

## National Budget 2016 (1395): Budget Allocation and Citizens Participation in Afghanistan

### Introduction

Afghanistan is a country extremely depends on foreign aid. Approximately, 70% of the national budget is funded by international donors since 2001. Although, budget is a strong tool to reduce poverty, provide employment opportunities and move country toward development, but regrettably the centralized planning, budgeting and decision making processes with dramatic government budget consultation and traditional mechanism has not only increased poverty, insecurity, and unemployment, but also negatively affected inflation rate, brain drain and investment which worsen the economy and development of Afghanistan.<sup>1</sup>

This policy brief is about national budget 2016 in order to increase public awareness about national budget, and their rights and roles of participation in the budget allocation, execution and oversight processes, especially during budget consultation process in order to ensure budget transparency, accountability and participation in Afghanistan. This policy brief also aims at advocating to the government to establish and implement international-standard mechanisms through which the government allocate fair budget through citizens participation and accountability to them, and as well as citizens are allowed to oversight from budget execution process. This will also open floor for the citizens to advocate for their own and citizens' priorities to influence people and country development.

### Macro-Economic Outlook

Afghanistan's economic will worsen in 2016. The government poor leadership in economics stability, low budget execution rate, poor control over inflation rate, outflows of financial assets, and insecurity are the critical causes to worsen the economic condition in Afghanistan. Recently, the government has formed new direct and indirect taxes, for example 10% of tax on top up cards, and increasing of the income tax, and custom taxes will increase the domestic revenues, but as a result will effect on the inflation rate which burdens must tolerate most of the poor citizens.<sup>2</sup>

The nominal GDP is growing slowly 2.1% in 2014, 2.6% in 2015, 4.4% in 2016, 4.9% in 2017, and 5.2 in 2018 which are from agriculture, infrastructure, and services which is very tiny progress in comparison with the gradually inflation rate.<sup>34</sup>

However, the increasing in inflation rate and inadequate investment on the agriculture and livestock, handicraft, and infrastructure, and as well as being a consumer country, will not be an optimism for people's and country economic development, except a long term strategy like Self-Reliance Mutual Accountability Framework commitment is not implemented properly to fairly



<sup>1</sup><http://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1395%20Budget/1395%20National%20Budget%20Draft%20sent%20to%20%28Parliament%29.pdf>

<sup>2</sup> Ibid

<sup>3</sup> Ibid

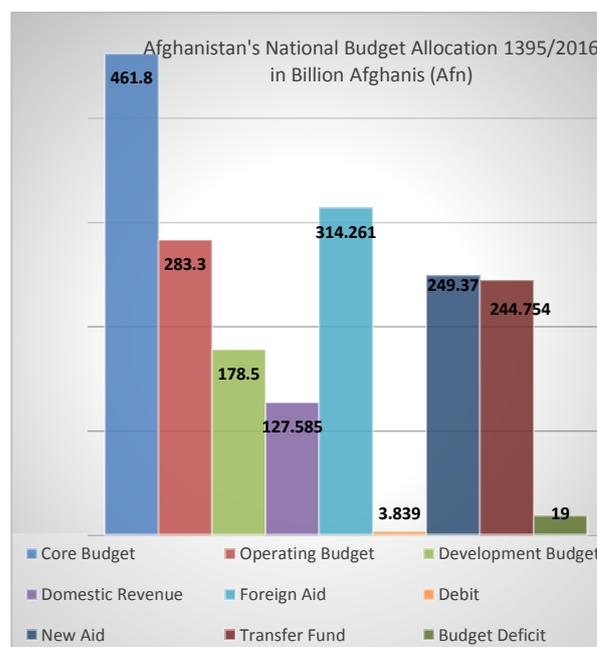
<sup>4</sup> <http://www.statista.com/statistics/262062/inflation-rate-in-afghanistan/>

generate and spend public finance for people and country development.<sup>5</sup>

## National Budget 2016 (1395): An Overview

Afghanistan's core national budget expenditures has been estimated about Afn 461.8 billion (USD 7.331 billion) of which about Afn 283.3 billion (USD 4.497 billion) or approximately 61% is allocated for operation budget and about Afn 178.5 billion (USD 2.883 billion) for development budget for the Fiscal Year (FY) 1395. The total committed fund by donors is about Afn 155.738 billion (USD 2.472).

Afghan government has been only able to finance Afn 127.585 of the total Afn 461.8 billion from its domestic revenues. The total new development



The below budget allocation presents the budget allocation based on sectors in the National Budget Draft 1395 which has sent to the parliament for approval:

Operating and Development Budget for Fiscal Year 2016/1395					
Sectors	Afn plus 000		Total		Percentage
	Operating Budget	Development Budget	Afn plus 000	USD plus 000	
Security	181,272,234.8	1,691,028.4	182,963,263.2	2,904,178.8	40%
Governance and rule of law	13,950,696.0	3,310,391.5	17,261,087.5	273,985.5	4%
Infrastructure and natural resources	5,922,382.5	84,264,461.3	90,186,843.7	1,431,537.2	20%
Education	37,441,937.7	22,148,432.7	59,590,370.4	945,878.9	13%
Health	2,959,532.4	23,464,007.9	26,423,540.2	419,421.3	6%
Agriculture and rural development	2,080,101.0	30,388,509.9	32,468,610.9	515,374.8	7%
Social protection	21,282,233.2	1,700,090.0	22,982,323.2	364,798.8	5%
Economy and development of private sector	2,990,351.7	10,599,553.3	13,589,905.0	215,712.8	3%
Discretionary codes	15,423,926.1	945,000.0	16,368,926.1	259,824.2	4%
<b>Total</b>	<b>283,323,395.3</b>	<b>178,511,474.9</b>	<b>461,834,870.2</b>	<b>7,330,712.2</b>	<b>100%</b>

