planning and Budgeting: Conceptual Framework

Afghanistan's recent policies to improve service delivery at the local level by delegating more responsibilities and budget resources to the subnational entities date back to more than a decade ago. During this period, despite attempts to improve subnational planning and budgeting, the existing systems still do not provide strong fiscal linkages between the central government and subnational levels where the majority of public services are provided.

To understand the current set-up and the shortcomings of provincial planning and budgeting policies in Afghanistan, it is imperative to situate them in a broader framework of subnational governance and decentralisation. This part thus first defines governance, subnational governance, and decentralisation to establish the link between governance, planning, and budgeting at national and subnational levels. Second, it reviews the decentralisation process in post-conflict and fragile states. And third, it looks at how the public financial management system enhances or impedes governance by presenting a framework to explain whether the budgetary process exacerbates or prevents rent-seeking behaviours in a democratic context.

2.1 Governance, subnational governance and decentralisation

To define what constitutes the “subnational governance framework,” one first should define the term “governance.”⁷ *Governance* can be defined as “institutionalised modes of coordinating social action aiming (a) at the implementation of binding rules and (b) the provision of public goods.”⁸ This definition implies that the provision of public goods and services is a governance function that the state should fulfil.⁹ This could be the case in both developed countries and fragile states, which are failing or at the risk of failing to fulfil these functions.¹⁰

What is subnational governance? Subnational governance refers to a mechanism that allows the government entities below the national level that interact with the national government and their other stakeholders to provide public goods and services for the benefit of local citizens. The provision of public goods by subnational government entities implies a transfer of authority from national to lower levels of administration, or in other words, decentralisation.

Decentralisation may come in different forms. Strengthening of subnational government entities and service delivery through some forms of decentralisation has been a policy priority for many developing countries. Deconcentration and devolution describe the different forms of decentralisation. However, most intergovernmental systems have some elements of such deconcentration. Box 1 below distinguishes the different forms of decentralisation.

7 For more details, see Aarya Nijat, Kristof Gosztonyi, Basir Feda and Jan Koehler, “Subnational Governance in Afghanistan: The State of Affairs and the Future of District and Village Representation” (Kabul: Afghanistan Research and Evaluation Unit and German Federal Ministry of Economic Cooperation and Development, 2016).

8 Here we adopt the definition proposed in Sonderforschungsbereich 700 ‘Governance in Räumen Begrenzter Staatlichkeit’ [Governance in Areas of Limited Statehood], “Glossar: Governance,” <http://www.sfb-governance.de/programm/glossar/governance.html> (accessed 8 March 2016). See also Nijat et al. “Subnational Governance in Afghanistan,” 5.

9 Even in the most consolidated governance structures such as those in the Global North, not all government actions are performed by the state. Non-state actors such as the private sector or NGOs take up responsibilities in public service provision. However, most state functions are retained within the state and the relations between the state, private sector, and NGOs in public service provision are regulated. Today, according to the Organisation for Economic Cooperation and Development, the share of government expenditures in Gross Domestic Product (GDP) is around 40% on average in major member countries due to the role of the state in the provision of public goods.

10 Derick W. Brinkerhoff, *Governance in Post-Conflict Societies: Rebuilding Fragile States* (London: Routledge, 2007).

Box 1: Different forms of decentralisation

Deconcentration, often referred to as administrative decentralisation, describes the transfer of specific functions to the peripheral agencies of the same central government institutions, without the transfer of the faculty of interinstitutional or inter-sectoral coordination or integration. In this type of decentralisation, the decentralised agencies remain dependent on the central government. Sometimes regional or provincial branches of central offices have some authority to make independent decisions, usually within the limits set by central governments.

Delegation is the attribution of certain specific functions to semi-autonomous autarchic or para-state organisations, which execute them independently, without owing direct responsibility to local or sectoral central government institutions (for example, independent regulatory bodies such as the banking supervision and telecom authorities or independent central banks).

Devolution refers to the transfer of specific functions of central government to local authorities together with the legal basis, the capacity for the generation of material and human resources, and the discretionary decision power. In this context, the decentralised agencies have little reliance on the central government, unless prescribed in the relevant laws on devolution. Typically, elected subnational governments are responsible for delivering a set of public services and for imposing fees and taxes to finance these services.

Compiled from: United Nations Population Fund, “United Nations Population Fund and Government Decentralisation: A Study of Country Experiences” (New York: Office of Oversight and Evaluation, United Nations Population Fund, 2000); World Bank, “Service Delivery and Governance at the Sub-National Level in Afghanistan” (Washington, DC: World Bank, 2007).

In the past two decades, decentralisation has been promoted by international organisations and development agencies. Empowering and developing subnational entities has been seen as crucial in order to increase the quality and coverage of service delivery to citizens, foster local development, and strengthen participatory governance at the local level. However, there is no “one size fits all” decentralisation model. As a result, decentralisation is a challenging and context-dependent process.¹¹

Nevertheless, the subnational governance framework and its specific forms cannot be treated in isolation. They can only achieve their objectives of authority, legitimacy, and effectiveness in the provision of public goods at a local level if the required resources are made available and used in a prioritised and accountable way. The choice about the form of decentralisation (especially deconcentration versus devolution) would have implications on resource allocation at the national and subnational levels, as well as the roles and responsibilities of the concerned actors.

2.2 Decentralisation and subnational fiscal dynamics: Some observations

Maintaining a balance between stabilisation, reconstruction, and service delivery in post-conflict and fragile states is a challenge. Indeed, one of the major challenges in reforming subnational governance is to achieve a balance between maintaining national security, law, and order, which requires the strong presence of central government, and providing goods and services in an efficient and effective way at the local level, which may necessitate some forms of deconcentration. Security is important, because transferring authority and ensuing fiscal transfers to lower-level entities is limited if the government has to continue allocating large sums of their financial resources to the security sector that is managed by the central government.

*Post-conflict and fragile countries tend to decentralise their administration gradually.*¹² Experience shows that effective decentralisation strategies tend to begin with deconcentration, and then evolve toward devolution. This is in line with other views as an extension of the first

¹¹ Besides its inherent complexities, the expected benefits of decentralisation are also subject to a considerable degree of controversy and criticism. Challenges from alternative approaches to decentralisation, as opposed to the mainstream neo-liberal decentralisation concept as promoted by international organisations, constitute an emerging literature focusing on the *urbanisation problem* in the Global South, of which Afghanistan is a part (the Global South was formerly known as the Third World).

¹² The discussion in this section draws from Jamie Boex, “Exploring Afghanistan’s Subnational Fiscal Architecture: Considering the Fiscal Linkages between Villages, Districts, Provinces and the Centre” (Washington, DC: The Urban Institute, 2012).

observation that local government reforms take a cautious pattern in conflict-ridden countries.¹³ Deconcentration, as the midway solution, is often seen as a politically more viable option than devolution, since so many different stakeholders with different interests, motivations, and concerns are involved in this process.

*Fiscal deconcentration is pivotal to deconcentrated subnational governance systems.*¹⁴ Fiscal transfers from central governments to subnational entities are totally absent at the initial stages of unitary states, suggesting that subnational governance and intergovernmental finances are not typically themes that are addressed in the initial post-conflict period, but rather emerge during the later stages.¹⁵ Fiscal deconcentration has been widely adopted in countries experiencing different forms of decentralisation. Even the “*big bang* style” decentralisation policies, like those adopted by Indonesia, choose some form of fiscal deconcentration.¹⁶

Subnational and intergovernmental fiscal reforms are of a political nature and require national consensus, political leadership, and moderation skills. This is an important issue and not only limited to post-conflict and fragile states. The design of subnational governance frameworks and the choice of fiscal structures imply “change,” which involves and affects institutions and various actors. The discussion below focuses on a few issues that seem to be important in terms of assessing the reform efforts in planning and budgeting in Afghanistan.

National consensus and leadership is crucial. The transition from a centralised government system to a more decentralised system may stir debate about the unity of the country among the citizens, politicians, and different groups. There are mixed outcomes in the countries examined.¹⁷ As is the case in practice, the theory is also indecisive as to whether subnational reforms would strengthen or weaken the state. However, whichever side of the argument is correct may not be an issue of decentralisation per se, but it may rather depend on the nature of the secessionist impulse and the source of such groups and actors’ appeal.¹⁸

As noted above, subnational reforms are difficult and challenging, and so necessitate the development of a national consensus on major issues as well as the general process. Political leaders are responsible for making their subnational reform agenda public and being receptive to opposing views and ideas in order to build a consensus.

The political economy of decentralisation and cooperation within the executive branch can hamper or foster the decentralisation process. Successful subnational reforms involve more than just the concerned ministry for local governance (e.g., Afghanistan’s Independent Directorate of Local Governance [IDLG],) MoF). The government is a compilation of ministries, departments, and agencies that are each subject to different functional, political, and institutional pressures. Decentralisation may seem to be a challenge to their authorities in allocating resources, which may in turn fuel institutional rivalries and provoke resistance to change. Maintaining a culture of cooperation and team work among the bureaucrats is one of the problem areas needing to be addressed during the reform process. A subnational reform also entails a constructive dialogue between parliament and the executive branch.

13 See also Hamish Nixon, “Subnational State-Building in Afghanistan” (Kabul: Afghanistan Research and Evaluation Unit, 2008), 4.

14 Boex, “Exploring Afghanistan’s Subnational Fiscal Architecture.”

15 Giorgio Brosio and Juan Pablo Jiménez, “Maintaining Taxes at the Centre despite Centralization, Interaction with National Reforms,” in *Is Decentralization Good For Development?*, ed. Jean-Paul Faguet and Caroline Pöschl (Oxford: Oxford University Press, 2015), 179-195.

16 The definition and details of fiscal deconcentration and the options for Afghanistan will be explored in the following sections in greater detail with examples from Cambodia, Mozambique, and Turkey.

17 For example, some cases suggest that decentralisation ended the conflict, but deepened the separation in Macedonia, Bosnia, and Herzegovina. In the other countries, decentralisation paved the way for strengthening national unity, albeit the risks arising from the complexity of implementing reforms, as in Nepal. See United Nations Development Programme, “Local Governance, Peace Building and State Building in Post-Conflict Settings” (UNDP Discussion Paper, United Nations Development Programme, 2007).

18 Jean-Paul Faguet, Ashley M. Fox and Caroline Pöschl, “Does Decentralization Strengthen or Weaken the State?,” in *Is Decentralization Good for Development ?*, ed. Jean-Paul Faguet and Caroline Pöschl (Oxford: Oxford University Press, 2015), 1-28.

2.3 Budgeting and governance

Governance is mostly concerned with the provision of public goods. In representative democracies, citizens empower politicians and through them the bureaucrats to deliver such goods. To accomplish this, it is crucial to effectively plan and allocate resources (e.g., tax revenue and foreign aid). Such a process known as planning and budgeting includes the prioritisation of needs and the allocation of scarce resources to address these very needs. During and at the end of the public good provision process, also known as the budgetary process, citizens hold the politicians and bureaucrats to account.¹⁹ While this system is constrained by formal institutions such as the constitution and legislations, informal institutions such as non-state actors and traditions also play a significant role.

The relationship between formal (elected politicians and bureaucrats) and informal actors like strongman and various interest groups is important. A representative democracy can be vulnerable to rent-seeking behaviours, because politicians may wish to be re-elected and bureaucrats may seek more power and authority to stay in their positions for as long as possible. This may then be translated into a patronage system, distributing rents to the general public (populist rents) and/or supporters (political rents) by using public funds to benefit their own interests as well as those of their formal and informal supporters to ensure their support. The budget system tends to minimise such behaviours. If the expenditure systems can maintain certain principles, citizens can expect that the public funds entrusted to the government are not wasted but instead spent prudently to produce public goods. Governments can account for how they have used the public money. The budget system can thus foster or hinder good governance. Some principles of a good public financial managing system include the following:

- Budgets should maintain aggregate fiscal discipline through fiscal rules.
- Resource allocation and use should be based on strategic priorities that require resource planning by linking planning and budgeting with medium- and long-term perspectives.
- Efficiency and effectiveness of programmes and service delivery (through performance/ programme budgeting, delegation of authority to lower levels) should be sustained.
- Accountability and transparency of budgeting should also be preserved (through audit and oversight).

In addition, citizen engagement in the budgetary process reinforces the aforementioned principles. The completion of the governance framework with civic participation through **participatory budgeting and gender-responsive budgeting** has been on the agenda of public financial management in the last three decades.²⁰ The principles of good public financial management and civic engagement are outlined in Table 1 below.

¹⁹ For a discussion on the role of the budget system and good governance, see İzak Atiyas and Şerif Sayın, “Budgetary Institutions in Turkey,” *Topics in Middle Eastern and North African Economies 2* (2000).

²⁰ Numerous municipalities around the world engage in participatory budgeting, with well-known examples being Porto Alegre and Recife in Brasil. Turkish municipalities also engage in gender-responsive budgeting through United Nations Development Programme projects. Such practices are not only limited to municipalities but are also applicable to deconcentrated provincial systems. Civil society engagement and gender-responsive budgeting are among the topics covered in the other issues papers within Govern4Afg project.

Table 1: Principles of public financial management for good governance²¹

Principles	Purpose	Instruments	Related Budget Cycle	Role of Civil Society
Aggregate fiscal discipline	Fiscal prudence Macro-economic stability Debt sustainability	Expenditure ceilings Fiscal rules Medium-term expenditure framework Public financial management laws and regulations Financial management information systems	Budget preparation and formulation	Budget advocacy
Aggregate fiscal discipline	Allocation of scarce resources as set by budgetary ceilings to the selected priority programmes	Development plans Medium-term programmes Strategic and action plans Medium-term expenditure framework Linking operations and maintenance expenditures to investments Financial management information systems Public financial management legislation	Budget preparation and formulation	Participatory budgeting Budget advocacy Gender-responsive budgeting
Effective and efficient use of resources	Value for money Economic effectiveness Efficiency-equity	Measurement systems for performance/programme budgeting performance Flexibility of officers Deconcentration/devaluation of responsibilities under clear rules and legislation	Budget execution	Budget monitoring Public expenditure tracking system Fiscal transparency
Accountability	Spending public money correctly and legally	Independent audit office (compliance and financial/performance audit) Internal control and audit systems Parliamentary oversight of budgetary process	Internal and external audits throughout the year Reporting end-of-year and final accounts bill and performance	Social audit Monitoring and publicising information Raising awareness about audit office reports

Governance and provincial planning and budgeting in Afghanistan

Despite all efforts and promises from polity, Afghanistan is still a highly centralised state, leaving very little role for subnational state institutions. The existing subnational governance framework represents very limited deconcentration at the provincial level as well as limited devolution at the municipal level without clear underlying principles. The centralist tendency in Afghanistan seems to follow a similar trend as observed in other post-conflict or fragile states. As discussed above, concerns over security seem to be the most important factor that contributes to such centralist tendencies. The key informants (KIs) interviewed also argued that “low capacity at the local level, the reluctance of the central Ministries to transfer powers, and the fear of spreading corruption” also undermine deconcentration.

²¹ Source: Adopted and modified from İzak Atiyas and Şerif Sayın, “Political and Managerial Accountability and Budget System [in Turkish]” (Istanbul: Turkish Economic and Social Research Foundation, 1997).

The informants claimed that two factors helped to attract more attention in terms of reforming the planning and budgeting processes.²² First, services are not delivered to citizens according to the expectations under a highly centralised administration. The government understands the need to improve the quality of public services, especially in a deteriorating security situation in order to win the hearts and minds of people against the Taliban insurgency. Former President Hamid Karzai, for example, stated in this regard that “Strengthening national and sub-national governance and rebuilding our judiciary are also among our most difficult tasks.”²³ Second, donor assistance through on-budget channels could not be spent sufficiently due to, among others, limited government capacity and a complex procurement system.²⁴ The result was the low development budget execution rate, which was less than 50%.

