

Afghanistan Public Policy Research Organization

**The Budget Process and Budget Advocacy:
A Handbook**

October 2017

Training Manual

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Table of Contents

Introduction	5
Public Expenditure Budgeting Principles	5
Budgeting in Afghanistan.....	8
Structure of National Budget.....	9
Budgetary Reform	10
Formal Budgeting Process	11
Drafting.....	11
Legislation.....	13
Implementation.....	13
Auditing and Evaluation.....	13
Budgeting Process in Practice	13
Drafting.....	14
Legislation.....	15
Implementation.....	15
Auditing and Evaluation.....	15
Civil Society and the Budgeting Process	16
Entry Points for Civil Society.....	16
Drafting.....	16
Legislation.....	16
Implementation.....	16
Auditing and Evaluation.....	16
Budget Advocacy	16
What is Budget Advocacy?	16
Why Budget Advocacy?.....	17
Conclusion	18

Introduction

This manual has been developed as part of the project “Citizen-State Engagement for Transparency and Accountability in Health and Education Sectors”. The funding for this project was provided by European Union Delegation – Afghanistan through a partnership grant awarded to Oxfam and its partners, Afghanistan Public Policy Research Organization (APPRO) and Peace Training and Research Organization (PTRO).

This manual is structured in three parts and serves as a resource for understanding the budget process in Afghanistan and identifying entry points for civil society to engage with budgeting authorities to ensure that citizens’ needs and concerns are accounted for and addressed in budget decisions.

The first part of this manual describes the basic principles of budgeting within a good governance framework. The second part describes the budgeting process in Afghanistan. The third part of this manual focuses on how and during which stages of the budget process CSOs and Local Authorities (LAs) can jointly influence budgeting decisions of the national government and elected officials to include local needs and priorities in annual government budgeting, particularly in the health and education sectors.

Public Expenditure Budgeting Principles

Governments operate on the basis of having a budget. Efficient, effective, and responsible budgeting is based on a clearly structured public expenditure management system and policy. Expenditure policy addresses the question of "what" is to be funded while expenditure management is used to ensure "how" expenditure policy objectives are to be met.

Within the framework of good governance, the questions of what and how are answered based on the principles of good governance, emphasizing the importance of the interface between state authorities and civil society. A strong and vibrant civil society and an enabled government responsive to its citizens are the two key foundational components of a democratic society that functions according to the principles of good governance. These principles are participation, rule of law, transparency, responsiveness, consensus, equity, effectiveness and efficiency, accountability, and a strategic vision (Box 1).¹

Government budget can control economic activity and social development, directly or indirectly, at different levels, from the national to the local. Thus the budget has taken on a number of other functions as well as the simple monitoring of the overall revenue and expenditure of government. Expenditure programs are now planned in considerable detail, but the sheer scale of public spending raises major control problems, and varying systems of control have been tried in different countries.²

¹ APPRO (2017), “Evidence-based, Constructive Advocacy: A Handbook”, available from: <http://appro.org.af/publication/evidence-based-constructive-advocacy-a-handbook/>

² Organization for Economic Co-operation and Development available from <http://www.oecd.org> (is the information taken from this organization’s website?)

The main source of funds for government budgeting purposes is direct taxation. Government borrowing is used to finance deficits, which may occur due to general shortage of funds or emergencies such as war or natural disaster. In Afghanistan a major part of funds for government budgeting purposes comes from international donors. More generally, taxation is used not only to raise revenue for the government but also to redistribute income and to encourage or discourage certain activities.

Box 1: Principles of Good Governance

Participation: All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.

Rule of law: Legal frameworks should be fair and enforced impartially, particularly the laws on human rights.

Transparency: Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them

Responsiveness: Institutions and processes try to serve all stakeholders.

Consensus orientation: Good governance mediates differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures.

Equity: All men and women have opportunities to improve or maintain their wellbeing.

Effectiveness and efficiency: Processes and institutions produce results that meet needs while making the best use of resources.

Accountability: Decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organizations and whether the decision is internal or external to an organization.

Strategic vision: Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

Source: APPRO (2017)

Governmental approach to budgeting varies from country to country. In the United Kingdom, for example, most of the planning on the national budget is carried out in secret by ministers and civil servants, with minimal public or parliamentary debate. In contrast, budgets in the United States are subject to lengthy debates during which the budget can be changed significantly. The different levels of government complicate the budgetary process with differing spheres of influence and control over particular items of expenditure.