## Challenges

<sup>5</sup> <http://www.mofa.go.jp/mofaj/files/000102254.pdf>

Afghanistan is a country with limited budget transparency, accountability and participation in the budget processes. The government is making very little budget information public on timely basis with lack of clarity in the revenue generation, budget allocation and execution.<sup>6</sup> This is because the government does not implement international good practices to establish new policies and mechanisms and specify roles and responsibilities of stakeholders while budget formulation and execution where transparency budget, accountability and participation are respected. However, the government has been weak in planning and budgeting which as a result provides unclear information about tax, non-tax and by categories and individual sources of revenues, and as well as the sources of debt to be generated from internal and external for at least next five years to reduce poverty, is not been reported in the current draft of the national budget statement 2016 which has been sent to the Parliament for approval. In addition, there is no proper measures for reducing poverty through allocated budget, and budget allocation based on age, and gender, and as well creating employment opportunities for exact numbers of citizens, however the unemployment rate has increased from 25% in 2014 to 40% in 2015<sup>7</sup>.

However, certain reasons has contributed to minimize budget accountability and participation which corruption, lack of delegation of planning and budgeting to the provincial levels, and fear of budget decentralization are from the major causes which has also affected budget execution rate in Afghanistan in the past years. Therefore, if these challenges remain unsolved, poverty, insecurity, unemployment, brain drain, violation of citizens' participation rights, corruption, inflation and many other issues that worsen the country economy and development will remain stable.

Afghanistan scored 42 out of 100 in Open Budget

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<sup>6</sup> <http://internationalbudget.org/wp-content/uploads/OBS2015-Report-English.pdf>

<sup>7</sup> <http://www.rawa.org/temp/runews/2015/10/02/unemployment-rate-spikes-in-afghanistan.html>

<sup>8</sup> <http://internationalbudget.org/wp-content/uploads/OBS2015-Report-English.pdf>

Survey 2015 which is an international survey about budget transparency and conducted in 102 countries in 2015 (including Afghanistan). The low

score of Afghanistan was due to lack of implementation of international good practices that enhance BTAP in the budget formulation and execution processes and as well as provide budget information public on timely manner. <sup>8</sup> International best practices proves budget transparency, accountability and citizen participation as crucial methods for ensuring people and country development. People will receive better services through fair, and transparent budget allocation and execution, if government could establish proper mechanisms for budget integrity in light of provincial budgeting policy of Afghanistan and according to the International Monetary Fund (IMF),<sup>9</sup> Organization for Economic Cooperation and Development (OECD),<sup>10</sup> and International Organization for Supreme Audit Institutions (INTOSAI) guidelines,<sup>11</sup> and implement them, will promote budget transparency, accountability and oversight in Afghanistan. This will facilitate that government fairly allocate the budget, increase rate of expenditure, and get citizens support which will contribute to implement part of commitment in the Self-Reliance through Mutual Accountability Framework (SMAF) of the government to reduce poverty, create employment opportunities and respect citizens' rights for people and country development.

However, CSOs have been trying in recent years to improve budget transparency, accountability and engage citizens in the budget processes, but it has been ineffective without government proper BTAP framework and specification of stakeholder roles and responsibilities, especially while budget allocation and execution processes. Therefore, only establishing and implementing of international good practices through government political will to improve planning and budgeting by transparent, accountable and participatory manner could ensure citizens' rights and development in Afghanistan.

<sup>9</sup> <https://www.imf.org/external/pubs/ft/expend/>

<sup>10</sup> <http://www.oecd.org/dac/effectiveness/49066168.pdf>

<sup>11</sup> <http://www.intosai.org/issai-executive-summaries/view/article/intosai-gov-9100-guidelines-for-internal-control-standards-for-the-public-sector.html>

## Recommendation

- The Ministry of Finance (MoF) should establish and implement a proper mechanism for budget transparency, accountability and participation to be consistent with international best practices and International Monetary Fund (IMF), and Organization for Economic Cooperation and Development (OECD), guidelines.
- The government should establish proper mechanisms with specified authorities and responsibility to the stakeholders, especially giving the role of planning and budgeting to the provincial councils and role of oversight to the civil society.
- The MoF should mobilize CSOs in order to establish and present a proper framework where CSOs could collaborate with the MoF for further citizens' awareness in the planning, budgeting and oversight from budget execution at national and sub-national levels.
- The government should allocate budget based on citizens' priorities to reduce poverty, provide employment opportunities and encourage investment.
- The Budget Commission of Parliament-Wolse Jirga should engage CSOs and media in the consultation meetings related to draft of the national budget at the Parliament.
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## About Integrity Watch Afghanistan

Integrity Watch is an Afghan civil society organization committed to increase transparency, accountability, and integrity in Afghanistan.

## Integrity Watch Mission

The mission of Integrity Watch is to put corruption under the spotlight through community monitoring, research, and advocacy. We mobilize and train communities to monitor infrastructure projects, public services, courts, and extractives industries. We develop community monitoring tools, provide policy-oriented research, facilitate policy dialogue, and advocate for integrity, transparency, and accountability in Afghanistan.

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For information about the Afghan government progress on implementation of TMAF please visit: <http://iwaweb.org/tmaf/index.html>