To address some of the concerns about subnational government, IDLG developed the Subnational Governance Policy (SNGP) in 2010. However, this 400-page policy document was not implemented in full, largely because of its complexity, political ambiguity, and institutional weakness and indifferences, which are common issues during the subnational reform process in most post-conflict and fragile states. However, IDLG later initiated another process to revise the SNGP 2010, but it is yet to be finalised and approved by the Cabinet and President.²⁵

Any attempts to enhance subnational governance must give attention to financial needs. The efficient use of resources to enhance service delivery inevitably prompts the need to delegate more power to subnational entities in terms of budgeting and planning. After a lengthy preparation and initiation process, this issue was first taken up in SNGP 2010, but MoF did not support it. The debate gained further momentum when President Ghani stated in October 2014 that “Forty percent of the national budget is going to go to the subnational governments directly.”²⁶ A new PBP was prepared and approved by Cabinet in October 2015.

Institutional structure and actors

Afghanistan has a unitary state with a centralised administration in which the interactions between the formal and informal actors and institutions play a major role.

The formal institutions include line ministries and departments in Kabul, PLDs, provincial governors and associated bodies (e.g., Provincial Councils [PCs]), and district governors in provinces and departments in districts (see Box 2 for the definition of provinces). Unlike a number of other countries in South Asia, the provincial level in Afghanistan does not constitute a separate vertical level of government, while the PLDs are not horizontally integrated into provincial administrations.

22 The team visited Kabul between 5 and 12 October 2015 and held discussions with government officials (i.e., MoF, IDLG, MoEc, and Independent Civil Service Commission), Kabul governor’s Office, international aid organisations, consultants, and a member of parliament. The information gathered regarding the motivations behind subnational reform is based on face-to-face and telephone interviews with KIIIs from USAID, MoF, and IDLG as well as a former senior official from the Ministry of Rural Rehabilitation and Development at various dates in Kabul and Ankara.

23 See former President Hamid Karzai’s foreword to Islamic Republic of Afghanistan, “Afghanistan National Development Strategy.”

24 For details about the capacity of Afghan state institutions, see Seema Ghani and Nematullah Bizhan, “Contracting out Core Government Functions and Services in Afghanistan,” in *Contracting out Government Functions and Services: Emerging Lessons from Post-Conflict and Fragile Situations*, ed. OECD and AfDB (Paris: OECD Publishing, 2009), 97-113.

25 KII, subnational governance expert, Kabul, 9 October 2015. See also Nijat et al., “Subnational Governance in Afghanistan,” for more details.

26 The realism and content of this statement is also subject to controversy. See Matthias Morgner, “Capacity Assessment: Sub-National Planning and Budgeting in Afghanistan” (GIZ Regional Capacity Development Afghanistan, 2015).

Box 2: What is a province?

In unitary administrative systems, different from “states” in the US and “landers” in Germany, provinces are the largest administrative units. The total of the provinces and their capitals comprise the whole administrative apparatus of the unitary state. For example, Afghanistan has 34 provinces (*volayats*), while Turkey has 81 provinces. What makes the provinces in countries like Afghanistan or Turkey different from American “states” and German “landers” is that they do not have separately elected governors and parliament-like elected organs with legislative duties and taxing powers.

The provincial governors in unitary systems are appointed by the President or Cabinet and represent the centre in the provinces as its principal administrator. Provinces are further divided into smaller administrative units within the same province known as districts. District governors or officers, like governors, represent the centre at the district level and are subordinated to the provincial governor. In every province and district, there can be elected bodies such as PCs and Administrations, District Councils, and municipalities. Village administration varies from one country to another, but they usually have elected representatives. The role of the governor in unitary systems would generally include the “tutelage-oversight” function, even over elected bodies like municipalities.

At the provincial level in Afghanistan, the line ministry departments have little discretion, and almost all decisions about planning and budgeting take place in Kabul.

Provincial and district governors have weak formal (*de jure*) roles, but more informal (*de facto*) powers. Many, if not all, often go beyond their narrow formal roles by drawing informal power from some combination of personal ties to the President, tribal connections, and licit and illicit revenues.²⁷ provincial governors also play an active role in receiving donor aid. We discuss the role of governors in provincial budgets in the following parts of our paper.

Provincial Development Committees (PDCs) comprise the provincial directors of line ministries. Provincial governors chair the sessions, and the provincial department of the Ministry of Economy (MoEc) serve as the secretariat for the PDCs. The role of PDCs is to coordinate the activities of Ministries in the provinces and to prepare PDPs. The governor can invite to the PDC meetings the representatives of the provincial reconstruction teams, NGOs, and civil society as non-voting members to ensure a better coordination of (all) stakeholders in development activities.

PCs are the only elected bodies at the subnational level and they have an ambiguous role. Under the Constitution, PCs take part in securing the development targets of the state and improving its affairs in conformity to the laws (Constitution of Afghanistan, Art. 138, Ch. 8, and Art. 4). They mainly have weak advisory functions at the level of provincial development planning. The SNGP 2010 and draft SNGP 2015 propose to elevate their roles to have an oversight function over governors. but this issue has been subject to controversy in the past at both national and subnational levels.

In addition to the central government entities, *municipalities* constitute another level of formal institutions as part of the provincial administration. Currently, they do not have elected mayors and organs. Municipalities are local governments, as they have power to raise their own revenues and prepare their own budget. They are governed according to an old municipal law, which will now be replaced by a new law proposing elected mayors and political organs. The funding deficit and poor capacity of municipalities have been the main cause for the deterioration of their performance.

Some of the *quasi-governmental entities*²⁸ are financed by donors such as the NSP. They are part of the informal governance structure at the district and village levels. Village-level Community Development Councils (CDCs) are run by the Ministry of Rural Rehabilitation and Development (MRRD). CDCs are elected by rural communities to participate in the design, implementation, and monitoring of local projects to address the needs of local communities.²⁹

27 Nixon, “Subnational State-Building,” 14-15.

28 This term is borrowed from Michael Shurkin, “Subnational Government in Afghanistan” (Santa Monica, CA: RAND Corporation, 2011).

29 Nijat et al., “Subnational Governance in Afghanistan.”

Informal-traditional structures are one of the peculiarities of Afghanistan with its array of traditional forms of governance. Complementary or even antagonistic to the formal institutions, these structures have long existed. They have different names and capacities such as *jirgas* and *shuras*. These mechanisms are *ad hoc* and mostly mediate conflicts at the local level. Members of these mechanisms occasionally liaise between provincial authorities and local communities.

Foreign donors are a unique characteristic of the Afghan governance system that provide military and development aid. Donors contribute to the national budget through on-budget or off-budget mechanisms, thus bypassing state institutions.³⁰ This type of aid has fragmented the budget and made aid coordination a daunting task.

The multiplicity of formal and informal actors and the structure of public spending—through on-budget and off-budget activities—have made the budgetary process vulnerable to waste and rent-seeking behaviours. A complex web of power relations among formal and informal actors interlocks in a blurred way. Although formal actors (elected politicians) are political agents of the citizens, and public officials (e.g., ministry officials, governors, district governors) are the appointed managerial agents of the politicians at national and subnational levels, conflict of interest remains a major concern for accountability. While formal actors are expected to be accountable to citizens, due to the historical legacies of a weak state and fragmented social fabric, the loyalty to the party, ethnic group, or clan is largely inclined to outweigh the loyalty to public service.

³⁰ For more information on the off-budget spending impact, see Nematullah Bizhan, “Continuity, Aid and Revival: State Building in South Korea, Taiwan, Iraq and Afghanistan” (GEG Working Paper 2015/109, University of Oxford, 2015).

3. Provincial Planning and Budgeting in Afghanistan

This section explores some of the contextual aspects of fiscal decentralisation and different provincial budgeting techniques. Building on the cases of Turkey, Cambodia, and Mozambique, this section aims to explore the available options and lessons learned for Afghanistan. It then assesses the budgetary process in Afghanistan, including the key institutions involved in the process and some of the aspects of urban planning municipalities financing. Finally, this section explores the existing PBP initiatives such as the draft SNGP 2015 and PBP.

3.1 Fiscal deconcentration and provincial budgeting

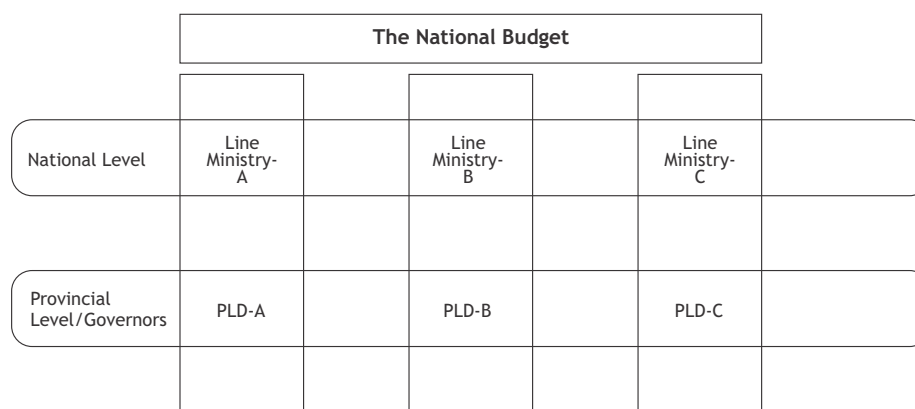
Deconcentrated, even devolved systems, as noted above, tend to adopt fiscal deconcentration. Fiscal deconcentration is the transfer of expenditure and revenue generation authority to the lower tiers of central government Ministries, while central Ministries still retain the control over their lower units. In a unitary state, the lower tiers are generally the provinces and districts. However, fiscal deconcentration to the district level is rare due to implementation problems; for example, reaching out to a large number of districts could be difficult and costly to monitor. As a result, such powers are usually delegated to provinces. Hence, the term “provincial budgeting” can be interpreted as another way of referring to fiscal deconcentration. An important characteristic of provincial budgeting is that the provinces usually have their own budget. Therefore, provincial budgeting empowers provincial state institutions to determine their own budget (within centrally determined rules and ceilings and based on their own source revenues).

Afghanistan’s budgeting system does not include the deconcentration of revenue-generating powers to provincial entities. Only municipalities have devolved revenue-raising powers. Afghanistan does not have provincial budgets as explained above. In this context, there is only a very limited form of deconcentration of expenditure management powers to subnational units, with no integrated provincial budgets.

3.2 Options for deconcentrated provincial budgeting: vertical versus horizontal budgetary models

There are essentially two types of provincial budgeting models,³¹ organised according to vertically or horizontally deconcentrated systems. The two models are illustrated in Figure 1 below.

Figure 1: Vertical versus horizontal fiscal deconcentration³²



31 This section draws from Boex, “Exploring Afghanistan’s Subnational Fiscal Architecture,” and Paul Bernd Spahn, Shorouq Faraj Mubarak al Hashem, Jürgen Binder, Steven Tweedie and Zayyan Zawaneh, “The Quest for Decentralizing Government in the Hashemite Kingdom of Jordan: Some Preliminary Findings of a Situation Analysis” (EuropeAid, 2011), as well as the authors’ own experiences in Turkey.

32 Source: Adapted from Spahn et al. “The Quest for Decentralizing Government,” 12.

Figure 1 above shows the structure of a possible vertical and horizontal deconcentrated budgetary process. The vertical columns represent the line ministries A, B, and C at the national level and their respective PLDs at the provincial level. At the same time, there are two layers of horizontal structures. At the national level, the horizontal coordination of the line ministries is usually provided by MoF and MoEc with regard to resource allocation. At the provincial level, the same coordination responsibilities across the PLDs are assumed by the governor. In terms of deconcentrated budgeting models, the main characteristics of vertical and horizontal budgeting are given below.

Vertical deconcentration: In this model, resource flows are organised in a “silo” fashion, where the budget appropriated to the line ministries is allotted to PLDs. The silo structure in its strictest form delegates none or very limited spending authority to PLDs. The current budget structure in Afghanistan is close to the strict vertical silo type of budgeting where most of the spending decisions at the provincial level are subject to preapproval by central line ministries.

Cambodia has vertically deconcentrated budgeting. This form of deconcentration allows PLDs to have their own budgets “as secondary budget units” under the provincial ceilings determined by their line ministries. Contrary to the centralised system, parliament approves not only the appropriations for the ministry budget at the centre, but also the budgets of subnational departments. In the context of Afghanistan, the vertical deconcentration option would substantially soften the strict silo structure and allow provincial line official to be delegated a degree of discretion over the financial resources in accordance with the Constitution. However, the link between the central ministry and its provincial department still remains strong.

Horizontal deconcentration: Mozambique adopted horizontal deconcentration. In this respect, fiscal deconcentration means delegating budgetary authorities to governors with unified budgets as the sum of the Ministries’ budget of that particular province, which gives the governor substantial fiscal powers. PLDs thus become subordinated to the authority of the governor with weakening links to the central government. While this allows for greater coordination at the territorial level, this structure may weaken the links between the subnational line departments and the concerned line ministries. Under the current governance framework, this option is not desirable in the immediate future in Afghanistan because of the high vulnerability that resources might be used for patronage purposes. Only after the accountability of governors is sustained may horizontal deconcentration be an option for Afghanistan in the long run.

In the case of Afghanistan, Figure 1 above also hints at a critical issue in terms of emphasising the importance of clarifying the roles and responsibilities to be shared among central government Ministries, PLDs, and governors. Regardless of the model identified for Afghanistan, if such relations are not specified in clear terms, a gridlock can occur (see Figure 1) where the power conflicts between governors and line ministries may disrupt service provision.

The model of *enlarged signatory powers for provincial line directorates with no separate budgets* is the step before implementing vertical deconcentration. In Turkey, there are no provincial budgets, although provincial department have quite enlarged signatory powers over their allotments. Allotments are made from the central ministry budget to the provincial department, and operating and development budgets are used by PLDs. Along with the deconcentrated spending powers for provincial department, Turkey also represents alternative forms of hybrid structures that provide services to rural areas like Special Provincial Administrations and Village Service Unions with block grants from the central government. The Turkish case of deconcentrated provincial structures and their budgetary status is explained in more detail in Appendix 1. The Turkish case thus seems a practical option to extend the signatory powers to PLDs. It also appears to be less costly and may allow the government to make adjustments before opting for vertical deconcentration.

3.3 Afghanistan's national and subnational budgeting and planning

This section assesses Afghanistan's existing public financial management system and the national and subnational structures that focus on provincial budgeting and planning.³³ Subnational fiscal affairs are governed mainly by the Constitution, the Public Finance and Expenditure Management Law, and concerned regulations.³⁴

The Afghan Constitution (2004) outlines the overall responsibilities of the Government of Afghanistan to prepare the annual budget (Art. 75) and the parliament to approve the budget (Art. 90), as well as the procedures to be followed if budget approval is delayed (Art. 98). The Public Finance and Expenditure Management Law (enacted in 2005) provides the legal basis for public finances and regulates the public financial management-related obligations of Ministries/Agencies and Treasury, as well as the issues concerning the protection of public assets, borrowing and lending, budget preparation and approval, budget execution, amendments of appropriations and allotments, as well as accounting and control.

The Public Finance and Expenditure Management Law requires the annual budget to be based on a multi-year framework known as the medium-term fiscal framework. This law assigns prime responsibility to MoF in the preparation and execution of the budget.³⁵ Art. 2 of the Public Finance and Expenditure Management Law also stipulates that all state administrations (including central Ministries and provinces) will be subject to procedures set out in the law in terms of budgeting and expenditure policies. However, this law does not clearly define the subnational financial management mechanisms. MoF is assigned the responsibility of preparing the budget and coordinating its execution. Centre and provincial budgetary relations are regulated by secondary legislation as part of this process.

The Cabinet also approved the Financial Regulations (July 2006), which provide specific guidance on matters such as budget formulation, budget execution, banking arrangements and cash management, borrowing and lending, asset management, accounting and reporting, municipal finance, and control and audit. These regulations also provide a more detailed framework for the interaction between the budgetary units and authorities concerned with financial management. The regulation refers to the central line ministries as "primary budgetary units" and PLDs as "secondary budgetary units" nested under the primary budgetary units. However, this issue creates some confusion in the case of Afghanistan (Box 3).