A functioning public expenditure budgeting process should have the following elements or principles:

Institutional framework: Clearly defined principles should be set out in a country's constitution, the budget law and related legislation. The regulatory framework should provide a sound balance between the legislative and the executive powers. Parliament must be enabled to properly examine the budget, and debate and review fiscal policies. For good macroeconomic management and efficient allocation of resources, the budget should cover all revenues and expenditures. Extra-budgetary funds and sources of external finance should be integrated into the national budget.³

³ OECD Best Practices for Budget Transparency, available from <http://www.oecd.org/gov/budgeting/best-practices-budget-transparency.htm>

Medium-term Expenditure Framework (MTEF): The MTEF is annual, rolling three year-expenditure planning. It sets out the medium-term expenditure priorities and hard budget constraints against which sector plans can be developed and refined. MTEF also contains outcome criteria for the purpose of performance monitoring. MTEF together with the annual Budget Framework Paper provides the basis for annual budget planning.⁴

Budget preparation process: There should be a well-defined and widely understood sequence of steps in the budget preparation process, allowing sufficient time for each step to be implemented efficiently. Procedures used for preparing the budget for operational and capital investment expenditures should be integrated. Hard budget constraints should be included. The draft budget should be presented to parliament in an appropriate format to allow parliament to examine it properly. It should specify the government's fiscal policy objectives, the macroeconomic framework, the budget policies and identifiable major fiscal risks. Budget information should be presented to the public in a clear and accessible form.⁵

Budget execution and monitoring: The line ministries should enforce spending limits stipulated by parliament, and the ministry of finance should be able to supervise these limits. The ministry of finance should monitor and control the flow of expenditures during the year on the basis of a unified system of financial accounts.⁶

Accounting and reporting: Budget and accounting categories at the national level should have a common system of classification that facilitates policy analysis and promotes accountability.⁷

Financial control: A comprehensive statutory base defining the systems, principles and functioning of management control, or internal control, is required.

Procurement systems: One of the key ways of achieving this goal, and other related and essential elements of good governance, is to have an efficient procurement system in which competition is encouraged for contracts awarded by public sector bodies. Sound procurement policies and practice can reduce costs of public expenditure; produce timely results; stimulate the development of the private sector; and reduce waste, delays, corruption and government inefficiency.

Budget management of the Funds: In order to comply with this, governments should have the capacity to present multi-annual programs involving careful co-ordination between partners at different levels of government, well-designed co-financing procedures and sound technical and economic appraisal of such programs.⁸

⁴ Synergy International Systems, Inc. "State budget planning system of Afghanistan, Ministry of Finance" 2012 available from:
http://dadafghanistan.gov.af/dad/Documents/help/Application/ENG/UsersGuide/AFGHANISTAN_SBPS_UserManual.pdf

⁵ Making the National Budget the central instrument of policy and reform, Chapter 6, available from:
http://siteresources.worldbank.org/AFGHANISTANEXTN/Resources/305984-1137783774207/afghanistan_pfm_chapter6.pdf

⁶ Government of Afghanistan (1396/2017), "National Budget Decree final Dari version", available from:
www.budgetmof.gov.af

⁷ Ministry of Finance (2010), "Final Public Financial Management Roadmap", in Dari, available from:
www.budgetmof.gov.af Ministry of Finance (1394/2015), "Citizen budget", in Dari, available from:
www.budgetmof.gov.af

⁸ Government of Afghanistan (1396/2017).

Budgeting in Afghanistan

The modern Afghan state is largely dependent on foreign aid to pay the salaries of the civil servants, maintain provision of basic services, and sustain its national security forces. Most of the national budget is financed by international donors. For example, in Fiscal Budget Year 1396, only 38% of expenditures were from domestic resources while 61% of expenditures came from foreign aid and 1% from loans.⁹

A key condition for Afghanistan to continue to receive foreign aid is to abide by key principals and standards of accounting and budgeting in financial management. These are:¹⁰

- **Aggregate Fiscal Discipline:** The Medium Term Fiscal Framework (MTFF) has been prepared by the Ministry of Finance (MoF) to set the fiscal and budgetary aggregates prior to budget formulation and in order to avoid higher debt, higher interest rates, higher inflation and lower GDP growth rates.
- **Allocative Efficiency:** The National Budget should be in alignment with priorities of Afghanistan National Development Strategy (ANDS) in order to achieve government objectives. The government has experimented with different programs such as program budgeting to meet this principle of budgeting but more work needs to be done specially with donors for the external budget in order to align the external budget with ANDS priorities.
- **Operational Efficiency:** Spending Ministries should aim to eliminate waste and produce goods and services at a cost that is efficient. Program budgeting pays the ground for inclusion of strategic priorities, outputs and outcomes in annual budget. Moreover, effective parliamentary scrutiny of audit findings also strengthens accountability of performance.

Box 2: International Principles of Good Budgeting

Comprehensiveness: the budget must cover all the fiscal operations of Government, encompassing all public expenditures and revenues, to enable full and informed debate of the trade-offs between policy options.

Predictability: Spending agencies should have certainty about their allocations in the medium term to enable them to plan ahead. Stable funding flows support departmental planning and efficient and effective delivery of expected outputs.

Contestability: No item in the budget should have an automatic claim to funding. All policy and attached funding should be regularly reviewed and evaluated in order to ensure prioritization and optimal performance of spending agencies.

Transparency: All relevant information required for sound budgetary decision making should be available in an accessible format, and in a timely and systematic fashion. But information needs to be accurate, reliable and comprehensive.

Periodicity: The budget should cover fixed period of time, typically one year, and the process of compiling the budget should follow a clear and reliable schedule that is agreed upon by all stakeholders and published in advance.

Source: Budgeting and parliamentary budgetary institutions in Afghanistan, available from <http://www.nyulawglobal.org/globalex/Afghanistan1.html>

⁹ Ministry of Finance, 1396 National Budget, available from http://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1396_Budget/1396%20National%20Budget%20-%20Approved%20-%20English%20dated%2025Feb2017.pdf

¹⁰ Budgeting and parliamentary budgetary institutions in Afghanistan, available from <http://www.cid.suny.edu/publications1/Budget%20Book%20English%202.pdf>

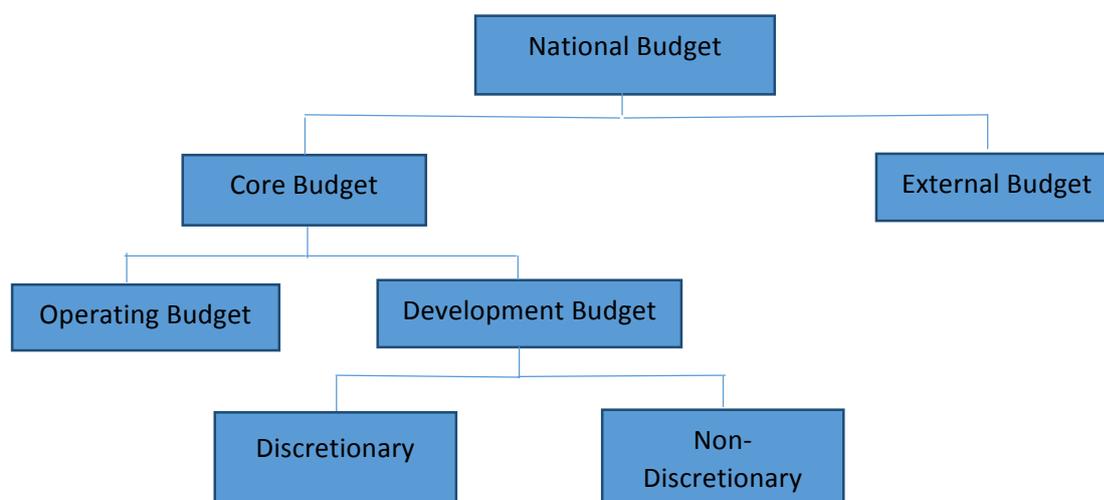
Structure of National Budget

The National Budget in Afghanistan consists of two parts, **Core Budget** (“On Budget”) and **External Budget** (“Off Budget”). In the past several years, on average 60 percent of the country’s budget is externally sourced, or is off budget.¹¹ The remaining 40 percent allocated through the core budget is prepared and executed by the government and approved by the national assembly of Afghanistan. The core budget is prepared mainly by the MoF in consultations with line ministries and is approved by the cabinet before it goes for final and formal approval to the parliament. The implementation of the budget is processed using public finance management systems by the ministries and MoF. The oversight of budget execution is carried out by the Parliament.¹²

The core budget itself is divided into two parts: the operating and development budgets. The **operating budget** consists of salaries, goods and services. The **development budget** consists of projects and programs funded by donors. The development budget consists of **Discretionary** and **Non-Discretionary** categories. In discretionary grants the government can have influence on choosing the projects but in non-discretionary grants, donors decide on choosing the projects and places where the projects should be implemented.

The external budget is prepared and implemented by donors either through private contractors or NGOs without directly involving the government in the process. The size of the external budget is larger than the core budget.

Table 1: Afghanistan National Budget Structure



Source: Ministry of Finance of Afghanistan, Dari PPT on National Budget Preparation Process.¹³

¹¹ Budgeting and parliamentary budgetary institutions in Afghanistan, available from <http://www.cid.suny.edu/publications1/Budget%20Book%20English%202.pdf>

¹² This section is based on interviews with Ministry of Finance officials.