Box 3: Primary and secondary budgetary units

In the deconcentrated provincial budgeting models, the concept of the primary budgetary unit refers to the central line ministries that receive allocations directly through the national budget. Secondary budgetary units are not totally autonomous and they function under their respective Ministries or primary budgetary units. In other words, PLDs continue to function as an integral (hierarchical) organisation that is part of their respective line ministries (i.e., without their own legal status). They are recognised in the Chart of Accounts and the national budget as secondary budget units (i.e., sub-organisations).¹

Afghanistan's Financial Regulations do not clearly define secondary budgetary units. For example, Art.16 (1) rules that "The MoF shall issue to primary budgetary units the procedures for the preparation and request of the budget and appropriations for the fiscal year and the expenditure ceilings as approved by the Cabinet." However, the term "secondary budget units" is mentioned only once in the text. Art. 34(3) thus rules that "The MoF through the treasury disbursing offices shall issue allotment advice authorizing secondary budgetary units making expenditure commitments and expenditure." Therefore, it is unclear to which degree provincial department are already considered to function as secondary budget units.²

1 See Boex, "Exploring Afghanistan's Subnational Fiscal Architecture," iii.

2 See also Boex, "Exploring Afghanistan's Subnational Fiscal Architecture," 37.

33 As elected District Councils have not yet been formed and district governors are not fully appointed and do not take full responsibility, the emphasis of government policies mostly relates to provincial administrations. We therefore focus our attention on provincial-level resource use and briefly elaborate the municipal financial structure.

34 This section is based on World Bank, "Afghanistan—Public Financial Management and Accountability Assessment" (Washington, DC: World Bank, 2013), as well as a review of the relevant legislations and KIIs.

35 In the team's field visit to Kabul, KIIs described the MoF as "the king" (see our explanation above) because of its dominant role in resource allocation and planning.

Other important laws that govern public procurement are the Procurement Law (2008, amended 2009) and the Rules of Procedure for Public Procurement (2007, amended 2009). The legal framework is applicable to the procurement of goods, works, and services (including consultancy services) undertaken by national and subnational entities, municipalities, and other units using public funds. While budget preparation and execution including procurement are basically carried out through the abovementioned legal framework, the new Supreme Audit Office Law (February 2013) regulates the external audit through the Supreme Audit Office (SAO).³⁶ We will further evaluate the existing perceptions about corruption as well as the roles of the SAO and other anti-corruption bodies when we examine the extent to which the Afghan public financial management system complies with good budgetary principles.

3.4 Budget formulation and execution

Afghanistan has 54 budgetary units including ministries, departments, agencies, and independent directorates or units. The budget has two components: the operating budget (salaries and organisation and maintenance expenditure) and the development budget (capital investments). As foreign aid is channelled through and outside the government budget, it has fragmented the budget structure (Box 4). Thus, the budget is divided into the core budget, which the government manages and controls and which includes the operating budget and parts of the development budget, and external budget, which donors directly manage outside the government budget systems. Projects implemented through NGOs, the United Nations, and civil society organisations are off-budget. Between 2002 and 2010, about 82% of aid flowed through off-budget mechanisms.³⁷ The government has full discretion over the operating budget, the development expenditure derived from domestic revenue, and a small portion of the on-budget development aid that is known as discretionary aid.³⁸

Box 4: Implications of the fragmented budget structure on provincial budgeting

Budget spending in Afghanistan is fragmented through the core budget and external budget, because foreign aid does not flow through the government budget alone. A potential problem with this parallel budget structure relates to how much Afghanistan can control public spending to guide its fiscal policies. At the Kabul Conference in 2010, the international community committed to delivering at least 50% of external aid through the budget from July 2010. However, aid channelled through the budget as a percentage of total aid disbursements remained at 18% in 2011 and 2012, a clear indication that progress on achieving the Kabul Conference targets is lagging. Every effort needs to be done to increase the share of on-budget donor funding if the government is willing to transfer functions to provinces and provide finance under the “finance follows function” principle to fulfil its promises. This further stresses the importance of good governance.

In 2014, for example, the operating and development budgets comprised 75% and 25% of the total core budget, respectively. Only 35% of the budget was financed from domestic revenues, while the remainder was funded by aid, thus making Afghanistan still highly dependent on foreign aid. While the collection of domestic revenue has improved over time, it recently stagnated at around 10% of gross domestic product (GDP). Indeed, Afghanistan is highly dependent on foreign aid, which comprised 76% of GDP from 2005 to 2011 and predominantly (over 50% of total aid) financed the security sector.³⁹

36 World Bank, “Afghanistan—Public Financial Management and Accountability Assessment,” 21

37 Islamic Republic of Afghanistan, “Development Cooperation Report 2010” (Kabul, Ministry of Finance, 2010); Islamic Republic of Afghanistan, “Development Cooperation Report 2012” (Kabul, Ministry of Finance, 2012).

38 “On-budget” fiscal transactions (expenditures and revenues) are recorded and executed under the rules and procedures of the national budget. “Off-budget” transactions take place outside the national budget and are not subject to the rules and procedures of execution and scrutiny of the national budget system.

39 Islamic Republic of Afghanistan, “Development Cooperation Report 2010,” 15.

3.5 Budget formulation and the provinces

The budget formulation process is not only a technical process but also a highly political process in which different interest groups and state institutions compete for resources. The expectations of political actors and bureaucrats about budget priorities may be in conflict. To address this issue, both technical considerations and consensus building are imperative.

The budgeting process is mainly an iterative process in which public policy objectives are balanced against available funding. In this respect, ministers submit their budget proposals, and MoF and MoEc then examine and return the proposals for revision. The budget proposals are resubmitted until a deal is reached. This iterative process necessitates time, good communication channels, and clear lines of responsibility so that the budgetary units, MoF, and MoEc can negotiate in an open manner and give their reasoning to persuade each other and reach an optimal solution. Even if a ministry or its lower entity (PLDs in Afghanistan) cannot obtain what it needs, the institution should satisfy itself that the budget preparation process was conducted in a fair and transparent manner and that it is listened to and treated in an unbiased way with respect to the other departments. At the very least, after the negotiation and arbitration process, they should be able to know the reasons, realities, and constraints that determine their budgets. This enables the budgetary units to own their budgets and respect the whole process, otherwise actors may tend to disown the process and feel alienated and discouraged. They may consider that their proposals are not taken into consideration if no feedback is given, and this may push them to look for alternative channels to finance their projects.

Based on the above framework, Afghanistan's budgetary process will be reviewed to identify the shortcomings in the budgetary process in general and the role of subnational institutions. The discussion centres on three areas: the flow of information integrating PDPs into the budgetary process, the budget formulation process, and the communication and coordination mechanisms between PLDs and central Ministries.

Integrating PDPs into the budget preparation

Flow of information concerning the integration of PDPs into the budget is quite blurred. The role of PDCs in the provinces is to produce coordinated, prioritised, and budgeted plans across the sectors of education, health, agriculture, infrastructure, and the economy. Planning is coordinated by the provincial office of the MoEc. Upon its approval by the PDC, the plan is sent to the MoEc in Kabul and then passed to the line ministries for consideration and finally the MoF for scrutiny and approval.⁴⁰ Often, PLDs send their plans directly to the concerned Ministries in Kabul. The details of this process and its inherent problems are explained by one KI below:

MoEc's role pretty much takes place before Budget Circular 1 (BC1) is issued. In December-January, MoEc receives the PDPs and forwards them to the planning departments of the line ministries. MoEc does not review the documents. From January to March, the line ministry planning departments may review the provincial submissions to determine which provincial projects should be included in their submissions. This is not necessarily driven by the BC1 process; in fact, this is a precondition of a smooth BC1 process. MoEc reviews development projects between BC1 and Budget Circular 2 (BC2) to confirm that the proposed projects are in line with national development objectives.⁴¹

Although Ministries might integrate some elements of a PDP into their budget, this rarely occurs in practice.⁴² This process often leaves the PDPs without funding, while such plans also suffer from poor quality. As the PDPs with the involvement of PCs and local stakeholders are of a somewhat participatory nature, ignoring their input is a major setback to provincial planning efforts from the perspective of local governance. In addition, PLDs do not have any role in the programme

40 Douglas Saltmarshe and Abhilash Medhi, "Local Governance in Afghanistan: A View from the Ground" (Kabul: Afghanistan Research and Evaluation Unit, 2011), 18

41 KII, international public financial management expert, Kabul, 16 December 2015.

42 In the words of one KI: "The planning and budgeting processes are not at all aligned. We rarely find cases in which the PDP's projects are incorporated into the budget. The PDP formula process should be changed based on the Provincial Budgeting Policy" (KI, MoF, 24 April 2016).

preparation, establishment of outcomes, intermediate outcome, output, and so forth, but on the implementation side as line ministries, PLDs execute their budget for the programme identified by the Ministries in Kabul based on the budgeting structure without having their own targets. This also undermines the effective use of public money.

Beside the projects submitted by the provinces through the PDP process, there are other channels that bypass this process and directly reach the central Ministries, MoEc, and even donors. For example, governors may send their proposals directly to MoEc or other line ministries without consulting the PCs and PDCs. The way in which MoEc and MoF review and prioritise such duplicative project proposals is not very clear:

...Keep in mind that there are really multiple processes for preparing Afghanistan's budget. The non-discretionary funded portion of the budget is pretty much non-negotiable during budget preparation, as those programmes/projects have already been decided in earlier negotiations with the donor. The process of selecting projects funded under the discretionary budget is much more opaque. Because there is no requirement, much less a formal expectation that the projects will only be those on an approved (and publicly available) list of vetted projects, the selection process is pretty much opaque. I've had finance deputy ministers complain that the projects that they submitted were not the projects that were budgeted.⁴³

A challenging budget calendar

The budget calendar poses a challenge in terms of integrating the provincial budget submission into the budgets of the line ministries. The beginning of the budget preparation process in Afghanistan changes every year, but it usually runs between March and September and takes five months. MoF leads the budget formation and coordinates its execution. Primary budgetary units submit their budget to MoF to be considered by the budget committee. The budget preparation process is identified through a budget circular stating the key dates.⁴⁴ Table 2 below summarises the deadlines in the budget calendar in view of linking this process to the PLDs to show how they could interact with their central ministries to include their priorities into the national budget cycle.

Table 2: Budget calendar 2016⁴⁵

21 February	MoF finalises the budget timetable
10 April	MoF issues BC1 to the line ministries with submission deadline 4 May after consultations with PLDs
5 July	MoF issues BC2 with ceilings for each line ministry
6 August	Line ministries submit their BC2 proposals
22 August-5 October	Budget hearings and submission to Cabinet
19 October	Budget presented to parliament

Two forms are important during budget formulation. Firstly, the BC1 form instructs all primary budget units to submit a budget proposal for the following year, including the level of funding required to continue their current activities and to serve and operate any new infrastructure completed during the current fiscal year. Line ministries supposedly collect the information for the BC1 from the PLDs.⁴⁶ The major challenge in the process is that MoF does not initially identify the budget ceiling with BC1. This implies that the proposals submitted to MoF are not done under budget constraints, but they rather constitute a pool of project lists. Without pre-established ceilings at the initial stage of budget formulation, line departments and provinces may have high expectations, perhaps thinking that if they can flood MoF with proposals, their projects will have

43 KII, international public financial management expert, pers. Comm., 16 December 2015.

44 This section draws on Matthias Morgner, "Context Analysis: Sub-National Budgeting in Afghanistan" (GIZ Regional Capacity Development Afghanistan, 2015) as well as the KIIs.

45 Ministry of Finance, Directorate General Budget, "1396 Budget Planner, Key Dates," <http://www.budgetmof.gov.af/images/stories/DGB/BPRD/Plannner/Budget%20Planner%201396/English-Planner%201396.pdf> (accessed 5 June 2016).

46 The process of the line ministries collecting information from PLDs is controversial. There is a flow chart describing the steps, from the provincial department submitting proposals with the BC1 to the submission of the budget to the parliament. However, the KIIs pointed out that this was a model flow chart developed by a consultant for MRRD, probably to reflect MRRD internal processes. In reality, there remains no requirement for the line ministries to obtain provincial development or capital project requests only through the PDP process.

a greater chance of being accepted. KIs in MoF gave examples of such cases. They mentioned that the sum of the value of project proposals from one provincial department exceeded the total financing requirement of the entire ministry.

Second, form BC2, issued by MoF in early July, contains an “indicative ceilings figure.” The financing demands based on the BC1 and BC2 are then debated in budget hearings at the MoF where budgeting decisions are made. One of the KIs noted that the budget calendar poses some challenges. Although the steps in preparing the budget are outlined in Chapter 3 of the Financial Regulations, the timeframe for completing these steps is unrealistic. The same concerns were also raised by the World Bank, which recommended that the detailed budgeting process needed to be better planned and executed by the MoF to allow the line ministries a minimum of six weeks to prepare their detailed budget requests.⁴⁷

An examination of the timeframe during the BC1 process shows that there is only approximately four weeks (or even less) for provincial department to submit their proposals to the line ministries after consultations with their PLDs. Nevertheless, the overall timeframe for the budget preparation effectively lasts for five months, from the issuing of the BC1 in April to the presentation of the budget in September. Although it is difficult to establish an optimal timeline for budget preparations, in other countries this process may take between nine and ten months.⁴⁸ In the challenging situation of Afghanistan with its limited capacity, five months is a short period to prepare a realistic budget. A longer period must be considered with a minimum of 6 months.

Nevertheless, it may be argued that Afghanistan may have less budgetary and administrative complexity as compared to other countries, which does not necessitate extending the timeframe for the budget formulation process. However, because the budget formulation, as noted above, is an iterative process, there is a need to thoroughly consult with the provincial departments. Thus, the budget calendar should allow for more time in this process.

Poor communication and lack of dialogue

The poor relations between the centre and the periphery further contribute to the fact that the provincial proposals are not adequately reflected in the budget. This poor communication is worsened by a variety of other issues: the country’s security situation, complex geography, and road conditions, the interference of non-state actors (patrons, strongmen, local peers, and people with authority but no explicit formal power) in the duties of local officials, and even a lack of travel allowances that prevent PLD staff from travelling to Kabul to have a closer dialogue with central ministries or vice versa. The extension of the budget calendar by one or two months may thus overcome some of these challenges.

Due to the central authorities ignoring PDPs, the short budget period, and poor communication, the prospects for integrating the plans of PLDs and provincial governors into the national budget are undermined. A common practice is for provincial governors and PLDs to approach donors directly for funding. Such processes are also an easy way for donors to provide immediate aid delivery through projects at the local level, as they deem them to be more efficient. However, this approach also has some flaws. One KI mentioned that a school was constructed by UNICEF with the collaboration of a governor, but the Ministry of Education only learned about the school when it was invited to attend the opening ceremony.⁴⁹ In the dialogue event held in Kabul, it was implicitly mentioned that donors prefer to work with those with stronger leadership and greater capacities. One commentator at the event stated that this “is mainly fuelled by donors. Donors are looking for effective counterparts to implement programmes and they might want to partner with institutions that have stronger capacity.” Another KI mentioned that donors would like to invest in the provinces where they have zonal interests, which may be why they directly approach the governors. While this approach seems plausible in the short term, it undermines institution building in the long term.

⁴⁷ World Bank and DFID, “Working Paper for Afghanistan Public Expenditure Review” (Washington, DC: World Bank, 2010), 20.

⁴⁸ Allen Richard and Daniel Thomassi, ed., *Managing Public Expenditure: A Reference Book for Transition Countries* (Paris: OECD, 2001), 20.

⁴⁹ KII, senior MoF official, Kabul, 6 October 2015.

In sum, a general consensus emerged from some of the KIs interviewed and the documents reviewed, namely that the needs of provincial department are not well integrated into the national budget.⁵⁰ Poor communication and dialogue, limited capacity and short budgetary process create incentives for PLDs and provincial governors to bypass the on-budget mechanisms and look for alternative off-budget activities, which may create duplication in projects and unequal distribution of resources across the provinces. In other words, provincial administration is left without any meaningful role in identifying local needs and effectively participating in resource allocation.

3.6 Budget approval and the provinces

Once the technical budget is drafted, the budget approval process starts when the executive's budget is discussed in the legislature and consequently enacted in law. This stage begins when the executive formally proposes the budget to the legislature. The legislature then discusses the budget, which can include public hearings and votes by legislative committees. The process ends when the budget is adopted by the legislature, either intact or with amendments. The budget can also be rejected by the legislature and, in some countries, replaced by the legislature's own proposal. Constitutionally, the legislature has the right to delay the approval of the budget by up to one month in Afghanistan.⁵¹

During the discussions of the 2016 budget, "A large number of the lawmakers have claimed that the budget does not maintain 'balance' among provinces in regards to the development schemes."⁵² As an encouraging initiative, the government included an overview of provincial allotments as an unofficial annex to the budget presented to parliament. However, the provincial distribution of expenditures was not made public for review. This is a major shortcoming in terms of promoting an information-based discussion about provincial budgeting. In fact, Afghanistan Financial Management Information Systems register allotments and expenditures per budget unit and province as well as per expenditure code, programme, and development/operating budget. During the interview process, one KI from the parliament also stressed the need for training members of parliament about budgetary matters for better scrutiny of the government's budget and provincial expenditure policies.⁵³ The budget approval process represents challenges for the government. One KI from SAO indicated that in the recent years, parliament has occasionally delayed budget approval for longer than the constitutionally mandated time limit. Such delays undermine the implementation of projects in the provinces.⁵⁴

3.7 Budget execution and provincial implications

Budget execution follows the budget approval stage. The budgetary allocations assigned to the line ministries are then allotted to PLDs by the former. Ministries normally allot their budgets to PLDs based on prior agreements, but no clear allotment process seems to exist. One reviewer indicated that "ministries may say that they have rules for allocations—this can be either by grading provinces or applying formulas—but it applies mostly, if not only, to operating budgets."⁵⁵ One KI from MoF confirmed that there are no proper norms or formula-based allocations in place for the horizontal and vertical allocation of resources; MoF allocates resources based on historical appropriation with some adjustments for inflation, exchange rates, and execution capacity of line ministries. Resource allocation to the provinces by central ministries is thus based on the above mentioned criteria in addition to input from members of parliament.⁵⁶

50 KIs, senior MoF official, senior MoEc officials, and international public financial management expert, Kabul, October–December 2015, as well as the Kabul Provincial Planning and Budgeting Policy Dialogue.

51 Islamic Republic of Afghanistan, "The Constitution of Afghanistan," Art. 98.

52 Wadsam, "Afghanistan's 2016 Budget Focuses on Mega Development Projects," *Wadsam*, 13 December 2015, <http://wadsam.com/afghan-business-news/afghanistans-2016-budget-focuses-on-mega-development-projects-333/> (accessed 18 April 2016).

53 KII, member of parliament, Kabul, 8 October 2015.

54 KII, senior SOA official, Kabul, 10 October 2015.

55 Peer reviewer from GIZ/RCDF. However, the World Bank initiated a pilot project on output-oriented norm-based budgeting. See, for example, Jamie Boex and Hamish Nixon, "Norm-Based Provincial Budget Allocations for Education in Afghanistan: Technical Guidance for Agreeing a Norm-Based Approach for 1390" (Washington, DC: World Bank, 2010). One KI from MoF informed the team that the pilot initiative was ensuring fair resource allocation across the country and improving operations and maintenance, especially at the provincial level.

56 KII, MoF official, Kabul, 24 April 2016.

Furthermore, the low budget execution rate, an indicator to measure the efficiency of expenditure management, is a challenge. According to the commitments made at the Tokyo Mutual Accountability Framework in 2012, the budget execution rate was expected to increase to 70% by 2015.⁵⁷ However, the budget execution report of 11 October 2015 shows that the operating budget is 5% below target, while the development budget remains low at 39%; the overall budget execution rate is thus 56%, which is 14% below target. However, the allotments for the operating and development budgets were 93% and 54%, respectively, which makes the total budget allotment rate 80%. These data show that there is a wide gap between approved budget allotments and real budget implementation.⁵⁸

Moreover, the execution rates of the discretionary and non-discretionary development expenditures show a poorer performance. In 2015, execution rates of the expenditure for discretionary (at the discretion of government) and non-discretionary development (at the discretion of donors) were 43% and 38%, respectively. These figures suggest that the development expenditures, which are vital for the growth of country, are not executed as planned, thus causing delays in the completion of projects, and consequently, the provision of public goods.⁵⁹

Low budget execution rates are largely attributable to the limited capacity of MoF and PLDs, MoF's micromanaging of fund transfers, delayed budget approval by the parliament, and sometimes delays in donors' commitments. In addition, red tape and complexities in the procurement processes undermine budget execution. The ambiguous role of the provincial department and governors in the budget formulation and execution processes further causes considerable delays in the budgetary process.⁶⁰

Budget execution at the provincial level seems to be diverse, but there is no data to provide evidence. Even MoF has failed to provide data on provincial allocations. Some of the key elements of the budget execution and procurement processes at the provincial level are outlined below:

- The salary component of the operating budget is spent in the provinces. Provincial departments have the authority to pay salaries once they receive allotments from the central line ministries without seeking any approvals.
- Regarding operation and maintenance expenses, provinces have limited power to spend without receiving central ministry approval, with the ceilings to make procurements being up to US\$10,000 for governors and \$1,000-2,000 for line directors.
- The development budget is spent by Kabul. No substantial signatory power is delegated to the provincial departments as far as is known.

However, ministers are the single authority awarding the contracts for (all) development expenditures and for operation and maintenance expenditures that exceed the signatory limit of provincial directors and governors. Usually, they do not delegate their authority, except for a few ministers delegating some power to their deputy ministers.⁶¹ This may be one of the reasons why the execution rates of development expenditures are so low.

57 Equality for Peace and Democracy, "Independent Review of Afghanistan 1395 Draft National Budget" (Kabul: Equality for Peace and Democracy, 2015), 10.

58 Ministry of Finance, "Budget Execution Report 11 October 2015" (Kabul: Ministry of Finance, 2015).

59 Ministry of Finance, "Budget Execution Report 11 October 2015."

60 See MoF's budget policy and reform background for more information: Ministry of Finance, Directorate General Budget, "Provincial Budgeting," <http://www.budgetmof.gov.af/index.php/en/using-joomla/modules/provincial-budgeting> (accessed 13 March 2016).

61 Information gathered from the team's fieldwork.

The *de facto* roles undertaken by governors are cited as another factor contributing to the provincial budgeting execution performance. There are cases in which the provincial governor seeks his own approval for any expenditure, even though such authority belongs to the Director of the PLDs in some provinces.⁶² As indicated before, provincial governors also receive off-budget funding from donors.⁶³

3.8 Audit process

Controlling expenditure takes place in two ways, notably through internal and external audits. Internal audit units are found in each ministry. MoF assigns a controller to each spending unit who rectifies the errors and assures the financial regulations before the allotments are sent to MoF.⁶⁴ These controllers also control the expenditure of resources in the secondary budgetary units. However, there are number of overlapping rules and regulations between MoF and SAO, which blur the auditing process and the respective roles of MoF and SAO.

External audits are conducted through SAO, which audited four line ministries in 2015 that account for 60% of public expenditure.⁶⁵ Recent data on the continuation and/or expansion of the compliance audits of line ministries are not publicly available beyond the 2013 audit reports. Provincial budget-related audit reports do not seem to be publicly available.

There have been many discussions about provincial budgeting and the “finance follows function” principle. Yet there seems to be no discussion over the “accountability follows finance” principle. However, a KI from SAO mentioned that they were not consulted about the auditing mechanisms when the subnational reforms were initiated.⁶⁶ A participant in the Kabul Dialogue (2016) argued thus:

...the role of the SAO is important, but unfortunately it has been influenced by the poor governance throughout entire country. They carry out a symbolic audit at the provincial level. In terms of accountability, over the last 15 years, there has been only one accountable entity, namely the CDCs. There have not been any complaints about them.

Although civil engagement, as noted above, is crucial for improving accountability, the effect of well-capacitated audit and oversight institutions should not be underestimated; such institutions are very weak in Afghanistan.

In sum, the national budget and provincial financial management suffers from a number of challenges. The integration of provincial plans into the national budget, budget execution, and oversight are some of the major challenges that undermine effective planning and budgeting. A brief assessment in Box 5 below demonstrates how the Afghan budget system can be judged against good financial management principles.

62 See A. Roy Emperingham, “Study on Deconcentration in Line Ministries” (Coffey International Development, 2013). 27. One KI in Emperingham’s study observed that the “PLD Director has approval authority over 100,000 Afs, but the governor sent a letter to restrict it to 3,000 Afs and require a request for approval from the governor for anything above this amount.” Although this may not be applicable to all provinces, it shows the degree by which the involvement of provincial governors varies across provinces, thus further adding to the *ad hoc* and non-standard discretionary use of power by governors.

63 World Bank, “Service Delivery and Governance at the Sub-National Level in Afghanistan” (Washington, DC: World Bank, 2007), 12.

64 Centre for Budget and Governance Accountability, “Information Toolkit on the National Budget of Afghanistan” http://www.cbgaindia.org/files/primers_manuals/Information%20Kit%20on%20the%20National%20Budget%20of%20Afghanistan.pdf (accessed 20 March 2016), 16.

65 Equality for Peace and Development, “Independent Review,” 18.

66 KII, senior SAO officer, Kabul, 9 October 2015.

Box 5: Afghanistan's public financial management system and the principles of good public financial management—A brief assessment

In terms of the effect of the budget systems on the level of governance, it should be noted that Afghanistan suffers from dual accountability problems in its formal institutions, which manifest in the form of kinships and clan loyalty, and the resulting rent-seeking behaviours. Although Afghanistan is ranked favourably among other fragile countries with respect to its financial management systems, this does not translate into minimising rent-seeking behaviours and corruption.¹

When assessed from the perspective of the four good financial management principles, public financial management systems of Afghanistan may be summarised as follows:

- **Fiscal discipline:** Due to the high dependency of the Afghan government on foreign aid, the fiscal deficit appears to be almost none or minimal. However, with changes to the flow of aid, this trend may soon change, leading to unsustainable deficits.
- **Budget formulation for strategic priorities:** Budgeting and planning are not well integrated, and the budgeting system is fragmented between the on-budget and off-budget dichotomy. Participation in planning and budgeting decisions should be improved.
- **Efficient use of resources:** Budget execution is weak with low execution rates, and there are many problems in procurement, as institutions have weak capacity and corruption is widespread. Although the situation has improved since 2002, there is no institutionalised mechanism to regularly involve citizens in the budget monitoring process.
- **Accountability:** This is the greatest problem. Both audit institutions and the justice system lack credibility and skills.

1 For the ranking of Afghanistan, see World Bank, "Afghanistan—Public Financial Management and Accountability Assessment." However, it is also argued that the ratings obtained through this assessment, though robust, do not capture micro-financial management issues at the lower level of government, but instead rank macro-level fiscal issues. See Rebecca Simson and Bryn Welham, "Incredible Budgets: Budget Credibility in Theory and Practice" (Working Paper 400, Overseas Development Institute, 2014). Concerning an assessment about corruption in Afghanistan, see International Monetary Fund, "Islamic Republic of Afghanistan: Ex Post Assessment of Longer-Term Program Engagement" (Country Report No. 16/23, International Monetary Fund, 2016), 13.

3.9 Initiatives of the government and international organisations to improve provincial planning and budgeting

In the past few years, MoF has initiated programmes to build the capacity of provincial entities to improve their financial management. Of particular interest is a provincial budgeting project that was piloted in August 2006 with programme budgeting. During the initial phase of this project, three ministries—Ministry of Education (MoE), Ministry of Agriculture, Irrigation, and Livestock (MAIL), and MRRD—were selected based on their contribution to the country's socio-economic development. Three provinces—Balkh, Panjshir, and Kandahar—were selected for the provincial budgeting pilot programme.⁶⁷ In subsequent years, the number of provinces and ministries participating in the project was expanded. Until 2012, provincial budget activities mostly focused on building the basic capacity of the provinces in public financial management.

67 One of the reviewers indicated that "A key problem with this pilot was that it did not incorporate a national formula for budget ceilings across all provinces for these ministries."

To support these efforts, a Regional Capacity Development Fund (RCDF), financed by the German Federal Ministry of Economic Cooperation and Development, was implemented between 2010 and 2015 to develop the capacity of PLDs in Balkh, Samangan, Baghlan, Kunduz, Takhar, and Badakhshan. This programme has been extended until December 2017, while adding a new component with the national policy. Capacity-building training sessions delivered through this programme include planning and budgeting, accounting, and project evaluation. The findings of this programme highlight that communication and dialogue between the line ministries and PLDs are crucial for planning, budgeting, and service delivery (Box 6).⁶⁸

Box 6: Capacity development with the GIZ/RCDF project

GIZ-RCDF's long-term capacity development on "public finance management," including proposal development and follow-up, has been welcomed by all three pilot ministries (MAIL, MoE, and Ministry of Public Works) as well as MoF.

Training was provided over a period of seven months on procurement, public financial management, provincial budgeting, monitoring, feasibility studies, and project implementation.

This project found that access to the higher levels of government is an advantage that leads to the achievement of tasks through the hierarchy. In addition, the line ministries were receptive to the provincial initiative.

Therefore, PLDs have to prepare and submit full project proposals in time for their inclusion in the budget and to negotiate so that the project is included in the budget of the concerned ministry.

The formation of a provincial delegation to lobby the central government to obtain funding for their projects helps to inform about the planning and budgeting processes based on "face-to-face" meetings and discussions.

Sources: Tadbeer, "Follow-Up on Project Proposal Processing at National Level on Behalf of Provincial Development Committee in Badakhshan Province," Final Report (Kabul: Tadbeer, 2015) and Tadbeer, "Integrated Capacity Building of Badakhshan Sub-national Government on Public Finance Management" (Kabul: Tadbeer, 2015).

3.10 Development planning and Afghanistan's planning system

This section discusses development planning at the national and subnational levels and then explores Afghanistan's planning system, including urban planning.⁶⁹

In market economies, economic planning is perceived as a tool for government intervention to correct market failures. Traditionally, economic planning was equated with central planning to identify and address pressing needs through technical processes.⁷⁰ This was usually the case in market economies during the times of regulated capitalism (welfare state/mixed economy), which prevailed until the mid-1970s. Even so, this should not be confused with the concept of a command economy, which existed in the Soviet Union and similar countries, and was based on a highly bureaucratic administration of the entire economy in accordance with a comprehensive plan formulated by a central planning agency, which specified and micromanaged output requirements for productive units.

Starting in the 1970s, but more visible after the 1980s, government intervention and economic planning came under substantial pressure from critics in market economies. Centralised planning as a tool of government intervention was criticised not only for its political elitism, but also for its limited administrative effectiveness and efficiency, which manifested itself as government failures.

68 There are other projects that focus on strengthening provincial budgeting and planning: Afghanistan Subnational Governance Programme (ASGP) and Making Budgets and Aid Work (MBAW) funded by the United Nations Development Programme, as well as the upcoming projects of the Initiative to Strengthen Local Administration (ISLA) and Afghanistan Public Financial Management (APFM) funded by USAID, as well as the Local Governance (LoGo) programme funded by the United Nations Development Programme. For example, USAID's ISLA project focuses on Afghan provincial governance in the areas of fiscal and development planning, citizen representation, and enhanced public service delivery. The project will run between 2015 and 2020 at a cost of US\$62.4 million (for further information, see United States Agency for International Development, "USAID Initiative to Strengthen Local Administrations (ISLA)," <https://www.usaid.gov/news-information/fact-sheets/usaid-initiative-strengthen-local-administrations-isl>, (accessed 13 April 2016).

69 This section has largely benefited from the studies of Victoria Beard, Faranak Miraftab and Christopher Silver, ed., *Planning and Decentralization* (Oxon: Routledge, 2008); Faranak Miraftab, "Insurgent Planning Situating Radical Planning in the Global South," *Planning Theory* 8, no. 1 (2009): 32-50; Vanessa Watson, "Seeing from the South: Refocusing Urban Planning on the Globe's Central Urban Issues," *Urban Studies* 46, no. 1 (2009): 2259-2275.