¹³ This is based on a PowerPoint presentation set of slides provided by the Provincial Budget Unit of the Ministry of Finance during an interview.

Budgetary Reform

The reforms that have been introduced and implemented within Public Financial and Expenditure Management framework include:¹⁴

- **Replacement of Afghanistan Traditional Budgeting by Program Budgeting:** The budget preparation method in Afghanistan from 1386-1389 was carried out through “line-item budgeting.” In 1390, as part of the reform agenda, the Cabinet of Afghanistan has approved the Program Budgeting. The main difference between program budgeting and traditional line-item budgeting is that the program budgeting is expected to align resources with intended outputs and outcomes while the line-item budgeting presents expenditures by inputs and resources purchased. In other words, the line-item approach provides information on how much money is spent and how it is spent while the program approach provides information on what it is spent and what will it achieve. Currently all ministries and budgetary units prepare their budgets based on program and submit it to MoF (from 1390-1396). Also in budget hearing meetings now the focus is more on achievement and planned results. For Parliament approval, MoF submits two types of budget: tradition budget (development projects and major object codes of operating budget) for budget allocation and program budget for more transparency. This has provided the ministries to enhance their programs quality and for the parliament to better understand the information provided in program budget format.

Some of the main characteristics (key objectives) of program budgeting can be summarized as below:

1. Has a mechanism to implement government policies and objectives (ANDS) by creating strong links between annual budget and ANDS outputs and outcomes. This will help ministries to allocate resources in a way that achieve their expected results.
 2. Brings together/integrate the operating and development budget regardless of funding source. This will take into account the future running and maintenance cost of the existing investing/development projects. It can also provide a comprehensive picture of all costs associated with a particular priority of the ministry.
 3. Helps ministries to better justify their budgets in terms of ANDS priorities to Parliament and Cabinet and what they have achieved as results and achievements with the money spent.
 4. Helps the government to allocate its resources effectively to high priority and strategic objectives.
- **Provincial Budgeting:** According to the Constitution the government is responsible for balanced development across the country. To fulfil this responsibility, the Provincial Budgeting Policy was approved by the Ministers’ Council and the Cabinet in 2015. Implementation of provincial budgeting started in 2016 with four pilot ministries (MRRD, MAIL, MoPH, MoE). Provincial budgeting policy is designed as a three-year implementation plan to achieve fiscal decentralization and provincial budgeting reform in different stages. In 2016 guidelines and special forms were designed for the preparation of budget and to record budgetary needs of provincial entities. Provincial BC1 and BC2 forms and guidelines are sent to provinces based on budget preparation timetable.
 - **Operation and Maintenance reform:** O&M Policy has been developed to bring reforms in the operation and maintenance for public assets, approved by the Cabinet in late 2015. This policy

¹⁴ Ministry of Finance, 1396 National Budget, Available from http://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1396_Budget/1396%20National%20Budget%20-%20Approved%20-%20English%20dated%2025Feb2017.pdf

provides opportunities to further develop norms for estimation of O&M cost. The policy covers two aspects of operation and maintenance of public assets. The main objective of the policy is to reflect government vision regarding public assets in a way that results in service delivery through reliable performance, linked with methods of guaranteeing cost effectiveness. This policy has been implemented in 29 ministries and budgetary units in 2017.

- **Public Private Partnership:** PPP is a new initiative of the government in the area of good governance, efficient delivery of services and development of infrastructure facilities. The Government of Afghanistan has a PPP Law, approved by the Cabinet in 1935. Directorate General of PPP is located at MoF.
- **Gender Responsive Budgeting Reform:** This reform is designed to mainstream gender through national budget process of line ministries. This reform ensures that the specific needs of women are into account in program budgeting and that different outputs and outcomes are assessed in terms of gender. GRB pilot ministries are: MoE, MoHE, MoPH, MoLSAMD, MAIL, MRRD.
- **Budget Performance and monitoring and reporting:** This reform is one of the pillars of program budgeting institutionalization which aims to strengthen the government's accountability for annually planned results. Through this reform government wants to ensure transparency, effectiveness and efficiency of national budget to people, national assembly and donors. This reform started in 1389 at the Ministry of Finance. Currently 45 ministries/agencies have adopted this reform and have been sending their report on a quarterly basis to MoF. These reports are checked and approved by the Ministry of Finance and sent to the Cabinet and National Assembly.