70 Faranak Miraftab, Christopher Silver and Victoria Beard, "Situating the Contested Notions of Decentralised Planning in the Global South," in *Planning and Decentralization*, ed. Victoria Beard et al. (Oxon: Routledge, 2008), 4-5.

These political and administrative rationales shifted from top-down planning to diverse forms of decentralised planning under a neoliberal economic philosophy. The mainstreaming of decentralised planning by governments and global development agencies like the UN (Local Agenda 21) and World Bank became more visible in the early 1990s. Their endeavours in this respect pushed decentralised planning into the agendas of the Global South where local leaders were seen as the leaders for development planning.⁷¹

However, the above framework is not free of flaws. The infusion of neoliberal decentralisation and decentralised planning into the Global South produced some results that were probably unforeseen by its advocates. Box 7 demonstrates some of the challenges in decentralised planning and urbanisation processes.

Box 7: Challenges in decentralised planning and urbanisation

In general, the principle of decentralisation is that “finance follows function.” However, a frequent dilemma during the decentralisation process occurs when more tasks are transferred to local entities (municipalities, provincial department, and regions) with inadequate financial resources. Under such “unfunded mandates” with a growth-oriented framework, local governments are forced to seek alternative financial resources such as privatisation, sale of public assets, and public private partnerships to finance infrastructure, housing, and public service delivery.

A variety of local governments in the Global South are engaged in such practices, especially in urban areas commonly known as “urban renewal” projects. Under the UN’s Millennium Development Goals, the aims of providing better housing to the poor and creating “slum-free” cities have drawn much interest under the name of “urban renewal” projects in the Global South. However, contrary to this global consensus, this aim has evolved somewhat differently. In many urban centres in South Africa (Cape Town), India (Mumbai), Lebanon (Beirut), and Brazil (Rio), situations of evicting the poor (unwanted citizens) from shanty towns and commissioning new housing developments for middle- or upper-class residents have occurred in the name of creating new and prestigious images of the cities instead of providing safe housing to the poor.

These urban initiatives (also known as gentrification) undertaken by both local and central governments in cooperation with the municipalities have given rise to hefty rents for contractors and new owners at the expense of creating inequalities among the original settlers.¹ Land capture, the effect of powerful business elites over local governments, and corrupt relations between local authorities and influential people over spatial planning decisions were other outcomes.

It has been argued that such aggressive neoliberal decentralisation and decentralised planning is also problematic, as it leads to the “balkanisation” or fragmentation of overall planning and development processes.²

These examples show that decentralisation does not and should not be without a nation-wide planning system to minimise the risk of fragmentation, which would stem from unruly decentralisation. The participation of citizens in the decision-making process may also constrain the rent-seeking behaviours of the powerful.

1 Urban renewal, gentrification, the forced eviction of the poor from shanty towns, and mortgage-based finance that burdens disadvantaged groups under neoliberal decentralisation, not to mention the different modes of resistance by the poor against such policies in the Global South—these issues have been the subject of intensive debates in urban planning literature pioneered by urban planners like Faranak Miraftab and Vanessa Watson. A recent book by Tahire Erman, *Pretending to be a Residential Tower: An Urban Renewal Story of a Shanty Town in Northern Ankara* [in Turkish] (Istanbul: İletişim Publishing House, 2016), explores this *phenomenon in Turkey and its effects on the urban poor*. *The urban cases mentioned above are taken from this book.*

2 Sanjay G. Reddy, “Planning is Dead. Long Live Planning! The Prestige of Planning in India and the World,” <https://reddytoread.files.wordpress.com/2015/09/planningcommission16sept2015.pdf> (accessed 16 March 2016). “Balkanisation” is a political concept used to refer to splitting a nation into smaller minority-based nations, which occurred when the European Balkans of the Ottoman Empire divided into small warring nations in the late 19th and early 20th centuries.

71 For a comprehensive overview of this process, see Miraftab et al., “Situating the Contested Notions,” 4.

Afghanistan faces similar challenges as other countries in terms of decentralisation and urbanisation, especially as urbanisation is rapidly growing. Despite 78% of the population living in rural areas, this ratio drops to 17% and 60% in Kabul and other large cities, respectively.⁷² More than 20 million people use mobile phones and connect to the outside world. They are now more informed and compare their quality of living with other parts of the world. In addition, Afghanistan faces daunting urbanisation challenges: internally displaced persons, economic stagnation and rising unemployment, land grabbing, rising food insecurity, more frequent and spectacular attacks from the Taliban and other insurgent groups, rising rates of drug addiction (particularly among the youth), and increasing inequality and social exclusion. This requires a balanced approach toward decentralisation and a framework in which nationwide, provincial, and municipal planning are integrated to effectively address the growing challenges that the Afghan government seems to be well aware of.⁷³ Thus, “[a]n improved national policy, legal and regulatory framework is essential, along with increased capacity and authority of municipalities, to avoid another decade of informal ‘laissez faire’ urban growth, and to harness cities as drivers of economic and social development.”⁷⁴

The recognition and solution of the challenges associated with planning and urbanisation are a challenging task, but it is an important element to be addressed through national and provincial planning and budgeting. However, the Afghan government and international community should also be alerted to the negative implications of excessive decentralisation, so as to minimise the rent-seeking behaviours of those who would benefit from such rapid and unplanned urbanisation.

72 World Bank, “Afghanistan Provincial Brief” (Washington, DC: World Bank, 2014).

73 Islamic Republic of Afghanistan, “State of Afghan Cities” (Kabul: Islamic Republic of Afghanistan, 2015), vii.

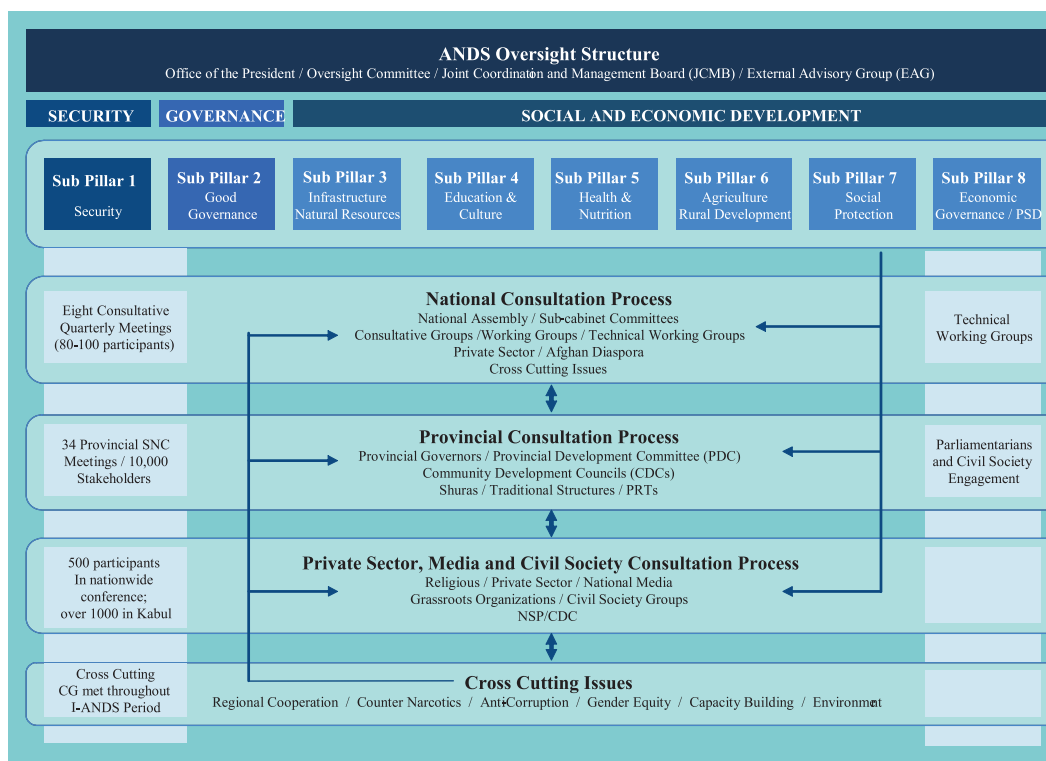
74 Islamic Republic of Afghanistan, “State of Afghan Cities,” viii.

4. National and Subnational Planning in Afghanistan⁷⁵

The recent history of (economic) development planning in Afghanistan dates back to the mid-20th century with strong centralist tendencies. However, since 2001, the market economy has replaced a centralised economic system. Thus, post-2001 planning has taken the form of more flexible strategic planning. The Afghanistan National Development Framework (2002), Securing Afghanistan’s Future (2004), Interim Afghanistan National Development Strategy (I-ANDS) (2005-08), and ANDS (2009-13) have tried to identify national priorities and allocate resources more effectively. In particular, ANDS was prepared through a consultative process. First, the ministries prepared their own plans known as strategic plans. These ministerial plans were then used to develop the strategies for each sector such as health and education. ANDS was built based on these sector strategies. Subnational consultation was launched when preparing the strategy, which helped to prepare 34 PDPs (see Figure 2).

However, until MoEc established the General Directorate of Policy and Monitoring and Evaluation to coordinate national planning in 2008, most of the post-2001 plans were developed by semi-autonomous entities (i.e., Afghanistan Assistance Coordination Authority, External Relation and Development Budget Unit, and ANDS secretariats), which were under the authority of the Afghan government, except for the External Relation and Development Budget Unit that reported directly to the President. While these semi-autonomous entities led and coordinated the planning process at the national level, the roles of different entities were blurred at the subnational level. In 2015, MoF conducted an assessment of strategic and performance planning in a sample of ten ministries, finding that the ministries and institutions were at different stages in conducting planning, monitoring, and evaluations. In addition, the assessment found that across ministries, strategic plans often exist, but they are generally not utilised as the basis for annual planning and performance reviewing.⁷⁶

Figure 2: Afghanistan planning hierarchy, 2006-08⁷⁷



⁷⁵ As the previous section discussed the integration of provincial plans into the budget, the flow of information, and the problems related to the subnational planning process, this section deals with the remaining planning issues.

⁷⁶ Ministry of Finance and Ministry of Economy, “Assessment of M&E Systems in Ministries and Agencies,” (Kabul: Ministry of Finance and Ministry of Economy, 2014).

⁷⁷ Islamic Republic of Afghanistan. “Afghanistan National Development Strategy,” 1:24.

The planning process has suffered from a number of deficiencies. While at the subnational level, the MoEc line and economic departments should coordinate the provincial planning process through PDCs chaired by provincial governors, such a mechanism was not utilised for budgeting. Further, despite the shortcoming in the prepared PDPs, they were not integrated into the budget, thus rendering the process less relevant as far as budget allocation is concerned. PDCs mostly helped to coordinate the off-budget projects.

The MoEc is now preparing a five-year plan to succeed ANDS in which the National Priority Programmes form the basis.⁷⁸ However, during the interviews with other stakeholders, the authors found that they were not fully informed about the new plans. In addition, a duplication of efforts makes the planning process less effective, because, for example, IDLG also coordinates the development of the five-year provincial strategic plans. Donors largely assist the planning initiated at the provincial level. However, many overlapping initiatives and documents exacerbate the planning problems and impede the identification of priorities.

Thus, it is imperative to have a single coordinating body for national planning with clear institutional roles for different state institutions in Kabul and the provinces. As the Afghan government is in the process of modifying the current system to make planning and budgeting more consistent and connected, such an issue should be addressed (see Appendix 2 for a similar process in Turkey).

4.1 Municipalities: A different trend in planning and budgeting

The planning and budgeting of municipalities, which is important for the delivery of certain services at the subnational level, represents a different trend than discussed in the previous section. The urban sector in Afghanistan is governed by a range of institutions at the national and subnational levels, most notably the Ministry of Urban Development Affairs, IDLG, and Kabul municipality (reporting directly to the President) at the national level, and the municipalities and line departments at the subnational level. Municipalities in other countries provide important services such as housing, sewage systems, the provision of drinking water, and spatial planning. However, in Afghanistan, the role of the municipalities is limited to the delivery of services such as cleaning and greening as the ministries deliver services for urban infrastructure (sewage, waste water and drinking water management, etc.).

There are considerable institutional bottlenecks to the effective management of the urban sector, such as overlapping and poorly delineated mandates (e.g., spatial planning), a disconnection between national and municipal governance (e.g., development and implementation of urban master plans), and formal/informal governance (e.g., provincial governors having considerable informal control over municipalities despite their administrative separation).⁷⁹ In Afghanistan, mayors are appointed by the President, while there are no Municipal Councils (MCs). Instead, as an interim move, municipal advisory boards were created to give advice and make recommendations, but they do not have any decision-making power. The government intends to replace the old municipal law with a new law that IDLG is currently drafting, which would allow mayors and MCs to be elected. The Constitution of Afghanistan allows for this.

Municipalities mostly do not receive fund transfers from central government.⁸⁰ They have to rely on their own sources of funding or on foreign aid. They are allowed to collect various revenues, but the rates are set by MoF in Kabul. Kabul municipality generates the highest revenue, almost half of the total revenues collected by the other municipalities. Municipalities are permitted to collect more than 50 different types of revenues such as fees, fines, and penalties, service charges, revenues from the lease, rent, and sale of municipal land, and the *safayee* tax (taxes for city services).

⁷⁸ Although efforts have been made to clarify the current planning process at both the national and provincial levels, this is not fully possible. The MoEc website does not provide any such details. Our understanding is based on the team's discussion and interviews with MoEc officials in Kabul in October 2015, and presentations made by MoEc officials at the Kabul Provincial Planning and Budgeting Policy Dialogue held on 11 October 2015.

⁷⁹ See Nijat et al., "Subnational Governance in Afghanistan"; Islamic Republic of Afghanistan, "State of Afghan Cities."

⁸⁰ Currently, Afghanistan does not have an intergovernmental fiscal transfer system, as no funding has been made available to municipalities for capital projects or service delivery.

Selling municipal land is the greatest source of revenues that generates 22% of all municipal revenues.⁸¹ This is an area of concern, because revenues from land sales are not a sustainable source of income; they are also susceptible to corruption. The *safayee* and municipal services taxes are the second largest revenue source, thanks to a newly introduced and computerised registry system. The performance of municipalities in terms of revenue collection (ratio between actual versus projected revenue) fell from 68% in 2010 to 40% 2012 and 2013. Perhaps unrealistic revenue projections were the cause of this discrepancy. In 2011, there was a peak in revenue collection performance due to changes in tax rates and other initiatives. However, after that year, revenue was estimated at an unrealistically high level, while actual revenue collection did not meet the targets. Weak collection mechanisms, including a lack of qualified staff, limited motivation, and accountability deficit as well as poor monitoring and management systems were some of the factors contributing to the shortfall in the revenue targets.⁸²

The expenditure of municipalities can be classified into two groups: operating and development expenditure. By law, municipalities should allocate more than half of their expenditure (55%) to development projects. Governors review the municipalities' budget and send it to MoF for approval. However, as will be elaborated below, many municipalities view budget preparation and reporting as a bureaucratic requirement as opposed to a tool for improving service provision and governance issues. In addition, budget execution rates remain low, indicating that overoptimistic expenditure estimates based on overly ambitious revenue estimates did not materialise during execution; this also remains a challenge at the national level.

Public private partnerships—build-operate-transfer schemes—are considered to be adopted pending the legislative arrangements.⁸³ The adoption of public private partnerships have become popular among local and central governments throughout the world, perhaps as a result of rapid decentralisation with no regard to the “finance follows function” principle as noted in Box 7 above. Although such a system may appear attractive and cost-effective, such arrangements should be technically and legally handled very carefully to avoid placing an extra burden on municipalities/central government in terms of price and purchase guarantees in the future.⁸⁴

Among others, Afghanistan's municipal system suffers from the lack of a proper legislative framework and poor municipal finances. The municipal system is also centralised to some extent and suffers from an accountability deficit, mainly due to the absence of elected bodies and proper accountability mechanisms.