Formal Budgeting Process

Afghanistan's budgeting stages are drafting, legislation, implementation, auditing and reporting. These stages usually overlap because when drafting stage of one budget year is in the process, the auditing and reporting stage or the mid-year review of the previous budget year is in progress. Each stage of the budget has different responsibilities and actors.¹⁵

Budgeting is a process rather than an event and budget cycles are ongoing and interconnected. The drafting and legislation stages start before beginning of the relevant fiscal year (for example the drafting and legislation stages of 1397 is done now) and implementation stage starts when fiscal year starts and continues till it ends. Audit stage starts in the following end of fiscal year.

The key actors are the Executive Branch of the government (particularly MoF), Legislative Branch of the government (National Assembly), and the Supreme Audit Institution. Other actors include civil society, research institutions, the media and donors. There is a nine-month fixed budget timetable for budget preparation.

Drafting

Drafting stage is the budget formulation stage which takes almost one year in most countries. Afghanistan for the first time adopted a standard 9 month budget timetable for 1386. This stage is the most closed stage of the budget process almost in most of the countries. The main actor is Executive (MoF). At this stage the Budget Department of MoF is responsible for coordinating the budget drafting process with executive.

¹⁵ This section (Formal Budgeting Process) is based on the information in the different documents provided by MoF, the budget department website and the paper: Budgeting and parliamentary budgetary institutions in Afghanistan, available from <http://www.cid.suny.edu/publications1/Budget%20Book%20English%202.pdf>.

The first step is to finalize the budget calendar in consultation with the Budget Committee and then Cabinet identifies national priorities based on Afghanistan Peace and Development Strategy Framework.¹⁶ Macro and Fiscal Policy Department of MoF then set the macroeconomic and fiscal policy framework for the budget year and estimate available revenues in order to establish the total resources that will be available for spending, based on them prepare Fiscal Strategy Paper (FSP). Then FSP (which actually is the ceilings determined for each ministry and budgetary units) is sent to High Economic Council (HEC) for approval.¹⁷ MoF presents the new budget rules and the FSP to the Budget Committee.

- **Budget Circular No.1:** The next step is preparation of Budget Circular 1 (BC1) by MoF according to HEC decisions and sending it to the line ministries in consultation with MoEc. Central Budget units send BC1 to its provincial departments.¹⁸ MoF conducts BC1 workshops in consultation with MoEc and explains new budget rules. MoF departments at provinces (Mustofiaats) conduct workshops for provincial officials under the provincial budgeting reforms. Based on the ceilings, line ministries (this year in consultation with their relevant provincial units) submit their budget proposals in BC1 to both MoEc and MoF. MoEc in cooperation with MoF review project proposals (based on Afghanistan Peace and Development Strategy Framework) and prioritize proposals (projects) according to the decision of HEC.

The 1397 Budget Calendar of the Ministry of Finance has provisions for consultation workshops with civil society organizations.

- **Budget Circular No.2:** next step is to send Budget Circular 2 (BC2) to line ministries. This BC2 form includes approved budget ceilings, costing guidelines and other related forms. BC2 is also shared with provincial departments and workshops are conducted both at central and provincial levels. It should be ensured that the necessary projects draft documents are received so that they could be financed by donors' agencies. Then, budgetary units in consultations with MoEc complete documentation for their respective projects in the specific forms (prepared by MoF) with the cooperation of MoEc. MoEc then evaluates and approves costing mechanisms of the projects and implementation capacity of the budgetary units. Line ministries send their completed BC2 forms to MoF and MoEc after aggregation of provincial budget proposals in the forms.
- **Budget Hearings:** MoF will prepare a timetable for these meetings. Every ministry and budgetary units would have one hour to defend their proposed budget. At this step, the budget proposals are evaluated and analysed on the basis of budget ceilings and costing guidelines by Budget Directorate of MoF. Then, the budget request summary, its evaluation and analysis is presented to Budget Committee and the donor consultations are finalized by Budget Directorate of MoF. Budget Hearing meetings are conducted by General Directorate of Budget of MoF, in participation with the Budget Committee and budgetary units to make decisions on budget requests in accordance with the relevant guidelines. Civil society can also participate in this meetings and monitor the process.

At the end of this process a Budget Committee's extraordinary meeting is organized to finalize the decisions of budget hearing meetings regarding the draft budget for the fiscal year according to the

¹⁶ Budget Committee members are representatives from: MoF, MoFA, AOP, MoEc, MoWA

¹⁷ HEC was established in 1395 but in the FY Budget 1397 actively got involved in the budget process. This committee determined the budget ceiling for spending ministries based on the ministry's last year performance in spending the budget. Previously the ceiling was determined by the Budget Committee.