4.2 Provincial Budgeting Policy

The analyses in this section reiterate the need to revisit the current PBP system. To address some of the concerns raised earlier, MoF prepared the PBP 2015 aiming to provide some degree of deconcentration to the provinces with regard to budgetary process. The policy was endorsed by Cabinet in October 2015 (Box 8).

81 Islamic Republic of Afghanistan, “State of Afghan Cities,” 44.

82 Abdul Baqi Popal, “Municipalities in Afghanistan” (Kabul: Independent Directorate of Local Governance, 2014); Islamic Republic of Afghanistan, “State of Afghan Cities,” 16.

83 Islamic Republic of Afghanistan, “Subnational Governance Policy-Draft” (Kabul: Independent Directorate of Local Governance, 2015).

84 For example, a purchase guarantee given by the Turkish Treasury on behalf of a major municipality to use the water of a dam operated by the private sector was affected after the municipality gave up using the water without knowing exactly the complexities and consequences of its action as stipulated in the contract. After having to pay US\$15 million per month as a price guarantee to the company, Treasury held the municipality responsible for paying back the amount to the central government. Although the situation may not be exactly comparable to Afghanistan, such cases may occur.

Box 8: Provincial Budgeting Policy (2015)

The aims of the PBP include the following:

- Establishing a regulatory framework to determine the responsibilities of the central and subnational entities in the budgeting process, with PCs playing a consultative role;
- Delegating the appropriate responsibilities and authorities to provincial institutions in public finance management to develop and expand an effective public finance management system at a national level;
- Establishing a proper and standard framework for “vertical and horizontal fund allocation” that guarantees equitable service delivery and contributes to poverty alleviation across the country;
- Ensuring the allocation of adequate resources to the maintenance of existing and new assets based on the standards within the budget ceiling;
- Ensuring the participation of provincial officials in budget preparation, execution, and monitoring;
- Improving and enhancing coordination and communication between central and provincial institutions and donors to increase transparency, accountability, and financial discipline, and eliminate parallel budgeting structures/processes; and
- Disseminating budgetary statistics and figures as well as streamline reporting processes to stakeholders.¹

PBP focuses on attaining these objectives through the following processes:

- Three-year pilot applications;
- Vertical and horizontal resource allotment using norm-based budgeting;
- Delegation of more responsibilities as decided by each line ministry, including delegated authorities over the development and operational budget;
- Changing the budget calendar to allow more time for the preparation of provincial budgets;
- Extra facilities from the budget known as “unconditional funds” that are not budgeted in the sectorial budget;
- Hiring provincial budgeting experts to assist mustafiats in the provinces to lead the process.

¹ Presentation made by an MoF official at the Kabul Provincial Budgeting Workshop, 11 October 2015.

Despite some shortcomings, PBP is a positive step toward effective budgeting and planning. However, this policy does not clearly establish the role of institutions and is largely dependent on the initiatives of other government entities to ensure its implementation.⁸⁵ In addition, it does not indicate any sequencing in terms of the kind of expenditure assignments that will be delegated to provincial department. Completely different approaches and capacities may be needed to handle staff or operation and maintenance expenditures against more complex development expenditures.⁸⁶ PBP does not indicate any phased approach toward that end, instead leaving the process at the discretion of the line ministries.

Based on this, when the government’s policy choice is assessed with respect to deconcentrated budgetary options, it seems somewhat mixed and ambiguous. At the outset, the government is set to go toward “vertically deconcentrated budgeting system” with so-called “vertical and horizontal norm-based fund allocation” to support the PLDs with their new duties. However, this type of deconcentration does not clearly recognise PLDs as separate budgetary units in the chart of accounts. The PBP document seeks to still recognise PLDs as part of the central line ministries, but it delegates new tasks to them. In this manner, the current deconcentration scenario as proposed by the PBP 2015 seems to resemble the Turkish case, but with enhanced and vertically deconcentrated delegation of responsibilities to PLDs and without budgetary status.

⁸⁵ See Islamic Republic of Afghanistan, “Provincial Budgeting Policy” (Kabul: Ministry of Finance, 2015), 10, for the list of tasks to be accomplished through the guidelines and further procedures.

⁸⁶ See Boex, “Exploring Afghanistan’s Subnational Fiscal Architecture,” 35.

Nevertheless, the PBP 2015 has very ambiguous provision,⁸⁷ which proposes that;

[D]uring the implementation of this policy, the Ministry of Finance will work on a comprehensive intergovernmental fiscal transfer system that should be limited (e.g., 40% of the budget) to transferring to a deconcentrated role with the consideration of balance, transparency, and accountability. And also in the case of financial transfer, it will try to make the province as a budgetary unit.⁸⁸

From the above statement, it seems that the government may have the intention of turning the provinces into provincial department as budgetary units to resemble to “horizontal deconcentration.” Besides, it seems more likely that the SNGP 2015 will suffer from some of the same shortcomings as discussed in the case of the PBP. However, as the SNGP 2015 is not yet approved and is not publicly available, it is too early to make any sound judgments.

In sum, the PBP proposes an ambitious and challenging agenda for enhancing planning and budgeting clarity in terms of its policy choices. If the government wishes to opt for the full devolution of responsibilities in the coming ten years, the steps for its implementation should be carefully designed, especially with regard to the accountability aspects of the horizontal deconcentration.

87 Islamic Republic of Afghanistan, “Provincial Budgeting Policy,” 12.

88 Islamic Republic of Afghanistan, “Provincial Budgeting Policy,” 12.

5. Conclusions: Shortcomings and Recommendations

This issue paper discussed in detail the conceptual issues concerning governance, planning, and budgeting and some lessons learned from a selected number of countries, as well as the existing planning and budgeting policies and practices in Afghanistan. This conclusion summarises the major shortcomings and deficiencies in the subnational planning and budgeting process in Afghanistan and provides recommendations to improve provincial planning and budgeting.

5.1 Excessive centralisation

The excessive centralisation of planning and budgeting has put Afghanistan in a position in which it neglects and underutilises subnational state entities. While government departments exist in Kabul as well as the provinces and districts, the subnational departments at the provincial and district levels do not effectively participate in and contribute to planning and budgeting. The ministries and departments from Kabul perform or coordinate most of the state functions such as public financial management, water management, and policing. This process has had adverse implications for service delivery, implementation monitoring, and downward accountability. Central planning and budgeting may facilitate the design and implementation of some national projects. However, such a mechanism fails to fully utilise the capacity of local state institutions and local communities.

The existing provincial and district departments are poorly utilised and underappreciated. As the previous sections showed, the Governors' Office, provincial and district departments, and elected PCs have the potential to play a pivotal role in improving provincial budgeting and planning. In the first few years after the fall of the Taliban regime, perhaps a modest centralisation in planning and budgeting, as is common in most post-conflict situations, might have been inevitable to expand the reach of central government and prevent local spoilers from appropriating scarce resources. Strongmen had control over some of the key provinces that generated the bulk of domestic revenue and they were unwilling to transfer the revenue to MoF's treasury. As the central government was extremely weak, it used centralisation policies to substitute for its weakness. But the tendency to micromanage most of the affairs from Kabul had adverse implications on the capacity of the provincial department. The process largely deprived the provinces of a chance to learn from doing and has further weakened provincial institutions and promoted a culture of institutional apathy.

The government's subsequent efforts to deconcentrate planning and budgeting did not deliver the expected results, largely due to the poor follow-up of the reforms and the absence of an appropriate legal framework and adequate capacity. The government consulted with provincial government departments, civil society activists, and donors in 2007 to integrate the provincial priorities into ANDS, and through this process, it prepared 34 PDPs. The quality of these plans varied, with some being very poor and even including "wish lists." While this process increased people's participation in the planning process, such efforts were not institutionalised, and the follow-up on provincial planning remained weak. The government could not effectively integrate these plans into its budget. The provincial reconstruction teams financed some of the projects included in the PDPs. While the exact figure is not publicly available, data from 2005-08 show that provincial reconstruction teams appropriated US\$863 million for 34 provinces.⁸⁹ In fact, there are numerous other channels through which ministries and donors bypass the PDPs. These multiple and non-standard procedures may also create resentment among local citizens who participate in the planning process. At the very least, citizens should be informed that their voices are being heard. However, no such feedback is provided, and the PDPs seem to be largely turning into less effective processes.

Excessive centralisation in planning and budgeting may increase the gap between the central government and periphery. Officials in Kabul hardly understand the needs of a village in Kandahar or Badakhshan. Therefore, a two-way exchange of information is imperative. Ministries should clearly communicate the national objectives and the provincial budget ceilings. Locals should

⁸⁹ Islamic Republic of Afghanistan, "Development Cooperation Report 2010," 100.

inform the ministries about their needs and hold them to account through subnational entities. The participants of the Policy Dialogue on Provincial Planning and Budgeting held in Kabul in October 2015 noted that the President’s Office and ministries should lead the deconcentration of planning and budgeting and institutionalise such a process.

The problem (excessive centralisation) should be solved top-down. The ministers should direct provincial department on how they should report and how they should show service delivery to the people. It seems that the line ministries feel very little responsibility toward the people. There is a lack of information-sharing at the national level, but at the provincial level, it is very difficult to find any information about the line ministries.⁹⁰

Highly centralised planning and budgeting processes have also diverted the attention from the capacity building of provincial and district departments. The participants in the Kabul Policy Dialogue noted that “after the establishment of the PDCs, the authority was delegated, but with no support from central government, and there was no clear guidance and capacity building to enable the local authorities to prepare provincial plans.”⁹¹

5.2 Blurred institutional roles

Another major shortcoming that hampers effective provincial planning and budgeting is that the role of the different government departments is blurred. Senior officials are often confused about their roles in the office. Thus, unless individuals take the initiative and act innovatively, the provincial department await for their orders from Kabul. Most of the government officials, donors, and civil society activists interviewed by the authors argued that the roles of the ministries in Kabul, the line ministry directorates in the provinces and districts, and the elected PCs are not clearly defined. This lack of clarity has unintentionally led to poor implementation, inadequate investment in the capacity of the subnational formal institutions, and a waste of time and resources. While the ministries in Kabul may need to decide on certain issues, if provincial affairs like the procurement process are micromanaged from Kabul, this can delay delivery at the subnational level.

The role of the provincial and district departments in planning and budgeting processes is unclear. Confusion exists about who should develop the provincial plans and budget. How should local priorities be identified and incorporated into the national plan and budget? The participants in the Policy Dialogue in Kabul thus argued:

The role of the provincial governors in planning and budgeting as well as execution and implementation is not clear. The provincial budget is not only a piece of paper, but it must come with implementation and monitoring plans. Such capacity is non-existent at the local level. In many provinces where we have worked, we found that the Procurement Law was not implemented at any of the subnational governance levels. There is a Procurement Law, but no one cares about it. provincial governors should have clear roles and responsibilities in terms of the preparation, implementation, and monitoring of budget planning. There has always been a deficit of technical capacity in designing and implementing policies.⁹²

Most of the informants interviewed by the authors also raised concerns about the lack of clarity in institutional roles. This demonstrates the existence of institutional rivalry among the different departments and a duplication of efforts. MoF and MoEc claim that such roles are clearly defined, as especially evidenced by the new PBP. A representative of MoEc outlined the provincial planning process as follows:

The PDP is comprised of the overall priority projects. Communities propose these plans based on their needs and these are in turn presented to the MoEc. These proposals come from the people and are submitted to CDCs; they are then prioritised by the DDCs and presented to the PDCs. Based on these processes and proposals, the Directorate of the Economy in collaboration with the PDPs drafts the development plans for the provinces. This plan then goes to the ministries and line directorates to develop the budget. Each line ministry then

90 Provincial Planning and Budgeting Policy Dialogue, Kabul, 11 October 2015.

91 Provincial Planning and Budgeting Policy Dialogue, Kabul, 11 October 2015.

92 Provincial Planning and Budgeting Policy Dialogue, Kabul, 11 October 2015.

*presents the plan to the MoEc to be assessed by the Budget Committee, which consists of MoF, MoEc, Ministry of Foreign Affairs, and Office of Administrative Affairs of the Council of Ministers Secretariat. The projects are then presented to the Cabinet for approval, and upon approval, they are presented to the line ministries for implementation.*⁹³

This planning process may demonstrate a desirable situation, but it does not occur across all ministries and departments in Kabul and the provinces. MRRD may follow this model, especially through mechanisms like CDCs and DDCs under the NSP.

There seems to be a gap between the *de jure* and *de facto* functions of the MoF and MoEc as well as IDLG. MoEc, which should lead the planning process, is side-lined because of its limited capacity, especially in the first year of the previous decade, and donors' preference for working with MoF to allocate aid.⁹⁴ There is now a need to identify a single authority to coordinate and monitor the planning process, preferably MoEc.

Nevertheless, the MoF is more powerful than a typical Ministry of Finance. It not only deals with issues concerning public financial management, such as the budget, revenues, and payments, but it also looks after national policies and programmes. IDLG faces a similar dilemma and challenge to coordinate the subnational processes that overlap with other ministries. This has created ambiguity among the different government departments, resulted in institutional rivalries, and undermined the implementation.

A number of studies financed by foreign donors have found that the excessive centralisation, the lack of clarity about the roles of ministries in Kabul and provincial department, and the inadequate provincial capacity have hindered effective planning and resource allocation. Ministries and civil society activists interviewed by the authors demonstrated fatigue from research and policy formulation. This reform fatigue, as the informants argued, originates from the inaction to implement the reforms. Many studies have examined how to improve planning and budgeting in Afghanistan, but the government mostly neglects the recommendations of such studies.

However, recent developments are encouraging. As indicated above, the government approved a new PBP in October 2015. It also revised the SNGP, which is now under consideration by the Cabinet and President. It is expected that the new SNGP will clarify the different institutional roles. These policies may also address some of the deficiencies in provincial planning and budgeting.

The new PBP ambiguously attempts to introduce deconcentrated bottom-up planning and budgeting. To support these efforts, clarity in the budgeting policy is needed. In addition, CDCs and DDCs should provide input for the PDPs. The PDCs will coordinate the process, and the elected PC will approve the provincial budget; governors will lead the process. However, while some of the institutional roles seem clear in this policy, others remain blurred. The implementation of this policy is thus awaiting subsequent measures to be adopted by the different institutions. In practice, planning and budgeting at the provincial and national levels are largely disconnected. If ministries in Kabul unilaterally decide about the provincial budget, this may reinforce the continuity of the existing system. Another challenge is the absence of an integrated provincial budget. The allocation of discretionary provincial funds may pave the path for establishing a framework to develop an integrated provincial budget. The implementation of the new PBP therefore remains a challenge.

The implementation of the PBP is linked to the successful implementation of reforms in other ministries and departments. The weakness of the ministries in Kabul and the departments in the provinces further challenges this implementation. The PBP, for example, calls on the Directorate of Treasury to develop new guidelines to regulate allotments and payments. This shows that even the policy does not identify the clear roles and changes in the allotment and payments process. It may take more than a year for the concerned departments to develop the necessary guidelines. Sometimes, if there is a need to change a law, it may take *years* for the current planning and budget practices to be aligned with the new policy.

93 Provincial Planning and Budgeting Policy Dialogue, Kabul, 11 October 2015.

94 Observation made at the Provincial Planning and Budgeting Dialogue, Kabul, 11 October 2015.

Thus, it is necessary to review the PBP in the medium term to improve it based on the lessons learned. This policy is not comprehensive or clear enough, but it is a major step forward in terms of improving provincial planning and budgeting. The PBP should thus be revised based on the lessons learned and expert inputs in the medium term.

5.3 Consensuses and disagreements

A consensus has emerged among the Afghan government and foreign donors that the central government in Kabul should delegate certain decision-making rights to provincial governors and departments. This type of deconcentration is envisaged in the Constitution of Afghanistan, but it has not yet been realised. The Afghan government has emphasised the need to deconcentrate the delivery of certain services within the existing unitary state framework, and in this respect, IDLG and MoF have carried out the technical process. A deconcentration working group has been established to identify the key steps for deconcentration and consult with the different stakeholders.