¹⁸ A step of implementation of Provincial Budgeting Reform.

instructions of High Economic Council (HEC). A consolidated budget is then first approved by Cabinet and sent to the National Assembly for final approval.

Legislation

According to the Constitution (Article 90, 95 and 98), one of the main responsibilities of the National Assembly is to approve the National Budget. A draft budget is presented to the Legislature a few months before the new fiscal year starts. The Constitution requires that the draft budget be submitted at least 60 days before the New Year. During this stage the National Assembly scrutinizes the expenditure and revenue proposals of the Executive. It can approve or reject the whole budget.

If approved, the budget first it goes to the Meshrano Jirga (Upper House) where it is reviewed. It is then sent on to Wolesi Jirga (Lower House) with comments. The Budget and Finance Committee of the Lower House reviews and discusses with Executive represented by the MoF and makes final recommendations whether to approve or reject the Budget to the plenary session. When it is approved by the Parliament it is sent to the President for final approval and signature (توشیح). If the Budget is not approved by the Parliament, it is sent back to MoF for MoF to consult with other ministries to incorporate Parliament comments.

Implementation

The implementation phase starts from the beginning of the fiscal year, which is March 21st in Afghanistan. The execution or implementation stage of the budget process is mainly done by the Executive. According Afghanistan Budget Law, Article 52, the MoF usually plays a leading role in ensuring that funds are appropriated to spending ministries in line with the approved budget. Due to unanticipated macroeconomic or fiscal shocks or less than anticipated donor assistance, certain expenditures may be cut below voted amounts and other adjustments however, undermine the credibility of the Budget. Any significant adjustments to the budget should captured in supplemental appropriations that are tabled in the legislature for approval. Afghanistan in the past few years has been implementing the Mid-Year-Review of the Budget. Which is also approved by the National Assembly. Any adjustments have to be minimized even during the Mid-Year Review so that the Budget can be a credible exercise from the beginning till the end.

Auditing and Evaluation

The Auditor General analyses Government accounts and financial statements. In most countries, the audit of accounts is followed by the consideration of audit findings by the Legislative. If the process is effective, any recommendations based on audit findings are reflected in future budgets, which allows for continues improvements in public spending. Audit reports need to be produced and tabled in the legislature as quickly as possible to ensure their relevance and accuracy.

Under the Constitution and the Public Finance and Management Law, the Executive has the responsibility to prepare and execute the budget and the Legislature has the power to legislate the budget submitted by the Executive and provide oversight over budget implementation.

Budgeting Process in Practice

The findings from interviews with key informants from MoEc, MoF, MoE and MoPH show that the stages of the budget process in practice are similar to the procedures and the stages described in the previous section though there are some minor differences.

Drafting

It is mentioned in the documents that the consideration/allocation of the National Budget is based on the priorities of the government but in practice it is actually based on the available resources. That is why most of the times the budget allocated for MoE and MoPH don't reflect their needs. The deadlines indicated in the Budget Calendar are not usually met. There are usually delays (from one day to one week) in different activities from both sides: MoF and spending ministries. There is not a specific date allocated in the budget calendar for provincial departments that should be considered in the future budget calendars, considering the Provincial Budget reform there should be a time allocated for provincial departments. Based on the deadlines set by MoF for ministries at the centre, the ministries usually set a deadline for their provincial departments. This issue usually ends up in the missing the deadlines provided in the budget calendar.