Recently, some of the institutional roles for provincial planning and budgeting have been clarified through the PBP, and the same is expected with the upcoming SNGP. To some extent, the PBP clarifies the roles of the MoF, MoEc, line ministries, provincial department, elected PCs, and *mustofiats* in the planning and budgeting process. According to PBP, the provincial governors will approve the provincial plans and budget proposed by the PDC and Public Financial Management Committee, respectively. The PDCs will coordinate provincial planning and budgeting among the different departments and stakeholders, while *mustofiats* and provincial economic directors are expected to coordinate the provincial budgeting and planning processes.

MoF and MoEc will align the provincial planning and budget proposals within the budget framework. The ministries will then identify resources for national projects according to the sector ceilings and allocate the funds to their provincial department. The Budget Committee will determine the initial provincial budget ceiling. Provincial departments will then prepare their budget as requested by the respective ministries in Kabul. According to the PBP, provincial department will align their budget proposals based on the PDPs. PCs have a consultative role. The PBP envisages that MoF will establish a Provincial Public Financial Committee in each province to communicate and coordinate between the line ministries and their provincial departments. This policy calls on foreign donors to support the provincial budgeting process by providing technical assistance and funding local governance programmes.

Despite the overall consensus on delegating certain decision-making rights to provincial governors and departments, these rights along with the mechanism and timeframe are not yet clearly defined. On many occasions, the PBP has been awaiting the formulation and review of other relevant regulations or policies, which constrain its implementation. The PBP should be further clarified, as, for example, it does not envisage consolidated provincial budgeting. While the transfer of unconditional funds to the provinces is mentioned in the policy, it does not stipulate the amount of conditional funds available to a province or the discretion of a province to transfer the funds within the existing provincial budget ceiling from one project to another.

The policy does not sufficiently clarify the implementation monitoring process. Process management seems to be the main concern. While the Deputy Director of IDLG stated that the governors' role will be strengthened in the area of implementation monitoring, this might raise concerns about conflicts of interest. The governors are representatives of the executive branch of the state. They therefore might have little incentive to challenge ministries and departments. While the elected PCs could play a more objective role in implementation monitoring, they do not officially have such a role. According to the PBP, they will provide input to the plans and budgets rather than oversee the implementing agencies. These policies mostly explain the processes. A clear demarcation of the authority among the central and provincial institutions is imperative. If such issues are not addressed, then many of the good efforts and processes will be ineffective. The PBP is an important document, but it is still a work in progress; its implementation is pending until the relevant reforms are achieved in the line ministries and provincial department.

Politics has affected the planning and budgeting processes in the last decade. This is evident through the way in which senior appointments have been made in the provinces. In particular, governors have significantly affected provincial institutions. The Karzai government largely appointed governors and other senior provincial officials based on political consideration, including their affiliation with influential politicians and political parties.⁹⁵ Most of the governors lacked the minimum technical capacity and leadership skills needed to address the complexities of planning and budgeting and utilise the existing local capacities.⁹⁶ Problems thus arose in the areas of coordination, trust, capacity, and commitment. Inadequate trust between the central government and provincial leadership in many provinces has hampered the process to efficiently identify and finance local priorities.⁹⁷

5.4 Limited capacity

The lack of capacity is a misleading term that different actors often use to describe subnational governance in Afghanistan. Referring to the deficit of skills as a lack of capacity neglects the other capacity aspects needed by a department such as staff, basic rules and regulations, and infrastructure. The government departments at the provincial and district levels as well as the basic laws, despite some being outdated, do exist, thus representing a basic unit of capacity at the subnational level. However, the capacity of provincial department is limited, and they lag behind in effectively planning and preparing their budgets and implementing projects. The government capacity to deliver services varies from province to province. Generally, provincial department are weak and fragmented. Since late 2001, the government and donors have focused on building the capacity of the ministries and departments mainly in Kabul. Thus, an unbalanced capacity-building programme was implemented. While the new PBP to some extent identifies the roles of the different provincial entities and departments, it underestimates the need for decentralised capacity building. The government should implement capacity-building programmes in parallel to the implementation of reforms for improving provincial planning and budgeting.

The implication of the new PBP on the structure of provincial department is not included in the policy. The changes are built in the structure as well as the terms of reference of the existing departments and officials. The Civil Service Commission can play an important role in coordinating the capacity-building process across different departments. Three areas in particular require urgent attention. First, the budget calendar should change, allowing for the provincial department and PDCs to prepare their plan and link it with the provincial budget. Second, the departments should be restructured so that they can appoint officials to prepare the plans and budgets on regular basis. Third, a comprehensive capacity-building programme should be initiated.

Some of the PDPs included wish lists and unrealistic targets, thus making them less effective. For instance, one provincial line directorate proposed a plan costing over a US\$1 billion—more than the total budget of the ministry. While this may indicate that the provinces have limited planning capacity that fails to recognise the fiscal limitations of Afghanistan, another reality is also apparent. This problem is common in preparing the development budget and may be attributed to the poor capacity of the line ministries to identify the budget ceilings. Often, the provincial department are not aware of the available funds or *budget ceilings*. This lack of information may lead to unrealistic planning. A Director at MoEc notes that MoF does not provide provincial ceilings for the relevant planning entities, which leads to unrealistic planning.⁹⁸

95 Malyar Sadiq, “Ra’Zi Taqarur-I Vāli Ha: Gūzarish Vīzha [The Secret of governors’ Appointments: Special Report]” (Kabul: The Killid Group, 2010).

96 KII, Member of the Lower House, Kabul, 10 October 2015.

97 KII, Member of the Lower House, Kabul, 10 October 2015.

98 KII, Director at MoEc, Kabul, 6 October 2015.

5.5 Accountability deficit

The government has neglected to promote and institutionalise accountability at the provincial level. In particular, the government has not given adequate attention to develop mechanisms that strengthen internal and external accountability in design, resource allocation, and implementation. The SAO largely focuses on auditing the central government accounts. The neglect of provincial accountability has thus institutionalised a culture of apathy among public servants. This situation is exacerbated by the poor participation of citizens in processes that can help hold provincial actors to account. Further, downward accountability mechanisms are weak. To date, elected PCs have (only) had a consultative role. In this context, the executive branch may have had little incentive to objectively monitor the implementation of projects or budget execution.

Evidence demonstrates that peoples' participation in planning and budgeting may enhance accountability. The elected development councils (e.g., DDCs) under the NSP are a notable example, as these are accountable and trusted entities. No major waste and mismanagement of funds have yet been recorded under this programme, and people participate in the planning, implementation, and execution of local projects.⁹⁹ Two mechanisms have been crucial in making the NSP a success. First, the Afghan government in agreement with foreign donors established clear roles for the design, monitoring, and implementation of community projects. Second, people fully participated in the process and in holding different actors to account.¹⁰⁰

A member of the Lower House noted that the governors are political appointees. For the most part, they abide by neither the Procurement Law nor the Public Financial Management Law, and they have discretion in influencing project contracts and making payments. Governors follow the President.¹⁰¹ They are not accountable to the PC. While the government in Kabul understands that the governors follow the President, the parliament argues that accountability of governors to the President undermines democratic accountability and the role of elected bodies such as the PCs and parliament.

In addition, according to the interviewed member of the lower house, the Director of the IDLG considers himself to be the head of the governors, but he is the Director of an administrative support agency for governors. In theory, the governors should report to the Director of the IDLG who in turn submits his reports to the President. "But some governors do not even feel accountable to the President; why then would they hold themselves accountable to IDLG?"¹⁰² It is noted that when resources are pushed to the provincial levels, the *ratio of ineligible payments to eligible payments* increases in the treasury accounts if the accountability mechanisms are not strengthened, and the actors are not held to account. Deconcentrated budgeting may thus increase corruption and waste.

The PBP allows Provincial governors to oversee the provincial implementation process. But the oversight role of the elected PCs is not clearly defined. When governors represent the executive branch of the state, it is critical to clarify whether the PC can also oversee the performance of the governors. If governors lead the provincial planning and budgeting, then in practice the PCs should oversee the performance of governors and provincial departments. Such oversight is even more crucial if greater budgetary powers are assigned to the governors.

Thus, it is imperative for deconcentrated planning and budgeting to also enhance accountability. The new policy neglects how the SAO should oversee provincial planning. The oversight role of the elected PCs is not yet clearly defined. These areas thus require immediate, but cautious attention. It is imperative to gradually implement reforms to address the problems arising from excessive centralisation, blurred institutional roles, limited capacity, and accountability deficit.

99 KII, former minister, Kabul, 11 October 2015.

100 Barakat and Strand, "Mid-Term Evaluation Report of the National Solidarity Programme."

101 KII, Member of the Lower House, Kabul, 10 October 2015.

102 KII, Member of the Lower House, Kabul, 10 October 2015.

5.6 Recommendations

In the previous sections, it was mentioned that two options are currently viable for Afghanistan in the short and medium term: vertical deconcentration and Turkish-style deconcentration. Vertical deconcentration is uncertain, as the executive may be extremely timid about giving up its powers to the legislative, which would not only approve the budget of the central ministry, but also those of each provincial department. Until resolved, such concerns related to the political economy may be a roadblock to vertical deconcentration.

Because of the involvement of many different stakeholders (executive, legislative, and even ministries fear losing power), deconcentration reforms should be gradually implemented. At this juncture, greater signatory power without separate provincial budgets, similar to the Turkish case, would be a more feasible option as a starting point, with the ultimate aim of establishing provincial budgets integrated with those of the line ministries in three to five years. This situation resembles that of Cambodia where the legislature approves both the central and provincial budgets. Adopting such an approach may require an assessment of the implementation process to readjust the course with regard to the Afghan context.

Any attempt at reforming the planning and budgeting system require a long-term approach in which the subnational framework is clearly defined, government functions are shifted from the centre to the provinces, a holistic programme of capacity building is implemented, and downward accountability is strengthened. Some of our concrete recommendations include the following.

Deconcentrating the planning and budgeting process

- Clear rules (norms) should be established for the allocation of ministerial budgets to provincial department by assessing the outcome of pilot practices (especially for the development part of the budget).
- The signatory powers of the PLDs should be increased, and accountability mechanisms such as stricter internal control and audit mechanisms should be created at the provincial level with no separate budgets at the initial stage.
- During a trial period of two to three years, if step one proves promising, Line departments should be allowed to prepare integrated and vertically deconcentrated provincial budgets using provincial mechanisms and to send them to the ministries for consideration and legislature approval.
- Horizontal deconcentration (provincial department budgets are under the authority of the governors) should be considered as a long-term approach, only after accountability mechanisms for the governors have been put in place.
- The timeframe for budget formulation should be extended.

Identifying the roles of stakeholders and the coordination mechanisms in Kabul and the provinces for planning and budgeting

- The root causes of disagreements and institutional rivalry in planning and budgeting processes should be assessed.
- A functional review of new roles and responsibilities to be shared between central and provincial department should be conducted.
- A legal review should be conducted to propose modifications to the Public Finance and Expenditure Management and Procurement Law with regard to the budget calendar, budget hearings, fiscal rules, and red tape in procurement process.
- Strategies should be initiated to strengthen consensus and cooperation among stakeholders.
- The roles of elected PCs and PDCs should be clearly defined.
- MoF and MoEc should develop a clear mechanism to integrate the provincial plans and budgets into a national plan and budget by bringing more clarity to the process.

- In the light of potential urbanisation problems, urban aspects of provincial planning should be well integrated in the national plans.

Building the planning and budgeting capacity of provincial department

- An assessment joint committee (MoF, MoEc, and IDLG) should be established to review the existing capacity of provincial department and identify the priority areas for capacity building.
- A national project should be established to train provincial staff in planning and budgeting. Donor efforts should be coordinated to respond to these needs.
- An exchange programme should be initiated to allow provincial staff to work in Kabul for short periods of time.

Improving subnational accountability

- The capacity and credibility of the SAO and PCs should be increased, as should parliamentary oversight.
- A needs assessment of the SAO should be conducted and technical support provided with the help of donors' audit institutions.
- Provincial SAOs should regularly inform the PCs about the audit processes.
- Audit reports about central and provincial directorates should be regularly published in a citizen-friendly format.
- Internal procedures should be improved, and information on the executed budget and expenditure should be made public.
- Participatory planning, social audits, and budget advocacy should be supported with a focus on gender-responsive budgeting.
- Members of parliament should be kept informed about the parliamentary oversight of national and provincial budgets through training and the creation of a support unit comprising budget experts for members of parliament.
- Fiscal transparency should be reinforced through the publication of provincial budgetary statistics.

Appendices

Appendix 1: Vertically deconcentrated spending delegation and revenue assignment to provincial line directorates with no separate budgets (Turkish General Directorate of Highways)¹⁰³

In the case of the Turkish General Directorate (GD) of Highways, the vertical deconcentration of spending powers is more visible. The GD of Highways is a public agency under the central government with its own revenues (toll bridge fees, rental income from properties, income from the sale of properties, etc.), but it also receives appropriations from the national budget to finance its expenditure. Its headquarters are located in Ankara, while it has 17 regions with 81 provinces across the country. At the beginning of the budget preparation cycle, MoF sends each central department the budget ceilings based on historical costs adjusted for inflation. Differing from the Afghan budget cycle, the announcement of budget ceilings takes place at the very beginning. Second, GD allocates these assigned ceilings to the regions. This allocation does not follow a formula, but is based on historical ceilings for each region adjusted for next year's inflation.

Once the regions receive their ceilings, they prepare both their operational and development budgets that include both ongoing and new development projects, which are all consulted and decided upon by the Provincial Coordination Committee. The GD headquarters collects this information to prepare the GD's national budget to be negotiated with the Ministry of Development and included in the National Investment Programme. Only major development projects such as the construction of highways are contracted at the centre, but executed and monitored by the regional departments.

After GD's budget is approved by parliament, provincial department are informed about their allotments. The executives of the provinces have pre-assigned spending powers that can be used in making operational budget payments as well as contracting development projects in their provinces. They also have certain flexibility in moving appropriations between the lines without pre-approval from their GD. Cash is dispatched by a fully computerised central treasury account based on the financing programmes of all line departments on a quarterly basis.

¹⁰³ KII, Head of Internal Audit Unit of General Directorate of Highways, Ankara, Turkey, 22 December 2015.

Appendix 2: National and provincial planning structure in Turkey

In Turkey, the Ministry of Development (formerly, the State Planning Organisation), as defined by Organisation Law, is in charge of planning. It prepares strategies, five-year plans, medium-term programmes (three-year rolling plans), and regional development strategies. The ministry also provides guidance to central and local authorities to prepare their strategic plans.

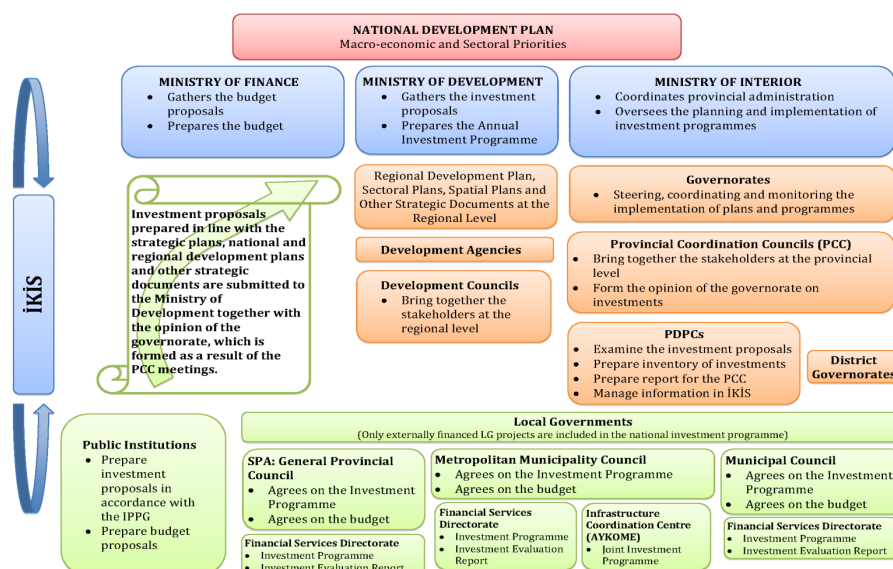
The Public Financial Management and Control Law (No. 5018) defines the principles of the proposal process for public investment projects. Accordingly, public investment projects (excluding local government projects that do not use external financing) are prepared, implemented, and monitored in accordance with the timing and provisions that the Ministry of Development set through the Investment Programme Preparation Guide and other relevant legislation. The ministry is also in charge of monitoring the inventory of public sector projects.

Provincial entities also play an important role in the planning and coordination of the public investment programme. Governorates need to ensure that both cooperation and coordination exist among the different institutions during the preparation, implementation, and monitoring phases, and especially that the appropriations are used in a timely manner for the dedicated purpose. Provincial Coordination Councils are legally set up to fulfil this responsibility. Development projects that are agreed at the Provincial Coordination Councils are sent to the relevant ministries to be included in the investment programme while respecting the budget ceilings. governors’ offices are equipped with a Provincial Planning Coordination Unit and staffed by experts who are subject to qualification exams prior to recruitment.

Participation in the planning process is ensured at the national level through a number of special *ad hoc* committees, comprising academics, professional NGOs, business representatives, trade unions, and research organisations, at the beginning of every five year development plan period. Participation at the provincial level is mostly done through consultative bodies, namely Provincial Coordination Councils, Development Councils, and Citizen Advisory Committee.

The figure below describes the main actors in the integrated national and provincial development process.¹⁰⁴

Figure 3: Development planning hierarchy and provincial coordination in Turkey¹⁰⁵



104 European Union and Ministry of Interior of Turkey, “Technical Assistance for Strengthening of Local Investment Planning Capacity with the Participation of Local Actors: Background Information on Public Investment Process in Turkey,” www.tulip.org.tr/Portals/0/public_investment_process_in_turkey.pdf, November 2014 (accessed 21 May 2016).

105 IKIS: Turkish acronym for the management information system known as “Provincial Coordination and Monitoring System.”

Bibliography

Allen, Richard and Daniel Tomassi, ed. *Managing Public Expenditure: A Reference Book for Transition Countries*. Paris: OECD, 2001.

Atiyas, İzak and Şerif Sayın. "Budgetary Institutions in Turkey." *Topics in Middle Eastern and North African Economies 2* (2000).

Atiyas, İzak and Şerif Sayın. "Political and Managerial Accountability and Budget System [in Turkish]." Istanbul: Turkish Economic and Social Studies Foundation, 1997.

Barakat, Sultan and Arne Strand. "Mid-Term Evaluation Report of the National Solidarity Programme (NSP), Afghanistan." York and Kabul: The University of York and Ministry of Rural Rehabilitation and Development of Afghanistan, 2006.

Beard, Victoria, Faranak Miraftab and Christopher Silver, ed. *Planning and Decentralization*. Oxon: Routledge, 2008.

Bizhan, Nematullah. "Continuity, Aid and Revival: State Building in South Korea, Taiwan, Iraq and Afghanistan." GEG Working Paper 2015/109, University of Oxford, 2015.

Bizhan, Nematullah. "Improving the Fragile States' Budget Transparency: Lessons from Afghanistan." GEG Working Paper 2016/117, University of Oxford, 2016.

Boex, Jamie and Hamish Nixon. "Norm-Based Provincial Budget Allocations for Education in Afghanistan: Technical Guidance for Agreeing a Norm-Based Approach for 1390." Washington, DC: World Bank, 2010.

Boex, Jamie. "Exploring Afghanistan's Subnational Fiscal Architecture: Considering the Fiscal Linkages between Villages, Districts, Provinces and the Centre." Washington, DC: The Urban Institute, 2012.

Brinkerhoff, Derick W. *Governance in Post-Conflict Societies: Rebuilding Fragile States*. London: Routledge, 2007.

Brosio, Giorgio and Juan Pablo Jiménez. "Maintaining Taxes at the Centre despite Centralization, Interaction with National Reforms." In *Is Decentralization Good For Development?*, edited by Jean-Paul Faguet and Caroline Pöschl, 179-195. Oxford: Oxford University Press, 2015.

Centre for Budget and Governance Accountability. "Information Toolkit on the National Budget of Afghanistan." http://www.cbgaindia.org/files/primers_manuals/Information%20Kit%20on%20the%20National%20Budget%20of%20Afghanistan.pdf (accessed 20 March 2016).

Emperingham, A. Roy. "Study on Deconcentration in Line Ministries." Coffey International Development, 2013.

Equality for Peace and Democracy. "Independent Review of Afghanistan 1395 Draft National Budget." Kabul: Equality for Peace and Democracy, 2015.

Erman, Tahire. *Pretending to be a Residential Tower: An Urban Renewal Story of a Shanty Town in Northern Ankara [in Turkish]*. Istanbul: İletişim Publishing House, 2016.

European Union and Ministry of Interior of Turkey. "Technical Assistance for Strengthening of Local Investment Planning Capacity with the Participation of Local Actors: Background Information on Public Investment Process in Turkey." www.tulip.org.tr/Portals/0/public_investment_process_in_turkey.pdf, November 2014. (accessed 21 May 2016).

Faguet, Jean-Paul, Ashley M. Fox and Caroline Pöschl. “Does Decentralization Strengthen or Weaken the State?.” In *Is Decentralization Good for Development?*, edited by Jean-Paul Faguet and Caroline Pöschl, 129-162. Oxford: Oxford University Press, 2015.

Ghani, Seema and Nematullah Bizhan. “Contracting out Core Government Functions and Services in Afghanistan.” In *Contracting out Government Functions and Services: Emerging Lessons from Post-Conflict and Fragile Situations*, edited by OECD and AfBD, 97-113. Paris: OECD Publishing, 2009.

Interim Administration of Afghanistan. “National Development Framework (Draft for Consultation).” Kabul: Afghanistan Assistance Coordination Authority, 2002.

International Monetary Fund. “Islamic Republic of Afghanistan: Ex Post Assessment of Longer-Term Program Engagement.” Country Report No. 16/23, International Monetary Fund, 2016.

Islamic Republic of Afghanistan. “Afghanistan National Development Strategy (ANDS), 1387-1391 (2008-2013).” Kabul: ANDS Secretariat, n.d.

Islamic Republic of Afghanistan. “The Constitution of Afghanistan.” Kabul: Government of Afghanistan, 2004.

Islamic Republic of Afghanistan. “Development Cooperation Report 2010.” Kabul: Ministry of Finance, 2010.

Islamic Republic of Afghanistan. “Development Cooperation Report 2012.” Kabul: Ministry of Finance, 2012.

Islamic Republic of Afghanistan. “Subnational Governance Policy-Draft.” Kabul: Independent Directorate of Local Governance, 2015.

Islamic Republic of Afghanistan. “Provincial Budgeting Policy.” Kabul: Ministry of Finance, 2015.

Islamic Republic of Afghanistan. “State of Afghan Cities.” Kabul: Islamic Republic of Afghanistan, 2015.

Kumar, Sanjay. “Interview: Ashraf Ghani.” *The Diplomat*. 2 October 2014.

Ministry of Finance. “Budget Execution Report 11 October 2015.” Kabul: Ministry of Finance, 2015.

Ministry of Finance, Directorate General Budget. “Provincial Budgeting.” <http://www.budgetmof.gov.af/index.php/en/using-joomla/modules/provincial-budgeting> (accessed 13 March 2016).

Ministry of Finance, Directorate General Budget. “1396 Budget Planner, Key Dates.” <http://www.budgetmof.gov.af/images/stories/DGB/BPRD/Plannner/Budget%20Planner%201396/English-Planner%201396.pdf> (accessed 5 June 2016).

Ministry of Finance and Ministry of Economy. “Assessment of M&E Systems in Ministries and Agencies.” Kabul: Ministry of Finance and Ministry of Economy, 2014.

Miraftab, Faranak. “Insurgent Planning Situating Radical Planning in the Global South.” *Planning Theory* 8, no. 1 (2009): 32-50.

Miraftab, Faranak, Christopher Silver and Victoria Beard. “Situating the Contested Notions of Decentralized Planning in the Global South.” In *Planning and Decentralization*, edited by Victoria Beard, Faranak Miraftab and Christopher Silver, 1-18. Oxon: Routledge, 2008.

Morgner, Matthias. “Context Analysis: Sub National Budgeting in Afghanistan.” GIZ Regional Capacity Development Afghanistan, 2015.

Morgner, Matthias. "Capacity Assessment: Sub National Planning and Budgeting in Afghanistan." GIZ Regional Capacity Development Afghanistan, 2015.

Nijat, Aarya, Kristof Gosztonyi, Bashir Feda and Jan Koehler. "Subnational Governance in Afghanistan: The State of Affairs and the Future of District and Village Representation." Kabul: Afghanistan Research and Evaluation Unit, 2016.

Nixon, Hamish. "Subnational State-Building in Afghanistan." Kabul: Afghanistan Research and Evaluation Unit, 2008.

Popal, Abdul Baqi. "Municipalities in Afghanistan." Kabul: Independent Directorate of Local Governance, 2014.

Quraishi, Ahmad. "50 Major Promises Each by Abdullah and Ghani." *Pazhwak News*. 11 June 2014.

Reddy, Sanjay G. "Planning is Dead. Long Live Planning! The Prestige of Planning in India and the World." <https://reddytoread.files.wordpress.com/2015/09/planningcommission16sept2015.pdf> (accessed 20 March 2016).

Sadiq, Malyar. "Ra'Zi Taqarur-I Vāli Ha: Gūzarish Vīzha [The Secret of Governors' Appointments: Special Report]." Kabul: The Killid Group, 2010.

Saltmarshe, Douglas, and Abhilash Medhi. "Local Governance in Afghanistan: A View from the Ground." Kabul: Afghanistan Research and Evaluation Unit, 2011.

Shurkin, Michael. "Sub-National Government in Afghanistan." Santa Monica, CA: RAND Corporation, 2011.

Simson, Rebecca and Bryn Welham. "Incredible Budgets: Budget Credibility in Theory and Practice." Working Paper 400, Overseas Development Institute, 2014.

Spahn, Paul Bernd, Shorouq Faraj Mubarak al Hashem, Jürgen Binder, Steven Tweedie and Zayyan Zawaneh. "The Quest for Decentralizing Government in the Hashemite Kingdom of Jordan: Some Preliminary Findings of a Situation Analysis." EuropeAid, 2011.

Sonderforschungsbereich 700 'Governance in Räumen Begrenzter Staatlichkeit' [Governance in Areas of Limited Statehood]. "Glossar: Governance." <http://www.sfb-governance.de/programm/glossar/governance.html> (accessed 8 March 2016).

Tadbeer. "Follow-Up on Project Proposal Processing at National Level on Behalf of Provincial Development Committee in Badakhshan Province." Final Report. Kabul: Tadbeer, 2015.

Tadbeer. "Integrated Capacity Building of Badakhshan Sub-national Government on Public Finance Management." Kabul: Tadbeer, 2015.

Transitional Government of Afghanistan. "Securing Afghanistan's Future: Accomplishments and the Strategic Path Forward." Kabul: Government of Afghanistan, 2004.

United Nations Development Programme. "Local Governance, Peace Building and State Building in Post-Conflict Settings." UNDP Discussion Paper, United Nations Development Programme, 2007.

United Nations Population Fund. "United Nations Population Fund and Government Decentralisation: A Study of Country Experiences." New York: Office of Oversight and Evaluation, United Nations Population Fund, 2000.

United States Agency for International Development. "USAID Initiative to Strengthen Local Administrations (ISLA)." <https://www.usaid.gov/news-information/fact-sheets/usaid-initiative-strengthen-local-administrations-isl>. 13 April 2015 (accessed 21 May 2016).

Wadsam. “Afghanistan’s 2016 Budget Focuses on Mega Development Projects.” *Wadsam*, 13 December 2015. <http://wadsam.com/afghan-business-news/afghanistans-2016-budget-focuses-on-mega-development-projects-333/> (accessed 18 April 2016).

Watson, Vanessa. “Seeing from the South: Refocusing Urban Planning on the Globe’s Central Urban Issues.” *Urban Studies* 46, no 1 (2009): 2259-2275.

World Bank. “Afghanistan Provincial Brief.” Washington, DC: World Bank, 2014.

World Bank. “Afghanistan—Public Financial Management and Accountability Assessment.” Washington, DC: World Bank, 2013.

World Bank. “Service Delivery and Governance at the Sub-National Level in Afghanistan.” Washington, DC: World Bank, 2007.

World Bank and DFID. “Working Paper for Afghanistan Public Expenditure Review.” Washington, DC: World Bank, 2010.

Request for Feedback

AREU is very interested to hear from its research users. Whether you are a regular reader of our publications, have attended an AREU lecture or workshop, use the library, or have only just become familiar with the organisation, your opinions and feedback are valuable. They can help us deliver on our mandate as best we can by informing our approach to research and the way we communicate results. The easiest way to provide feedback is to email areu@areu.org.af.

Alternatively, you can call +93 (0)799 608 548. You are free to tell us what you like, but some potentially useful information is:

- How you engage with AREU (i.e., through publications, meetings, etc.)
- What you use AREU research for
- How you receive AREU publications
- Whether you use hard or soft copy versions
- How publications could better present information to you
- Your thoughts on our research processes or results
- Suggested areas of research
- Your favourite AREU publications or events
- What you believe we could do better
- Your field of interest, employment or study, as well as location

Recent Publications from AREU

All publications are available for download at www.areu.org.af, and most in hardcopy for free from the AREU office in Kabul.

Date	Publication Name	Author	Available in Dari	Available in Pashto	Research Theme	Publication Type
July 2016	Subnational Governance in Afghanistan	Aarya Nijat; Kristof Gosztanyi; Basir Feda, and Jan Koehler			Subnational Governance	Issues Paper
July 2016	The Role of Civil Society in Promoting Good Governance in Afghanistan	Orzala Ashraf Nemat and Karin Werner			Civil Society and Governance	Issues Paper
May 2016	A Balancing Act for Extractive Sector Governance	Javed Noorani and Lien De Broukere			Mining & Governance	Issues Paper
May 2016	Developing transboundary water resources: What perspectives for cooperation between Afghanistan, Iran and Pakistan?	Vincent Thomas with Mujib Ahmad Azizi and Khalid Behzad			Natural Resource Management	Case Study
May 2016	A Closer Look at Men and “Masculinities”: Their Proactive Contribution to Gender Equality	Leah Wilfreda RE Pilongo, Chona R. Echavez, Pervaiz Tufail, SayedMahdi Mosawi	✓	✓	Gender	Policy Note
April 2016	A State Built on Sand: How Opium Undermined Afghanistan	David Mansfield			Natural Resource Management	Book
April 2016	Briefing Note on Fieldwork in Kandahar Province, December 2015 - January 2016: Opium Poppy and Rural Livelihoods	Paul Fishtein	✓	✓	Natural Resource Management	Brief
March 2016	The Afghan National Army After ISAF	Antonio Giustozzi & Ali Mohammad Ali			Governance	Briefing Paper
February 2016	The Devil is in the Details: Nangarhar’s continued decline into insurgency, violence and widespread drug production	David Mansfield	✓	✓	Natural Resource Management	Brief
January 2016	The Other Side of Gender Inequality: Men and Masculinities in Afghanistan	Chona R. Echavez; SayedMahdi Mosawi, and Leah Wilfreda RE Pilongo	✓	✓	Gender	Issues Paper



All AREU publications can be downloaded from our website (www.areu.org.af). Many are also available for free in hardcopy from the AREU office in Kabul.

Afghanistan Research and Evaluation Unit
Hs. 144, 3rd street on the left from Charahi Haji Yacoub toward Charahi Shaheed, First block on the right Shahr-i-Naw Kabul, Afghanistan
Phone: +93 (0) 799 608 548
Email: areu@areu.org.af
Website: www.areu.org.af

ISBN 978-9936-628-24-3



9 789936 628243