- **Budget Circular No.1:** in practice the BC1 form has been sent late in FY Budget 1397. Usually it is sent in Hamal but this year it has been sent in Jawza. The reason of the delay is for some changes that have occurred in the budget process for example the High Economic Council active involvement in the budget process. The High Economic Council has determined the ceiling budget for each spending ministry and budgetary units for FY Budget 1397. The spending ministries and other budgetary units have not been notified of these changes. Before submission of BC1, each spending ministry will have a budget meeting with MoEc (this step is not mentioned in the documents). In these meetings, ministries will share the new proposed projects with MoEc also the ongoing projects that they need extra funding for. There will be negotiations on the projects and MoEc will let the ministries know that which projects would be approved and which ones would not. Based on these meetings, the ministries will fill the BC1. One of the other changes occurred in Budget 1397 is that all development projects used to go to MoEc for technical analyse and evaluation but now only the projects which worth 5 million USA dollar or below would be sent to MoEc and the projects worth more than 5 million USA dollar would be sent to MoF for evaluations and approval. This decision has been made by HEC.
- **Budget Circular No.2:** In previous years, the time given by MoF to complete the BC forms, especially BC2 which is more technical and detailed was one month but this year it has decreased to 10-15 days. Having provincial budgeting reform added to the budget process this year, the deadline for each form should be extended not decreased. In practice, usually the spending ministries propose budgets more than the amount of ceiling considered for them, hoping they can negotiate in the budget hearing meetings. It should be noted that ceiling is only for discretionary projects and in non- discretionary projects on the condition that the donor is agreed, the ceiling will not be considered. In case, there was a need for revision of BC1 and BC2 by spending ministries, there is not a set time, usually they will have one or two days to resubmit the forms. The ministries have faced the challenge of short deadlines in submission of their forms and also the presentations for budget hearing meetings. Because MoF delayed in sending the BC1 form but wanted to catch up with the rest of the budget process activities such as sending the draft budget on time to the parliament. Because Afghanistan is largely depended on foreign aid, after evaluating the proposed projects by ministries, negotiation meetings will be held between MoF and different donors. These meetings will be organized by Directorate of Aid Management in coordination with Budget Directorate. Minister of MoF will participate in these meetings. The MoEc responsibility in the budget process is to evaluate projects technically and check their relevancy with strategic priorities of the government. Mostly the responsibility of MoEc is neglected in the documents. The MoF and MoEc don't have the right to reject submitted BC forms by the ministries but they can suggest revisions. According to MoF, some of the ministries don't accept to revise their forms which it make a problem for them. These ministries would like to negotiate in the budget hearing meetings when presenting their proposed budget. In order to implement the provincial budgeting reform, MoF has two ways, the first way is the

common type of sending BC forms to provincial directorates. And the second way is a practice that has been implemented in different developing countries in different ways. That is allocating an amount of money for each province that is called 'Un-conditional Fund'.¹⁹

- **Budget Hearing Meetings:** In practice, these meetings usually lead up to negotiations between spending ministries and the MoF on the allocation of available resources among different ministries. Despite of the opportunity provided for civil society to participate in budget hearing meetings they don't have active participation in the budget hearing meetings.

Some of the challenges identified in implementing the provincial budgeting reform in practice are as follows:

- The budgeting capacity is low in the provinces. There have been some trainings conducted by MoF but they are not sufficient.
- As part of provincial reforms, each form needs to be signed by the PFM committee members at the provincial level.²⁰ This process has become a bit complicated and difficult for spending ministries as some of the new appointed people in each of these positions were not aware of the process. If each of this people didn't agree with the proposed projects, the provincial director of relevant ministry has to change the project.
- According to MoF, in implementation of provincial budgeting they face challenges because the ministries implementing this reform don't cooperate/feel ownership in the implementing of the reform. There is not a good coordination between ministries and their provincial departments. The other reason is lack of awareness about the provincial budgeting process between these ministries despite of conducting several workshops for them.
- The other problem in implementing the provincial budgeting reform is the scarce financial resources for the proposed projects by the provincial departments.
- The next problem in implementing provincial budgeting is financial resource management. The majority of development budget of Afghanistan is spent through non-discretionary budget. It means the government doesn't have any role in decision making. It is the donor which choose in which province the projects would be implemented.

Legislation

Usually MoF sends the draft budget 45 days before the new year to Parliament. The parliament can't delay the budget approval (it only has one month according to constitution, in any case if the parliament doesn't approve/amend the budget in one month, it will be considered final, article 97).

Implementation

In the implementation stage of the budget process as it is mentioned in the formal process the main actor is MoF. And there is not a significant difference between the implementation stages in procedures and practice.

Auditing and Evaluation

There are no differences between the procedures and practice.

¹⁹ In the FY Budget 1396 for each province 1 million dollar has been considered that has been divided in 4 ministries that implement the PB Reform.

²⁰ Stands for Public Financial Management and its members are: Mustofiaat in lead, Governor, Provincial director of Economy, Provincial director of women affairs and provincial budgeting specialist.

Civil Society and the Budgeting Process

An empowered civil society is a crucial component a democratic government system. Increased civil society participation in the budgeting process contributes to transparency and accountability of the government. Also, civil society plays an important role at the local level in keeping politicians and officials accountable for responsive and efficient delivery of public services.

Entry Points for Civil Society

Some of the opportunities for civil society to become engaged in the different stages of the budgeting process are as follows.

Drafting

As drafting stage is the most closed part of the budget process, there is little formal opportunity for civil society input. One of the ways to influence the priorities at the provincial level is through provincial level advocacy, based on evidence about the communities' needs. Using evidence, civil society can utilize information dissemination through the media as a means to capture the attention of the government authorities.

Legislation

Since the Parliament responsible for representing the interests of the citizens, civil society can influence the budgeting process by engaging with Parliamentarians. This stage is the first formal opportunity for legislative representatives to debate and in some cases change the budget. This increases the opportunities for civil society to express their demands through their representatives at the Parliament.

Implementation

Civil society can monitor, through local community monitoring, for example, whether and how budgeted activities are implemented. The implementation stage may also be used for collection of evidence by civil society to be presented to during the auditing stage.

Auditing and Evaluation

This stage is closed to the public. However, evidence gathered by civil society on implementation can be taken into account by the auditors during this stage.

Budget Advocacy

What is Budget Advocacy?

“Advocacy” means many different things in different contexts. When we talk about “budget advocacy” it means a strategic approach to influence a government’s budget choices, aimed at achieving clear and specific outcomes, for example, healthier people, less poverty, improved education, or environmental protection. All these outcomes are long-term objectives and, as such,

require a number of smaller, concrete steps to attain them. These steps include increased budget allocations over time and more oversight of how funds are spent.²¹

Policy and budget advocacy seeks to intervene in decision-making process in three fundamental ways:

- **Changing Policy:** Based on analysis of the problems involved, advocates champion the creation of new laws, new public programs or activities, or modifications to existing laws and programs, etc.
- **Changing the Decision-making System:** Advocates also turn their attention to the decision-making system itself, by demanding transparency and access to information, secure opportunities for public involvement, and clearer oversight over how public funds and public programs are managed.
- **Empowering People to Make Change:** Equally if not more important, effective advocacy also involves empowering the people whose lives are impacted by public decisions to understand the issues involved and to be able to take action on their own behalf.

It is by paying attention to each of these three advocacy elements and by integrating them together that civil society advocacy can have its greatest impact on what governments do and, in turn, on people lives.

Why Budget Advocacy?

Many of the problems and challenges countries face can be directly addressed through the government's budget process. For example, a country may want to ensure that all its children have access to high-quality education. The government can pass a law requiring that all children be enrolled in school, but if the budget does not include funds to build schools, hire and train teachers, and provide schoolbooks, there will be little chance of the enrollment requirement resulting in the desired outcome. This example illustrates how important budget advocacy can be in efforts to address social and development issues. It also shows that advocates will often need to approach their objectives from several fronts.

Budget advocacy, when it is most effective, combines two key elements. The first is budget analysis, the capacity to secure budget information, analyze it, and explain its implications in clear and compelling ways. The second element is strategic advocacy, the ability to get the word out about a campaign, mobilize the public, and reach out to policymakers and other stakeholders.

Civil society's ability to influence budget making choices is a function of technical knowledge and ability to understand budgets and analyze them and the ability to effectively communicate insights and recommendations based on a thorough analysis of budgeting information. Often, civil society organizations need to make alliances to ensure there is sufficient technical capacity and communication ability. Many of the tools and tactics for effective budget advocacy are the same as in other forms of advocacy.²²

²¹ This entire section on budget advocacy is based on "Orientation to Budget Advocacy", available from <https://www.internationalbudget.org/budget-advocacy/orientation/>

²² For additional information on evidence-based advocacy in more general terms, see APPRO (2017), Evidence-based, Constructive Advocacy: A Handbook, available from: <http://appro.org.af/publication/evidence-based-constructive-advocacy-a-handbook/>

Conclusion

Principles of the budgeting according to good governance have been described throughout this manual. And as discussed, obviously there is a connection between good budgeting and good governance. Therefore, it is important to note that good budgeting shares the same features with good governance. These features are effectiveness, efficiency, transparency, accountability and discipline.

There can be no good budgeting without good governance because good governance is a ground to achieving good budgeting. Better still, a sound budget management enhances the quality of governance. Thus, if a government claims to embrace good governance, the process of budgeting will reveal the true nature of such government.

The national budget is the government's most important economic policy instrument and should therefore reflect the nation's priorities. To be implemented, all public policies need to be financed through national budgeting.

Civil society can exercise influence on the government's decision making process on which public policies to fund and to what degree. To do so, civil society needs to be engaged in different steps of the budget process from the process of formulating the annual budget to overseeing its implementation and ensuring its alignment and relevance with the public's needs.

The Access to Information Law has provisions for the public to have access to government information, including budgeting information. This Law is a potentially effective instrument for democratizing the budgeting process and maximizing civil society's input into the budgeting process.

The Access to Information Law also obligates the government to make information available consistently and in a timely manner. For example, during the different steps of the budget cycle important and key budget documents such as executive budget proposal, supporting budget reports, and audit reports should be available at the right time in different stages of the budgeting process.

A key role that can be played by civil society organizations is to access budgeting information in a timely manner, analyze and interpret the information and share the findings with the public and local authorities. This type of intervention would maximize input from local communities and authorities for the budgeting process at the national level.